

Buying Commercial Property

By ANNA CHANG-YEN | Green Shoot Media

Expanding your customer base, diversifying your investments or thinking outside the box for a development project? Commercial real estate is a blanket term for a wide range of property types and transactions that encompass far more than just a business' street address.

Though commercial real estate markets in many areas took a beating during the Great Recession, there also have been unique opportunities for the strategic thinker.

BUYING AN INVESTMENT

While the payoff can be higher with commercial real estate vs. residential properties, there also are very different risks. Purchasing and managing commercial properties requires a vastly different skill set. Maintenance requirements can vary by the type of lease, and your legal requirements when it comes to evicting a tenant also will be different. If you're making the switch from residential to commercial real estate investing, it's important to first going at least a basic education about the field — from the different ways the two types of properties are valued to the optimal levels of income vs. expenses. A mentor with experience in the commercial real estate invest-



ment field can provide priceless guidance for your foray into the market.

FINDING THE RIGHT PROS

Connecting with the right real estate agent and attorney for your purchase is key to a smooth transaction. Buying commercial real estate can involve a complex maze of legal, financial and operational concerns, and considering what's at stake, you'll want to do your homework when it comes to making sure you have the best team of professionals in place. Interview several agents and check references. As with many real estate situations,

recommendations from trusted friends, family or colleagues are priceless. Look for professionals with depth of experience and credentials in the type of purchase you're pursuing. The National Association of Realtors' Certified Commercial Investment Member is one such credential.

A real estate attorney will be crucial for matters ranging from zoning and use laws to protecting your interests in a real estate transaction. What seems like a great deal on a commercial property can be undone by a seemingly minor legal issue, so having a competent attorney in your cor-

ner can make or break a deal.

RESIDENTIAL CONVERSIONS

Downtown storefronts or warehouses have long been prime options for conversion to living spaces, such as lofts and apartments. During the Great Recession, vacant office space also became a target for investors looking to carve out apartments from crowded spaces. As commercial real estate foundered, some markets saw a glimmer of demand from conversions. According to Urban Land magazine, downtown Dallas saw an office-to-residences trend, while Providence Business News also reported an uptick

REAL ESTATE 101

Find a Pro

According to the National Association of Realtors, its Certified Commercial Investment Member designation is "commercial real estate's global standard for professional achievement, earned through an extensive curriculum of 200 classroom hours and professional experiential requirements." Its ranks include brokers, leasing professionals, asset managers, appraisers, corporate real estate executives, investors, lenders and other pros.

in conversions, and similar trends have popped up across the country.

Whether your conversion will become an investment with multiple units to be sold at a handsome profit or the trendy personal space of your dreams, the road will most certainly be full of challenges. From adapting the plumbing to residential needs to hiring the architect who shares the vision for the look you want to achieve, these projects are not for the beginner. Once again, you'll need a top-notch team of professionals to pull off a successful project, so do your research and seek the input of these experts before setting your heart on a conversion.



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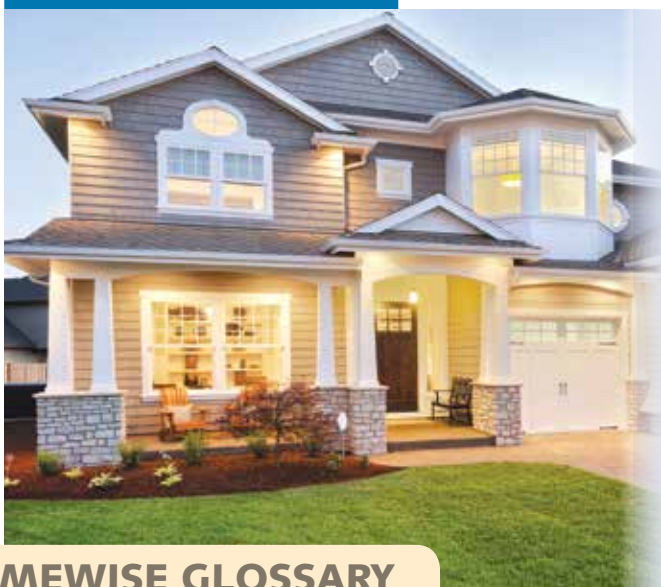
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HOMESWISE GLOSSARY

Construction loan: A loan for financing the cost of construction or improvements to a property; the lender disburses payments to the builder at periodic intervals during construction.

Investment property: A property purchased to generate rental income, tax benefits, or profitable resale rather than to serve as the borrower's primary residence. Contrast with "second home."

SOURCE: Federal Trade Commission

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