

HOW TO EARN A SIX-FIGURE INCOME THROUGH COMMERCIAL REFERRALS



GLASS
PROPERTIES
GROUP

3 MAIN TOPICS THAT WE WILL LEARN

**Basics of
Commercial
Real Estate**

**Ways you can
Generate
Residual
Income from
CRE Referrals**

**How to
qualify
commercial
real estate
leads**

WE HELP RESIDENTIAL REALTORS GET PAID FROM COMMERCIAL DEALS!

...AND BUILD A RESIDUAL INCOME SOURCE!



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HOW DO I MAKE A RESIDUAL SIX FIGURE INCOME???

Average commercial sale: \$3,600,000

3% gross commission: \$108,000

20% referral fee: \$21,600

Income to referring residential agent: \$21,600

5 closed referrals: ~\$108,000

**Referring to a Commercial Specialist is the FASTEST
way, with the least amount of friction with the
HIGHEST probability of YOU getting PAID!**

**Illustrative example based on an assumed 3% commission and 20% referral fee.
Commissions are negotiable and actual transaction values and compensation vary.*

CRE DEFINED

- Properties used exclusively for business and investment-related purposes
 - Owner/User
 - Investor - Purchased and Leased to Commercial Use Tenants
- Ranging from a Single Storefront to a Mega Shopping Center
- Has its own Zoning, Resources. . . and its own set of RULES



COMMERCIAL PROPERTY TYPES



COMMERCIAL PROPERTY TYPES

MAIN CATEGORIES

- Retail
- Office
- Industrial
- Multifamily (5+ units)
- Hospitality (Hotels and Resorts)
- Land

ADDITIONAL CATEGORIES

- Flex / Mixed-Use
- Specialty-Use
- Religious Facilities
- (Church, Synagogue, Mosque)
- Manufactured Home Parks
- Public Land
- Government – Municipalities

SECONDARY USE:

- Restaurant – Retail
- Medical –Office
- Affordable Housing – Multifamily



OWNER/USER VS. INVESTOR

Owner/User:
Buys to operate
a business

Investor: Buys
to lease to
tenants for
income



BUILDING CLASSES

CLASSES

- CLASS A – most desirable buildings in terms of location, age, amenities, aesthetics, and infrastructure quality
- CLASS B – older, in less high-profile locations and not as competitive price-wise as Class A buildings. Investors often target these buildings for restoration.
- CLASS C – oldest (usually over 20 years of age), located in less attractive areas, and need considerable work.

TYPICAL RESOURCES USED



\$199/mo. (\$2,400/yr)
Membership = access to resources like
RealNex (CRM) + (Sales Brochures)
Nucleus (Training)



CRE Education + Membership |
\$800+/yr
Membership provides access some
educational content + networking.
Can also get CCIM certified.



SIORE®

SOCIETY OF INDUSTRIAL
AND OFFICE REALTORS®

Society of Industrial and Office
Realtors, the leading commercial real
estate association
Initiation Fee: \$725 + Annual Dues:
\$1,345
Comprehensive Membership Entrance
Exam (optional):
\$2,000



REALTOR Board for CRE | \$750/yr
Membership provides access to
Catylist
(CRE research + MLS) - \$70/mo
(\$900/yr)



Included w/ CCIM or Separately for
\$650/yr

Several CRE data mining tools

MORE RESOURCES



CoStar: Commercial Research + MLS |
\$550/mo (\$6,600/yr)
LOOPNET: Extra fees for marketing a listing

PROSPECTNOW

Lead Capture | \$Pay per Lead



Commercial Research + MLS | \$225/mo
(\$2,700/yr)



Deal Analysis Tool | \$150/yr



MYTHS ABOUT COMMERCIAL

1. The only way to make money in CRE is to be a CRE agent or investor.
2. Business Owners: "I can save money if I don't use an agent and call on this Building Sign".
3. KW Commercial is for clients that have businesses locally or want commercial property locally.
4. My client's already know we have a division that can service their commercial needs.



