

The background of the entire cover is a photograph of the New York City skyline, specifically Lower Manhattan, viewed from across a body of water. The water in the foreground is dark blue and filled with numerous white ice floes, suggesting a cold climate. The skyline features a variety of skyscrapers, including the Freedom Tower, which stands out prominently. The sky is a clear, bright blue with a few wispy white clouds. The text is overlaid on this image.

# **Commercial Property**

## **12 Ways to**

## **Add Value**

## **FAST**

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**AS I'M SURE YOU WILL APPRECIATE ... Commercial properties are generally seen as longer-term (at least a 3-year) investment.**

And you tend to buy them for their regular, high yields (compared to residential) ... as well as for some good capital growth over time.

Even so, an investor with some knowledge and experience can easily find properties able to be “upgraded” and then, on-sold ... for a quick gain.

Typically, this would involve you in improving the income stream from your property; and perhaps the security of that income. Both of which would result in a boost in the property’s overall appeal AND value.

So, what are some of your Options for a Fast Turnaround?

Well, there are a number of different ways you can achieve this. And they fall into 3 distinct categories.



## Construction-Related Improvements

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### 1. Undertake an Upgrade

The simplest strategy would be to buy run-down property on a short-term lease, and renovate it. If you're clever ... more often than not, you'll keep the existing tenants; and simply extend their lease at a higher rental.



However, you have a lease coming to an end, you may be well advised to completely renovate the property – to upgrade the appearance, and improve its overall appeal to the marketplace.

That will enable you to attract a better quality of tenant, and most likely achieve a higher rental as well. And this will more than cover the costs of the refurbishment, through the resulting increase in your property's value.

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## **2. Capitalise on Vacancies**

With experience ... you may even look to buy vacant buildings, “trick them up” and lease them out. But you really need to engage a team of experts, to guide you with a strategy like this.

Once complete, you can then decide whether you wish to hold them as long-term investments; or turn them over, to make a short-term profit.

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## **3. Consider Changing the Use**

By using a little imagination, you can easily discover ways to completely change the use of a property — by turning a warehouse into a restaurant, for example, would also serve to significantly increase of the property's rent AND value.

Obviously, your ability to do this will be dictated by the specific zoning within which your property falls.

However, many traditional inner suburban industrial zonings have been modified to permit mixed-use accommodation. That will then allow you to alter the property – to accommodate offices and sometimes small service retail activities.

And naturally, with a higher and better use comes a healthy increase in the net income you can achieve from the same property.

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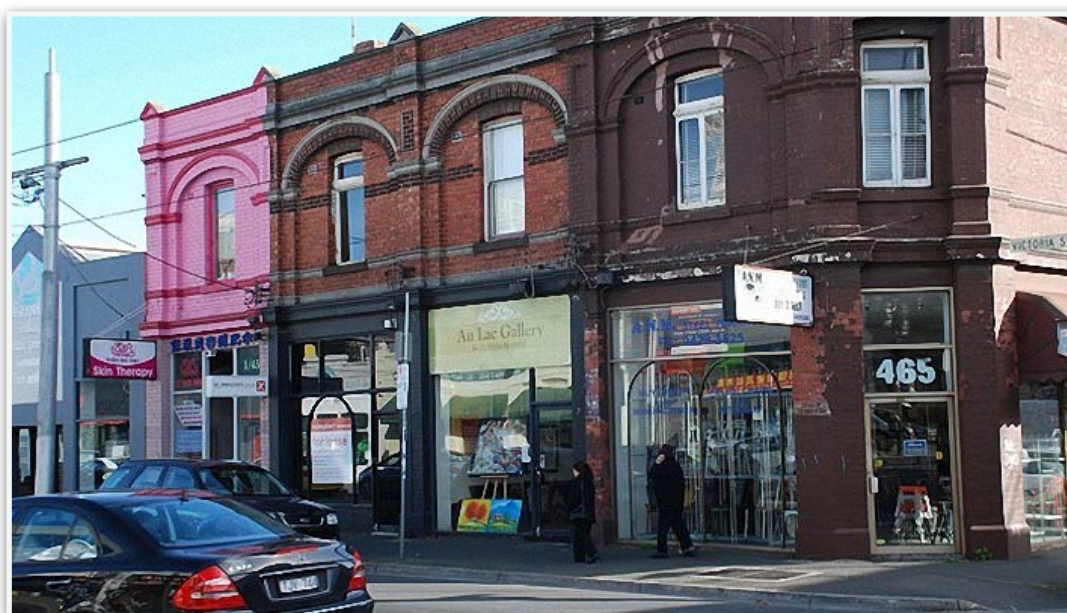
## 4. Subdivide Your Property

When it comes to subdividing the property, we're not just talking about land. Subject to Council requirements, a multi-storey building can be subdivided on a floor-by-floor basis; and even into smaller segments within each floor.

