

The large and the small of it



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Sherman Miller, executive managing director, West area leader, for Cushman & Wakefield of Colorado Inc., meets with a group of employees in the Denver office.

What's best for you? Brokers discuss the difference between large and small firms

BY RYAN PEACOCK
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The makeup of Denver's commercial real estate market can be compared to the days of the Wild West: Lone wolves roam the landscape, promises of "gold rush" investments abound and there's always decisions to gamble on.

One of the big decisions facing brokers: Do you go with the strength of a national firm or become part of a smaller group without the hierarchy?

It's a question that sparks many opinions and perspectives about the differences between the two.

"The most compelling reason was that the large firms get in [the broker's] pocket big time with 50/50 splits," said John Fairbairn about what influenced him to start his own firm, Fairbairn Commercial Inc., in 1999. "Giving up that big name was fearful, but it was a pleasant surprise. It reinforced that customers were dealing with you instead of the big company."

"It takes several years before it's worth handing over that fee," echoed Jody Balaun about the 50/50 commission split. Balaun spent over 15 years at national firms before forming Areté Commercial Tenant Services in 2003. Areté's five brokers keep a larger portion of their commission, but assume

other responsibilities normally covered by separate departments at larger firms (office management, accounting, etc.)

Joe Serieno, senior vice president at Trammell Crow Co., said that giving up more commission is necessary to target bigger clients.

"Larger clients in the market are consolidating their vendor lists and looking to create uniformity in how their reporting is done," he said. "You pay for the access to be able to compete for the large national business."

Serieno added that large clients demand a range

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and level of services that national firms are designed to handle, and funding these support services requires a portion of the broker's commission.

"At a smaller firm, you're paying for everything," said Ann Sperling, senior managing director for Trammell Crow. Aside from commissions, she pointed to other elements brokers need to consider, such as how larger firms offer IT support, comprehensive benefits packages and coverage for business expenses like travel and membership dues.

One of the key factors that has minimized the difference in capabilities between the large and small players is technology.

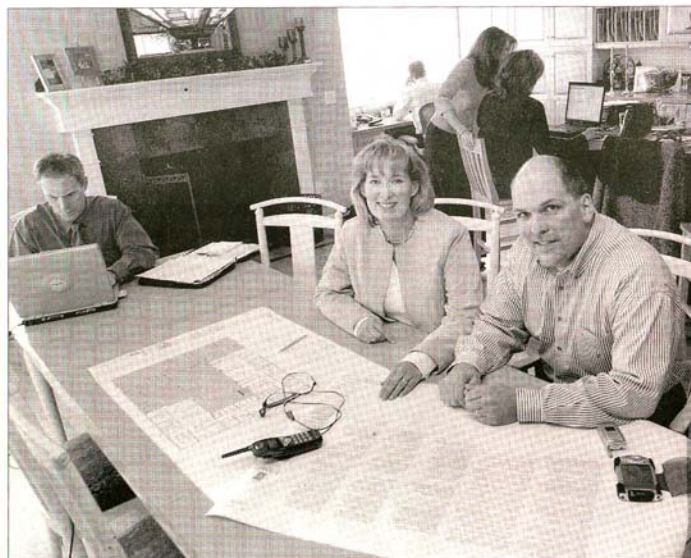
"We're good, old-fashioned street hustlers and at the same time we have all the tools that the big companies offer," said Alex Ringsby, president of Ringsby Realty Corp., a boutique firm he founded in 2002. Market research firms such as CoStar have transformed the playing field, shifting research from an issue of having access to data, to one focused on how you analyze that information.

"The big shops still think marketing is a competitive advantage they have," Fairbairn said. In his opinion, desktop applications have empowered smaller firms to produce quality marketing collateral and presentation materials.

But for Sperling, having specialized experts to provide marketing services makes sense in terms of time and quality.

"There's access to a larger platform that will allow you to sell more effectively ... brokers can focus on winning new business and servicing clients," she said.

Larger firms continue to make investments in technology as a marketing tool, touting the added value for clients, said Balaun. However, she ques-



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Jody and Sean Balaun, principals of Areté Commercial Tenant Services, at the dining room table in their home which is also the Golden-based headquarters for the company. Brokers Jason Trimble, Adam Falek and Dawn McCombs and project manager Tracy Chastulik also work at the home-based office.

tioned the demand for these expenditures.

"Most clients don't care about the technology; they don't need to check the status every day," Balaun said. "It makes you look really advanced, but does it really provide a needed service?"

She added that it may address the needs of a few clients, but for smaller companies, implementing secure online access and having tech-

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nical support are substantial costs.

The size of a firm and its corresponding hierarchy can either frustrate or support those within it. Balaun suggested that since smaller firms lack the multiple layers and broad monthly expenditures, they have a certain flexibility to respond to market conditions.

On the other hand, Sperling said the diversification of a large firm can help it weather economic ups and downs.

"A downturn in one component will be

compensated in another area," Sperling said. "But just being big isn't the answer, you have to be organized around collaboration. There's plenty of flexibility in our firm for a broker to drive their business plan."

Sherman Miller, executive managing director and West area leader for Cushman & Wakefield of Colorado Inc., mentioned another advantage of size: More employees gives you a larger base of representation in the community. His

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unwritten "Sherman Miller rule" encourages all Cushman & Wakefield brokers to be involved in at least one community activity. It creates visibility, but more importantly, it gives back to the surrounding community, he explained.

Hiring and training practices are other areas that can differentiate various firms.

Serieno said that larger firms are better training grounds for those new to the business.

"It's easier for younger brokers to come up through larger firms. They can work on teams, develop a book and then mature into full-fledged brokers," he explained.

Balaun, however, likened the junior broker hiring process at certain larger firms to a cattle call.

"[Some larger firms] hire 20-30 at a time and hope two to three make it," she said. Balaun added that she founded Areté with a focus on nurturing and growing brokers to work as a team and not see the person next to them as competition.

Ringsby said when hiring, his firm looks for seasoned agents because they don't have the time or resources to train people without experience.

Another element to consider is reputation. The strong brand name of a large firm and its established referral network can be viewed as important assets in reaching prospective clients.

"There's not a corporate door in America that we can't get open to talk about our services," said Miller. "There's a percentage of deals that come through the door because we are Cushman & Wakefield."

Fairbairn sees the Society of Industrial and Office Realtors, a leading professional association, as a more influential national referral network than the internal networks of larger firms.

"They look beyond company names to individual accomplishments," he said.

Individual reputation, Fairbairn added, is also the key factor in local market referrals.

Both large and small firms offer plenty of opportunities to make money, according to Serieno. From his perspective, it's mainly about the clients being targeted. Larger firms are structured to address the needs of national clients, whereas smaller firms are often a good fit for local and regional clients, he said.

The career path a broker takes is influenced by a variety of factors, both internal and external.

"If [brokers] think long term that there's a platform better suited to their career growth, they'll make a change regardless of the market conditions," Miller said.

For Ringsby, his decision to leave Cushman & Wakefield was fueled by a desire to build something on his own. It proved to be a successful venture, he said, but there was initial uncertainty.

"The biggest challenge is not knowing how much is you and how much is the team you are leaving behind," he said.

Money wasn't the dominant influence in Balaun's decision to leave Equis Corp. to form Areté. "We need to be successful, but more importantly, we need to be balanced," Balaun said.

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