

| FEATURED ARTICLE



The Unique Advantage to Specialization

SIORS SAY
UNIQUENESS
AND EXPERIENCE
ARE WHAT MAKE
SPECIALIZATION
'SPECIAL'

By Steve Lewis,
Sponsored by SIOR Foundation

“Would you rather have your bypass performed by your GP or by a cardiovascular surgeon?” You’ve no doubt heard that question posed numerous times by specialists in various professions as a response to those who might question their in-depth experience and the added value they bring to their clients or customers.

As overused as that comparison may be, it is also true; there is no substitute for experience, and when you are facing complex challenges you want the help of someone who has “been there, done that.”

It’s certainly a claim by all of the SIORs we interviewed for this article, but they are not alone. Jay Niblick, founder and CEO of Innermetrix Inc., reports that his firm conducted a study of 197,000 people over a seven-year period asking, “Are there things that all top [real estate] performers share in common that non-performers don’t?”

They found, Niblick writes in his blog, that “The best performers are anything but all things to all people. They aren’t great at every aspect of their job; rather they are specialists whose natural talents are very well aligned with a select set of specialized activities, tasks, and duties.”

Although they all started out as “generalists,” the SIORs in this article found their greatest success through specialization – as they honed specific skill sets, targeted specific types of assignments, or some combination of the two.

They also agreed, however, that it was important to become a highly skilled generalist before branching out, just as a talented surgeon must first become a good doctor. “I think everyone starts that way,” says W. Bryant Cornett, SIOR, LEED AP, president of Dudley Thomas Spade SRE in Atlanta.

However, adds Robert G. Thornburgh, SIOR, CCIM, CPM, partner and executive vice president with Kidder Mathews In Long Beach, Calif, and vice president of SIOR, “The majority of us in commercial real estate were trained early on with the mindset of becoming a true specialist, not just in the context of a market but by property type as well. Reflecting on my career, I am very thankful I realized the benefits of specialization and did not deviate from that focus.”

That “think ahead” philosophy was echoed by John Crossman, president of Crossman & Company, in his *“Guide to Starting a Career in Commercial Real Estate,”* a publication for college students considering commercial real estate as a career. “Before graduation one of the first decisions you need to make is what area of commercial real

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estate you are interested in pursuing," he wrote. "We believe this is the perfect time for some self-evaluation."

Making the Transition

Specialists come to their "calling" through a variety of ways. For example,

Bryce Custer, SIOR, CCIM, Petrochemical & Energy Services with NAI Spring in Cleveland, put his chemistry degree to good use. "I was very much a generalist, doing retail, industrial, and office," he recalls. "There was too much competition; I realized the only way to be successful was to differentiate myself." Today, he works with a lot of petro and energy firms, energy services companies, and derivative industries.

Jim Kerrigan, SIOR, managing principal, North American Data Centers, Nashville, got into his specialty of finding data centers "by mistake," but he's been doing data centers 100 percent for nine years. "It's a cool niche and I'm one of the only guys doing it," he explains.

"Long ago I knew I wanted to be in manufacturing/distribution; it's a little more specialized," says Art Barry III, SIOR, Coldwell Banker Commercial,

Eberhardt & Barry, Inc., Macon, Ga. But he's even more specialized than that: Barry does all his work in second, third,

and fourth-tiered towns. He's never done deals, for example, in Atlanta, Jacksonville, or Birmingham.

When he started out, Chris Falk, SIOR, CCIM, principal | executive vice president, Newmark Grubb ACRES, Clearfield, Utah, was "not exactly sure what I wanted to do," and started out as a generalist – which, he adds, gave him "a good foundation." After several years in the business he formed a partnership with others, and each wanted to separate and specialize, and be most knowledgeable in that specific sector. "Office was most interesting to me; I related better to businesses and corporations," Falk relates.

Cornett's firm specializes in health-care organizations, government, and pre-equity groups. While it's "fair to say" he started as a generalist, "we started looking at where our systems, resources, and tools could have the greatest impact," he says. "We have a vision to help clients see everything that makes a city great — things that heal us, govern us, and that bring capital and direct the flow of the market."

