Ask the Right Questions

By Steve Bergsman
John Barker, SIOR and Andrew Zezas, SIOR are not your typical SIORs.

Barker no longer does much in real estate brokering and is instead senior vice president for development of Red Rock Developments in Charlotte.

Further north, Zezas sits in the corner suite as CEO of Real Estate Strategies Corp. in Somerset, New Jersey. Technically, RE Strategies does tenant representation, but Zezas likes to say his firm’s specialty is corporate advising.

What Barker and Zezas have in common is a succinct way of explaining how good real estate deals get prepped through the right line of questions.

Here are some of their best lines:

**Barker**

- The art of good selling is the art of asking questions.
- My grandfather always said, ‘You have one mouth and two ears, and you should use them proportionately.’
- You ask the right questions to uncover as much information as you can.
- Too often we think the customer is going to buy on price.

**Zezas**

- You can’t ask the right questions unless you know the right questions to ask.
- You have to listen.
- We speak to our clients less about real estate and a lot more about business objectives.

In essence, to be successful as a broker, tenant rep, developer or whatever, you need to ask the right questions.

Both Zezas and Barker suggest the right questions are not always about real estate.

“The fundamental question that we are often too scared to ask is, ‘What is driving your project?’” says Barker. Ask yourselves, “Why is the client doing this? And, what is the client trying to accomplish?”

Zezas adds, “I find too many real estate people only speak real estate; they care less about the drivers of the deal than about the real estate transaction. But, they need to know more about the financial, operational, and strategic objectives driving that real estate transaction.”

The Right Stuff

It’s all about motivation — what is making the client to sell, buy, or lease? To come up with the right solution, it helps to know the answer. Otherwise, as a broker, you could find yourself running all over town for months on end in a fruitless quest for the right location.

It’s not always easy to elicit the truth from the client.

David Cook, SIOR, a managing director for Sperry Van Ness in Dallas, Texas, offers this hint: the first answer you get is the one that sounds the best, it’s just not necessarily the true motivation, or even the true answer.

“Sometimes you need to ask the question two or three different ways because the second or third answer you get is the real answer,” Cook says. “The first answer sounds good, but if you keep digging you...”
realize there is a deeper motivation for why the company wants to do something.”

Let’s say a client comes to you and wants to sell a property. Cook suggests a basic line of questioning. The first question would be, “Why do you want to sell?” because in this current market an owner really doesn’t want to sell unless there is a need. Maybe the owner has cash problems or can’t refinance—two situations that either give you a clue as to timetable and pricing or affords an opportunity to help the client in other ways.

The second question should then be, “If you sell the property, what are you going to do with the cash?” “This is an interesting question,” Cook explains, “because you might find out the client doesn’t really need a full cash out.” This would give the broker some options as to what kind of deal can be brought to the table.

The third question could then be, ‘What other properties do you own?’ Again, this is about options. “Maybe the client has a property where the loan can’t be repaid, but the value has been diminished,” says Cook, “but you find out the client has another property free and clear, which means they could borrow against the second property, and get the cash needed to support the first property.”

Finally, Cook suggests a fourth question about leases and notes on the property. “So many brokers get excited when they get a property to sell, but when they get deep into it, they may find out it is not as sellable as they thought,” he says.

Greg Gunn, SIOR, a senior vice president with Coldwell Banker Commercial in Salt Lake City, does a lot of listings for office buildings, and he takes a similar approach to Cook for his end of the business. The big difference is that Gunn focuses not on the questions, but on three key answers he feels he must ascertain from his client.

The first bit of information he must try to identify is the financial condition of the client. Can the client make loan payments? Does the client need to work with a bank, or would a bank even work with the client?

Secondly, Gunn tries to figure out how much the client understands current, local economic, and market conditions. “We often explain the local market conditions, but people don’t listen because they don’t want to hear,” says Gunn. “Your client may read the financial newspapers but still does not understand the local market.”

For example, a client who doesn’t comprehend, that the local economy is so bad there has been no major leases taken in three years, will result in a miserable, haranguing experience.

Thirdly, how realistic is the client? Do they have an expectation that you will lease their building tomorrow? The problem, says Gunn, is “your competition is going to tell them everything they want to hear. If you’re too realistic, the client thinks you’re crazy and too negative, but if you put on a positive spin then you have expectations you can’t fill.”

Walking that fine line with a client happens on the other side of the property market as well. You have to ask the hard questions without frustrating your client.

Stuart Rosenberg, SIOR, CCIM, a principal in ICI Commercial Corp. in Arlington Heights, Illinois, tells this story. “Years ago, I tagged along with a couple of senior guys when they went to meet a client. One of the brokers asked, “Do you have a budget for this project?’ The client looked at the senior guy, and said, ‘That’s none of your business.’ Then he threw us out of the office.”

The client thought the broker was “getting into his business,” but this is a legitimate question because the answer is a qualifier, says Rosenberg. “As a broker, instead of showing him six properties in the market that he could use right away, you are going to end up showing him 100 buildings because you don’t know what he is trying to fit into his budget.”

Rosenberg adds, “the whole purpose of asking the right questions is to minimize wasted time that could happen to you and your client.”

