



DNA of #CRE

The state of commercial brokerage in 2021

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RESEARCH

 **buildout**  **theBrokerList**

Executive Letter

Dear Reader,

Commercial real estate, like most industries, is undergoing rapid change. Brokerages are faced with new and complex challenges on a daily basis—but those challenges bring opportunities. Brokers and brokerages that adapt to the needs of the changing CRE landscape will separate from the pack, positioning themselves as market leaders.



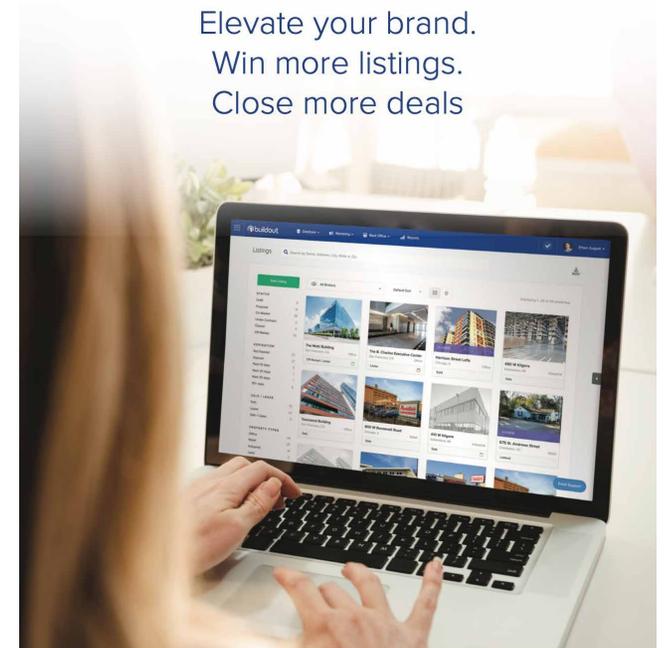
In this report, you'll find survey results compiled from hundreds of brokerages, detailing the state of the industry today, as well as how they plan to move forward. The results cover hiring challenges, COVID-19, technology, data, prospecting, networking, and more.

We hope the information contained in these pages will help you develop the strategies and tactics necessary to place yourself and team in a position of strength as the future unfolds. With a clear understanding of the obstacles facing CRE, you can take action now and thrive despite them.

In 2010, while speaking to a frustrated broker in a coffee shop, two software engineers learned of incredible inefficiencies facing commercial real estate. They believed deeply that brokers required better technology and founded Buildout to deliver real value across the industry. When I first saw the application in 2013, I promptly left my brokerage to help these brilliant engineers accomplish their goal.

It's with that same mission in mind—to provide CRE brokerages with the tools and resources they need to succeed—that we share this report with you today. We hope this helps you accurately assess where your brokerage stands compared to the rest of the industry and identify the steps you must take to achieve your goals.

Kris Krisko
Chief Customer Officer
Buildout



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Introduction

The face of commercial real estate brokerage is rapidly evolving. As the demographics of the field change, experts tout new ideas in business and tech alike, and the very nature of the industry responds to disruptive forces like the impact of COVID-19. For a field that focuses so heavily on networking, interpersonal communication, and hands-on marketing techniques, the pandemic, which led to widespread shutdowns in every state and every industry, had profound impacts. Commercial brokers who had spent years or decades oiling the machinery of their processes suddenly found themselves forced to develop new, remote-friendly tactics and strategies to ensure their continued success. Meanwhile, newer brokers have been thinking creatively about how to use the tools at their disposal to drive more business in ever more creative ways.

In order to understand these changes, commercial brokerage tech provider Buildout and broker database theBrokerList developed and administered the “DNA of #CRE,” a survey of 500 of the country’s top brokers, a smaller marketer-focused survey, and an additional survey focusing on COVID-19. In this report, we will dive into the data from these surveys to explore how brokers are working in this new landscape. First, we will review the DNA of #CRE’s

findings and provide analysis for the changing state of brokerage team dynamics. Next, we will explore the use of technology and data in the modern brokerage landscape. Then, we will cover firm-level trends and review how brokers are interacting with clients in this new world. Finally, we will explore areas for process improvement in the new brokerage universe.

