The Dangers of "I Know A Guy" When Hiring Commercial Real Estate Brokers

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Why Personal Referrals Alone Should Never Determine Who Represents Your Company in a Commercial Real Estate Transaction

When companies need to hire a commercial real estate broker, the selection process often begins with a familiar phrase: ***"I know a guy."***

Perhaps it's a friend. A golf partner. A neighbor. A former colleague. A broker who helped someone lease office space years ago. Or someone who was recommended by a business associate.

While personal referrals can be valuable, relying solely on them to select the professional who will negotiate one of your company's largest and most foundational financial obligations can prove very risky and can be a costly mistake.

Commercial real estate transactions routinely involve hundreds of thousands—or millions—of dollars in long-term financial commitments. The underlying facilities form the very foundation of company operations, and affect everything from company image to culture, to the ability to attract and retain employees, customers, to how prospective and actual partners, investors, lenders, service providers, vendors, and others will perceive your company. The commercial real estate broker or advisor you hire, the depth and quality of service, and the outcome of those services, all can influence occupancy costs, operational flexibility, business continuity, employee satisfaction, corporate risk, growth, and many aspects of your company’s success, for years to come.

Before you hire "a guy," consider what is truly at stake.

A Referral Is Not the Same as a Qualification

A referral simply means that someone had a positive experience in their specific interaction with that broker. That's good. But, it does ***not*** necessarily mean that broker is the best choice to guide your company, plan and execute its specific transactions, and represent your company's business interests. That's because every company has unique operating, financial, and real estate requirements, and every transaction is different.

Commercial Real Estate Is Highly Specialized

Commercial real estate brokerage is not a one-size-fits-all profession.

A commercial real estate broker who successfully represented a small retail tenant in a lease transaction may have limited experience negotiating transactions for headquarters relocations, manufacturing facilities, distribution centers, laboratories, technology campuses, investment transactions, financings, complex multi-market portfolios, purchases or sales. Similarly, a broker who is expert in large or complicated transactions may not be able to devote the time or resources for smaller or less complex engagements.

Not only may that broker not be qualified for your transaction type, he or she may not have precise knowledge of the geographic market in which you seek to complete a transaction, he or she may not be familiar with the players, may not be familiar with your industry, may not have access to timely and accurate intelligence, he or she, or their company, may have conflicts of interest that would preclude them from properly representing your company, and his or her company may not offer the requisite services or have the depth of expertise or experience that your company will need to achieve its objectives.

Your company's specific needs—not someone else's experience—should drive your commercial real estate broker selection process. A broker who excels in one area may have limited experience in another. And, industry knowledge matters.

Negotiating Skill Varies Significantly

Many people assume all commercial real estate brokers negotiate at the same level. Actually, as in any other profession, they do not. Exceptional negotiators understand:

- Market leverage
- Landlord, tenant, buyer, and seller motivations
- Finance and financial modeling

- Lease economics
- Sublease, assignment, extension, and other options and rights
- Tenant improvements, capital expenditures, and allowances
- Lender implications
- Buy vs lease implications
- Sale vs lease opportunities
- Competitive bidding strategies
- Construction costs
- Property management issues
- Lease and purchase and sale structure and language
- Legal implications of transactions
- Risk allocation
- Timing
- More

The difference between an average negotiator and an outstanding expert can translate into substantial long-term savings, risk mitigation, improved lease terms, and can mean the difference between your company completing a poor transaction and one that properly supports your business and real estate objectives.

Relationships Should Never Replace Due Diligence

Few companies would hire an accounting firm, law firm, investment banker, or cybersecurity consultant based solely on a friend's recommendation. They would first evaluate qualifications, experience, references, industry expertise, and the expertise of individuals on the proposed team.

When hiring commercial real estate brokers or advisors, intelligent business executives conduct the same level of scrutiny. Questions to ask include:

- What similar assignments have you completed?
- Who will actually perform the work?
- Who will lead transaction planning, negotiations, and execution?
- Who will report to us and communicate with outsiders on our behalf?
- What industries, property and transaction types and sizes, and geographies do you and your company specialize in?
- How many transactions have you completed in your areas of specialization?
- Who are some of your clients?
- How do you approach transaction planning, negotiations, and execution?
- What challenges have you faced in client engagements, how have you overcome them, and what were the outcomes?
- What existing and / or potential conflicts of interest exist and how will you address them as they arise?
- How will you measure success on our behalf?
- How will you advise us and protect our interests?

- Can you provide relevant client references?

Such questions often reveal important differences between prospective commercial real estate broker candidates.

Bigger Is Not Always Better—Smaller Is Not Always Better

Some referrals point to global and national brokerage firms, while others point to boutique local brokerage firms. Neither is automatically the right choice.

