



## **Making your first move into commercial real estate - by Michael Alves**

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Michael Alves

First-time commercial real estate investors have a lot to consider before making the leap into a competitive and complex market. A retail space, office building or warehouse is a much different investment than a rental apartment or single-family home.

While the financial rewards are typically higher in commercial properties so are the risks. Here are a few things to keep in mind while choosing your first commercial investment:

- **Financing:** Commercial real estate is a whole new game for rookie investors. Make sure you have your financing figured out before making any offers. You're typically looking at a large down payment to get your foot in the door, along with higher due diligence costs after an offer is accepted. I can refer you to some commercial lenders my clients have worked with in the past.
- **Size:** How big of a space can you finance? The answer may be bigger than you think. Solid financial standing is a prerequisite to even considering a commercial investment, so if you've made it this far into the process, it could be wise to use your commercial loan to spring for a larger property that will yield a higher return. In apartment buildings, the cost per unit decreases as your volume increases. We can run the numbers for several different properties so you can compare projected cash flows and expenses.
- **Niche:** Who are you trying to rent to? If you're investing in a small retail space in a commercial plaza, think of what types of businesses you're trying to attract. If you're looking at a waterfront warehouse, what kinds of manufacturers does the layout lend itself to? It's

important to have a vision for your investment before signing the paperwork.

- **Location:** How much potential does the surrounding area have? Is it prime for new development or already established? Your first commercial investment likely won't be a massive headquarters that corporations will flock to, so you're really investing in a location as much as you are the space itself.
- **Partners:** While you learn the ins and outs of commercial real estate, an experienced investment partner can be the difference between making and losing money on your first investment. With the extra financial strength, partners can also help you compete for commercial real estate that you wouldn't otherwise be able to consider.
- **Patience:** Most importantly, be prepared to spend hours, days, weeks and months on your new endeavor.

You'll be researching locations, learning laws, building professional relationships and viewing properties. Patience is the mark of a savvy real estate investor.

These are only the basics of commercial real estate. For more information and guidance, contact me and I'll be happy to offer a consultation. Let's make your first commercial investment a success that leads to profits and future investments.

**Michael Alves is regional director of KW Elite Commercial Realty, Providence, R.I.**

New England Real Estate Journal - 17 Accord Park Drive #207, Norwell MA 02061 - (781) 878-4540