

BROKERAGE (LEASING) CASE STUDY PENNY WISE: POUND FOOLISH

The Challenge

The owner of this industrial property had 40,000 ft.² of space falling vacant which they urgently needed to lease. Our Brokerage Division, responding to their invitation, submitted a proposal to lease the property for them. It envisaged a listing period of nine months and a competitive commission. The owner rejected our proposal insisting instead that a shorter listing period at a lower commission were necessary to ensure the space was leased more quickly. However the probability of leasing any premises is a function of, (1) the availability of a suitable tenant and, (2) the marketing resources we can bring to bear to locate them. Since Brokers have no control over tenant availability our Listing Period was based on the *maximum* time required for a suitable tenant to surface under present market conditions. The quantum of marketing resources any Broker can afford to invest is directly related to the amount of commission they expect to earn. Reducing the listing period and/or the commission reduced the probability that the premises would be leased. We therefore declined the assignment. The owner listed the property with another broker for a much reduced listing period, presumably at a lower commission.

NAI Turner Drake's Approach

Once the listing to lease the property expired (none of the space had been leased) the owner accepted our original proposal and our Brokerage Division set our marketing program into motion.

Winning Results

We successfully leased the entire space to a national tenant for a ten year lease term at prevailing market rates, within the nine month listing period.