Brokerage at 10,000 feet

Before we get too far into the details, we’ll consider the high-level takeaways of where brokerage is today. Who are the brokers that make up the commercial real estate sales and leasing business? This section will provide a brief executive summary of the findings of our survey at a high level.

About 60 percent of our respondents were brokers who work at smaller regional or local firms. Most work in cities or, to a lesser extent, suburbs. Over half of our respondents were in their 50s or above, and about 80 percent of respondents are

men. Most of our respondents have over a decade of experience and typically work in the office, retail, or industrial sectors.

In general, these brokers work at small offices with just a handful of other brokers. Over 50 percent use CoStar and LoopNet for property information, and most, over 80 percent, keep private databases of properties and clients separate from their colleagues and officemates. An overwhelming majority of brokers derive most of their business from referrals

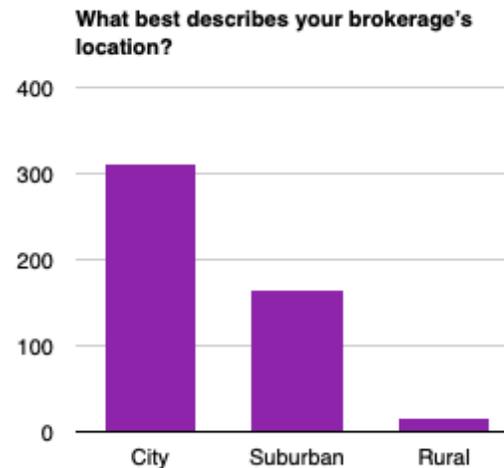
or, to a lesser extent, cold calling for business. And despite the impacts of COVID-19 on marketing and media, less than 13 percent use video webinars as a marketing strategy.

Around the firm

Broker profile

60.4 percent of respondents were independent brokers working at smaller or local firms, while 39.6 percent worked at national firms like CBRE or

JLL. In terms of location, most brokers work in urban markets (63.1 percent), with 33.4 percent working in suburban areas. Only 3.4 percent of brokers worked in rural markets, pointing to the lower density of

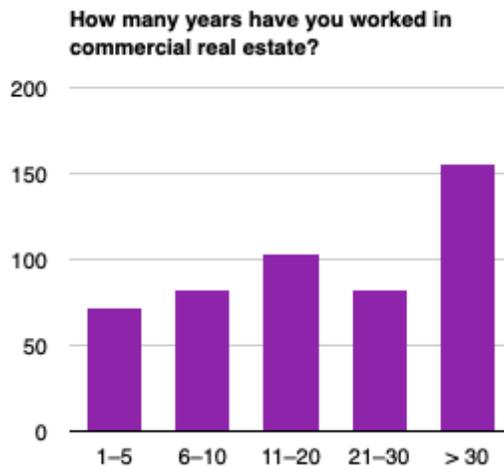


traditional commercial real estate like office, retail, and multifamily in these areas.

25.7 percent of our respondents were 60-70 years old, while 25.9 percent were in their 50s. Interestingly, 9.5 percent said they were over 70, while only 4 percent were in their 20s. There are a few implications from this. For one thing, since brokerage is typically commission based, many brokers probably learn what works for them relatively early on in their careers or otherwise wash out of the field. This means that a broker who enters the field in his or her 20s or 30s has many years to hone their craft. By the time they are in their older years, many brokers have probably refined their businesses into well-oiled machines, meaning that for some, continuing to stay involved in the field is a no-brainer. Brokerage also continues to be a male-dominated field, with 79.2 percent of respondents saying they are men.

A closer look at the 4 percent of respondents in their 20s reveals some interesting insights, as well.

COVID-19's slowing and distancing impacts to business probably decreased new hiring activity across a global sample of real estate firms, but even before the outbreak, commercial real estate talent was difficult to attract. SelectLeaders, a real estate hiring website, performs an annual survey of hiring trends and sentiment. Their 2020 Network Hiring Trends Survey, completed in January 2020 before COVID-19 exploded, included a quote from



an anonymous respondent who opined: "I am a recruiter and I expect hiring to be increasingly difficult in 2020. Human Capital will be the most sought-after resource in 2020. Unemployment is currently at a 50-yr low. It will get even tighter in 2020. I predict continued wage growth as employers seek to recruit and retain top talent."

