

SPECIAL FEATURE » COMMERCIAL PROPERTY

Choosing to purchase a property based on emotions instead of for financial or business reasons is a mistake," he says. "You need to carefully consider all the factors around purchasing property before pulling the trigger."

Rick agrees and believes that subjective decisions around purchasing commercial properties are a key reason why a business owner could end up investing in the wrong property. "Business owners don't always look at property objectively," he says. "One of the most common scenarios we see is the business owner who has been renting for years, and now wants to purchase the property from their landlord. The problem is that they've already invested so much into the building that they're stuck. They think the property is worth more than it is, and the landlord knows the business is anchored there, which works to their advantage

because it drives up the price. In these cases, objectivity becomes a problem."

Rick's advice is straightforward. Instead of just making an offer to your landlord, consider the pros and cons of the property you're in and why you want to purchase it. "You obviously ended up in that property for a reason and that's why you want to buy it, but that could be more of an emotional attachment than a strong economic or business reason to stay where you are," he says.

"If you're looking to buy, take everything into account. You have a market you've captured, and you have to be close to that market in terms of your supply chain and distribution, but consider other buildings in the vicinity and look at them objectively. There might be a much better option available."

Over and above which property to purchase is the overriding question of whether

you should be investing in property at all. "Investing capital in your premises is something a business should look at only if they believe that the capital is of better use in the commercial property market than invested in whatever their core competency is," says Rob. "Whether this is the case is a function of where the commercial real estate market is likely to go, and how much disposable income they have on their balance sheet."

"We made the decision to move away from renting office space and to build our own premises for two key reasons," explains Gil. "The nature of our business means that we have very specific requirements. We wanted a place big enough that all the various entities within the group could be housed in a single location. This meant we needed large warehousing facilities, but because we entertain clients, we also needed

our offices to be in a convenient location for them to visit. Large warehousing facilities generally don't exist in upmarket areas. We needed to build what we wanted.

"The second reason was a purely commercial one. We've always had the philosophy that to grow our wealth we need to keep things in the 'micro economy' – when the rental is paid to the landlord, who also happens to be the shareholder of the business, that's wealth creation at its utmost.

"However, even though we knew exactly why we were making the decision, it was still a risk. We decided to back ourselves, but it's not a decision to be taken lightly. The outcome for us has been positive, but in hindsight, a smaller outlay to begin with would probably have been a more prudent approach."

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– GIL OVED, Co-Founder, The Creative Counsel

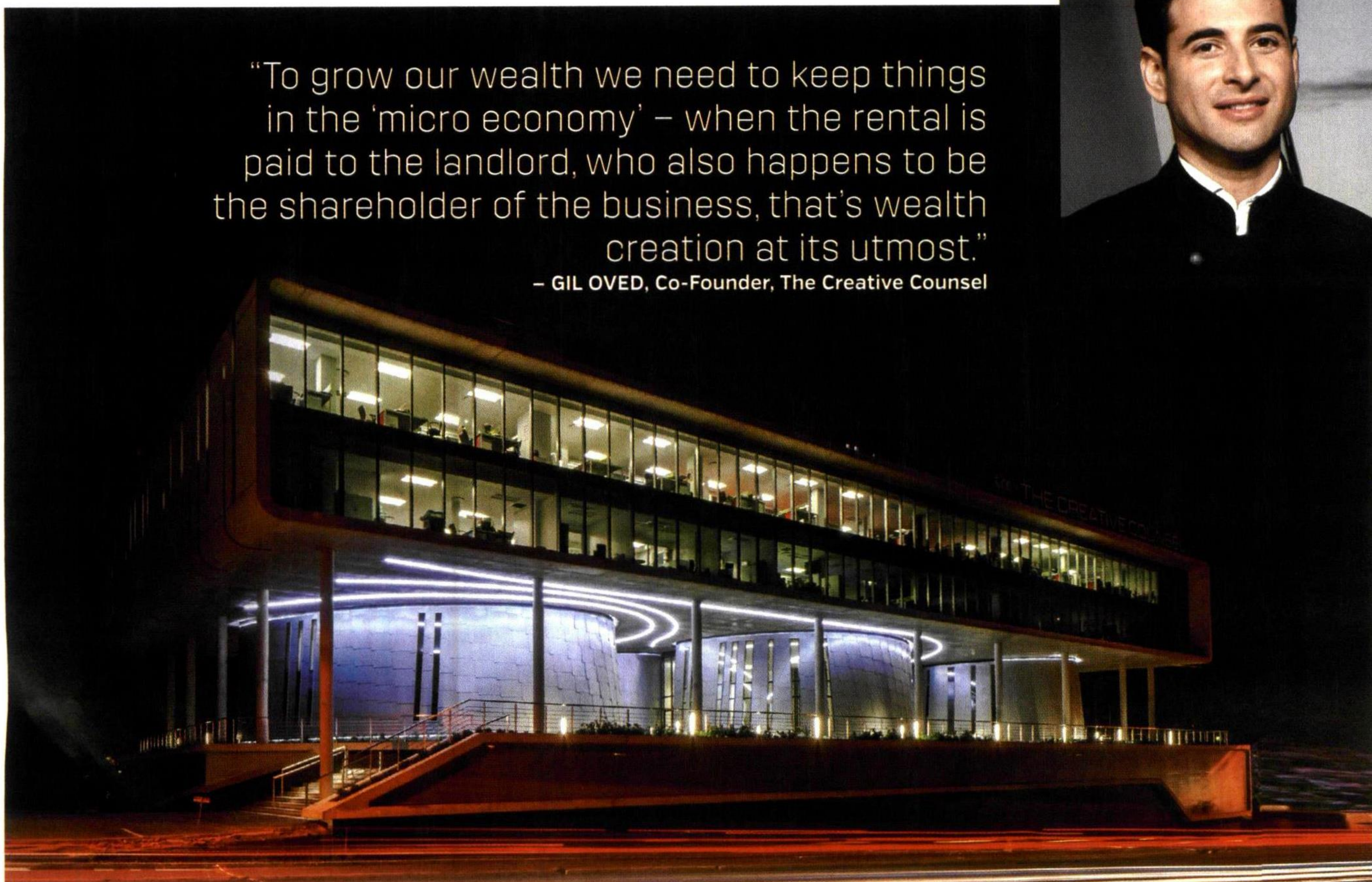


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