

THE RULE OF THREE – PROCEED CAREFULLY

Taking into consideration your company's plan and growth goals, a useful tool to use in assessing a real estate project opportunity is to apply this simple matrix:

New Hire
New Product
New Market

A new hire, no matter how experienced they may be, cannot know your company's culture and its approach to deal making. A company that has done 8,000 units of housing is better equipped to work with a new hire brought in to do residential. If the new hire has residential experience, the company generally can support this person's lack of company knowledge.

Each product type – land development, office, industrial, recreational, retail, residential for sale and residential for rent – has unique requirements and subtleties. For example, a land developer does not necessarily possess the required skill sets for vertical development. An industrial expert is typically unable to transfer those skills to residential quickly.

Markets are inherently local, and without specific market knowledge, developers in particular are at a disadvantage. For example, a Seattle developer doing business in Houston is like a fish out of water. To better manage risk in this instance, the Seattle company may be better off relocating a current employee to Houston and augmenting their lack of market understanding with local Houston consultants and/or hires.

If two or more of these circumstances – new hire, new product, new market – exists, think carefully about proceeding with the project. With all three, your company culture and how you do business is most important. While there are no absolutes, and there are certain scenarios where success would still be possible, this simple matrix can help manage the risk of growth.