

BREAKING INTO COMMERCIAL REAL ESTATE BROKERAGE

Presentation to the
Frederick County Association of REALTORS[®]

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MacRo, Ltd.

Frederick, MD

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Part One: Where to Start

1. What is Commercial Real Estate?
2. Is Commercial Real Estate for you?
 - a. Not just a change in Property Type
 - b. A bit of the Wild West
 - 1) Less cooperation - Dabblers are not welcome
 - 2) No uniformity in Contracts, Leases, Listing Services CRE
 - 3) Every man for himself -- many broker/owners
 - c. Cost factor

3. Choosing a Path

a. Company

- 1) Transition in from residential to CRE
- 2) Full Time CRE
- 3) Strike out on your own

b. Area of Experience

- 1) Geographic
- 2) Property Type
- 3) Single Product Representative

c. Training

d. Staff support & Teams

e. National or Regional vs Local Company

4. Finding a Mentor

5. Choosing an Area of Specialty

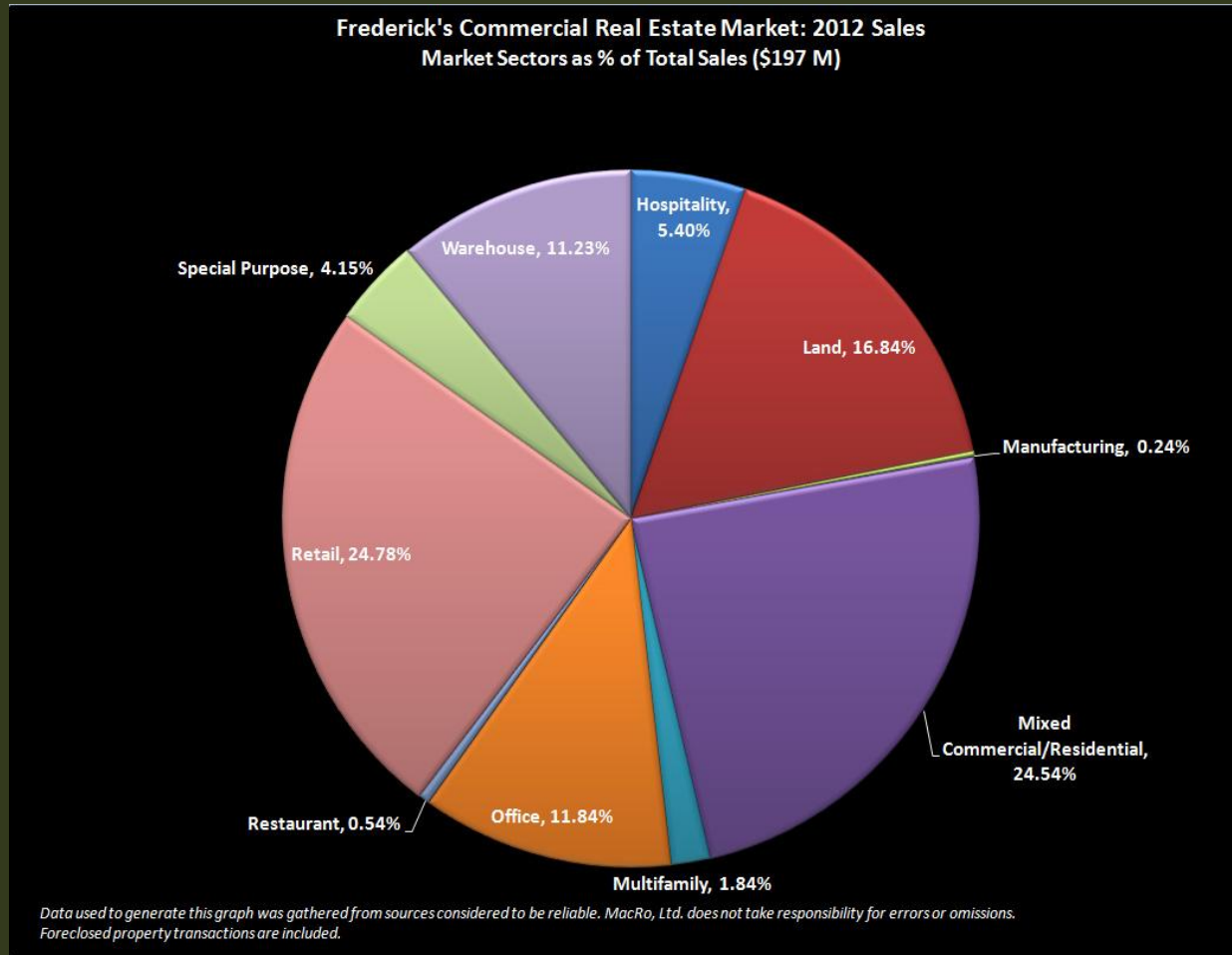
- a. Industrial
- b. Office
- c. Retail
- d. Investment
- e. Business Brokerage
- f. Developable Raw Land
- g. Cross-Overs and Specialties

