

By Bob Canter, President/Founder

***Its one year later since the credit crisis started
The Commercial Real Estate Market has started its Descent!
What Actions are you taking to survive?***

Fasten your seatbelts 'cause its going to be a very bumpy ride!

The current crisis in the credit markets, which began last summer as a result of the sub-prime mortgage fiasco, has spilled over into the commercial real estate markets.

If you thought this might have been short lived you were obviously very wrong and you probably sat around hoping and praying for the best. Well the descent of the commercial real estate market has begun in earnest. As I have said over again, commercial real estate is a lagging indicator of economic events both good and bad.

As a matter of fact the credit crisis has deepened beyond most experts expectations. Banks have stopped lending for the most part. Not only have they tightened lending on all manner of real estate loans, but in almost every loan product they offer. From car loans to business loans and student loans, they have all been affected.

Inflation is on the upswing with rising oil/gas prices, and interest rates are no lower than a year ago. The Federal Reserve has only been propping up the Banking System, not making it easier for you or your clients to get a loan. As Commercial Real Estate is especially sensitive to credit markets, this slow down should come as no surprise.

The housing market is still in the throes of a downward spiral with no bottom in sight. And until the housing market hits bottom and starts even a less than modest uptick, will there be any loosening in the credit markets.

As a result business has slowed down significantly. Consumer spending is on the downswing now that the temporary economic stimulus checks have been spent, and companies are taking a wait a see attitude. Forget expansion plans, or even considering moving. Companies have begun layoffs which does not bode well for the economy. All this means we are in a place where most of those in commercial real estate have never been before.

So there you have it.

If you're acting like a Deer caught in the headlights...you better start to do some soul searching about your real estate career.

If you got into commercial real estate brokerage in the past few years, and you got into the business solely because you saw the opportunity to make great money, and you found it an "easy" business, you are probably scratching your head about now and asking yourself what happened? Commercial real estate has never been an "easy" business to succeed in the long term. The reason being is you need to learn and understand survival skills to weather the type of markets we are just now entering.

Most brokerage companies don't train new agents, and they certainly don't train them on how to handle a down cycle. The business seemed "easy" because there had not been a lack of buyers or tenants. You could sit in the office and wait for the phone to ring and sure enough it would ring. Or perhaps for brokerage company's manager hands out the warm inquires that come into the office. You run a survey and take the prospect out, show them what's available and they make an offer most likely at asking price and you have made the deal. You have not followed up after the client moves into their space to find out how they like it or if they are having any initial issues. You're too busy as you are off to the next prospect/client.

Now the phone does not ring, the more senior agents and your managers aren't being so liberal with the leads they hand out and you're wondering why you aren't making any money and especially not like before. You don't know where to start, its as if you just got into the business, and you'd be right to think in those terms.

You haven't learned anything substantive about commercial real estate other than to tell people who make an offer there may be other interest so you better move along and make a quick decision. You haven't been taught how to properly cold call for new business. You were never taught how to really run a deal from start to finish. As a matter of fact you have no idea of the market or any other aspect of the industry. Why do you think? The reason is simple; you were not a student of the business

nor did you care to really want to learn what commercial real estate is all about. You had no passion for the business and that is the essential problem. You can not expect to do well when you have no passion for what you are doing, except for the fact you think it's a vehicle to make "easy" money and fast. You made no action plan to better yourself, and you got caught in the myth that this business cycle would never end.

So now you are acting like a "deer caught in the proverbial headlights".

The first thing you must stop and do is think! You need to be honest with yourself about your passion for the business. If you are not fascinated about commercial real estate it all its facets, you will not be a successful commercial real estate practitioner, period. Those that have been a success and have been able to survive and even thrive during lean times have a knack for always making deals. They know because they have stayed on top of their game in many different aspects.

What are the actions that will make you successful moving forward?

