



# The Basic Psyche of COMMERCIAL REAL ESTATE



# The Psyche of Commercial Real Estate

- How to select your ideal commercial category
- Discovering your commercial client's needs
- Getting into the mind of your commercial client
- Dealing with the loss of a big commercial deal
- Prioritizing selfcare and mental balance

*PRIORITIZE THE BUSINESS OF YOU, FIRST!*



## What Is Commercial Real Estate (CRE)?

*Commercial real estate (CRE) is a category of property used exclusively for **business-related purposes** or to provide a workspace rather than a living space (residential).*

*Multifamily being the exception*



## MOD1. Brand Discovery

- Why commercial real estate?
- Who is your ideal client?
- How can you best support them based on your experiences?

*This is your niche market! ...a comfortable or suitable position in life and employment.*



## MOD2. Your Digital COMMERCIAL Footprint

- Website
- Social Media
- Create a QR code
- Let your sphere know how they can support your commercial business

*You know everyone you need to know; start calling, texting, emailing and asking!*



## MOD3. Paid & Free Marketing Options

- Google Profile
- Facebook Page/Ads
- Instagram Profile/Ads
- LinkedIn
- Yelp Business Acct

*USE YOUR PHONE & BE VULNERABLE!*





## MOD4. Lead Generation

- Generate leads from other broker “listings”
  - Build a network of Commercial Agents and Brokers
- Offer/Plan Open Doors
  - Get permission to post, share, and host open door (house)
- Facebook Marketplace Listings
- Network with other Commercial Agents
- Go after Expireds! from MLS and Drivebys!

*Consider your market and be CREATIVE!!!*



## MOD5. Types of Commercial Real Estate

### **Primary:**

- Office/Property Management
- Industrial/Warehouse
- Retail/Shopping Centers
- Multifamily/Mixed Use
- Land/Agriculture

### **Secondary:**

- Storage Facilities
- Hotels/Resorts
- Auto/Repair Shops
- Mobile Home Parks
- Churches/Specialty

*Use your experiences to find your category type.*





## MOD6. Getting the FIRST Buyer/Seller Inquiry

- Listen to connect and understand the business and/or goal
- Collect Data (name, location, use, budget, condition/class A, B, C, size, timeline, etc.)
- Validate your role as their "Go-To" agent
- Express how you can help save them time and money!
- Present benefits of <sup>ONDemand</sup> Realty resources and your experience
- Draft a listing or buyer's rep agreement; referral agreement
- Consult with your team and/or mentor for input

*Communicate each step of the process!*



## Commercial Listing Sites

- CoStar
- LoopNet
- Crexi
- Brevitas
- Showcase
- Commercial Cafe



## MOD7. Common Commercial Forms

- Information about Brokerage Services (IABS)
- Commercial Buyer/Tenant Representation
- Letter of Intent (LOI) - Lease Transaction
- Commercial Lease Agreement
- Commercial (Improved/Unimproved) Contract
- Property Condition Statement (Seller's Disclosure)
- Lead Based Paint (Seller's Disclosure) prior to 1978
- Third Party Financing Addendum

*Attorney Drafted (Temporary Lease)*



## MOD8. Pre-Contract/Lease Tasks

Due Diligence!!! Due Diligence!!!

Due Diligence!!!

- Client's Intended Use
- Property/Area Zoning
- Tenant Allowance (TA)
- Tenant Improvement (TI/A)
- Minimal/Maximum Lease Terms (2-3; 5-7 years)
- Insurance Requirements
- Certificate of Occupancy (COO)
- Parking Requirements/Ratios

*Your client's business depends on it!*



## MOD9. Common Commercial Leases

- Full Service: A rental rate that includes normal building standard services as provided by the landlord within a base year rental.
- Double Net (NN): Tenant pays for only two of the building expenses; the landlord and tenant determine specific expenses.
- Triple Net (NNN): A lease in which the tenant is responsible for all expenses associated with their proportional share of occupancy of the building.
- Modified Gross: Modified Gross is a general type of lease rate where typically the tenant will be responsible for their proportional share of one or more of the expenses.

*Absolute!!!*





## Sample NNN Lease Calculation

- 3500sf
- 5yr Lease Term
- \$22/psf (Price Per SF)
- \$12/psf NNN

***EX: Lease 3500sf (\$22/psf+ \$12/psf NNN = \$34/psf)***

\$119,000/per year X 5yrs (60yrs) = \$595,000

Monthly Rent Amount = \$9,916

Ex: Commission \$9,916 x 60mths = \$594,960

*Agent Lease Commission 4% = \$23,798*



## MOD10. CAP RATE! CAP RATE! CAP RATE!

- What is a Cap Rate?
- Return on a Cash Investment
  - *The cap rate helps an investor determine the percentage of return to anticipate if they purchased the investment property for cash assuming the current income.*
- Assuming the property is purchased for cash or 100% equity and without the benefit of a loan.

***Investment Comparison and Risk Assessment***


# Examples of Annual Cap Rate Calculation

**Cap  
Rate**

**=**

**Net Operating Income (NOI)**

**Property's Market  
Value or Sale Price**

An illustration of a right hand holding a green pen, writing on a piece of lined paper. The paper has horizontal blue lines and a vertical red margin line on the left. The text is written in a cursive, handwritten style.

\$9,000 (Gross Income)  
-\$900 in property management  
-\$450 in maintenance  
-\$710 in taxes  
-\$650 in insurance  
\$6,290 (Net Income) ÷ \$40,000 (Purchase price)  
= 0.157 = 15.7% cap rate

wikiHow



## MOD11. Post Contract Tasks

- Ensure all docs are signed by Buyer and Seller
- Track Earnest Money Deposit
- Schedule and track professional services
  - Lenders
  - Inspectors
  - Appraisals
  - Surveyors
  - Contractors – Reno estimates, ARV, broker \$ opinion (BPO)
- Keep a close eye on important dates in the contract, feasibility period, closing date, etc.

*Use reliable, licensed service providers*



## MOD12. Commission Opportunities

- Leases – up to 4.5%
  - Extensions – 2%
- Purchases – 4-6%; 2% (Lease)
- Mentorship/Referrals - 25%
- Corporate Housing
- Property Management
- Off Market Deals with Investors

*Use your experience, find your niche, and the money will come!*



## MOD13. Daily Tasks & Follow-ups

- Circulate your digital card
- Client contact (set a schedule) - via text, email, etc.
- Connect with other commercial/residential agents
- Search new properties in your niche/area
- Post them on social media, via text or email
- Sign up for MLS Commercial classes!!!

*REPEAT! REPEAT! REPEAT!*



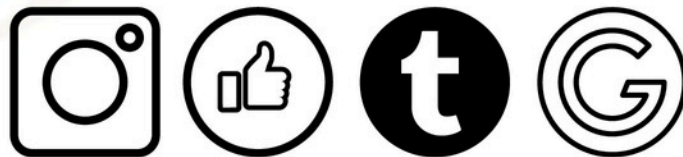
## Q & A...

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*LC Real Estate Group (Dallas)*