

Do You Need a Commercial Agent?

COMMERCIAL
Real Estate

By **Brian Madigan LL.B.**



Sometimes you do and sometimes you don't. It all depends upon "how commercial" the property is.

The vast majority of real estate agents deal with residential properties. There are a limited number, perhaps 2% to 3% who actually specialize in commercial properties.

What's the difference? The difference is often the same as the difference between real estate and real property. The residential agent sells real estate and the commercial agent sells real property. There is a notable distinction. Real estate is the land, the building and the improvements upon the land. What you see, is what you get. However, real property involves the rights associated with the property. This in large measure is the right to develop the property for purposes other than its present use. But, really it is somewhat more than that. It involves business plans, zoning, restrictions, development costs and so on. More likely than not, the commercial realtor will be part of a team and bring a specific expertise to the table. Here is the opportunity for realtors with MBA's, accounting, legal and engineering experience.

Now, when it comes to listings, you will find some fairly low end commercial listings. In fact, the greatest number of commercial listings are indeed at the low end. These are generally, small businesses, convenience stores, hair salons, take-out food stores and any variety of relatively small-size "mom and pop" operations. The next size usually involves the franchises. These are somewhat more complicated and require someone who is familiar with franchise operations to review the documentation.

Once you reach the next level of the market, value and price are noteworthy considerations. No longer are we simply talking about "what you see, is what you get" but, rather the investor returns and the development potential of the property become crucial factors, in determining both value and price. The higher the perceived value of the unrealized potential of the property, the higher the price. In most cases, it will be a commercial realtor who can best assess this unrealized potential.

So, let's go back to the basics. Even at the variety store transaction, the realtor will need to be familiar with a range of legislation that deals with businesses from zoning, licensing, contractual restrictions, taxation (at all three levels), conveyancing and leasehold issues pertaining to business transactions. And, as you move up the scale, it just gets more complicated.

Wisely, many residential realtors will team up with a colleague who specializes in the commercial field. This is beneficial both to the client and the realtor because it prevents errors from occurring in the first place. How will you know whether you have a commercial realtor or not? Ask them, the difference between “real estate” and “real property”. If they don’t know, keep looking!

If you are either buying or selling commercial property, either large or small, you should have a commercial realtor working on your side.

*Brian Madigan LL.B., Realtor is an author and commentator on real estate matters, Coldwell Banker Innovators Realty
905-796-8888
www.OntarioRealEstateSource.com*