

THE OREGON ASSOCIATION OF REALTORS® PRESENTS

Commercial Real Estate Summit

OCTOBER 25, 2012

These three award winning CCIM instructors will offer a glimpse of future use of space in the office, residential and industrial industry segments:



Patricia Lynn, CCIM, Principal
LYNNK STRATEGIES - REAL ESTATE CONSULTING
SAN FRANCISCO, CA



Todd Clarke, CCIM, CEO
NEW MEXICO APARTMENT ADVISORS, INC.
CANTERA CONSULTANTS & ADVISORS, INC.
ALBUQUERQUE, NM

Confessions of a Commercial Real Estate Consultant



"How Commercial Realtors Can Generate Additional Revenue Providing Consulting Services"

Confessions of a Commercial Real Estate Consultant

Today's Agenda

realestate at the *speed of light*

- Today's webinar is a consolidated version of an 8 hour "Confessions of a Commercial Real Estate Consulting Class". The goal in that course is to assist the student in developing a business plan for enhancing their revenues while adding value for the client.
- Our focus today is on providing an overview of consulting as a business model and understand the transition from a contingency income model to a fee based income model
- Or
- Fellow CCIM's will learn how they can leverage their knowledge and reputation to transition into fee-based consulting services

How did I get here?

realestate at the *speed of light*

- **As an apartment broker who had closed a couple hundred transactions, my competitive advantage was collecting information on apartments in a non-disclosure state**
- **About the time I was finishing my CCIM Classes, I took 102, and realized it offered some great value added tools**
- **Identified market to "pitch" those tools to**
- **But first, a movie review...**
- **Who has seen Glen Garry / Glen Ross? The land that no one wanted in that movie, was the scene of my first consulting assignment...**

A movie review Glengarry Glen Ross

realestate at the speed of light

- 1990s movie starring Al Pacino, Jack Lemon, Alec Baldwin, Alan Arkin, Ed Harris and many others



A movie review Glengarry Glen Ross

realestate at the speed of light

- It is the salesperson's sales movie
- Rated R for language
- Two items we can extract from this movie for today's session:
 - A dissection of the contingency based model (where you are always A.B.C.)
 - The “bad” leads in the movie... are the site of my first consulting assignment



Market conditions

realestate at the *speed of light*

- Hundreds of apartment zoned parcels in my market (Albuquerque)
- Owner's only way to separate themselves from other owners was by price
- Apartment parcels were like competing gas stations on opposite corners
- Prices ranged from \$1/sf to \$2/sf



Pitched my consulting Services

realestate at the *speed of light*

- To these apartment parcel owners what if there was a way to:
 - Obtain a higher sales price
 - Go under contract with a surety of closing
 - Minimize due diligence time period
 - Have a faster closing
 - In a process that incorporates the owner and neighborhood in the final product's aesthetic and design
- You would want to know about that wouldn't you?
- What would it be worth?

My first assignment

realestate at the *speed of light*

- In beautiful Rio Rancho, NM
 - Adjacent to and north of Albuquerque, NM
 - A textbook perfect 102 case study of a community focused on growing through adding basic jobs
 - Fastest growing small town in the country – from 1981 when it had less than 3,000 people to the year 2000 when it had over 60,000
 - Owner was a reformed version of the “corporation” featured in GlenGarry Glen Ross movie
 - Owner had apartment zoned land on books at \$0.88/sf and was open to taking less



What does it take
to be a
consultant?

Confessions

realestate at the speed of light

- French
- Etymology From Latin *cōfessiō* (“confession, acknowledgment, creed or avowal of one’s faith”).
- Noun confession f. (plural confessions)
- confession (admittance of having done something, good, bad or neutral)
- confession (disclosure of one's sins to a priest)
- creed (a declaration of one's religious faith)

Consultant

realestate at the speed of light

- Etymology From French consultant, ppr. of *consulter* < Latin *consultare* (“to deliberate, consult”), frequentative of *consulere* (“to consult, deliberate, consider, reflect upon, ask advice”) < *com-* (“together”) + *-sulere*, of uncertain origin.
- a person or party that is consulted.
- a person whose occupation is to be consulted for their expertise, advice, or help in an area or specialty. Alternatively, a party whose business is to be similarly consulted.

realestate at the *speed of light*



The definition I learned...

