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COMMERCIAL REAL ESTATE IS NOT LOCAL ANymore

By Jay Olshonsky, SIOR

When Thomas Friedman published his seminal book, *The World is Flat:*

A Brief History of the Twenty-First Century, in 2005, his analysis of globalization described a new world order of commerce wherein all competitors have an equal opportunity. The title for the book itself is a metaphor for viewing the world as a level playing field. In what really started in the 1980s with the American off-shoring of manufacturing and accelerated with the 1990 recession, by the early 2000s global commerce had become an industrial enterprise in which historical and geographic divisions were increasingly irrelevant. Friedman updated the book in 2006 and again in 2007 as "Release 3.0." By then, the global supply chain had solidified its position in our lives and in trade.

Yet 10 years ago, commercial real estate was still a local business. And it's not anymore.

On January 9, 2007, Steve Jobs announced the iPhone at the Macworld convention, receiving substantial media attention. He said the first iPhone would be released

later that year, and it was, on June 29, 2007. That changed everything, because while there was the iPad and laptop computers made by numerous companies, for the first time people had truly portable data. It's one thing to be able to talk on a mobile phone – it is entirely another thing to transmit data on small hand-held devices.

It's fair to say that Netscape's browser circa 1995, RIM's BlackBerry with mobile texting, and several other technologies played significant roles in transitioning commercial real estate services from a purely local enterprise to one that has increasingly become a portable and mobile service, but all these things seem to have coalesced about 10 years ago when the first iPhones hit the market.

While CoStar Group was founded 30 years ago and LoopNet came later (then Xceligent, Real Capital Markets, Trepp, and Real Capital Analytics, among many others), these were data companies that relied on traditional distribution

networks to get to market, find end-users etc. Fast-forward to today and distributed networks have evolved and now they intersect the commercial real estate sector in new and profound ways. Cloud computing, software as a service (SAS), e-commerce, fintech, co-working, big data, and (looming) autonomous vehicles are radically altering the flow of information and – the ability to transact business virtually.

The reason commercial real estate is not local anymore is because servicing the people in the industry can happen wherever and whenever two parties can agree to time and place. It is nationalism and globalism all in one. However, before continuing, I don't want readers to think that I am some starry-eyed dreamer: At least 90 percent of commercial real estate transactions – lease or sale, are still completed locally – by local buyers, lessees, property owners and associated service providers, including brokers. That is the piece that is going to change over time, and it starts with attitude and the willingness to invest in the online tools to do virtual business.

By accepting change and shifting one's attitude to believing in the digitalization of the real estate service process, barriers can be broken down. There will probably always be some level of gate-keeping in our industry but there will be less of it. You can't stop efficiency. It's like Moore's Law applied to the real estate process (the speed of transistors doubles every two years). That's been true for the computing industry for a long time. It is taking hold in our business.

Right now, from New York, I can help a client identify space to lease or buy a building in nearly any market in the U.S., and many markets internationally. By phone, email, text, Skype, Facetime, and other related tools, we can have as many meetings with as many people as desired to sort out the clients' requirements, needs etc., and begin looking for property. The use of drones in property marketing, landlords creating virtual tours of properties, Google maps, Matterport (3D photography of property interiors) and other tools allow us to "see" properties and whole neighborhoods without leaving our respective desks.

If I am selling a property on behalf of an investor, institution, REIT, or owner/user, why wouldn't I market the property through one or more of the existing online sales platforms or digital auction houses? Global marketing opens up, literally, a world of potential buyers.

Coming back to the point on servicing the client, the ease and affordability of travel to get to and from places to meet with the client and physically tour candidate properties has never been easier. From New York, I can get anywhere in the U.S. the same day or next day and

spend less than a couple thousand dollars to do so. The client gets "high touch" service from you and there is always an SIOR local broker to help complete the transaction.

And being "there" to finish a transaction is still, and will always be, an essential service. Plus, local market knowledge remains important. For example, Google maps will put you in the right location, but doesn't help you determine if you

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are on the right side of the street or not. Obviously, that is one of many important decisions for business owners to consider.

However – and I have witnessed this first hand – bringing an outside perspective to the transaction process can often lead to better outcomes for clients. If you are working on a deal in Denver, for example, chances are there will be something from that deal you closed in Dallas and worked on in Detroit that will add value to the process. I'm not saying it is a bad thing if you only worked in Denver your entire career – it's just that

outside perspective, like 'best practices' in most industries, can be a contributor to success.

Now, I help run a commercial real estate services company with over 400 offices worldwide and more than 7,000 local market professionals. Am I trying to undermine my own firm and disregard the important work and contributions our professionals and staff provide to clients and our firm? Of course not. We promote collaboration internally and do as much as we can to inter-connect our people – both in terms of regular conferences that brings us together and with online tools that help us communicate with one another – quickly and easily, just like any firm in our industry.

What I am suggesting is that our industry is changing – like it or not, and there needs to be a willingness to take a leap of faith and embrace the changes. It will require that we rely less on our relationships and networks – as valuable as they. Yet it is also important to note that relationships won't be made extinct by immersive technology in the real estate business – those are integral parts of our humanity.

In closing, remember one of the keynote speakers at the SIOR Spring World Conference this year in New Orleans? Mike Robbins gave an inspired talk about authenticity, recognition and appreciation. The author of three books, one of his titles is *Nothing Changes Until You Do*. You would have to read some of the essays in the book to fully appreciate his points of view on compassion, introspection and more, but suffice it to say that Mr. Robbins' book could have a chapter on commercial real estate services and how they will be delivered in the future. ▼