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Welcome to the Winter 2017-2018 issue of the S.E.C. Observer. In this issue, Nick J. Esterline, S.E.C., the 2017 President of the Society, shares some thoughts on priorities.

Charles E. Sutherland, S.E.C., encourages you to learn from your failures. William E. Stonaker, S.E.C., CCIM, asks you to question whether retail is really dead; and Bob Steele, S.E.C., shares why brainstorming is so effective. The S.E.C. Education Foundation’s 2017 President, Paul M. Winger, S.E.C., reports on the 2018 education schedule and encourages everyone to attend our upcoming courses.

The Society News Briefs section includes information about our future meetings in Costa Mesa, California, and Minneapolis, Minnesota, as well as information about our upcoming courses, How to Build an Investment Model Using Excel, which will be presented by Joseph Larkin, CCIM, in January, and Creating Powerful Transactions that Close, which will be presented by Peter West, S.E.C., CCIM, in March.

Our In the Spotlight section features Steve Eustis, S.E.C., and you will learn who influenced him and how his path led to a successful real estate career. Richard Reno, S.E.C., acknowledges that management problems do exist; and Bill Broadbent, S.E.C., CCIM, defines what qualities breed Counselors in the History Files.

Enjoy this issue. As always, we welcome your comments, suggestions, and submissions of articles to be considered for publication. Please contact the S.E.C. office via e-mail at sec@secounselors.com.

Jackie Hellingson
Editor, S.E.C. Observer
As my time comes to a close as the 2017 President of the Society of Exchange Counselors, I wanted to share a few thoughts with you regarding priorities. Every time I attend an S.E.C. meeting, I feel like I have just inhaled three days of pure, fresh, unaltered oxygen! As I think about it, the main reason I believe I feel this way is because of a couple of our guiding beacons in the S.E.C. that make us who we are: integrity and the sense of family. It is so easy, as we return home to our normal business atmospheres, to fall into the trap of go-go-go and letting the confusion and chaos overtake us, but I encourage each of you to take a deep breath of the pure, fresh, unaltered oxygen that the group offers and stay focused on the true priorities in life.

In an attempt to help you with this, I want to share with you a poem that I have framed in my office, one that I have given in a frame to each of my employees for their offices as a daily reminder of the true priorities in life. Hope you enjoy it!

PRIORITIES

When I reach the end of my days,
    a moment or two from now,
I must look back on something more meaningful than the pursuit of houses and land and machines and stocks and bonds.
    Nor is fame of any lasting benefit.

I will consider my earthly existence to have been wasted, unless I can recall…..
....a loving family
....a consistent investment in the lives of people
....and an earnest attempt to serve the God who made me.

And, there’s no better time than now to assess the values which are worthy of my time and efforts.

Enjoy the holidays, and thank you for the opportunity to serve you this year as President of the
This group has forever altered the path of my life.
II. Feature Article

A. Learning from Failure

Learning from Failure

Chuck Sutherland, S.E.C.

I have failed!

I have failed in marriage, in my judgment, in business, and many other areas. I also have had those dark nights of the soul, wondering if I could do anything right. All I could do was to keep on going. But I have learned much from failure.

What I Have Learned from Failure: Tell the Truth!
The enormous social pressure to look successful leads many of us to pretend how successful we are in areas of life. People sometimes pretend how great their lives are, sometimes how great their personal relationships are, and sometimes how great their finances are. But everybody fails! Frankly, everybody fails a multitude of times in their life.

The more you can tell the truth about your failures, the more power you will have to get to the other side of them. The quicker you can face the demons that arise, the quicker you can move on.

The Power of Being Unstoppable!
Thomas Edison attempted over 8,000 experiments before he successfully invented the incandescent light bulb. But he didn’t stop. He went on to invent the phonograph and the first working motion picture camera. “By the time he died on October 18, 1931, Thomas Edison had amassed a record 1,093 patents: 389 for electric light and power, 195 for the phonograph, 150 for the telegraph, 141 for storage batteries, and 34 for the telephone” (Source: History.com).

