

SPECIALIZATION OR GENERALIZATION?

SIORS SEE ADVANTAGES TO BOTH

BY STEVE LEWIS

In any number of professions, practitioners have the option of either specializing in one or two areas or choosing a career as a generalist. When it comes to commercial real estate, some SIORs say the latter is not the path to a successful career, while others say that diversity can have its benefits – and at the very least should be combined with expertise in a specific area.

"Most agents nationally are generalists, but they make significantly less money

than specialists per NAR research," says **Greg Schenk, SIOR, CNE**, who heads the Columbus, OH-based firm that bears his name. "There is no way to learn each segment of the market and really know it -- the landlords, tenants, rates, incentives, etc. You need to pick an area that you are passionate about and be the expert in that area to excel."

"The CRE business is taught on the concept of being a specialist – by property type, location, or both," adds **Geoffrey Kasselman, SIOR, LEED AP**, President and CEO of Op2mize LLC, Des Plaines, IL. "It is how I was taught the business and it is an excellent way to learn it quickly from the ground up, which is important in a commission-dominant business since it takes a

relatively long time to achieve a project pipeline with 'critical mass' and thus abundant revenue. But the reality is that the larger multi-property CRE users, owner/operators, and investors have a variety of needs in different locations involving several different asset classes. There is great value and longevity in being able to serve such clients however and wherever they might have needs. In this sense, specialty might not be the best path depending on what type of CRE services firm you work at."

"It is very important to first have a focus in an area and specialty type, like office, industrial, or retail," notes **Stan Kurzweil, SIOR**, Senior Vice President of Weichert Commercial Brokerage, Inc., Morris Plains, NJ. "And it takes a bit of time to get going in commercial brokerage. After a period of time, say 5-10 years, if you want to be good



at other things the fundamentals and processes are the same - the difference is in the detail of the information. Because commercial brokerage has changed considerably from when I first started, it is even more important to have a sense of diversity."

For example, he notes, this year he sold a 30,000 sq. ft. investment property; a 16,000 sq. ft. church to another church; he did a land deal in Newark; and a 10-year office transaction in suburbia. "I have sold property to a user/buyer as well as exclusively representing an office client who wants to buy a building and did a long-term retail lease for a restaurant; that's a pretty big span," says Kurzweil.

Of course, "specialization" can mean more than one thing. For example, an SIOR might specialize by property type, by geography, or by who they represent. "I am in the camp that favors being an expert at one thing, as I believe it has led to deeper market penetration and more

income from being good at one thing – in my case Tenant Representation only," says **Bruce Wolfgram, SIOR, P.ENG., RPA, LEED AP**, Vice President of Primecorp Commercial Realty Inc. Brokerage in Ottawa, Ontario. "There is

"I BELIEVE I AM BETTER ABLE TO MARKET MYSELF USING A RIFLE APPORACH AS OPPOSED TO A SHOTGUN APPROACH."

so much competition you need to stand out; I believe I am better able to market myself using a rifle approach as opposed to a shotgun approach."

"As I look back on my 27 years in the commercial real estate industry I am thankful I realized very early on that

specialization was the way to go," asserts **J. D. Salazar, SIOR**, Champion Realty Advisors, LLC, Willowbrook, IL.

"Being a specialist works very well when you are in a mega-market like Chicago. If you work in a smaller market whose product depth and transaction velocity is limited you have the time and resources to develop a broader approach to your business. In Chicago you are forced to specialize either geographically or by product type," he continues. "Being a specialist geographically allows you to develop a knowledge base that is valuable to your clients, be they tenants or landlords, buyers or sellers. Being a product type specialist requires you to develop a deep understanding of the product type, features, design advantages, design disadvantages, trends within the industry that uses the product type and other data that allows you to be valuable to the users for that product type."

FLEXIBILITY IS IMPORTANT

While the SIORs interviewed feel very positive about where they are today, they have also noted it is important at times to respond to changes in the market. "I did both (tenant and landlord representation)

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rep in 1991," says Schenk. "I like to help people get what they want so that is why when the agency disclosure law was initiated in Ohio and nationwide I specialized in representing tenants, buyers and investors."