- **“A consultant is someone who provides a client with the knowledge they already had in a format that is palatable and likely to lead to a solution”**
- **“A consultant tells the boss what the employees already knew”**
- **“An expert (consultant) is someone who has traveled more than 60 miles to give advice.”**

The definition that has
become my creed...

realestate at the *speed of light*

**“A consultant adds value
to the property, to the
client and to the client’s
customers”**

What do you need?

realestate at the *speed of light*

- According to Malcolm Gladwell, author of *Outliers: the story of success*
 - One needs 10,000 hours to become an expert (studied the Beatles, Bill Gates, etc.) – (practice)
 - A passion for the subject matter
 - Knowledge
 - A deal resume that supports your experience in the assignment

Why did I take this route?

realestate at the *speed of light*

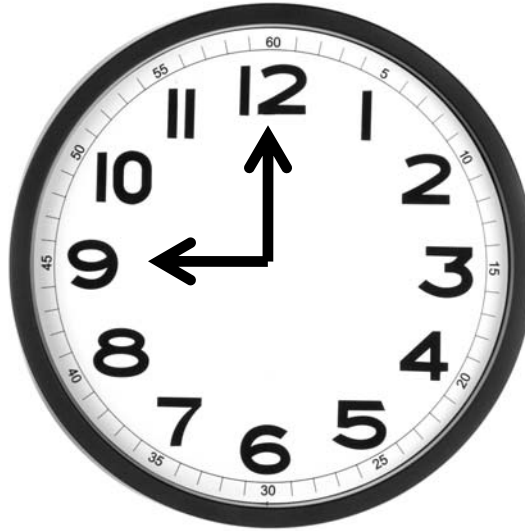
- The desire for satisfaction can be found in autonomy, complexity, and connection between effort and reward (also referenced in Malcolm Gladwells book)
- I want to be compensated for what I know, not what I can do
- I wanted to be involved with client's needs around the clock
- I like puzzles
- Good balance of income in down/weird markets



Why Consulting

realestate at the *speed of light*

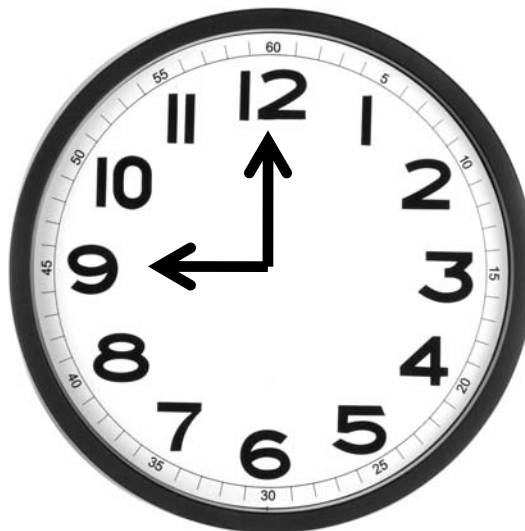
- Transaction based model focuses on client's needs from 9 to noon.