George Ablah of Wichita, Kansas, failed several times in his real estate investing career. Yes, he failed, but that didn’t stop him. After one failure, he went on to buy Chrysler Realty along with his investor, Koch Oil, led by Charles Koch. They made over $100 million on that one deal! Later, he and his investors bought the real estate around the Texas Super-collider. It had lain vacant since being abandoned by the Federal government and then transferred to the State of Texas. He and his investors quickly turned that into a $7 million cash profit through creative marketing. George didn’t let failure slow him down. He just found another deal to do.

The Value of Extreme Due Diligence
I’ve learned due diligence the hard way. I bought a large property with seller financing once. The seller pledged the notes to three different lenders (two of the notes were photocopies he made). After declaring bankruptcy, he later killed himself. So, I added having any seller financing documents held by a neutral third party. At least then the photocopies wouldn’t be on me.
I had a partner who was literally crazy. He lied to subcontractors to start a project before we were able to secure a loan for the project. Therefore, there was not a “No Start” affidavit possible to obtain the mortgagee’s title report or the mortgage itself. He told us God told him to lie to people. Did I say he was crazy? So, I added partner background checks to my due diligence list.

I started with great due diligence checklists from others and have added the rest from my experience and the experience of others. You can learn it the easier way by listening to those with more experience than the textbook checklists show. But, be clear, there is no completely easy way. There will be due diligence surprises that we haven’t come up against. When you come up against them, add them to your own due diligence list.

The Power of Relationships!
It was in my darkest hours that the support from my friends and colleagues pulled me through my problems. People supported my starting over again.

And then there are the failures of the body. When I had cancer, my colleagues and their partners reached out to offer their prayers and best wishes. When a skull injury left me with the most terrible headaches 24 hours a day, other people stepped up to complete projects for me. When one of our S.E.C. members had a heart attack, two other members flew in to run his business for two months while he recovered. Again, the power of relationships! Relationships are the real currency of life!

Don’t be discouraged by your failures. The truth is, everybody fails. Tell the truth! Learn from your failures! Be unstoppable! Do your homework . . . and then some! And build relationships that last!
We hear it every day—retail is dying, the internet will make shopping centers obsolete. But is that reality, or is it something that those that do not know retail are saying to hear themselves talk? Is retail dead—or evolving? I would say the latter. But, now more than ever before, successful retail must have a purpose. And the purpose in today’s retail development is as a gathering place and entertainment, not shopping. If we take care of getting the people together, especially millennials, the shopping will take care of itself. Remember, only about 8.5% of retail sales are online. And a lot of that is to procure hard to find items in addition to a lower price.

John Maynard Keynes, the British economist in the early 20th century, basically believed that $1 + 1 = 2$. If the whole was 2 and if each of us had 1, then that represented the entire amount. But if you got 75% of the whole, all I could get was 25%. Keynes also believed government intervention was necessary for economic stability.

Joseph Schumpeter, an Austrian American economist born in 1883, coined the term “Creative Destruction” and used it to define the messy way that capitalism delivers new markets and market growth. Schumpeter believed that $1 + 1$ could equal 3 if the market was allowed to evolve. He did not believe in government protection. The term Creative Destruction is relevant today in describing the retail market.

A prime example (pardon the pun) today is the fact that internet giant Amazon is buying brick-and-mortar grocer Whole Foods. If grocery stores were becoming a thing of the past, why would Internet-savvy Amazon buy this traditional grocery store? Amazon is paying $13.7 billion for outstanding real estate in upscale markets that will change the way we shop. The deal could give Amazon access to nearly 500 stores that it can use for distribution, returns, warehouses, or showrooms. This is retail, folks. The potential reverberations of Amazon’s acquisition of Whole Foods include lower grocery prices, faster automation, a place for Amazon to experiment with checkout with cell phones or other automation, and so on. The share price of Kroger dropped by 9% the day Amazon announced the acquisition. Wal-Mart has basically quit expanding while trying to assess the current market. Hank Williams Jr.’s song that says “fax me a beer” is not here yet.

