

Residential TRANSACTIONS



VS



Commercial TRANSACTIONS

Article 11 of the REALTOR® Code of Ethics prohibits REALTORS® from providing professional services that are outside their field of competence. There are key differences between handling residential and commercial real estate. If you work mainly in residential and want to take on a commercial client or vice versa, make sure you understand those differences or refer a client or customer to someone who does.

SKILLS AND TRAINING

- Rhode Island has no special real estate license required for commercial real estate.
- There is a variety of commercial properties: small multifamily, mixed use, apartment, office, retail, and industrial buildings, as well as vacant land, etc

KEY DIFFERENCES

- Know the differences in commercial leases and lease terms. The difference between gross vs. triple net could increase the rent thousands of dollars.
- Know the difference in fire safety requirements for closing.
- Commercial has a wide range of zoning.
- Make sure that errors and omission insurance coverage applies to commercial real estate brokerage.

DISCLOSURES

Rhode Island disclosure laws treats property as residential based on how it is used, not how it is financed.

	RESIDENTIAL	COMMERCIAL
Mandatory Real Estate Relationship Disclosure R.I.G.L. §5-20.6	Yes	No – required for vacant land on which a building is intended to be constructed for use as one or two residential dwellings or land with four or fewer residential units.
Sales Disclosure R.I.G.L. §5-20.8	Yes	Yes and no. Required for vacant land or land with a building containing one – four dwelling units. No disclosures are required for buildings with commercial units of five or more dwelling units.
Seller/Lessor Lead Disclosure 216-RICR-50-15-3	Yes	Required only for pre-1978 residential dwelling units. For mixed use, a disclosure is required.
Legal right to Inspection	Yes	Yes and no. Required only for vacant land or land with a building containing one – four dwelling units. A due diligence period can be negotiated for commercial buildings or buildings with five or more dwelling units.
Inspections	Inspection Contingency	A due diligence period may be negotiated to check hazardous waste, zoning, soil, engineering, etc.



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CONTRACTS & FORMS

	RESIDENTIAL	COMMERCIAL
REALTOR® association purchase and sales	Yes	Limited; usually written by a private attorney agreements and addenda
Exclusive listing agreements	Common	Less common
Attorney review of	Not common	Very common

FINANCING

	RESIDENTIAL	COMMERCIAL
Type of financing	Typically a mortgage	Financing

RENTALS

	RESIDENTIAL	COMMERCIAL
RI rental laws	pro-tenant	pro-landlord
Type of rentals	Lease, month-to-month, short-term	Lease or month-to-month tenancy •Absolute Net •NNN •NN •N •Modified N •Gross •Modified Gross

COMPENSATION

Make sure that offers of compensation from property owners or other real estate brokers are in writing. Oral promises are not legally enforceable. R.I.G.L. § 9-1-4

	RESIDENTIAL	COMMERCIAL
Offers of compensation made through online system	Usually yes	Usually not
Broker lien to protect commission	No	Yes - five or more residential units or vacant land zoned for anything except for single-family use