Why Consulting

realestate at the *speed of light*

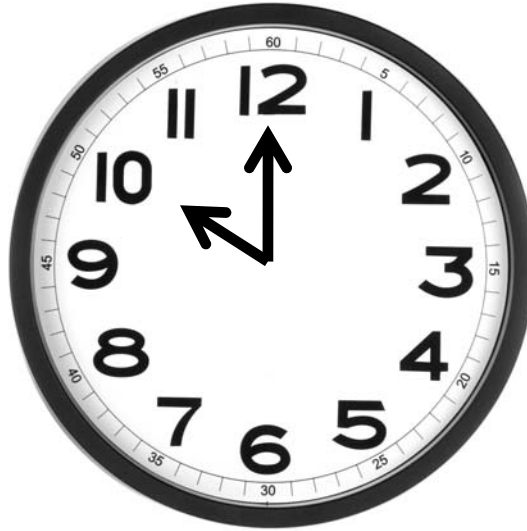
- Transaction based model focuses on client's needs from 9 to noon.
- 9 o'clock - client identifies a transactional need and hires a broker



Why Consulting

realestate at the speed of light

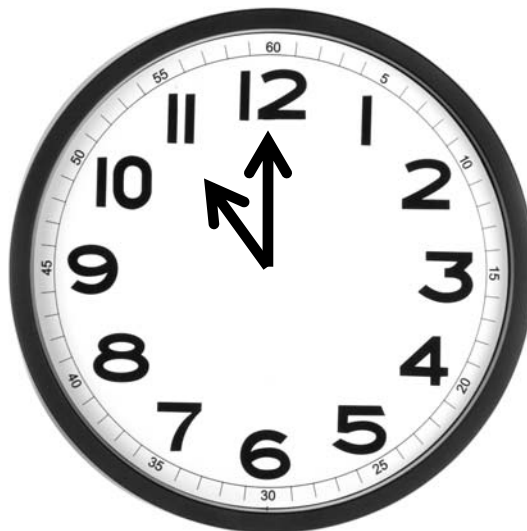
- Transaction based model focuses on client's needs from 9 to noon.
- 9 o'clock - client identifies a transactional need and hires a broker
- 10 o'clock – marketing begins



Why Consulting

realestate at the speed of light

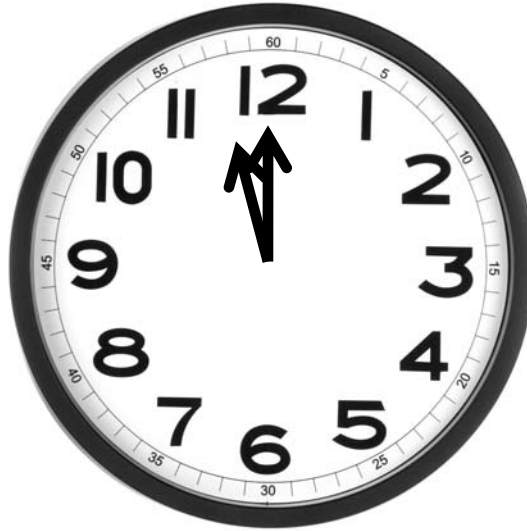
- Transaction based model focuses on client's needs from 9 to noon.
- 9 o'clock - client identifies a transactional need and hires a broker
- 10 o'clock – marketing begins
- 11 o'clock – negotiate and enter into agreement with other party



Why Consulting

realestate at the speed of light

- Transaction based model focuses on client's needs from 9 to noon.
- 9 o'clock - client identifies a transactional need and hires a broker
- 10 o'clock – marketing begins
- 11 o'clock – negotiate and enter into agreement with other party
- 12 o'clock – closing occurs



Where did the broker add value?

realestate at the speed of light

- Gatekeeper to MLS
- Local market knowledge to assist in pricing
- Connections in market
- Possible hip pocket deal
- Local nuances in negotiations
- Local vendor list for management issues

