

# Training for the Real Estate Professional Study Manual

*This Study Manual should be used in conjunction with the "60-Day Success Plan" and "Commercial Action Track". Both documents are available on REsource Center.*



**BERKSHIRE  
HATHAWAY**  
HomeServices

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## MARKET RECONNAISSANCE WORK

### BEGINNING THE RECONNAISSANCE

#### THE LESSON:

Knowing Your Market Equals Market Dominance

#### WHY ATTACK THE MARKET BY GENERATING MARKET DATA?

1. The opportunity for you and your company to become the quoted/acknowledged expert if a concentrated effort is made to get the word out that you KNOW the market.
2. Solidifies and possibly enhances your market position because you and the company now have STREET vs. PERCEIVED market knowledge.
3. The ability to approach the market from the demand side as well as the supply side of the real estate business.
4. The ability to develop quick and consistent income sources for the new, as well as the experienced, commercial practitioner.
5. Insight as to what your competitors are doing in the market place, and the ability to counteract what they are doing.
6. The confidence factor that you need to go out and talk with “anyone” in the market concerning commercial services real estate.

#### THE ACTION:

Know the sources of market data for your area. Gather and store any additional information you can get concerning your market.

#### NOTES:

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## MARKET RECONNAISSANCE WORK

### TARGETING COMMERCIAL PRODUCT TYPES

#### THE LESSON:

Knowing Your Market Equals Market Dominance

#### TO BEGIN THE RECONNAISSANCE WORK CONSIDER

- What product type(s) are going to be targeted?
- What information needs to be gathered?
- What sources are available for the information?
- What will have to be given in return for the information?
- How can the information be used to your benefit?

#### WHAT PRODUCT TYPE/TYPES ARE GOING TO BE TARGETED

Most successful commercial practitioners specialize in only one product. They do it to the exclusion of everything else.

Many, when faced with the sale of their own residence, will turn that sale over to a residential sales specialist.

This is a radical departure from what most unsuccessful practitioners are doing in the field.

They feel that their license allows them to handle “anything.” It does, but to be truly profitable, the BUSINESS will allow you to handle only one product, maximum two in a market place.

Specialize in two product types only if the one is not producing sufficient volume to support you.

#### THE ACTION:

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## MARKET RECONNAISSANCE WORK

### TARGETING COMMERCIAL PRODUCT TYPES

#### THE LESSON:

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Leasing, as well as land sales in a product type, in the context of this course is not considered as being a different product type as long as it is done within the context of one other product type. For example, you can handle the buying/selling of an office building and also lease that same building. Combined, those activities constitute one product type.

The task is to find what you can reasonably expect to make in the product type chosen.

Finding out what kind of volume is being done in that product type is not an easy task. Information must be gathered from many different sources. Listed below are several suggestions:

- Online Market Data Services (Loopnet, REIS, CoStar)
- The county property appraiser
- Local fee appraiser's
- Lenders
- Those operating in the commercial market locally
- Published sales reports
- Talking with buyers and sellers
- Competitor's marketing reports and studies

When talking with these sources, pieces of information are gathered that will become a part of a mosaic for that product type.

Questions center around finding the total dollar volume in sales in that product type and the total dollar volume in leases in that product type. While you are asking these questions, you might also consider asking other pertinent questions, such as time on the market and what users and lessee's are looking for, etc.

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## MARKET RECONNAISSANCE WORK

### TARGETING COMMERCIAL PRODUCT TYPES

#### THE LESSON:

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This is an exciting part of the process. You are learning things about the market of which virtually no one else in town will have a grasp.

Think of the value of this information! All you have to do is to go out and meet people. This is an excellent opportunity to do just that. These are the very people with which you need to be building an ongoing relationship. Make the most of the call.

Once you have a rough estimate of gross sales volume in your product specialty and gross lease value, take both of those amounts and multiply them by the percentage you feel was handled by real estate practitioners.

Example:

Closed sales volume of retail centers	\$15,000,000
Percent handled by brokers	<u>60%</u>
Volume subject to brokerage fee	\$ 9,000,000
Closed square footage of retail leases	1,500,000 SF
Percent handled by brokers	<u>50%</u>
Closed square footage handled by brokers	750,000 SF

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## MARKET RECONNAISSANCE WORK

### TARGETING COMMERCIAL PRODUCT TYPES

#### THE LESSON:

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Once the volume subject to brokerage has been established, those figures are multiplied by an estimate of what the brokerage fees would average out to.

Example:

Sales volume/retail centers subject to brokerage fee	\$9,000,000
Estimated average brokerage fee	<u>5%</u>
Amount of brokerage fee produced by retail centers selling	\$450,000
Closed square footage of retail leases handled by brokers	750,000
Times the amount paid	<u>\$1.50/Ft.</u>
Amount of leasing fees that will be paid to brokers	\$1,125,000
Total fees available	\$1,575,000

Adding the pool of fees available together shows that if this were your market, and your specialty, you could expect to participate in \$1,575,000 dollars worth of fee income.

#### THE ACTION:

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## MARKET RECONNAISSANCE WORK

### TARGETING COMMERCIAL PRODUCT TYPES

#### THE LESSON:

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The last step is to determine how much of the fee income your exclusive concentration on the product specialty could produce.

Example:

Available Commission dollars	\$1,575,000
Agent does 3% of the available business in their first year	<u>3%</u>
Equals first year income of	\$ 47,250

The example given would be that of a small market with low expectations. Obviously the larger the market, the larger the fee income available.

The market analysis portion is an important step in attacking the commercial market.

Use it to find out how much commission income is available to you in your product type and to start building those business relationships.

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## MARKET RECONNAISSANCE WORK

### WHAT INFORMATION NEEDS TO BE GATHERED?

#### THE LESSON:

Knowing Your Market Equals Market Dominance

In considering what information needs to be gathered, consider for whom the information is being gathered.

First, you the agent have an information need. Next, the giver of the information has an information need. For the purposes of this session the information needs of both will be considered.

Givers of the information would include, but of course not be limited to:

Owners	Both buyers & sellers
Lessees	Lessors
Lenders	Appraisers
Users	Competitors

(In short, anyone that knows anything about your market should become a “giver” of information for you.)

What information should be gathered to feedback to them for cooperating with you? (In essence, what would be of interest to them?)

What others consider the hottest part of town?

- 1.
- 2.
- 3.
- 4.

#### THE ACTION:

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#### NOTES:

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## MARKET RECONNAISSANCE WORK

### WHAT INFORMATION NEEDS TO BE GATHERED?

#### THE LESSON:

Knowing Your Market Equals Market Dominance

Now, in addition to the above what do YOU, as the agent, need to know?

- 1.
- 2.
- 3.
- 4.

Continually be on the look out for any news source that provides an article on the market. In addition, the local newspaper will have an extensive library on your hometown and will prove to be an invaluable source of information.

Of course, don't forget the local library, the National Association of REALTORS® library and different trade organizations and publications in your specialty, such as ICSC, SIOR, CCIM, CoreNet Global, etc.

Information from these sources can frequently be used for feedback purposes to the givers of information, when you are developing your report. Obviously be aware of copyrighted material.

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## MARKET RECONNAISSANCE WORK

### WHAT INFORMATION NEEDS TO BE GATHERED?

#### THE LESSON:

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#### TURNING THE INFORMATION NEEDED INTO A QUESTIONNAIRE

The questionnaire should be short and to the point. Your own personal style will dictate how short and how to the point. However, if you plan it short and to the point in the beginning, questions asked could always be increased once the acceptance of the call is known.

To start, a lead into the questionnaire needs to be developed, identify yourself. Why are you there? What are you doing? How long are you going to take? What's in it for me?

Hello, my name is \_\_\_\_\_ and I am the retail space specialist for my company and I'm trying to learn more about the market.

Next, how many questions do you need? Initially, consider no more than ten questions.

Consider five that you know the customer would be interested in and five that you need to have answered.

A few cautions on doing the survey. You cannot walk cold turkey into someone's place of business and expect them to start answering questions.

It may not be until the second or third visit that you have your questions answered. You are trying to build a relationship with the customer, not a one-time question and answer period.

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## MARKET RECONNAISSANCE WORK

### WHAT INFORMATION NEEDS TO BE GATHERED?

#### THE LESSON:

Knowing Your Market Equals Market Dominance

#### WHAT SHOULD BE GIVEN IN RETURN FOR THE INFORMATION?

A neat, clean, concise report covering basic information from your questionnaire is all that needs to be given in return for the information.

In the report you could consider including an executive summary for those that don't have the time to wade through the questions.

The report, of course, would include a promotional piece indicating that you are the specialist in the area for that type of property. Also, that they should feel free to call if they, or anyone they know, have any real estate questions or problems.

It is recommended that the report be hand delivered. Don't forget, you are trying to build a relationship.

The challenge now turns to the establishment of a consistent schedule of meetings with contacts.

The information benefits the gatherer in two ways. One, of course, is the fee potential and the other is the PR value. Get maximum benefit from both.

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## MARKET RECONNAISSANCE WORK

### THE FEE POTENTIAL IN THE INFORMATION

#### THE LESSON:

Knowing Your Market Equals Market Dominance

#### LEASING INCOME

With the information you received concerning lease expirations you are now in a position to become a “tenant broker” in effect to the owners in the market.

The lessee is the “plankton” in the commercial real estate field.

There is no economic value in a commercial building without an income stream. The lessee creates the income stream.