"As my career in CRE evolved it became clear that it was better to have repeat customers rather than a series of first-time or one-time-only customers," notes Kasselman. "In order to build such lasting relationships, I realized that my clients' needs extended far beyond a single property type or location. Thus I have moved away from specialty, at least in the context of how the business is taught, and instead I focus on creating value and solving problems – wherever my client might need me to do so. And in some sense, we have harnessed a different sort of specialty – providing energy and innovation strategies in addition to CRE services – which we use to create incremental value anywhere and differentiate ourselves from our competition, even though we are geographically and product type neutral."

Kasselman says that when he worked at larger CRE services "we were under pressure to generate maximized commission revenue ahead of all other goals. To accomplish this consistently, we pursued the business with a clear focus on specialty. When I started Op2mize in 2004, the business plan was to serve our clients' needs and best interests, regardless of where or what. That has clearly served us well in terms of repeat business and being viewed as value creators and problem solvers."

"The bottom line is if you can't do what you normally do – for instance, if the office market is not as good as the industrial market – and if you can't adjust – you are at an extreme disadvantage," says Kurzweil. "Yes, you should be a specialist in an area; it helps because you know things others do not – nuances like who knows what, who goes to what country club, who to stay away from, and all of that helps in making transactions. But although I started as an office broker, I still did investment deals and even sold apartment complexes.

When the market went to hell in a hand basket in 2008, it caused real estate to be much more difficult in terms of doing transactions – that problem was pervasive. Some brokerage



BEING ABLE TO SPECIALIZE IN ONE AREA IS A GREAT METHOD TO SOME SIORS, BUT SOMETIMES YOU MUST BE FLEXIBLE IN ORDER TO WIN A CONTRACT.

firms like people who specialize in just one area; that might be good for the firm, but not as good for the broker, unless the firm gives the broker entree into areas they otherwise would not have and they can still continue in their own area. Right now, for instance, New Jersey office vacancies are at 26 percent, and in some areas they are 35 – 40 percent. If you have a high unemployment rate, how do you lease office space? If you have renewals, that's one way, but in terms of new business it's much more difficult. I couldn't just say 'my specialty is office' and keep plugging away at the end of the day if there was no need for office you are shooting yourself in the foot. So I do the different things I do to make sure I do well and expand my horizons."

"About 10 years ago I began developing two product specialties (Traditional Terminal Facilities and large distribution centers for consumer product companies [CPCs])," says Salazar. "Since that time I've attended numerous logistics conferences and have joined several knowledge based/education/

networking logistics organizations. As the logistics industry continues to evolve towards E-commerce and other new distribution channels, I will have the tools to continue to be an effective resource for my clients.”

ALL IS WELL THAT ENDS WELL

Regardless of which path(s) they have chosen, the SIORs who provided comments for this article are all convinced they have made the right decision. “To say I have made all my dreams come true is an understatement,” says Schenk. “I had nothing when I got in the business 27 years ago. Now I am financially secure and can choose who I work with, when I work, etc. No need to change with the success I have had, and I now travel the country teaching others how to learn, grow and prosper!”

“It’s just like your stock market portfolio; they say you should diversify, and the same holds true in commercial real estate,” adds Kurzweil. “I’m not saying you should not be an expert in one area; you definitely should, then branch out. And if you’re unsure about a new area, work with someone who has that expertise and branch out that way. Be very nimble, and flexible; you can’t be dogmatic.”

“I’ve always done solely tenant rep.,” adds Wolfgram. “What I like about it is that the hardest part is getting the client. Once you have them as your customer you have a pretty good chance of getting a commission. I’ve been very happy, very satisfied.”

“We think our results speak for themselves,” says Kasselman. “We just celebrated Op2mize’s 9th anniversary, and our best year ever was 2010 which directly coincided with the lowest point of the recent recession. We firmly believe we have to

continue to evolve as CRE professionals in order to stay on the cutting edge of what our clients care about – creating optimal value and solving problems in ways they cannot do themselves. The opportunity cost of not changing is far too great!” 

ABOUT THE AUTHOR



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