And even if you own a strata-title within a larger complex, that doesn't prevent you from further subdividing the property. However you will need to talk to a surveyor – to cover off on any compliance issues.

In any event, the moment you subdivide the property (even though you may not choose to sell each title off individually) ... this will immediately add considerable value to your property, for minimal outlay as far as you're concerned.

And even if you end up selling the property as a whole, you are now able to offer the next purchasers the flexibility of selling off the separate titles piecemeal – which provides them with some welcome comfort ... should the need arise.



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# Tenancy-Related Improvements

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## 5. Engage the Best Managing Agent

Quite often, you will also come across some poorly managed properties.

Most agents will undertake the role of basic rent collection fairly easily. Yet, you really need someone who is pro-active, and will look after your building as though it were their own.

You can find out more about: [What to Expect for Your Managing Agent](#).

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## 6. Increase Your Rentals

Ideally, you're looking to purchase a property that still has some scope to increase rentals at the next market review. Because, as you are aware, lenders (and valuers) place heavy emphasis upon the rental, which the property can generate.

You need to plan ahead. The secret here is to be seen as a caring landlord; and undertake some visible (but not necessarily major) improvements to the property ... at least 6-12 months before any upcoming market review.

However, to do this just 3 months before the review, would be quickly seen for what it is.

Renegotiating that lease would lead to a higher rent, thereby improving the value of the property. And naturally, having longer leases (with better-quality tenants) will always make your property more valuable.

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## 7. Reduce Your Operating Expenses

In most commercial leases, your tenants will pay the various operating expenses. However, as you can appreciate, tenants (and valuers) look at total occupancy costs, when making comparisons between alternative properties.

So it's in your interest to ensure that the Operating Expenses for your property are in line with any completing properties. And that's where having a competent managing agent is so important.

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## **8. Provide Extra Services**

If you have a larger property with multiple tenants, this is fairly easy to achieve. However, even if you only own one strata-title within a larger office building, you can still adopt this strategy.

If there are some vacancies within the building, you may suggest to the Owners Corporation that it should lease one of the smaller offices – to provide a common meeting room, which can be hired out (online) by all the occupants within the building.

With the modern technology this can be used (and paid for) on an "as required" basis. And would mean that the existing tenants no longer need to set aside valuable space to accommodate their own meeting facilities.

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## **10. Challenge Your Statutory Assessments**

Every 4 years, local councils have all the properties within their municipality revalued for rating purposes. Those valuation assessments are also used by the water authorities; as well as state governments, for calculating land tax.

However, every property owner does have a window of opportunity to formally challenge those assessments. And, if found to be excessive, this would result in a reduced assessment.

Once again, this is something competent managing agents will review on behalf of their landlords, and advise you accordingly.

As we discussed earlier, this is important because it's in your interests to keep all costs for your tenants to a minimum.

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## 11. Renew Leases Early

The longer the lease ... the more valuable your property becomes.

Therefore, it's often worth approaching your tenant during the last year of a lease term ... to talk about either exercising the option early; or taking out a new lease, if it is due to end.

The best way to do this is to have your managing agent "float the idea" with the tenants – ostensibly as though it was his or her idea, and not having discussed it with you as yet.

If it is clear that your tenants intend to stay on ... then your managing agent could suggest that he (or she) might just be able to "twist your arm" into granting them a month or so rent-free ... were they to extended release now, rather than waiting another 10 months.

Achieving this would immediately improve your position with the lender; and also make sure property is far more appealing in the marketplace, should you decide to sell.

With every commercial property, an investor's principle aim is to secure ongoing, predictable cash flow.



# Market-Related Improvements

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## 12. Watch for Emerging Trends

Simply spotting opportunities within improving (or growing) neighbourhoods — such as inner-city suburbs enjoying an influx of upmarket residents or new apartments being built — is another good short-term strategy.

As you'll come to realise, this will require a fairly intimate knowledge of that particular neighbourhood — to observe the subtle changes afoot ... BEFORE they become recognised by other astute investors.

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## Final Thoughts

Timing the market is another viable short-term strategy.

As with the share market, Commercial property can go through periods when values may not change much, followed by periods of sharp appreciation. The secret lies in knowing where you are in the current cycle.

Ideally, you would seek to buy just as things are improving . And look to sell before the peak — always leaving some "blue sky" for the buyer.

**You have probably noticed, none of this is exactly rocket science. Still, it will hopefully provide you with a simple framework to perhaps think “outside the box” with some of your own Commercial properties.**

**PS:** Would you like to learn [How to Negotiate Like a Pro?](#)