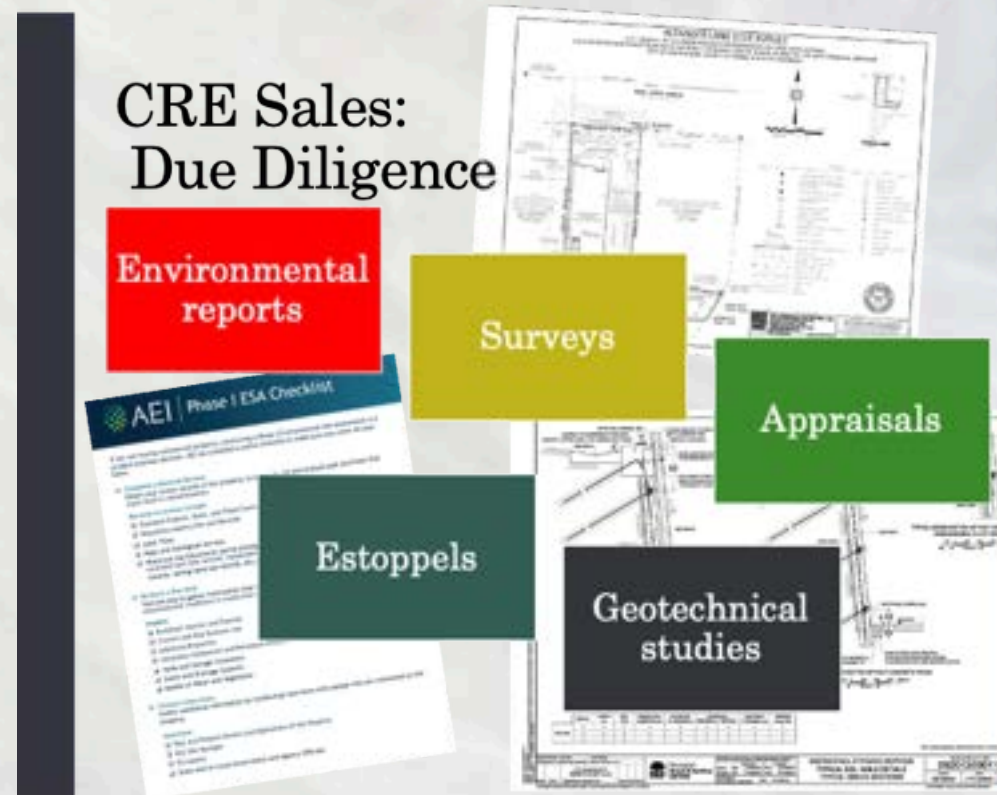
RESIDENTIAL VS. COMMERCIAL - DIFFERENCE

- Commercial investors are typically buying a property for an income stream. Residential buyers are buying a place to live.
- The value of commercial property is larger based on the income it generates.
- Residential leases rent to people. Commercial leases rent to business.
- Fair housing does not apply to many CRE asset types.
- Rent Structure and tenant responsibility are very different.



SALES (COMMERCIAL VS. RESIDENTIAL)

- Monday - Friday Corporate Bank Hours (Set expectations)
- Use of Letters of Intent (LOIs) & Non Disclosure Agreements (NDAs)
- Contracts and Forms are Different than Residential
- DD Differences: Inspections, Appraisals, Surveys, Geosurveys + Estoppels
 - More complex, higher costs
- Deal timing is MUCH longer
- Greater Use of 1031 Exchanges
- Higher Levels of Errors & Omissions Insurance Required
- A higher occurrence of lawsuits!



