

Outside the Box

R.E. brokerage: A contact sport

Friday, January 28, 2011

In his 40 years as a broker, **Joe Sciolla** says he's never seen such carnage in the commercial real estate market.

And that's the good news. A weak jobs market and changing needs among large corporate tenants will further weigh on all aspects of the CRE industry in the months — and possibly years — ahead, he predicts. That will inevitably lead to more bloodletting among the firms that regularly compete against his team at [CresaPartners](#) in Boston. It's a Darwinian turn for an industry already filled with uber-competitive professionals who take pride in eating what they kill.

But even Sciolla concedes there's going to be a whole lot less to go around if the local and national economies continue on their current trajectories.

Then again Sciolla, like the rest of his peers, is still an optimist at heart. In an effort to grab more market share in the downtown market, he's added two brokers to his team last year and plans to add more. He recently met with BBJ Real Estate Editor Craig Douglas to reflect on the CRE industry as well as his strategy for the year ahead, officially CresaPartners' 25th year in business.

What's going on in the market today?

The percentage of devaluation of real estate over the last 24 to 36 months, on average, has been 35 to 50 percent from the highs seen in 2007. As a result it's had a devastating effect on landlords and mortgage holders. And as result of a depressed economy ... it's stymied job creation here in Massachusetts. It's really had a tremendous ripple effect, more so than any of the previous three recessions I've seen.

As a tenant broker, does that make your job easier? Many landlords must be desperate.

I wouldn't say it makes it easier. We're as affected as everybody else. As activity and the velocity of business slow, we're all hurt in the end.

Are we going to see local brokerages close up shop?

I don't think we'll see any fold, but we'll definitely see a shrinkage in the number of brokers needed.



JOSEPH SCIOLLA

Title: Managing principal, CresaPartners
Education: Bachelor's degree in psychology and social relations, Harvard College, 1975
Age: 58
Residence: Medfield

Haven't we experienced that downsizing already?

Yes, we've already seen that and I think it will continue. The number of brokers needed to serve a client base is directly related to the amount of activity taking place in the marketplace.

Who's going to emerge stronger when the market recovers?

Companies that are well-capitalized and have no debt, or limited debt. And we're proud to say we have no debt. It will also be the core real estate professionals who are supported by a solid next generation of brokers.

So, basically everyone who's still producing?

Everybody who's producing.

That still must mean some talented people will be left on the street. Are you guys in the market to hire?

We're always in the market for great talent.

So you'll be adding people?

Yes. We added two brokers in 2010 and will be looking to selectively add in 2011.

Where's the need?

Primarily downtown Boston. Always go where the most square footage exists. There's more market share available ... That's what we have our eye on.

I'm guessing other firms have similar plans. Are we going to see a dog fight?

I always say real estate brokerage is a contact sport. It's dog fight everyday. It's highly competitive. In order to maintain or build market share, you've got to come to work every day and work it.