

The role of the commercial real estate brokerage company

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The role of the commercial real estate brokerage company has changed drastically over the last decade. As of December 30, 2008, the Case-Shiller home price index reported its largest price drop in its history. The crash of the United States housing bubble was an event that changed every aspect of business in the United States and around the world. The real estate sector was an industry that boasted about the self-evident benefits of light-touch regulation. The economic Armageddon that followed created a massive change in how banks do business. The days of mass securitizing sub-prime debt had come to an abrupt halt. With the intention of over simplifying this cataclysmic event, banks have become extremely limited on how and who they can lend money to. This change in how banks operate has created a market, that previously did not exist, for private lending. This is where the role of a commercial real estate brokerage company really comes into play.

Private lending has become one of the most popular types of investing, rivaling the stock market, mutual funds, GICs and other types that were considered to be the safest and most secure. The value that brokers provide to this industry can be measured their interaction with their personal co-broker platforms and relationships with lenders/consumers around the country and the world. Moving forward to the present one can see that the growth in the use of nonbank lenders is supported by two larger trends – the overall health of the commercial real estate market and the advantages of using nonbank lenders relative to traditional lenders like big banks. Strong economic growth, rising interest rates and continued development in urban and suburban areas are just a few of the reasons that the commercial real

estate market is so attractive. It is easy to see that brokers provide a valuable service.

The value that brokers provide to this industry can be measured their interaction with their personal co-broker platforms and relationships with lenders/consumers around the country and the world. Since the crash many brokerage firms have expanded to provide a more in-depth relationship with their customers. Co-broker agreements have become much more widespread. Not to mention the implication of technology has allowed this industry to expand rapidly around the world. The use of technology has given these brokerage firms the ability to screen for potential business that fits their needs. This could be in relation to niche markets, deal size, etc. The implementation of technology has been one of the largest changes that these companies have incorporated into their day to day activities. As technology continues to progress the role of broker will no doubt progress as well. I expect to see many brokerage firms specialize even further in relation to markets or types of business deals they are willing to touch. I also expect globalization to make the already shrinking world feel even smaller and allow for business interaction to hit every corner of the globe.

There are a variety of advantages of working with alternative financing. Some of these advantages include but are not limited to financial flexibility, transparency and speed. Working with a bank can be a very tedious and strung out process. As mentioned before regulations imposed on banks prevent them from becoming over-leverages which has caused them to focus only on the most lucrative commercial real estate projects. Examples

of these regulations include the Dodd-Frank Act and the Basel III capital requirements. These regulations in turn have made it less profitable for banks to pursue small and mid-sized loans and borrowers. Many borrowers were squeezed out of the market and needed alternative sources of capital. With traditional lenders largely limited within the commercial real estate space, a plethora of alternative lenders have appeared in the market. It is evident how important social media is in the lives of consumers around the globe.

Going forward it would be imperative for brokerage firms to maintain and promote a media presence that is easily accessible, creates PR value and streamlines the process for ongoing and new deal creation. Earlier I mentioned how co-broker agreements can be beneficial for all parties involved. I would not be surprised if a forward-thinking brokerage is in the process of developing a co-brokerage platform as a subsidiary of the brokerage entity. The purpose of this platform would be to generate deal discovery and completion by connecting more individuals in the industry. The company that can streamline this process will have the upper hand in this competitive industry. I think that Gary Bechtel, the president of Money 360, says it best, “ The speed and flexibility of nonbank lenders have enabled them to become a go-to source for capital for borrowers and mortgage brokers specializing in the commercial real estate field. As the industry continues to grow, it is important that commercial mortgage brokers and borrowers understand the different types of alternative lenders that are out there as well as the advantages of choosing a nonbank lender.”