Yes, lease transactions are smaller, but they are very frequent if you are active in that market. And, a funny thing will happen to you on the way to the small deal. The big one will appear from nowhere.

Many times, even if the lessee does not want to move, a fee can be earned by negotiating with the lessor on behalf of the lessee.

Many lessees recognize that while they are good at running their businesses, they are no match for a property owner or property manager when it comes to negotiating a good lease.

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## MARKET RECONNAISSANCE WORK

### THE FEE POTENTIAL IN THE INFORMATION

#### THE LESSON:

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#### SALE OF A BUILDING/BUILD TO SUITS

Not all lessees that have a lease expiring will be looking to renew in their current space. For many, the current space is no more than an “incubator space” taken to allow their business to grow inexpensively from inception.

Now the business has grown and the owner is ready to put the business in a well-located freestanding building.

Many owners will want to build their own building. If this is the case with the customer, a nice land sale could result.

If the customer has no preference the sale of an existing building may be in order. Both of which will produce a nice fee income.

If they want a build to suit or buy an existing building but all they have is a good business track record and not enough cash to do the deal, you may not only have a land sale, but a sale to that prize investor you’ve been courting.

Set the transaction up on a five-year lease purchase. The lessee is happy because their occupancy cost will be locked in for five years, and they know they will be able to buy the property at a fixed price five years down the road.

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## MARKET RECONNAISSANCE WORK

### THE FEE POTENTIAL IN THE INFORMATION

#### THE LESSON:

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The investor is happy because they now have more than a lessee for an occupant. They have someone who wants to be an owner. Their rate is pretty much locked in for five years with a guaranteed sale price.

In most cases, this type of transaction can also be done with very little of the investor's cash. Depending on the strength of the two parties, the acquisition, development and construction can usually be financed.

In either case, the customer is busy running their business. This type of customer tends to be much more loyal because for one, they just do not have the time to do the legwork. And two, they are business people and understand the concept of service.

#### DEVELOPMENT LAND SALE

Developers contemplating a project need what you have. That is, a list of all potential tenants who are currently in the market and who will be making a space decision within the next 90, 120 or 180 days.

This information could make the difference between a successful project and one that fails for lack of tenants.

When word of your "database" of prospects gets out to developers, they will want access to it.

Access to the data should only be given to those who agree to allow you to become the exclusive broker in the acquisition of the property.

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#### NOTES:

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## MARKET RECONNAISSANCE WORK

### THE FEE POTENTIAL IN THE INFORMATION

#### THE LESSON:

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#### QUARTERLY REPORTS/FEASIBILITY STUDIES

The information gathered is not only of interest to you, but also to most everyone that is operating in your product type.

Take for example the lender that is doing primarily office lending.

How much would a quarterly office vacancy report be worth to that lender? How much would a report of the typical base rental rate, common area maintenance (CAM) charges and tenant improvements (TIs) be worth to an owner trying to determine if they are attaining the maximum out of their investment, or what they have to do to be competitive? In this Internet age, information is much more readily available to all parties. Thus, interpretation of the data is more critical to your success.

Be assured that whatever you charge, the report will have far more value to the purchaser.

In today's environment, developers of new projects will not be able to secure institutional financing without a feasibility report being done on their project.

Coupled with demographic information, the market data you have collected and are keeping current forms the basis for providing those feasibility studies.

#### THE ACTION:

Know the sources of market data for your area. Gather and store any additional information you can get concerning your market.

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## MARKET RECONNAISSANCE WORK

### THE PUBLIC RELATIONS POTENTIAL IN THE INFORMATION

#### THE LESSON:

Knowing Your Market Equals Market Dominance

The public relations potential in the information is in your being known as the source for commercial real estate news.

Newspapers are continually on the look out for articles concerning the local economy.

If you were to become known for supplying correct, pertinent information dealing with the local commercial real estate market, being quoted once a month would not be out of the question.

Of course, don't forget any other local publications presently servicing your community.

#### BECOMING A RADIO PERSONALITY

Many AM radio stations have an all talk/news format. These talk shows are continually on the look out for topics of community interest to place on the air.

Call them and suggest that with the information that you have gathered, a guest spot for you concerning area commercial real estate could be of interest to their listeners.

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## MARKET RECONNAISSANCE WORK

### THE PUBLIC RELATIONS POTENTIAL IN THE INFORMATION

#### THE LESSON:

Knowing Your Market Equals Market Dominance

#### THE ABILITY TO SPEAK AT CLUBS

Most clubs are comprised of business leaders. Anyone that has ever been, or known the program chairman of one of these clubs, knows that getting a speaker is a chore.

Call the program chairman. Tell them you have a program based on a commercial real estate survey you have completed that may be of interest to their membership. Again, you become known as the expert.

With a little bit of luck, the participants will read about you that morning in the paper, see you at lunch and hear you talking about commercial services real estate on the radio as they go home at night.

The above is by no means a complete list of opportunities and/or advantages. The challenge is to create others.

Attacking the market through collection of market data is an organized, methodical approach; and then knowing how to interpret the data will get results.

#### THE ACTION:

Know the sources of market data for your area. Gather and store any additional information you can get concerning your market.

#### NOTES:

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## MARKET RECONNAISSANCE WORK

### THE “TEN A DAY” RULE

#### THE LESSON:

Market Data Equals Market Dominance

If you are not organized or focused enough to work the commercial market from an information gathering approach, just remember the “Ten A Day” rule.

Just ask ten people a day if they know of anyone that is in the market to buy, sell, or lease commercial real estate. That is all of the prospecting you would need to do to achieve a handsome yearly income.

In fact, you would probably find that if you would keep up the pace of asking ten people a day for no more than a 90 day period of time, you would find yourself with more business than you could physically handle without an assistant.

Making the effort to call ten, even one person a day is difficult for most people. Why? Because it makes most people “uncomfortable.”

Hopefully, this text will help you build confidence and become comfortable in the way you ask questions. But, comfortable or not, it still needs to be done. You are in the sales business. Facing that reality, what can you do to increase the efficiency of your prospecting effort?

Every person that you contact has the potential to give you more than one source of business. But many times you don’t ask for it.

#### THE ACTION:

Gather and store any scrap of information you can get concerning your market.

#### NOTES:

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## MARKET RECONNAISSANCE WORK

### THE “TEN A DAY” RULE

#### THE LESSON:

Knowing Your Market Equals Market Dominance

The conversation is most times concluded with the initial “no” to your request.

From this point forward, put your salespersons hat on and think, “How many potential sources of business can this prospect/person give me?”

For example, you may be calling an owner because you have a prospect that wants to buy a multi-family property.

Your conversation could go something like this;

AGENT: Hello, my name is Arthur Agent. I am a real estate associate with Successful Realty. I have a prospect who is interested in acquiring a multi-family building, and I wondered if you would consider selling your building on 8th Street.

PROSPECT: No, I would not be interested in selling that building.

AGENT: Thank you very much. I appreciate your time.

Hopefully, you see where we are going with this. You probably recognize the way the conversation should go, but practice what you know you should do.

Again, being honest, in most cases you are just anxious to get off the phone. Right?

You’ve done the hard part, picking up the phone and dialing. Get maximum results out of that effort.

Ask the prospect about every conceivable source of business that they can give you.

#### THE ACTION:

Know the sources of market data for your area. Gather and store any additional information you can get concerning your market.

#### NOTES:

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## MARKET RECONNAISSANCE WORK

### THE “TEN A DAY” RULE

#### THE LESSON:

Knowing Your Market Equals Market Dominance

Those sources of business would be:

- 1.
- 2.
- 3.
- 4.

Consider why the prospect should give you answers to your questions.

Now, knowing that we are going to have to give the prospect a reason to answer our questions, what questions do we need to ask to rebuild the conversation?

- 1.
- 2.
- 3.
- 4.

#### THE ACTION:

Know the sources of market data for your area. Gather and store any additional information you can get concerning your market.

#### NOTES:

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## MARKET RECONNAISSANCE WORK

### THE “TEN A DAY” RULE

#### THE LESSON:

Knowing Your Market Equals Market Dominance

Another thought for the “Ten A Day.” If you are still struggling with the prospecting process, simply go to the cross-reference directory to a street that contains property in your product type and just start calling.

The conversation could be:

“Hello, my name is Bob Brown with Berkshire Hathaway HomeServices [DBA]. I am the business relocation specialist with the company and I was just calling to see if you may be outgrowing your current facility or if you are going to be looking for a branch location in the future.”

If you are shy, notice that this approach allows you to ask one question without interruption, get the answer, and then get off the phone.

No questions that you can’t answer, hence no embarrassment.

Attacking the market or prospecting for commercial services business is just that simple. There is nothing difficult about it.

Of course, it can be much more sophisticated, and targeted, but if you remember nothing else, remember, “DO YOU KNOW ANYONE THAT IS IN THE MARKET TO BUY, SELL, OR LEASE COMMERCIAL REAL ESTATE?”

#### THE ACTION:

Know the sources of market data for your area. Gather and store any additional information you can get concerning your market.

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## PROSPECTING RESOURCES

### OWNERSHIP RECORDS

#### THE LESSON:

Knowing Your Market Equals Market Dominance

#### OWNERSHIP RECORDS OR THE COUNTY TAX ROLL

If you could buy a list which would give you the name and address of everyone in your county who will be involved in at least one side of every real estate transaction completed in the county over the next 12 months, what would that list be worth?

Well, it is available to you and for free. Most counties now have information available online via their websites or at your local county court house. It is the county tax roll. The tax roll is public information.