BOV - BROKER OF VALUE

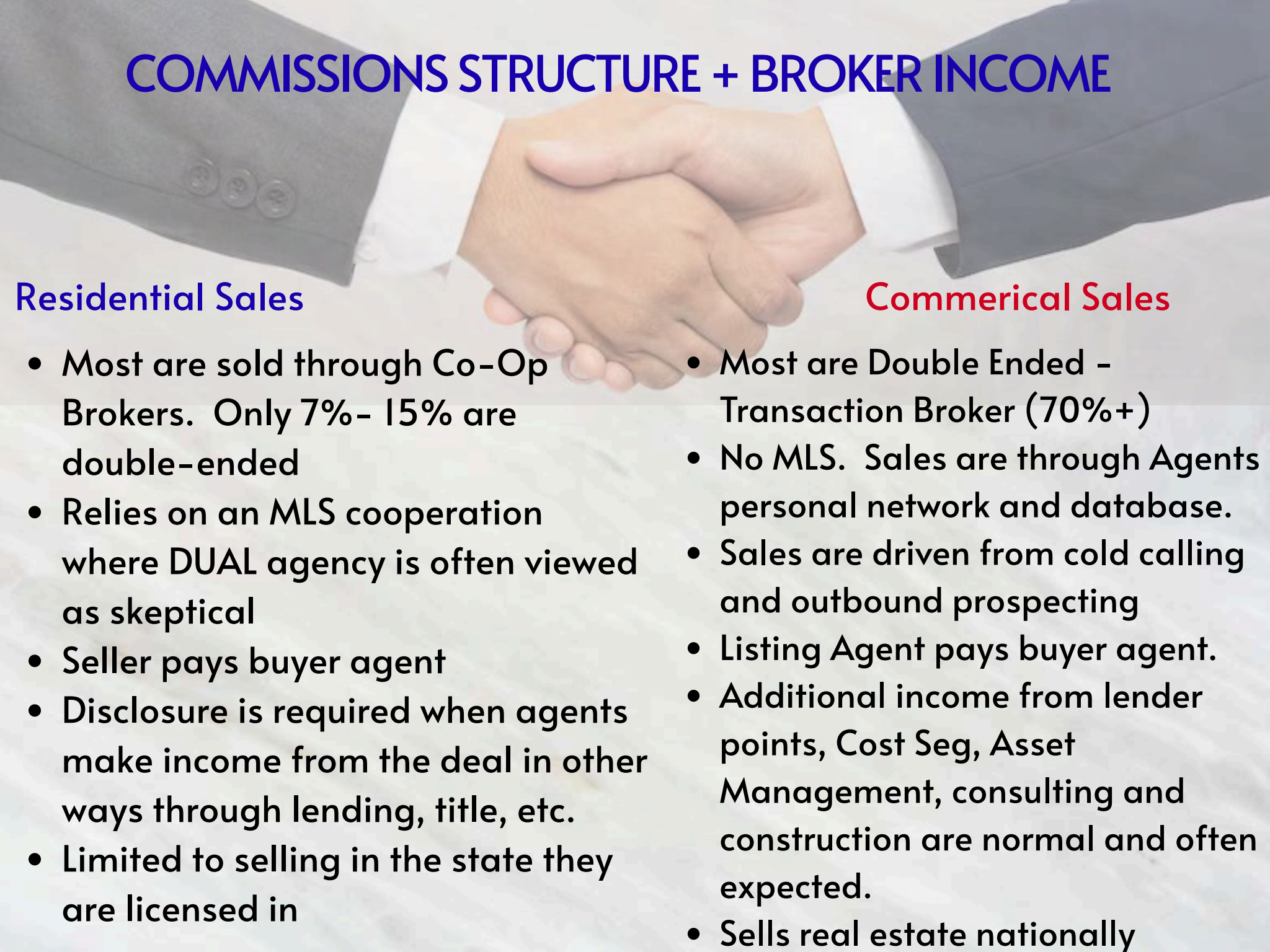
- Valuations are based on income and other factors outside of comparable solds.

Due Diligence Required to perform a Valuation:

- Financials (T-12s, P&L statements)
- List of CapEx (Capital improvements)
- Leases, Rent rolls, Tenant Estoppel Statements.
- Insurance Policies
- Entitlements - Zoning Variances, site plan approvals, environmental and public reviews.
- Traffic volume and demographics, employment data, etc



COMMISSIONS STRUCTURE + BROKER INCOME



Residential Sales

- Most are sold through Co-Op Brokers. Only 7%- 15% are double-ended
- Relies on an MLS cooperation where DUAL agency is often viewed as skeptical
- Seller pays buyer agent
- Disclosure is required when agents make income from the deal in other ways through lending, title, etc.
- Limited to selling in the state they are licensed in

Commercial Sales

- Most are Double Ended - Transaction Broker (70%+)
- No MLS. Sales are through Agents personal network and database.
- Sales are driven from cold calling and outbound prospecting
- Listing Agent pays buyer agent.
- Additional income from lender points, Cost Seg, Asset Management, consulting and construction are normal and often expected.
- Sells real estate nationally

