

Mission Commercial - Strategies

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In commercial real estate, as we discussed last month, there are many details to think through, calculate, and make decisions about. And we all know that the more details there are, the more important it is to have a plan! Even if a property you come across is perfect, if you haven't planned appropriately, you may not get the opportunity to invest in it, because someone who has planned will be ready first. To adapt a phrase...investors don't plan to fail, they fail to plan. If you or your clients are planning to be commercial real estate investors – the first investment you need to make is time. Talk with someone who is already investing and utilize what they've learned!

Commercial investment requires a strategic approach. A strategy will ensure that the process is smoother and more fun. If you are the investor (or the real estate agent working with the investor), take some time to work through the following strategic concepts with people you trust (real estate agents, other investors, accountants, attorneys, consultants, etc).

Gather Your Team – talk with the experts mentioned above (if you don't know someone, give us a call, we can refer you to great folks we work with); if you've never purchased commercial real estate before this is probably the most important part of planning your strategy.

Set Goals – determine the what, when, and how much you plan to purchase. You may need to reevaluate these goals after your first transaction, but having a goal makes meeting that goal much more likely.

Document Finances – know exactly what money you have/have access to and how much that money will cost you; have financial statements, bank documents, lender approvals, and business plans ready as sellers and their team of experts will want to see these before accepting a contract from you.

Determine Acceptable Return – know the return you need or expect from an investment and say NO to investments that won't meet that return; be certain that you and your accountant take into account all of the costs associated with the investment (inspections, permits, licenses, build-out, repairs, etc.).

Know the Market – be informed about the commercial market in which you intend to invest; know what is planned for the area both business and residential; know what is selling/leasing, what isn't, and most importantly why it is or isn't.

Be Specific about "What" – determine the type of property (retail, office, apartment, industrial, land, etc), geographical area, price range, and status (turn-key, shell, need of repair, etc) of property that you are willing to consider.

Discuss Your Plan – discuss what you are looking for whenever the opportunity arises; in commercial real estate investing you simply never know who may know of a property that is coming available.

Investigate Properties – remember that investment of time mentioned above? Well, this will be a large portion of it, but this is the fun part. Find out what is out there, ask questions, meet others in the industry and learn from them.

Get the Facts – check everything with complete and thorough due diligence – this is where your team of experts will be extremely important; facts, not opinions, will allow you to make an informed and profitable decision.

Make an Offer - once you strategize with your team, set your goals, and have all the facts about a property – making the profitable decision should be a matter of "do the numbers work?"

Enjoy the Process - researching potential investments should be intriguing and fun!

Your first property may take a little longer to analyze, but it will be worth it and the next time it will be easier and more FUN! Nothing is more rewarding and fun than seeing a project through and reaping the rewards of your hard work.