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President's message: "Bring a dose of reality to the table"

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OK...Clocks have been turned ahead, the temperature has broken 50 degrees, the grass is turning green and most of us have taken out our golf clubs and put them in our cars. I guess that means we are in the spring market. What does the spring market mean to those of us practicing commercial real estate? "Keep practicing 'till you get it right?" But seriously folks...

Most of the people I have spoken with over the past few weeks "from all around the state" are experiencing a tremendous upswing in activity. It seems like ants aren't the only thing that comes out in the spring! The buyers and commercial tenants are out there right now looking for that perfect deal, or expecting to get the owner to give the property away... Well, "That just ain't gonna happen!" Not if we represent our owner clients' interests properly. As fiduciaries, it's our duty to make sure that the pricing on their property has been done correctly. That means looking at more than just what other properties are selling for. We need to do a complete analysis of the net operating income (NOI) and the appropriate capitalization rate, based on the type of property and the location of the property. This is what will set us apart from our competition.

All kinds of strange things are happening in this market. I've been told stories of sellers not wanting to give out information that buyers absolutely must have in order to make decisions on what a property is worth. Even with a confidentiality agreement in place, the seller wouldn't give out the financial information needed to get the NOI. The buyer asked, "How can we make an offer without the proper information?" The seller said, "Tell them to make the offer contingent on review of the numbers!"...Deal lost! Then, have you heard the one about the seller who required a pre-approval letter from a bank before they would show their income property?...Another deal lost! By being good team players and consultants to your clients, you can bring that dose of reality to the mix that they absolutely need from you. The truth may hurt, but it still must be told. That's our job!

Speaking of bank's...the National RCA recently conducted a survey regarding what members thought would do the most to stimulate an economic turnaround in the commercial markets. A full two-thirds of the respondents said that the ongoing credit crunch was the single biggest impediment. The banks must begin by loosening the financing standards, now! Obviously, they should not go back to what they were when this all started. It's like a pendulum; we had swung too far to one side, then too far to the other. It's time to slow the movement so it's somewhere in the middle.

The deals are out there to be had, but financing is the key to make any deal happen. At our outstanding February member program on "Commercial Financing Today," featuring Joseph Eddy, managing director with Fantini & Gorga, we heard lots about the problems that the credit crunch is creating for willing buyers and sellers, as well as tenants and landlords throughout Mass. Our friends in the banking industry have been given the money. It's time they start giving some of it back to the people who need it most to make this stimulus package work. That's what the package was

designed to do...not to just improve the banks' balance sheets!

So we can all approach the spring market with enthusiasm for the demand being demonstrated for commercial properties in Mass. right now, and we should also resolve to provide our clients with our very best advice and analysis about how their interests can be protected in this uncertain economic climate.

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