COMMERCIAL VS. RESIDENTIAL SALE EXAMPLE

COMMERCIAL SALE

Sale Price: \$3,000,000

Commission (%): 3.0

Commission (\$): \$90,000

Time to close: 12 MONTHS

- Average Time Spent on Transaction = Varies Greatly
- Deal Volume is LOW => need to be working multiple deals, constantly

RESIDENTIAL SALE

Average Sale Price: \$400,000

Commission (%): 2.7

Commission (\$): \$9,450

Time to close: 30-45 DAYS

- Deal Volume is much Higher





COMMERCIAL REAL ESTATE BROKERAGE TOOLS

- Seller or Landlord Representative
 - Lists investment properties for sale.
 - List properties for lease and locates tenants for landlord.
- Buyer/tenant Representative
 - Represents investors who wants to buy investment properties.
 - Represents tenants and buyers who wish to purchase
 - lease or develop property to occupy and serve their corebusiness needs.





LEASE TYPES: NET LEASES

**N= Tenant
pays taxes**

**NN= Taxes +
insurance**

**NNN= Taxes
+ insurance +
maintenance**



LEASE TYPES: GROSS LEASES

Full-Service
Gross: Tenant
pays base rent
only

Modified Gross:
Tenant pays base
rent + share of
expenses

LANDLORD REPRESENTATION



Market vacancies

Install signage

Listing services

Conduct tours

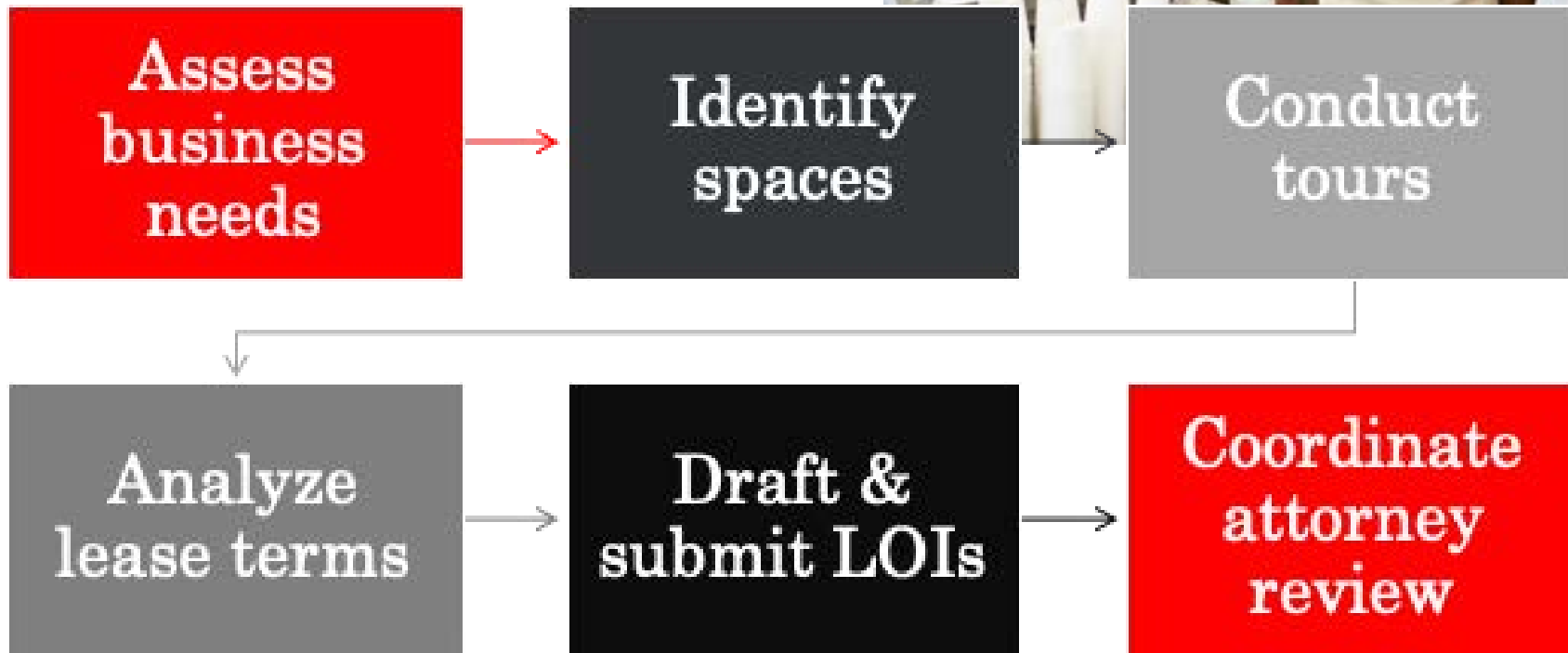
Review LOIs

Negotiate terms

Review tenant financials



TENANT REPRESENTATION



REFERRAL FEE AGREEMENT

We offer UP to 20% referral fee to the referring agent.

- You refer the client to us and wipe your hands clean.
- You collect a check at closing!!
- You continue to do what you do BEST....Selling HOMES!
- Continue to prospect for other commercial deals and create a residual income stream for yourself.

**The FASTEST way, with the least amount of friction
with the HIGHEST probability of YOU getting PAID!**



LEASE COMMISSION (COMPARISON)

RESIDENTIAL SALE TRANSACTION

AGENT RENTS HOME FOR \$1,250 PER MONTH

AGENT'S COMMISSION

