



Jim Moore, SIOR Associate Developer, is the president of Biltmore Construction & Development in San Antonio, TX. The company specializes in the development of free-standing office-warehouses and office-condos from 5,000-50,000 sq. ft. He can be reached at jmoore@biltmoredev.com.

Best Time to Buy

By Jim Moore

Last year my father retired. Since then I have wondered how much easier his retirement would have been if he'd purchased either a business condo or a freestanding building for his dental practice. Most small and medium business owners also apply to this financial situation. If they own the property when they sell their business, they can lease the existing facility to the new owners, a different tenant, or sell it.

The same concept that applied to my father's scenario holds true today, yet there are major changes on the horizon.

I believe we're living in the inaugural years of what I consider to be, "The Perfect Storm." As I'm sure you're aware, our Federal Reserve Chairman, Ben Bernanke, and his colleagues have infused trillions of freshly printed dollars into our economic system three times over the last few years via "Quantitative Easing." The latest referred to as "QE-3."

Simple economics has shown over many years that when our federal government starts injecting money into our economic system, inflation is not far behind. The main reason inflation hasn't reared its head in a more aggressive fashion is because

there hasn't been any velocity of the funds placed into the system. Because of the uncertain economic times we're in, people and corporations are holding onto their money. Normally during a stimulus people start spending and investing funds into leisure items and capital goods. That hasn't happened. They're too afraid to spend it, therefore money is being saved, not spent. Only now is this uncertainty just starting to clear, and in my 35-plus years in the business of Commercial Real Estate Development, I've never been as busy as I am now!

Now for the good news; interest rates are very low, the lowest in my lifetime. Lenders are ready, willing, and able to lend funds for owner-occupied buildings, at great rates. It's one of the best loans they can make. Inflation hasn't had a major effect on the costs of commercial real estate...yet... but it's going too, and sooner than you might think. When people and businesses gain confidence in the economy, and/or they start to see inflation looming on the horizon, they'll start spending and spending big on capital goods and hard assets.

Commercial income producing properties are one of, if not the best assets to hold during inflationary periods. It has long been said that "inflation is commercial real estate's best friend." Just check the figures from the 1970s, the increases in inflation were enormous. One significant difference was that interest rates weren't that low when that inflationary period started, but they zoomed much higher as the inflation took hold. That's exactly



"When an SIOR brings me a client, I know it's a real deal with a proven buyer/tenant."



what's going to happen again when the Federal Reserve tries to tame the economy by raising interest rates.

With interest rates incredibly low, and inflation just around the corner, the required ingredients are all there for "The Perfect Storm." NOW is the time to invest in hard assets, and set your bet against inflation. Secure yourself and your business by locking in attractive rates which will allow you to better plan your expenses for the future and prepare you, your family and your business for what's ahead.

If and when you decide to make an investment in your future, whether you're an investor, or user, please surround yourself with proven professionals. Your first move should be to find an SIOR. SIORs are the cream of the crop. It's quite difficult for an individual to become accepted into this exclusive fraternity. Anyone seeking admittance must prove their experience and expertise not only to the national SIOR headquarters, but more importantly they have to convince their credibility to their local SIOR chapter. This is not an easy task! Only the best of the best are admitted. When an SIOR brings me a client, I know it's a real deal with a proven buyer/tenant.

If you're a business owner and you decide you want to own a facility for your business, you must, and I repeat, must employ the best of the best in all facets of the building process. First step is acquiring a building site. Don't waste your time going through the complicated process of just buying any site. Buy a site fully entitled for your type of business! Employ proven locally based

architects and engineers. Don't use the contractor who built your custom home. Commercial and industrial construction is a completely different animal requiring a very different expertise. You wouldn't hire a cardiac surgeon to set your broken arm. The same is true of architects and engineers. Use only experts in their field. Architects design, engineers build.

Architects and engineers have no problem spending your money to cover their own behinds. And bless their little hearts; a lot of them will even over-design your project. You can build a good solid building using a group of experts that know the local soil conditions, and what's feasible for the marketplace.

Additionally, be sure to design your facility with an exit strategy in mind. A lot of individuals believe their new building will be the last building they'll ever own and this rarely happens. Don't over-build for the area and avoid hybrids unless absolutely necessary.

I have a lot of empathy for people who walk into our office with a set of plans that cost them a lot of money. I'll look at them and say, "Let me guess, you can't afford to build the facility." I don't enjoy saying that because then I have to tell them, "Your baby is ugly," and throw away that thick book of plans they spent so much money for. Then we sit down with our experts and design/build a more efficient, more cost-efficient facility with plans about a quarter of the thickness of the plans they brought in.

Find someone that will help you you reach your goals, and remember, the time to do it is now. 