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The next 12-18 months likely to be one of the most active periods for owner-occupied sales

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"Buy" the Numbers

Southeastern Massachusetts has seen asking rents and asking prices remain relatively flat over the last 18 months. But, what has been trending are sales. Yes, sales of commercial real estate have much improved over the last year and will continue to do so over the next 12-18 months, which makes today's target market for commercial real estate investment desirable to lenders.

Most commercial real estate brokers have experienced nearly 90% of their annual real estate transactions in the form of leases over the last several years. However, over the last year, the number of sale transactions that a commercial real estate broker has seen has jumped from a meager 10% to nearly 30%. This positive adjustment in sales volume is a strong sign of more purchase transactions to follow over the next 12-18 months. Purchase transactions are typically a more frustrating source of income, because closing dates are harder to predict, but they are more than welcome in the arena of commercial real estate, as sales usually drive small business entrepreneurship.

The next 12-18 months will likely be one of the most active periods in Southeastern Mass. for owner-occupied sales transactions in recent years; which is great economic news. So, what is causing this uptick in the commercial real estate sales market? In Southeastern Mass. we are exposed to strong secondary markets, where commercial mortgages and Small Business Administration loans are ready and willing to enter our market. This increase in activity in our secondary markets is a good indicator that credit will be easier to obtain and allow more liquidity from the banks, freeing up capital and improving overall market conditions.

Small businesses are the absolute lifeblood of our economy. Our small businesses in Southeastern Mass. are inherently becoming more financeable, having been paying down debt and lowering expenses over the last several years to stay on the top of a depressed economy. This along with increasing revenues makes small businesses more attractive to lenders. There are still 90% financing options available with SBA loan programs, and those programs will be readily used in the next 18 months, with the idea of freeing up business capital to inject back into the businesses and not expensing it all on their commercial real estate loans. Oftentimes, these SBA loans can close rather quickly and can be amortized up to 25 years, similar to a residential mortgage.

Interest rates are climbing, however they are sure to stay at lower levels as compared to pre-recession rates. This will be a motivating factor to small business owners to make a move on a commercial loan before they are again priced out of the commercial real estate market from a combination of elevated rates and increasing sales prices. Make no mistake, we are seeing some of the lowest commercial real estate values in years and there is certainly an opportunity to get into this market before values undeniably rise.

With this window of opportunity, it is time to purchase commercial real estate. The general economy is continuing to recover and the overall confidence of the small business owner will continue to grow. So now is the time to invest in commercial real estate, before inflation rears its head and the small business owner losing control of their real estate expenses. Owning your own commercial real estate as a small business owner gives you greater predictability and control over your business expenses moving forward.

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