

# WE'VE GOT THIS!



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Happy New Year! Now that the ball has dropped and the sparklers and firecrackers have been successfully launched – the commercial real estate industry is trying to figure out what is in store for it in 2021. First of all let me share a little secret – I really don't know either. The story is still being written and we remain in the eye of the hurricane – of course therein lies the problem/opportunity. Are we at the end? In the middle? Or are we at the beginning of the end? Let me repeat – I don't know either. There are several choices here – we can be cheerleaders for success in 2021 (but without a foundation to base it on), be bearers of grim tidings (because if it turns out better than “bad”, we can't be criticized), or we can simply just let you readers know what we plan to do in this New Year.

So here goes...even though I have never lived through a pandemic (although I suspect some of our new hires probably think I have), I have come to recognize several familiar characteristics that inevitably materialize during periods of change and uncertainty. We all know that COVID has affected different commercial real estate disciplines quite differently – that is part of the dilemma – drawing any meaningful conclusions from the last 11 months and creating action

plans and smart strategies to move forward.

As an example, industrial and life sciences have strengthened and prospered during 2020, but we all know that hospitality leisure and certain sectors of retail have been crushed. Retail has experienced difficulty to say the least, but it is not all bad news or “one size fits all”. If you own, operate or are the landlord of a gym, theatre, beauty salon, nail salon, clothing retailer, or a non drive-thru, sit down restaurant without any meaningful patio area, you are probably on life support. If you own, operate or are the landlord of a fast food drive-thru restaurant, a take-out only quick serve restaurant, a specialty market, drug store or a big box retailer – especially one that is designated as an “essential service”, you may have had your best year ever in 2020. The wild card is that the normal market forces of interest rates, capital availability, consumer spending, unemployment and market demand are all out of kilter because our own government is not letting the free market do its job. Beauty salons are not failing because they are not competitive, or unsafe, or COVID super spreaders –

they are failing because the government has mandated their closure, with different criteria and litmus tests from state to state and county to county. Our “leaders” are unwilling to let good old American ingenuity, resourcefulness and competition take hold and prosper (safely of course). Actually, now that we are in month 11 of this roller coaster, it is really quite shocking to see what our “government of the people” has done to their own people (at least in CA). Food for thought as we move forward!

Moving forward with at least the retail brokerage sector, I believe the game plan to kick off the New Year needs to be something along these lines. May sound like DRE 101, but it still applies.

**WORK LIKE IT'S 1994** – be prepared to work harder than you have ever worked before and when you have reached your maximum capacity, remember what my Dad always told me – “that’s what nights and weekends are for”. Needless to say, this new regimen may not be appealing to everyone, but I guaranty you, for those that buy off on it, it will pay off in the end.

**BE CURIOUS** – force yourself to ask questions – lots of questions! Why did this store go in – why did that store go out. Why did that loan get funded? Why did the City Council allow a drive-thru on a property that wasn’t zoned for it? I believe curiosity is the most important trait a real estate broker can have – it sets you apart AND puts you in a position to take advantage of opportunities that materialize out of nowhere.

**PIVOT** – push yourself to get out of your comfort zone to embrace new sectors of commercial real estate that you are not an expert in (yet!) - starting Jan 1. Just because you are a successful and experienced retail broker doesn’t mean that, in todays world, you should not have a working understanding of what multi-family, or self-storage, or senior housing developers or investors are looking for or need – it may be right under your nose in a shopping center or adjacent property that just lost a major retailer. Start to think of yourself as a purveyor of opportunities, not just introducing a buyer to a seller and hoping to get lucky!

**STUDENT OF THE BUSINESS** – this should always be your goal. Know how to put together a proforma. Understand what “return metrics” your client (or soon to be clients) are looking for to be interested in a deal. For a developer, it could be “Return on Cost”. For a capital partner, it could be “Return on Equity”. The information you have (or should have) at your fingertips, properly developed, analyzed and applied, should be your stock in trade. A buyer or landlord that sees that you have thoroughly analyzed a deal, taking THEIR interests (and risk) into consideration, will be a client for life. They need to see that this is a partnership between the two of you – not a quick way to lease a space or close an escrow and then move on to the next deal

**NETWORK** – I have always thought that networking as a goal was oversold. But now, it should be a time to exchange valuable market data so you can use it with your clients. Make yourself as valuable as possible in this market. Have a cup of coffee

(when we can!) with someone that doesn't do what you do in the industry. For me it would be: 1) a property manager (how are your rent collections coming along – better or worse than we read in the trade journals?), 2) a mortgage broker (which lenders or capital lenders are in the market right now, will they consider a retail deal, is there non-recourse financing available, what are the interest rates and typical LTV's – long and short term?), 3) a general contractor (what are you seeing out there for shell building costs, vanilla shell costs, is concrete and steel available, do you see any retail projects being financed and starting construction, what about other CRE disciplines?).

**LISTEN** – a very good friend of mine, John Gilchrist, former CEO of the E.W. Hahn Company (think Fashion Valley and UTC just to name a few) said something to me many years ago about his experience with brokers in meetings. I have never forgotten it and I quote him often. He said he always noticed that most brokers in a meeting fall into one of two categories (present company excepted I hope!) – they are either 1) talking or 2) waiting to talk! Hmmm... sounds familiar doesn't it? Try to change that dynamic. Remember - someone else at the table just may have a pearl of wisdom that will make you more valuable in your next ZOOM with a prospective client – try it!

**SAY YES!** – this is very important because it creates a mindset and action mentality. All of us experienced in retail brokerage strive to be good qualifiers in determining which opportunities seem to be the most likely to ultimately end in a commission being paid.

That is still a good idea, but today, consider taking on a few more flyers than before. A small lease opportunity might lead to a shopping center sale. Or a non-descript piece of land in an demographically challenged trade area may become a place where an expanding QSR, drive-thru restaurant or high volume carwash might consider. So say yes whenever you can – it's contagious!

I too am moving into 2021 with some trepidation (as I said, this is my first pandemic), but I am not planning on letting the market dictate the terms of my game plan - just the opposite. Have a game plan (even if it is a loose one), stay visible and relevant through self-generated marketing (Instagram, LinkedIn, Facebook, etc) and networking, offer your clients information that they can actually rely upon and use to make important decisions. And not just a published report from ICSC – you need to impart real marketplace data. Oh, and if the game plan you devised the first week in January, is not working by April 1 – persevere on the things that still might work, but don't be afraid to pivot and come up with a revised plan – it will probably be very liberating (after the initial panic and fear, of course).

I hate to be “that guy”, but I for one am looking forward to 2021 (and not just because it is not 2020!) with great anticipation – there should be plenty of opportunities (maybe not obvious at the start) to capitalize on with some smarts and hard work

Happy New Year to all of my friends, colleagues and clients – We've Got This!