As such, the county has it available to anyone who wants to preview it.

Copies of the tax roll to take back to your office are also available usually from the county. It is also available from private vendors such as title companies.

The tax roll gives you a list of every owner in the county.

The holdings of these potential customers are categorized by a "property use code".

To get a better idea of what a property use code is, visualize the zoning code. The zoning code defines the uses allowed on each property. .

While not to be confused with the zoning code, the property use code defines that for which the property is currently being used.

#### THE ACTION:

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## PROSPECTING RESOURCES

### DEED RECORDINGS

#### THE LESSON:

Knowing Your Market Equals Market Dominance

Think of the implications. Referring again to our first example, you are trying to find a multi-family building for a potential buyer.

The tax roll will show the name of the owner and their mailing address for every multi-family building in town.

Regardless of your product specialty, you now have a specific list from which to make your ten calls a day.

This prospecting method will work for any product specialty you choose.

#### DEED RECORDINGS

MANY TIMES DEED RECORDINGS ARE LOOKED UPON AS A “DONE DEAL.” AND, IT IS IN FACT TRUE “THAT” DEAL IS CONCLUDED. BUT, AGAIN, PUTTING ON YOUR SALESPERSON’S HAT AND THOUGHT PROCESS, HOW WOULD THE DEED RECORDINGS BE A SOURCE OF BUSINESS?

Instead of a good, but passive list of prospects as is provided by the tax roll, the deed recordings give you a list of the prospects that are active in the market now.

The recordings are a Who’s Who currently buying and selling. If someone is buying, it is a good bet that they may be expanding their portfolio.

If someone is selling, they just received cash that they may need to reinvest.

#### THE ACTION:

Know the sources of market data for your area. Gather and store any additional information you can get concerning your market.

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## PROSPECTING RESOURCES

### PLAT BOOKS, MAPS, AERIALS

#### THE LESSON:

Knowing Your Market Equals Market Dominance

List the additional sources of business that those appearing in the deed recordings can give:

- 1.
- 2.
- 3.
- 4.

(As with the tax roll, the deed recordings are typically both available from the county court house and from private vendors.)

#### PLAT BOOKS, TRACT MAPS, AND AERIAL PHOTOGRAPHS

A PLAT is a map drawn to subdivide property into lots and blocks. It will show the precise location of all lots, roads and common areas. The plat will include a narrative stating important data about the property.

TRACT MAPS are a composite of plat maps and maps of land that has not been platted. Hence, all of the property in the county would appear on the TRACT MAP versus just the subdivided land on a PLAT MAP.

AERIAL PHOTOGRAPHS are simply pictures of property taken from the air. You can of course have special order aerial photographs, or, as is the case in many counties, the county will have aerial photos that correspond with the tract maps of that county. Today, many photos and aerials are available online and no cost. More detailed photos and aerials are available for a fee through various vendors.

Plats, tract maps and aerials are typically available from the county and from private vendors. Much of this information can be accessed on the Internet for a fee.

#### THE ACTION:

Know the sources of market data for your area. Gather and store any additional information you can get concerning your market.

#### NOTES:

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## PROSPECTING RESOURCES

### CROSS REFERENCE/DIRECTORIES

#### THE LESSON:

Knowing Your Market Equals Market Dominance

Plats, tract maps, and aerials are all useful prospecting resources.

With them, you can see pockets of land that are strategically located, but not yet developed.

You can view the relationships between property and the surrounding area. By viewing an aerial, you may be able to spot a use that is missing in the area that could only be spotted from the air.

You take a prospect for a flight over the town pointing out shops, schools, and other amenities in relationship to the property that you are presenting to them without spending the money for an airplane.

#### CROSS REFERENCE AND CITY DIRECTORIES

The cross-reference and city directories may take slightly different forms in different areas, but the basic information they contain will be the same. The directories will index names, addresses, and phone numbers in the following manner:

1. Occupants alphabetically by name
2. Streets alphabetically by name
3. Numerical sequence of phone numbers

#### THE ACTION:

Know the sources of market data for your area. Gather and store any additional information you can get concerning your market.

#### NOTES:

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## PROSPECTING RESOURCES

### NEWSPAPERS

#### THE LESSON:

Knowing Your Market Equals Market Dominance

If from the last section you classified yourself as “shy” when it comes to doing surveys, consider the prospecting conversation already mentioned:

My name is Arthur Agent and I am with the business relocation department of Successful Realty. I’m calling to see if you have possible outgrown your current location, or if you were looking to expand to a new one.

If this is your prospecting method, just go to the street (alphabetically) that contains your product type. Start to call and ask the question above.

#### NEWSPAPERS

Newspapers, if properly read; can prove a valuable source for prospecting.

Be on the look out for any governmental action which would necessitate a move for a business owner.

For example, if a new district court of appeals is to be constructed on the town square, several businesses operating on that square are going to have to relocate.

Look out for any building story, or any planning committee, committee of 100 or chamber of commerce announcement that effects real estate.

#### THE ACTION:

Know the sources of market data for your area. Gather and store any additional information you can get concerning your market.

#### NOTES:

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## PROSPECTING RESOURCES

### REFERRALS

#### THE LESSON:

Knowing Your Market Equals Market Dominance

#### REFERRALS

Once you become known as a specialist in an area of commercial services real estate, other agents and brokers will seek you out. They realize that a “good shot” at a referral fee is better than a “bad shot” at the whole fee.

At meetings and board functions, introduce yourself as the specialist in whatever type property in which you specialize.

Keep in contact with them. Know what your referral arrangement is going to be and don’t be afraid to tell them that you would like to work with them.

Business will result.

List other prospecting sources:

- 1.
- 2.
- 3.
- 4.

#### THE ACTION:

Know the sources of market data for your area. Gather and store any additional information you can get concerning your market.

#### NOTES:

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## PROSPECTING RESOURCES REFERRALS

### THE LESSON:

Knowing Your Market Equals Market Dominance

There are obviously more prospecting resources than have been mentioned in this text, but one more has to be mentioned to finish out prospecting resources.

That method is just using your eyes. Always go a different route when going somewhere.

Did a strip center just lose an anchor tenant?

No, do not contact the owner to see if you can represent them in the leasing of that space, but contact all of the tenants, the small business owners in that center, and see if loss of the anchor is going to impact their business.

Is a new subdivision going in? What types of services are needed to service that subdivision?

In the case of the new district court of appeals, what lessees will be needed to service the court?

It will need court reporters, snack shops, office supplies, offices for attorneys and the list could go on.

Business is all around you. All you have to do is look. But before you get yourself to start looking, you have to realize that you are a salesperson and that is your duty, your responsibility and your job.

Then, and probably only then, will finding business become second nature. A new thought, "You are unemployed until you put yourself in front of someone that can write you a check."

### THE ACTION:

Know the sources of market data for your area. Gather and store any additional information you can get concerning your market.

### NOTES:

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## PROSPECTING RESOURCES

### REFERRALS

#### THE LESSON:

Knowing Your Market Equals Market Dominance

One last thought on prospecting. Once you have expended all of the energy that it takes to get a prospecting program going, be sure to protect your investment.

A prospect will, in most cases, not become a customer until you build a “relationship” with them. That relationship is only built over time. A one shot contact will not do it.

If you are going to stop at one contact, do not expend the initial effort.

Make every person you contact your “customer for life.” You’ve made the effort to contact them once. Now, they should go into your database to be contacted on a consistent basis.

#### THE ACTION:

Know the sources of market data for your area. Gather and store any additional information you can get concerning your market.

#### NOTES:

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## GETTING ORGANIZED

### TERRITORY ORGANIZATION

#### THE LESSON:

The Reconnaissance Work Is Wasted Unless It Can Be Used.

Being an agent, you will find that your stress and anxiety level will be inversely proportional to the amount of organization you develop.

We will look at two views to organization. The first will be organizing your territory and market information. The second will be your own personal time management and organization.

#### ORGANIZING YOUR TERRITORY

Your territory and market information is best organized by what will be called a MARKETING INFORMATION SYSTEM.

Defined, a marketing information system is simply a system that allows for the organizing, processing and easy retrieval of market information that has been accumulated.

If properly managed, the system will ultimately provide more potential prospects than your original cold calling effort.

The system can be either manual or computerized. Presently, there are national vendors offering market data for a fee. All of the essential elements would be the same. While the system can be developed to accommodate any type of information that you would find useful, for our purposes, we are going to look at a property and a prospect system.

#### THE ACTION:

Take steps to reduce stress and anxiety, get organized.

#### NOTES:

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## GETTING ORGANIZED

### TERRITORY ORGANIZATION

#### THE LESSON:

The Reconnaissance Work Is Wasted Unless It Can Be Used.

You should be building an information bank on all of the properties within your specialty, within the geographic boundaries you have set for yourself. While much of the information can be accessed via online sources (CoStar, REIS, LoopNet), you may need to capture some information yourself.

This information will either be kept in a product or territory book and on your computer.

The information should contain all of the pertinent facts concerning the property. Facts such as:

- Current occupancy
- Rent structure
- Amenities
- Strengths and weaknesses
- Information on last sale
- Property photos (digital photos and virtual tours if possible)

#### THE ACTION:

Take steps to reduce stress and anxiety, get organized.

#### NOTES:

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## GETTING ORGANIZED

### TERRITORY ORGANIZATION

#### THE LESSON:

The Reconnaissance Work Is Wasted Unless It Can Be Used.

