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## THE LIFE CYCLE OF A COMMERCIAL PROPERTY LISTING

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Commercial Properties For Sale actually have an understandable Life Cycle that is unique to Commercial Real Estate. Once you understand the phases in the Life Cycle of a Listing, you can use this knowledge to get exclusive looks at unlisted properties. Let's get started...

One of the biggest differences between Residential and Commercial Real Estate is the way properties are handled by Brokers and Agents.

If you have experience in Residential Real Estate Investing it's time to forget some of the things you currently take for granted. You may have tried to avoid listed properties and agents and brokers in general and concentrated on unlisted properties and "motivated sellers". The rules are quite different when you step up to the bigger game of Commercial Real Estate.

In Commercial Properties a good Commercial Real Estate Broker is a very valuable asset in finding quality deals. The key is to know exactly how to use them. You do that by understanding the Life Cycle of a Listing.

### **Here's how it works in Residential...**

If you are selling your house on the Residential side:

- You sign an agreement with the listing Agent,
- They take some pictures and write up the features
- And it goes out on the Multiple Listing Service within a day or two

It's a simple system and everyone who can use the MLS has a pretty much equal shot at making an offer on your house.

## **That's not what happens in Commercial Property for two important reasons...**

### **1) The Broker:**

Any quality Commercial Agent or Broker is used to dealing with large properties and investors who buy them. They have a personal Rolodex on their desk with a select few names of people who actively buy larger properties. These are usually people they have sold property to in the past and have proven to be capable buyers who can close on a commercial purchase.

### **2) The Information Requirements:**

The information requirements for putting together a Commercial Property Offering Document are much larger than for a single family house. It usually takes a couple of WEEKS to put the documents together and make them all pretty for everyone to see. They include satellite photos, area demographics, comparable sales and comparable rent/lease payments, a spreadsheet of actual income and expenses and the usual Brokers Pro Forma - which we will all ignore. [for much more on Commercial Property Valuation and why Broker's Pro Formas are worthless download our FREE Commercial Property Valuation Report on our website [www.investortours.free.php](http://www.investortours.free.php) ]

## **These two unique conditions create a 5 Phase Life Cycle for any Commercial Listing**

### **PHASE ONE:**

The Commercial Seller makes a decision to sell their property and signs a listing with the Commercial Broker. This starts Phase One of the Life Cycle.

Phase One is the window between signing the listing agreement and the deal getting off the Listing Broker's desk. This phase occurs before the completion of the Property Offering Documents.

While the administrative staff is busy putting the package together, the Broker is not just sitting on his or her hands... no, no, no.

They are busy calling everyone in his or her Rolodex to see if they want the deal. Everyone in the Rolodex will get a FREE peek at this "unlisted" property. They don't have to lift a finger... the Broker calls them and pitches the deal.

### **Think about it...**

If the Broker can find a buyer in their Rolodex, they keep the entire commission. They don't have to share it with a seller's Broker. This is a VERY POWERFUL incentive since commissions in Commercial Property transactions can be in the \$1,000,000 range in some cases. The listing Broker will hit that Rolodex HARD before the deal goes anywhere else.

**If all the prospective buyers in the Listing Broker's Rolodex pass on the property, it enters Phase Two.**

**PHASE TWO:**

The Listing Broker then shares the deal with all the other Brokers and Agents their office. The Listing Broker is a team player and gives all his/her colleagues in the office the next fair shot at the deal. All of these Brokers and Agents call the buyers in their individual Rolodexes (or is that "Rolodii").

**If every Rolodex in the office says "Pass", the property enters Phase Three.**

**PHASE THREE:**

By now the Offering Documents are complete and the Listing Broker starts a small scale marketing plan. Usually this means sharing the Offering Documents with other members of their Brokerage Firm.

**Example:**

If the Listing Broker is in the CB Richard Ellis office in Portland, Oregon ... they would share the Offering Documents with the entire CBRE organization and perhaps a select few local Agents/Brokers.

All of these people dive into their Rolodex's and get on the phone. **If all of these Rolodex's pass, the property enters Phase Four.**

**PHASE FOUR:**

If they still don't have an interested buyer, the Listing Broker then starts a large scale marketing plan. This might involve contacting other brokerage firms in their town and nationally, calling all the other Brokers and Agents in the region and even mailings to allied real estate professionals such as Property Managers and Mortgage Brokers.

**Example:**

The same CBRE Listing Broker mentioned above would then contact the Portland office of Marcus and Millichap and other local and regional Commercial Brokerage offices.

