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ADVANTAGES OF BUILDING COMMERCIAL REAL ESTATE PROPERTIES

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INTRODUCTION

If your portfolio doesn't already have commercial real estate assets, then you are surely missing out on some potentially incredible returns! The stock market has shown significantly more volatility in recent times, and treasuries bonds and other similar asset classes are still offering investors very low returns on investment. As a result, more and more prudent investors are now seeing the value in real estate and are increasingly turning to it for its amazing risk/reward profile.

We provide a more in-depth analysis of building a commercial property with an aim to provide a clearer picture of why building the various components of commercial real estate is important, and what you need to do to get started.



ADVANTAGES OF BUILDING MULTIFAMILY PROPERTIES

A multifamily property usually comprises two or more units within the same building, and the units can either have a similar shape or size. This kind of property generally accommodates multiple people such as families or different individuals. As we've seen over the years, duplexes, apartments and other multifamily properties are always high in demand. That means you can expect to get a high occupancy rate on the property, particularly if it is strategically located. However, purchasing this kind of commercial real estate, as many people often do, is not as lucrative as building it. Here are a few reasons why building a multifamily property is a smarter choice

FREEDOM OF CHOICE AND MAXIMUM ROI

Building the property enables you to select the layout and customize everything. That means that by the time the property is ready, everything in it will be new, and you won't have to worry about any of the common issues most investors face, such as outdated styles, broken systems, restrictive infrastructure and outdated electrical wiring.

Secondly, while constructing your property, you select the latest technologies, amenities, location of the building and so on. Having a brand new apartment in a good neighborhood is a combination buyers typically never get, unless they spend a lot more on the property after purchasing it on renovations.

PROFITABILITY

Another advantage of building instead of buying your own multifamily properties is the profit potential. For instance, you can get an outdated property for \$300,000 and build a similar type property for \$450,000 that would generate a higher amount of recurring revenue. Building is therefore more cost-efficient and fairly risk-free for a first-time investor, if you get a good developer. You can choose to apply for a mortgage loan to finance the construction and get lower finance rates



TAX BENEFITS

While it largely depends on the current state of incorporation, businesses may find themselves eligible for tax breaks especially because new construction creates jobs. However, investors need to check with the department of economic development of their state to get more information about the tax incentives available. That will enable them to better identify and factor in how much can be saved during the decision-making process.

ADVANTAGES OF BUILDING COMMERCIAL OFFICE SPACE

More and more people are quickly seeing the benefits of building their own offices instead of leasing, and building offices to lease to other businesses. That means that owners can benefit from building offices in more than one way. If you own a business and are looking to move to a new office, there are many factors that could encourage you to build your own office. Some of them include the following:

CUSTOMIZED WORKSPACE

Just like commercial multifamily properties, building your own office space gives you control over the way it looks, feels and functions. An office building can depict your personality and uniqueness, while offering peace of mind, since the business can stay there for as long as you wish.

LONG-TERM FINANCIAL BENEFITS

An office building generates equity over time, which means that as time goes by, owners have the chance to use it as collateral to grow their business, address property problems or fund their retirements. It also affords tax advantages and allows for yearly depreciation deductions.

RENTAL INCOME

Depending on various factors such as business type and the office building itself, owners can rent out certain parts of the building to tenants, thereby deriving income from the building and subsidizing the monthly expenses.

BECOME YOUR OWN LANDLORD

It is often a painful experience to deal with a landlord. If your office encounters technical problems, you would have to go through the owner to be able to fix them. Sometimes this scenario can be stressful because the landlord may not be as reliable, timely or responsible as needed in order to run your business smoothly. Owning the building provides the advantage of fixing things and attending to emergent issues accordingly.

SECURE

As you can imagine, the security of a warehouse that you cannot control is not always guaranteed, and in most cases, people spend more money to add an extra layer of security to efficiently protect their property and afford themselves peace of mind.

