



Commercial classroom: Who to affiliate with? - by Edward Smith Jr.

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Edward Smith Jr.

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

Who to affiliate with?

A student of mine asked me how to choose what real estate firm to affiliate with. It is best to interview with a number of different types of companies to see what the best fit is for you.

There are certainly a number of things to consider. Some firms ask each agent to specialize, become an expert in a particular segment of the market, office leasing or industrial sales or perhaps retail site selection. This is fine but sometimes a segment of the market slows down, and there is no activity in your field, and you make no money that year.

Other firms cross-train the agents to handle whatever opportunities they may encounter. In these offices the specialization is geographic, becoming an expert in that market area. This concentration gives you a better opportunity to systematically meet all the business owners, tenants and landlords in your area. Ideally to become known as the local "Commercial Specialist".

Do you want to be a full-time commercial agent or a dual practitioner doing both commercial and residential work? Some companies are strictly commercial, some do both disciplines. In some of the firms that do both there may be a "commercial division". There can be advantages to both situations.

In a purely commercial company, there may be a mentoring program, perhaps working with an experienced agent for a period of time to gain experience. Commissions would initially be split with your mentor, being your price to learn the business.

This could occur in a dual office too, but the other advantage of this type of office is the commercial agents can get referrals from the residential agents in their office. Being a dual practitioner may lead to commercial opportunities, servicing your buyer's business or investment needs after selling them a home.

Commercial brokerage is very different from residential. I think of a residential transaction as a one-shot deal, one client, buying one house, one time. Granted they may give you referrals and you may be able to service them again if they need to move.

Commercial gives you multiple opportunities for future business. You lease space to a tenant for five years, can you service the client again when their lease is up? If you're not in touch and call them up four and a half years later, probably not. But if you stay in touch during their lease, calling or stopping by every few months, you should be able to service them again. Also consider businesses grow, shrink or go out of business, you can help them when any of these things occur.

Communicate regularly with their landlords of the buildings you placed tenant in, who may have

other tenants who are not renewing their lease, or they may want to buy another investment property, or sell this one. The beauty of commercial real estate is the opportunity for redundancy.

In either case you need to be trained for the discipline you choose. Online and virtual courses are available, as are many books on all facets of real estate. Knowledge leads to success. Real estate markets are constantly changing, training and updating your skills never ends.

Should you work with a small firm or large firm? Another key consideration is what kind of training and support, if any, will be provided. In a smaller firm the Broker may be very busy and have little time to train new agents. They may also have their own clients and be in competition with their sales agents for new business.

Other firms, especially the larger companies may have corporate training programs and educational staff just for this purpose. They may have brokers who manage the business and assist their agents, but they are not permitted to have clients of their own, all leads are passed through to the agents.

Ask about the company's websites and marketing tools. Who makes your listing flyers, you or staff? Is there staff? How are your listings advertised? Today there are many commercial websites, which charge for subscriptions, do you pay or is the firm paying for the subscription. Bottom line who pays for what?

The compensation issue – how much of the fee do I get? This varies considerably, some firms start out with a 50-50 split of the commission and as the agent's production increases, they get a higher percentage of the fee. Other firms offer 70%, 80%, 90% or more of the commission to the agent. But usually in these cases there are monthly costs to the agent for operating expenses or marketing funds. These monthly fees can be considerable and must be carefully evaluated. Be very clear on all of the firm's policies, about everything.

Your market – where do you have the best opportunity? What brokerage firm(s) is/are dominating your area? If you join them, will you be able to shine or are they overloaded with agents now?

When considering joining a firm, interview with the broker and speak with some of the other agents working there now. How are they really doing? What kind of support or training have they gotten? Interview with several companies determine their structure, training, splits and your opportunity for success.

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