



Your Phoenix Guide to Commercial Real Estate

(602) 319-1326 | roiproperties.com

Buying, selling, or leasing commercial real estate for your business can be a significant undertaking. There are many considerations to be made before you take the plunge on any decision.

Commercial real estate, like any other business, is filled with intricacies, terminology, valuation and strategies that are not always easily understood. Here is a guide to help you in the right direction for your next commercial real estate decision regarding owning or leasing facilities for your business.



Buying Commercial Real Estate for Your Business

Location

The location of the real estate will be the overarching consideration when it comes to buying the commercial real estate for small business.

You should ask yourself the following questions:

- Can the customers you want easily access you, for example, is there parking, are you on the main road, is there public transportation nearby?
- Can you, your employees, and vendors easily access the location?
- Does the location give you access to necessary utilities or natural attributes needed for success?
- Will the building serve my needs?
- What are the insurance costs going to be?
- Is the area zoned properly for what I want to do?
- Does the location maintain my image?
- Will there be room for expansion?

Most business owners underestimate the cost of locating, relocating, or expanding a business. Finding a real estate broker that keeps careful track of changing demographics, real estate inventory, pricing, local laws, all while talking to other business owners in your area of interest is an excellent way to shield yourself from potential pitfalls.



Demographics

Demographics play into other categories listed here such as location, employee needs, and growth. Having a good understanding of your customer base, where they are, and how best to access them is vital to the survival of your business.

Your goal in locating a property should include thinking about how to serve your customer base best, as well as a convenient location for your employees. Doing this will be different for different types of small businesses. Figuring this out can consist of a detailed analysis of the areas you are interested in locating, which may include traffic count for retail businesses, specific demographic information on potential customers, and competitors in the area. For offices or industrial businesses without retail operations, the proximity to freeways, prospective or current employee pool, facility cost, synergistic businesses or suppliers/vendors may drive the decision making.

Here are some examples:

- Take a new bakery, for instance; you will want to understand how much traffic your competitors get, what your edge is against your competitors, and how likely local consumers are to buy your specific edge over a competitor.
- In the case of a new telemarketing business, you will want to gain an understanding of the numbers and types of potential employees that are in the area, how setting up in an area will affect your operating costs, and how this will change over time.

Choosing to ignore customer or employee demographics could have dramatic impact on your business. Find a broker to help you understand the demographics, along with pricing, traffic count, visibility and negotiability, to ensure your business thrives and grows in its new or added location.

Employee Needs

Employee needs range from location to physical attributes of the actual property. Concerning location, you need to ascertain whether the area you are looking in will have the employee base you are seeking, and whether you will be able to retain employees after moving to a new address.

Physical attributes can vary; an excellent example of this shows up in cases of expansion where business divisions are split into more than one location. When you have employees working between two places, issues can come up, and new needs arise. In this case, there are extra permanent costs to relocating part of a business; these costs need to be analyzed and carefully considered.

Small changes that may be unnoticeable to an owner may cause significant concerns for current and potential employees. When considering a new space, it is important to envision how it will benefit the people working at the location as well as to the business itself.

Growth

Buying commercial real estate for your business means that you are in this for the long haul. Real estate is generally not considered a “liquid asset”. The past, present, and future needs of the business and employees should be considered in your purchase. Often the purchase of a building will enable the business to grow and better serve its customers. If a the property is perfectly-sized now, will it accommodate the growth of the business in the future?

Additional Income Stream from Acquiring Property

Buying commercial property as a business gives the business an opportunity to lease excess space in the building. This can contribute additional income stream for the business/owner. Purchasing a building and leasing out part of the property can be a way for a business to make alternative income.

Selling Commercial Real Estate for Business: Phoenix Market

Market Approach

If you are a small business that is looking to relocate or raise cash from real estate assets, you will want to approach the market in the best way to attract buyers, preferably owner-occupant buyers, who will pay a premium for properties which they occupy. In today's market, and with current loan availability, many small businesses are acquiring properties for their own occupancy. Selling a property to an owner occupant buyer generally will garner highest and best pricing, as they are not buying the property on a speculative basis, but instead, have "purpose" for the property.



Market Value

Before selling your commercial real estate, you need to know how much it is worth as is, and if you are contemplating any changes, what the building will be worth after you make changes to the building. From this analysis, you can determine how much people are going to be willing to pay, in its current condition, or as improved. To be prepared for this, keep an open line of communication with your commercial real estate broker, have periodic inspections and assessments, and when you are ready to sell, you will be informed about your property's value.



Marketing

As a business selling commercial property, you will want a well-connected partner marketing your listing for you. You will need to understand your target audience well or have a prime location and good understanding of commercial real estate law. Finding the right commercial real estate broker is essential for coming out on top of your commercial real estate sale.



Leasing Commercial Real Estate for Business: Phoenix Market

Leasing excess real estate, as a building owner/lessor, has many benefits, such as the situation described above where a small business building owner can lease out part of its property for alternative income.

Additional benefits of buying vs. leasing commercial real estate include:

- **Investment.** Purchasing any real estate is a long-term investment, and over time, may appreciate. Owners gain capital appreciation that can be realized in a sale down the road. Additionally, owners can achieve income stream through leasing out the property at current market rates. As equity grows, the income stream can be enjoyed by the property owner/business owner, and will help the business owner grow its assets, on its balance sheet. It can also be used as collateral to obtain funding for expansion and other projects.
- **Tax Advantages.** Some commercial real estate operations may be tax deductible. Consult with your tax advisor, but you may be able to deduct maintenance expenses, interest on your mortgage payments, and other costs of the property.
- **Equity Building.** If you finance your acquisition, and as you pay off the principal balance of your loan, you build equity and reduce debt incurred by your business. Building equity helps businesses build a solid credit foundation for the company, and gross the assets on its balance sheet. The benefit of owning property, particularly with low or no debt, may make you less of a risk in the eyes of potential creditors or investors. Building equity for your business also results in a higher overall valuation should you decide to sell it later.
- **Source of Alternative Income.** As mentioned above, purchasing real estate can be a source of alternative income. Leasing part of your real estate assets can also help you to pay off your principal and build equity faster. If you have the financial wherewithal, buying is often preferable long-term choice over leasing commercial real estate.

Finding the Right Broker for You

It cannot be stressed enough when choosing a property, the best and most knowledgeable commercial real estate broker in the area is an essential business partner, who is generally compensated by the Seller.

As a result, there are generally no additional costs to a purchaser, in working with a broker.

R.O.I. Properties has decades of experience and knowledge in commercial real estate in Phoenix, AZ.

Contact one of our friendly associates today if you are looking to buy, sell, or lease commercial real estate for your business today, we will be happy to help you on your way to great success!





2001 E. Campbell Ave. #202
Phoenix, AZ 85016
602-319-1326