Consequently, we see that real estate hiring was difficult

before COVID-19 and will probably remain so well after the outbreak is behind us. This could drive senior-level brokers and brokerage HR leaders to look for other ways to supplement their teams' manpower, like adopting additional tech platforms and automations, or outsourcing simple tasks to

offshore talent.

Most brokers work in the office, retail, and industrial sectors, with a fairly even split of 26.1 percent, 21.3 percent, and 24.5 percent respectively. In terms of experience, 69 percent had at least 11 years under their belt.

COVID-19's impacts have been felt differently by different brokers. Despite the fact that many survey respondents work in the highly-impacted office and retail markets, 26.4 percent said their businesses were no less busy during COVID-19 than they were before. This speaks to the heat of the 2020-2021 commercial real estate market, sufficient to keep pressure on brokers even while COVID-19 was stifling business more broadly. Even a global pandemic wasn't enough to slow down a large chunk of brokers. Interestingly, 16.3 percent of brokers said they didn't change their operations due to COVID-19. Perhaps these were brokers who didn't engage in much in-person networking to begin with. Alternatively, this cohort might include brokers who simply did not let COVID-19 affect their busy networking schedules and brokers who worked so frequently with existing, familiar contacts that in-person meetings weren't considered important to begin with.

Office size

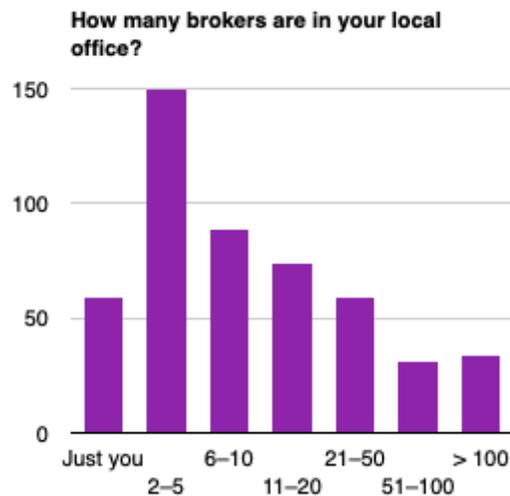
Most of the individual brokerage offices out there are small. 30.2 percent of respondents said they work at an office with only one to four other brokers, while only 6.9 percent said they work at offices with more than 100 other brokers. This makes sense given the largely independent, local or regional firm makeup of our survey respondents. Also, even bigger brokerage firms like CBRE may have a large number of small offices occupied by only a small number of brokers.

As the population flows and remote work strategies prompted by COVID-19 put more formerly unappreciated, less-developed markets to national relevance, this could be an increasing trend. A regional real estate firm with a big presence in, say, the Southwest looking to expand into the Midwest or northern mountain states might see fit to open a small satellite office in Tulsa or Boise, but it is unlikely that office would see a large number of brokers occupying it from day one.

Technology and data

Alongside COVID-19, the biggest recent brokerage game changer has been the adoption of a diverse set of technology and data tools to help drive greater team efficiency. Of course, while many brokerages identified the adoption of these technologies as a good idea prior to COVID-19, the outbreak itself has led to an increase in tech adoption, particularly in areas like virtual tours and videoconferencing. In

this section, we'll explore how brokers are using tech and data in their day-to-day work.



Data

Data is a mission-critical commodity for commercial brokers. Those who have great data in their arsenal can direct prospecting more effectively, price more accurately, and find buyers and tenants more easily.

In keeping with the same response that brokers have

made every year the DNA of #CRE survey has been offered, CoStar and LoopNet continue to be the biggest industry data sources. However, this trend appears to be declining, with fewer brokers using these tools for property information this year (57.6

percent) than last year (63.9 percent). Some of these brokers might be moving toward Catylist, a rival listing and property research platform.

