

Three Most Important Criteria in Buying Real Estate



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Q: We want to purchase an industrial building to house our growing import and distribution business. I have heard that the three most important criteria in selecting real estate are “location, location, and location.” What other criteria would you suggest?

A: In working with our clients, we break down our search objectives into two categories. The first category involves the specific needs of your business such as warehouse height, amount of office space and number of loading doors. Search criteria in this category tend to be very subjective, and you, as the business owner, are the most qualified to make the decisions and evaluate the trade-offs involved. Of course, location will probably play a role in this category. How many employees will you lose by making a move of over 20 miles from your present location? Will your shipping costs increase as you move from one zone into another? These are the types of questions that must be answered from a business perspective.

The second category of search objectives concerns real estate value. As real estate professionals, we tend to be more concerned about these criteria than our clients. Someday, in some way, your new building is going to be sold,

either by you or your successors. We would like to make the process easier and maximize the selling price when that occurs. That is why we are concerned with “location, location, location.” All things being equal, we know that a good location will appreciate faster and sell faster.

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What is a good location? It is a location that will appeal to the greatest majority of buyers. On Long Island, that means a location that is a short distance from the Long Island Expressway. It generally means a location that has tight zoning or restrictive covenants, that provide

for plenty of parking and landscaping. It also has the infrastructure (e.g. roads, utilities, high-speed broadband) to accommodate almost any kind of business need.

In this category, beyond the three most important criteria of location, location and location, I would add parking ratio, environmental review, and structural engineering. These are all items that can have a major impact on resale, or may be very costly to rectify. As an example, your business may operate nicely with a 2:1 parking ratio (2 parking spaces for every 1,000 square feet of building area), but you would probably double the number of prospective purchasers in the future with a 3:1 parking ratio.

I have two final thoughts on evaluating criteria in both categories. First, concentrate on criteria that you cannot change, e.g. you may be able to build additional office space or add loading doors, so these should not be your primary search criteria. Second, the specific needs of your business are the most important. The wrong building in the right location is still the wrong building.

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