Nick Egelanian teaches real estate development at the University of Maryland and is a faculty member at ICSC’s University of Shopping Centers in Philadelphia and the Riordan School in Miami. A recent quote from Nick about why he loves studying the retail market was, “If you add it all up, it’s really because it is a fascinating business. You have to know a little bit about
construction. You have to know a little bit about finance. You have to know a lot about geography. You have to know a little bit about human behavior. Then you have to be able to change what you know about it every day.” This is what is going on in commercial retail real estate today.

Egelanian states that we are nearing the end of a 30-year process of “deconstructing the department store.” The sales volume of department stores has gone from $400 million to less than $100 million over the past 30 years. The economic model that was used to create over 3,000 malls in the 1960s and 1970s does not work anymore. J.C. Penney and Sears are not relevant in today’s environment. So what is going to happen to this prime real estate? It will be repurposed. Witness the fate of Valley View Mall in Dallas. Valley View is located on the corner of Preston Road, dubbed as a “golden retail arterial,” and LBJ Freeway, the main inner loop in Dallas. It is an excellent location. Beck Ventures has purchased the 400-acre tract and is developing a $4 billion mixed-use project of office, apartments, a hotel, and yes, 400,000 square feet of retail. Creative Destruction (reconstruction) of an awesome property.

Tell Yaromir Steiner and his partners that retail is dead. The owners of Easton Town Center, the award-winning mixed-use property in Columbus, Ohio, are spending $26 million to remodel one building in Easton: the Station Building. And Easton is adding 40 new or expanded retailers and restaurants in the center in 2017 alone. Annual sales at Easton have grown to over $1 billion with restaurants accounting for over $100 million of that number. This puts Easton in the highest ten restaurant venues in the nation.

According to CoStar Group, 2,300 new neighborhood shopping centers and strip centers have been built since 2010. That brings the total to over 114,000. A lot of these centers are in Texas, where we continue to expand and gain new population from other parts of the US and the world.

Restaurants, especially fast casual restaurants, have had a tough couple of years. Some of the old iconic names like Day Star’s Lone Star Steakhouse and Saloon and Texas Land and Cattle, which has gone from over 100 locations to less than 30, are suffering. Several chains that were previously very successful have declared bankruptcy. But others are doing well. Darden comes to mind. Darden just agreed to buy Cheddar’s Scratch Kitchen for $780 million. What about Panera Bread, which is being acquired by JAB for $7.5 billion?

Sporting goods retailer Gander Mountain has declared bankruptcy. I personally think this is an unintended consequence of Trump being elected instead of Clinton. The market no longer perceives that it needs to be buying guns and ammo in anticipation of our government legislating the Second Amendment out of existence.

A change that is not over yet is America’s newfound taste for beer. But not just any beer—craft beer, especially if it is brewed on site and the bar offers many selections. I was recently with the chief financial officer of a major distributor of one of the largest beers in the world. When I asked him about the craft beer craze, he described it as “death by a thousand cuts.” Maybe so,
but the craft breweries get more per glass, they often do not have costs of distribution, and they also sell a lot of food. The number of craft breweries has quadrupled from 1,409 in 2006 to over 5,200 in 2016. That is a great growth curve, and straight up. Craft breweries accounted for over 10 million square feet of absorption in 2016. We can partially thank the millennials for this change.

Retail mega-giants like Best Buy no longer want to restrict uses like gyms, theaters, and grocery stores from the venues where they are considering stores. They are starting to realize that uses like LA Fitness, Alamo Drafthouse, and Cinepolis Theaters bring plenty of people to the centers, and that means traffic for their stores also.

A great draw is the Apple retail stores. They are jammed from opening to the time they close. How about an ice cream or yogurt store next to Apple? Or Snuffer’s, with its large patio and free internet?

