Due Diligence Series

WEEK 3

LANDMARK
COMMERCIAL REALTY

Business Due Diligence for Owner-Occupants: More Than Just Four Walls

Making Sure the Property Fits Your Business - Today & Tomorrow

By **Chuck Heller, SIOR** | *Executive Vice President*

"Buying the building is only half the decision. The other half is asking whether this specific location, this specific layout, and this specific market position truly serves your business's mission and its future. I've seen great companies buy the wrong building because they didn't ask those questions deeply enough."

– Chuck Heller, SIOR,
Executive Vice President

When a business owner decides to purchase commercial real estate rather than lease, the decision involves far more than finding a building that fits today's operations. You're making a long-term commitment – one that will shape your operational capacity, your ability to attract and retain talent, your customer accessibility, and your business's financial health for years to come.

That's why business due diligence for owner-occupants is its own discipline, distinct from the physical evaluation of the building. This third article in our CRE Due Diligence series focuses on the business analysis every owner-occupant should conduct before closing on a commercial property.

Space Planning: Getting the Size Right

One of the most common and costly mistakes owner-occupants make is buying a property that doesn't truly fit their spatial needs. Too small, and you're already looking to expand before the ink dries on the deed. Too large, and you're carrying the cost of unused space that drains your cash flow.

Proper space planning during due diligence involves:

- Mapping your current functional space requirements by department or operation
- Projecting headcount and operational growth over a 5-to-10-year horizon
- Evaluating whether the building's layout supports your workflows and processes
- Identifying any build-out or renovation needed to make the space functional for your use

For office users, this means looking at private offices vs. open-plan ratios, conference rooms, and support spaces. For industrial users, it means clear heights, column spacing, dock doors, and power capacity. For retail, it means customer flow, visibility, and merchandising flexibility.

Business Modeling: Can You Afford to Own?

Owning commercial real estate is fundamentally different from leasing it. Beyond the acquisition price, ownership brings property taxes, insurance, maintenance, capital reserves, and often a larger monthly obligation through debt service than a comparable lease payment. Before committing to a purchase, your business model needs to support it.

Key questions to work through:

- What will your all-in monthly cost of ownership be (mortgage, taxes, insurance, maintenance)?
- How does that compare to your current or market lease rate for a comparable space?

- Does your projected revenue over the next 3, 5, and 10 years support those costs, including growth scenarios?
- What is the impact on your balance sheet, and how will lenders view your business after the acquisition?

"I work with buyers to build out a financial model before they get emotionally attached to a specific building. You want to know the numbers work before you fall in love with the property – not after."

– Chuck Heller, SIOR, Executive Vice President

Employee and Customer Mapping

In South Central Pennsylvania, the geographic relationship between your property, your workforce, and your customer base matters enormously. The Harrisburg-York-Lancaster-Hershey corridor is geographically spread out, with distinct population centers and commuting patterns.

Employee Mapping

Where do your current employees live? Where does your typical hiring pool reside? A location that's convenient to your management team might be a significant commute burden for your hourly workforce. Analyze zip code data for your employees and factor commute times and public transit access into your location decision.

Customer Mapping

For businesses that depend on walk-in or drive-to customer traffic – especially retail, medical, or service businesses – understanding where your customers come from is essential. Plot your customer base geographically and evaluate whether a given location puts you closer to, or further from, your primary market.

Demographic and Traffic Analysis

Beyond your current customers and employees, consider the broader demographic trends in the submarket where you're buying. Is the population growing or contracting? Is household income rising? Are the types of businesses and residents in the area consistent with your customer profile?

Traffic count data is particularly relevant for retail, restaurant, and high-visibility service businesses. PennDOT publishes annual average daily traffic (AADT) counts for roadways across the state, and your broker can help you interpret what those numbers mean for your specific use.

Truck, Distribution, and Highway Access

For industrial and distribution-intensive businesses, access is everything. Evaluate:

- Proximity to major highways – I-81, I-83, the PA Turnpike, and Route 30 are the primary arteries in this region
- Truck turning radii and dock access on the property itself
- Weight limits on local roads leading to the site
- Proximity to rail, freight carriers, or intermodal facilities if relevant to your operations

"The industrial market in South Central Pennsylvania is deeply tied to logistics. When we evaluate a site for a manufacturing or distribution client, highway access and truck circulation are often the first criteria we evaluate – not the lease rate.

– Chuck Heller, SIOR, Executive Vice President

Renovation Planning During Due Diligence

For most owner-occupants, some level of renovation or fit-out is required to make a property truly functional. Due diligence is the time to scope that work carefully and get contractor proposals.

This serves multiple purposes:

- Confirms your total cost of acquisition (purchase price + renovation = real investment)
- Identifies whether improvements require permits or approvals that could delay your timeline
- Provides the basis for a potential seller credit or price reduction if significant work is needed
- Feeds directly into your financing discussions, as lenders need to understand the scope of the project

In our next and final article, we'll shift to the investor's perspective – exploring how due diligence works when your goal is income production rather than occupying the space yourself.

Is Your Business Ready to Own Its Space in South Central Pennsylvania?

Chuck Heller specializes in helping business owners find and evaluate commercial properties across Harrisburg, York, Hershey, and Lancaster that truly fit their operational needs, workforce, and growth plans.

Contact Chuck today to discuss your acquisition goals.

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