Cross-Overs and Specialties

- 1) Hotels
- 2) Restaurants
- 3) Multifamily
- 4) Warehouse vs Flex
- 5) Retail Pad sites: Improved vs Unimproved
- 6) Land development
- 7) Shopping Centers
- 8) Condominiums: Land vs Improved
- 9) Medical
- 10) Bio-Tech
- 11) Downtown vs Suburbs
- 12) Redevelopment/Adaptive Reuse
- 13) Land

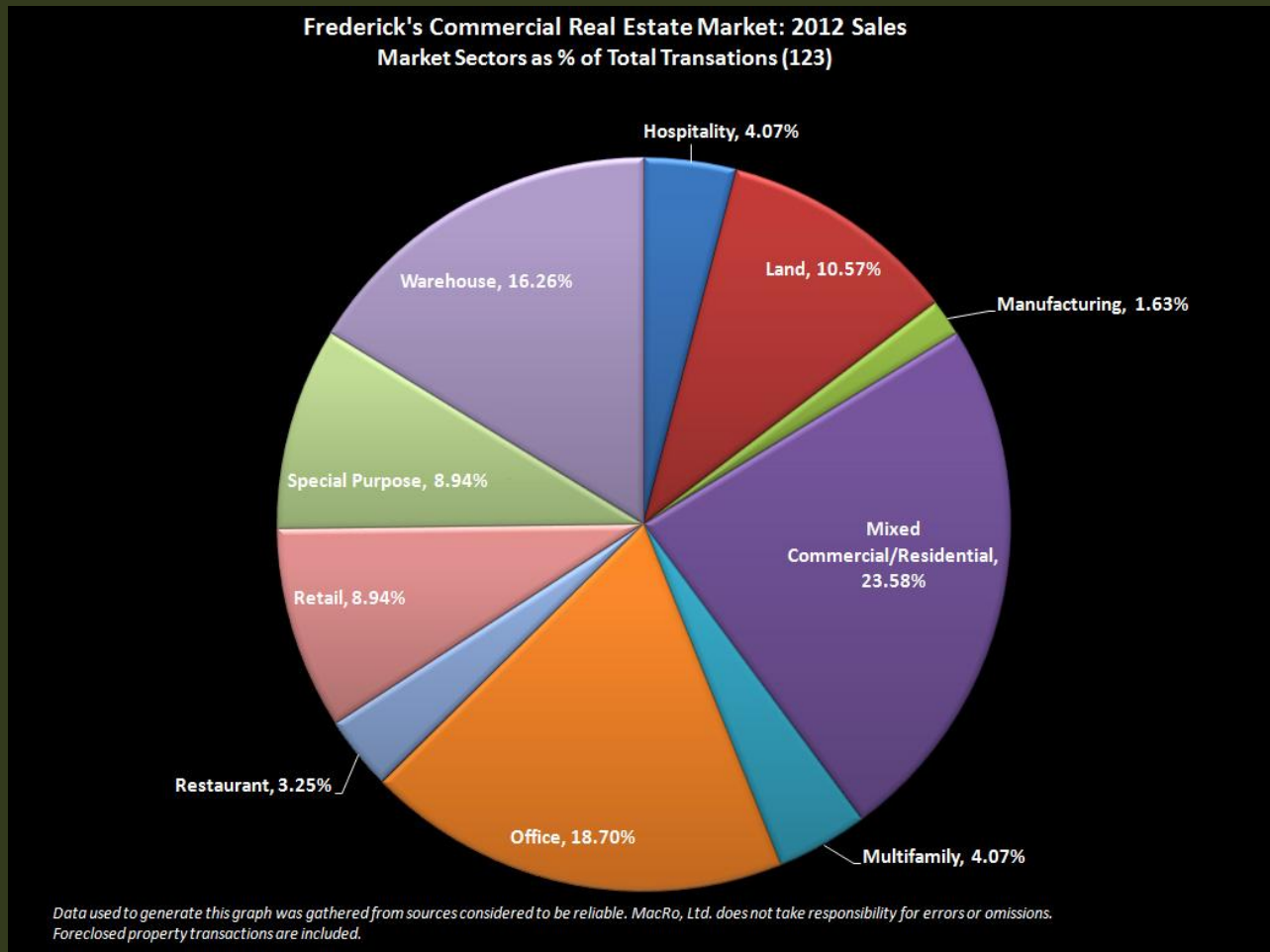
What can you earn?

