



Monthly Q&A with Hunt of Hunt Corp. Services - Six common mistakes made by companies in the market for commercial real estate

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Q: We need to expand our office and warehouse and find ourselves back in the real estate market for the first time in 10 years. What are the biggest mistakes made by "newbies" in the marketplace, and how can we avoid them?

A: I have been helping companies acquire commercial real estate since 1973. In my experience, there are six common mistakes made by companies in the market for commercial real estate. Here's what you can do to avoid them:

1. Assemble a real estate team. You will need an accountant or CFO familiar with your business, and familiar with commercial real estate alternatives. Your attorney should be well versed in commercial real estate contracts and leases. (And commercial real estate should be your attorney's specialty in the more complicated or larger transactions.) Pull in your vendors for assistance to estimate moving costs, computer and communication installation and other factors that may influence a real estate decision. You may need other professionals, such as a material handling engineer. I have ranked this action at the top for a reason!
2. Work with a qualified, real estate professional. It is almost impossible to acquire commercial real estate today without working with a real estate broker. Make sure that your broker is a real professional - it is important that he have the knowledge, the tools, the credentials to guide you appropriately, and recommendations from satisfied clients. Take some time interviewing several agents and ask for proposals outlining their typical activities. Look for value added services, not just a tour of available buildings. I highly recommend that you use the services of one exclusive broker, but if you don't, at least restrict your use of brokers to two or three. Anything else will dilute their efforts. Spend the time to find the right broker!
3. Know exactly what you want. This sounds very basic, but you would be surprised how few companies actually know what they want. Make sure you have a written list of the essentials.
4. Try to buy (or lease) only what you need. This is the key in buying or leasing real estate within a budget. If you don't need a fancy address, don't buy one. If you do not require a high ceiling warehouse, save money on the acquisition (and future energy costs) with a lower ceiling. Evaluate your choices based upon your essential needs.
5. Negotiate on more than one building. The most experienced negotiators try to maintain alternatives. Even if one property stands head and shoulders above the rest, negotiate on several, and do it simultaneously. Make sure that everyone knows you have alternatives, and also knows that you are going to make the best deal you can.
6. Maintain a sense of urgency after a verbal agreement has been reached. I could talk for hours about the deals that have been lost due to procrastination or negotiations over minor details. When

the deal has been struck, get it into writing as soon as you can. Concentrate on broad strokes. Your attorney may fight you on this one, but I personally recommend a "sit-down" lease or contract signing. Assembling all parties, with counsel, in a room is a powerful way to expedite the deal. These principles are the key to a sound, and cost-effective, real estate acquisition. David Hunt, MCR, CCIM, SIOR, is the president of Hunt Corporate Services, Inc. and Hunt Construction Services, Inc., Plainview, N.Y.

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