You need just as much information on your prospects. Information such as:

- There current space requirements
- Plans for expansion
- Lease expiration dates
- Current rates
- The last contact you had with them

#### THE ACTION:

Take steps to reduce stress and anxiety, get organized.

#### NOTES:

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## GETTING ORGANIZED

### TERRITORY ORGANIZATION

#### THE LESSON:

The Reconnaissance Work Is Wasted Unless It Can Be Used.

In organizing yourself, you must also know the physical layout and governmental layout of the territory. Drive the territory. Note where business is being done in the territory and what business is being done where.

Where are the office, industrial and retail concentrations, etc?

Develop a territory map. On the map, first divide the territory up into the major boundaries; rivers, interstates, mountains, railroad tracks, etc. Then overlay the location of all the product types on that map so that you can reference them quickly, and also show a prospect quickly where the action is happening in relationship to where the subject property is located. Use computerized mapping programs wherever possible, as it is much easier to add up to date information to the maps.

Visit the assessor's office, planning, zoning, water and sewer departments. Attend the planning and zoning meetings.

To be the top income producer in the market, you must know more than your competitor. And what's more, you must know how to retrieve information and convey it to others.

#### THE ACTION:

Take steps to reduce stress and anxiety, get organized.

#### NOTES:

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## GETTING ORGANIZED USING THE COMPUTER

### THE LESSON:

The Reconnaissance Work Is Wasted Unless It Can Be Used.

### USING COMPUTERS FOR INVESTMENT ANALYSIS AND DATABASE MANAGEMENT

With the computer and some of the investment analysis software now available, it is possible to structure transactions that once would have been thought to be impossible.

So many permeations of the structure can be analyzed. Even good structures can be made better. The best result is that it allows agents and brokers to go to more closings because of a newfound ability to put together deals that at first glance made no sense.

Management of your prospects and properties becomes a breeze. Doing a complete listing book for yourself is not a problem. Doing mass mailings to your customers and prospects is as easy as writing the letter. Property flyers can now be created on the computer, placed on the Internet and emailed instantly to potential investors, landlords and tenants.

Customer and property databases can be searched for matches that could produce income. Information gathered can be manipulated with ease into the reports already mentioned.

The question now is whether you will use a laptop or tablet.

### THE ACTION:

Take steps to reduce stress and anxiety, get organized.

### NOTES:

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## GETTING ORGANIZED TIME MANAGEMENT

### THE LESSON:

Manage Your Time Effectively

### TIME MANAGEMENT FOR THE COMMERCIAL PROFESSIONAL

You have two things to sell, your time and your expertise. If you are unwisely using your time, 50% of your inventory is being under utilized. You are more a slave to an hourly wage than anyone that ever punched a time clock. As soon as that “hourly” person punches the clock, what happens? Right, they start getting paid. A list of tasks that need to be done would certainly not be limited to, but would contain the following:

#### **PROSPECTING**

- Doing surveys
- Phone prospecting
- Working the database
- Working the newspaper
- Working the tax roll
- Working the deed recordings

#### **PR ACTIVITIES**

- Setting up talks
- Giving talks
- Setting up referral arrangements
- Feeding data to lenders
- Feeding data to developers

#### **EDUCATIONAL ACTIVITIES**

- Selecting training courses
- Follow up study
- Reading trade magazines

#### **APPOINTMENTS**

- New appointments made
- Servicing past customers
- Realtor functions
- Company functions

#### **ADMINISTRATION**

- Database entry
- Thank you notes
- Market research
- Record keeping
- Business plan review
- Website updating

#### **TRANSACTION DUTIES**

- Setting up closings
- Record keeping

### THE ACTION:

Take steps to reduce stress and anxiety, get organized.

### NOTES:

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## GETTING ORGANIZED TIME MANAGEMENT

### THE LESSON:

Manage Your Time Effectively

In order to do a proper job with time management, you should have an idea of what a unit of time is worth. In order to do that, your yearly income goal must be established.

Whatever that goal, it can be broken down into an hourly rate. Assuming you work a 40-hour workweek, take two weeks for vacation a year and take five holiday days per year, you work approximately 245 days or 1960 hours. If your goal is to make \$50,000 per year that means that each hour of your working day you must earn \$25.51 to achieve your income goal. If you make less than that in one hour, you need to make it up elsewhere.

The point is that unless you are spending a majority of your time in income activities, you are going to be disappointed at the year's end. The question becomes, is this task contributing to my well being, financial or otherwise?

What activities from the above list will most definitely generate business?

- 1.
- 2.
- 3.
- 4.

What percent of your time should be spent in those areas?

- 1.
- 2.
- 3.
- 4.

### THE ACTION:

Take steps to reduce stress and anxiety, get organized.

### NOTES:

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## GETTING ORGANIZED TIME MANAGEMENT

### THE LESSON:

Manage Your Time Effectively

The comfortable thing is to spend time in the office with clerical work or any other function that you have absolutely convinced yourself is necessary. When in reality it is necessary only to keep you from your prospecting.

If you are seriously going to be in the business, realize that the business is prospecting, and do it!

There are four keys to time management

1. Prioritization
2. Recognizing time stealers
3. Procrastination
4. Keeping focus on the objective

The first key to time management is prioritization! We each start out our day with a given number of tasks that must be accomplished from business to personal.

Make a list of what you want to accomplish the night before.

After you have made this random list, emptied your head if you will, go back and put a number one by the first task that you HAVE to get done. The next most important item gets a number two, and so on.

When you are finished with a task, cross it out. When you start work in the morning, go to task number one on your list.

### THE ACTION:

Take steps to reduce stress and anxiety, get organized.

### NOTES:

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## GETTING ORGANIZED TIME MANAGEMENT

### THE LESSON:

Manage Your Time Effectively

If at the end of the day you are still working on number one, no problem. That just means it goes on tomorrow's priority list as number one.

The balance of the unaccomplished tasks get put back on the list in similar fashion only their number priority may change.

The next key is to recognize time stealers. These are the things that we do when we don't really want to do what we know we need to do.

If you need a break, that's OK, but be alert enough to recognize whether it's just a break you need, or are avoiding the "money" task on which you were embarked.

Even worse than letting yourself be a time stealer, is to let someone else do it.

We have all had it in the office, "would you run this over to the attorney for me?" Or, "Could you drop me off at the board?"

Being a good Samaritan is OK, but as before – make sure you are doing it for the right reasons, not because you don't want to do the task at hand.

Third on the list would be procrastination. You have all the best intentions in the world, but just never get around to doing the assigned task.

The reason why you never get around to doing it is immaterial. The point is, it never gets done, and you don't make any money.

### THE ACTION:

Take steps to reduce stress and anxiety, get organized.

### NOTES:

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## GETTING ORGANIZED TIME MANAGEMENT

### THE LESSON:

Manage Your Time Effectively

When you have the urge to put off a task, that is the time that you have to take charge and say, "I'm doing it now."

Don't just do this with business tasks, but with anything in your life. If you are a lifelong procrastinator, it will be a hard habit to break.

The best way to do it is cold turkey, by doing the task at hand at the first sign of "I can do that later."

The fourth, and last, item on the list is keeping the focus.

It is hard sometimes with all of the family and business pressures to keep the focus on what you are doing, and when you are supposed to be doing it.

Establish goals and review them as part of planning your next day. It will keep you on the road to good time management and accomplishment.

### THE ACTION:

Take steps to reduce stress and anxiety, get organized.

### NOTES:

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## **ANALYZING THE INVESTMENT PROPERTY A.P.O.D.**

### **THE LESSON:**

If The Numbers Don't "MAKE SENSE" Don't Work On The Property.

How is the property performing on a yearly basis?

The annual operation of the property will be presented in two ways using accepted industry standards, the OWNER'S STATEMENT and the BROKER'S RECONSTRUCTION of the operation of the property.

The owner's statement is a reflection of the way the owner is currently operating the property.

The broker's reconstruction is a statement of how you, as the real estate broker, think the property should be performing.

Usually there is a big difference between the owner's statement and the broker's reconstruction.

Obviously, the owner is trying to portray the operation of the property in its best light. The broker wants as realistic a presentation as is possible.

The reason being, the performance of the property, for the most part, determines the value of the property. Of course, the owner wants the highest value and the broker wants the most realistic.

### **THE ACTION:**

Learn how to analyze property and present your findings to buyers and sellers.

### **NOTES:**

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## ANALYZING THE INVESTMENT PROPERTY A.P.O.D.

### THE LESSON:

If The Numbers Don't "MAKE SENSE" Don't Work On The Property.

The operating statement, whether created by the owner or broker, will reflect the following on an annualized basis:

- The Gross Operating Income
- The Vacancy and Collection estimate (usually expressed in a percent)
- Any additional income from sources such as vending, laundry, etc.
- All operating expenses

The end result of the annual operating statement is to provide the net operating income of the property for the year, or in the case of the broker's reconstruction, an estimate of the net operating income.

The most typical problem with the owner's statement is that the owner will usually not charge the property for work that they are providing.

For example, if the owner is the manager, there is no management expense reflected on the annual operating statement. Maintenance, lawn care, and pool care are some other items often handled by the seller.

Because they are not paying someone to handle these functions, they are not included in the statement.

In order to properly judge the performance of the property, however, it is necessary to charge the property for all labor that is involved with its running, whether performed by the owner or not.

### THE ACTION:

Learn how to analyze property and present your findings to buyers and sellers.

### NOTES:

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## ANALYZING THE INVESTMENT PROPERTY

### A.P.O.D.

#### THE LESSON:

If The Numbers Don't "MAKE SENSE" Don't Work On The Property.

