



Hunt Corp. Commercial Real Estate Q&A: Six essential rules for closing deals - by David Hunt

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Q: We are trying to buy an industrial building for our distribution business. We have lost two deals in a row, and are getting frustrated. I'm wondering what suggestions you might have to actually close a deal once you have found the property you want?

A: Entire books have been written about the art of negotiating. Since you have not shared any of the details of your situation, let me share with you the most important strategies that have helped me negotiate advantageous transactions for our clients.

Here are my Six Essential Rules for Closing Deals:

1. Know your market. Any real estate negotiation has to be kept in the context of the market. Hopefully, your agent has given you a thorough background on the market in your geographical area and size range. As an example, market data might tell you that buildings in your area, size range and condition are currently selling between \$150 to \$175 a square foot, and that there are currently four other buildings on the market that meet this description. This gives you a starting point in not only making an offer, but responding to any counter-offers. So, fundamental to any successful negotiation is thorough preparation – this is the work that needs to be done before an offer is made. This is the only way you will know whether to be aggressive or conservative with your offers and responses.

2. Know the situation and needs of the other side. It often seems like price is the only or major component of a real estate transaction, but I often find that the opposite is true. Perhaps timing, terms, or some other issue is more important to the other side. Representing the buyer, I once acquired a building at what was perceived as a discounted price to my client. In reality, we were able to engineer a quick closing for the seller, a public company that wanted the property off the books by the end of their fiscal year. From the seller's point of view, our speed in closing more than made up for the "discount" in the sale price.

3. Have a BATNA, and negotiate on more than one building. A BATNA is a "Best Alternative to a Negotiated Agreement". 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.

4. Negotiate with a full and complete description of the terms, preferably in person. Those who negotiate with incomplete offers and terms merely prolong the process and frustrate the other side. Negotiations that involve complete terms leave more openings for potential solutions. If I am pushing to make a deal, I ask to meet personally with the other side. There is no better way to assemble the full picture of the needs and wants of both sides than a face-to-face meeting, or Zoom meeting if necessary.

5. Be creative with “outside-of-the-box” solutions. Look to solve the needs of the other side with terms you can tolerate. If nothing else, your efforts will usually be appreciated and are likely to lead to more collaborative discussions. I like to ask a lot of “what-if” questions, such as, “What if I were able to deliver the closing date you want?”

6. Maintain a sense of urgency after a verbal agreement has been reached. Robert Ringer called this “The Fiddle Theory” – the longer you fiddle around with a deal the less likely you are to make it! 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, there is nothing like physically meeting with the other side for a “sit-down” lease or contract signing. Assembling all parties, with counsel, in a room is a powerful way to get the deal signed.

These rules are the key to a sound, cost-effective, real estate acquisition that will close!

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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