\$250

COMMERCIAL MEDICAL OFFICE LEASE TRANSACTION

**AGENT LEASES 20,000 SQUARE FEET OF MEDICAL SPACE
3 YEARS LEASE AT \$19.50 PER SQUARE FOOT**

AGENT'S COMMISSION

\$78,000

REFERRAL PAID FEE

\$19,500



SALES COMMISSION (COMPARISON)

RESIDENTIAL SALE TRANSACTION

HOME SALE PRICE: \$225,000
AGENT GETS 3%

AGENT'S COMMISSION

\$6,750

COMMERCIAL SALE TRANSACTION

OFFICE BUILDING SALE PRICE: \$2M
AGENT GETS 5%*

AGENT'S COMMISSION

\$100,000

REFERRAL PAID FEE

\$25,000



CRE REFERRAL INCOME: 1 LEASE REFERRAL PER MONTH

If you intentionally did ONE commercial lease referral per month based on example above, your annual income could GROW an additional:

\$234,000 ANNUALLY!



CRE REFERRAL INCOME: 1 SALE REFERRAL PER MONTH

If you intentionally did ONE commercial sale referral per month based on example above, your annual income could GROW an additional:

\$300,000 ANNUALLY!



WHEN SHOULD I WORK A COMMERCIAL DEAL MYSELF?

- **If you have specialize skills and knowledge and experience in asset type you are considering.**
- **If you are working with a commercial agent who does.**
- **If you let your client know about your lack of experience and knowledge (in email preferably) and still want you to personally do it.**



NAR ARTICLE 11 + KWPR OFFICE SUPPLIES

NAR ARTICLE 11

REALTORS shall not undertake to provide specialized professional services concerning a type of property or service that is outside their field of competence, unless they engage the assistance of one who is competent on such types of property or service, or unless the facts are fully disclosed to the client.

KWI

Typically, at least 2 years of residential real estate experience prior to undertaking commercial projects, then must work with a mentor for first 3 deals. Has proven competency in the asset class.
Or on a commercial team with a supervising broker