Consequently, as the broker or agent, you must "reconstruct" the expense portion of the statement reflecting the charges you feel would be appropriate.

The same should be done with the gross income, estimate of vacancy and collection, and other income. You will even find that in some cases the rents are below that which you know the property can achieve.

Your reconstruction should reflect that which you consider to be a realistic schedule. Don't forget that if you adjust the rents upward you may need to reconsider the amount used for vacancy and collection (V & C).

V & C will probably increase with a rent increase. (If the property is continually operating at 100%, there is a good possibility that the rents are too low.)

On the next page is an example of an Annual Operating Statement.

#### THE ACTION:

Learn how to analyze property and present your findings to buyers and sellers.

#### NOTES:

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## ANALYZING THE INVESTMENT PROPERTY

### A.P.O.D.

Owner:  
Property name:  
Location:  
Type:  
Agent:  
Date:

Price:  
Down Payment:  
Add cost to acquire:  
Add loan points:  
Equals Initial cash  
Investment:

Tax Assessed Value  
Land:  
Improvements:  
Personal property:

Existing financing  
Balance Pay. Rate Term

Available financing  
Balance Pay. Rate Term

### INCOME

Gross Income:  
Add Other Income:  
Equals Effective Income:

Subt. Est. for Vacancy/Collection:  
Equals Gross Operational Income:

### EXPENSES

Accounting/Legal:  
Property Insurance:  
Property Management:  
Property Taxes:  
Personal Property Taxes:  
Repairs and Maintenance:  
Oil:  
Water:  
Garbage:  
Leasing Commissions:  
Advertising:  
Supplies:

Management  
Off Site:  
On Site:  
Expenses/Benefits:  
Taxes, Workman's Comp:

Electric:  
Gas:  
Sewer:

Licenses and Permits:  
Contract Services:

Other:

### TOTAL OPERATING EXPENSE

N.O.I.:  
Less Annual Debt Service:  
CASH FLOW BEFORE TAXES:

## ANALYZING THE INVESTMENT PROPERTY OPERATING CASH FLOW MODEL

### THE LESSON:

If The Numbers Don't "MAKE SENSE" Don't Work On The Property.

The APOD gives an annual picture of the operation of the property. In order to properly evaluate the investment performance of the property, a look has to be taken at the flow of cash through the investment.

The timeframe covered for the evaluation is from purchase through disposition, or anticipated disposition. In other words, cash out when, and cash in when.

The total cash flow from operations and the total cash flow from the sale of the property must be examined.

### **OPERATING CASH FLOWS**

**Gross Rental Income**

PLUS

**Other Income**

EQUALS

**Gross Operating Income**

LESS

**The Operating Expenses**

EQUALS

**Net Operating Income**

LESS

**The Annual Debt Service**

EQUALS

**Cash Flow Before Taxes**

LESS

**Tax on Taxable Income**

EQUALS

**Cash Flow After Taxes**

### THE ACTION:

Learn how to analyze property and present your findings to buyers and sellers.

### NOTES:

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## ANALYZING THE INVESTMENT PROPERTY OPERATING CASH FLOW MODEL

### THE LESSON:

If The Numbers Don't "MAKE SENSE" Don't Work On The Property.

### *CASH FLOWS FROM DISPOSITION*

<b>Ultimate Sale Price</b>
LESS
<b>Costs of Sale</b>
LESS
<b>Outstanding Mortgage Balance</b>
EQUALS
<b>Proceeds of Sale Before Taxes</b>
LESS
<b>Tax Liability on Sale</b>
EQUALS
<b>Proceeds After Taxes</b>

### THE ACTION:

Learn how to analyze property and present your findings to buyers and sellers.

### NOTES:

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## FINANCIAL ANALYSIS TECHNIQUES

### CASH ON CASH/GROSS RENT MULTIPLIER

#### THE LESSON:

If The Numbers Don't "MAKE SENSE" Don't Work On The Property.

#### CASH ON CASH

Cash on cash is a simple yet widely used investment measure. It is a straight measure of a return on equity.

$$\begin{array}{ccc} \text{Pre Tax Cash Flow} & & \text{Cash} \\ \text{Equity Investment} & \text{EQUALS} & \text{on} \\ & & \text{Cash} \\ & & \text{Return} \end{array}$$

(Note: After Tax can also be measured. Ask your investor if they look at before or after tax cash on cash return.)

Cash on Cash could be compared to the dividend on stock or the interest payment on a bond. Its biggest advantage is that most investors are "cash" orientated. Most will readily identify with Cash on Cash. Its disadvantages are that it does not take into account:

- Appreciation
- Income tax ramifications
- Risk
- The amortization of a mortgage

#### GROSS RENT MULTIPLIER

Gross rent multiplier, or GRM is the result of the sales price divided by the Scheduled Rental Income.

$$\frac{\text{Price}}{\text{Scheduled Rental Income}} \text{ EQUALS GRM}$$

The gross rent multiplier is a common measure used to compare income properties. It does not reflect other factors such as expenses, V & C, financing or taxation.

#### THE ACTION:

Learn how to analyze property and present your findings to buyers and sellers.

#### NOTES:



## FINANCIAL ANALYSIS TECHNIQUES

### PRICE PER UNIT/PER SQUARE FOOT

#### THE LESSON:

If The Numbers Don't "MAKE SENSE" Don't Work On The Property.

#### PRICE PER UNIT

The price per unit method determines value by the number of units in the investment. This measurement is typically a multi-family measurement. To determine the price per unit, divide the sales price by the unit count.

$$\frac{\text{Sales Price}}{\text{Number of Units}} \quad \text{EQUALS} \quad \text{Price per Unit}$$

The price per unit should be considered only a crude reference point as to the property's value.

#### PRICE PER SQUARE FOOT

The price per square foot is similar to the price per unit in that it is a unit of measurement. In this case, square footage is divided into the price.

$$\frac{\text{Sales Price}}{\text{Sq. ft. in the Bldg.}} \quad \text{EQUALS} \quad \text{Price Per Square Foot}$$

As with price per unit, the price per square foot should only be considered a crude indicator of value.

It does not take into account numerous factors related to the operation of the property that will enhance or detract from its value.

#### THE ACTION:

Learn how to analyze property and present your findings to buyers and sellers.

#### NOTES:

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## FINANCIAL ANALYSIS TECHNIQUES

### INCOME CAPITALIZATION

#### THE LESSON:

If The Numbers Don't "MAKE SENSE" Don't Work On The Property.

#### INCOME CAPITALIZATION

One of the more widely accepted methods of valuing an income property is through income capitalization.

In order to estimate a value using income capitalization, the net operating income (N.O.I.) (either known or estimated) is discounted by using a rate of return commonly acceptable to buyers of similar properties.

$$\frac{\text{Net Operating Income}}{\text{Price}} \text{ EQUALS } \text{Cap Rate}$$

For example: The net income of a property is \$20,000 per year. Dividing the \$20,000 N.O.I. by a sales price of \$200,000 equals a 10% rate of capitalization.

The net income is found on the completed APOD. The capitalization rate, or cap rate, that is most acceptable in your market is usually determined by dividing the N.O.I. of comparable properties by the sales price of those properties, as in the example above.

As with any comparable, the properties should be as similar as possible and adjustments should be made for differences in the properties. It is also a good idea to work with at least three comparables.

#### THE ACTION:

Learn how to analyze property and present your findings to buyers and sellers.

#### NOTES:

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## FINANCIAL ANALYSIS TECHNIQUES

### BAND OF INVESTMENTS

#### THE LESSON:

If The Numbers Don't "MAKE SENSE" Don't Work On The Property.

#### BAND OF INVESTMENTS METHOD

Another way of computing an appropriate rate of capitalization (cap rate) is by using the band of investments method.

With the band of investments method two factors are considered and then brought together, the "market rate" for mortgage money and return demanded by the investor.

If the "market rate" for mortgage money is 12%, 12% would be multiplied by the actual or anticipated loan to value to get the first factor.

12% (Market Rate for Mortgages) X 75% (Loan to Value)  
The resulting factor would be 9%

If the investor is demanding a 15% return on capital, then the 15% return would be multiplied by the remaining equity to value, in this case 25%.

15% (Investors Desired Return) X 25% (Equity to value)  
The resulting factor would be 3.75%

To get the cap rate, add the two resulting factors:

	9.00%
Plus	<u>3.75%</u>
	12.75% is the resulting cap rate

#### THE ACTION:

Learn how to analyze property and present your findings to buyers and sellers.

#### NOTES:

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## FINANCIAL ANALYSIS TECHNIQUES

### INTERNAL RATE OF RETURN

#### THE LESSON:

If The Numbers Don't "MAKE SENSE" Don't Work On The Property.

#### INTERNAL RATE OF RETURN

The internal rate of return is simply the rate of discount at which the present value of the future cash flows is exactly equal to the initial capital investment.

It takes into account a return of invested capital and return on invested capital. If \$100,000 is invested and \$100,000 is returned the internal rate of return would be zero.

(An argument could be made that if only the invested capital is returned, but at a later date, the IRR would be a negative number, given the alleged time value of money.)

Money In/Money Out

Year 0	(\$100)	
Year 1	\$10 Income	
Year 2	\$10 Income	IRR=10%
Year 3	\$10 Income	
Year 4	\$10 Income	
Year 5	\$10 Income + \$100 Disposition Proceeds	

#### THE ACTION:

Learn how to analyze property and present your findings to buyers and sellers.