We are seeing the revival of hacky sack ball courts in upscale centers. It does not bring in revenue, but it results in people. Customers can have that little ball in their cargo pockets and will spend hours playing with it. If you eavesdrop on their conversations, many times you will hear them talking about how to solve projects at work. Many millennials do not observe typical work hours. To some extent, they are like the baby boomers; they are thinking about work all the time. So accommodate them. Remember, they are going to be around many years after all the baby boomers are dead and gone!

Chess tables and other amenities are in many new centers. The old model of a sea of concrete parking is quickly ending. In order for an existing center to compete, it is going to have to be upgraded and updated, both in retail offerings and in amenities.

Two high-end centers in DFW, Southlake Town Square and Edwards Ranch, have added Tesla dealerships to their lineups. We would not have ever considered an auto dealership next to Neiman Marcus in the past, but that is what is happening at Edwards Ranch. By the way, Edwards Ranch is a joint venture of the Edwards family and Simon Malls. Simon is embracing the new model.

Don’t fall for the story that retail is dead—but it is certainly evolving. Adopt a growth mindset instead of a fixed mindset, as stated by Camp Fire. The next time you find yourself saying something about how you are not good at accounting, writing, talking to strangers, selling, running, or insert your challenge here, consider adding the word “yet.” A fixed mindset is the belief that one’s abilities stay the same and can’t be changed. A growth mindset is the belief that one’s abilities can grow and change. We have to change our mindset to really know and appreciate the new retail model.

Sound like Creative Destruction? Focus on the “creative” part.
**STRATEGY 161**

**Brainstorming: The Best Ideas Come Last**

This is true in a brainstorm and at exchange meetings or any other long drawn-out business or personal meeting. The best ideas will come after you are thought out.

<table>
<thead>
<tr>
<th>Relative Number of Good Ideas from a Brainstorm</th>
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<tbody>
<tr>
<td><strong>First Half Ideas</strong></td>
</tr>
<tr>
<td><strong>Second Half: 78% More Ideas</strong></td>
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</table>

78% more good ideas come from the second half of a brainstorm vs. the first half.

When the group starts to “run down,” the moderator should say something like, “Give me one more idea!” People start to force out ideas and all of a sudden the flow will start anew.

Whoever holds back even the glimmer of an idea is defeating the purpose of a brainstorm.

Borderline ideas that would not come out in a business meeting have a chance to come out.

A brainstorm should be wild.

It should be free-wheeling.

A brainstorm should create a Pavlovian condition in a permissive atmosphere.

If you attend an exchange meeting, be the last one to leave the room. The best ideas come last. If it is a multiple day event, stay for the last day and work until the last minute. If the numbers above mean anything, your chances on the last day may be up to 78% higher than they were the first day of the meeting. This is hypothetical as to my knowledge no test has been run on this possibility, but my experience tells me that it could be in that range.
Strategy 162

Brainstorming: Quantity Breeds Quality

In the average gold mine it takes four tons of ore to get one ounce of gold. The same is true when ideating. You need a quantity of ideas in order to get one good one.

<table>
<thead>
<tr>
<th>RELATIVE NUMBER OF GOOD IDEAS FROM A BRAINSTORM</th>
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<tbody>
<tr>
<td>FIRST HALF IDEAS</td>
</tr>
<tr>
<td>SECOND HALF: 78% MORE IDEAS</td>
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</tbody>
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QUANTITY BREEDS QUALITY and DEFERMENT OF JUDGEMENT are the key ingredients of brainstorming.

Osborn & Parnes Example:

The need for quantity was demonstrated in an idea-finding session we conducted for a group of Air Force officers. The problem presented for their joint attack was unusual in that the answer was already known. This was the problem:

If 700 miles of outside telephone wires were so coated with frost that long distance calls could not be made, how would you restore normal service as fast as possible. This emergency actually arose in the state of Washington in November, 1952. Local telephone men solved the problem by flying helicopters over the wires. The downdraft from the blades quickly blew off the frost, and long distance service was restored in record time.

