

COMMERCIAL REAL ESTATE



Owner-occupants of commercial real estate are often confronted with issues relating to the space, their tenants and what to do next. Sometimes, the best answers come from consulting with an industry pro, writes Allen Buchanan.

As market cools, real estate owners often need advice, too

When do you need professional advice in commercial real estate?

I prefer to seek advice when I'm buying, leasing or selling. These three circumstances apply to either side of the aisle, whether you're an owner or an occupant

of commercial real estate. OK. Done for this week.

Well, not so fast. I've got a few more words, so please indulge me as I share a few more situations in which commercial real estate advice may be necessary.

A transition

Twice last week, I counseled occupants who both enjoyed the benefits of owning the buildings their companies occupy. Bill Clinton was president when they bought the

buildings. Ownership of the business and building were synonymous albeit with different entities.

Flash forward. Because of a couple of untimely deaths, the LLC building ownerships have only one common link to the operation's management. Plus in one case, the company finds itself with too much space. In other words, the building no longer works. Where previously both occupant and owner sang from the same songbook, now the music is a bit off-key. Needed is a careful parsing of objectives and a clear path forward.

Efficiency discussion

How do you get the most productivity out of your manufacturing location, your suite of offices or your retail storefront? Often, the answer is not a move but a retool of the operation's flow. Countless times, I've toured a warehouse distribution building with the premise — the operation is out

of space. Sure. The floor is consumed but the inventory is only stacked to half capacity. This "cube" space is free if you can use it.

You see, commercial real estate is billed by the square footage. Simply, you pay for the floor area, not the volume of the building. A better investment — vs. a move — might be in a new forklift to reach the heights of the building's ceilings.

An alignment of motivation

What is optimal? Often, I find an in-depth discussion leads to a solution no one had considered. For instance. If operating capital is needed, why sell a building you own with no debt only to suffer the consequences of Uncle Sam's outstretched hand?

A better cure may be a refinance of the building's equity. Another circumstance: Why hold out for the last dime with your occupant, who is approach-

ing the expiration of his lease? A simple math exercise should show you how costly replacing his tenancy will be. Share the savings. If he renews, even at less than a market rate, you both win.

What's ahead

Many of my meetings these days start with the question: How is the market? My response: We are seeing signs of cooling, with a variance in closed amounts vs. asking prices, more time on the market, fickle investors, a more cautious "let's wait and see" attitude from occupants.

The crazy thing: This slow down in activity hasn't resulted in a rise in our vacancy — but it will. You heard it here.

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