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DON'T SELL YOURSELF SHORT

How to make sure you never sell your listing short.

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Every commercial-industrial property sale includes a due diligence period prior to the settlement date. More often than not, the buyer finds structural defects or mechanical systems issues that require repairs or remediation. That's when the negotiation begins as to how to remedy the potentially costly problem. The seller is anxious to move forward towards the settlement. Often, the solution to the problem is to reduce the selling price to cover the cost of repairs or remediation of the property. You've sold your listing short. There's a better way!

The listing agent should encourage the property owner to hire a multi-disciplined engineering firm to conduct a Property Condition Assessment, or PCA, at the onset of servicing the listing.

At a minimum, the assessment should include inspection of: the building structure, interior finish conditions, roofing condition, as well as the mechanical, plumbing, and electrical systems, and should take from a few hours to an entire day to complete, depending on the size of the property.

The resulting report would serve to identify various potential issues with the property that can either be taken care of by the seller or itemized in a disclosure statement to potential buyers.

Even if the seller chooses not to address any of the potential issues found in the PCA, including an itemized disclosure statement to the potential buyer, getting cost estimates from various subcontractors in advance can still result in a significantly lower punch list cost.

However, if the process is delayed until the buyer conducts the PCA processes, they are doing so under the time pressure of the due diligence deadline, and consequently, won't have the time to solicit numerous bids for each line item issue. The result can often mean a 20 percent to 25 percent reduction from the original contractual selling price.

A prime example of a costly line item repair that commonly occurs during the pending sale of a property is the roof condition. For a 30,000-square-foot single-level warehouse, the property owner received bids from three roofing companies.

The original building was 20,000 square feet. There was a 10,000-square-foot addition that was built five years after the original section. The engineering firm that prepared a PCA report early on in the listing process, stated that the functional life expectancy of the roof for the 10,000-square-foot addition was another three years.

The property owner shared that information with all three bidding contractors. One roofing company came in with a bid that was $5-per-square-foot, totaling $150,000. Another bid came in at $4.25-per-square-foot, totaling $127,500.

A third roofer agreed with the condition assessment of the two roof sections that the engineer provided. They submitted a bid in the amount of $4.50-per-square-foot for the 20,000-square-foot section, $90,000. The overall savings that the property owner saved for this one repair item was in excess of $55,000.

This is just one line item that is likely to appear on the repair punch list for a given property.

Any time you sell an existing commercial/industrial building, there are likely to be items needing repair or remediation, whether it is the building structure itself, the utilities inside, or even the parking area. As a seller, would you agree it is worth investing $3,000 to $5,000 to have a multi-disciplined engineering firm perform a PCA on your site, and potentially save 10 times that amount in the final sale? Without question, at the very least, you will be better prepared to address what your potential buyers may discover during their due diligence period, and will be in a more advantageous position to negotiate the sale of your property. Don't sell yourself short!