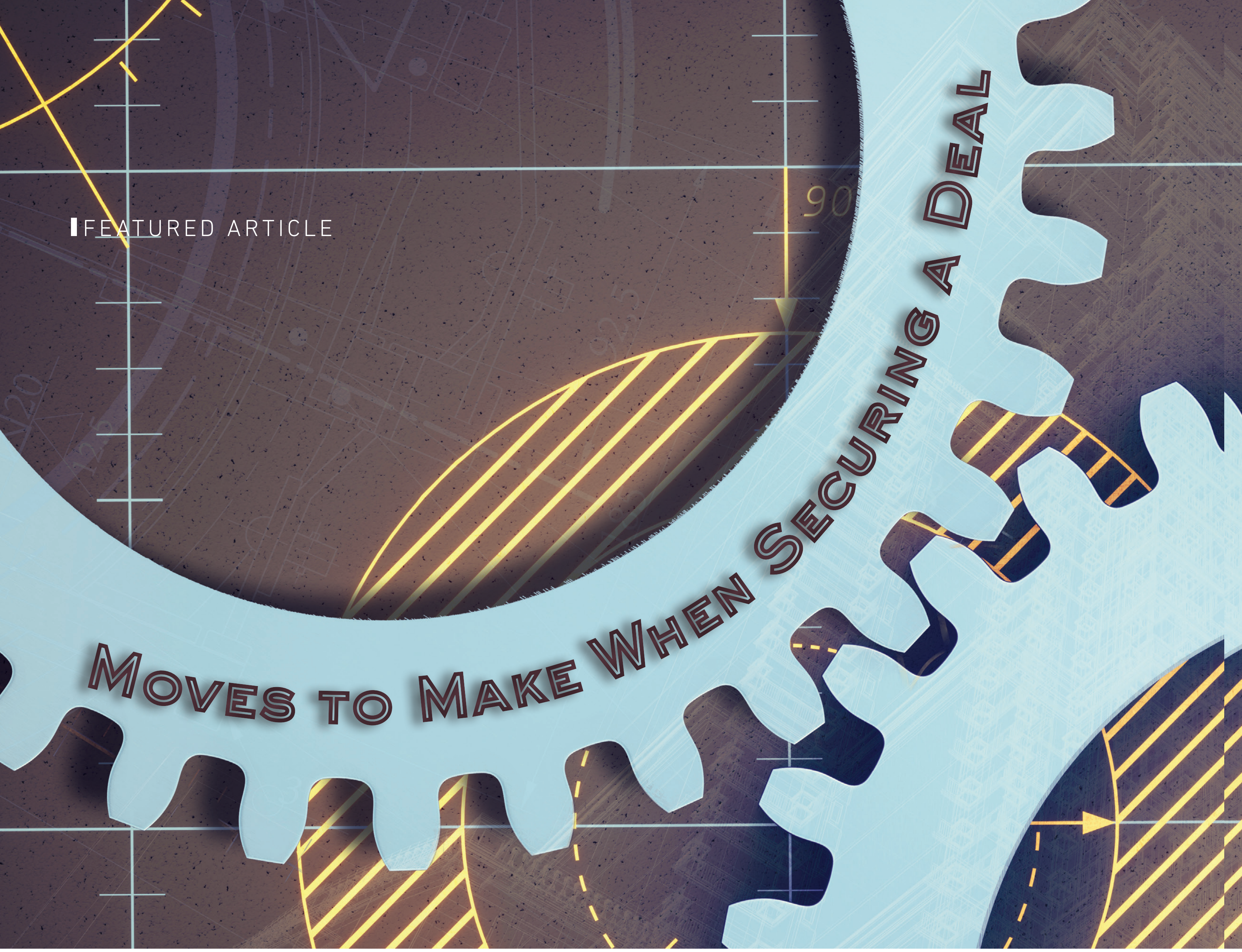
FEATURED ARTICLE

# Moves to Make When Securing a Deal



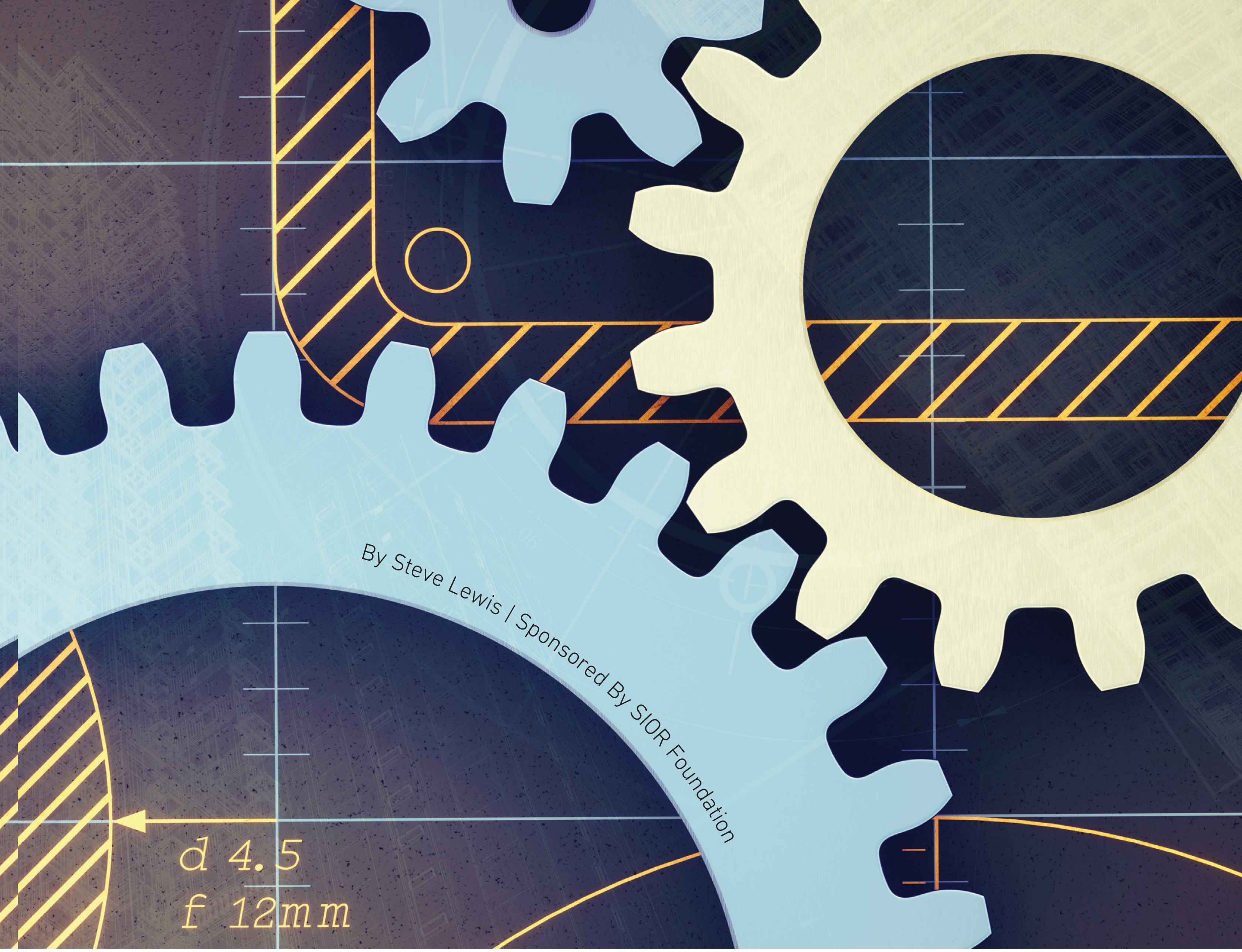
SIORs recognize that new deals—any deals—are not necessarily well-defined periods of time with a start and a stop. Most will tell you that since a successful real estate career is above all grounded in relationships, "working on the deal" does not end after it is signed; it's critical to follow up with the client to ensure the strength of the relationship and the opportunity for future deals.

That being said, many SIORs have "systems" for ensuring successful new and future deals, with different steps to be taken depending on the stage of the transaction they're in. "Just like any other pursuit or almost any other important endeavor in life, it is helpful and even critical to put in a system or discipline around that pursuit," notes Landon Williams, SIOR, senior vice president, Capital Markets, Cushman & Wakefield/Commercial Advisors, Memphis, Tenn.