Within the firm, more than half of all respondents don't have a shared contact and research database. Many brokers are reluctant to share their personal business contacts, often the result of expensive and time-consuming prospecting campaigns, with even their officemates. In fact, 81.4 percent of brokers maintain private property databases separate from what is available via CoStar or other paid data sources.

Technology

In addition to data, brokers are using a wider range of technologies now than ever before. According to Vijay Mehra, who is the founder and CEO of Rethink, a broker-focused CRM that was recently acquired by Buildout, "It's no longer the case that only enterprise players can afford tech. Now, smaller teams are adopting enterprise-level SaaS tools." However, proliferating technology changes the job description for brokers.

One interesting area to review is the 80+ percent of brokers who keep private property databases. Of these brokers, the largest single group with about 21 percent of total responses said they use Outlook to handle this private data. While Outlook is a familiar

option to most professionals with little learning curve, it is also a much less powerful tool than practically any purpose-built CRM, real estate specific or not.

When taken together with the 15 percent of respondents who use spreadsheets to handle this data, it might be possible for a large number of brokers to increase their productivity by moving to a database solution that allows for more effective filtering, automation, and suggestion of leads than just Outlook or a spreadsheet.

Another area for improvement is better coordination between brokers within the same firms. While it is understandable that many brokers want to protect their confidential leads and property information, sharing information across an office could be useful for increasing the effectiveness of each individual broker on the team.

For starters, offices could put together a database of properties and contacts that are non-confidential.

This could help brokers with filling needs quicker, instead of needing to manually send out email referrals; for instance, if a multifamily broker

found a buyer looking for industrial space. Such a non-confidential database could include property characteristics, size, and even pricing, as well as the needs profiles of buyers, without names, addresses, or contact information associated. When looking to fill a client's need, brokers could consult this internal database and connect with the record's owner whether they are one

side of the building.

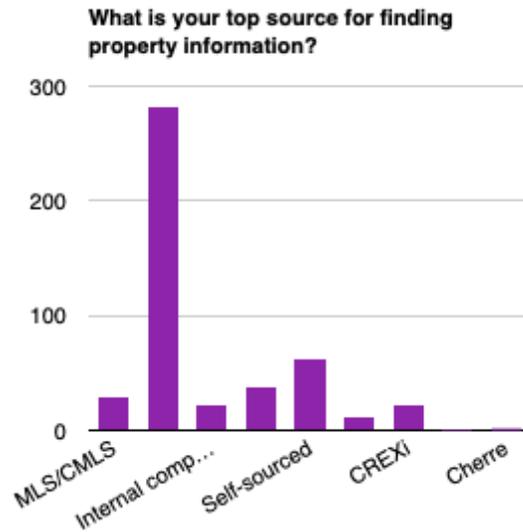
This sort of internal database could be made more effective through a broker-oriented CRM and deal platform. However, it may not be necessary to buy something specific to brokers. Modern no-code applications like Airtable or Smartsheet allow for users to easily customize databases, submission forms, and views to showcase only the information needed without distractions. This may not be an appropriate task for a senior broker, but a newer team member or marketing support staff could take

such a project on over the course of a couple weeks.

On the other hand, true purpose-built systems can offer functionalities that no-code solutions cannot provide. One area where this is particularly evident is integrations. Connecting different systems together, and automating listing maintenance, is important to enabling streamlined deal platform use. And while various no-code automation platforms offer users the ability to easily integrate different tools, software within the real estate field is often too niche to have pre-built integrations ready to go. For this reason, if brokers are looking for their CRM to integrate with other real estate software, or syndicate listings to a range of real estate sites, going the broker-specific route is more effective.

For brokers looking to boost their efficiency while making themselves more attractive to potential clients, simply choosing the right platform may not be enough. Instead, they may need to also consider how they will connect their platforms to each other and make them transparent to clients. Sophisticated real estate companies and occupiers looking for space likely have their own tools, and ensuring these different systems can share data should not be an afterthought.

According to Vijay, providing data transparency, as well as frequent and detailed updates, can be the



difference between losing and winning a deal. “If I am hiring a landlord rep, I want to know what tech you’ll be using to manage tours and leads, whether we can automate, and if you’ll share your data with me,” he explained.