The first thing you need to do is look in the mirror and ask yourself if your skills are good enough to get you through this downturn. Perhaps you were never properly trained on the basic **fundamentals of the business**. Your broker threw you out into the field from the get go and since business was SO GOOD, it wasn't necessary to have any training.

- ? ***You have to ask yourself do you have a new game plan or business plan. Have you sat down with your broker to discuss potential strategies on navigating in a slower much less robust market?***
- ? ***You have to ask yourself, is the broker you are working for being proactive and being out in front by initiating meetings to discuss strategies and arranging training programs that are focused on the changing business climate.***
- ? ***You have to ask yourself do you really like the business enough that you will endure no matter what happens in the coming months, meaning did you get into the commercial business for the fast buck.***

What are the actions you need to take as the Broker/Manager?

As a broker/manager you have to take a look at your sales personnel and ask yourself; who will survive? And who will not? Have you given your agents enough training and provided them with your insight and experience to handle a declining or slowing market? Do your agents have

updated **prospecting skills**? Do they even know how to prospect for new business? Have they slacked off prospecting due to being "too busy"?

Have your agents, who have been mentored, really ready to go it alone as independent sales people? Have your mentors within your organization really been mentoring the newer agents? Or have those agents been used merely as lead generators and have only carried their mentor's brief cases? Internal deal sharing will not be in the more experienced agents' best interest when there are fewer deals to work on.

There are a number things, you as the broker/manager, can begin to implement. For example:

- ***Make sure your agents are staying in constant contact with their sellers or landlords and buyers and tenants.***
- ***Make sure your agents are providing their clients with timely information on changes in the commercial real estate markets. This means market statistics, mortgage information, who is moving, and what in general is going on in the local marketplace.***
- ***Your agents should be providing recent comparable sales to their sellers and possible buyers.***
- ***Your agents should be providing their landlords with updated information on local leasing activity and rental rate changes and their marketing efforts.***

Most agents will run and hide if they are not getting showings or producing offers for their exclusives. Now is not the time to stop communicating with your clients. Your clients read the newspapers and are bombarded by all the media outlets about how bad things are getting. Your clients will start to get a very uneasy feeling if they are not hearing from their agents. Communication is the key to being successful in a declining market.

Using "Best Practices"...

As the broker directing your agents you must use the best industry practices and be on the lookout for those agents that are behaving as if they are desperate for a deal. That can lead to unethical behavior or put your brokerage company in a bad light. Either way that can harm your company's reputation and credibility.

Part of using best practices is to encourage your agents to have asking prices on their properties. Not having an asking price for either properties for sale or lease only signals to the market that...

A. You don't know the market.

B. You are afraid of being accountable to your client if the offers don't come in as you predicted.

C. Your client is not serious about selling or leasing their property.

Most commercial deals involve a "tenant rep" or "buyer rep" broker. Therefore the prospective tenant/buyer knows the market. So by not having asking prices you are slowing down the process or having potential buyers/tenants focus on other properties. Either way it's not in anyone's best interest.

Keys to Success...

One of the keys to success in a down or declining market is to create a sense of urgency with your client. This is especially true when representing properties. Gone are the days of multiple offers, the mentality of **"if I don't take this deal they'll be another around the corner"**

You create this sense of urgency by constantly communicating with your client and providing them with a host of market information. **If the market is changing for the worst, you better let them know and why.** No one wants to be the messenger of bad news; however, you need to turn the bad news into an opportunity. Of course if the market has turned for the better they need to know that as well.

If you are interested in learning more on how to navigate through uncertain times or as a Broker/Manager you want your agents to be primed and ready for anything the market might throw your way...give us a call or email us. We can provide you with the road map to success.



Tel: 240-403-4040

Fax: 301-762-1844

www.performancerealtysolutions.com

Bob Canter/President & Founder

bcanter@performancerealtysolutions.com

Jake Adler/ VP

jake@performancerealtysolutions.com

**Commercial Real Estate Education & Consulting for the
Real Estate Professional & Small Business Owner**