

## COMMERCIAL REAL ESTATE INDUSTRY



**TOM  
O'BRIEN**

Tom O'Brien graduated from Yale University with a degree in History, but embarked on a career in the commercial real estate industry. O'Brien is an Executive Director at Cushman & Wakefield, part of the Capital Markets Group. His team markets commercial investment real estate assets such as office, industrial, retail, and multi-family buildings throughout the midwest region.

O'Brien entered the commercial real estate industry through connecting with people who worked in investment real estate and capital markets. Prior to becoming a commercial real estate broker in investment sales, O'Brien was able to find a mentor, who taught him the different components of evaluating a building. This gave him the opportunity to explore and learn from mistakes of people who have already been through the role.

The commercial real estate industry centers around selling the income stream produced by commercial real estate buildings. O'Brien explains "when we are looking at the value of a commercial building, we are really looking at the value of that income stream." To do this, it is necessary to find out where the income is coming from. The length of the lease of current tenants, as well as their creditworthiness and the rent they are paying, compared to the market are factors contributing to risk. The real estate broker then needs to assess what sort of return or yield would attract an investor to this project.

The commercial real estate industry is affected by the equity investment market for where the asset will attract capital. In relation to the stock market however, O'Brien states: "There is no clear direct correlation to what is happening in the stock market, so this can be attractive to investors because it is more predictable than what could be going on in the stock market." Institutional investors often invest 7-10% of their portfolio in direct real investment and as long as a broker listens to what investors need and generates more return off of risk, the market will supply capital.

During the 2008 housing crisis, the market for commercial real estate dropped as investors were concerned about tenants being able to generate a return. Going into the midst of the current COVID-19 pandemic, however, there was a strong market, and remains strong. The market considers available equity to invest in real estate and is fueled in a large part by the debt market. If lenders are willing to lend, there is fuel for transactions and the liquid market is maintained.

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COVID-19 regulations have changed the workplace environment with many working from home instead of in office spaces. O’Brien does not think that this is sustainable in the long run because, although employees may enjoy working from home, companies may not see it as productive as working from the office. It can also be difficult for new employees to understand company culture and is difficult to demonstrate values they can bring to the organization when they can’t have that time face-to-face. Opportunities are lost to converse with leaders executives within the firm. Before COVID-19, square-footage per employee had been getting smaller, but post-COVID-19 it is expected that the square-footage will increase as companies want to increase distancing. O’Brien projects that demand for space will be about the same, “fewer people in the office at a time, but with a greater need for square-footage is about the same need for space.”

For students interested in the commercial real estate industry, O’Brien says to conduct informational interviews to see what branch of real estate is most appealing: “Be proactive and self-confident. Reach out to meet people because the worst thing that could happen is they say no. You will be surprised at how willing people are to speak to you and help you out.” Expertise, understanding of the market, and relationships contribute to value. “If you can produce, if you can generate revenue, you are creating value and you are also creating security. Security is going to come from that value that you bring.”

O’Brien also believes that a college degree is key because without it, there will be a lot of closed doors. Students can use their association with Bethel to reach out to alumni for connections. “The Bethel alumni brand is of high character, high value, hard working and can be used to your advantage.”