Transaction is complete

realestate at the *speed of light*

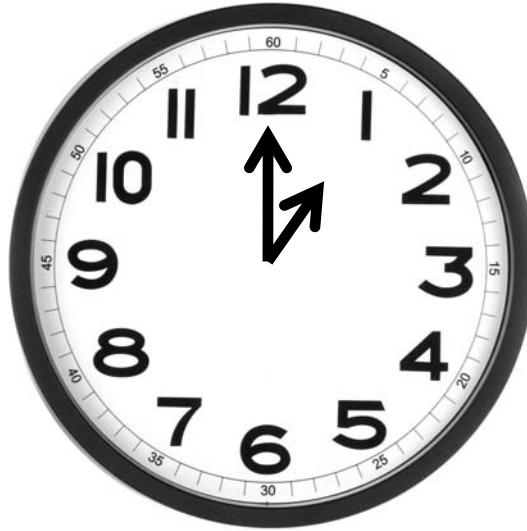
- Client loves the broker
- Broker loves the client
- BFF!
- What occurs between 12 o'clock to 9 o'clock for the client?
- What occurs between 12 o'clock to 9 o'clock for the broker?
- 9 o'clock rolls around and the client is with a new broker – how did that happen?



Why Consulting

realestate at the speed of light

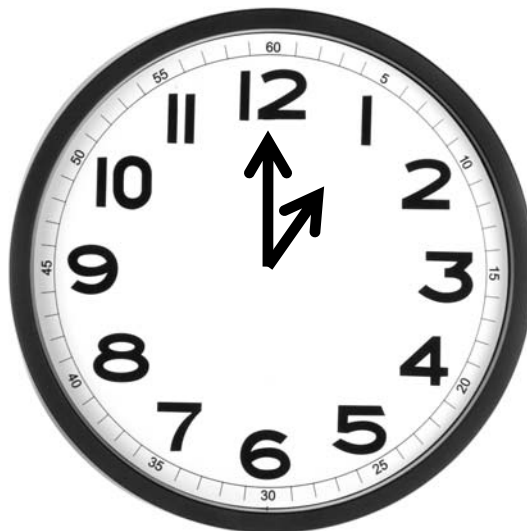
- Fee based model adds value to client's needs transaction or not



Possible Services

realestate at the speed of light

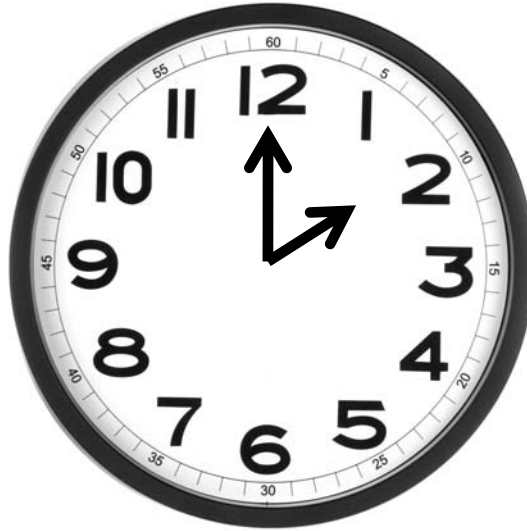
- Property Tax Protests



Possible Services

realestate at the *speed of light*

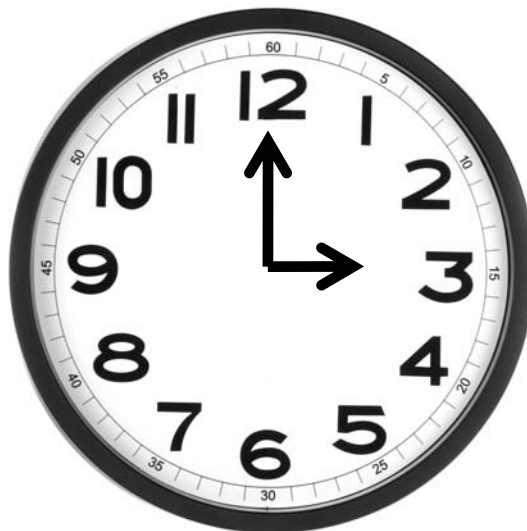
- Expense survey
- Financial analysis of operational decisions (i.e. replace the security guard with a electronic key system, etc.)