Client interactions

Interacting with prospective buyers, sellers, landlords, and tenants has always been the core of the brokerage business. But while this is just as true today as it was 20 years ago, the ways in which brokers actually make and grow these connections are changing.

Prospecting

Brokers continue to derive most of their new business from referrals. The most common prospecting method, with 79.7 percent of brokers selecting it as a tactic, is referrals from past clients and buyers. 57.6 percent also look to referrals from other brokers to fuel their prospecting engines.

Cold calling is used as a prospecting tactic by 65.5

percent of brokers. This figure could be distorted by broker tenure length, since more senior brokers tend to leave cold calling campaigns to more junior team members.

These results indicate the power of reputation for commercial real estate brokers regardless of niche or location. Interestingly, cold calling, although widely practiced by well over half of all brokers, is

responsible for less actual new business activity than referrals. Cold calling campaigns and referrals take many different types and amounts of effort to develop. Many of the skills and practices that lead to referral business, like deep market insight, content development, and creation of winning collateral represent an either/or proposition for brokers looking to effectively manage time.

Either dedicate time to cold calling, or dedicate time to developing reputation and professional stature.

Networking

Broker networking has shifted in recent months, as the impacts of COVID-19 made some typical events, like the business lunch, harder to execute.

Perhaps due to the impacts of COVID-19, the vast majority of brokers say that phone calls are their most valuable relationship-building method. While some brokers may view the dominance of phone calls as a reason to bulk up on other methods, in order to increase relationship-building effectiveness across the board, an alternate take would be for brokers to spend even more time enhancing the quality of their phone calls, perhaps investing in solutions to help track, monitor, and iterate on call scripts.

Despite their relatively high profile from companies like Walker & Dunlop and Marcus & Millichap, only a minority of brokers (12.8 percent) are using virtual events to engage with their clients. This could be because of the traditional narrative that many CRE professionals are slow to adopt new technology, but it could point to other causative factors as well, such as the impact of “Zoom fatigue” thanks to the wholesale adoption of videoconferencing to replace in-person meetings during the pandemic.

More interestingly, more and more brokers say they’re focusing on building their personal brands in creative ways like content creation and social media. In the DNA of #CRE COVID-19 broker survey, over 16 percent of respondents said creating more personal brand content was the new tactic that most effectively helped them nurture relationships,



while 12.8 percent said the same for building thought leadership and industry predictive content. There are likely both push and pull factors at play here. Some brokers, particularly the ones who wound up less busy over the course of the outbreak, certainly found themselves with excess time with which to create additional branding, marketing, and content collateral. Additionally, a quarter of brokerage marketing professionals, like support staff and leaders within marketing departments at brokerages, have been working on creating video content for their teams.

Deal execution

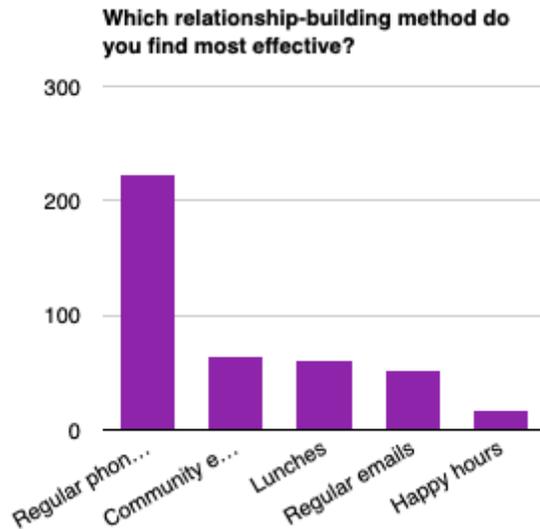
Through the course of our research, we collected input on a number of transaction management and marketing areas that are critical to each deal.

