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Hunt Corp. Commercial Real Estate Q&A: Hiring a tenant or buyer broker - by David Hunt

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Q: A real estate broker wants to represent our company exclusively, but we are nervous that we may not see all of the available properties if we limit ourselves to one broker. It seems that we may have a better chance of finding the right space if we “play the field” with several brokers. Is this the right approach?

A: You are right to be circumspect about signing an exclusive contract with one broker, but not for the reason you suspect. Virtually all experienced brokers will have access to every potential available property in the marketplace. Even properties controlled exclusively by other brokers will be available to your exclusive broker through co-brokerage. The best tenant or buyer brokers will actually publish your requirements to the brokerage community soliciting submissions of properties for their client. Corporate America has fully embraced the concept of exclusive tenant and buyer representation. It is actually rare to find a major corporation that does not have an exclusive tenant or buyer broker. The advantages are many: The agent will have a fiduciary responsibility to you, not the landlord or seller; the use of one agent promotes objectivity in his evaluation of potential alternatives for you; and you will save considerable time dealing with only one agent.

Your concern is unfounded, if you have the right broker. This leads us to the major concern. The real reason to be careful in signing an exclusive agency agreement is that you do not want to saddle yourself with a broker that is either unwilling or incapable of providing the full palette of services that you require. You can avoid this problem if you take a lead from the experts in appointing an exclusive broker to represent your company.

You should hire an exclusive broker in the same careful manner that you would hire any other professional, such as an attorney or accountant. First and foremost, network for referrals. It is best to have a referral from someone who has actually been represented exclusively by the broker. It would not be overkill to interview and request proposals from the three different brokers. Try to interview the broker that will actually be working day to day on your account, rather than the

executive broker that came along to “close the sale” with you.

Ask the brokers to specifically itemize in their proposal what services they will be providing, along with a timeline. Look for experience and a good working knowledge of the marketplace. Bigger is not necessarily better, especially if your firm is only looking in a local market. Demand a right to cancel the contract in the event that the broker is not providing the services that were promised. Ask them to provide the names of several acquisition clients they have represented, then call them! And of course, unless there is a compelling reason to the contrary, the broker’s fees should be paid by the eventual seller or landlord.

There are many sound reasons to hire an exclusive broker: An exclusive broker has a fiduciary responsibility to protect your interests; your exclusive commitment allows the broker to commit an extraordinary amount of time on your behalf; and you will save countless hours by outsourcing your “real estate department.” Just make sure that you spend the time and effort to hire the right broker. The time spent in this process will be rewarded back to you many times over, and should result in the smooth acquisition of real estate.

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

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