



INVESTMENT

This category of commercial brokerage is mostly broken down into a number of categories. It could be apartments, strip malls, shopping centres, office buildings, industrial buildings, hotels or land.

Some investors prefer one category of investment; some investors prefer to have diversified holdings. There is one particular requirement of all of these investors; they want to know the CAP RATE.

The cap rate refers to the return on investment that an owner will receive. It sounds simple, but most agents in the general marketplace don't know what it means or how to calculate and present the Cap Rate.

Commercial Agents in this specialized field usually hold industry designations that are achieved after years of study and practice. Agents holding a CPM (Certified Property Manager), CLO (Certified Leasing Officer) and/or training at a university level program in commercial investment are considered to be capable of representing clients at the level required by the industry.

In this industry, agents represent either a buyer or a seller and the fiduciary responsibility of the agent relates to the legal signed agreement with either party. The agent can only represent one party.

A well informed buyer will need a comprehensive package prepared for them. In order to get a true picture of the Cap Rate, commercial agents will prepare a number of reports relating to the investment condition of the product.

Market studies of both current and past sales, income and expense analysis, construction/maintenance history, required capital costs, if any, and existing environmental conditions. All of these studies require a great deal of experience and training (CPM, for example).

In addition to the above, the agent must have both knowledge and relationships with qualified firms with specialized training, ex. environmental consulting firms. There are a number of other qualifications needed, financial analyses and capacity to understand and negotiate with lawyers, accountants and consultants.

With regard to seller representation, a commercial agent must have all of the above qualifications and industry experience and be prepared to use these skills on behalf of the seller.