One conclusion we found was that most brokers

do their own marketing work for the deals they transact. This points to the need for commercial real estate brokers to develop skills in a range of different areas. Brokerage itself requires the familiar polished abilities in analysis and networking, but the marketing process represents a completely skill set entirely. Brokers with exceptionally strong networks may not need to put in much work to market their properties, but it goes without saying that those who understand the principles of digital marketing, and indeed understand how to

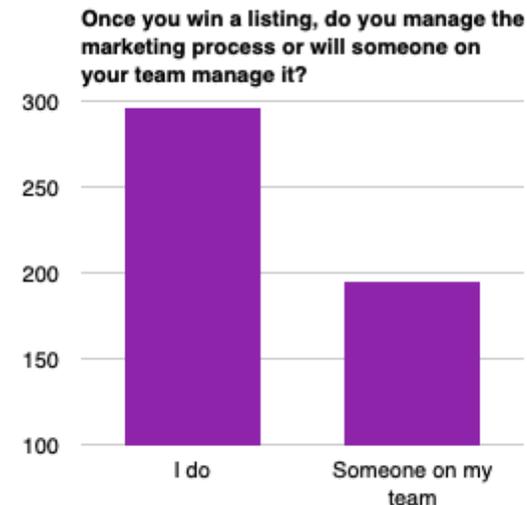
set up and publish their own collateral and advertisements, are likely to be more successful in getting the best rates and prices for their clients.

Far from every broker has the ability to enlist the help of a dedicated marketing staff member, but those who do are able to leverage the skills and experiences of these professionals in ways that brokers themselves may not have the expertise to do. For instance, the majority of broker marketing staff, who according to our survey



contrast with brokers by being predominantly female, tend to make good use of video marketing. Video production, although enabled by applications and software tools, is the type of business activity that can take an extensive amount of time to become competent in.

At the same time, 47 percent of marketer respondents said they do not track marketing ROI. Some answered that they were not sure how to, others said it was not up to them, a similar number said it was too time consuming, and a couple indicated that it wouldn't be worth the effort. However, particularly on more successful teams, this kind of data could be very valuable to collect, helping brokers decide where to allocate resources



in consideration of how much each transaction is worth.

In contrast with marketing, most brokers surveyed indicated that someone else on their team handles post-close deal back office processes. This indicates that the majority of brokers do rely on other staff at their firms for part of the transaction process, despite their less frequent reliance on marketing staff. This could represent an opportunity to cross-train brokerage back office professionals with specific marketing skills like video production and collateral creation.



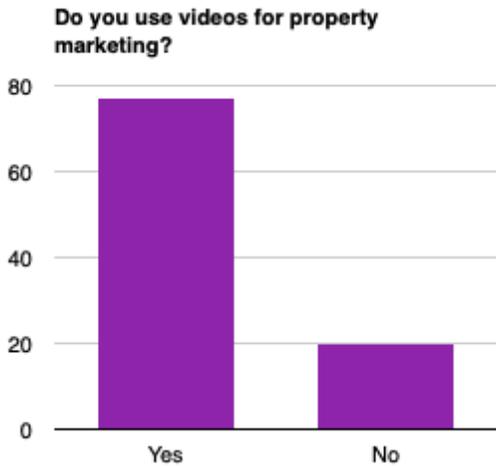
new ways to get their messaging and marketing through to prospective buyers, sellers, landlords, and tenants, to keeping track of markets that are going from underappreciated to red hot in the blink of an eye. In this report, we also explored a number of opportunities for brokers to improve their productivity based on the answers we received. Focus areas tended to cluster around tech and prospecting strategies. The future of brokerage is up for grabs, particularly as the established leaders in the field continue to get older and eventually retire. As we've seen in this report, capitalizing on this opportunity requires flexibility, tech-friendliness, and of course, a generous helping of broker hustle.

Conclusion

In this report, we have shared information from the DNA of #CRE survey and analyzed what these data points represent. We covered broker demographics, firm profiles, data, tech, and prospecting strategies, and uncovered insights for each category.

The brokerage field is large, dynamic, and undergoing a period of rapid transformation. COVID-19 has accelerated much of this transformation, and it is likely that the new perspectives gained during the outbreak will not disappear even if the outbreak is soon under control.

Brokers in 2021 have a lot to think about, from finding



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