

How to Locate, Lease and Buy Property

Understanding the 'Ins and Outs' of Commercial Real Estate

By Stephen A. Cross, CCIM

Finding the right property, at the best price, can be a time-consuming and frustrating process. So let's take a look at what factors affect price, and the strategies savvy business people employ to locate and lease or buy commercial space.

You have choices...lots of choices!

There are thousands of commercial vacancies, represented by hundreds of brokers/agents from dozens of companies. Of those who advertise space for lease, or buildings for sale, few mention price. That's because prices for similar buildings can vary widely and change frequently.

How is space generally located?

Many people call off signs, ads or brochures.

What's wrong with this approach?

Plenty, here's why: 1) Signs seldom disclose sizes or price, 2) Vacancies are continually changing and 3) With limited access to market data they are at a disadvantage at the bargaining table.

'Listing' brokers work for the owner

Owners have brokers who protect their interests...so should tenants and buyers! It's the duty of 'listing' brokers to insulate owners (their 'Client') from tenants and buyers (the 'Customer'), and to promote their 'listings' above all others...at the highest prices possible.

Avoid conflicts of interest

When one broker, or more than one broker from the same firm, represents both owner and tenant or buyer, a 'dual' agency exists. This arrangement always favors the owner. **TIP:** Never agree to a 'dual' agency.

Tenants and Buyers have rights

You have the right to know: WHO protects your interests; WHAT concessions can be negotiated; WHEN an offer should be made, and in what form; WHERE you are likely to find the best deals and HOW you can learn about every available property.

Save a little...save a lot

Commercial real estate is priced in terms of dollars and cents per square foot. Saving nickels and dimes per square foot equates to thousands of dollars over the lease term.

Lease or buy?...that is the question!

There are compelling reasons for each. Generally, if you can plan your space needs for the next 5 years you should consider buying. **TIP:** Begin by talking to your CPA.

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'Market rates' are 'opinions' of value

I view 'Market Rate' as the LOWEST price property owners will accept. Property owners and their brokers see it as the HIGHEST price tenants and buyers will pay. Clearly, we have different 'opinions' of value.

Is a building half-empty or half-full?

Property owners with rising vacancy rates, or anticipated vacancies, are the most likely to offer leasing incentives and lower prices. Identifying which owners have the most urgent needs enables me to negotiate low prices and favorable terms for my clients.

'Mums' the word

'Listing' brokers/agents attempt to learn as much about your businesses circumstances, strategies and choices as possible. This tactic has a dual purpose: To dilute your leverage and consume your time. Remember, everything you tell the listing broker or property manager can, and will, be used against you at the negotiating table. **TIP:** Never disclose your budget, the expiration date of your lease or other buildings you may be considering to a listing broker.

Re-negotiate or re-locate?

At lease renewal time, you should expect rates and incentives consistent with those the landlord would extend to new tenants and that you could receive elsewhere.

Why use a Tenant/Buyer Broker?

For the same reasons companies outsource important tasks to specialists...competent professionals save you money, time and aggravation.

Choose your Broker wisely

Your choice of Brokers determines which properties you are shown and how much you will pay. Insist on experienced Tenant/ Buyer Representation. **TIP:** Avoid brokers who limit your choices to their listings, and 'associates', 'assistants' or 'specialists' who may use your business for on-the-job training.

What's the cost?...Absolutely nothing!

On new leases and purchases I share the commissions received by the listing broker. If you represent yourself the entire commission is retained by the listing broker...and you do all the work.

Stephen A. Cross, CCIM, is recognized as one of the nation's foremost authorities on commercial real estate. Since 1984 he has advised hundreds of businesses of every size and description on ways to acquire real estate at the lowest costs and most favorable terms. Mr. Cross holds a BS in Accountancy and the prestigious CCIM designation, certifying him as an expert in commercial real estate. Please direct your questions and inquiries to Steve Cross at: 480-998-7998, steve@crossrealty.com or www.crossrealty.com.

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