2012 CRE Sales in Frederick County, Maryland:



What can you earn?

2012 CRE Sales in Frederick County, Maryland:



So ... What can you earn?

With a total of 124 sales transactions totaling \$197 million, net income to the CRE agents after several factors are deducted (non-brokered deals & house cuts), there may have been anywhere from \$6,000,000 to \$10,000,000 in net fees to disburse to the agents involved. Add to that another \$1,000,000 to \$2,000,000 in net fees earned from about 120 brokered leasing transactions.

Divide that by about 150 CRE agents who come from all over the region to part-take in Frederick County Commercial Real Estate deals, and the average income per agents falls between \$45,000 and \$80,000.

Keep in mind that in a highly competitive industry the cream of the crop (the most active agents) earns a majority of the fees ... more than likely only about 10% to 15% take in the as much as 80% of the fees generated. So do you have what it takes to get in that category?

Other sources of income for CRE brokers comes from consulting, development, property management and appraisal services ... getting paid for their expertise.

It should not go without saying that most successful members of the CRE community find themselves moving away from the brokering of CRE into the buying of CRE. Investing in and developing commercial real estate offers a different risk/reward ratio that can be very high ... from either perspective!

Endless opportunities that are derived from an endless fulltime commitment to the profession!

Part Two: Contracts and Commitments

1. Listing Agreements - Open/Exclusive
 - a. For Sale
 - b. For Lease
 - c. Sale and/or Lease
2. Joint Ventures & Partnerships
3. Letters of Intent
4. Leases & Rent Types
 - a. Triple Net Leases
 - b. Gross Leases
 - c. Full Service Leases
 - d. Modified Leases
5. Contracts of Sale
6. Option Agreements
7. Rights of First Refusal

Part Three: Technical Knowledge

1. Demographics & Market knowledge
 - a. Geographic Income levels
 - b. Concentration of population
 - c. Traffic Counts
 - d. Concentrations of Business
 - e. Development pipeline
2. Construction and Land Development
3. Engineering & Surveying
4. Architecture
5. Industry Specifics

6. State & Local Governments
7. Zoning and Comprehensive Planning
 - a. Zoning classifications
 - b. Variance
 - c. Text Amendments
 - d. Plat and Permitting Approval Process from Federal, State and Local Agencies
 - e. Annexations
8. Public Hearings & TAC Meetings
 - a. Historic Preservation Commission
 - b. Planning Commissions/Boards
 - c. Board of Appeals
 - d. Mayor & Board, Board of County Commissioners (future County Executive & County Council)
 - e. Dealing with other counties, municipalities and jurisdictions
9. Regulations, Impact Fees, Extractions, Proffers, etc.

