

COMMERCIAL REAL ESTATE INVESTING WORKBOOK

**Understanding roadblocks to decision-making
and finding ways to take action.**

By Gurveen Bindra



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WHAT TO EXPECT

Each individual has their inspirations and aspirations. Some can take action on their own and try to make things happen. However, others may struggle to make a choice and, as a result, they are unable to make a move. Rising Interest rates, inflationary trends, and fear of recession are some factors that may fuel concerns and make individuals anxious and worried.

This worksheet will help those who might be contemplating, leasing, owning, buying, or selling commercial real estate but are finding it hard to make a decision. In this worksheet, we have provided some basic information and you will be asked a series of questions to get you thinking more about your commercial real estate goals. Read the following and try to answer them as thoroughly as possible...

PRIMARILY TWO INDIVIDUALS INVEST IN REAL ESTATE

Owner users are the ones who want to use commercial real estate for their use or to run their business. Retail Outlets, Warehouses, Industrial Properties, and office spaces are the properties type that owner users may use for their businesses. Individuals and businesses can buy these types of properties or they might also choose to lease them for a certain period of time and pay monthly rent and costs.

Apart from many other avenues Commercial Real Estate also excites investors. CRE, as a form of investment, may provide regular cash flow in form of monthly rentals and appreciation in value. Individuals may invest In CRE to achieve various goals such as getting a side income, planning their retirement, and using spare cash from their existing ventures. Whatever the goal is, perhaps getting cash may be the main objective for an investor.

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KNOW YOUR BIASES

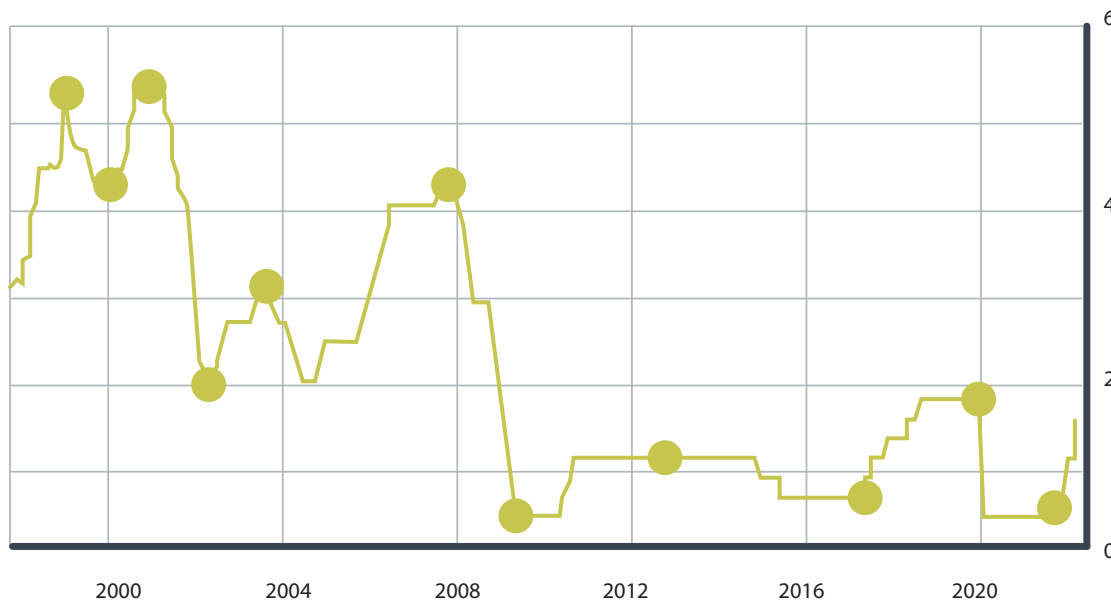
One definition of bias found on google defines bias as prejudice or a strong inclination of the mind or a preconceived opinion about something or someone. A bias may be favourable or unfavourable: bias in favour of or against an idea.

There are many biases that one might need to be aware of, however, I believe, anchoring bias and sunk cost fallacy might be more important than others for our decisions relating to commercial real estate.

According to one article by Harvard education, the anchoring effect is a cognitive bias that describes the common human tendency to rely too heavily on the first piece of information offered (the “anchor”) when making decisions.

During decision-making, anchoring occurs when individuals use an initial piece of information to make subsequent judgments. Once an anchor is set, other judgments are made by adjusting away from that anchor, and there is a bias toward interpreting other information around the anchor. For example, people may have been influenced more by low-interest rates which we have seen during 2020-2021, and might not be able to consider current market trends, their individual and business real estate needs, and their ability to make a down payment. The only reference point they might consider could be increasing interest rates when they might not be able to see that the interest rate is coming back from where it started.

CANADA INTEREST RATES GRAPH FOR LAST 25 YEARS



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SUNK COST FALLACY

Sunk Cost Fallacy is the phenomenon whereby a person is reluctant to abandon a strategy or course of action because they have invested heavily in it, even when it is clear that abandonment would be more beneficial. At times sunk-cost fallacy may creep into a lot of major financial decisions. According to Rolf Dobelli, we tend to consider things to be more valuable the moment we own them.

I believe our tendency to value things more and reluctance to abandon investments that are not yielding sufficient returns, may stop us to see potential gains which we might get if we make a different choice. For example, you might have invested 2 Million\$ in a building which might not be giving returns that you might have anticipated and the only reason you are keeping yourself invested in that is because you might not be able to sell it for 1.8Million\$ and as a result, you are unable to gain from alternative options which may yield better returns.



THE IMPORTANT QUESTIONS

LET'S GET STARTED

*Read the following and try to answer them as thoroughly as possible. Answering these questions might help you **discover more about your challenges and ways to find solutions.***

1. Where do you see yourself in the picture? Do you see yourself as an owner-user or an investor?
2. There can be some things which you might want to do. For example, you might want to lease for your new business or you may be looking at selling a building. In the context of Commercial real estate, what actions do you want to take and how long have you been thinking about taking that action?
3. When we are unable to take action we might start feeling different. Sometimes due to our procrastination over a certain decision, we might feel irritated, disgusted, angry, or confused. How do you feel when you find yourself struggling to take an action?
4. Most of the time, lack of information, experiencing too much uncertainty, and lack of clarity are some of the reasons which may affect our ability to make a decision and take action. What answers will you like to get which may help you to make a decision?
5. There is an opportunity cost for everything. How your inability to make a choice may be affecting you in present and how this may impact you in the future?
6. One thing is constant and that is change. Each action brings change. What will change for you if you are able to make a decision and take action?

DO YOU HAVE MORE QUESTIONS THAN ANSWERS?

If you find it hard to answer above mentioned questions, please feel to reach out for **free consultation**. I help my clients to make decisions so that they can buy, sell or lease commercial real estate.

MEET YOUR AGENT



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Gurveen is a highly motivated and committed individual. He has 20 years of experience as a business owner as well as extensive experience in the metalworking industry and wholesale and retail sectors. Gurveen's focus is to provide professional and comprehensive service to clients. He always keeps the aspirations of clients and investors in mind while looking for industrial and retail properties in Edmonton. Gurveen is committed to providing clients with insights on market trends and helping them make informed decisions regarding their commercial real estate investments.

When he is not working with his real estate clients as a business coach, he supports business owners in making more sustainable business moves.



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