



## March 2009 Market Perspective: Businesses Can Benefit From Present Market Conditions

Forward thinking business leaders are not only managing their businesses based upon present economic conditions, they are also planning for the future. As Wayne Gretzky once said "skate to where the puck is going to be, not where it is". While it can be difficult to escape the onslaught of negative news surrounding employment data, missed forecasts, financial woes and the stock market's daily reaction to it all, there is opportunity hidden within this challenging environment if one can avoid getting mired in such news. One such strategic opportunity can often be found in a company's use of real estate and how that use is structured.



### Opportune Timing

For many businesses, real estate is one of their most expensive on-going costs (usually second to wages). In many cases, business owners expect their location to provide a marketing benefit, project an image, maximize efficiency and/or minimize costs. Given the dramatic changes in the economy, we are clearly in a tenants' market with increasing vacancy and many options available for office, retail, and small industrial / flex users. As a result, now is the time to evaluate

one's present situation to determine if a new real estate strategy will decrease costs, increase profitability, enhance efficiency, and/or lead to other advantages. There has not been a better time in recent history to implement this type of change.

Perhaps, a smaller space would work just as well as your current one. Maybe a more centralized location would provide added convenience for your customers and employees alike. Alternatively, there are many opportunities to upgrade to new space. The timing could not be better to lock-in favorable long-term lease rates. If you prefer not to move, this is an excellent time to restructure your present lease agreement and/or future extensions thereto. If your business is strong but short-term capital is desired, perhaps a "sale and lease-back" of the facility you own could be advantageous.

### Formulating A Strategy

Like any major decision, the most efficient way to gather the information necessary to evaluate and potentially implement your real estate strategy is to consult with an expert. Generally, there is no cost to tenants who engage a tenant representative. While this may sound too good to be true, the reason is straightforward.

Virtually all available spaces are listed with a commercial broker. In cases where a tenant representative is involved, the listing broker's commission is simply split with the tenant representative. Thus, the tenant representative's services come at no additional cost to the tenant.

The services performed by a tenant representative include analyzing your present situation, researching available alternatives as well as comparable transactions previously completed, narrowing the choices to those that meet your needs and, in the case of an agency relationship, working diligently to negotiate favorable rates and terms for the tenant. The same benefits also apply for buyer representation.

### Chrisland Commercial Can Assist Your Business

Please contact one of our advisors to learn more about the various types of brokerage relationships available and how we can assist you to best meet your commercial real estate goals. Our advisor team at Chrisland Commercial has completed over \$350 million in transactions in Northern Colorado and is constantly tracking this volatile market to find opportunities. Please click on our website for more information on our qualifications or contact us to schedule a no obligation initial consultation.

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**Q: What does a business have to gain from an expert review of its real estate strategy?**

A: Potentially one or more of the following:

- Cost savings (short and long-term).
- Increased productivity and efficiency.
- A better location.
- Better employee and/or customer satisfaction.
- Additional capital.

**Q: What does this cost?**

A: Chrisland Commercial is willing to provide a free initial consultation. If a business decides that it makes sense to pursue a change in strategy the cost can vary from nothing (Tenant Rep. paid by Listing Broker or Landlord) to a brokerage commission (if they decide to sublease or sell all or a portion of their current facility).

**Q: Is there a quantifiable real-world example of why a business should reevaluate their real estate strategy in light of present market conditions?**

A: Yes. Class A office space in southeast Fort Collins is now available for sublease at \$14 per square foot plus NNN Expenses (\$8 psf). That represents an approximately 15% discount in base rent over what the same space leased for when it was new (nearly a decade ago) and an approximately 30% savings over new Class A lease deals signed nearby within the past 12 months. Locking in that type of savings could be significant to a business's bottom-line for a number of years to come.