

CRAIN'S DETROIT BUSINESS

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Landlords court brokers with events, incentives

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- Landlords use events, gifts to court real estate brokers
- Brokers rake in incentives such as trips, gift cards and electronics
- Gifts themselves don't necessarily pose ethical problems, but they could if they are not disclosed to tenants, experts say



Redico

Barbara Eaton, vice president and director of leasing and business development for Redico LLC, said 20,000 square feet at the company's 25-story American Center office tower in Southfield was occupied as a result of one of their events.

Matt Schiffman and his wife spent seven days overseas in October, taking in the sights in Iceland and Ireland. It was an idyllic, one-of-a-kind trip paid for not by the Schiffmans, but by a New York City landlord and its representatives who randomly just happened to pick the

Southfield-based commercial real estate broker's business card at an event about six months earlier.

Schiffman, who is a senior associate with P.A. Commercial LLC, says that's the most expensive item he has won during a broker event put on by landlords (in this case, 601W Cos., which owns the Southfield Town Center), but the prizes raffled off are well known in the industry.

Vehicle leases, vacations overseas or trips to professional sports championship series, tailored suits, grills and electronics. Use of landlord cottages and boats. iPads and other goodies. Flight vouchers. The list goes on.

"You get someone big who owns millions of square feet, a prize like that is a drop in the bucket," said Schiffman, whose initial prize was a trip to the Final Four, but he successfully negotiated a swap with 601W for the Iceland/Ireland vacation.

But before brokers can win prizes, they first have to be invited and then show up to the event. It became trickier to entice those selected with just free wine and finger food, for example.

More commonly these days, brokers — generally, whose primary source of income is commissions from deals — are lured with promises of \$100 or \$300 gift cards to use wherever they please.

In return, landlords and landlord representatives get their vacant and/or updated office space in front of brokers, who are their connections to key tenants who may be in the market for new digs in the near future.

For landlords, the maxim that you have to spend money to make money rings particularly true. The ROI on a few gift cards to a select group of brokers, or two years of a vehicle lease, is well worth the upfront expense.



Barbara Eaton

Barbara Eaton, vice president and director of leasing and business development for Southfield-based developer and landlord Redico LLC, said 20,000 square feet at the company's 25-story American Center office tower in Southfield was occupied as a result of one of their events.

"We have been able to find prospects that way for people when they visualize the space and see the space," Eaton said.

She declined to reveal the tenant or other specifics, but CoStar Group Inc., a Washington, D.C.-based real estate information service, says the asking rate for American Center is \$19.50 per square foot per year. At that rate, that's \$390,000 annually in Redico's coffers as a result of the event. The company earlier this month also held events at One Towne Square and Two Towne Square office buildings in Southfield.

It's not just in Michigan.

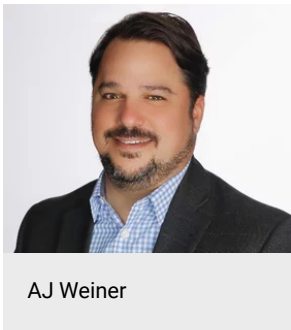
Eaton said in Hawaii, where the company owns property, one giveaway was a bottle of wine and a puddle-jumper flight, one which takes travelers from one island to another. In St. Louis, it was playoff hockey tickets.

"What landlords like is the opportunity to have a smaller group of people that they can select and bring them deals, but also have some time to work with them and talk with them," Eaton said.

Splashier events

Broker accounts differ on just how long these kinds of events with incentivized attendance have been going on. Some say just a few years; others say decades.

When AJ Weiner entered the business, the incentives to show up weren't as splashy.



"A free sandwich and a beer isn't enough anymore," Weiner, managing director in the Royal Oak office of Chicago-based brokerage JLL, said with a laugh.

The so-called broker open house was a staple of commercial real estate. Networking with other brokers, trading business intelligence, is all but mandatory. Today, specific brokers are invited to specific events.

"The theory has shifted to say I want to make sure the top brokers in town know about this specific vacancy," said Weiner, who is managing director in the Royal Oak office of Chicago-based brokerage JLL. "It's a better bang for the buck."

Case in point: JLL once hosted about a dozen of the top office brokers in the region for dinner at the Capital Grill restaurant in Troy. There was a video presentation on the Grace Lake Corporate Center in Van Buren Township, the former Visteon Village space. A broker's business card was drawn, and he was fitted for a brand new suit.

"We got it leased," Weiner said, to CitiMortgage with about 65,000 or 70,000 square feet. "It's easy upfront money to get the word out."

Yet lavish events to showcase space are nothing new.

Steve Morris, managing principal of Farmington Hills-based real estate firm Axis Advisors LLC and an adjunct professor at the University of Michigan's Stephen M. Ross School of Business, has been in the business for decades.

He said in his career, he has seen everything from helicopter rides to showcase space at Liberty Center in Troy to belly dancers at the Silver Triangle Building in Southfield.

In One Detroit Center, before it was renamed Ally Detroit Center, there were people on stilts and clowns. One broker told of an event in Atlanta in which "drifting" cars were brought into vacant industrial space.

Incentives don't seal deal

Brokers say the gifts don't sway recommendations to their tenant clients.

Levi Smith, principal of the P.A. Commercial brokerage, said the events "make things easier for people."

"The landlords are thinking that by paying money, you'll be higher on the list for the showing or tour, which isn't necessarily true," he said. "If you're listening to your tenant, you can narrow it down to five or six buildings. Either the landlord is going to be there or not. Whether they gave you a \$50 or \$100 gift card to see their building doesn't make a difference."

Rob Meneghin, a senior associate in Southfield-based brokerage firm Advocate Commercial Real Estate Advisors of Michigan LLC, said the events have been non-factors in his interactions with his tenant clients.

"In my experience, there has never been a correlation between completing a transaction and receiving a \$100 gift card."

Barbara Crane, a San Antonio-based broker who is president of the CCIM (Certified Commercial Investment Member) Institute, a commercial real estate trade organization, said that landlord incentives for brokers "are nothing new."

"It's also important to note that the use of incentives at all is very much market driven," she said in an emailed statement. "If the market is booming, incentives aren't even necessary. In a market with heavy competition, however, they're employed to draw interest from brokers to

tour the property. That's where their influence begins and ends. No raffle item, party favor or branded souvenir will influence a broker's assessment of the attributes of competing properties under consideration by their client to whom they owe a fiduciary responsibility."

And she said there are no ethical concerns about the incentives.

"The primary goal of any CCIM (designated) broker is to match the client with the right space. That's done by running appropriate financial and market analyses to provide a data-driven decision to the client. It's an objective analysis free of any outside influence. Strong ethics is a cornerstone of the institute and CCIMs worldwide. Strong ethics, intimate knowledge of the market and sophisticated and comprehensive analyses are among the primary reasons clients seek out the designation in markets they're looking to do business in."

Jennifer Cordon Thor, associate professor of management in the Oakland University School of Business Administration, said the gifts themselves don't necessarily pose ethical problems. But they could if they are not disclosed to tenants.

"It depends on how upfront and honest the brokers eventually are with their customers," she said. "When you retain a broker to show you properties, you are doing so based on the assumption that they are going to take your needs into account, your knowledge of the market, and show you what is best for them. The act of giving the gifts isn't necessarily unethical. It's if these gifts influence the decision on what properties they ultimately show to their clients and customers."

She also noted that "this is going on in all kinds of businesses, not just real estate," particularly with regard to so-called "social media influencers." There have also been concerns in the pharmaceutical industry, she said.

Inline Play

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