A subset of the budget question is the “Who is your banker?” question. The idea is to get a better credit picture of the client because you could end up in this very common scenario: six months on a project, make three offers, lock in one building, and then the credit doesn’t prove out; end result, six months of wasted time.

**ADDED BUSINESS**

Asking the right questions and getting the necessary answers is not just about efficiency and improving success rate. Sometimes, there’s an added bonus in the mix.

“We walked into one client’s office not long ago and talked to them about relocation opportunities, and while we were there, we said to the operations people, ‘What issues are you having?’ They claimed that they were having operating cost challenges,” recalls Randall McCombs, SIOR, an executive vice president at Grant Street Associates in Pittsburgh, Pennsylvania. “We said let us look into this for you at no extra cost.”

McCombs and his team discovered the company was in an older, inefficient building and then showed the client what could be done and what opportunities were available in the market.

“All of a sudden when you put pen to paper, you open their eyes to, ‘I don’t really have to deal with this problem anymore, maybe there is a way to get better space for employees and lower operating costs.’”

The end result was a major relocation for the company’s headquarters.

In the end, it’s all about asking some form of the question, “What else can we do for you?”

Continued
Don’t lose sight of the fact that you are interacting with clients for a specific reason, but by asking the question, “What else can we do for you” the dimensions of the work can change."

“Prospective clients are always leery of you wanting a bigger commission or fee,” says McCombs. “You need to say, ‘We are here to help you solve problems.’ Or, ‘What issues or challenges are you having with your business and how does real estate fit into those challenges?’ Or, ‘What services can we offer to make your life easier?’”

Howard Greenberg, SIOR, a principal with Howard Properties Ltd., a tenant representative company in White Plains, New York, recently went to visit a company in Westchester County, New York, where he is based. His first observation was that the building the company resided in was really not the right fit for the kind of business it conducted. So, he asked what the impetus was for being in this particular building and he learned that it was right around the corner from the train station, and the president often traveled into Manhattan.

“So, I asked, ‘Is that president still here?’” Greenberg says. “And the answer was, ‘Oh no, he’s been gone for five years.’”

As it turned out, the company wasn’t happy with the building, the location, or even the image of the building, and the new president wanted to be elsewhere.

“When I say to someone ‘Tell me about your needs,’ they’ll often reply in real estate terms, ‘I need three offices and 40 cubicles,’” Greenberg notes. But that’s not the answer Greenberg is looking for. He wants to know about the company’s business needs because as he observes, “real estate always follows the business."

“I always say, ‘Tell me about your business. What are you working on in the next three to five years that will be important to your company?’ It helps me get a handle on what they are really looking for going forward.”

“When a client who is in 5,000 square feet comes to you and says he wants to be in 20,000 square feet, you have to stop and think, ‘OK, how do we get from 5,000 square feet to 20,000 feet and does the client realize the cost differential,’” says Drew Augustin, SIOR, a principal with Alliance Commercial Real Estate in Indianapolis.

“As a result, you need to focus your conversation on the business terms that ultimately need to be addressed, plus get the answer to the overriding question of what changes are expected in the business that they think will take them to 20,000 square feet,” says Augustin.

THE QUESTION PROCESS

“As I have trained people over time, I have observed that young people in this business as they go through the exploratory questions with prospects often get lost,” says Augustin. “They get off-track.”

What Augustin suggests and how he trains newcomers is to have them converse with prospects, as if they were preparing a lease agreement for a building, and to sequentially go through what the components of a lease agreement might be. In this situation, it’s helpful to start with basic questions such as, “What type of entity is the company, a partnership, corporation or division of a bigger firm?”

“The answer will impact where you eventually go with your questions,” says Augustin.

On a lease agreement, there is always the commencement date, so the next series of questions should follow: “Are you targeting something new, six months from now or a year from now? “That quickly tells you if the prospect is talking in generalities, or has a demand for space now,” Augustin notes.

Soon afterward, a broker should ask this important question, “Who is the entity that will actually be signing the lease?” And the answer is sometimes, “well, not me, that decision comes out of Atlanta with the home office.”

At that point, you know the discussion is at 20,000 feet, and the home office will probably sign with a different broker who works with the company regularly, says Augustin.

By starting with the lease agreement concept and working your way down as you fill in the blanks, “You can very quickly begin to qualify and narrow to what exactly the prospect will need,” Augustin sums up.

Chris Teesdale, SIOR, an executive vice president of the industrial division of Colliers International’s Supply Chain Real Estate Advisors in Dallas, Texas, traveled to a small community outside of Dallas to look at a distribution plant the owner wanted to sell; the opportunity didn’t appear promising. Although the tenant had good credit, the structure was in a remote location and the lease was short term. In fact, the tenant had only been signing short-term leases.

The combination of these factors probably would make the building unsellable, but Teesdale and his team investigated further, and discovered the tenant had a manufacturing facility two miles away that was at capacity. This other building was needed for distribution and although the tenant only signed short-term leases, the tenant wasn’t going anywhere.

“A lot of people stop at the surface,” says Teesdale. “They don’t ask the probing question that goes beyond the surface. It’s just like being an investor who would never consider a particular investment without understanding the story behind the investment. What a lot of brokers would have done is look at the property and say, ‘two-year lease, forget it!’ Since we understood more about the business, we felt like it was a story we could sell.”