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The commercial classroom: Current market conditions

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

The commercial market has been difficult over the last five years; fortunately it is starting to pick up. Underwriting standards for commercial mortgages have gotten tougher, obtaining financing is more difficult; closings are delayed, at best. The commercial agent's income is delayed. We now find ourselves working harder to make deals happen.

This morning I paid \$3.85 per gallon to fill my car with gas. Traveling last week I paid over \$4.00 per gallon. The good news is I have a mid-size car. The person at the next pump was mumbling something about \$64 to fill their SUV.

I used to have a simple cell phone, which was relatively inexpensive. Now I need instant access to my e-mail, I must be able to respond immediately to it or to text messages. Today's business "communication requirements" dictate that I must have a state-of-the-art phone. My new phone cost me \$450 and my new plan costs \$87 a month.

The dues to my realtor board went up, as did other "required" commercial organizations that I need to be a member of. The commercial listing services (web sites); guess what - they have gone up too! The costs of doing our business have skyrocketed!

Landlords lose money when they have vacant space. Not our fault; in fact we help solve their problem by finding them a tenant. Unfortunately some landlords thank us by asking us to reduce our fee! We educate a seller by compiling market information, helping them evaluate market conditions to set a realistic price, find a buyer, negotiate a deal, attend property and environmental inspections, attend a closing and then be asked to cut our commission! What is wrong with this picture?

Our ongoing investment in our business has increased dramatically, while the opportunities to do business are still challenging. Market conditions continue to improve, but the higher costs are here to stay. In the forty years I have been in this business I have not seen any raise in our fees. (Granted all commission fees are negotiable between the client/customer and the brokerage firm.) Being paid based upon the value we bring to the transaction is fine but, our fee has to include our expenses too!

Should we raise our commission fee? The next time a client asks us to reduce our commission rate perhaps we should say, "Oh my mistake! What I just quoted you was our old commission rate, the company just increased our fee to X%." You could be nice and then say, "But, since I made the mistake I will honor the rate I quoted you." Some agents when challenged by a request to reduce their fee just say: "No!"

Most owners don't realize that if we reduce our fee by only 1%, in most cases, the real dollars are being reduced by 15% or more. "You want me to reduce my income by 15%; would you like to reduce your sales price by 15%?"

We are professionals and work hard for our money. Current market conditions are challenging for owners and agents alike. When we perform our services we deserve a full fee!

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