10. Environmental Issues:
 - a. Phase 1, 2 & 3 Reports
 - b. Brownfield Properties
 - c. Liability
11. Types of Value
 - a. Market Value
 - b. Value in Use
 - c. Investment Value
 - d. Insurable Value
 - e. Liquidation Value
12. Valuation methods
 - a. Cost Approach
 - b. Sales Comparison Approach
 - c. Income Capitalization Approach
13. Funding sources
 - a. Traditional lenders
 - b. Private Equity
 - c. Equity Kickers, etc.

Part Five: Market Knowledge

1. It's who you know!
2. Community, Industry & Social Involvement
 - a. Non-Real Estate related
 - b. Real Estate related
3. Market knowledge
 - a. Transactions - past and future
 - b. Trends
 - c. Global, national, regional and local economics
 - d. Current events - news, newsletters, community meeting, blogs, etc.
 - e. Word on the Street
4. Putting Technical Knowledge to use
 - a. Marketing yourself
 - b. Marketing Properties

Resources:

CCIM Institute (CCIM)	www.ccim.com
Counselors of Real Estate (CRE®)	www.cre.org
Institute of Real Estate Management (CPM®)	www.irem.org
Realtors® Land Institute (ALC)	www.rliland.com
Society of Industrial & Office Realtors® (SIOR)	www.sior.com
National Association of Realtors®	www.realtor.org
Realtors® Commercial Alliance	www.realtor.org/rca
International Council of Shopping Centers	www.icsc.org
Building Owners and Managers Association	www.boma.org
Urban Land Institute	www.uli.org
Commercial Real Estate Women	www.nncrew.org

List from white paper “Starting a career in commercial real estate,” by Cindy Chandler, CCIM, CRE, The Chandler Group, 2003 Chair, Realtors® Commercial Alliance of the NC Association of Realtors®

Resources:

Books:

Mega-Producer Results in Commercial Real Estate: A Blueprint for Success

by Robert L. Herd

How to Succeed in Commercial Real Estate

by John L. Bowman

The Fundamentals of Listing and Selling Commercial Real Estate

by Loren K. Keim

Warning: Reading books like these will only give you an overview of the business!

Words of Advice

from CRE Blogger Duke Long:

1. Commit to a defined market.
2. Study research and physically walk that market until you can recite the owners, potential clients and their lease/sale timing and terms in your sleep.
3. Find a mentor. Look at the demographic above. They are literally dying to find new talent. I was in a class.....you should have heard them whine for new talent.
4. Give up residential...forever.
5. You have kids to feed! Get up in the morning knowing they need food from a commercial deal you make.
6. Go and get recruited to a firm that fits you. They may be begging for talent. They don't just take anybody. I have been in those rooms. A+ game or there is no game at all. It may take 5 interviews with the same firm before they decide.
7. Quote from a well-respected friend of mine "If a residential person calls me about a deal they are essentially offending me and my firm." We are the commercial real estate professionals." "Don't ask for a referral we already have them or the building owner in our database" "I can 100% guarantee that."

Thank You

Questions

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*Land and Commercial Real Estate
In Frederick County, Maryland
since 1990*

About Rocky Mackintosh

Earl M. Mackintosh, III known as Rocky, has been active in the real estate market since 1972. In 1980, Rocky founded Mackintosh, Inc. Realtors®, a multi-office general brokerage firm now owned and operated by his brothers. In 1990, he established MacRo, Ltd., the Frederick, Maryland-based land and commercial real estate development, real estate brokerage, leasing, property management and real estate consulting services firm he heads today. He has earned numerous awards and recognition for his achievements over the years.

Rocky and his staff maintain an active commercial real estate blog - The MacRo Report Blog - which is widely followed throughout the region, and has been recognized by his peers and one of the Top 60 CRE blogs in the nation (www.dukelong.com).

He has served on the board of directors of Frederick Memorial Healthcare System (past board chair); The Barnesville School in Barnesville, Maryland (past board chair); The Bullis School in Potomac, Maryland; Lily Ponds Water Gardens; The Frederick County Chamber of Commerce; Frederick County Home Builders and its Land Use Council; The Rotary Club of Frederick; Goodwill Industries of Monocacy Valley (past board chair); Frederick Mutual Insurance Company; The Community Foundation of Frederick County; and several real estate industry-related organizations

www.macroltd.com & www.macroreportblog.com