IT BECOMES AN ASSET

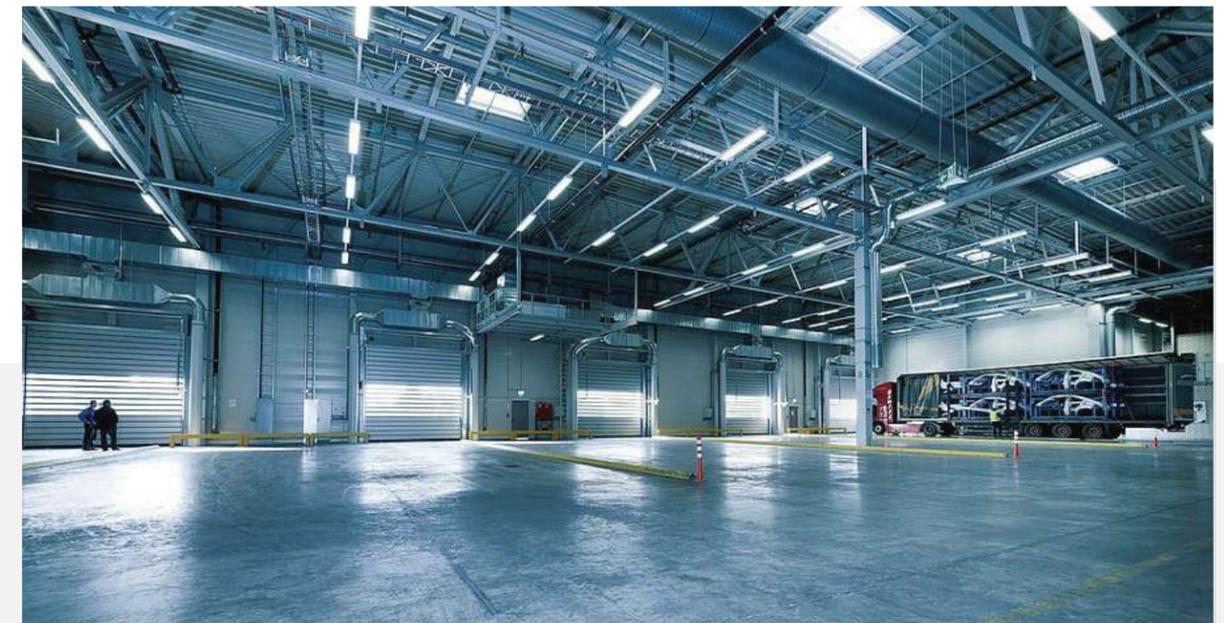
Building your own warehouse also helps you add a significant investment to your portfolio because you can easily make a good profit when you sell it. What's more, you can lease out the space and enjoy a steady flow of rental income. It's often said that commercial warehouse tenants are a lot more reliable than the residential ones, so you get to have an easier time managing the property as the landlord.

CUSTOMIZATION

You also get to enjoy the benefit of coming up with a structure that matches your taste, preference and needs. This offers you the chance to make it as profitable as possible through design, while enjoying the flexibility of adjusting the space to match the growth of your investment. For instance, you can easily change the floor plan as you want. You would typically benefit from this when your business expands, and you realize that you require a more organized warehouse.

ADVANTAGES OF BUILDING A COMMERCIAL WAREHOUSE

A warehouse is important when it comes to storing goods or products, and may be an indispensable part of a business. When warehouse space is needed for ongoing operations, the options are to lease or to build one. While renting is a suitable option for someone who wants nothing more than a transitional place to store inventory, it's not the best option because it can easily escalate operational costs. On the other hand, building your own warehouse is cheaper in the long run, if you store inventory for long durations or all-year-round. Here are some other benefits of building a commercial warehouse



HOW TO SELECT YOUR CONTRACTOR

Finding a good developer for your project is often the most critical part of the whole project because the person that sets your plan in motion determines the success or failure of the project. To get the right person, here are a few tips you need to keep in mind.

CHECK THEIR WEBSITE

You need to visit the contractors' websites to understand them well, as the website typically provides answers to questions such as who the owners are, what their history looks like, who they're partnering with, how long they've been working on similar projects and so on. You may also catch a glimpse of their ongoing and completed projects.

VISIT THEIR COMPLETED PROJECTS

You need to make a trip to some of their completed projects to see the quality of work they deliver, and what the company believes in. It's true that seeing is believing, and what you see is better than what you hear. So try to find out about their completed projects' layouts and finishes to have a good idea of what you can expect from them in future.

VALIDATE REFERENCES

One of the best ways of evaluating the services of a developer is talking to existing owners of projects completed by the developer in question. Owners are capable of giving factual and unbiased review of the developer's work. This can also serve as a great opportunity to ask pertinent questions concerning the developer's reliability, quality, and standard of service and so on.

REVIEW THE FINANCIALS

There have been many instances in which developers failed to complete projects or deliver the expected quality due to a shortage of funds. You can avoid such an inconvenience by taking your time going through relevant business reports or talking to the affiliated financial institutions like banks to understand the developer's financial health. In case the project is a joint venture, consider incorporating other partners' files.

ASCERTAIN THEIR EXPERIENCE

The developer should also prove to have sufficient experience not only in the commercial construction space, but in different sectors within commercial construction. A good indicator is a healthy relationship with multiple reputable suppliers that can provide competitive pricing on good quality materials, as well as access to reliable contractors.



CONCLUSION

While many investors or business owners focus on existing properties when looking to expand, the benefits of building your own commercial real estate structure are clear. If you are evaluating your next property, meet with a developer to discuss if new construction makes sense for you.

ABOUT CIVE®

CIVE® is an upscale Design-Build firm, specializing in top-down build process driven by value engineering – from state-of-the-art design, leading-edge engineering, high-quality construction, and elite project management.

Our strengths lie in a rich mix of talent, experience and ingenuity. Our clients can depend on us to anticipate industry changes and plan for the future, while providing most practical and cost-effective solutions. CIVE® devotes customized, individual service to all its clients, whether large or small.

Specialties: Residential, commercial & industrial design, civil engineering, structural engineering, mechanical engineering, electrical engineering, construction management & project management.



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