

Is Commercial/Investment Real Estate Brokerage For You?



**BERKSHIRE
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HomeServices

Why would someone in residential real estate be attracted to commercial/investment real estate?

- Larger Commissions. (This is true) One nice C/I commission could be ten times that which you would get with a residential closing.
- Personal Time. As a residential agent, have you ever had plans for an evening or weekend, and then.....

Would it be correct to say that in residential, brokers and agents are subject to the whims of buyers and sellers?

Well, sorry, but it's also true in commercial, although not quite as bad. You have more personal time control because most commercial prospects want to do business during regular business hours.

- Unique Transactions/Problems. Almost every deal that you do will be different. In a residential transaction, you pretty much know what comes next. This isn't so in commercial real estate. In commercial, you never know what's next.

For Example:

Financing. In commercial, it is more difficult. When you find it, a 25% or greater equity requirement is not uncommon.

How many houses would you sell if your buyers had to have 25% equity in the deal?

Zoning. Is the property zoned for what your customer wants to do? If not, you must make your contract contingent upon the property being rezoned.

In many counties today, commercial agents and the owners of commercial properties are faced with "Down Zoning." Down zoning means they bought the property with a certain use in mind, but now the government is coming in and saying no, we are not going to let you do that with your property.

Environmental Issues. Environmental issues can negatively impact a transaction and they can take a very long time to resolve.

The Market is Changing. We are moving away from traditional brokerage, into the area of consulting in a specific niche. The movement to consulting is precisely why now is an exciting time to consider commercial/investment real estate.

In the past, as our primary business, we have listed, sold, leased, exchanged and managed commercial property. For those services, we have been paid the traditional "Brokerage Fee."

The market is getting so we not only have the traditional brokerage fee opportunities, but we have a "Pay for Services" arena.

We no longer just look at “Traditional Brokerage,” but we now look at:

- Feasibility Work
- Evaluation Work
- Market Surveys/Reports
- Asset Management
- Tax abatement
- Broker Opinions of Value

HOW TO GET INTO THE COMMERCIAL BUSINESS

First, do a market analysis. Know what the market is generating in commercial investment commissions. The market analysis should include estimated leasing, as well as brokerage revenue being generated in the market. Both are commissionable events.

Not only do you need to know what the market is generating, but you should also know in what product types the commissions are being generated. For example: office, retail, office, or multi-family.

Next in the market analysis, make a projection as to how much of the revenue is being paid to brokers. Of that big pool of money, how much do we get to split as brokers?

Last, make a projection as to how much you, as an individual, can capture. Is it 1%, 5%, 10%, etc.

It wouldn't make sense to open a retail store if you didn't make a projection as to how much revenue the market would generate. Well, your new independent commercial real estate business should be treated the same way.

SPECIALIZE

Now that you know how much revenue is going to be generated in the different product types, specialize in one of those product types. It makes sense this way.

Imagine you're in the operating room for brain surgery and the surgeon looks at you and says, “Well, I'm a podiatrist and your head is the first one I've ever cut open, but I am a doctor.”

- How would you feel?
- Why should it be any different in commercial real estate?

Specialization can be, for example, leasing office space in this 3-block area of the CBD (Central Business District), or, if the leasing market in those three blocks is not big enough, it might be office leasing and brokerage.

It goes out from there, determined by your market analysis telling you that you can meet or exceed your income goals in that product type, in that geographic area.

GET EDUCATED

There is a lot to learn, take all the courses you can get. If you are very serious about your C/I career, start in the CCIM or SIOR program as soon as possible. The CCIM designation is like a doctorate in commercial investment real estate. SIOR is just as good in the industrial or office side of the business.

For the CCIM designation, you have to take numerous courses, a final exam, and you also have to submit a resume demonstrating greater than \$5.0 million in closed commercial brokerage or leases. It isn't easy, but it will be the most important move you make for your career.

The courses allow you to be product specific. If you want to specialize in retail, you take the retail curriculum offered by the International Council of Shopping Centers (ICSC).

Get A Mentor. Work with someone that can help you, give you tips, and assist you when you need assistance.

Start Out Realistically. Don't be a big deal person. A funny thing will happen to you on the way to the small deal. You will run across the big deal. The difference is, you will have paid your bills in the mean time.

Consider starting with a focus on leasing. If you start out with leasing, you learn about the engine that drives the machine called commercial real estate. Without the lessee, or the user, there is little if any value to a building.

If you understand leasing, you understand one of the most important elements of giving value to an income property. In addition, you can probably get a check within your first few months of being in commercial investment if your focus is leasing. There are no loans to qualify for; the space is usually built out, no closing hassle.

If you do not start out in leasing, be prepared for the typically six-month carry of your business before the first commission check arrives.

As you do leasing, specialization becomes all the more important. You will have to be a lot sharper on one product type because you are not working it full time. Plan to make the jump to full time as quickly as you can.