COMMON OBSTACLES IN CRE

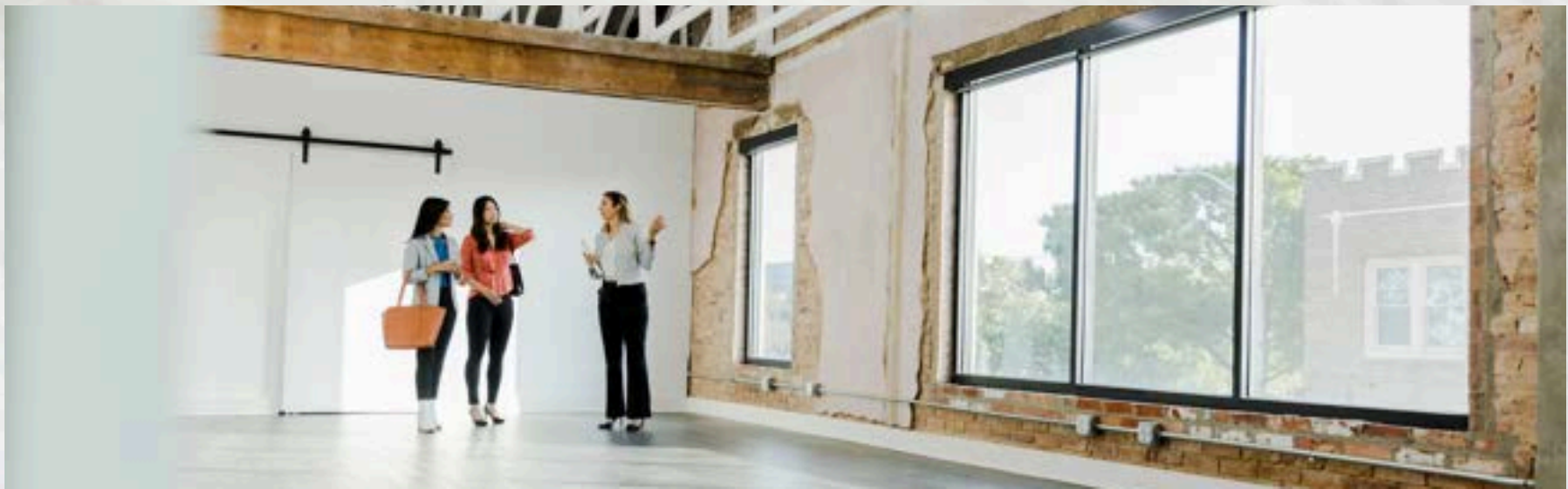
- STEEP LEARNING CURVE
- SPECIALIZED FORMS
- HIGHER LIABILITY
- EXPENSIVE RESOURCES
- LIMITED DATA ACCESS
- LONGER TIMELINES
- MARKETING COSTS
- DIFFERENT CLIENT ACQUISITION



MENTORSHIP PROGRAM

IF your intention to become a commercial broker
Option for mentorship for first 3 deals - 50%/50%

- You pay for all marketing & business expenses. Costar, Loopnet, Crexi, Signage and Photography
- Must join KW Commercial membership at \$200/month + upgrade your E&O
- Complete Nucleus Online Commercial Training - 40 hours
- Listing is advertised under your broker name and you take on all full legal liability.
- Listing agent must produce their own BOV and Offering Memorandum (OM)
- We advise throughout the transaction as a coach.



LET'S GET BACK TO...

How do I make a residual six figure income???

A.K.A - Mailbox Money \$\$\$

**The FASTEST way, with the least amount of friction
with the HIGHEST probability of YOU getting PAID!**



3 MAGIC QUESTIONS THAT GENERATE COMMERCIAL LEADS

Do you own or
manage a
business?

Do you have to
make real estate
decisions for the
company you
work for?

Have you ever
considered
investing in
commercial real
estate?

3 QUESTIONS CONDENSED INTO ONE

HOW'S BUSINESS?



SIX FIGURE GOAL SETTING PLAN

Objective: To increase my GCI by generating 1-3 CRE referrals per month

Goal 1: Let all my clients know that we are the total real estate solution! We have a commercial division to serve your commercial needs.

Goal 2: Contact my database regularly. Ask the 3 magic questions... “How’s Business?”

Goal 3: Add 3 Business owners or investors to my database every month. (Guess what? They need homes too!)

Goal 4: Identify who needs to play monopoly....

WHO WANTS TO PLAY MONOPOLY....AND GET PAID!

Trade four green houses for a red hotel

- Who in your database owns several rental houses?

“How much are you cash flowing on your single family rentals? How much equity do you have?”

“If you can trade your four rental houses for one commercial multifamily building and triple your cash flow (all without adding a single dollar to your investment), how would that change your life?”



YOU JUST GOT FOUR LISTINGS!