#### NOTES:

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## FINANCIAL ANALYSIS TECHNIQUES

### INTERNAL RATE OF RETURN

#### THE LESSON:

If The Numbers Don't "MAKE SENSE" Don't Work On The Property.

#### FINAL THOUGHTS

Observe that in the computation of net operating income, debt service is not considered. It is purely a product of gross operating income minus expenses.

Financing is a choice that is made by the individual investor and, as such, is not a part of the property operations.

One final thought on the use of the different methods of valuation. You, as a competent commercial associate or broker, should be comfortable and knowledgeable about the use and limitations of all of them.

In actual practice, however, this one word of caution. In your initial conversation with your prospect, determine what their method of valuation is and confirm the way they figure it.

Then, use that method of valuation in all future presentations to that prospect. Frequently, if you use a method of valuation with a prospect, and that prospect is familiar only with another way, you could lose the prospect. They will be too embarrassed to tell you that they do not know what you are talking about.

#### THE ACTION:

Learn how to analyze property and present your findings to buyers and sellers.

#### NOTES:

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## FINANCIAL ANALYSIS TECHNIQUES

### MORTGAGE CONSTANT

#### THE LESSON:

If The Numbers Don't "MAKE SENSE" Don't Work On The Property.

#### MORTGAGE CONSTANT

The Mortgage loan Constant (Mortgage Constant) is typically defined as the ratio of the annual debt service to the loan amount.

$$\frac{\text{Annual Debt Service}}{\text{Amount Borrowed}} = \text{Mortgage Constant}$$

It refers to the constant, level payment required to amortize a mortgage loan. In common terms, it is the factor needed to amortize a loan over a given term.

Lenders and borrows use a mortgage loan constant to measure the cash flows needed to meet interest and principal repayment as a percentage of the loan amount.

With a conventional loan, the constant is the percentage of the amount borrowed that must be repaid each year to meet both principal and interest repayments.

#### THE ACTION:

Learn how to analyze property and present your findings to buyers and sellers.

#### NOTES:

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## FINANCIAL ANALYSIS TECHNIQUES

### DEBT COVERAGE RATIO

#### THE LESSON:

If The Numbers Don't "MAKE SENSE" Don't Work On The Property.

#### DEBT COVERAGE RATIO

The debt coverage ratio is an expression of net operating income to the annual debt service.

$$\frac{\text{Net Operating Income}}{\text{Annual Debt Service}} \quad \text{EQUALS} \quad \text{Debt Coverage Ratio}$$

The debt coverage ratio is the measure used by lenders to determine their perceived degree of safety.

It measures the ability of a property to meet annual debt service with the net operating income. (If N.O.I. is less than the annual debt service that would be called negative cash flow.)

The ratio will typically be a factor greater than one.

(If it were one, the coverage would be one to one or for each dollar coming in, a dollar goes out to the lender. Is there any security there for the lender?)

The debt coverage ratio is also many times the method used by the lender to determine the amount they will loan on a property

#### THE ACTION:

Learn how to analyze property and present your findings to buyers and sellers.

#### NOTES:

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## FINANCIAL ANALYSIS TECHNIQUES

### REALITY CHECK

#### THE LESSON:

If The Numbers Don't "MAKE SENSE" Don't Work On The Property.

It is real easy to get so involved in the numbers that we neglect to see what is really happening to the investment.

The more you want the transaction to occur, the easier it becomes to justify the numbers that you are presenting.

Fight that tendency; you are in the business for the long haul, not one sale.

When all is said and done with your "number crunching", sit back and take a REALITY BREAK. Forgetting the numbers - does this thing "really" make sense?

Some of the points to check for on your reality break are:

1. Does the income cover the mortgage payment?
2. Can a user rent a similar space for less?
3. Is the replacement cost of the land and the building less than the asking price?
4. Is there sufficient demand in the market?
5. Is the market over built?
6. Am I too anxious to get the deal?

Today's market is as unforgiving as will be your investors. Don't make the mistake of getting caught up in the numbers.

#### THE ACTION:

Learn how to analyze property and present your findings to buyers and sellers.

#### NOTES:

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## COMMERCIAL PROPERTY INFORMATION NEEDED THINGS YOU NEED TO KNOW

### THE LESSON:

What you don't know will get you in trouble.

It is your responsibility as an agent to become as knowledgeable about the property you are talking about, as is the owner of that property.

What you do not know may either loose the sale or create liability problems for you.

Not only do you need information on the height of the ceilings, thickness of the floors, and the power, but you also need information on the zoning (uses), as well as any pending action by the government that would impact the value or use of the property, such as no growth initiatives.

The following is a suggested list as to what information is needed when working with a property. It is by no means exhaustive.

### THE ACTION:

Take nothing for granted. Always confirm that which you are told and represent.

### NOTES:

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## COMMERCIAL PROPERTY INFORMATION NEEDED THINGS YOU NEED TO KNOW

### THE LESSON:

What you don't know will get you in trouble.

### THINGS YOU NEED TO KNOW

1. The names and addresses of all owners along with their phone numbers and email addresses
2. Is the property operated by the owner or a manager?
3. Owner's attorney, accountant
4. Acquisition date and cost of acquisition
5. Reason for disposition
6. How to inspect and show the property
7. How far the property is from amenities of the city
8. What amenities are in close proximity?
9. Lot size
10. Current zoning
11. Legal description
12. Property amenities, parking
13. Condition of improvement and property
14. Age of the improvement, design, architect
15. Type of construction, wiring, heating/air, and sprinklers.
16. Size in square feet or unit count
17. Existing financing, amount, rate, loan number
18. Existing rents, expenses
19. Previous uses
20. Survey
21. Topographical map
22. Type of services
23. Demographics
24. Traffic counts
25. Type of sale that would best fit owner's needs

Much information is now also available on the Internet.

**THE ACTION:**

Take nothing for granted. Always confirm that which you are told and represent.

**NOTES:**

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## COMMERCIAL PROPERTY INFORMATION NEEDED WHERE DO YOU GET THEM?

### THE LESSON:

What you don't know will get you in trouble.

In order to do a complete job of "getting" the information, you must act just like a detective.

The first and the most obvious source of information is the current owner.

Go through the checklist shown on the previous page with the owner point by point. Question the answers that are given.

While getting the information, probe to determine how strongly the owner is representing the accuracy of particular points. Many owners never knew the answer to some of the questions when they bought and do not know now.

Your intuition will normally be correct in reading the responses of the owner to your questions. If it just feels bad, mark that question for definite confirmation.

Don't assume that you are talking to the only owner/decision maker. Ask for a copy of the deed to confirm who is in title.

Don't use a tax bill, or the tax roll to get the legal description. Again, ask to see the deed or a copy of the title binder.

Ask for the plans and specifications of the improvement from the owner. Confirm all structural representations that are hidden on those plans and specifications. (If the owner does not have the plans and specifications check, with the county, or county engineer, or building department.)

### THE ACTION:

Take nothing for granted. Always confirm that which you are told and represent.

### NOTES:

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## COMMERCIAL PROPERTY INFORMATION NEEDED

### WHERE DO YOU GET THEM?

#### THE LESSON:

What you don't know will get you in trouble.

Your next trip would be to city hall or the county building. Here, you are going to confirm many items given to you by the owner.

For example, the owner may have told you that a particular use would be permissible for the property. Confirm that; do not just accept it.

You may have been told that city services are located on or up to the property. Confirm that representation. Services are extremely expensive. Not only confirm that services are available, but confirm the capacity.

Sewer lines may in fact be on the property, but is there a sewer moratorium until a new plant is built? Is the size of the line the size you have been told?

If the owner represents that a properties N.O.I. is such and such, do a broker's reconstruction to confirm that the owner's representation reflects reality. You could confirm expenses by asking to see copies of bills.

Talk to the councilperson that has jurisdiction over the area in which the property is located. Ask if they are aware of any impending governmental action that would impact the value of the property.

Visit the neighbors around the property; ask the same questions as stated above. Then, just ask "Is there any thing else about this area or property I should know prior to putting it on the market?" Ask them about previous uses that may raise environmental concerns. (You also just might get some good marketing points, or better yet, the neighbor may be an active prospect.)

#### THE ACTION:

Take nothing for granted. Always confirm that which you are told and represent.

#### NOTES:

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## COMMERCIAL PROPERTY INFORMATION NEEDED WHERE DO YOU GET THEM?

### THE LESSON:

What you don't know will get you in trouble.

In closing this section, the thought to remember is confirm all that you represent. Be careful of statements like, "There is no problem having this property rezoned." Nothing, but nothing can be taken for granted.

### THE ACTION:

Take nothing for granted. Always confirm that which you are told and represent.

### NOTES:

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## THE PACKAGING PROCESS

### PACKAGING THE COMMERCIAL PROPERTY FOR SALE

#### THE LESSON:

Your packaging of a property is a reflection of how serious you take your business!

Once you have all of the information, how do you present it to a prospective buyer? For the purpose of this text, two methods will be presented; the flyer/eflyer and the property package.

The flyer/eflyer is done to send to people who make a general inquiry about the property. The property package is sent when extreme interest is known. The reason is that the flyer costs pennies to produce. The package requires you to have access to market data such as Loopnet, REIS or Costar (which can be costly) and an online property package system (REI Wise).

When doing either the flyer or the property package, consider the following points:

- Who will be receiving the piece?
- How will it be received, by mail email or in person?
- What is the image you want to be conveyed of the property?
- What are the properties most important elements that you want conveyed?
- What are the cost guidelines?
- Will there probably be changes?

