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ROLES CHANGE AS TECHNOLOGY TRANSFORMS

By Michael Hoban

As commercial real estate market intelligence becomes more accessible to prospective investors and tenants, a fundamental shift is taking place in the brokerage business. The emergence of online tenant brokerage services such as SquareFoot and Truss are creating options for companies seeking space, while platforms like Ten-X are gaining traction with investors looking to buy and sell properties online. In response, brokers in today's marketplace are repositioning themselves as full-service advisors in order to retain their competitive edge in an increasingly digital world.

"Brokers used to be able to provide information that nobody else in the marketplace had, and because we had information that was proprietary and not public, we were able to provide an immense amount of value to our clients," explains Don Mancini, SIOR, principal at Worcester, Mass.-based Kelleher & Sadowsky Associates. "But with the advancement of technology, almost everything that you want to know about a market – through CoStar, CompStak, LoopNet, and all the quarterly reports from national brokerages – is readily available on the internet, so brokers have had to find ways to add value for their clients."

Broader Reach in Services

For Mancini and his firm, that means providing additional services, improving the customer experience, and becoming significantly more creative in their approach to adding value. In recent years, Kelleher & Sadowsky has stepped up its advisory functions: becoming more involved in the process of working with owners to reposition properties; helping them to better understand who their ideal tenants may be; providing financial guidance; and conducting analyses of clients' entire portfolios to develop long-range strategies for optimizing returns.

The additional services are something that more and more of his clients are demanding, says Mancini, which leads him to believe that the days of brokers operating primarily as transactional agents are numbered. “Brokers that are transaction-oriented are dead in the water,” he asserts. “This is really an advisory business, a consulting business, and a business where you have to be able to prove your value-add in any transaction that you’re involved in.”

That sentiment is shared by an increasing number of brokers, and was echoed this past September by JLL CEO, Christian Ulbrich, who in an interview with the BBC’s Evan Davis (where he described JLL as a “technology company focusing on real estate services”) said:

“You have to become incredibly focused on the clients that you’re really targeting; what types of services which they really need from you; and then you have to be excellent in digitizing those services... and you have to accept that (many) traditional services will disappear and you won’t offer them anymore, because you have to focus on the areas which are really important for the future.”

Recruitment and Retention

One of those areas that is becoming a driver in the future of brokerage is the war for talent. Companies now view real estate less as an expense item and more as a tool for attracting and retaining quality employees. Once the domain of the CFO, real estate management is increasingly under the jurisdiction of human resources departments, as workplace quality becomes a defining factor in potential employees’ decision-making. A number of recent studies have shown that workplace quality directly impacts productivity, loyalty, satisfaction, and retention, particularly in the knowledge industries – and HR professionals are paying attention.

“One of the top things driving real estate decisions – for both office and

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industrial – is labor, labor, labor, so you find that the HR decisions are dictating real estate decisions,” says Grant Pruitt, SIOR, president and managing director of Dallas-based Whitebox Real Estate.

Pruitt recalls a time when the location of a company’s headquarters was most often based on the proximity of available properties to the home of the CEO. “But the most successful businesses now typically have a CEO that says, ‘Look, let’s find the right location for the business and then I’ll figure out my commute pattern,’” says Pruitt. “Now it’s about finding the right talent and making sure that they’re taking care of that HR component.”

The emergence of the workplace as a recruitment tool presents another opportunity for brokers to expand their roles as real estate advisors. In addition to utilizing their market expertise by recommending trusted architects, contractors, and other professionals in the market, tech-savvy brokers can help a client create an optimal work environment for attracting that talent. A working knowledge of the importance of connectivity in a building, and how practical applications of Smart Building technology and WELL building standards can improve worker productivity and satisfaction, can add “tremendous value for clients,” says Pruitt.

Harnessing Data Analytics

Technological advances in data-gathering in recent years have also provided a wealth of information on how space in buildings is actually used.

Brokers have learned how to access and leverage that information to help their clients make better decisions regarding space needs.

Pruitt and his firm conducted a study for one large client, and using technology, monitored the number of employees that were actually using the office space (taking into account employees that travel, work from home, etc.) versus the head count. The analysis led to a significant reduction in space (and rent) when the client renewed. “It’s an example of how we’re using technology to harvest data to make sure that our clients are in a space that is commensurate with their needs,” says Pruitt.

Chris Falk, SIOR, and principal with Newmark Grubb ACRES in Salt Lake City, says he now sees himself as more of a consultant, conferring with clients to identify their most important business goals and then helping them to make appropriate real estate decisions that align with those goals. “Often it’s not just the cheapest property or the one with the most surrounding amenities that’s appropriate,” says Falk. “Clients have to understand what space best fits their culture, or accommodates potential growth, or what surrounding development may be happening in the near future as the company grows.”

Falk recently worked with homegrown company Pluralsight, a technology learning platform that was scouting locations in multiple markets for its new global headquarters. The company was

seeking specific data on sectors of tech talent in those markets that were not available through state and government agencies or traditional third-party providers.

Using sophisticated data analytics, Falk was able to provide the firm with the data reflecting the available tech talent in those markets. Pluralsight augmented that data with their own internal analytics to make their decision. The company decided to remain in Utah, securing state and local tax incentives based on the internal analytics. Pluralsight broke ground in October 2018 on a 350,000 square foot build-to-suit in the Silicon Slopes tech district, with plans to expand its campus to one million square feet. "They wanted to stay in Utah, but they needed the analytics to show that the decision was backed by data," says Falk.

Taking the Long View

Although the availability of data is transforming the way that tenants and investors pursue space, that does not mean that the transactional side of the business is in any danger of going away any time soon. Tripp Guin, SIOR and owner/principal of TRIPP Commercial in Charlotte, N.C., sees the proliferation of online information as a boon to his business – not a threat. "There is much more to the equation than just price per square foot," he says, "and working

with a broker/advisor enables tenants to see the larger real estate picture when choosing a space or purchasing a property."

"Anyone can get information, but it's how it's analyzed that's critical," he continued. "We have the ability to do financial modeling. Many clients simply don't have the time or the knowledge to do that, so if anything, the information gathering process educates the client, so when they do call us, they're already ahead of the game instead of us having to get them up to speed on a property."

Guin cited an example where a client identified two properties online for a possible relocation that were \$3-\$4 per square foot more than they were currently paying. Utilizing his market knowledge, he was able to identify another property with lower rent, secure a proposal, and use the proposal as leverage in negotiating a renewal at reduced rent with the owner of the company's existing location. The deal resulted in a savings of "a couple hundred thousand dollars" for his client. "The ability to navigate those kinds of waters is why information is important and is not a threat to my business," says Guin. "But it's the personal relationships that will keep brokerage going." ▼

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