We were fearful that the officers might know about this actual case. Luckily they did not. They started shooting ideas as fast as could be stenographically recorded. As Airmen, they would most likely hit upon the helicopter solution, and they did. BUT—here’s the point—they suggested 35 other ideas before they hit upon the proven answer. The helicopter solution was their 36th idea. They would have missed the proven solution if they had stopped at 5, 10, 20 or even 35 ideas.

If this had been a group of other than Airmen, this might have taken many times that number of ideas to arrive at the right one.
Winter has arrived, and 2017 is coming to a close. We are working on our schedule for education for 2018 and beyond, and will keep you updated as we confirm the courses.

The Society of Exchange Counselors has scheduled the following education program for our meeting in Costa Mesa, California, and I hope you can join us on January 21, 2018, from 9:00 a.m. to 4:00 p.m. to *Build Investment Models for Your Client Using Excel*, which will be presented by Joseph Larkin, CCIM. This one-day workshop is designed for seasoned real estate professionals who would like to refine their investment analysis skills by incorporating Excel. The workshop will review real estate investment analysis using the DCF model, advanced capitalization techniques, net asset value, the impact of financing on the real estate decision, and the 1031 transaction and its impact to substitute basis. This advanced workshop requires the participant to have knowledge and understanding of discounting cash flow analysis as well as a working understanding of Excel. A laptop computer with a full version of Excel is required for this workshop. There are pre-study videos that are required to be viewed prior to the start of the workshop. In addition, the participant will be required to download files prior to the workshop. The time required prior to attendance at the workshop is approximately 15 minutes.

We have scheduled Peter West, S.E.C., CCIM to present *Creating Powerful Transactions That Close*, on March 18, 2018, in Minneapolis, Minnesota; and Gary Vandenberg, S.E.C., CCIM will present *Exchange Magic*, on November 11, 2018, in Fort Lauderdale, Florida. We have also scheduled our invitation-only Moderator Course for May, in Greenville, South Carolina. The educational classes for the upcoming S.E.C. meetings are posted on the S.E.C. Observer Upcoming Events webpage as we confirm them. We are working to schedule education courses in regions where we will host S.E.C. meetings next year. Our goal is to have an education session locally several months prior to our meetings to expand our presence and identify local people who may be potential guests.

We look forward to expanding our reach to new marketing groups, professional organizations, and individuals who are interested in bringing the best creative real estate education to their regions. Please visit our website, [www.secedfoundation.com](http://www.secedfoundation.com), to learn more about the courses and programs we sponsor.
S.E.C. National Invitational Marketing Session  
Costa Mesa, California  
January 21–24, 2018

The S.E.C. National Invitational Marketing Session will be held at the:

Hilton Orange County/Costa Mesa  
3050 Bristol Street  
Costa Mesa, CA 92626

Call (714) 540-7000 to make your reservation. Make your hotel reservations early, as we have a limited number of rooms available. The cutoff date for reservations is December 29, 2017.

Visit www.hiltonorangecounty.com to learn about the hotel and www.visithecoc.com to learn about the area.

Visit www.secounselors.com and click on the Society Marketing Meetings menu tab for more information. Please contact the S.E.C. office (sec@secounselors.com) if you have any questions about the upcoming meeting.
How to Build an Investment Model
Costa Mesa, California
January 21, 2018

The S.E.C. Education Foundation and the Society of Exchange Counselors are pleased to announce that Joseph Larkin, CCIM will present How to Build an Investment Model from 9:00 a.m. to 4:00 p.m. on January 21, 2018, in Costa Mesa, California.

Some of the highlights and subjects that will be covered include these topics:

- Learn how to apply a real estate investment decision model.
- Construct Excel spreadsheets to determine which option is financially the best one.
- Identify performance measurements based on goals of an investor.
- Evaluate the after-tax returns on each of the options.
- Summarize and explain the results to the client.
- Synthesize the results and draw conclusions about investment decisions.
- Interpret investment concepts and how they impact real estate investment decisions.

Attendees do not have to be licensed or invited to attend; it is open to everyone, and you may register online at www.secounselors.com by accessing the Education Only link on the homepage.

