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Commercial Real Estate Sales and Seismic Retrofit

In today's commercial real estate market, investors are striving to both buy and sell at the best price—not easy to accomplish.

When purchasing an older commercial property, more and more lenders and investors are asking for a seismic retrofit as part of the sales transaction. If a building has not been retrofitted, some lenders/investors are discounting the sale price by the cost of the upgrade.

We have talked with colleagues in the industry to try and understand this trend and the motivation behind it.

We know that investors & lenders are placing a higher value on the property's occupancy rate & income potential as a basis for the loan.

Our research tells us that with a retrofit, the property is more likely to remain intact after an earthquake. In turn, the tenants are more likely to continue their business operations and continue to pay their rental fees, preserving the revenue generated from the property—obviously something lenders/investors are already aware of?



When it comes time to determine the amount of the discount, typically both parties in the transaction will obtain an estimate for the seismic retrofit. These estimates will affect the outcome of the transaction and they can significantly vary, making the process more difficult.

It is important to get an accurate budget. A good resource for an accurate budget would be a qualified contractor who specializes in commercial retrofit work.



These new requirements or requests make a difficult real estate market even more challenging, and can potentially terminate a transaction. You need to have experts available to help when the situation arises.

Here's how we can help:

We can provide you with a budget for the retrofit work, at no cost to you. Even if you're disposing of the property, we can help you so that the new purchaser does not discount the building more than necessary.