

COMMERCIAL REAL ESTATE

Unsolicited offers: 5 reasons why you might accept

Recently, someone asked me if they should accept an unsolicited offer for their commercial real estate. My conclusion? A resounding no. It's my firm belief a seller can achieve a higher price by putting the market forces of buyers competing to work.

So, why would any seller accept an unsolicited offer for their commercial real estate? Here are a few reasons the seller might play ball:

SELLER IS DESPERATE » More is owed than the property is worth. A lender has called a loan against the real estate. The operating company housed in the building filed bankruptcy. All of these events could



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lead a seller to be desperate. If the property is marketed, the desperation becomes public — disclosed, discussed, and baked into the offering prices. Such desperation also can carry a tight time frame that

won't allow a normal marketing process to be conducted.

SELLER WANTS TO AVOID DISRUPTION » An owner-occupant is concerned by the potential interruption the marketing process will

create. After all, folks will want to tour, likely during normal working hours when you are making and shipping things. Tours — unless very carefully controlled — distract employees and add a layer of suspicion by those working in the building. If a seller has not told his employees he is selling the building, you don't want them to find out from someone walking by their office.

THE SALE IS A PART OF A BIGGER SALE » Frequently, the sale of your commercial real estate is coupled with a sale of the business that occupies the premises. Because two sales are involved, the commercial real estate sale might pale in

importance to the business sale. In such an instance, marketing for the building is jettisoned in favor of the business deal.

SELLER IS UNSOPHISTICATED » Rarely is this the case. With access to online research and countless commercial real estate professionals at the ready, most owners of commercial spaces are quite knowledgeable about the market and property values. However, in limited circumstances — and out of convenience — a seller might react emotionally to an unsolicited offer and accept it without testing the market.

THE UNSOLICITED PRICE OFFERED CANNOT BE BETTERED IN THE MARKET » I've seen this happen recently. Precautions must be made, however. You must be crystal clear with a seller. Based on what we are seeing in the market — recent sales, current avails, investor motivation etc. — what is before you is as good as a marketing effort will produce — and without all the disruption a marketing process will create.

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