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What to Do to Survive the Down Economy and Prepare for the Next Boom

By Steve Lewis

While many SIORs are exploring a variety of options for generating additional revenue in these difficult economic times, a number of them insist that, even as the slowdown continues far longer than most expected and even if some market realities have permanently changed, the fundamentals of commercial real estate brokerage continue to stand them in good stead.

“When athletes are losing, they go back to the basics,” notes **Greg Gunn, SIOR**, of Coldwell Banker Commercial in Salt Lake City, Utah. “Golfers hit thousands of golf balls on the driving range until they correct what they’re doing wrong and perfect their game. Do the same thing,” he says. “Go back to cold calling; go back and visit everyone you’ve ever worked with before. It will not only make you better, it will energize you.”

Tim Mills, SIOR, CCIM, with Cushman & Wakefield in San Diego, agrees. “I truly believe you have to go back to basics,” he says. “I mean, go back to your files and pull out your single- and multi-tenant leases and understand them. Your learning curve should not be on your tenants’ time; if a carpenter had to borrow tools from you, would you want to work with him? Learn the contracts, the tools of the trade. Then, you have to understand the market, not just know it.”

“It’s back to the old basics—blocking and tackling,” says **Jim Maenner, SIOR, CCIM**, with CB Richard Ellis/MEGA in Omaha, Nebraska. “Stay in touch with clients and developers. I’m doing all I can to get in position to be the broker they think of when they need space or want to downsize.” One of the easiest ways to reach a lot of people at once, he says, is through a newsletter.

“The first thing is, keep close to your main relationships—developers and consultants who can refer you—and customers,” adds **Stan Kurzweil, SIOR**, with Cassidy Turley in Somerset, New Jersey. “Particularly when the market is down and people are distressed, they need a lot of help. You must keep those relationships so when the market comes back, you’ll be first and foremost in their minds because they remember you stood by them.”

Second, Kurzweil advises realtors to look at the specific market they cover and at specific listings that would be advantageous for them to have in a good market. “Then,” he says, “try to determine in the current environment if there’s anything unique in that property that would be beneficial in competing against the other properties. Is there more parking? Loading? Is the owner financially stronger than others? Does it have much better signage? It’s really just common sense,” Kurzweil says.

“We are reviewing our past deals to make sure we’re up to date on lease renewals, canvassing old clients we’ve had transactions with in the past, and following up with companies that have leases coming due in the near future,” says **Bruce Wettstein, SIOR**, of Vidal/Wettstein in Westport, Connecticut. “These are all warm calls—clients we’ve contacted at one time or another in the past.”

“Know your client’s requirements better than they do.”



Finding New Directions

While recognizing the importance of the basics, SIORS have also gotten creative to find additional revenue sources during these tough times. “I’ve been going to court as an expert with owners trying to get extensions on foreclosure notices, and doing small leases to make commissions to help pay the bills,” says **Tom Hill, III, SIOR, CCIM**, of Tom Hill Realty & Investment in Waterbury, Connecticut. “I bought my own utility van and lettered it up for publicity, and I’m erecting signs wherever I can. It really makes the phone ring. I’m also getting as much fee work as I can for providing a broker’s opinion of value, for strategic planning, and for helping people establish a leasing plan for multi-tenant properties,” Hill says.

He also enhances his visibility with a radio show every Wednesday night on brownfields and environmental services, and occasionally he substitutes as host on the number one radio show in central Connecticut, “Talk of the Town.” “These generate some really positive free advertising and promotion for me,” he says.

Hill’s Website (www.tomhill.com), which includes a picture of his van, gets 3,000 hits a month. “My wife, who is my partner, tweaks it almost daily,” he notes. “We also have a part-time assistant who puts properties on the site for us.”

“My niche of tenant representation is probably the best there is in this business,” says **Greg Schenk, SIOR**, of The Schenk Company in Columbus Ohio. There’s very little overhead, we’re masters of the market and process, and we put clients first. It’s all about going in and helping companies with their strategic plan, or if they do not have one, providing them with experts like real estate attorneys, accountants, bankers, and insurance people. Almost all the work we do now is restructuring and renegotiation of existing leases,” Schenk says. While business is good (he just took on two new agents) he notes that the nature of his business has changed. “We’ve gone to 80 percent restructuring and early renewals,” he says.

Something Old, Something New . . .

Those SIORS who preach the virtue of “back to basics” are quick to point out that they’re not doing everything the way they used to. “This year you’re more of a consultant than a broker,” says Mills. “You’ve got to become your client’s resource—not a guy who can just lease or sell their building. If you [become a resource], you can actually tell them what to do with their assets.” Mills says he takes a “full income-to-value” approach, much like an appraiser.

As a more “full-service” broker, Mills says he not only tells a client what their property is



Greg Gunn, SIOR



Tom Hill, III, SIOR, CCIM



Stan Kurzweil, SIOR



Jim Maenner, SIOR, CCIM



Tim Mills, SIOR, CCIM



Greg Schenk, SIOR



Bruce Wettstein, SIOR

worth but why. “Know what your municipality is like in terms of zoning, the types of companies that are attracted by the area, what makes them tick, and how they might help your client,” he advises. “Know your client’s requirements better than they do, and ask questions. It’s better to ask a dumb question than to make a dumb mistake.”

Wettenstein observes that he is managing his time more effectively. “If I’m involved with a project that’s not working, I drop it; if I’m riding a dead horse, I dismount,” he says. In terms of clientele, he says he looks for those that have a specific agenda. “Is it real, or are they just kicking tires?” he asks.

Similarly, Schenk recommends, “Do the kinds of deals that can get done. I just helped a regional bank administrator. They owned an office building that they outgrew. I got them a sublease for 50 cents on the dollar, all furniture and a backup generator for free, with a move-in allowance, at \$13 a square foot full service for seven years.”

Kurzweil says one key to success today is to recognize there is a “new normal.” “The down market has caused more distress and disposition to sale,” he notes. “The key is to find the right ones.”

The “new normal,” he adds, also means you have to be more customer-friendly and more nimble and flexible. “Be able to go to different markets [which you can get from other associates in your company], not necessarily just yours, or increase your knowledge of other markets,” he recommends.

In addition, Kurzweil says, “You have to be as good a generalist as a specific broker. Say you started in office, evolved into flex space, then industrial space. Every cycle has different areas that still do business in a down market.”

Maenner in Omaha also touts diversification and flexibility. “I’m an office designee, but I put in five Smashburgers this year,” he says. “I’ve done a number of real estate tax evaluations of assessed value on reduced taxes, and I charged a fee. You’ve just got to work the projects that work.”

Maenner says it’s important to be creative when looking at properties. “Lots of ground got zoned for certain uses in the building boom, and I’m not sure they’re ever going to be commercially developed,” he observes. “If a commercial project will not manifest itself for 10 years, why not sell it for apartments now and get some cash out?”

This involves creative thinking, a lot of what-ifs. As for industrial property potential, he adds, “Try to track specific ‘hot’ technologies, like biotech, and follow growth industries.”

“Consistency is king,” Gunn in Salt Lake City asserts. “Even good brokers have years when they’ve made a lot of money and years when they haven’t. The thing that separates those who are successful and those who are not is that they are consistent. They don’t give up; they get up and go to work at the same time and go home at the same time every day—they don’t let up! You learn how to succeed during good times by working hard, creatively, and consistently during hard times.” ⁵⁰⁷

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