Once you have decided on the above, look at brochures and property packages that you have received. What did you like; what did you not like?

Last, before you start work on the flyer or the property package, remember that they, the flyer and the property package, are a reflection of how serious you take yourself as a marketer of real estate and how serious you take the “packaging of property.”

#### THE ACTION:

Always have the flyer and the package done PROFESSIONALLY!

#### NOTES:

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## THE PACKAGING PROCESS

### THE FLYER/EFLYER

#### THE LESSON:

Your packaging of a property is a reflection of how serious you take your business!

#### THE FLYER

The flyer is simply a one or two page document that contains the highlights of the property offered. They will typically include:

- A brief description of what is being offered
- A brief run down of the benefits of the property
- A "PROFESSIONALLY DONE" photograph of the property
- A location map showing the property in relationship to other amenities
- A brief run down of the financial details
- Your company name and number, along with your name and number

Effective mail pieces can be created in a self-mailer format, saving the cost of the envelope. Remember if you do a self-mailer, the bottom does not have to be stapled, or joined in any way to go through the mail. Why make it hard to read and risk ripping if it is not necessary?

#### THE ACTION:

Always have the flyer and the package done PROFESSIONALLY!

#### NOTES:

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## **THE PACKAGING PROCESS**

### **THE PROPERTY PACKAGE**

#### **THE LESSON:**

Your packaging of a property is a reflection of how serious you take your business!

#### **THE PROPERTY PACKAGE**

The property package should provide sufficient information on the property to allow a prospect to decide whether or not an appointment needs to be made to view the property.

Size of the property package can many times range up to 25 pages.

The property package may contain:

- A cover page describing what is being offered, how
- Your information disclaimer
- A table of contents
- A price and all financial information
- An annual operating statement
- Copy of leases
- Pictures, as well as aerial photographs
- Location maps
- Plat maps, site plan, and topographical maps
- Statement of utilities available
- Physical description of the property and improvements
- Survey
- Proximity to transportation and labor sources
- Zoning
- Legal description
- Demographic information
- Your company name and number, and your name and number

**THE ACTION:**

Always have the flyer/eflyer and the package look PROFESSIONAL!

**NOTES:**

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## DEVELOPING THE MARKETING PLAN

### THE MARKETING PLAN AS A PRESENTATION

#### THE LESSON:

Always be prepared to show an owner why they should do business with you!

The marketing plan presented will serve two purposes. The first purpose is that of a visual when you are competing to get a listing and the second is the actual steps to follow for marketing the listing.

Too often an owner of a commercial or investment property is approached with the idea of allowing an agent to market a property simple because the agent is “great and wonderful.” No formal presentation or plan exists.

With a little advance planning, a presentation can be put together that will not only create a visual that will impress the customer, but will also enable you to market the property, not just list it. You should also consider creating a computerized presentation.

#### THE TWO FUNCTIONS AS A VISUAL

Creating the marketing plan as a visual is easy. When creating the plan, simple put yourself in the place of the two parties and be realistic about asking the questions that both of you are probably going to be thinking.

In other words, if the owner is turning a \$500,000 property over to you to sell and you were accepting the responsibility to sell that property, what questions would be on the minds of both parties that need to be answered?

#### THE ACTION:

Prepare a marketing format in advance of talking to a seller.

#### NOTES:

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## DEVELOPING THE MARKETING PLAN

### THE MARKETING PLAN AS A PRESENTATION

#### THE LESSON:

Always be prepared to show an owner why they should do business with you!

The owner may want to know:

1. Who you are?
2. What have you and your company done before?
3. A statement of your business philosophy? (Can residential sell commercial, product specialization, exclusives only?)
4. Overview of your marketing program
5. Your philosophy on pricing properties
6. Your service agreement with your customers
7. A statement of fiduciary
8. A statement of their expected contribution to the process

As the agent, you will want to know:

1. A situation analysis on the property and the owner
2. Does the owner “buy into” your business philosophy?
3. Do you have a decision to proceed or not?

Addressing the questions:

#### WHO ARE YOU?

As an owner, I have a right to know a little about you. After all, I am entrusting you with a very valuable asset. Not to mention the fact that you are looking for a large percentage of the value in the form of your fee.

#### THE ACTION:

Prepare a marketing format in advance of talking to a seller.

#### NOTES:

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## DEVELOPING THE MARKETING PLAN

### THE MARKETING PLAN AS A PRESENTATION

#### THE LESSON:

Always be prepared to show an owner why they should do business with you!

You might consider answering the question, “Who you are?” in a resume form of sorts.

Consider:

- Your years in the business
- Any professional designations or special honors that you have received
- Your professional affiliations
- Special educational training you have had
- Major career accomplishments
- Major transactions handled
- List price to sale price ratio

#### WHO IS YOUR COMPANY? WHAT HAS IT DONE?

As before, you might consider answering in a resume type of format. Some of the questions could be as follows:

- What is the company philosophy?
- What is the scope of the company?
- What services are offered?
- What markets are served?
- What are the owner’s and/or sales manager’s qualifications?
- What references do you have for the company?

#### THE ACTION:

Prepare a marketing format in advance of talking to a seller.

#### NOTES:

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## DEVELOPING THE MARKETING PLAN

### THE MARKETING PLAN AS A PRESENTATION

#### THE LESSON:

Always be prepared to show an owner why they should do business with you!

#### STATEMENT OF YOUR PERSONAL BUSINESS PHILOSOPHY

How do you feel about service? Are you a listener or a seller? What is your own personal philosophy on business, on marketing?

The customer will be sold at this point, possibly even more so than at the point of marketing plan review.

They will do business with you more because they like you than any other reason. They buy the person first.

#### OVERVIEW OF YOUR MARKETING PROGRAM

What are you going to do to market the property? Now is not the time to shoot from the hip, which fortunately is what most of your competition will do.

Now is the time to come up with a concrete proposal, a road map if you will, to document the entire process to a skeptical seller.

Your marketing plan will not be completed for the property. (You could if you wish.) But, "This is what I prepared for your property and your approval as soon as you allow me to begin the marketing process."

#### THE ACTION:

Prepare a marketing format in advance of talking to a seller.

#### NOTES:

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## DEVELOPING THE MARKETING PLAN

### THE MARKETING PLAN AS A PRESENTATION

#### THE LESSON:

Always be prepared to show an owner why they should do business with you!

#### YOUR PHILOSOPHY ON PRICING PROPERTIES

How do you price properties? Do you accept what the owner wants? Do you use one method, two? Does the owner have any part in the process? How about price reductions?

A thought for you. The owner wants to have some feeling of control in the pricing. Not only wants but sometimes down right demands it.

Tell the owner that the ultimate decision for pricing the property rests with them. It is your job to provide all of the information available as to what the property is competing against and then the owner makes the final pricing decision.

One last thought. One of the best ways of convincing an owner of a price is with a property operating data form completed for the property.

Once you have presented the operating data form simply ask, "Would you be interested in the property at this price, with these results, if you were buying?"

#### YOUR SERVICE AGREEMENT

How often are you going to contact me? When you do, what are we going to cover? How will I know what you have done and where you have advertised?

What will be the procedure for showing the property? How are you going to present offers to me?

#### THE ACTION:

Prepare a marketing format in advance of talking to a seller.

#### NOTES:

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## DEVELOPING THE MARKETING PLAN

### THE MARKETING PLAN AS A PRESENTATION

#### THE LESSON:

Always be prepared to show an owner why they should do business with you!

Don't keep the owner in the dark on this very important part of the process. Should you be unlucky enough to not sell the property in the first listing term, the time to ensure a listing renewal is during the process of the first term.

#### A STATEMENT OF THEIR EXPECTED CONTRIBUTION TO THE PROCESS

As the owner/seller what do you expect me to do? Should I be available for showings? Should I respond to other brokers? How about if a buyer just walks in?

Just as important as what the seller is expected to do, is what the seller should not do. You do not want them to negotiate with a buyer, maybe not even be present with a buyer.

What is second nature to you is all new to the seller.

Going into this type of discussion will also form the basis of a lasting business relationship.

#### THE ACTION:

Prepare a marketing format in advance of talking to a seller.

#### NOTES:

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## DEVELOPING THE MARKETING PLAN

### THE MARKETING PLAN AS A PLAN OF ACTION

#### THE LESSON:

Always be prepared to show an owner why they should do business with you!

#### AS AN ACTUAL MARKETING PLAN

Once you have the listing, the marketing plan changes from a visual presentation into a hard working “how to” document.

Previously, when the seller said yes, it was an initial feeling of panic.

“O.K., now that I have the listing, what do I do with it?”

If in the development of your marketing plan sincere care and thought went into its preparation, you can relax once the seller says yes.

The plan will allow you to more or less “fill in the blanks” and know that you are touching all of the bases with the properties marketing.

#### GENERIC PROSPECT GROUPS

FROM THE PROPERTY SEC CODES – The property code will list the “generic” prospect groups that would be allowed to use the property.

Once you have identified the type of activity that is allowed on the property, a list can be developed that will pinpoint specific prospect groups.

#### THE ACTION:

Prepare a marketing format in advance of talking to a seller.

#### NOTES:

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## DEVELOPING THE MARKETING PLAN

### THE MARKETING PLAN AS A PLAN OF ACTION

#### THE LESSON:

Always be prepared to show an owner why they should do business with you!

