

# Real Estate Journal

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## Opening Pandora's box: Understanding commercial real estate brokerage

**rk** Ronald Kleinberg



Tri-State Properties, LLC

**As every seasoned investor knows, you must not fall in love with the bricks until a seller's bottom line is substantiated.**

Commercial real estate brokerage is not rocket science. All you need to peddle a property is a shoeshine, a shingle and the unwavering determination of a kamikaze pilot. Of course, if you want to get paid, that's a different story, categorically sellers are a delusional lot when its time to pay the piper. In spite of a broker that presents an irresistible offer or the endearing names a seller might call the agent (Buddy & Lucky are popular), many a hapless broker has been blindsided by the surgical removal of their fee called a "commissionectomy."

If the broker can establish a meeting of the minds with a ready buyer and a willing seller, the seller will retain a venerable law firm, ide-

ally one with a proven track record, (i.e. Methuselah & Sons) to generate a contract. It will be the agent's responsibility to alert the buyer's attorney (Mosey, Dillydally & Dawdle) that a contract is pending. Nine times out of ten, the buyer's lawyer will be out of town, out of state, or vacationing in the Galapagos Islands where cell phone reception is dicey at best. If fortune favors the broker, contact will be established and pertinent information exchanged. The broker will jot down the attorney's cell phone, land phone, car phone, world phone, home phone, beeper, email, website, and likely, never hear from him

again unless the deal implodes.

Once both parties have an executed contract, the broker must traverse that slippery slope called the due diligence period or the "twilight zone." This is the 30-day window in which the buyer has escrowed a sizable deposit (as little as possible) enabling him to kick the bricks, verify the income and expenses, and make sure the building he is purchasing is not sitting on ancient Navajo burial grounds or worse – quicksand.

With earnest money at risk, time is of the essence. Only 29 days, 23 hours and 59 minutes remain before the buyer's deposit will be non-refundable.

The grantee must quickly mobilize with military precision a cadre of trained professionals to scrutinize the site insuring everything is "kosher." Engineers, environmental personnel and feng shui experts will swarm the infrastructure. Nothing will be left to chance. Seismolo-

gists will look for faults, holes will be bored, tanks tested and termites asked to leave.

Twenty-nine days later the tests are back and results encouraging! The warranty on the roof still has two months left, the black mold is confined to the basement, and the skeleton in the closet is not Jimmy Hoffa.

Regardless of this pyrrhic victory, it is still too early for the potential suitor to pop the cork and swing from the chandelier. As every seasoned investor knows, you must not fall in love with the bricks until a seller's bottom line is substantiated. Unfortunately, asking a persnickety owner to open his books is similar to asking a mature woman her age. Number crunching is a job best suited for a professional accountant. I would recommend mine but he's on vacation.

**Ronald Kleinberg is a principal at Tri-State Properties, LLC, Dix Hills, N.Y.**