

deciding your specialization

TOOLS YOU WILL NEED TO COMPLETE THIS EXERCISE: COSTAR OR THE MLS

Selecting your product needs to take one major factor into consideration: What type of investment real estate is most interesting to you?

Some questions to ask while thinking on product:

If I have to spend time walking through properties regularly, what type of space would you be most interested in seeing over and over again?

What about your personal communication style may make for a more successful path, with fewer hurdles?

What are your talents and strengths?

What type of deal velocity do you want?

Deciding your Service

Deciding your Marketplace

Option A	Option B	Option C

Now that you have your top few markets, let's get into "what" those markets are, for commercial agents:

How much of your chosen product type is in each of these territories?

What were the sales values, metrics, and trends, over the last 3 years running?

Next, you will use your comparable data, resources, like CoStar to take a look at the sales trends over the last 36 months. Gather yourself a collection of all of the properties (in your product type) that have sold, and analyze the data. For instance, let's say that of your 900 properties, the following was true:

Year 1 (most recent year) _____ Properties Traded
Year 2- (next most recent year) _____ Properties Traded
Year 3- (oldest year) _____ Properties Traded

For each of the 3 years, track the following financial metrics:

- What was the largest and smallest value of the properties that traded?
- What was the highest, lowest, and average, price per square foot of the building?
- What was the highest, lowest, and average cap rate?
- What was the highest, lowest, and average GRM?
- If relevant to your product type, what was the highest, lowest, and average price per unit?

After analyzing the trends in independent years, what do your trends look like?

Now that we have a financial picture, let's look at what your ability to have your desired market share and income is. Your goal to have real market share should be to try and obtain 25% of the market share.

Keeping in mind that your total collection of properties is 900, the following would be true about your 3 year research:

Year 1- 32 trades.

Velocity: $3\frac{1}{2}\%$ of the market traded this year. ($32/900 = .036$)

When you achieved 25% market share in this community, you would be doing 8 transactions this year. ($32 \times .25 = 8$)

Year 2- 28 trades.

Velocity: Just over 3% of the market traded this year.

When you achieved 25% market share in this community, you would be doing 7 transactions this year.

Year 3- 22 trades.

Velocity : Nearly $2\frac{1}{2}\%$ percent of the market traded this year.

When you achieved 25% market share in this community, you would be doing $5\frac{1}{2}$ transactions this year.

By looking at these metrics, what can we tell about the stability, pace, and movement of this market?

Who is active over these three years in the markets you are considering?

After knowing the numbers, you may already be able to narrow down your list, but before you make a firm decision, take a look at who is playing in the market place.

As we look at the owners we will be working with, it is important to break them down into 3 main groups:

Tier 1 REIT's, pension funds, banks, advisors, life insurance companies
Tier 2 Professional investors, including developers & syndicators
Tier 3 Private investors, who may acquire 1-2 properties a year, or less

Now, ask yourself the following questions about the people you see active in this market:

- Who were the buyers, and what are their profiles?
- What Tier of clients are trading the most in this marketplace?
- Who were the owners that sold? Did any portfolios trade?
- Which brokerages & agents participated in trades?
- What percentage of the trades did not involve a broker?

The bigger picture

Your research probably has you getting excited about one of these territories over the others, let's do one more check into the market before you start the research you will be doing next.

- What major development projects are currently under construction, or in the entitlement process, in each market?
- Does your local metro transportation department have pending transit changes coming that could shake up the market?
- What do you feel may attract investors to this community? If you don't believe in it, it won't work when you ask others to.
- What is the current rental market like for your product type? Is it maintainable?
- Who are the major employers in the territory?
- What community groups, or organizations should you be aware of if you pick this market?
- Are there any local figures, movers and shakers that you should be aware of?
- What are the top attractions?
- Where do you see this community being in 5 years? Is it in a path of gentrification that may aid you, or hinder you, along the way?

After running through these collections of exercises, you should have a fairly clear idea of what your book of business will be built around. The next step is to begin the research of both the properties in your chosen market and product type, as well as the owners you will need to contact to build relationships with.