Trade four green houses for a red hotel

1. You list the four houses - You keep 100% commission
2. You get 25% referral income on the commercial building

Example

$$\$450,000 \times 2.8\% = \$12,600$$

$$\$12,600 \times 4 = \underline{\$50,400}$$

PLUS

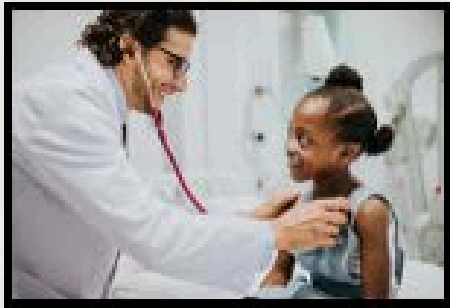
$$\$3M \times 3\% \times .25 = \underline{\$22,500}$$

YOUR TOTAL GCI:

\$72,900



WHO DO YOU KNOW?



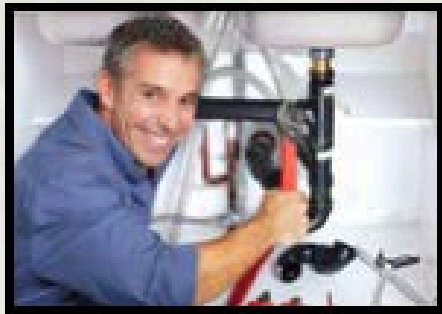
Health &
Wellness



Investors



Landowners



Trades
People



Serve the
Community



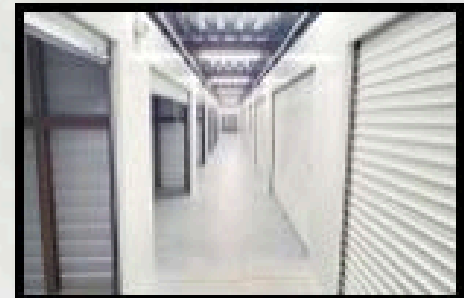
Retail or
Hospitality



Professionals



Business
Owners



Logistics or
Storage

HOW DO I QUALIFY MY LEADS?

Seller Leads are superior leads

“What commercial assets are you thinking about selling or buying in the next 6–12 months?” Why are you looking to sell?

Strong Motivations (Send Immediately):

- Tired landlord / burnout
- Vacancy issues or bad tenants
- Loan maturity / rate reset
- Partnership disputes
- Death / probate / inheritance
- Divorce
- Relocation
- Cashing out / retiring

“What would need to happen for you to move forward?”



HOW DO I QUALIFY MY LEADS?

Buyer/Tenant Leads Need Qualifying

Financial Capacity (Can they actually execute?)

- What type of property are you are looking for?
- Would this be cash or financing/debt service?
- Have you purchased commercial before?
- Are you currently profitable?
- How much space do you need?

Strong signs you have a good lead:

- Strong Motivation - a reason to ACT
- Owns other real estate or valuable assets in stock, gold, commodities, etc - Affluent clients, Net Worth \$1M+
- Business Owners with 2 years P&L
- Or New Business with 6+ months liquidity, access to capital and solid business plan
- Tenant looking to lease minimum 5,000 SF feet and can sign a 5 year lease.



LESS LIKELY LEADS

Signs of weak leads that will not payout:

- **Just Curious Sellers** - \$750 BOV fee, 5 business day turnaround
- **No motivation or timeline** or clear reason to take action
- **Unrealistic sellers** - Want \$10M for a \$6M deal.
- **Unrealistic buyers** - Making offers 50% below list. Looking for a 10% cap
- **No Financial Capacity** (i.e. wants a 20 unit with no money, experience, partners or lender)
- **New/Weak Businesses** (Tenants)
- **Too small to matter** (wants to rent a 800 sf retail)
- **Tire Kickers/Serial Shoppers** (I've been looking for years...) (I've talked to a bunch of brokers...)
- **Unwilling to talk to a Broker** (Just send me info, I don't want to talk to anyone yet)
- **Partnership Drama** - One partner wants to sell, the other doesn't
- **Shopping for free advice** - They extract value but never commit



“If they don’t have a reason, a timeline, and the ability to act, don’t send them yet.”... But could they be FUTURE deals...

WE ARE ON YOUR TEAM

Worry free referrals!

We are willing to sign a non-compete form. If your referral client wants to buy & sell a house, that lead goes right back to you!

VIP Realtors

We frequently give residential referrals to our VIP realtors in Keller Williams statewide



TO YOUR SUCCESS!

HAVE QUESTIONS?



**GLASS
PROPERTIES
GROUP**

