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Commercial Realtors experience increase in leasing in 2008

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Realtors specializing in commercial real estate experienced a slowdown in sales transaction volume in 2008, but also reported an increase in commercial leasing volume, according to the 2009 National Association of Realtors commercial member profile.

The study's results represent Realtors who practice commercial real estate; these Realtors comprise more than 81,000 of NAR's 1.2 million members. The survey shows that the median sales volume in 2008 was down nearly 10% since 2006, resulting in a 13.6% decline in median income. However; the results also showed a 33% increase in commercial leasing volume during the same two-year period.

Realtors Commercial Alliance Committee chair Robert Toothaker said that, despite the fact that commercial real estate activity has suffered, the typical NAR commercial member was doing slightly better than might be expected. "Because most of our members are involved in transactions of under \$5 million, the decline in business was not quite as sharp as the drop in investment-grade transactions," he said. "The flow of funds from regional banks hasn't slowed as dramatically, leaving some credit available for commercial transactions; however, credit has tightened further in 2009, and continues to curtail commercial real estate lending activity. NAR continues to advocate on behalf of its commercial members to increase liquidity to commercial real estate and ensure overall economic recovery."

The median number of transactions for Realtors practicing commercial real estate in 2008 was eight, unchanged from 2006. Transaction volume for commercial members was \$2,024,900 in 2008, down from \$2,248,700 in 2006. Sixty-five percent reported a volume greater than \$1 million; and nearly a quarter had a transaction volume of \$50 million or more in 2008. Leasing volume for commercial members in 2008 was \$244,300, slightly higher than the \$183,600 reported in 2006.

The median income in 2008 was \$99,900, down from \$115,600 in 2006. Brokers earned a median of \$129,500, while sales agents earned \$70,100. Commercial members in the business for two years or less earned a median of \$30,200, while those with three to five years of experience earned \$63,700. For six to 15 years, the median was \$94,700, while members in the business for 16 years or more earned \$147,700.

The median dollar value of sales transactions in 2008 was \$544,100. The amount was slightly higher among brokers (\$629,500) compared to sales agents (\$423,500); and varies with experience - those with less than two years experience had a typical sales transaction value of \$181,800, well below the \$689,900 among those with 16 to 25 years experience. The median square footage of sales transaction in 2008 was 14,000.

Leasing dollar value for commercial members was typically \$128,900 in 2008. Commercial members with fewer than two years experience had a typical leasing dollar value of \$64,200; those with 16 to 25 years experience had a typical transaction value of \$213,200. The median square footage of

leasing transactions in 2008 was 4,300.

Most commercial members are compensated on some sort of commission basis. Forty-five percent of commercial members are compensated through a split commission arrangement, 33% receive all of the commission, and another 9% receive a salary plus a share of the profits.

Three-quarters of NAR's commercial members bring in 50% or more of their annual income from real estate. Income from leasing activity falls well below income from sales. In 2008, 49% of commercial members said they received half to all of their income from commercial sales; 19% indicated none of their annual income came from commercial sales. Income from leasing was far less, only 24% earned half to all of their income from leasing commercial property in 2008; 28% earned none of their annual income from leasing.

Fifty-six percent of commercial members said none of their income came from personal commercial real estate investments; only 8% made half or more of their income from their personal investment in commercial real estate.

The typical commercial member has been in the commercial side of business for 17 years; brokers typically have 23 years experience while sales agents have six years.

Sixty percent of NAR's commercial members hold a broker license, 26% a sales agent license, 10% broker associate, 3% appraiser and 1% holds some other kind of license.

Nearly half of commercial members belong to one or more of NAR's affiliated institutes, societies or councils. Thirty-four percent belong to the Certified Commercial Investment Member Institute, 8% are members of the Institute of Real Estate Management, and 6% the Society of Industrial and Office Realtors; smaller percentages belong to three other affiliates.

Land sales were identified by 16% of commercial members as their primary business specialty. Thirteen% identify office leasing as their primary business specialty, 9% multifamily building sales, 9% industrial building sales, 8% retail building sales and 8% commercial property management. Smaller percentages were also in development, retail leasing, office building sales, consulting, industrial leasing, commercial appraisal, multifamily property management, hospitality/resort sales and commercial auctions.

Among secondary business specialties, office building sales ranked the highest (12%), while office leasing (11%), land sales (11%) and retail building sales (10%) were the next most frequently mentioned.

Nearly 9 in 10 commercial members work full time. Only 11% of members work part-time; three-quarters report they spend 75 to 100% of their time on commercial real estate activity.

More than half (58%) of commercial members report working in a local firm; 13% identify regional (two or more states), 11% statewide, 11% international, and 7% national. Fifty-two percent of commercial agents work in offices that only employ commercial brokers and agents; 34% report they work in an office with more residential than commercial brokers and agents. One quarter of commercial members work in offices where they are the only active commercial broker, agent or property management professional.

Seventy-four percent of all commercial members had no international transactions in 2008. One in 10 reported an increase in the number of transactions from the previous year, while 5% reported a decrease.

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