



# Top Ten Real Estate Rules Every Nonprofit Should Know

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Nonprofit organizations face a variety of challenges during their day-to-day operations. Whether a charitable organization or trade association, every nonprofit seeking to fulfill its mission and service its community faces periods of uncertainty in its lifecycle, especially when it comes to **dealing with real estate** transactions. Questions surrounding funding, space, functionality, and compliance are even more complicated for tightly regulated 501(c)(3) entities than for traditional **residential** or commercial buyers and sellers.

So as the leader of a nonprofit how do you navigate your organization's entry into the real estate market? In this article, we present ten rules every nonprofit should know to help them avoid some of the most common pitfalls associated with **real estate transactions**.



### The Real Estate Transaction Process

The first five rules have to do with the process of executing a successful purchase or sale of **real estate for your nonprofit organization**. Commit to these and your search for a new home or the right buyer will be well underway.



**1. Evaluation.** Each real estate transaction should begin with a thorough evaluation of the property in question. Beginning with the financial components, your team should examine whether or not there are any financial restrictions or debt obligations tied to a plot of land or structure that would prevent a smooth transition during a sale. The physical space should then be taken into consideration to ensure that the new location supports the organization's vision and long-term objectives.



**2. Mission-Driven.** Before you begin any real estate transaction, it is important to consider the ways in which your **nonprofit organization's real estate** objectives can be closely aligned with its overall mission. For instance, a property's overall functional space and location can play a major role in determining how effectively an organization will be able to serve its community. Be sure that each real estate decision is mission-driven.



**3. Fiduciary Responsibility.** As a nonprofit organization takes stock of each component of an impending real estate transaction, it must consider its fiduciary responsibility to make decisions that benefit the long-term stability of the organization.



**4. Physical Characteristics.** As we mentioned, the physical characteristics of a piece of land or built structure can have a significant impact on the people who interact with it. In the case of a nonprofit enterprise, the building and its location should tie into the mission of the organization and help further its agenda.



**5. Holistic Solutions.** The pieces that make up a **real estate transaction for a nonprofit entity** will not be in harmony with one another unless each component is considered for how it impacts the whole. For instance, financial considerations must take into account possible tax benefits, financing options, and donor interest.

The next five rules relate to some of the benefits of the **commercial real estate** transaction process for nonprofit organizations.



**6. Stability.** Making a real estate purchase or signing a long-term lease can indicate the strength and stability of a nonprofit organization. Once a monthly mortgage or rent payment is established, your organization can focus its budget and resources on the important services it provides to the surrounding community.



**7. Presence.** Finalizing a real estate transaction of any kind helps an organization establish its presence in a community. Its headquarters will become a hub of activity, improving community cohesion and providing support to their target population(s).



**8. Tax Benefits.** Organizations that fall under the 501(c)(3) designation qualify for any number of local, state, and/or national tax benefits. According to IRS regulations, nonprofits are exempt from paying federal taxes, sales, and property taxes. Some states may even provide relief to nonprofit organizations for payroll taxes.



**9. Equity/Control.** Owning property is a way for nonprofits to gain control over their finances, generate additional income by leasing unused portions, or leverage assets to strengthen an investment portfolio.



**10. Increased Donor Commitment.** A smartly executed real estate purchase is a signal to donors of a nonprofit's long-term strength and its commitment to achieving mission goals and meeting strategic objectives. Both existing and potential donors may see this as an incentive to increase their investment in your organization.



These ten rules only represent a portion of the principles and benefits highlighting the importance of **real estate transactions for nonprofit organizations**. From strengthening one's commitment to a stated mission or vision to growing investment in the local market, nonprofits can accomplish a great deal through the purchase or long-term lease of property.

**If your organization is interested in learning more about how a real estate investment or sale can transform their outcomes, contact a member of our expert team today. R.O.I Properties is an experienced nonprofit real estate brokerage with extensive experience matching nonprofits to their dream locations throughout Arizona.**

**Ask about the potential benefits of a sale-leaseback program and look for additional information in our upcoming blogs.**





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