The success of your company’s intended real estate transactions will depend on the experience, strategic thinking, responsiveness, creativity, services, depth, and negotiating ability of the specific professionals representing your company—not the size of the logo on their business card.

The Hidden Cost of the Wrong Selection

Choosing the wrong commercial real estate broker can result in:

- Paying above-market occupancy costs
- Missing valuable financial incentives
- Accepting unfavorable lease provisions, purchase or sale terms
- Losing negotiating leverage
- Increased operating expenses
- Reduced flexibility for future growth
- Higher relocation costs
- Greater business risk
- Costly errors
- Missed opportunities to optimize your company’s occupied real estate

Such consequences can have significant effect on your company and its financial performance and can continue throughout the time your company will occupy the its facilities.

Establish a Formal Broker Selection Process

Rather than relying solely on referrals, companies seeking to engage commercial real estate brokers should plan and conduct a structured evaluation process, one that will include:

- Defining business and real estate objectives

- Identifying qualified candidates
- Gathering detailed information
- Reviewing relevant experience
- Evaluating industry specialization
- Assessing negotiation capabilities
- Understanding potential conflicts of interest
- Interviewing the proposed service team
- Structuring specific terms of engagement, soliciting, and analyzing service proposals
- Confirming references
- Comparing strategic and service approaches—not just fee structures
- Ensuring cultural fit and compatibility

The goal is to identify the commercial real estate broker or advisor best equipped to achieve your company's business and real estate objectives.

Hiring The Right Commercial Real Estate Broker Will Create and Protect Long-Term Value

An exceptional commercial real estate broker or advisor does far more than locate available space. They help your company:

- Intelligently plan and execute transactions
- Provide transaction strategy
- Reduce occupancy costs and drive financial efficiency
- Improve operational flexibility
- Identify and manage risk
- Support growth strategies
- Strengthen negotiating leverage
- Align real estate decisions with corporate objectives
- Represent your company’s best interests

Such high levels of value, those to which your company is entitled, are rarely discovered through casual recommendations alone.

The Bottom Line

There is nothing wrong with receiving referrals. In fact, referrals can be an excellent starting point. But they should never be the ending point.

Before committing your company to a long-term commercial real estate obligation, invest the time to evaluate multiple qualified commercial real estate brokers or advisors, by creating a structured approach and using objective criteria.

The right commercial real estate broker or advisor can save your company substantial cost, reduce risk, and create lasting strategic value. The wrong advisor may simply have been "a guy" that someone happened to know.

Hire the Right Commercial Real Estate Broker!

Commercial real estate decisions affect growth, profitability, operational flexibility, employee attraction and retention, and productivity, as well as company image, corporate risk, shareholder value, and more. Selecting the right commercial real estate broker is one of the most important decisions your company will make.

Don't hire a commercial real estate broker simply because they're visible or recommended by a colleague. Hire the right commercial real estate broker who will best understand your business, develop intelligent strategies, identify the best properties and transactions, negotiate exceptional outcomes, and will remain committed to protecting your interests throughout the entire real estate lifecycle.

Real Estate Strategies Corporation

Through its *"Hire the Right Commercial Real Estate Broker"* services, Real Estate Strategies Corporation **does not** serve as its clients' real estate broker but, instead serves as their advisor in selecting the right commercial real estate broker. *"Hire the Right Commercial Real Estate Broker"* is not a broker directory, nor does the Company represent real estate brokers. Real Estate Strategies Corporation only represents the companies who hire it and relies on its experience and highly detailed knowledge of the brokerage and commercial real estate industries to assist companies in hiring the right commercial real estate broker. Real Estate Strategies Corporation also delivers broker and transaction management services to ensure that the brokers its clients hire will deliver on their commitments, provide the best possible services, and achieve their defined objectives.

Real Estate Strategies Corporation provides a Low Cost, No Cost financial model that permits its clients to receive Broker Selection Services at a Low Cost and Broker and Transaction Management Services at no cost.

Real Estate Strategies Corporation is a commercial real estate consulting and transaction services company that advises commercial occupants across most industries on all types of transactions in all commercial property types throughout North America. Its highly focused consulting service, *“Hire the Right Commercial Real Estate Broker”,* helps companies hire and manage commercial real estate brokers of all types, sizes, and in all markets across North America. RealStrat is a New Jersey based company that is led by Andrew Zezas, Strategist & CEO, an award-winning commercial real estate executive with over four decades of experience in advising companies on achieving business driven real estate solutions.

To learn more about our services or RealStrat’s Low Cost, No Cost financial model, visit www.TheRightCREBroker.com, www.RealStrat.com, or contact Andrew Zezas at Andrew.Zezas@RealStrat.com or 201 906 8964.