

Real Estate Strategies

COMMERCIAL REAL ESTATE GROUP OF TUCSON LLC

“Commercial Property: Finding the Right Place and Negotiating the Best Price”

By Michael Coretz

The process of leasing or purchasing commercial property should be well thought-out, like any major business decision. The cost to lease or purchase is usually one of a company's largest annual expenses, and a site selection process should be implemented in advance to define specific needs, which will minimize wasted time in locating the ideal facility.

Whether a company is searching for office, industrial or retail space, there are specific items that need to be addressed before the inspection process begins.

1st: Defining Needs The two most important factors for a business to consider are how much space they require--allowing room for growth, and what geographic location will best serve the company. It is suggested that an internal questionnaire be developed which will shed light on existing and future needs. Items to consider include:

- * Number of current and anticipated employees
- * Number of private offices required with approximate square footage per employee (i.e., sales vs. executive offices)
- * Conference room, training room, kitchen area square-foot requirements
- * Storage, telephone, miscellaneous area square-foot requirements
- * Warehouse requirements - number of pallet positions, ceiling height, loading facilities, etc.
- * Light assembly/manufacturing requirements - number of machines/employees and power requirements
- * Access to labor market and customers
- * Transportation and parking requirements
- * The “image” that a property projects, and nearby services and amenities (restaurants, hotels, etc.)

2nd: Market Analysis Once a company's needs are defined, the time involved to identify suitable properties will be greatly reduced. In addition, owners and brokers will view this

prospective customer as a serious tenant/purchaser who has taken the time to determine their needs in a professional manner.

Sources to help you find suitable space include real estate brokers, classified advertising, economic development agencies and chambers of commerce. Finding an active, knowledgeable broker with a computerized listing system and internet access will help to streamline this process.

3rd: Property Inspections When inspecting suitable properties, ask as many questions as possible regarding landlord/seller responsibilities and expectations. This will help you gather information that can be utilized during the negotiation phase. It is easier to obtain information in a "non-negotiation" environment than at a later time. Specific items to address include: Condition of the premises at occupancy; age of the roof and mechanical systems, and environmental issues.

A professional broker should provide you with data sheets, site and floor plans, general information regarding the history of the property and, if required, a demographic profile of the area.

4th: Negotiation A "short-list" of suitable buildings should be pursued simultaneously to create a competitive environment, where landlords or sellers will want to compete for your business. It will also create various alternatives for you that will remove the emotion of focusing only on one property. Having a realtor (who has access to market trends, pricing and comparable) control this process will allow for the maximum negotiation leverage to yield the best deal. By analyzing each scenario, your broker will be able to give you an objective point of view. Items addressed in the negotiation phase include:

- * Lease terms/purchase terms
- * Rental rate and additional expenses
- * Owner's construction contribution
- * Options to renew, expand and purchase

A comprehensive financial analysis should be performed to determine which opportunities are the most cost-effective over the long-term. Size of available units, lease prices, common area and "add-on" expenses will vary, and a financial analysis will allow for an easy comparison of properties.

Whether it is a multi-million dollar acquisition or a short-term lease, implementing a well thought-out site selection plan will result in a streamlined, economical transaction that will have long-term benefits for a company. If utilizing the services of a real estate professional, ask about their experience and success as it relates to similar types of transactions, as well as their capabilities and technological resources to service your needs.