

# COMMERCIAL CONDOMINIUMS

## are Here to Stay

**C**ondominiums for commercial use (office, warehouse/flex and retail) have evolved from a niche product into a mainstream real estate product that has long-term staying power. Although media headlines announce daily new residential condominium developments, commercial condominiums have not received similar press coverage despite no fewer than sixteen locally constructed or converted facilities being developed in only the past three years. This condominium concept has become a truly viable alternative for small to mid-size firms that would have traditionally leased their space.

**T**hroughout the recent economic downturn, many landlords were reluctant to carve up larger facilities to accommodate the space needs of smaller users even though vacancies were significant. Several visionary developers saw the impending demand and have successfully transplanted the concept to Central Florida. Commercial condominiums are another real estate product to offer your clients as they are uniquely positioned to meet the needs of smaller users.

**O**ne of the many advantages of purchasing condominium space is the ability to provide customized space with owners designing their interior build-out for better utilization. Some of the other benefits include: paying themselves instead of landlords (building equity); stabilizing, if not dramatically reducing their third largest business expense (real estate); long-term property appreciation; significant tax advantages of owning instead of renting; and the reduction of daily commutes since many condominiums are located near high-end residential neighborhoods where the density of established business owners is high. It is also frequently advantageous for business owners to establish real estate holding companies to take title to their new property with a long-term lease between their operating company and that holding company. In this way, the owner can dispose of his operating company or transition it to another generation, while maintaining the long term value and income potential of the real estate.

**M**any business condominiums are purchased with financing covering 90% of the total project cost, thereby providing owners with greater cash on cash returns and leaving valuable capital in their businesses to better use for growth. Frequently, commercial condos are financed with facilities providing fully-amortizing loan terms up to 25 years, with some specialized lenders even providing long-term, below-market, fixed interest rates.

**W**ith the likelihood of continuing low interest rates by historical standards and with the pent-up demand for the long-term financial benefits that condo ownership provides, the outlook for commercial condominiums is extremely positive and should no longer be viewed merely as a "trend," but rather as a mainstream product that is here to stay.

(Ed. Note... Christopher Hurn is President and Chief Executive Officer of Mercantile Commercial Capital, LLC based in Altamonte Springs, Florida. His company handles commercial loans (specializing in 504 loans) for small business owners who want to acquire or develop their own facilities. He was previously the Chief Financial Officer for NAI Realvest Partners in Maitland, Florida.)



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