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The Evolving Role of a Commercial Real Estate Brokerage Company

By Steve Lewis

Whether it's the economy or the maturation of the real estate business—or perhaps both—many commercial real estate brokerage firms are evolving to ensure their ongoing success. But while change is the constant, their strategies vary, as do their opinions of where brokerage firms in general are headed. Some see the need to become more global; others see a demand for more specialized expertise. They all agree that greater sophistication is required.

“We see more client-focused services over brokerage,” says **J. Rex Thomas, SIOR, CPM**, chairman and chief executive officer of Grubb & Ellis|Thomas Linderman Graham, in Raleigh, North Carolina. Our approach “has involved the evolution of several different companies put together through a series of transactions,” he says. “Professionals within Grubb & Ellis Real Estate have been called ‘advisors’ for about 10 years, and that says a lot about how they view the world—client-focused, heavy on relationships, not selling but helping people solve problems.”

“The days of the generalist have gone by the wayside,” adds his partner **John Linderman, SIOR**, Grubb & Ellis|Thomas Linderman Graham, in Raleigh, North Carolina.

Real estate firms realize they have to have a multidisciplinary approach, including geographic coverage and actual professional services,” says **David A. Bercu, SIOR**, a principal with Colliers International in Chicago. “As the [business] world continues to be globalized, corporations are looking for service providers to handle their real estate needs around the world and disciplines including facility management, project management, capital markets, receivership, investment sales, [and] distressed sales. All

are more prominent than they've been over the past 10 years.”

A more sophisticated, comprehensive approach is necessary to succeed today,” Bercu continues. “The asset management function of the business requires you to be able to deal with distress situations and to rectify the problem and operate the property, create value, and dispose of it or refinance it, and then do it again for another owner.”

“The most prominent trend I see,” says **Geoffrey Kasselmann, SIOR, LEED AP**, of Op2mize, Inc., in Des Plaines, Illinois, “is a bifurcation of companies. On one side is a globalized ‘good-at-everything depth-of-resources’ type of company—like CB Richard Ellis or Jones Lang LaSalle, where they can really do anything and quite well, have a lot of resources, and a sense of professional practice safety, which some brokers and clients really like.” On the other side, Kasselmann continues, “You have niche firms with extreme expertise in fewer numbers of services or skills. In the second mode you have an entrepreneurial approach and can move quicker, and you can be profitable on small to mid-size pieces of business, where the globalized firm needs a larger house split to be profitable. Both are doing very well,” he notes, “and there's room in the market for both, but the firms in the middle seem to be where the struggle is, and individual practitioners increasingly have to align themselves.”

“The days of hanging around the club playing golf or going to Rotary meetings to win business are over.”

Pursuing Unification

Bercu says that Colliers “made a decision earlier this year to unify the brand, and move from a network to a global international service provider with 15,000 professionals and 480 offices in 61 countries, offering stability and a full range of services to its clientele.” The model differs from those of Jones Lang LaSalle and CB Richard Ellis, he says, the two firms that Colliers deems its biggest competitors. Both are publicly traded companies.

“Colliers has a major investor, First Service Corporation, of which it’s a subsidiary,” Bercu explains. “The local offices are not wholly owned; they still retain considerable equity.” This way, he explains, “We feel we have a platform that provides financial stability and access to capital but yet has local accountability and expertise. That profile is what attracted our firm here to partner with First Service.”

Bercu says that this model has been very well received and embraced by employees and clients. “Previously Colliers was a very well-run network, but it was confusing because it had all those different names,” Bercu explains. “Now, we present ourselves as seamless—one name, one unified brand—and we are finding that our clients and employees are very receptive. We’ve changed our name to Colliers International (from Bennett & Kahnweiler.)”

The mere fact that all of the strong local offices have made the same decision, which was not an easy one, “is recognition that the Colliers platform and brand is a proven one, and one we are all willing to move forward with,” says Bercu.

Training for Expertise

“We’re trying not only to get people to specialize but to also get to know the movers and shakers in the area,” says Thomas of Grubb & Ellis. “We do a lot of training. It’s a major part of our culture.” That training, he says, includes lease documents, time management, even minimizing the risk of legal action. “We have 10 principals who are all very involved in client business,” he notes.

“The days of hanging around the club playing golf or going to Rotary meetings to win business [are over]. They may get your foot in the door, but you need to give good, solid advice,” adds Linderman. “There has been a paradigm shift; nobody goes to a CPA or lawyer to get advice for free. We get our guys to move to a professional mindset: Know the lease document, [and know] how to present and communicate the financial aspects of the deal. We push our advisors to train themselves and act like professionals.”

“It’s a problem-solving mentality,” adds Thomas. “We’re doing exceptionally well this year because we’re busy solving problems.” In addition, he says, he encourages a team approach. “If one broker specializes in office space and has an industrial client, [that broker] will team up with an industrial broker to serve that client’s needs,” he explains.

The advisor approach, Thomas continues, will typify the company of the future. “Advisors have a designation, and the company has an international affiliation,” he observes. “We encourage all our advisors to have at least one designation, SIOR or CCIM, for example.”

