



Commercial classroom: Selling today's customer - by Edward Smith

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Edward Smith

This column is offered to help educate agents new to commercial and investment brokerage and serve as a review of basics for existing practitioners.

Today's commercial real estate customer knows more about real estate than ever before, internet resources provide them with the ability to educate themselves about market conditions and available space.

This requires us, as agents and brokers, to re-examine our role in the "selling" process. Some agents look at the sale process as consisting of first approaching and qualifying the consumer with a strong access on "show me the money". Then various properties are presented with the agent using all their skills to convince the customer which property is best for them. More than a third of the time in the process is then devoted to overcoming objections in an effort to close.

Customers today are exposed to inaccuracies, incomplete data and unfortunately some agents who are not properly trained in commercial brokerage. In today's selling process the consumer first seeks to build a trusting relationship with an agent.

They may shop the internet for their space; when they find something of interest they will e-mail or text the agent. Here is where the relationship begins or ends. Internet consumers expect a quick response to their inquiries. Responding promptly with accurate information starts to build trust and confidence in the agent. It may take several communications to build a rapport and get to the next step.

The agent's next job in the selling process is to guide the customer in determining their requirements. A trip to their existing location and a candid discussion of their need for space, personnel placement, location, desired building features or amenities is necessary. The agent needs to educate the customer about current market conditions and costs, and in this process financially qualify the customer.

In many cases we need to avoid "real estate talk". "Space in this area goes for \$19 per s/f." Can the customer relate that figure to their budget? Based on the agent's market knowledge a better approach may be, "To rent another store about this size will cost approximately \$2,500 per month. With security deposits and initial rent payments you will need about \$10,000 to proceed. Are you prepared for this expense?" Guidance and qualification demonstrate the agent's market knowledge and builds customer confidence.

When guiding the customer be sure to ask, "Other than price, what is most important to you about the space you will be moving to?"

The previous two steps, building relationships and guidance account for the majority of time in the new model of selling. Armed with a clear definition of need and financial capabilities the agent may now search for appropriate properties to present to the customer.

If these steps are followed a “soft” close should be all that is now required. “Is this what you had in mind?” “Can you visualize your company working here?” Our final step is then to negotiate the best deal we can for our customer.

Guiding today’s customers to understand their requirements and capabilities largely eliminates the old “hard sell” approaches of convincing them this is the right space and then overcoming objections.

Our communication, guidance and negotiation skills are what today’s consumer expects from us.

Today’s consumers are statistically grouped by age. “Baby Boomers” (ages 58 to 76) are considered the primary commercial real estate sellers, liquidating assets preparing for retirement. Some are also buyers, looking for increased cash flows and deferring capital gains taxes through 1031 exchanges.

“Generation X” (ages 42 to 57) are the primary buyers. Many in this group do not believe that Social Security will be available when they are eligible to receive it. They are looking to real estate investments to be their source of retirement funds.

“Millennials” (ages 26 to 41) also do not believe in Social Security, and many are entrepreneurs, starting their own businesses. They are looking for jobs and investments too, but they must be within walking, biking, or short mass transit commutes from their homes.

“I Gen” (ages 11 to 26) are focused on “tech” or “trade” jobs. Even at a young age they appreciate the value of real estate, with over 100,000 already owning a home.

These are today’s consumers, and we need to study how best to communicate with each group.

Edward Smith, Jr., CREI, ITI, CIC, GREEN, MICP, CNE, e-PRO and CIREC program developer, is a commercial and investment real estate instructor, author, broker, speaker and a consultant to the trade.

New York Real Estate Journal - 17 Accord Park Drive #207, Norwell MA 02061 - (781) 878-4540