

Daily Business REVIEW

REAL ESTATE REVIEW

by **Allison Nazarian**

June 12, 2003

DELIVERING MONEY AND POWER EVERY BUSINESS DAY

Come together

SOUTH FLORIDA REAL ESTATE AGENCIES ARE BEING
WOODED BY NATIONAL, GLOBAL FIRMS

Jeremy Larkin knew his firm's name carried weight in Miami, but he wanted potential clients in Brazil, Germany or, for that matter, Iowa, to feel comfortable doing business with him.

That's why his firm, formerly known as Larkin Schmidt Commercial, joined forces with international real estate giant NAI last year and became known as NAI Miami.

"We were a small, boutique commercial brokerage firm," Larkin said. The company's assignments were mostly with local and midsize companies in the Miami and Fort Lauderdale markets.

"We didn't focus on larger companies because we couldn't provide them with the level of service they needed," he said. "We knew that in order for us to grow, we needed a system or a solution that provided us with an opportunity to go to the largest firms."

Whether the partners call it a franchise, a licensing arrangement or an affiliation, relationships between local commercial brokers and a broad network of similar firms are more similar than not. Linking local real estate operations to cover the nation or the world is essential for some brokers in today's commercial real estate market.

"We asked ourselves which ones match up well," Larkin said of the search. "We were looking for a network with a local presence, strong corporate support and high market visibility."

Larkin said he zeroed in on NAI because of its strong Latin American presence, a necessity given Larkin's location. The firm has offices in more

than a dozen countries in that region.

He likes NAI's support services, from marketing and sales to back office and even Web site help. Larkin also liked NAI's focus on branding, likening its uniform look and presentation to the Marriott hotel chain. "It's the same room, the same style, no matter where you go."

For Larkin, the decision was clear: "We realized these were the guys we wanted to go with because they fit us and we fit them."

The county-exclusive affiliation became available when Miami-based Easton Group did not renew its contract with NAI. Company chief executive Edward Easton declined comment.

NAI Miami is still independently owned and operated. But now, any prospective business in Miami or the Keys that comes to NAI is routed to Larkin's firm. In turn, the firm pays NAI an annual fee and a commission on every deal generated through the



Jeremy Larkin, left, president, and Edward L. Schmidt, CEO. Larkin Schmidt Commercial now is known as NAI Miami.

system. While he would not disclose the amount paid or contract length, Larkin did call the commissions "substantial."

"Conversely, I can now pitch the large companies in Miami and satisfy all their needs everywhere with NAI's global network," he said. "By getting

MELANIE BELL

REAL ESTATE REVIEW

those affiliations and those tools, it puts us on a new playing field. I can compete with Cushman & Wakefield and Jones Lang LaSalle."

The arrangement seems to be paying off. Since the end of 2002, Larkin's firm grew from nine to 12 employees and is looking to add 10 or 15 more.

Being affiliated with a global company has enabled brokers to go out of market, said Doug Sayer, president and co-owner of the South Florida and Philadelphia firms affiliated with Colliers International. The Boston-based firm has over 200 offices in 50 countries.

Through the Fort Lauderdale office, Sayer and his team tapped into the Colliers network to lease Lauderdale Lakes-based Sports Authority 250,000 square feet of warehouse space in Atlanta and more than 500,000 square feet of distribution space in New Jersey.

A local company just would not have that kind of reach all over the country, he says.

"When we represent our corporate clients, clearly we need the infrastructure. The affiliation with Colliers "enables us to do business anywhere in the world," he said, citing additional big names like H&R Block and Procter & Gamble as exclusive clients.

While Sayer's offices are independently owned, they do pay a membership fee that's based on the population in that office's geographical area. He won't comment on the specific amount of this fee, but he does say that in Boston, the local shareholder's fee to Colliers is "in the millions of dollars per year."

Does Sayer balk at paying? "It's a bargain by any stretch of the imagination."

Steve Wasserman, a shareholder in Broward County's Colliers Lanard & Lehrer, agrees. The affiliation, he said, "gives you the ability to be an entrepreneur while still having a global reach to compete with the Cushmans and Jones Lang LaSalle's of the world."

Wasserman, whose relationship with Colliers began in 1983, cites as an example Nortel Networks as an example. Colliers Latin America works exclusively with Nortel, and as a result, Wasserman's office was given the tele-

com giant's local subleasing business in Sunrise.

And, in addition to this type of inside-the-network business, there are also outbound referrals for which the referring office receives a partial commission.

Not all local firms are enticed by affiliating with a national name. "Being a large, privately held regional firm we are constantly spoken to by different corporations in relation to either adding us as a franchise or to being purchased," said Michael Fay, a principal at Abood Wood-Fay Real Estate Group in Coral Gables.

The firm achieved size and strength a year ago when Donna Abood of Abood & Associates merged with Fay and his partner, Thomas Wood Jr., of Wood-Fay Realty Group. The firm now has more than a dozen associates.

"We have such a great following and reputation that we feel for us that at this point in time, with our contacts and our success, we don't want to affiliate," Fay said. "It is great and beneficial for a lot of companies, but it's not on our horizon at this time. It is very early for us and we have a lot of growing still to be done."

That said, Fay recognizes that the commercial brokerage industry will continue to consolidate. There may come a time when smaller brokerages will be forced to affiliate or die.

Which is why national companies running affiliation programs are looking for partners in every city and town. "We're able to hit not only the major markets, but the secondary and tertiary markets," explained George Slusser, president of Coldwell Banker Commercial in Parsippany, N.J. The firm is a subsidiary of Cendant Corp., which owns the residential Coldwell Banker operation as well.

"We're also able to offer our clients multicity representation," presumably driving clients to bring more business to the local offices, who now have the national platform to stand on.

In South Florida, that includes offices in all three counties. Executives of those offices either did not return calls for comment or referred inquiries to Coldwell's corporate offices.

This symbiotic relationship between

franchisor and franchisee was recently apparent to Slusser with a client he describes as a "coffee-food concept" from California. A Coldwell broker is helping the chain open some 800 stores nationwide over the next three years. Without the combination of local and national capabilities, another company would have booked the business, Slusser said.

Because these franchise relationships are contracted for 10 years at a time, neither side takes them lightly. "We invest money and resources to make them grow, and we don't want to invest in a company that will be gone in a year and a half."

That investment includes helping local offices with administrative support, computer technology, a web site and marketing materials, to name a few.

"We save them time and we also improve the quality of what they are delivering," Slusser explained. "Our relationship allows them to pull together presentations, training and technology very easily."

While the search for the right match isn't always easy, the payoffs seem to be well worth the effort.

Ross Ford, president of the Texas-based TCN Worldwide, says his company is looking to choose its first Miami-area affiliate for its international consortium.

While he would not comment specifically on the search, which he expects to conclude by summer's end, he said that the local company must enjoy a strong name and local market presence.

"With 90 percent to 95 percent of business being generated locally," Ford said, "the greatest thing a company can do is offer the local member-firms the opportunity to improve the quantity and the [profit] margin associated with that business and to offer them the ability to service clients everywhere through that network of offices."

As NAI Miami's Larkin puts it: "We've stopped thinking locally and started thinking globally. When you hand your card to someone in Sao Paulo, Brazil, they know exactly who I am and what I do." ♦