

Hosted by **SCORE**  | Bucks County

Introduction to Commercial Real Estate

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About SCORE

As a resource partner of the SBA, we help small businesses by:



Providing free
business advice
and mentoring



Offering low or
no-cost business
training



Sharing free
business templates
and resources

Request a SCORE mentor at www.score.org/find-mentor

Introduction



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Real Estate Agent Licensed in NJ & Pa

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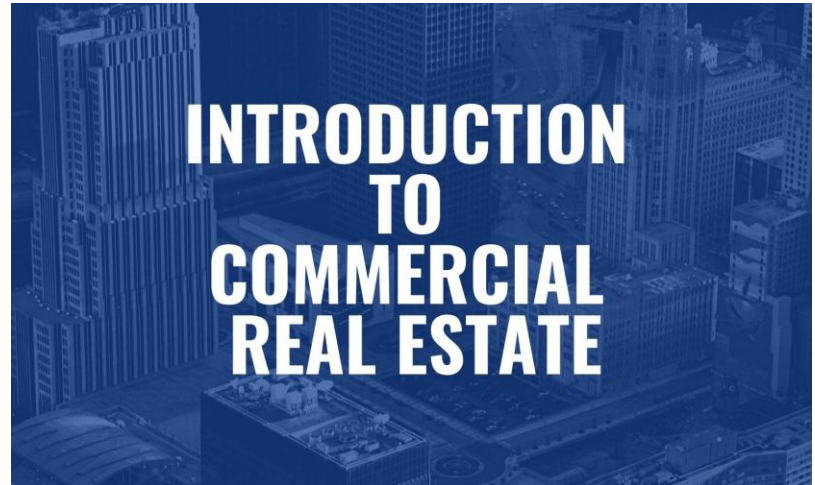
Certified Commercial Agent

Certified Relocation Agent

Certified Negotiation Specialist

Topics

- Introduction
- I Can Relate to Your Situation
- About Commercial Real Estate
- Let's Look at our Business Expenses
- Real Estate Options for my Business
- Rent/Lease
- Purchase
- Property
- Set up an LLC
- Summary
- Question and Answer



I Can Relate to Your Situation

- Owned a small Auto Parts store for 22 yrs.
- 11 Employees
- Leased for several years.
- NNN Lease
- Rent + Property Tax + Property Insurance = **Over \$5K p/m + Utilities and building maintenance**
- **\$60K p/y for the lease**



I Can Relate to Your Situation

- **Purchased a property:**
 - Mortgage + Property Tax + Property Insurance = @ \$3,500 p/m
 - Property had an apartment, rented for \$1,200 Net expenditure **\$2,300 p/m VS over \$5k p/m**
 - Closed the business @15 years ago
 - Property is paid off
 - Rented the property for several years. Had 6 tenants with gross income of \$6,400 p/m

**Purchasing the property was
the best business decision I ever made!**

About Commercial Real Estate



- As a business owner what are my options?
- Lease or purchase?
- Things to consider?
- Do I need warehousing only? (Internet sales)
- Do I need a storefront?
- Do I need both?

Let's Look at our Business Expenses

1. Mortgage or Rent
2. Insurance-Liability-Workman's Comp.
3. Payroll + Benefits
4. Electric-Gas
5. Phone
6. Internet
7. Credit card services

8. Payroll/Payroll Service
9. Security
10. Bookkeeping/Accounting
11. Inventory
12. Accounts receivable 30-60-90
13. Shipping
14. ETC.....

Real Estate Options for my Business

- Can I start in my home? (Internet driven)
 - Low overhead but Limited storage for inventory.
- Rent a storage unit? No utilities.
 - May be an issue for shipping delivery and pickup.
- Do I need Office space?
- If I am a retail business. I would need a storefront?



Location is everything!

Rent/Lease

- Terms of lease 3-5-7-10 years
- CAM fees
- Property fit out
- Escape Clause



Do not try and negotiate yourself!
(Commercial real estate agent and real estate attorney).



- **Different leases**

- NNN or Triple Net- Rent, property taxes, property insurance, utilities, building maintenance (Most common)
- NN or Double Net- Rent, property taxes, utilities
- N or Net lease – Rent & Utilities

Purchase



- **Financing**
 - Commercial Lenders
 - Minimum 20% down plus closing costs
 - Commercial appraisal @\$2,000 depending on the property type
 - Depending on the property bank may require EPA Phase I and Phase II inspections. \$\$\$\$

Property

- Location based on business type
- Use a Commercial realtor and a real estate attorney
- Zoning/Use variance
- Is signage allowed/what type



Buyer should perform their own DUE DILIGENCE

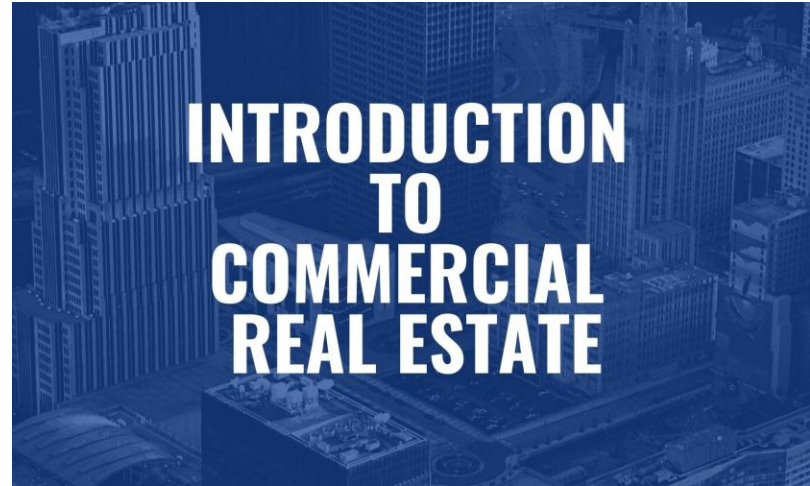
Set up an LLC



- Property separate from business LLC
- Protection from possible lawsuits
- Business LLC pays Property LLC rent

Summary

- Each business plan is unique
- Timing is also a key factor (for your business and for the real estate market)
- Short term and long-term goals
- Discuss with your accountant
- Tax advantages



Question & Answer



Thank you for your time and attention!



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Helpful Links

- Find SCORE resources for small businesses at www.score.org/templates-resources
- Find more SCORE live and recorded workshops and courses at www.score.org/get-business-training
- Book an appointment with a SCORE mentor at www.score.org/find-mentor





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