Of course, transitory variables like market conditions can require adjustments to any system. Take, for example, the recent experience of Street Jones, SIOR, principal, vice president RCR | Rich Commercial Realty, Raleigh, N.C. "With the Triangle market being the tightest that it has ever been in its history, it has been extremely competitive to secure a deal," he shares. "In the past 12 months I have had several sizable (full floor) office tenants that have had deals pulled by landlords at the finish line. I have had some sleepless nights but have learned a lot in the past year—the hard way—in terms of how to ensure a deal gets to the finish line."

## SETTING THE FOUNDATION

Naturally, one of the keys to bringing a deal to fruition is laying a strong foundation at the beginning. "In the case of commercial real estate, it is beneficial to use written checklists to organize the process of securing the deal—in other words, break the process down step-by-step to ensure nothing is missed," Williams advises. For example, he says, in the case of an investment sale of a commercial real




estate property, it helps to implement sequential steps such as: 1. Gather Key Property Data; 2. Schedule Photography; 3. Run Financial Analysis; 4. Identify Prospective Buyers; and so on.

"One of the first steps [that is] sometimes overlooked, aside from putting together the terms of the deal, is trying to take a good look at the motivation of all parties," adds Chichi E. Ahia, SIOR, executive director / principal, SVN | Ahia Commercial Real Estate, Langhorne, Penn. "Understanding the goals is often the engine that drives the deal." For example, says Ahia, understanding if either of the parties is transacting for the purpose of a 1031 exchange is "extremely important."

Arlon Brown, SIOR, senior advisor with SVN | Parsons Commercial Group in Boston, says one of the biggest factors is making sure you're dealing with the decision-maker and confirm with them whether the location and economics make sense. "I like to go back and see where they're presently located, how much space they have, and what they're paying for rent," he adds. "Then I find out the head count; then you can usually find out what they're looking for."

Beyond that, he continues, "one of the biggest things is getting a real estate attorney—not a general or estate attorney." Once you have them, he cautions, make sure they are a deal-maker, and not a deal-breaker. "I had a situation last year with an international corporation," he shares. "The attorney had to put two estoppel certificates in the lease and just ran up the bill; I never saw that before. For two weeks we fought over how to handle it."

"The key in the beginning, post-negotiations and once you've effectively gotten into a binding contractual agreement, is to set expectations for everyone involved—buyer, seller, brokers, escrow officer, title agents, lenders—get them all on the same page regarding timing of the transaction," says Christopher Masino, SIOR, president of Masino Industrial in Temecula, Calif. "I like putting together a worksheet of pertinent dates—title, inspection

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provisions by certain dates, financing contingencies, environmental reports. Have it all front-loaded."

For an SIOR operating in a tight market, like Jones, the typical key considerations at the beginning are all exacerbated by the press of space and time. "The biggest challenge is finding space," he asserts. "Then—and unfortunately we had this backfire on us a couple of times this year because it's pretty sensitive—really understand what rights tenants have to the spaces you're looking at."

Jones says he has gotten "pretty far down the road" in a couple of spaces, the landlords were pretty confident another tenant that had rights was going to pass it up, but it ended up not being the case. "The tenant came in at the last minute; there was egg on our face," he shares. So, the first questions he asks now are: "Is this space still available? Do you have existing customers in the building that have rights to the space, and how likely are they to exercise their rights and step up if we want the space?"

The other piece, he continues, is just having your team in place—the full team, ready to go from the start of the process. "After getting initially engaged, but before we go to market and look at space, we get the space planner or architect, meet with them, get them to sign their agreement, determine who is going to be spearheading the decision making, and what the internal process will look like from start to finish," he explains.

With market conditions being what they are, he notes, space can go off the market very quickly. "So, we need to get everybody up there now. You have to have those conversations about how the client works internally—is it a group, or a sole individual?" The same concerns, he adds, apply to who will be reviewing the legal documents—in-house or outside counsel. "Get that process clear from the very beginning so you don't delay the lease down the road," he cautions.

