

ALLEN BUCHANAN

Some advice in this crazy commercial market

This commercial real estate market reminds me of an open bag of potato chips — with 98.5 percent of them eaten. The full chips are consumed — functional buildings with good owner motivation, priced aggressively but still within reason.

What remains are the remnants of the whole crunch — dysfunctional, overpriced locations with zero owner motivation to meet the market and make a deal! A normal ebb and flow of availabilities and interested buyers have been usurped with feeding frenzies and bidding wars.

Sellers enjoy these times. Many of us are warning a correction is near, but we also struggle to pinpoint the trigger. So, we continue to call owners of occupied buildings to see if they will sell, monitor LoopNet, Co-star and Commercial Search alert and hope for a new vacancy.

With this as a backdrop, what advice would I give an occupant looking for space or an owner considering his future?



Allen C. Buchanan
Contributing
Columnist

Plan early: One year might not be enough time, especially if some complexity exists with your requirement. Please don't believe you'll waltz out into the market and lease or buy the first thing you see. You won't have many choices. Time will be needed for more spaces to come available.

Consider all of your alternatives: We met with a company today. Their lease expires the end of this year,

and an ownership change has caused a re-evaluation of their space. Moving is the direction they are pursuing. Hold on! Let's keep the existing location in play — just in case. When we surveyed the market, we discovered just one space that meets their needs. All of a sudden, their current home looks better. Recently, we scoured the Santa Ana area for a client. Industrial is their use — trucks, building materials, minimal office. With Santa Ana as ground zero, we now are considering a retail building because it's located in the right area and is the correct size.

Don't assume next year will be the same: Remember that call you received from a broker claiming to have a buyer interested in your building? You blew him off, but he was persistent. A multitude of calls morphed into a tour and subsequently an unsolicited offer. The figure caused you to do a double take. Well, if he's willing to pay this today, what will the building be worth next year? You don't want to be that guy at the cocktail party talking about the deal you should've done.

If a deal seems obscene, it is. Last week we toured a project that is light-years from the freeway. Mismanaged was the theme: low rents, high expenses, ownership squabble, vacant space, sky-high asking price. Yep, you guessed it. Three full-ask offers. My buyer and I shook our heads in disbelief and consoled each other. The deal wasn't for us!

Allen C. Buchanan is a principal and commercial real estate broker with Lee & Associates, Orange. He can be reached at 714-564-7104 or abuchanan@lee-associates.com. His website is allencbuchanan.com.