Possible Services

realestate at the *speed of light*

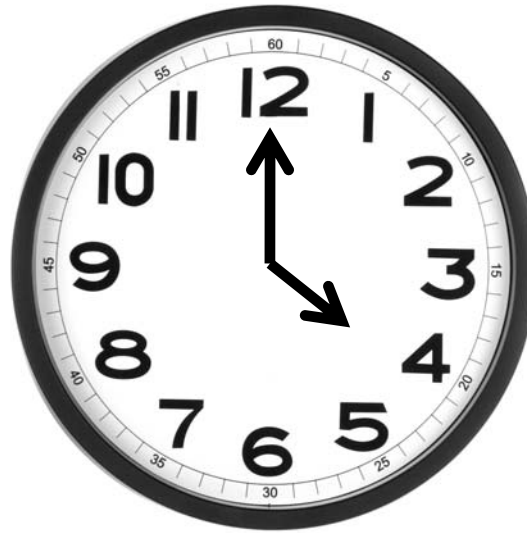
- Lease/Income Analysis



Possible Services

realestate at the *speed of light*

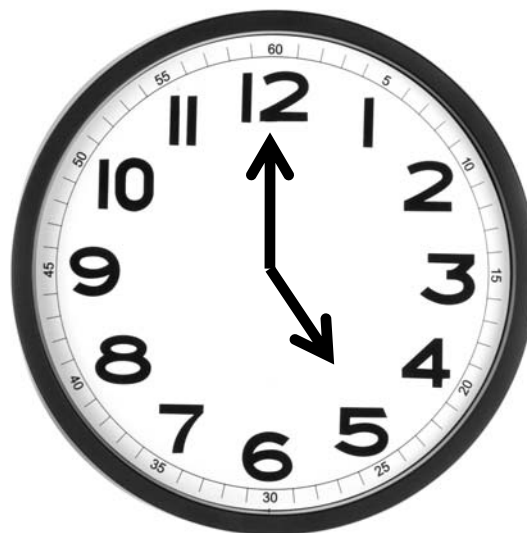
- Management training



Possible Services

realestate at the *speed of light*

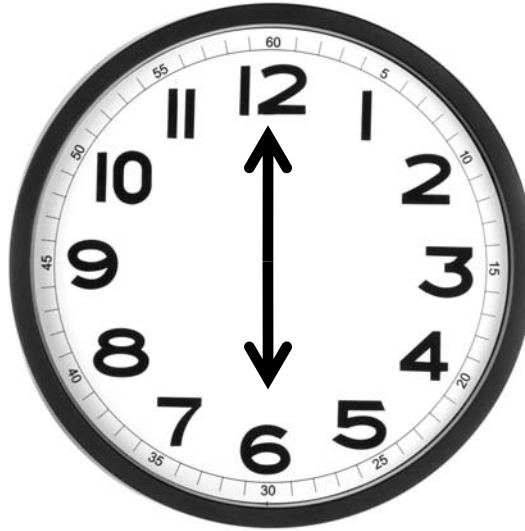
- Refinance RFP



Possible Services

realestate at the speed of light

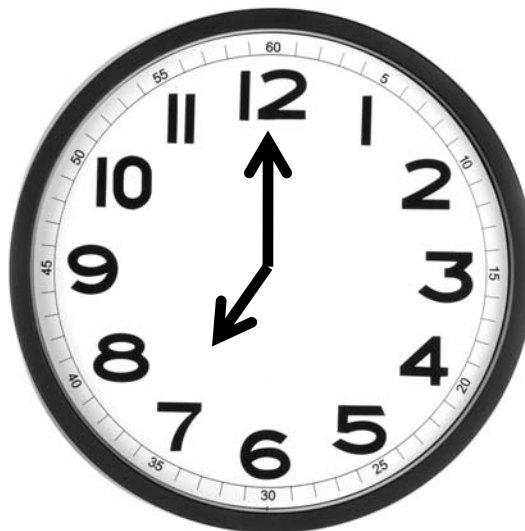
- Highest and best use analysis



Possible Services

realestate at the speed of light

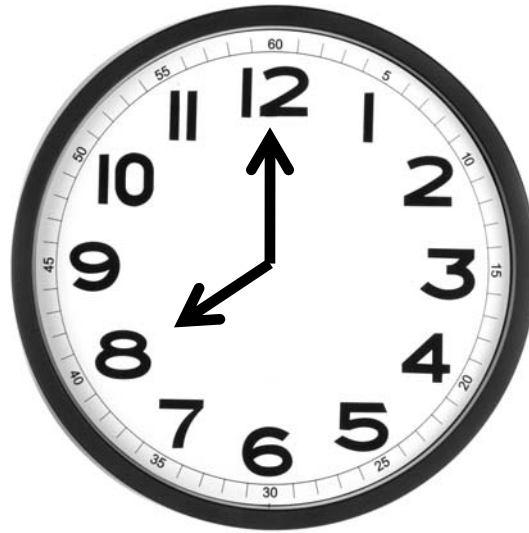
- Research alternatives for income / funding
 - Government façade grants
 - Redevelopment funds
 - Rezoning
 - Transit Oriented Redevelopment
 - Going Green



Possible Services

realestate at the speed of light

- **Market Analysis**
 - Timing of market
 - Phases of cycle
 - Hold/Sell
 - Exchange/Refinance




Use CCIM Skills

realestate at the speed of light

- **101 – financial analysis**
- **102 – market analysis**
- **103 – lease analysis**
- **104 – financial and decision analysis**
- **And the Negotiations Class**

- **Focus on adding value to client and customer**



Using one of our facilitation tools to analyze contingency vs. fee based model

SWOT analysis of contingency based model

realestate at the speed of light

Strengths	Weaknesses
Opportunities	Threats

From the client's perspective

SWOT analysis of contingency based model

realestate at the speed of light

Strengths

- Pay \$ at end/resolution/closing
- Result oriented
- Free marketing
- Can ask lots of brokers to find a deal
- Low commitment level to broker
- Owner maintains 100% of decision (they think)
- Dance with many brokers

SWOT analysis of contingency based model

realestate at the speed of light

