Boback Commercial Group

Sales • Leasing • Property Management

5 Must Know Tips About Commercial Real Estate

1. Hire a Good Commercial Real Estate Advisor(Broker)

A good commercial advisor can save you time and money. Looking for opportunities is time consuming, not to mention frustrating, and it can be expensive if you don't know the ropes. A commercial broker has many resources for locating and evaluating a property for your needs, whether it's for lease or sale. It sure beats driving around calling on signs you may see on a property. The best part is the advice is free.

Check the credentials and experience of an advisor you may be considering. What commercial experience do they have? No disrespect to our fellow residential realtors but they specialize in homes not office buildings and retail centers for sale or lease. It's a whole different world. Additionally, as with any profession, there are different levels of knowledge. Some advisors have more training and continuing education credentials that may make them more of an "expert" in their field. Professional designations like CCIM or SIOR indicate an elite level of expertise, performance and training.

What is the extent of their network? Where do they market? Are they highly visible in the local area with their marketing efforts? Will they cooperate with other Brokers to find you the best opportunity to lease or buy? These are all

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the questions you should be asking when considering a Broker. Take the time to investigate ….it will pay dividends in the long run.

2. Know The Market

The old saying “knowledge is power” speaks volumes when considering opportunities in commercial real estate. Being well informed on your own and through the assistance of your Broker can be both a time and money saver when all is said and done .The market, especially in the current economic environment, changes constantly. Supply and demand issues drive prices and availability. Opportunities come and go and the market knowledge factor can give you the edge to make decisions quicker.

That can help give you the best chance to secure the best deals, in the best locations, at the best possible price and terms.

The more you know the market the better you will understand the details of the opportunity you are considering. Whether you are buying, selling or leasing, a landlord or a tenant, it’s important to know whether you are comparing apples or oranges. The devil is definitely in the details.

Information on comparable completed transactions for sales and leases are available from many outlets. Your Broker, or most any commercial Broker, should be able to provide you with a report of completed activity versus listed properties for lease or sale. The report should contain specifics as to price, size, location, configuration and more. If you prefer to go it alone, which we would not recommend, other sources like the local property appraiser, newspaper or commercial Broker websites, where most list their available property listings, can give you some firsthand insight. On a national

level companies like Co-Star or Loopnet allow free searches through their platforms so you can compare other availabilities in the market. Both offer some additional services for a fee to access comparable closed transactions for both sales and leases.

The bottom line …. Do your homework.

3. Time Savers

The Internet is a beautiful thing. Use it to your advantage. You can find most of what you are looking for online in a number of places. Some of which were previously mentioned. Surprisingly enough, many people still do their property selection the old fashioned way by driving around an area and calling on every "available" or for sale/lease sign of they see. Unfortunately, without any prior knowledge of specifically what it is they are calling about, a lot of unnecessary energy is expended for them and the assortment of commercial Broker's they are calling. This method is highly inefficient. Further, opportunities of coming availability will not show up through this process so you may miss the perfect match. Of course, the "old fashioned way" can also be very frustrating. If you consider the time spent, gas burned, calls made and missed or just the plain aggravation of the process it should make you want to find another way.

Here is a suggestion to make the process more efficient and less time consuming.

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1. Go online, Google ….commercial real estate brokers (in the area you are looking) or commercial property or any combination thereof. You should find the resources you need to start looking. Most of the sites will provide listing profiles of properties for sale or lease. Many even have a marketing flier, some with floor plans or site plans and a wealth of additional, useful information. Of course, if you prefer and we recommend, pick a Broker that meets your standards and let them do the work .They will sort by your needs and give you the best options available.

2. Sort your information by size, price, location, etc. Determine the top 3-5 locations that meet your criteria.

3. Start your preliminary ground search. Do a drive by and see if the locations pass the visual test based on your standards. Now consolidate your list further to those you like most.

4. Contact your broker to set up some appointments to view the locations you like the best.

   This whole process can take less than a few hours. It sure beats driving around for days and weeks, making countless telephone calls, only to find that what you thought was the perfect property actually was not.

4. Show Me The Money

Money talks….truer words were never spoken as it pertains to commercial sales or leases.

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Landlords and sellers are a particular bunch when it comes making a deal. They want to know that the prospective buyer/tenant has the financial capability to close the deal or complete the lease to term. For tenants, many landlords request a personal or corporate financial statement, credit reports, first and last month rent and a security deposit. For buyers, a pre-qualification letter (if financing) and/or proof of funds to close will be expected with your offer, especially if you are dealing with a bank owned property.

Don't' take it personally when you are asked to prove you're capabilities to follow through on the transaction. The better prepared you are, for the financial aspects of the lease or purchase, will make the process a lot smoother. It also gives the landlord or seller more motivation to consider your offer since they know you are serious and have the capacity to finalize the transaction. Moreover, it saves all the involved parties considerable time and frustration knowing that a potential buyer or tenant has the potential get the deal done.

5. Common Mistakes and Misunderstandings

Zoning: Find out if what you are looking is properly zoned under government authority.

Building Code: Is the property up to current building codes. It can be very expensive for a buyer or tenant to find out, after the fact, that a property has expensive upgrades required.

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Sales Tax: Florida landlords must pay sales tax to the State on the total rent they collect including the expense (CAM) portion of the lease.

Triple Net Lease (NNN) vs. Gross Lease: There is a big difference. The NNN lease has the tenant responsible for expenses related to property insurance, real estate taxes and common area upkeep. It can go up or down annually. Gross leases are a set cost per month.

Liability Insurance: Tenants are expected to provide liability insurance to hold the landlord harmless if someone gets hurt on your premises. It's not expensive but often not considered by a tenant until lease time.

Deferred Maintenance: Buyers should perform detailed due diligence when considering the purchase of an existing structure. Overlooking some key maintenance items could cost you dearly in the long run. Check the roof, air conditioning system, structural components, electrical and plumbing systems.

Flexibility: Many landlords or sellers want to hold out for yesterdays lease rate or price. Be flexible to the market or don't be in the market. Empty space or unsold property does no good for your wallet. In many instances, especially in today's commercial economic climate, holding out for the last dollar ends up costing you more in the long run as you follow the market down in valuation.

Who Is Responsible For What: Whether you're a buyer or seller, a tenant or landlord be sure you know, and get in writing, who is responsible for the different aspects of the transaction. For buyer and sellers, who pays for title insurance, the property survey or documentary stamps on the deed? For

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landlords and tenants, who fixes the air conditioner or takes care of the plumbing if a pipe breaks or the toilet overflows. What if the roof leaks?

Of course, there are many more mistakes or misunderstandings that can cost you dearly. These are but a few of the more common ones. A good commercial advisor can help you navigate through the maze of "bumps in the road", however if you are going it alone these are some of the things to watch out for.

For a free property evaluation, property management assistance or help with finding the perfect lease or purchase opportunity visit our website at www.BobackCommercialGroup.com, or by calling us at 239-466-7770. The advice is free and "We Return Phone Calls".

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