

Now What!?!

Occupancy in a Hot Real Estate Market

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Tactical Skills
for the Growing Business

About Me

Chris Norwood

- Commercial Real Estate for 15 years
- CCIM, Eagle Scout
- Clients include:
 - State
 - Cities
 - Colleges
 - Investors
 - Users

NAI Norwood Group

- Family Business
- 50 years!!!!
- 18 Professionals ALL on Commercial Real Estate



About Me



Agenda

- Heat of the Market
- What does that mean for Occupancy?
- Take Aways

Rule for Today

Ask Questions!!!!

Who is with us today?

Leasing vs. Owners

Geography

Sector

- Office
- Industrial
- Retail
- Other

Hotter than Hot

Residential

- Homes are selling faster
- Apartments are priced higher than ever
- Historically low interest rates

Commercial

- Prices per square foot are higher than ever
- Lowest vacancy since recession
- Historically low interest rates

But But But But....

- Lower vacancy = higher rental rates (in some sectors)
- Construction prices are insane
 - Labor markets
 - Materials
- Interest rates

Take Aways

- “Take only what you need to survive.”
- “Show me the money!”
- “Wealth is not about having a lot of money; it’s about having a lot of options.”
- “Reader, suppose you were an idiot. And suppose you were a member of Congress. But I repeat myself.”

Take Away 1: Needs?

- New Construction – Do you need it?
- Office Space - SF per person
- Office Space - Calculator <https://lease.io/office-space-calculator>

ROOM TYPES	QUANTITY	DIMENSION	TOTAL AREA
Hardwall Offices			
Executive Offices	1	15 X 20	300 SF
Director Offices	1	15 X 15	225 SF
Standard Offices	1	15 X 10	150 SF
Small Offices	1	12 X 10	120 SF
Cubicles			
Manager	1	10 X 10	100 SF
Standard	1	8 X 6	48 SF
Small	1	5 X 5	25 SF
Meeting Rooms			
Board Room	1	15 X 25	375 SF
Conference Room	1	15 X 20	300 SF
Small Room	1	15 X 15	225 SF

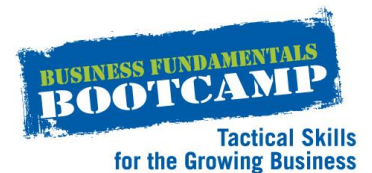
Small Room	1	15	X	15	225 SF
Other Rooms					
Large Reception	1	20	X	25	500 SF
Small Reception	1	15	X	20	300 SF
Copy Room	1	10	X	15	150 SF
Kitchen	1	15	X	20	300 SF
Break Room	1	10	X	15	150 SF
Server/File Room	1	10	X	10	100 SF
Server/File Closet	1	3	X	8	24 SF

NOTES

Notes and comments...

Subtotal	3,392 SF
+ Circulation Area	<input type="text" value="30"/> %
Total Useable Area	4,410 SF
+ Core Factor	<input type="text" value="15"/> %
TOTAL RENTABLE AREA	5,072 SF

powered by [LeaseMatrix](#)



Take Away 2: \$\$\$\$

- Rent vs. Occupancy
- IRRR
- Bizminer.com

	2013	2014	2015	2016	2017
Business Revenue	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of Sales	55.73%	56.83%	57.36%	57.44%	58.17%
Cost of Sales - Labor Portion	35.51%	34.99%	33.66%	35.00%	34.41%
Gross Margin	44.27%	43.17%	42.64%	42.56%	41.83%
Officers Comp.	7.12%	6.77%	7.18%	7.24%	7.27%
Salary-Wages	10.74%	10.11%	9.53%	9.62%	9.65%
Rent	2.22%	1.98%	2.00%	2.02%	2.02%
Taxes Paid	2.95%	2.93%	3.24%	3.27%	3.34%
Advertising	1.52%	1.38%	0.91%	0.92%	0.92%
Benefits-Pensions	2.48%	1.99%	2.65%	2.67%	2.67%
Repairs	0.75%	0.36%	0.55%	0.55%	0.55%
Bad Debt	0.31%	0.12%	0.07%	0.07%	0.07%
Sales, General, Admin & Misc.	8.30%	8.73%	9.31%	9.22%	9.33%
EBITDA	7.88%	8.80%	7.20%	6.98%	6.01%
Amortization Depreciation Depletion	1.60%	1.11%	1.21%	1.22%	1.21%
Operating Expenses	37.99%	35.48%	36.65%	36.80%	37.03%
Operating Income	6.28%	7.69%	5.99%	5.76%	4.80%
Interest Income	0.02%	0.02%	0.02%	0.02%	0.02%

Take Away 3: Flexibility

- Tenants – Options, Outs, Expansions
- Owners and Tenants – Pay down variable interest

Take Away 4: Uncle Sam

- Residential
 - RE Taxes
 - Debt (HELOC)
- Commercial
 - 1031 Exchange
 - Accelerated Depreciation
 - Single Purpose LLC

ANY FINAL QUESTIONS?

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Bonus Take Away!!!!

Lease vs. Purchase

- Assume a NNN Lease (Tenant is going to pay all of the taxes, insurance etc).
- At what rental rate would I have to lease vs. purchase?
- \$100 per square foot of purchase
- 5.75% to your bank (20 years amortization)
- 6% safe rate

Bonus Take Away!!!! (2)

	Debt	Equity	Total
Purchase	75	25	100
Rate	8.43%	6.00%	7.82%
PSF	6.32	1.50	7.82