Consultant Sees “Fuller Picture”

“We are a real estate consulting firm more than a straight brokerage firm,” says **Maura Cochran, SIOR**, of the Hartford, Connecticut-based Bartram & Cochran, a three-person firm consulting to corporations, institutions, and nonprofits.

“We realized brokers were not seeing the full picture, but rather just looking at transactions,” she says. “I interviewed clients and asked what services they needed and unbundled them. I realized people will pay fees for work.”

Cochran tells clients, if they know what they want to do, they should hire a broker; otherwise, they should hire her firm. “We help people figure out whether they should do a deal,” she emphasizes. “If the only way to get paid is a brokerage fee, the answer is a transaction. The best use may be to sell development rights, but brokers do not necessarily think that way. Also, we have to do a lot of written analysis, which many brokers are allergic to.”

Her firm’s model, says Cochran, is similar to the U.K. model of chartered surveyor. “We get a bit of the action for everything, and over time it adds up,” she says. “We can help clients negotiate tax incentives; we go to public hearings. Municipalities hire us so that, when they get business proposals from firms coming into town, we can tell them if it’s good or bad for the municipality.”

When the size of her firm creates limitations, she continues, she can call on up to 10 associates. “We just went after and won a major account,” she notes.

Small Firms Can Re-Invent Themselves

One of the advantages of being a small firm, says **Daniel G. Zelonker, SIOR**, of Mizrach Realty associates in Miami, Florida, is that they are nimble enough to re-invent themselves. And his firm has done just that. “We intend to evolve into a hybrid firm, and we need to think outside the box to survive in the business going



David A. Bercu, SIOR



Maura Cochran, SIOR



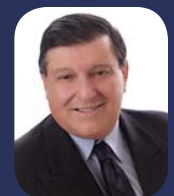
Geoffrey Kasselmann, SIOR



John Linderman, SIOR



J. Rex Thomas, SIOR, CPM



Daniel G. Zelonker, SIOR

forward,” he says. “We do a lot of REO [real estate owned] business work with community banks that, due to the economy, can’t take traditional risks, and we are doing relatively well,” he says. “We’re doing commercial short sales and some ‘regular’ business as well.”

Zelonker definitely believes his firm’s size is an advantage in the current market. “We’re able to change in mid-stride,” he notes. “We’re also getting cash business from South America.”

‘Green’ is the Way to Go

Sustainability credentials are a big part of the evolving strategy at Op2mize, says Kasselmann. “A very significant part of our approach is that everyone who works in a production capacity is required to get a sustainability credential,” he says. “I prefer that it be under LEED [Leadership in Energy and Environmental Design], but if they wanted to pursue a different one I’d allow it as long as they achieved a level of expertise according to a recognized entity.”

This approach evolved after we took a close look at the company, Kasselmann explains. “We see our clients wanting a different value proposition out of their practitioners,” he says. “We started by assessing, refining, and enhancing every single aspect of our business without limitation; we put everything on the table and gut-checked it. We’ve re-positioned ourselves aggressively in a down cycle to meet or exceed clients’ needs and what we anticipate will come from that.”

Some of the changes, he says, were as simple as enhancing the company appearance of the company Website or optimizing it for mobile content capability. But the changes “could also be as significant as re-training ourselves to learn new skills,” he says. “Because sustainability is now past its tipping point as a legitimate if not pivotal part of the cost of occupying space, it’s one of the best opportunities we can find to bring value to a total cost of occupancy model.”

In addition, says Kasselmann, he is hiring different skill sets to begin with. “We don’t think about hiring brokers based on

geographic expertise anymore,” he asserts. “My last couple of hires included a gentleman who’s a professional engineer—a PE [with] a LEED AP certification and an MBA specializing in innovation for large and small companies. So now we have an engineering-oriented individual with a lot of innovation experience under his belt leading our sustainable services group. We have another gentleman who is a licensed attorney as well as a real estate transaction, development and project management expert. These people represent what we think the future of real estate brokerage should be,” Kasselmann says.

He has also hired a young man right out of school to do research and financial analysis, but who is also a social media and computer programming expert. He has the ability to provide Google Earth fly-bys of properties on a daily basis, while also updating the Website daily. “He can also track the embedded Google analytics code so we can know everything there is to know about all who visit the site,” Kasselmann notes.

The firm also stresses overlapping and cross-training to the extent possible, he adds.

Op2mize also employs personality dynamics testing on all employees to assess their likely skills and their attributes and weaknesses. We do this “so we can have a head start on how to manage that talent and to see if they can be compatible,” Kasselmann explains. “We don’t want to hire 20 ‘Type A’s,’ or we’d have a lot of tension and conflict.”

The firm is also pursuing strategic partnerships. “We know what clients need, and we do not want to lose a client or sale because we do not offer that service,” Kasselmann explains.

Finally, he says, the company is addressing capitalization to enable company growth. “We’ve spent a lot of time looking at what compensation model and capitalization model will allow us to flourish,” he explains. “There’s also tremendous opportunity in financing and knowing how to finance properties. We’re trying to raise our level in consulting to a more sophisticated, higher, dynamic level so our practitioners can properly address issues, Otherwise clients will seek that expertise elsewhere.”

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