

## contributing SIORs



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## Will SIOR's Be Referred to as Real Estate Consultants vs. Brokers in Five Years?

**B**y the year 2020 will SIORs' clients consider them their consultants or their brokers? That's a difficult answer to quantify; some already consider SIORs to be consultants, others do so only if the SIOR has earned a specific designation, such as FRICS, or CRE, while still others consider them to be brokers. One thing is clear, though not all are formally designated as such, many SIORs already play an informal role of consultant, as well as a formal one as a broker.

"The term 'consultant' means a lot of different things to a lot of different people," explains **Christopher J. Masino, SIOR**, president of the Temecula, Calif.,-based

industrial real estate firm that bears his name. "In our industry we end up giving a lot of advice for free and are compensated when the transaction happens. A lot of value gets added through the consulting process; people want someone they can trust and that is built over time through a consultant process."

Masino says his firm is not transaction-based, but rather participates in "consultative sales." "A guy called me recently," he relates, "he was ready to buy a building; although we had never done anything together, he said 'you have always given me sound advice and I want you to represent me.'"

**Jay Olshonsky, SIOR, FRICS**, president of NAI Global in New York City, believes that SIORs who participate in a significant amount of international real estate will of necessity become formally designated as consultants. "I definitely believe there will be more growth of international SIORs," he adds. "Our head of international business became a consultant and those in Australia and New Zealand are also in the process. So, we will find more in the future."

**John Culbertson, CCIM, CRE, SIOR**, managing partner with Cardinal Real Estate Partners, LLC, Charlotte, N.C., takes a more literal approach. "Consultants get paid for their advice, not always

through a transaction fee,” he notes. “Most SIORs today are positioned as brokers, so very few are doing any advisory work where they get compensated for their advice.”

## CHANGES ON THE WAY

Culbertson also sees some changes ahead. Today, he asserts, most clients perceive SIORs as brokers. “To be a consultant compensated for advice you have to have a proven track record with particular deliverables. A lot of people who do consulting are also appraisers, or asset managers or consulting engineers.”

However, he continues, “there will be a big demand for this type of [consulting] role and we’re starting to see some of the largest real estate service firms out there move their people into the role of being advisors rather than brokers. At JLL and CBRE, for example, the brokers handling their largest accounts have, as part of their compensation structure, a mechanism that looks like they are getting paid more to be an advisor.”

## WHAT DIFFERENCES DO THE CLIENTS SEE, AND WHEN IS THE ADVISOR REQUIRED?

“There are times you need a broker, just to get a deal done,” says Culbertson. “To me, when you have messier, long-term deals where a pure transactional deal, may not make sense, and you need someone who can help provide clarity to the deal that’s when a counselor, consultant, or advisor steps in.”

Those types of deals, he explains, often require the kinds of “deliverables” he mentioned earlier. “As an example, at Cardinal we have the due diligence 360™, a due diligence checklist,” he says. Using the ‘V.O.T.A.’ approach to provide clarity, “It takes that information, provides a **V**ision for the asset, the **O**bstacles to getting the vision, then **T**ransformation – how do these obstacles get transformed — and finally **A**ction items,” says Culbertson. “The last part is a kind of pre-marketing document to help people conceptualize how to take the property to market.”

Such tools, he continues, are primarily used when dealing with a challenging asset. “If you’re selling a freestanding Walgreen’s you do not need this – it’s the epitome of a commoditized asset,” says Culbertson. “A broker can tell you within \$10 where this property is going to sell. But I’ve sold a coal mine that had an underground fire that was a great development site; a coliseum going to be redeveloped infill; contaminated properties, churches, empty office buildings — lots of land. That’s when someone has a mess and needs an advisor.” Such advisors, he notes, can get paid anywhere from \$2,500 to \$30,000 for such documentation.

Consulting, he adds, can be a great business development tool for an SIOR. “You get in, you understand the asset, and you get paid for it when no other brokers are able to do that,” he explains. “It’s also a great way to separate yourself from the competition.”

## DIFFERENT SERVICES VALUED

The role of the consultant is becoming even more valuable as the amount of information available to clients via the Internet grows, say observers.

“As far as the formal designation of the broker, I’m not sure,” says Masino, “but one of the things that has really impacted everyone’s business is a lot of technology, lots of research you can subscribe to online. It’s leveled the research playing field and our customers are sometimes able to get a lot of education by asking about rates, trends, and other market statistics. That’s one end of it, but where brokers still add value is in negotiation techniques.”

Still, he continues, more SIORs are likely to become consultants “because your sales function is just that. Clients won’t necessarily need someone to go out and find information, but before they pull the trigger they want a strategy and a plan, and they will pick a person or team based on the relationships they have. The consultative approach will be more popular because of personalization. Look: why

are SIOR conventions so powerful? Because we can meet face-to-face.”

Culbertson agrees. “The traditional broker needs to show value by a deep understanding of the real estate market — where vacant builds are, when rents roll, what the lease rates are,” he says. “As all that information becomes available on the internet and anyone can buy it inexpensively, the traditional broker business model is greatly challenged.”

## A ROLE FOR BROKERS?

Nonetheless, he continues, he believes SIORs will be up to that challenge. “I argue that brokers will be able to raise their game to a new level — to take that data available through Costar, and add wisdom and clarity for clients and become more of a process implementer. That’s where I argue brokers are the future – real value added. Bank of America may not need Jones Lang of the South to tell them a building is \$29 a square foot or where the vacant space is, but they do need them to provide them with clarity on just how much space they truly need, how it should be laid out, what business units may be able to roll into it – and a lot of other ancillary rolls that take a lot of wisdom and experience.”

“I think even with these technology services, a lot of larger corporations will continue to seek expertise from brokers because the technology environment is imperfect and there is always that primary research done by brokers,” Masino insists. “We’re a quarter ahead of all the statistics that get published and people still need that intimate information. Our product is so varied; it’s not like a commoditized thing.”

Olshonsky sums the issue up: “If a client is working with an SIOR, they most likely already believe they are working with a consultant,” he asserts. “Having an SIOR designation means in and of itself you are on a whole other plane and level, and you can fit very comfortably into what I consider a generic consultative role,” he concludes. ■