

The Golden Age of Commercial Brokerage

I believe we are about halfway through a Golden Age of commercial real estate sales brokerage. Technology and earning capability are the two main reasons why I think it is such a great business today, and we may be in the midst of the best of times for sales brokers.

Technology has created this golden age of sales brokerage and, ironically, will also be the reason for its eventual marginalization.

To understand the impact technology has had on our industry, I think back to the way things were in 1984 when I began my career brokering property sales in New York City. Then, there were no cell phones, no fax machines and forget about email as there weren't even computers on our desks. When we went out to show buildings to potential buyers, it was necessary to keep a roll of quarters with us because, if the buyers or their brokers were late, a walk to the corner phone booth was required to try to track down the missing prospect. After leaving a message for the missing party, we would typically wait 20 to 30 minutes and then head back to the office if the buyers or their brokers were a no-show. One co-broker was so infamous for missing appointments that she had to call us from the corner near the

building before we would leave to meet her.

To send out marketing materials to potential prospects, snail mail was the most common method to use. Messengering and overnight delivery services were very expensive. And the first form of "fax machine" was a service that FedEx offered starting around 1986, which was called Zap Mail. To "Zap" something, you brought a document to a nearby FedEx office, and they faxed it to another FedEx office and then hand delivered the document to its destination—all for just \$8 per page! Mail was definitely the way to go, and I got thousands of paper cuts back in those years to prove it.

Cell phones eliminated the need for quarters, fax machines saved the \$8 per page charges and when personal computers started to show up on desks in the early 1990s the secretarial pool became extinct. Email transformed a five-to-six-hour process of folding and stuffing 1,000 pieces of mail into a simple push of a button. As great as email is, many of us initially rejected it as a tool for the geek squad.

Based upon the speed with which technology has allowed commerce to occur,

many people believe that more and more business was occurring as the use of these new technologies grew. However, this was not true. The fact is that more properties in New York City were sold in the 1980s than in the 1990s, and more were sold in the

1990s than in the 2000s. (Based on the tremendous rally over the past four years, it appears the 2010s will exceed the 2000s, unless the last three years of the decade continue a two-year downward trend.) What technology has done is not create more business but allowed individual brokers to do more in a year than they have ever been able to. In the past decade there have been

several years in which I have sold over 100 properties. This would have been impossible without the tools that are available today.

In addition, property values have increased such that the same basket of assets sold 20 or 30 years ago is worth five to 10 times more today. Simultaneously, brokerage commission rates have essentially remained the same, making compensation significantly more remunerative



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today, even after adjusting for inflation. Today, the same amount of success yields 5 to 10 times more earnings than it did two or three decades ago.

Unfortunately, the technological advances that brought on this age will ultimately lead to its demise. Well, demise may be too harsh, but it is likely that within the next 10 to 15 years commercial sales brokers will be marginalized based on some online marketplace that will be widely used by market participants. Brokers will always be needed, and those at the top will always do relatively well. But, our roles will be changed, and we will become less important. This is an unfortunate reality of the evolution of our industry.

Therefore, I believe that, 50 years from now, when the role of the commercial sales broker is studied, it will be generally accepted that those of us who were selling properties from the mid-2000s to the mid- to late- 2020s will have been fortunate enough to have brokered during the greatest period ever in the history of our industry.

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