

What's taking so long with my deal?

COMMERCIAL REAL ESTATE

Commercial real estate deals take time to complete — generally, a lot longer than buying your family's home. Best case, but rarely, the deal is completed in 30 to 45 days.

More typically? Seasons change with no conclusion

to the transaction. What begins with a simple framework of search, locate, negotiate, contract, execute and close often morphs into a mire of minutiae. Layer in some professional advisers — lawyers, bankers, environmental engineers, accountants, appraisers, building inspectors, contractors and commercial real estate agents who all must have their say — and the complexity begins.

What, you may ask, takes so long? Indulge me as I describe a few areas where transaction traffic gets pinched akin to your commute on the 405.

SEARCH >> Available inventory is at an all-time low.

Some 98 out of every 100 industrial buildings are occupied. This is great for owners, but if you're looking for a place to relocate your business, you're likely scrambling to find the right spot.

So, if you could simply run out and check a halfdozen sites and choose the best, awesome! The reality is you may wait months for the right

Third-party reports must be ordered to investigate all manner of details — appraised value, environmental history, condition of title, roof, air conditioning, structural, seismic, biological, zoning, permitting — to name a few.

Normally, transactions are structured with a time frame to complete these studies, but rarely are the time frames generous enough to allow proper ordering, investigating, reporting, reviewing and approving. One slip in scheduling can create endless delays and the need to return to the bargaining table to beg for additional time.

FINANCING >> Many smallbusiness owners employ the Small Business Administration to finance their purchases. Depending on the size of the loan and lender appetite, two approvals are necessary — one from the bank and the other from the federal government.

When we experienced our government shutdown last December, SBA loan approvals screeched to a halt. Any loan package not in the approval queue before the hiatus suffered an interminable delay. Great scrutiny is placed upon the environmental health of the real estate and the value as determined by an appraisal. Unfortunately, you and your purchase operate on the loan's time frame.

CITY APPROVALS >> The use to which the property will be placed as well as any changes planned — office, power, warehouse racking,

and expedite your deals.

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match to come along. The days are getting shorter, after all.

NEGOTIATIONS >> Because of the historically low vacancy, owners are bullish. They understand occupants have very few, if any, choices. High asking prices follow. Motivation migrates. Concessions wane. Couple this with an occupant determined to find a “deal” and negotiations reach an impasse. The clock ticks.

DUE DILIGENCE >> Once you find that dream building and have struck an agreement, you now must figure out if you can buy it.

freezer cooler space — will need to be vetted and approved by the municipality. We once encountered a city approval process that eclipsed a year!

This year, by the way, came after leases were signed. Fortunately, we anticipated the approval timing and were able to negotiate a satisfactory structure.

TRANSITION PLANNING >>

Moving a manufacturing plant can be a bit more involved than packing your household belongings.

Pair the complexity of the relocation with the inability to be “out of business” for any duration, and planning becomes paramount.

Please tune in next week, as I’ll provide some suggestions to roll back Father Time

Buchanan

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