

COMMERCIAL CONNECTION

Getting into this business isn't

Many residential real estate brokers today, who are tired of calling Sprint to see if their phone is still working, are considering a switch to selling commercial real estate.

Think again.

Here's what you can expect from the commercial real estate business. It often takes a full year of no income to break into the business and find your niche.

Still interested? I like your spirit. You just may have what it takes.

If you want to quickly jump ahead of 90 percent of your competition, you need to get your CCIM designation. Every other person in the universe has a real estate license. But less than 7 percent of Realtors have earned the coveted Certified Commercial Investment Member pin. The CCIM Institute (www.ccim.com) through five one-week classes and a final thesis report will teach you the common language of our business and make you part of a world-wide network of top professionals in our field. CCIM is the highest level of accreditation you can achieve in this business.

But is this really important?

Well, when you go to a doctor, do you make sure he has M.D. after his name? Does your accountant have CPA after her name? When it really matters, most want the best qualified to help them. Most commercial owners want the best qualified adviser to help them achieve the optimum FMRR on their properties.

Not sure what FMRR is? Better take the class.

I worked as an engineer for Exxon on their ocean-going oil tankers in the early 1980s before getting into commercial real estate. With six months paid vacation per year, it allowed me to work full time (for the other six months) in commercial real estate while taking all the CCIM classes. My Exxon job helped get me through the lean years while learning the ropes. In 1986 I gave up the life of a hermit at sea and came ashore because I truly enjoy working with and helping people.

As past president of the SW Florida CCIM District and past

vice president of the Florida CCIM Chapter, I can tell you that CCIMs make more commission income than other commercial brokers. A lot more. My company has more than 700 advisers and they honor the top 10 percent each year by sending them and a guest to Hawaii for a week if they earn more than \$550,000 in personal gross commissions to achieve "Partners Circle."

I have come to love Hawaii these past two years in a row with my fellow Partner Circle members. If I ever disappear from Fort Myers, you can look for me at the Maui Ritz Carlton. The top agent at my firm last year was a woman named Kitty Wallace from our Beverly Hills office. She made more than \$1.8 million in commissions in 2005. I want to be like her when I grow up.

If you are now ready to plunge into your new career, you should be aware of the biggest, dirty little secret in commercial real estate. For many decades across this country, when a commercial broker takes a new listing, his first goal is to sell it quietly direct to a buyer so he can keep the whole commission. It is called "double ending the fee" in the trade. The property is marketed quietly to the "known suspects" over the first few months. If it hasn't sold, then ads, mailings, cold calls, prayer, etc. will ensue. Before that listing expires in six months, the listing broker will put it out to the local brokerage community just so she can say to the seller with a straight face, "We did everything and it just didn't sell. We must be overpriced. Please lower the price and renew the listing."

This ever present commercial marketing system across the USA has a flaw because it puts the brokers' best interests first over the clients' best interest by putting the property out to market slowly in drips and drabs.

Want proof?

OK. According to Real Capital Analytics, in the Fort Lauderdale market from 2004 to October 2006, there were 222 recorded closings of Office & Industrial property sales exceeding a price of \$1 million

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each. Only 11 percent of those Fort Lauderdale commercial transactions were co-brokered. Orlando showed 9 percent co-brokered over the same time period. Tampa had 8 percent while Atlanta had 13 percent.

Well, you get the picture. Eighty percent of the time, commercial brokers keep the whole listed fee. There is no effective commercial MLS system which enables commercial brokers to get away with this.

The portals that come close like LoopNet and CCIM.Net

are not used early in the listing period as the above statistics bear out. If you signed a commercial listing today, you control who gets to see the information first. On a \$100,000 commission, you control whether you and your family get to receive \$100,000 or \$50,000. What are you going to do?

My firm contractually obligates me to co-broker my listed fee 50-50 from day 1 with any broker on all our listings. There are roughly 125,000 commercial brokers in the USA today. My firm has more than 60,000 of their e-mail addresses. We attempted to

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quick, easy

create a commercial MLS.

When we take a new listing, our Irvine, Calif. office sends it to all these brokers in the first few weeks to create an auction-like atmosphere and put the client's best interests first. Other brokers love us because we cooperate 50-50 on all our listings. When I helped plastic surgeon Barry Boyd, M.D., of Orlando set a record high price for his surgery center sale, we had three contracts higher than list price ... only 14 days after his listing was signed. These three contracts came from L.A., Kansas City and Fort Lauderdale. I co-brokered that deal. This is how

we earned the nickname, "The E-Bay of Commercial Real Estate." Our firm co-brokered 70 percent of every listing we had last year and we closed more than \$9.5 billion in transactions.

If you are ready for a new career in commercial real estate, pick a specialty, don't quit your part-time job for at least a year and don't give up.

See you in Hawaii.

—Mark Alexander, CCIM, is a senior medical office adviser for Sperry Van Ness in Fort Myers. For more information, contact him at (239) 433-0400 or marka@svn.com.