Mark your calendars now! Please visit the S.E.C. Observer at www.secobserver.com and click the Upcoming Events menu tab to access the calendar of events and view a brochure for the course.
S.E.C. National Invitational Marketing Session
Minneapolis, Minnesota
March 18–21, 2018

The S.E.C. National Invitational Marketing Session will be held at:

Millennium Hotel Minneapolis
1313 Nicollet Mall
Minneapolis, MN  55403

Call (612) 332-6000 to make your reservation. Make your hotel reservations early, as we have a limited number of rooms available. The cutoff date for reservations is February 23, 2018.

Visit www.millenniumhotels.com to learn about the hotel and www.minneapolis.org to learn about the area.

Visit www.secounselors.com and click on the Society Marketing Meetings menu tab for more information. Please contact the S.E.C. office (sec@secounselors.com) if you have any questions about the upcoming meeting.
Creating Powerful Transactions That Close  
Minneapolis, Minnesota  
March 18, 2018

The S.E.C. Education Foundation and the Society of Exchange Counselors are pleased to announce that Peter West, S.E.C., CCIM will present Creating Powerful Transactions That Close from 9:00 a.m. to 5:00 p.m. on March 18, 2018, in Minneapolis, Minnesota.

Some of the highlights and subjects that will be covered include these topics:

- The Foundation and Principles of Real Estate Marketing
- Counseling Is the Foundation of Effective Marketing and Completion of Transactions
- Preparing to Market Properties and Buyers
- Transaction Formulas
- Building a Multiple Property Transaction to Get to Closing
- Marketing Venues
- *The course provides you with time-proven strategies to close MORE transactions!*

Attendees do not have to be licensed or invited to attend; it is open to everyone, and you may register online at [www.secounselors.com](http://www.secounselors.com) by accessing the Education Only link on the homepage.

Mark your calendars now! Please visit the S.E.C. Observer at [www.secobserver.com](http://www.secobserver.com) and click the Upcoming Events menu tab to access the calendar of events and view a brochure for the course.
Illinois REALTORS® President-elect Dan Wagner and REALTOR® Alex Ruggieri were both honored for excellence in commercial real estate Saturday during the REALTORS® Conference & Expo in Chicago on Saturday.

Wagner, of Wheaton, is the senior vice president of government relations for the Oak Brook-based Inland Real Estate Group of Companies, one of the nation’s largest commercial real estate and finance organizations.

Ruggieri, CCIM, CIPS, CRE, GRI, is the senior investment advisor with SVN-Ramshaw Real Estate in Champaign. Ruggieri is the chair of NAR’s Commercial Leadership Forum, where the awards winners were honored on Saturday.
National Commercial Awards Honorees

**Georgia**
Mitt Conerly, Sr. West Metro Board of REALTORS®

**Illinois**
Alex Ruggieri, CCIM, CIPS, CRE, GRI, Champaign County Association of REALTORS®
Dan Wagner, Chicago Association of REALTORS®

**Indiana**
Steven Zacher, CCIM, SIOR, Indiana Commercial Board of REALTORS®
VII. In the Spotlight

A. Steve Eustis, S.E.C.

Biography

Steve Eustis, S.E.C.

After spending time with Steve Eustis, it is quickly apparent that Steve is a fitting example of an S.E.C. member. He has been a hardworking man his entire life, earning respect from all his peers through many successes. His elevated level of standards for himself and his work shows in his honesty, humility, and dedication to do his best.

Steve, born to Velma and Ralph Eustis, always wanted to be a rancher when he was growing up. His father passed away at an early age, leaving his mother to raise Steve, his brother, and two sisters. To help as a young boy, Steve had various jobs as a paper boy, gas station attendant, and even on ranches and feed lots. Steve has always called San Angelo, Texas, home, building character in a close, family-oriented community.

