



COMMERCIAL REAL ESTATE MISTAKES TO AVOID

If you're new to the commercial real estate world or are looking at your first investment property, here are some points to consider before signing on the dotted line.



WHOSE NAME GOES ON THE COMMERCIAL REAL ESTATE PAPERWORK?

In most cases, your business should purchase commercial property in the business's name, not your own name. You'll protect yourself from liability should there be an accident on the property or a problem with the title. It's best to speak with an attorney who is familiar with commercial real estate matters before making a final determination on whether your name or your business's name should appear on the purchase agreement.



WHAT WAS THE COMMERCIAL PROPERTY USED FOR IN THE PAST?

It's extremely important to know the property's history. What may look like a hip, tiny restaurant now may have been a gas station or environmentally-regulated, hazardous waste site. Perhaps the prior sale happened decades ago before certain regulations took effect, or the property was inherited, repurposed and reopened on top of a chemical hazard before current regulations were in place. An experienced attorney can help investigate the history and the title and clear the way for sale and financing.



COMMERCIAL ZONING AND LICENSING

Evaluate and investigate the permissible land use for a property. If you plan to keep any structures that are present on the property, you must understand if you are legally allowed to operate your type of business on this particular property. The zoning laws governing the property determine the proper use and occupancy.

Additionally, you can't always just move your business into an empty building on the property after the closing. You may need a new occupancy license or permit to operate.



COMMERCIAL LOAN APPLICATIONS AND UNDERWRITING

Even before you start your search, explore lending options with several lenders. It's important to understand what your lender will require before applying for a loan to purchase your property. You should also know what amount you'll qualify for, if the lender will restrict the kind or location of the property you buy, or impose other restrictions on the loan qualification process.

You should also understand your short- and long-term expectations for a property. Create a budget and plan for your move up to a year ahead of time. Investigate your up-front and closing costs, monthly expenses, mortgage expenses and what you need to generate in income each month to cover these expenses.



LOCATION, LOCATION, LOCATION

This is the cardinal rule in any real estate purchase. Choosing the wrong location can spell disaster for your business if there is no traffic or for resale in the future. Investor Deals can help you analyze the factors that are important to your business to see if a specific property makes financial sense for you. Don't buy on emotion. You should also consider the intangibles like:

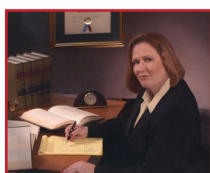
- Employee security and commuting distances
- Traffic patterns and neighborhood demographics
- Will customers come if they perceive that the neighborhood is not safe



RELY ON ATTORNEYS WITH COMMERCIAL REAL ESTATE EXPERIENCE

The most important thing you can do throughout the purchase process is to perform your due diligence on the entire transaction. Your broker or agent is knowledgeable, but not objective and independent from the sale or purchase.

Work with an attorney with a history of commercial real estate experience for dedicated help. If you're in Texas, we welcome you to reach out to us. [Contact us](#) as soon as possible to review your property's details, title and history.



Written by

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