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Industrial Property Leasing and Sales Opportunities

COMMERCIAL REAL ESTATE BROKERAGE

by John Highman

The industrial property market holds a lot of opportunity for commercial real estate agents and brokers. That is largely because the segment is easy to penetrate and understand.

The segment is likely to be the first level of property investment for local clients, and the property type is easy to understand. It doesn't take a lot of money for a client to enter into the purchase and lease of an industrial property.

Most real estate agents will start their career by working on industrial property and particularly in leasing those properties first and foremost. The logic works very well, given that leases help those agents understand property investment strategies and tenant choices.

The only negative that comes with the segment is that the leasing fees per transaction are on average not as high on an area by area basis as that of office and retail property (because the rents are lower). The commissions increase if the property

is very large and the terms of occupancy are well considered for a long term lease.

The Rule for Real Estate Agents?

So there is a rule that is worth remembering when it comes to working on properties of this type. You need lots of listings and many contacts to make the segment work for you well in commissions. You also need an abundance of 'exclusive listings' where you can control the stock.

One big error that I see so often in the segment is that newer agents will typically take 'open' listings as part of the new business process. When the client puts the pressure on in the listing phase of the contact, many agents 'cave in' when the client says, 'I will only give you an open listing, take it or leave it.'

The best agents will say 'No thanks' to an open listing, and



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then they will say something like this, 'For any agent to promote your property comprehensively into the right target market, it takes real effort and focus, and that doesn't happen with an open listing. Mr. Client you have a choice and so do I. Here is my solution to help you solve this property situation and I am sure you will see the difference in this approach as to that offered by other agents locally.'

Be prepared to walk away from 'open listings' if you see no merit in holding the property. In my view, the clients that push for openly listing in this way are not serious in achieving an outcome on the terms of the market.

I had a discussion with an female real estate agent friend a couple of months ago. We were discussing how she would move ahead in the city market when she changed area or location. I asked her about 'results to date' and I asked, 'How many listings do you have and how has that been for you over

the last 12 months?'

The reply went something like this:

'I have got about 60 listings, and things are going well.'

In reality the agent had a low conversion factor because she was taking on the 'rubbish' listings that other agents had forgotten.

After a bit of digging I could also see that all of those listings were 'open listings' and most of them were poor to average in quality. They were smaller suburban listings in difficult locations that had been on the market for a long time, and with other agents having 'flogged the potential' out of the properties to little or no avail.

It would have been better for this agent to focus on excellent marketing and database coverage; market domination would be part of that focus and would help her explain the value of



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her appointment to the property. Those factors make it a lot easier for any agent to argue about the value of 'exclusivity' with the listing. Most clients want the best agent for the job before they will consider and get 'hung up' on the agency type.

In closing on this point, rather than this agent having 60 random 'open' listings, it would have been far better for her to be working with a list of 10 to 15 'exclusive' listings. The conversion rates to successful transactions would have been a lot higher.

So there is a clear message here about working exclusively with industrial property clients and quality listing stock. Are you up to the challenge?



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info@commercial-realestate-training.com

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