#### SPECIFIC PROSPECT GROUPS

Now that you know that office medical is the generic prospect group go to the yellow pages, medical directories, etc. to get specific names of office medical users, or those that service office medical that would be a permitted use in that property use code.

#### PROFESSIONAL GROUPS THAT MAY KNOW A PROSPECT

What professional groups would know a prospect for the property? Be sure that they all get information on the property, and you follow up on all leads they give you. Here you are looking specific prospects. One can access these groups via the Internet.

#### SUBCONTRACTORS/SUPPLIERS THAT MAY KNOW A USER

As with the professional groups, what suppliers would supply/know someone that may be a prospect? Be sure that they all get information on the property, and follow up on all leads they give you. Here you are looking for specific prospects.

#### NAMES OF PROPERTY OWNERS TO CONTACT WITHIN A ONE MILE RADIUS OF THE PROPERTY

Many times your best prospects will be those that are contiguous to the property. Be sure to list and contact all of these prospects.

#### THE ACTION:

Prepare a marketing format in advance of talking to a seller.

#### NOTES:

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## DEVELOPING THE MARKETING PLAN

### THE MARKETING PLAN AS A PLAN OF ACTION

#### THE LESSON:

Always be prepared to show an owner why they should do business with you!

#### NAMES OF PROSPECTS FROM CALLING CHAMBER/COMMITTEE OF 100

Contact all of the groups in your area that strive to bring new business to your market. Be sure all that have a hand in bringing the prospects to your area know of your product.

#### NAMES OF PROSPECTS/USERS BY DISCUSSION WITH OWNER

The owner has lived with the property and the people that have inquired about the property. Spend as much time as is needed probing to find any prospect and spend the time necessary to follow up with those prospects.

#### CCIM'S AND OTHER COMMERCIAL BROKERS TO CONTACT

All those that are operating in you market should have at least a flyer on the property. Follow up with them to see if they have any questions or know of a prospect.

#### USES MISSING BY APPLYING "CENTRAL PLACE THEORY"

Central place theory simply means that most areas will grow alike. A use that is needed in a similar location may be needed at the location that you are marketing. Visit similar locations and record the uses, then compare them to the location that you are marketing.

#### THE ACTION:

Prepare a marketing format in advance of talking to a seller.

#### NOTES:

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## **YOUR COMMERCIAL REAL ESTATE CAREER PLAN**

### **APPROACHING YOUR BUSINESS LIKE A BUSINESS**

#### **THE LESSON:**

Real estate is no longer a little soft pitch. It is major league hardball.

#### **APPROACHING THE BUSINESS LIKE A BUSINESS**

Your new commercial career is a journey of sorts. Like any journey, if you do not have a road map to follow, you may get to your destination, you may not.

You have to create your own route. No one can do that for you. You may decide that specializing in commercial services to the exclusion of all else is the way to go.

The real joy is that it is your future, so you get to pick the route.

Whichever route you choose, however, you have to plan it.

What are your commercial strengths, what are the weaknesses? What impact will commercial activities have on your financial goals?

If your focus is going to be commercial, how are you going to approach the market? Are you going to specialize? Is there enough Gross Commission Income in that product type to support you in a full time effort? What type of support do you expect to receive from your company?

#### **THE ACTION:**

Acknowledge the fact Real Estate is a "Real Job" and Plan For Success!

#### **NOTES:**

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## YOUR COMMERCIAL REAL ESTATE CAREER PLAN

### APPROACHING YOUR BUSINESS LIKE A BUSINESS

#### THE LESSON:

Real estate is no longer a little soft pitch. It is major league hardball.

As an independent contractor, you are a business unto yourself. As a business unto yourself, you have no less need for a business plan (a route to follow) than any other independent businessperson operating in today's environment.

To do a business plan you must consider the following:

1. What services are you going to offer? Are you going to lease, list or sell? Are you going to provide feasibility studies or monthly reports?
2. What will be your chosen market area and product type served?

It is a fact of life that you cannot be all things to all people. If you have been specializing in industrial property and someone asks you to find them an apartment building, the same educational process that you used to become knowledgeable in industrial would have to be applied to apartments.

In essence, you would have to re-create the wheel. You don't know where the apartments are. You don't know how to properly evaluate them. You don't know who the players are.

#### THE ACTION:

Acknowledge the fact Real Estate is a "Real Job" and Plan For Success!

#### NOTES:

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## YOUR COMMERCIAL REAL ESTATE CAREER PLAN

### APPROACHING YOUR BUSINESS LIKE A BUSINESS

#### THE LESSON:

Real estate is no longer a little soft pitch. It is major league hardball.

In short, it would be like an ear, nose, and throat doctor diagnosing and treating your angina. Yes it can be done, but I sure would not want to be the patient. In the situation above, it would take two to three weeks to even become conversant in apartments.

If you had spent the same amount prospecting in your product type, your career would be infinitely more enhanced.

The same theory applies to the geographic area that you choose. How can you find an industrial property for someone that wants to buy in the Orlando market? What do you think? Are values, zoning, etc. going to be different in Orlando?

One of the toughest things that you will have to do on Monday morning is to say, "Gee, I'd like to help, but that just is not my specialty."

An example of your statement of market area and product type served could look like:

I will specialize in the brokering and leasing of light industrial space as defined by the zoning code. My activity will be conducted within the City of \_\_\_\_\_, and the county of \_\_\_\_\_. (It could even be more restrictive in that it could concentrate on the light industrial space located in the airport industrial complex or any other complex located no more that one-mile from interstate 75).

#### THE ACTION:

Acknowledge the fact Real Estate is a "Real Job" and Plan For Success!

#### NOTES:

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## YOUR COMMERCIAL REAL ESTATE CAREER PLAN

### APPROACHING YOUR BUSINESS LIKE A BUSINESS

#### THE LESSON:

Real estate is no longer a little soft pitch. It is major league hardball.

3. What is your statement of your own personal business philosophy?

What type of quality service are you going to offer? How often do you think your customers should be contacted? Do you believe in an exclusive listing philosophy? What standards do you hold out for your self?

This is your chance to make a statement from the heart as to exactly what you feel about the business. Get passionate. It may sound corny, but do you think your customers wonder about it? Do you when you are considering whether to do business with someone?

What are your thoughts on statements of business philosophy? Would the business philosophy have a place in your resume that is a part of the marketing plan?

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4. What are your strengths?

Here, you are making a statement to yourself. What do you do particularly well? This list should be as extensive as you can make it. Is your prospecting ability above average? Do you have a professional presentation?

- Strategies to capitalize on those strengths

#### THE ACTION:

Acknowledge the fact Real Estate is a "Real Job" and Plan For Success!

#### NOTES:

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## YOUR COMMERCIAL REAL ESTATE CAREER PLAN

### APPROACHING YOUR BUSINESS LIKE A BUSINESS

#### THE LESSON:

Real estate is no longer a little soft pitch. It is major league hardball.

5. What are your weaknesses?

As with the strengths, you are making a statement to yourself. This statement is not to your broker, spouse, or anyone else but you. Where do you know you need work?

- Strategies to overcome those weaknesses

6. What is an objective analysis of your present situation?

Where are you? Are you new in the business? Are you scared or tired? Are you disillusioned and about to get out of the business? How about your financial situation, is it strong or weak? Just start talking about where you see your career at this point in time.

7. What objectives can you realistically expect to achieve for the balance of the year?

What are your goals for the balance of the year? Areas considered would be listing, sales, education and personal, anything that you want.

- Clear definitions of how you are going to meet those goals

Now that you know what you want, how are you going to attain them? What do you need to do, what resources are you going to have to use, and what is the timeframe for those objectives to become reality?

#### THE ACTION:

Acknowledge the fact Real Estate is a "Real Job" and Plan For Success!

#### NOTES:

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## YOUR COMMERCIAL REAL ESTATE CAREER PLAN

### APPROACHING YOUR BUSINESS LIKE A BUSINESS

#### THE LESSON:

Real estate is no longer a little soft pitch. It is major league hardball.

8. What are your objectives for next year?

Do the same process here that you did for the objectives that you had for the balance of the year. In addition, clearly define the tasks and timeframes needed for accomplishment.

- Clear definitions of how you are going to meet those goals

#### THE ACTION:

Acknowledge the fact Real Estate is a “Real Job” and Plan For Success!

#### NOTES:

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## YOUR COMMERCIAL SERVICES CAREER PLAN

### THE REWARDS

#### THE LESSON:

Real estate is no longer a little soft pitch. It is major league hardball.

#### THE REWARDS

You are an independent contractor. As such, you are a business unto yourself. You set your own hours, work your own territory, in your own way. You are accountable only to yourself. How many people in today's society wish they had what you have. You don't have to hold your breathe for a \$1.00/hr. raise. You simple have to make one more call, and oh what an income that one more call can create. You have the opportunity to get paid what you are worth. (That scares some people to death). You have the opportunity to make in one transaction the amount that most people make in a year. The income potential is truly limited only by your desire to work.

You have another opportunity available to only a few. You have the opportunity to develop your own net worthwhile you complete your everyday tasks. You find the good "deals" before anyone else does. You have the opportunity to invest in your own projects; projects you know are sound, because you built them from the ground up.

You are not only a business, but you are an artist, creating designs all over the landscape of your market area. There is no feeling better than driving by what was once a vacant lot and seeing a beautifully designed furniture showroom that would not be there if it had not been for your work, and your vision.

#### THE ACTION:

Acknowledge the fact Real Estate is a "Real Job" and Plan For Success!

#### NOTES:

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