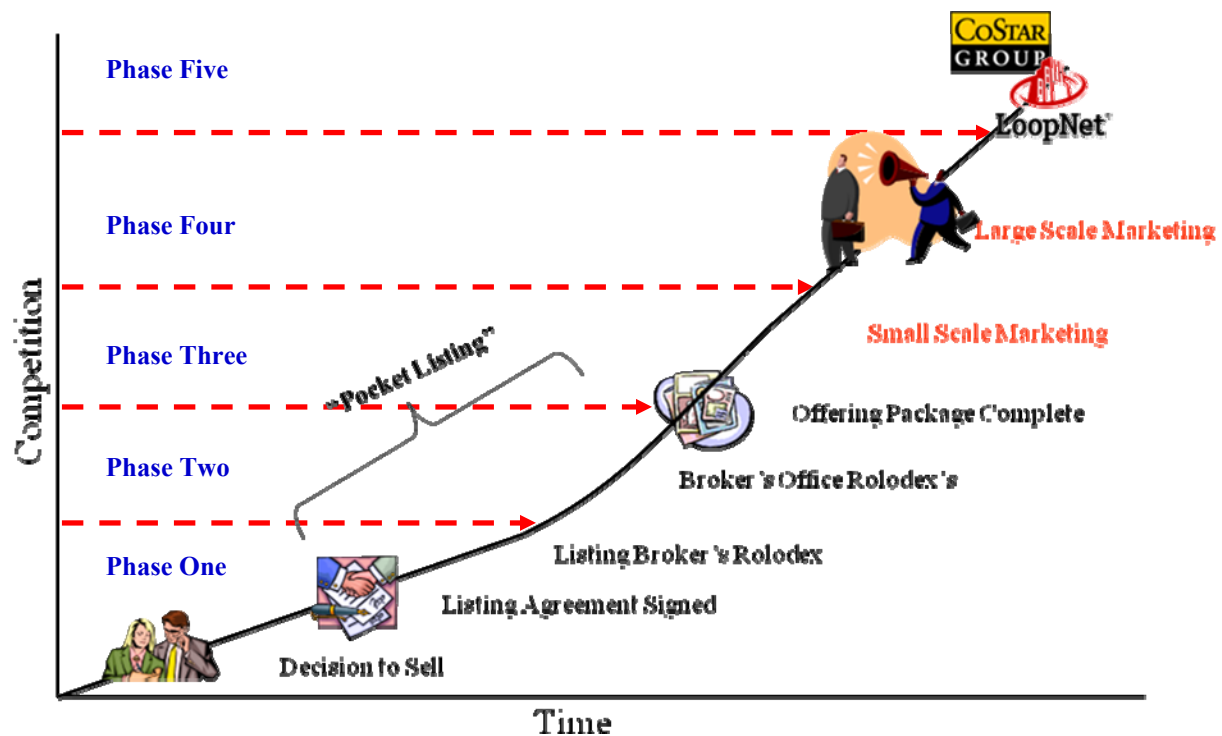
The ever expanding pool of Rolodex's start to spin and the phone lines jangle. **If all these prospective buyers say, "No Thanks" the property enters the final Phase Five.**

## PHASE FIVE:

If they STILL haven't found an interested buyer... they go national. This is when you see the property listed on the big national databases such as Loopnet ([www.loopnet.com](http://www.loopnet.com)) and CoStar ([www.costar.com](http://www.costar.com))

**NOTE:** In some markets and with some Brokers, the properties will be listed on LoopNet and CoStar as soon as the Offering Documents are ready. AND this still means the property has passed through Life Cycle Phases One and Two.

## The Life Cycle of a Commercial Property Listing



## Notice...

- The amount of Competition goes up as the Phases progress.
- Each higher Phase the property reaches means more and more prospective buyers have seen the deal and passed on it. In many cases, a listing will only appear on LoopNet if that property has been evaluated and rejected by literally dozens and dozens of prospective buyers.
- The most attractive opportunities never make it beyond the Listing Broker's Rolodex

## **BOTTOM LINE...**

You want to be in as many Commercial Real Estate Broker Rolodex's as possible !

### **How do you get in the Listing Broker's Rolodex?**

It's a basic two step process...

#### **Step #1**

##### **Be Very Clear on What you Want**

Be very clear on what you are looking for. When you are crystal clear on the exact type of property you are ready to buy, it helps the Broker be very specific in the properties they bring. Your clarity also means that when they bring you a property that meets your criteria, you are very likely to say yes.

Everyone benefits when you take the time to set specific property selection criteria. You don't have to sort through hundreds of properties to find a "keeper" ... your Broker(s) do that for you. And the Broker knows that when they bring you a deal that meets all your criteria there is a high likelihood you will say "Yes".

##### **Here is an example of clarity**

- Multifamily in Skagit County, Washington
- 20 - 100 units
- Built between 1975 and 1990
- Asking price of less than \$45K per unit
- Asking price is at least a 5 cap on current actual numbers
- Significant upside potential in the form of vacancy issues and RUBS opportunities
- Pitched roof
- Individual electric meters
- Assumable debt
- No boiler systems
- No LoopNet listed properties

#### **Step #2**

##### **When they bring you a deal. Get on it.**

Do your preliminary due diligence and give the Broker/Agent a Play or Pass decision pronto. If the Broker is bringing you deals that match your criteria, lock up the property and get on with formal due diligence.

When the Broker brings you a deal that you take under contract, make sure you do everything you can to close. If you discover an issue that makes you pull out of the deal, make sure the Broker knows exactly why and understands your viewpoint.

You want to set yourself up so that the Broker knows if they bring you a qualified property you will take action AND if you put a property under contract, you will perform. If this is true, you will build a long term relationship that will continue to profit you for years to come.

Just repeat those steps with as many quality Brokers as you can find in all the Markets where you are an active investor.

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Remember this is just an introduction to the topic of Lead Generation in Commercial Real Estate. It will give you a basic understanding that is based on our experience of over \$100,000,000 worth of Commercial Properties in 6 different states.

This is real world experience put into a format you can use right away.

**And this is just the beginning ....**

You can find many more FREE Resources to massively shorten your Commercial Property learning curve at our website [www.investortours.com](http://www.investortours.com) . Visit often and make sure you sign up for our ITU Newsletter and Commercial Power Hour Teleclasses.

To your investing success,

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