

Should you stage commercial real estate?

Don't wait for a buyer or tenant to make improvements.

One of my favorite television channels is HGTV. I love "Property Brothers," "Love it or List it," "Design on a Dime" and "Flip or Flop."

Given my vocation, this is predictable as I do a similar thing for a living – although not residentially.

One universal thing in all of the HGTV offerings: The condition of a house during showing is critical. If the house shows poorly with outdated colors, visible repairs, oversized furniture or evidence of residents, your purchase price will suffer as potential buyers will discount their offers to deal with the shortcomings.

OK, I get it! But, is there a parallel in commercial real estate?

My answer is a resounding YES! Staging your commercial real estate is not as easy as a few v-dented pillows and strategically placed sofas, however. Staging commercial real estate involves the condition of the building and how it shows to prospective tenants and buyers.

If the condition of your real estate is tantamount to achieving maximum value, what improvements should you consider before selling or leasing?

Leasing improvements. If your goal is to lease your commercial real estate quickly and for an above-market lease rate, you must invest some dollars placing the property in rent-ready condition. The carpeting in the office should be replaced or at a minimum removed so that a prospective tenant knows that new flooring is in the plans.

A fresh coat of paint throughout the office and warehouse brightens things and adds an air of newness. All of the systems – plumbing, heating, ventilating, air conditioning, roof, sprinkler system, loading doors, electrical panels and fire alarm system – should be checked and certified. The outside of the building is important as well. Remember, if your commercial real estate lacks curb appeal, the tour might hopscotch your building for one that looks good.

Paving, landscaping and truck loading areas should be shored up and maintained during the vacancy. Most potential tenants have a limited imagination or patience for the way "things could be." Therefore, delaying any improvements could cause an occupant to bypass your building for another that is move-in ready.

Sale improvements. If your goal is to sell your commercial real estate for top dollar, you want to plan a refurbishment wisely. If you cannot justify a 100 percent return or greater, question the investment. Said simply, if you repaint the building at a cost of \$20,000, that investment should translate into a \$20,000 increase in value.

In my experience, the items in a building deal that give buyers the greatest heartburn are the condition of the roof and air conditioning. I generally advise my clients to perform an inspection of these systems. We then know if any issues exist and can plan accordingly.

Biggest mistake. Some owners will adopt the attitude of "waiting until the occupant appears before investing in any building refurbishment." Certainly, there are reasons for this position – no available

funds for investment is the most common – but the downside is steep. If a prospective occupant perceives the owner is not “open for business,” he will scatter like ashes in a Santa Ana wind.

Showing condition. If the property is vacant during showings – and your broker is not present during showings – complete literature should be available to prospective occupants.

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