

Do I Need a Commercial Real Estate Specialist?

The short is almost always **YES!**

Many people never even give consideration to the fact that commercial and residential real estate are 2 very different professions, with very little in common aside from the Realtor designation that shows up on their business card.

It is not uncommon when someone has a commercial real estate need to pick up the phone and call the residential real estate specialist who most recently helped them with a home sale or purchase. Sometimes that agent will say "I can send you to a great commercial agent", and in many cases they'll say "sure I can help you with that". When making a decision on who to choose to assist you in a commercial real estate search, acquisition or sale, it is very important that you assess that service provider to ensure they have both the professional expertise and experience to provide you the guidance and information that you require to make an educated decision that serves your best interests.

Alternatively, many business owners feel that if they conduct their own property search that they will be able negotiate a better deal for themselves dealing directly with the landlord. This approach may put you at the Landlord's mercy.

Let's Look at It from the Tenant Perspective:

Commercial real estate is a broad market segment covering business facilities for office, retail, civic and industrial users that all have unique nuances that can significantly impact the costs of tenancy/ownership, start-up costs, ongoing operating costs, legal, insurance and environmental issues in addition to building issues such as: power, communication, structure, specialized plumbing, loading, zoning and fire code.

Any of the above items can impact the financial and operating feasibility of a space for a given business and can result in very negative consequences for a tenant if they are misinformed or under-informed. Unlike residential real estate, commercial real estate is not as highly regulated and very much operates on a buyer beware basis from a legal stand point >>>> if a tenant makes a commitment due to misinformation or error, they are not protected the same way as they would be by the residential tenancy act. They are on the hook for the rent and terms negotiated in the lease agreement. Commercial lease agreements are onerous and comprehensive and it is very important that an offer to lease has covered off the appropriate high level terms required for a tenant's needs prior to their lawyer's review of the final lease agreement. This requires years of

experience and dozens if not hundreds of transactions to become competent in managing.

Information regarding commercial lease rates, operating costs and sales is also much more difficult to find. Most transactions are private and both landlords and tenants want to keep it that way. Building operating costs (in additional rent) vary from building to building, between property types, and different circumstances and in many cases a landlord may ask for a higher amount from a tenant than could be deemed reasonable by market standards. Any Realtor can go online and see what is available on the listing service and what the asking rates are, but the real information that matters will not necessarily be available publicly. Much of, or the most suitable commercial real estate inventory may not even be advertised online and the best suited space for a tenant may be available in a building with an upcoming tenant vacancy or renewal.

Due to the extensive variable in types of space and circumstances, every commercial real estate deal is different. The end story is if you want to pay no more than market rent and get the most suitable space for your business you need to work with someone who is not only an expert in the field but also in the geographic area where you are doing business.

Here are a couple of great early screening questions before you commit to a Realtor:

- 1) How many lease transactions have you performed in the last 3 months?
- 2) What are lease rates doing in product types x, y, z in area a, b, c?
- 3) Do you have any tenant references that you can provide?
- 4) What do triple net and op costs look like in these areas and building types?

If you cannot get quick answers to these questions.....RUN.