

Seven Reasons . . .

Why Mentoring is Costly and Ineffective for the Commercial Real Estate Industry

Mentoring is typically a long-term coaching experience that is used to develop novice leaders into executive leaders in an organization. In the case of a leadership development program, mentoring may have its advantages. However, for the commercial real estate industry, mentoring is a slow, expensive process that takes learning and earning opportunities away from new agents.

Studies repeatedly show that mentoring does not prepare new agents for the commercial real estate industry. However, mentoring—ineffective and outdated—is still their primary method of training. As a result, new agents and brokerages continue to lose money and opportunities.

A more effective alternative is intensive and targeted classroom-based training which would ramp up a new agent's skills in a matter of weeks, as opposed to months or years.

Yet many commercial real estate companies are not aware of the benefits of classroom training over mentoring. Below are the top seven reasons why mentoring, as a primary method of training, is costly and ineffective.

1. Ramp-up time is slow and costly. Time is the biggest adversary of new agents and their real estate companies. In fact, the average new hire takes one to two years to start making enough money to live on. How many individuals have the resources to go without a regular paycheck for that long? Clearly, very few: According to the National Association of REALTORS[®], 86% of newly licensed realtors quit within the first year.

Novice agents aren't the only ones who feel the pain of the slow mentoring process. Commercial real estate companies also take up to two years to see a return on their investment for each new agent. And when more than 80% of new agents quit before their first year is up, the brokerage firms lose out on future profits in addition to their initial investment. Collectively, mentoring is costing commercial real estate companies millions of dollars a year.

2. New agents don't receive the knowledge and hands-on experience they need to succeed on their own. With mentoring, the beginner is tucked under the wing of an

experienced, successful senior agent. The senior agent then provides the new agent with direction and advice. Unfortunately, this kind of training is usually little more than the mentor using the new hire to perform tasks that the senior agent no longer wants to, such as making cold calls to get new business.

In most cases, new agents do not receive training on how to make successful cold calls. Typically, novices are given a list of companies to call and told, “Go to it!” But there is a reason why there are so many books and seminars available today about cold calling: Cold calling is difficult work.

If the new agent is lucky enough to obtain a lead, what usually happens is this:

The lead is passed on to the mentor and he or she takes over from there. The new agent is then left to observe how the deal progresses instead of taking an active part in closing the deal.

3. Mentors do not have the time to thoroughly train new agents. How much time do mentors actually have to devote to training inexperienced realtors? The more time senior agents spend mentoring new agents, the less time they have to focus on clients, close deals, and make money. Although mentors will have the new agent sit in on some of their phone calls and attend some of their meetings, most senior

agents do not have the time to explain each step in the deal-closing process. As a result, novice realtors do not learn key sales techniques, miss out on relationship-building opportunities with potential clients, and overlook necessary deal-closing procedures.

4. Senior agents are not necessarily qualified to train. Not every high-

producing agent is geared to be a teacher. In fact, most senior agents who are asked to mentor have not had any training experience. Consequently, many mentors will expect

their new agents to adopt their professional styles and behavior patterns. However, this “it worked for me so it will work for you” approach to commercial real estate sales is restrictive and slows down the learning process.

According to an article by Cecil G. Daniels, “Reversing Rookie Failure Rates” in the *Realty Times*, “There are very few trainers out there who can actually train.” Daniels, recipient of the National Association of REALTORS® Educator of the Year Award and one of the nation’s leading authorities on brokerage management, insists brokerages should find out what formal training programs are offered for newly licensed realtors and invest in them.

Of those firms who provide training, approximately 75% of the training is instructor-led in a classroom.

5. New agents are treated as assistants, not colleagues. Unqualified mentors exploit mentoring as an opportunity to use the trainee as an assistant. This means having the new agent make cold calls, deliver documents, or perform research. Although these activities offer some valuable job skills, they don't give beginners the complete, in-depth perspective of commercial real estate they need to gain experience and start making sales.

Daniels further states that 30 agents remain for every 200 who try. He blames the lack of high standards in the industry. Is it any wonder when most of them aren't thoroughly trained, but instead treated as second-class gofers?

6. Commercial brokerages can't afford the desk cost. The average cost to hire and retain an agent is approximately \$100,000 a year in the major metropolitan areas. This cost covers the firm's overhead per individual agent for items such as office rent or cost of occupancy, telephones, advertising, print material, administrative support, dues and professional fees, utilities, business cards and stationery, computers, systems and networks, fees for information resources, and mentor time. This does not even cover additional costs for salary or draws! Therefore, the brokerage company is betting that the new

Training Yields Faster Results and Reduces Desk Costs

For new agents to take home the income needed to support themselves, they need to earn \$200,000 in gross commissions. That is expecting a lot from a beginner, especially one who has not been trained on the fast track. Instructor-based training such as the PRS Five Step Training Program is faster and more cost-effective than mentoring. The training yields faster results and reduces a brokerage firm's desk costs by approximately \$30,000 per agent.

agent can close approximately \$5 million to \$6 million in transactional value in one year to recover the desk cost alone.

7. Mentoring increases new agents' mistakes and undermines their confidence. When beginners aren't thoroughly trained, they don't understand industry terminology, how to use available resources in technology, the significance of conducting cold calls, the importance of accessing and interpreting market information, which parts of a lease are negotiable, and what questions to ask to find out what is most important to the client. Simply put: They cannot perform their jobs properly. Incomplete training results in new realtors who lack confidence and make bad decisions. Accordingly, clients and prospects are hesitant, if not outright unwilling, to work with new agents.

Without a doubt, corporate real estate clients expect well trained and experienced agents to service their accounts, largely because these skilled agents help save them money. As a

result of the Sarbanes-Oxley federal legislation on corporate governance, today's corporate real estate departments face serious consequences for compromising the financial well-being of their investors and clients. Ultimately, mistakes made by untrained agents can have major negative effects on their client's and employer's bottom line.

To sum it all up . . .

Commercial real estate is all about credibility and knowledge. The best way to achieve these results is through training. Ultimately, proper training breeds confidence, strengthens credibility, and closes deals.



Training for the Commercial Real Estate Professional

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Advantages of Instructor-led Training

According to the American Management Association, instructor-led classroom training continues to be the most popular method of people-skills training.

A survey by the American Society for Training and Development found that 70% of respondents considered classroom teaching to be the best training investment. Another study by *Information Week* found that 85% of its sampling considered classroom training to be the most effective.

Here are four advantages of classroom training:

1. By taking new agents away from their desks and everyday demands, instructor-led training permits real concentration on learning.
2. Access to an industry-experienced instructor permits students to apply what they learn to real world needs. They can ask questions and connect learning to their jobs.
3. Classroom methods provide an opportunity for beginners to interact with each other—learning from those with different backgrounds and experiences.
4. Classroom settings offer opportunities for role playing, hands-on exercises, and valuable feedback from their instructor and peers.