The 'Unique' Advantage

Whatever their niche, SIOR specialists say it is their uniqueness that gives them an advantage in the market. "It's just a matter of differentiation," says

Custer. "Because of my specialization and knowledge I'm perceived as an expert and asked to talk at national conventions and oil and gas conferences dealing specifically with [gas] crackers and what's going on in eastern Ohio and Pennsylvania."

"It's a huge competitive advantage in our market," Cornett asserts. "Where other brokers say 'Yeah, we do some healthcare,' we've already built models and are able to build a platform around that special client."

"Wanting to understand every player and product and speak knowledgeably to those specifics helped me become most foremost — to have all the data and talk most intelligently about the submarkets I work in," says Falk. "That just opened other opportunities that had not been there before."

For Barry, it means being able to answer any questions a potential client might have. "Someone says 'Tell me about industrial real estate in South Georgia' and I say, 'Which volume do you want?'" he shares.

"There are so many things I would know, that your typical broker would *not* know, because I've done it so long," notes Kerrigan. For example, he points out, when he estimates the space required he employs power metrics, not square feet. "So for example, a Walgreen's

facility is probably not nearly as dense as a Microsoft or Facebook,” he offers. “One 10,000 square foot building would need to fit in many more cabinets than another – and since most space is built speculatively this knowledge is very important.”

Real estate blogger Scott Levitt recognizes the advantages that specialization offers. Among them, he includes:

- Specialization makes a good story when marketing yourself
- Specialization makes word-of-mouth easier for like-minded referrals
- Specialization is useful when specializing really provides an advantage

However, Levitt also notes several “Cons” that could offer challenges for the specialist:

- Specialization can put you at risk of missing out on deals outside your specialty
- Specializing “behind the curve” can put you at a disadvantage when a market changes
- To specialize, you must truly specialize – i.e. you have to practice what you preach and have a good track record within your specialty identifying keys to success

As with any professional in commercial real estate, the keys to success for a specialist are many. “Today’s real estate broker must develop a deeper level understanding of industry-specific issues – this can range from design advantages to regulatory changes,” says Thornburgh. “More important is having the necessary balance of information and experience to be a highly effective resource for those we serve. The foundation for producing great work is knowing the product and region – its further elevated through a

more intimate understanding of leading trends, which ties everything together.”

For Custer, one of the keys to success lies in staying on top of market development. “In the last 12 months I’ve become very specialized on the more downstream companies along the Ohio River corridor,” he shares.

Falk also cites staying informed about market changes. “The office world’s really changed in the last decade; for example, going upside down on densities,” he says. “Also, working with large and up-and-coming trailblazers has been good experience – to understand them and the analytics behind why they redesign offices the way they do. It’s something you can’t quantify – a lot of companies now look to have a real estate holding that does more than just provide a place to work – it’s a recruitment and retention tool.”

“It’s almost as simple as you have to look past the fear you have and be that guy – the healthcare guy, for instance,” says Cornett. “When you’re committed to that, you’ve got it made.”

For Barry, experience is an invaluable key to success. “When you do the same type of deals you run into the same problems – like hazardous materials,” he says. “If you can’t explain the problem, people think ‘He doesn’t know; he can’t help me.’”

For Kerrigan and others, being an SIOR, with its foundation of excellence, is critical to success in specialization. “Plenty of people come into this part of the business that have never been a broker – they come straight from the IT side, and do not think real estate is salient,” he says. “But my real estate background lends itself to understanding expansion, and what the growth of a tenant might be. When you do a data center deal, you need to measure for growth within that property. If I was not a broker to begin with, there’s no way I’d understand

creating and relating options for my clients.”

Thornburgh summarizes it succinctly: “I am often asked what makes an SIOR designee special,” he shares. “In the end, the answer rests in the quality of our members. The level of dedication and local market knowledge SIORs bring to a real estate transaction is unparalleled. I couldn’t imagine us being able to provide this expertise without some form of specialization.” ♥



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