



**Hunt Corp. commercial real estate question and answer:
Forget the price - by David Hunt**

November 12, 2024 - Long Island



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Q: We are just starting to look for larger warehouse and manufacturing space. Why does our broker insist on showing us space that is out of our budget?

A: Unless your broker is offering you space wildly out of budget, he is absolutely correct to be ignoring the asking price in showing you current industrial alternatives. Here are the five reasons that this is the right strategy and why you should “forget the price” on your initial forays.

1. Every listing has a story. Each property has a history, and an owner with a set of priorities, needs and emotions. Without discovery and negotiations, it is very difficult to know at the outset the exact point at which a deal can be consummated. In some cases, the broker may have some intimate knowledge of the situation, perhaps from a previous negotiation. However, since most commercial brokerage agencies on Long Island have access to literally thousands of commercial properties, it is simply impossible for your broker to have bottom-line knowledge on each one.

2. The property may not be correctly priced. Both brokers and owners have their reasons for setting the asking price where they do. Sometimes this decision makes sense in the marketplace, and sometimes it is wildly optimistic. Either way, the price eventually will be driven down to a market level. I have told owners for years, “I can lie to you, you can lie to yourself, but the market never lies.”

3. The cost of the space is not necessarily the cost of acquisition. What looks like a bargain may not be, after all the hidden costs of occupancy have been added up. As an example, a higher-priced location may have extensive electrical distribution and air lines that you could use, both of which could save you many thousands of dollars. One building may have a new roof, and another one that is 20 years old. Eventually, you will be totaling this for your best alternatives, but not on the first foray.

4. You should not compare “apples and oranges.” Comparing competing face rents or sale prices makes no sense at all if, as an example, you have not incorporated the costs to repair or improve the building, and real estate taxes.

5. There are reasons you might want to consider paying a higher price. Location, better parking, image, amount of office or lab space, and connection to sewers are all examples of reasons that you might want to consider paying a higher rent or purchase price to provide a better work environment for your employees, or to make your business more productive.

We highly recommend to our clients in the initial process that they concentrate on the utility of the alternatives under consideration, without regard to price. Once we understand which alternatives best suit the needs of our client, the process of discovery and negotiation can begin. Of course, ultimately, the cost will play a very significant role in the final decision-making process. But in the initial inspections, you should “forget the 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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