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Commercial Classroom: Conducting a needs analysis - by Edward Smith

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This column is offered to help educate agents new to commercial and investment brokerage and serve as a review of basics for existing practitioners.

You receive a call from a local business telling you they need to move and want more space. Typically the agent then asks them how much space they need. The business owner pauses, and then says about 5,000 s/f. Most business owners are not in the real estate business and they may be guessing about their requirement.

What the agent should have done, when the call came in, is to assure the customer they could help them and set up an appointment with the customer at their existing location to conduct a needs analysis.

The next step before you go there is research. What does this company do? Who are the officers, are you talking to the decision maker, who has the authority to sign your listing agreement? We are in the people business; find out what you can about the person you will be meeting, look for commonality. They may have a bio on social media or google them.

In preparing for your interview there are five key areas of concern: Why moving; physical requirements – now and future; pain and pleasure issues; loyalty and authority; and financial strength. Plan what questions you want to ask, some suggestions follow.

Why Moving

- Why is the company relocating?
- When will they need to take possession?
- When does their existing lease expire?
- Would they buy?
- Desired moving date?
- Do they need to sell another building first?
- Are they doing a 1031 exchange?
- Would they consider leasing/buying more space than they need? to temporarily rent out surplus (for income or future expansion.)

Physical Requirements

- Where is the company looking to locate

- Why?
- Would other areas be considered?
- How much space is needed?
- How configured?
- Storage requirements?
- Number of employees?
- Parking - employees, customer spaces?
- What would be the intended use?
- What are your future plans? Where do you see your company in two/five years?

One of the key questions when you start the interview is why do you need more space. If its office space and they are expanding, hiring additional employees, talk about job titles. For example we will be hiring two addition sales managers, please show me the office of one of your current sales managers. Now we start to measure, if the sales mangers office measures 10' x 12' (120 s/f), make a note of this and also list under additional requirement 240 s/f for two new sales managers. In the expansion will you be hiring addition clerical assistants; please show me where they sit now. Review all the job positions, talk about expanding or adding additional conference rooms, file storage areas; when done you will know how much space they are currently in and how much more space they will actually need. Similar assessments can be done for retail and industrial businesses.

If they are a growing company will they need more space in two years, five years? This helps focus on what size building to place them in. If leasing, one may want to place them in a larger building with a "First Opportunity" clause in the lease to have the first opportunity to take more space in the building if it becomes available.

What else is important to them?

- Space plan (layout) – View
- Easy access
- Public transportation
- Amenities – cafeteria, health club, child care

- Visibility – signage
- Employment pool (for future employees)
- Proximity to customers
- Green – energy efficient building

Pain and Pleasure

- Any issues with your current space (roof leaks)?
- Where do your employees come from?
- Will any employees leave your company due to the move?
- What do you like least about your current space?
- What do you like best about your current space?
- If you could describe the perfect office/store/factory layout what would it look like?

Ideally these questions help you build a profile of what is important to the customer.

Loyalty and Authority

- What other properties have you looked at?
- Why did you not consider them?
- Who should I be in contact with to show you space?
- Who will make the final decision?
- Who is authorized to sign my tenant representation or buyer broker agreement?

Getting as much information as possible is your goal. This last question sets the stage for what you will expect from them, if you decide to take them on as a customer/client.

Financial Strength

- What are you paying for your space now?
- Any additional rent costs (taxes, CAM charges, utilities, other)?

- What have you budgeted for the new space?
- How is your business doing financially?
- Sellers will want to see proof of funds.
- Landlords will want to see three years financials.

If leasing ask them for a copy of their current lease to breakdown and verify their actual costs.

Be candid regarding how their business is doing, if there are any problems you need to know now.

Landlords, sellers and banks will want to see their financials; they need to know they have or can get the money.

Conclude the interview by asking about their expectations. What are the three most important objectives that you have as pertains to this move? This will give you their perspective of what is most important to them.

Then evaluate, do I want to work with this client? Does the client have a realistic budget and expectations? How much time will you need to devote to completing this assignment? What is the commission potential from this assignment? Be realistic with yourself, sometimes what have to say, no.

Assuming the deal makes sense to you, explain laws of agency, and get your exclusive buyer or tenant representation agreement signed.

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