



## Hunt's Comm'l. Real Estate / "Broker Fees"

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Q: Are the high fees of commercial real estate brokers really justified?

A: It depends what you get for your money. Today's professional commercial real estate broker provides a whole host of services and expertise that was unknown 20 years ago. Fees are not regulated, and you are free to test the open market and hire the services that you need. But there is a reason that most Fortune 500 companies have outsourced their real estate needs to a third party commercial real estate firm.

If Fortune 500 firms have difficulty developing in-house expertise with all their capital and resources, how will you fare? They know that today's sophisticated commercial real estate market requires a level of expertise that is difficult to develop with an in-house real estate department. You are entitled to this level of expertise today, and if you are not receiving it, your real estate expense may not be justified.

Your broker should save you a multiple of the "high fees" that he or she is paid. I represented a non-profit agency some years ago that was renting their headquarters in a class A office building. I made the case, and demonstrated it with spreadsheets, that they should purchase a building to achieve substantial savings in real estate tax expense. They followed my advice, we purchased a 25,000 s/f office building, and they are now saving over \$200,000 a year. My fee was a small fraction of their savings.

In a different example, we recently represented a manufacturing company on an exclusive basis. With our client, we looked at an industrial building that seemed to meet all our requirements, and it quickly zoomed to the top of our negotiating list. I remembered, however, that there was a superfund site in the neighborhood. I made a quick call to the president of an environmental company that we have worked with for many years, and he ordered the appropriate due-diligence reports. Within a few days, I had my verbal reply, "Hands off!" The cost of the reports was under \$1,000 (which we absorbed) and we saved our client the legal expense of ordering contracts, and conducting his own Phase I, and ultimately Phase II, investigation. Not to mention the time savings involved! Your real estate broker should be bringing this sort of knowledge and expertise to the table.

Finally, many people forget that most real estate brokers work on a contingency basis, and that the fees are necessarily higher to compensate the broker for absorbing the risk. If the transaction is not completed, you generally have no obligation to pay a real estate broker, regardless of the work or expense incurred on your behalf. (Our firm will accept compensation in any of three ways, depending on our client's needs and desires: on a retainer, by the hour, or on a contingency basis. Over 95% of our clients choose contingency.)

Are the "high fees" of your real estate broker justified? Make sure they are! Hire the talent you need and insist on the most up-to-date representation. Your savings will be a multiple of your broker's pay check.

Do you have a question regarding commercial real estate? Email your question to Commercial Real Estate Q & A, at [email@huntcorp.com](mailto:email@huntcorp.com) for possible inclusion in a future column.

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