Attending grade school as well as high school at San Angelo, in 1969 Steve graduated from San Angelo Central High School and attended Angelo State University, where he majored in business. He graduated from ASU in 1973 with his BA in Business. Only a year after college, Steve began his real estate career, working with Wallace A. Moritz Commercial Realtors in San Angelo. In 1983, Steve formed his own commercial real estate company to continue his professional growth in San Angelo. During this time, Steve was married and was blessed with two stepchildren: a son, Jerod, and daughter, Madison.

In 1985 Steve became the first CCIM in the San Angelo market and one of the earlier CCIM members in the nation with a member number of #2288. Steve's business focus has been in all areas of commercial real estate, including sales, development, investing, and exchanges. His most rewarding business ventures have been the many partnerships with fellow members of the Society of Exchange Counselors. His real estate brokerage company, Steve Eustis Co., Realtors, Commercial and Investment Properties, is still the leading commercial brokerage company in San Angelo. He credits his associate, Brandon Sanders, S.E.C., for carrying much of the load the last few years as Steve devotes more time to his real estate investments and partnerships.

Steve has served in several leadership and chairman roles in professional organizations and has
held all positions with his local Association of Realtors, including President in 1982 and Realtor of the Year in 1984. Steve also served as a Regional Vice President of the Texas Association of Realtors in 1987.

In 1996, Jim Crowley, S.E.C., of Houston, Texas, invited Steve to his first S.E.C meeting in Denver, Colorado. Steve attended meetings for a few years and started making connections with several members. In March of 2000, Steve became a candidate for Society of Exchange Counselors, and by December of 2000 he was a member. His success in the S.E.C. grew rapidly, and Steve served as President in 2008 and was honored as Counselor of the Year in 2009.

When asked about the most important event that shaped his life, Steve had this to say: “The most important aspect of growing up that shaped my life was the influence of an uncle who played a big part in my life. I was only four years old when my dad died, and my dad’s cousin, Burch Woodward, took me under his wings to provide a fatherly influence. Burch was a rancher of more than 50,000 acres in the remote and arid mountains of far West Texas. Burch was probably the most respected man in Pecos County, Texas, and as honest a man as one could ever know. Every summer when school was out, I lived on the ranch with Burch and his family, including his son, Neill, who to this day is like a brother to me. We worked cattle, sheep, and goats on horseback daily, sometimes riding out before daylight and not returning until late afternoon. We fixed windmills and fences and all the other chores involved in ranching. I learned the value of hard work, honesty, and family. He is who shaped my life.”

Achieving all his financial goals and retirement plans at an early age, Steve’s heart to be a rancher had not changed. Recently, while taking some time to look at ranches and to pursue his dream of owning a ranch, Steve decided that ranching was no longer a dream of his. He said, “It is too much dadgum hard work, and I can go to Neill’s ranch anytime and work as little or as much as I want to.” So he refocused his efforts on his passion for real estate. The processes and challenges of real estate excite Steve, but most importantly they drive him to stay active and be successful.

When Steve is not busy with his real estate endeavors, he enjoys traveling, genealogy, and attending and watching college football. The other love in his life is his sweet granddaughter, Avery. To stay healthy and active, he is learning to play golf and surrounding himself with good friends.
“Management Problems Do Exist”

Richard R. Reno, S.E.C.

Editor’s Note: This article first appeared in the July 1972 edition of the Real Estate News Observer.

The writer of this article has been in a management position, with reference to properties owned in our name and in the name of corporations which we control. Having had over 25 years of experience in management, our conclusion is that the best management for a busy person is professional management by a Certified Property Manager who has been trained and who is a specialist in all facets of management.

Obviously, the size of a property will determine how to manage it. It is not unusual for an owner to manage four, six, eight, ten, or twelve units and live on the property. However, the investment-minded client, who is busy making money in his own enterprise, does not have the time to manage his own apartments, no matter what size they are.

Not too long ago, I listened to a talk by a property manager in the East who manages some 100,000 units, some of which he owns and some he doesn't. He made the prediction that in the next ten years we would have to have over 12,000 new property management concerns in this country. Part of this, of course, comes from the fact that increasingly, as the years go by, more and more people do not want to be personally responsible for what they own. In other words, they don't want to do the work that's necessary to keep a property "up" and keep it properly rented. Therefore, now and in the future, there is a pressing need for more professional management.