Weaknesses

- Lack of team
- Lower quality
- Info could be skewed towards transaction
- Shallow Info / Shallow Effort
- Shelf life (too long if priced wrong)
- What do you get when you have a beauty pageant winner?
- Lack of quality
- Lack of benchmarks to measure performance
- increased liability (agency/sub-agency)
- limited control of deal exposure
- no transparency in fee's (client pays for all of the deals you couldn't get closed)

SWOT analysis of contingency based model

realestate at the speed of light

Opportunities

- Transparency in fee's
- Pay as you go (pay for what you need)
- Quality
- Commitment level is much higher
- Get what you pay for
- Very in-depth
- No bias towards transaction
- "team" approach
- Strategic overview
- Establish Benchmarks

SWOT analysis of contingency based model

realestate at the speed of light

Threats

- Pay as you go (risk in measuring fee's)
- Collusion
- Broker costs too high to continue to support contingency
- Potential to be disintermediated (like travel agents)
- Possible 800lb Gorilla competition from Wal-Mart/Banks
- MLS becomes public domain or a Google based MLS is created
- Sustained economic depression (i.e. in limbo)
- Regulation

How to arrive at where you add value your own personal S.W.O.T. analysis

realestate at the speed of light

Your individual SWOT analysis for fee based services:

Strengths	Weaknesses
Opportunities	Threats

Your own business plan

realestate at the speed of light

Your Value add is:

- Your Potential Market is:
- You will reach them by:
- Client NUMERAL
 - Needs
 - Urgency
 - Motivation
 - Equity
 - Resources
 - Authority
 - Loyalty
- Your Scope of Services
- (ask your client what their biggest problem is)
- You Typical Timing
- Value added can be measured by:

How to price services

realestate at the speed of light

Scope/Pricing

- Set your services out in a detail scope of services
(email me if you'd like a copy of what we use)

Formula

- $\text{Desired Income} / 2080 \text{ hours} \times 2 =$
- $\$ \text{_____} / \text{hour}$

Example

- $\$100,000 / 2080 \text{ hours} \times 2 = \$ 96/\text{hour}$
- $\$200,000 / 2080 \text{ hours} \times 2 = \$192/\text{hour}$
- $\$300,000 / 2080 \text{ hours} \times 2 = \$294/\text{hour}$

How to sell your price

realestate at the speed of light

Scope/Pricing

- If you don't charge like it has value, no one else will take it seriously
- Its an "investment" not a "fee"
- Never negotiate your hourly rate, always negotiate scope of services

Client's Return

n (years)	\$
0	(investment in your consulting services)
1	Value you added to cash flow
2	Value you added to cash flow
...	Value you added to cash flow
X	Value you added to Final sales price

IRR = _____ %



CANTERA
Consultants & Advisors

Consulting


Real world cases
Financial analysis of consulting fee's

Example


Lofts at ABQ High

- Historic Renovation
- 69 units + mixed uses
- Three phases
- Private/public partnership

realestate at the speed of light



n	\$	
0	-\$142,000	Client's investment in our consulting services
1	\$0	
2	\$0	
3	\$0	
4	\$0	
5	\$2,500,000	Measurable value our services added



IRR =

77%

Example

realestate at the speed of light

Villa de San Felipe

- 161 units
- Mixed income & affordable
- Tax credit
- Urban design
- Kept 400 jobs in downtown ABQ



	n	\$	
	0	-\$3,507	What the client would have paid a broker
VDSF	1	\$0	
Before	2	\$116,885	Value client would have received
IRR =		477%	

	n	\$	
	0	-\$47,000	Client's investment in our consulting services
VDSF	1	\$0	
After	2	\$467,538	Measurable value our services added
IRR =		215%	

Remember to
use Capital
Accumulation
and IRR

Example

realestate at the speed of light

- Arrowhead Ridge
- 187 units
- Tax Credit / Affordable
- Used to recruit new employers to Rio Rancho



	n	\$	
Arrowhead	0	-\$11,833	What the client would have paid a broker
Ridge	1	\$0	
Before	2	\$394,445	Value client would have received
IRR =		477%	

	n	\$	
Arrowhead	0	-\$18,538	Client's investment in our consulting services
Ridge	1	\$0	
After	2	\$1,729,929	Measurable value our services added
IRR =		866%	

Homework Assignment: *realestate at the speed of light*

- **Personal S.W.O.T. Analysis**
- **Identify places you can add value**
- **Determining pricing**
- **Flush out business plan**



Any questions?

www.toddclarke.com

tclarke@nmapt.com

If you do consulting, please consider participating in this survey:

www.canteraconsultants.com/consultingsurvey



Property tax dashboard

update as of 5/12/2010

Total Contracts Generated	216		% of all cases	
Total Contracts Signed	216	100%	100%	
Recommended Protest	191	88%	88%	
Total Reports Complete	186	97%	86%	Avp. Savings to date
Total Resolved	213	115%	99%	17%
Total Unresolved	10		5%	
Total Invoiced	203	95%	94%	
Total Paid by #	142	70%	66%	

Total 2009 Assessments	\$240,140,433		Estimate	\$59,073,704	total sav'd by CCA historical savings of 24%
Total 2009 Protest Values	\$139,167,380			\$878,426	est. total savings to clients
Difference	\$106,972,853	43%		\$210,822	est. invoice to clients @ 24%
Total Resolved	\$185,519,937				
Total Savings to date	\$39,308,790	17%			
Total Amount	\$220,292				
Less Owner Referral Fee	\$25,238	11%			
Total Invoiced w/ Referral	\$195,054				

