



## **Commercial Classroom: The questions we ask - by Ed Smith**

May 05, 2020 - Long Island

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

To service our customers professionally we must gather the information they will want to know in an organized efficient manner. Learning the questions to ask begins with what to say when you first meet someone new.

### **Meeting People**

In our social world we meet people every day, with a typical question being, "What do you do?" Replying "I'm in real estate." Is often perceived as being in residential sales. Which might be followed by, "How's the market, what do you think my house is worth?" Continuing our "elevator speech" you might reply by, "I help business people locate commercial properties to buy and lease;" this better defines what we do. However, this is considered a "closed end" or "dead-end" sentence; the conversation ends there.

A better approach is an "open end" response, which continues the conversation. For example, reply to the question "What do you do?" with a question, "Have you or anyone you know ever bought real estate?" Yes. "How was the experience?" Or, no. "Why not?" the goal is to create a conversation and start to develop into a relationship.

In-person cold calling, to meet business owners in town is essential to build market knowledge and future clients. Walking into a retail store you may introduce yourself to the manager or owner by saying; "I keep passing your store and I've been meaning to stop in...How long has you been here?" Eight years. "That's great, I bet your lease is up in 2022–March, right?" No, its April. You have just guessed the expiration date of their lease; and if you were wrong, they corrected you. (Leases are generally in five-year increments.) This is, of course, valuable information to catalog and follow. When you speak with a tenant also find out who the landlord is, so you can meet with them. Sometimes the business owner owns the buildings. Prepare for this possibility by having some investment property flyers with you to discuss with this investor.

### **Listing Property**

When listing a property or space, we need to know all about the physical building and/or unit. We focus on information gathering and emotion inducing questions. Plus, the expectations of the owner regarding a sale or the desired lease terms.

### Information Gathering About the Building or Space

Physical layout – size: Net/rentable or gross square footage

Price – Includes?

Terms (Sale or lease)

Financing (if sale) availability

Technology, amenities available

Site information - parking

### Information Gathering Questions from Sellers

Why are you selling?

Have you found a new location?

What is your moving date?

Have you considered a 1031 Exchange?

What are you looking to accomplish financially?

What do you think your property is worth?

### Emotion Inducing Questions for Owners and Landlords

How long have you been trying to find a buyer/tenant?

Have you had any offers?

Why did they not work out?

What would you consider to be the perfect buyer/tenant?

If selling, have you lined up new space to move to? Any commitment deadlines?

### Emotion Inducing Questions

What attracted you to this building?

Which features do you like most about this building?

...about this location?

What is more important to you a quick sale/lease or a higher price?

How long are you willing to wait to get this price?

## Leasing Space

If space is to be leased in a building, we need to determine the landlord's position on:

Space Available: Net useable s/f; rentable s/f or loss factor in office buildings; gross s/f with retail and industrial properties

ADA – Americans with Disabilities Act Compliance?

Use of space – Define landlord's desired business usage

Building access - Hours open

Parking included for employees? Where?

Building security features

Type of lease: Gross, Net, NNN, Percentage?

Lease Term: Define the initial term (length) of the lease and indicate if renewal options will be considered

Rent: Indicate monthly rent (also by rent per s/f)

How base rent is calculated: What's included: Heat, air conditioning, utilities, cleaning?

Additional rent: Additional charges for CAM, insurance, utilities?

Real estate taxes: How handled? Tax escalation clause?

Annual rent increases: Percentage?

Liability Insurance Required: Tenant to provide insurance and name landlord as additional insured (issue is amount)

Security Deposit Required

Alterations or tenant improvements: Build out by landlord; tenant improvement allowance? Landlord shall allow tenant to \_\_\_, at tenant's expense.

Signage available?

Maintenance and repair: Landlord responsible for/tenant responsible for

Assignment and sub-leasing permitted?

Purchase option (if desired)

Right of first refusal (if desired)

Concession period (if requested)

Disputes: Mediated or arbitrated

Brokers commission: Fee paid by?

## Buyer or Tenant Questions

Representing the buyer or tenant requires a detailed needs analysis. These questions get categorized into five groups:

### 1. Why Moving - Urgency

Why is the company relocating?  
When does their existing lease expire?  
Are they buying?  
Would they consider more space than they need? To rent out.  
When will they need to take possession?  
Where do your employees come from?

## 2. Physical Requirements – Now and Future

Where is the company looking to locate?  
Why? Would other areas be considered?  
How much space is needed?  
How configured?  
What would be the intended use?  
What are your future plans? Where do you see your company in two/five years?

## 3. Pain and Pleasure

Any issues with your current space (roof leaks)?  
What do you like best about this space?  
What do you like least about this space?  
If you could describe the perfect office/store/factory layout what would it look like?

## 4. Loyalty and Authority

What 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 Buyer or Tenant Representation Agreement?

## 5. Financial Strength

Tenants:

What are you paying for your space now?

Additional Rent, Taxes?

I would like to review your lease?

Verify current costs

How is your business doing

Landlords will want to see three years of Financial Statements

Buyers:

Proof of Funds

Negotiations

Questions are critical within the negotiation phases of the transaction. As we learned previously, we do not want to use closed end questions which are answered with “yes,” “no” or a brief fact. This brings the conversation to a halt. No new information is gained.

Open end questions require a full answer using the subject’s knowledge or feelings. The person must pause, think, and reflect to answer. They begin with why, how, what, describe, or tell me about...Or they are information gathering inquiries like, “What do you think?”

In negotiations we also use probing questions that ask for clarification – looking for detailed answers.

“How did you decide...determine...”

“What did you mean by that?”

“Could you give me an example?”

“What exactly do you propose?”

“What criteria did you use to develop your price?”

Also used in negotiation are speculative questions which are hypothetical and noncommittal. Exploring an option, they typically begin with “What if,” “Suppose” or “What would happen if...”

In our business we need to learn what types of questions to ask and when to ask them.

Edward Smith. Jr. CREI, ITI, CIC, GREEN MICP, CNE and CIREC program developer, is a commercial and investment real estate instructor, author, broker, speaker and a consultant to the trade.