After a number of long years of taking care of our own properties, we have finally switched in the last few years to professional management and find that it is much better. We are less annoyed by petty problems, and our time is left to do other things, which allows us to accomplish more, solve more problems, and hence increase our income.

Of course, selecting the proper property management company is something that should be done very carefully, and I think, all in all, that probably the best concern to use is one that is specializing in managing property and not some broker who is just doing it as a sideline.

When counseling a client applicant (one who may or may not become a client) who has indicated that he wants a given amount of money per month return from an income property, one must not forget to find out whether he expects that amount of cash flow return per month by personally operating the property or whether the amount he wants is to come from a property under
professional management.

The difference between these two items will make a significant difference in the type and location of the property to be obtained to solve the client's problem.

To those of us in the exchange counseling business, property management very often becomes of great importance because we are not geographically bound.

For example, if a broker in California would find a property in Detroit that would solve the problem for the California owner, as the California broker makes the exchange for the Detroit property, he must make sure that he is attempting to place the management in the hands of a firm in Detroit.

Right here is where the broker and client's investigation must start to see which property manager near the newly acquired property in Detroit would be the best to handle the management.

Sometimes it's a good idea to order a credit report on the property management firm in Detroit as well as to consult any licensee in that area who might be known to the California broker.

There is also that small problem that the Detroit property manager, in his contract of employment with your client, might perhaps insist on having exclusive listing embodied in his property management contract.

Since the client is still the client of the California broker, negotiations often have to take place between the California broker and the property management firm in Detroit to effect an understanding regarding any fees to be paid for disposition of the Detroit property at such time as it might be exchanged or sold.

Richard R. Reno, S.E.C. (San Diego, California) was the highly regarded founder of today's modern real estate exchanging profession as a "people" business. Mr. Reno was president of the Society of Exchange Counselors, and past president of what today is the Commercial Investment Division of the Institute of Real Estate Brokers. His vast knowledge has attracted a national following over the years.
So you do not want to become an exchangor?

Many brokers and salesmen feel that they do not want to spend the time, money, and effort to educate themselves in the specialized field of real estate exchanges. Fine, exchanging isn't for everybody.

On the other hand, is there a successful broker or salesman anywhere who would not like to work more efficiently and have greater client rapport and loyalty?

If you say “Yes,” then learn about real estate counseling.

Counseling (in the brokerage context as opposed to consulting) is a process for finding out what a client needs instead of what he wants. Properly done, it builds client confidence in the broker and lowers sales resistance.

Counseling procedure is aimed at finding out what the client thinks is important as opposed to what the salesman thinks is important. Real estate counseling and client management are the most important concepts in our industry today for practitioners who have achieved product knowledge.

The counseling process is applicable to handling buyers, sellers, managers, lessors, and exchange clients more effectively.

If you understand and practice counseling, you will be more productive. You will be less wary of your clients and more open-minded toward creative solutions to their problems.

If you should happen to be working with a knowledgeable exchangor, your chances for escrow will be greatly enhanced. The exchangor can supply techniques and formulas. You can share the load because you will understand what your client is really trying to accomplish.
As a counselor, you will be able to more effectively communicate with all parties to the transaction.

**Bill Broadbent, S.E.C., CCIM (San Luis Obispo, California)** was an active real estate broker in San Luis Obispo, California. Bill was president of Arnett & Broadbent, Inc. and specialized in investments, exchanging and consulting, all under Single Agency. A pioneer of Buyer representation since the early 1970s, he is acknowledged as “the Architect of Single Agency.” In 1998, the National Association of Exclusive Buyer’s Agents with an Outstanding Service Award honored Bill for his service as a “Founding Father of The Exclusive Buyer Brokerage Movement.” He is also recognized for his major contributions to real estate exchanging, the consulting alternative and the discount note business.