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Spring commercial real estate market on Cape Cod is in full swing for business buyers

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As with every spring, the commercial real estate market on Cape Cod heats up. Although more and more people call this peninsula their year-round home, this is still a very seasonal place. The population swells during the summer months, therefore the bulk of the income that business owners make comes during July and August. This means that the "commercial real estate season" is in full swing now - and will be until late spring - as most buyers need to purchase and be running their new business by the time the tourists arrive.

Who is buying businesses on the Cape? Prospective buyers have been coming from many parts of the country. These are people in their forties and fifties, most of who are working in the corporate world. Many of these prospects are people who are sick of the stressful corporate life, and some who feel that their job is in jeopardy and would like to quit before they get laid off. Their thinking is that if they are going to change jobs, then why not buy a business in a location that they love and where they would eventually like to retire.

Many call on a specific business that we are advertising but are not really sure of what they want. At the first interview we ask many questions which help them decide, or at least narrow down, the kinds of businesses they would prefer. The questions are many, but we start with a couple of basic ones, with the first one being a question that applies primarily to a resort area like Cape Cod. That question is, "Do you want a seasonal or year-round business?" Once that question is answered, we continue with more specific types of questions, such as the type of business - lodging (hotels - motels - B&B's) restaurants, services, etc. By the time we are done the buyers have a much clearer idea of what they want and what is available on Cape Cod.

The next step is to decide whether they want to buy the real estate. In most cases, buyers do want to buy the real estate - or have an option or right of first refusal. In some cases an investor will partner with competent people who will run the business and execute a long term lease, with the possibility of the lessee eventually purchasing the property from the investor.

This last option makes it possible for many sellers who have properties and businesses that are underperforming to sell and move on with their life. There are primarily two types of owners who want to sell their underperforming businesses and properties on Cape Cod.

The first group is made up of those purchased at the peak of the market and put all their funds into the purchase. Banks were lending easily and were not requiring much in the way of reserves. When the market slowed, vacancy rates went up, rental rates went down, and businesses experienced a drop in income. Lacking the funds to sustain them during the downturn and not being able to keep up the advertising, do promotions, or perform other functions needed during their slow period to keep running a profitable business, many owners decided to sell.

The second group of sellers is owners who have been planning on retiring over the last few years. In

most cases they had begun to be satisfied with business as usual. When the market slowed down and business was off, instead of putting more funds and energy into the business they put in less. Consequently, instead of business decreasing in proportion to the overall market, their business decreased much more. Now they want to sell and in many cases must either sell at a much lower price than they could have received prior to the downturn, or consider creative financing.

How do you sell a business, with or without real estate, when the buyer can't get bank financing to buy it until the income is improved, and the seller can't sell at a price that makes sense? We find that most owners understand the benefits of creatively selling their property or business because they can sell for a higher price, sell more easily, and make it easier for the buyers to succeed. We offer this option to every seller with whom we speak, and it has resulted in the successful completion many transactions that would not have gone together, or would have sold for much less as a conventional sale.

The commercial real estate activity on Cape Cod has been improving steadily during the last couple of years, and as of the beginning of this month it looks as if it may be one of the best years that I have seen my 42 years in the real estate business.

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