## CONTINUING THE PROCESS

"Manage the process," Masino cautions. "If you fail to do that you'll run into issues as you move forward."

How do you prevent that from happening? "Communication on a very regular basis is the key thing," he asserts. "We live in this increasingly digitized world where it's more convenient to text and e-mail, but that becomes overwhelming. I like to make regular phone calls, review what happened this week, and where we're at on different items."

This not only pertains to the client, but to vendors as well, he continues. "Make sure the escrow officer has instructions executed by both parties; if not, what's missing? Has the lender gotten buyers' funds to have the appraisal done? Let your team members know you do not take these things lightly, and that you want them all to be successful."

Williams agrees. "Once a property is under contract," he says, "a new checklist is followed to see the deal through to completion. Many deals fall through because a specific deal gets lost in the mix of all the other projects competing for a broker's time and attention. A system in the form of a written checklist of processes can prevent this from happening."

"I think back to basics," adds Ahia. "One of the things we do as soon as we go under contract is pull the contract, count the days, send an e-mail to all interested parties: 'Here are the key dates of the transaction.'" Ahia adds that his firm has a separate calendar with just those dates, and a reminder for each. "Then, we are the reminding party," he explains.

When it comes to due diligence, he tries to get a list of what the client (he's primarily an owner's rep) will be doing as part of that process—environmental work, building inspections, etc.—so that he can manage it.

"In the home stretch of a deal, communication is critical in achieving a successful result and the completion of the deal," adds Williams. "Consistent and strategic communication with the client, the other broker, the lender, internal teammates, contractor, property manager, etc., is imperative to getting a deal across the goal line."

## AFTER THE 'END'

SIORs are quick to remind that even when a deal is signed, sealed, and delivered, their work is not really done. However, says Ahia, "that's an area where not many brokers will tell you they've done a perfect job—which is interesting, because relationships are the lifeblood of our business."

While admitting he's not always consistent, Ahia says he tries to find opportunities to promote the business of his clients, and to introduce them to his database. "It's a nice thing to do; it gives us a reason to contact past clients on a regular basis and say, 'Here's someone we did business with who might be able to help you,'" he shares. For example, he adds, a few years ago there was a client that manufactured barbecue sauce; on the 4th of July he bought some of it and sent it to some of his top clients.

Masino says he "absolutely" continues to stay in contact with the client. "The clients we represent are the lifeblood of our business," he asserts. When you close the transaction, he continues, it's a great time to ask for other business opportunities—not only from the client, but from the multiple vendors involved in the deal. "Also, I like to give a gift; I'm a big believer in that," he says. The type of gift "usually scales up for the size of the transaction," he observes, adding that even with a property tour he will give a key chain.

After the deal is completed Masino follows up to see if the client is happy with the space. "Sometimes things they're not happy with are not in your control," he notes. "Get that information; the solution may be an innocuous thing like calling a property manager you have a relationship with and asking them to change a lightbulb."

In terms of a sale, he continues, you should "absolutely" follow up. In one such visit, for example, he learned that the sellers had left debris in the building. He contacted the seller and kindly asked if they could remove it. "Did we need to do that? We probably could have blown it off, but it would not have been the right thing to do," he says. "The right thing is to make sure your customer is happy."

"Once they've occupied, I go over there and ask if they have any issues, and I bring them something," says Brown. "We used to bring plants, but they die, so now we bring food, like cookies and cakes."

Brown also follows up long-term. For example, on each "anniversary" he'll send the client a card or something. "I also try at least quarterly to speak to them, ask how their business is going, ask if they have any problems or if they need anything." He also asks them if they know of any other companies that need space.

"It makes them happy that you at least contacted them to see if there were any issues, and you never know what they're going to say—especially accountants and attorneys," he adds. "If they recommend you, they're phenomenal leads. If someone who's a trusted confidant says, 'Use Arlon Brown' that usually helps."

You've got to do a good job after the deal as well as before it, he summarizes. "If you don't," he asserts, "that could be the last referral you'll ever get."

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## CONTRIBUTING SIORS

Chichi Ahia, SIOR

Christopher Masino, SIOR

Arlon Brown, SIOR

Landon Williams, SIOR

Street Jones, SIOR