



Hunt Corp. Question & Answer: Property inspections - by David Hunt

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Q: Our firm will need to relocate within the next year, and we are ready to start looking at prospective sites. Do you have any recommendations for physically inspecting properties with our broker?

A: The real purpose of physically inspecting property is to winnow thousands of available properties down to a few that would be suitable for your firm. On Long Island, the typical commercial real estate broker will have over 2,000 properties listed. With our clients, we like to reduce the field with physical inspections to half a dozen prospective sites worthy of an RFP (request for proposal.) Obviously, you are counting on your broker to make the first major cut. However, you will ultimately be making the decision on which alternatives are the most suitable for your needs. So, inspection tours are vitally important.

My first recommendation is to give your broker some latitude in selecting the initial properties. Let him show you properties that are perhaps a little too big for your needs, or as another example, a location that is less than perfect. The inspection tour is a learning experience for you and your broker. Even if the property is clearly unacceptable upon inspection, use the opportunity to point out features to your broker that may appeal to you in other properties. I strongly recommend that you not use price as a criteria in the early tours, except for properties that are clearly out of budget. The RFP process and final negotiations will take care of the price issue at the appropriate time.

Your broker should have prepared for you a report of every property that you are about to inspect. At the very least, this report should have a color photograph of each property along with the relevant specifications. Site plans, floor plans and other information may be attached, or may be presented by the owner or owner's representative at the time of the inspection. You should record your subjective opinion of each property directly on the report, and note any other details not included in the broker's fact sheet. And I suggest that you limit your tour to no more than a half dozen properties. Most people start to confuse properties and their features with a tour that is any longer. Use a camera to record features that are noteworthy.

I also recommend that you limit the number of representatives from your firm to one, or possibly two, on your initial tours. A larger group may create conflicting opinions and discussion in front of the owner or his representative, something that you want to avoid. This is a time to keep your opinions between you and your broker. Your tour should be impersonal and clinical. Just the facts, please! Tenants often unwittingly hurt their negotiating position by their actions during an inspection of the

property. Be objective and non-committal in everything you say and do.

And don't get discouraged! The first tour may not reveal the perfect building, but the real estate market is dynamic, not static, and new properties hit the market every day. Your new corporate home is waiting for you to discover it!

Do you have a question regarding commercial real estate? Email your question to commercial real estate Q & A, at email@huntcorp.com for possible inclusion in a future column.

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