



Hunt Corp. Commercial Real Estate Q&A: Staying ahead of the curve - by David Hunt

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David Hunt

Q: We will be placing our professional building on the market shortly. What are some of the steps we can take now to avoid problems in the selling process?

A: You are smart to be thinking ahead. Hasty, ill-informed, and costly decisions are often the result of being confronted with unknown problems and issues about your building by a prospective purchaser. In working with our clients, we recommend that they “stay ahead of the curve” by anticipating the questions and issues that a prospective purchaser may have. If you can uncover any problems first, you have the opportunity to either cure them or plan for them in the negotiation process. How do you uncover these types of issues?

A team of professionals is the right way to begin. Your accountant should be counseling you on your tax exposure and the optimal way and time to sell the property. Your attorney should be contacted early – what legal issues could be raised? You should be aware of any problems with title to the property now. If you have an application pending for tax certiorari, pull together the information on the status of the application, as well as any negotiations or offers by the local municipality. And are there any outstanding issues with the certificate of occupancy or violations?

The contractors that have been taking care of your building over the years are the best source of information regarding the condition of your physical plant. If HVAC equipment is nearing the end of its useful life, or a roof will need replacing within a couple of years, you want to know about it now. And you should also ask for quotes to repair or replace the uncovered problems. These quotes may be useful rebuttal tools in the negotiation process. Now is also the time to take care of any cosmetic and minor cost items that may limit the “curb appeal” of your property.

Depending on the age of your property and the length of your ownership, you may want to consider an environmental audit. Virtually no property today can be sold without at least a Phase I Environmental report, so it would be advantageous to learn about any problems beforehand. If you purchased the property with such an environmental report, and created no problems yourself, then this issue is likely to be minor. But if your ownership of the property goes back to the time of asbestos floor tiles and insulation, then you need to know the remediation costs that may be faced by your purchaser.

Finally, specifically ask your real estate agent to inspect the property with an eye towards increasing marketability and anticipating problems. A seasoned real estate broker has seen it all, and is more likely to pick up potential objections to the sale before anyone else.

By the time you are done with all of this work, you will have compiled a very complete picture of your property and any objections that could be raised by a purchaser. By dealing with these potential objections early and directly, you will “stay ahead of the curve” and avoid being blindsided in the negotiation process. You will also maximize your chances of selling quickly and at an optimal price.

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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