

HRRC

The High-Risers Club

12/3/2024 - Understand the Similarities and Differences Between Residential and Commercial Real Estate

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Welcome

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Does anyone have anything great to share personally or professionally?



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Similarities and Differences



Similarities Between Commercial and Residential Real Estate

- Trusted Advisor
- Desire to be great
- A+ Student
- Contingencies
- Licensing Requirements
- Agency Rules / Agreements

Similarities Between Commercial and Residential Real Estate

The most common agency agreements are:

- a. Listing to Sell
 - Exclusive right to sell
 - Exclusive agency
 - Open Listing

- b. Buyer
 - Exclusive buyer agency
 - Non-exclusive buyer agency

- c. Listing to Lease
 - Exclusive right to lease
 - Non-exclusive right to lease

- d. Tenant
 - Exclusive tenant representation
 - Non-exclusive tenant representation

Differences Between Commercial and Residential Real Estate

1. Commercial real estate involves a great deal of confidential information. It is not uncommon to be asked to sign a confidentiality agreement.
2. Purchaser closing costs and third-party costs are higher.
3. Commercial transactions take longer to close. It is a multi-stepped process requiring significantly more analysis and paperwork.
4. There is no comprehensive commercial MLS. As a result, active, sold and leased data is difficult to locate unless you purchase it from a data provider, such as CoStar.
5. To succeed in commercial real estate, there is a steeper learning curve regarding calculations to accurately analyze property values. This is critical to appropriately advise clients.
6. Without an MLS system to identify commission, an extra step is needed to determine if a commission is being offered and to establish a co-broker agreement.
7. Commissions are generally larger with commercial transactions. However, there are far fewer commercial transactions taking place.

Differences Between Commercial and Residential Real Estate (Cont.)

8. Commercial transactions are, generally, less emotional. Clients are looking for a good return on investment (ROI). The focus is on data-driven analysis of the numbers, rent schedules and types of tenants.
9. Commercial valuations are based primarily on the property's income. Residential valuations are based primarily on the sales comparison approach.
10. There is no universal system for scheduling commercial showings. The buyer's agent typically reaches out directly to the listing agent.
11. When financing commercial real estate, loans are underwritten based on the property's cash flow. The property's income/expenses matter more than the borrower's income and personal financial statement.
12. There is a lower turnover rate with commercial properties because investors tend to hold onto buildings longer than people stay in their homes.
13. Commercial real estate working hours are more structured. They are most often Monday through Friday with limited evenings and weekends. The environment is more corporate in nature.
14. Location matters, but not nearly as much as it does for residential properties. Some buyers purchase investment property hours away from their home as long as the numbers yield a return that is acceptable to them.

Differences

Differences Between Leases for Commercial and Residential Properties:

1. Commercial leases are longer and more detailed.
2. Commercial leases are harder to get out of.
3. Commercial leases provide less protection to the tenant.
4. Legal due diligence of the lease is performed most often by an attorney.

Join Our Facebook Group

<https://www.facebook.com/groups/commercialrealestateforresidentialrealtors>



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Next Session

**Be the Triple Threat in Real Estate: Be
More Valuable to Your Clients and Earn
More Money – Part 1**

**Tuesday, December 10th, 2024
@ Noon Eastern**

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Greatness is Within



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