



Intro to CRE

A Practical Guide to Understanding the Industry, the Players, and the Opportunities in Commercial Real Estate

Presented by **Dustin Sutton** | Co-Founder BCREN | info@bcren.org

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Commercial real estate can seem complicated from the outside because it is not one career or one business. It is an **ecosystem** — owners, investors, brokers, lenders, property managers, accountants, contractors, attorneys, architects, engineers, asset managers, developers, and many others all work together around commercial properties.

You do not need to know everything to enter the industry. You need to understand **how the pieces fit together, where your skills fit, and what you want to learn next.**

Residential vs. Commercial Real Estate

Residential and commercial real estate share some fundamentals, but the businesses operate very differently.

Residential Real Estate

Primarily centered around places where individuals and families live — single-family homes, condominiums, townhomes, and small investment properties.

Transactions are often driven by personal needs, lifestyle, school districts, neighborhood preferences, mortgage qualification, and comparable home sales.

How Agents Work

A residential agent typically works with buyers and sellers from the beginning of a transaction through closing. The focus is on the individual or family — their preferences, budget, and life circumstances.

Commercial real estate operates on a fundamentally different model, centered on income, risk, and investment performance rather than personal use.



What Makes Commercial Real Estate Different?

Commercial real estate is generally purchased, leased, financed, developed, and operated as a **business asset**. Its value is often connected to its ability to produce income.

Property Types

- Office buildings & corporate campuses
- Retail centers & shopping malls
- Industrial buildings & warehouses
- Apartments & senior housing
- Hotels, data centers, life science facilities
- Mixed-use projects & land

The Commercial Question

Instead of simply asking *"What are similar properties selling for?"* — commercial investors ask:

"How much income does this property produce, what does it cost to operate, how reliable is that income, and what return can I generate on my investment?"

Every conversation involves **Revenue + Expenses + Risk + Financing + Market Conditions + Future Potential**.

The Major Property Types: Office

Office buildings are spaces where companies and organizations conduct business — ranging from downtown towers to suburban campuses and specialized facilities.

Types of Office

- Downtown high-rise towers
- Suburban office buildings
- Medical & professional offices
- Corporate campuses
- Creative & life science office

Key Concepts

- Rentable square footage
- Tenant improvements (TI)
- Common areas & amenities
- Operating expenses
- Lease term & vacancy
- Parking ratios





The Major Property Types: Retail

Retail properties are where businesses interact directly with consumers. Performance depends heavily on location, visibility, and the right tenant mix.

Retail Property Examples

- Shopping centers & malls
- Grocery-anchored centers
- Neighborhood & strip centers
- Freestanding stores & restaurants

What Drives Performance

- Traffic, visibility, and demographics
- Parking and co-tenancy
- Consumer spending patterns
- Tenant mix and anchor strength

Retail leases may include **percentage rent** — the landlord receives additional rent based on the tenant's sales volume.



The Major Property Types: Industrial

Industrial real estate has become one of the largest and most active sectors in commercial real estate, fueled by e-commerce, supply chain investment, and logistics growth.



Property Types

Warehouses, distribution centers, manufacturing facilities, flex buildings, cold storage, logistics hubs, and R&D facilities.



Critical Specifications

Clear height, loading docks, truck court depth, yard space, available power, and building depth all drive tenant decisions.



Location Factors

Freeway access, proximity to ports and population centers matter far more than lobby aesthetics for logistics tenants.

The Major Property Types: Multifamily

Larger apartment communities are typically considered commercial real estate from an investment perspective, blending residential housing with sophisticated investment analysis.

Property Examples

- Apartment buildings
- Garden-style communities
- High-rise apartments
- Student housing
- Affordable housing
- Senior housing

What Owners Monitor

- Occupancy rates and rental pricing
- Unit mix and renovation opportunities
- Operating expenses and tenant turnover
- Property taxes, insurance, and maintenance

Multifamily investors analyze income potential just as they would with office or industrial assets.



Specialty Property Types

Commercial real estate extends far beyond the four core sectors. Every specialty has its own terminology, operating model, investors, brokers, and experts. Most professionals eventually develop deep expertise in a few areas rather than all of them.

Hospitality

Hotels, resorts, and short-term lodging properties with unique operating models tied to daily rates and occupancy.

Data & Life Science

Data centers and life science facilities — among the fastest-growing sectors in commercial real estate today.

Healthcare

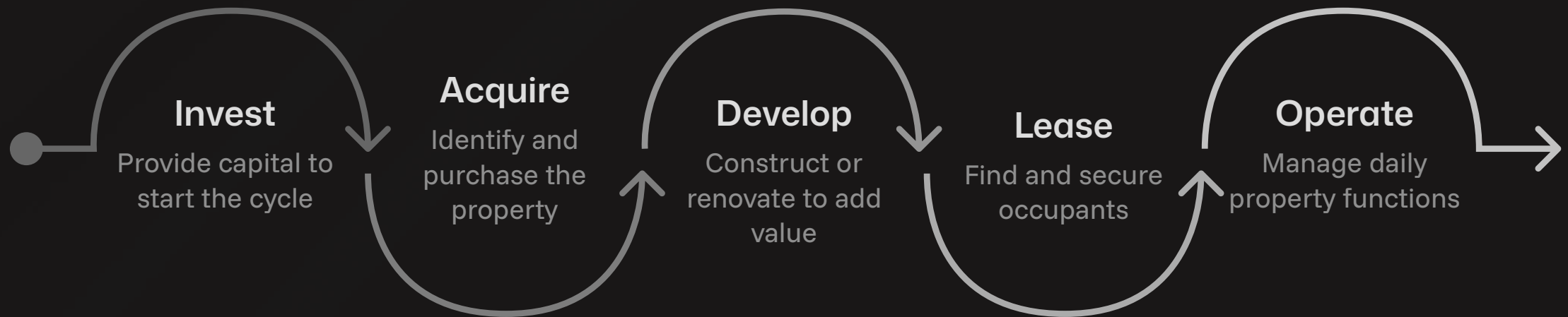
Medical facilities, senior housing, and outpatient centers that intersect real estate with healthcare operations.

Other Sectors

Self-storage, student housing, entertainment venues, parking facilities, manufactured housing, agricultural land, and mixed-use developments.

Think of Commercial Real Estate as a Life Cycle

A commercial property moves through a series of stages — and hundreds of different careers exist around each one. Understanding the full cycle helps you see where you might fit.



When the property is sold, the process begins again for the next investor — creating a continuous ecosystem of roles and opportunities at every stage.

Who Actually Owns Commercial Real Estate?

Ownership takes many forms. Sometimes the ownership structure behind a single building includes dozens or even hundreds of investors — each with different goals, timelines, and return expectations.

INDIVIDUAL INVESTORS & FAMILY OFFICES



PARTNERSHIPS & PRIVATE EQUITY FIRMS



EQUITY FIRMS

REITS (REAL ESTATE



REITS (REAL ESTATE INVESTMENT TRUSTS)

PENSION FUNDS & INSURANCE



& INSURANCE COMPANIES

CORPORATIONS



CORPORATIONS & UNIVERSITIES

GOVERNMENTS



GOVERNMENTS & NONPROFITS

Investment Management

Investment management operates at the ownership and capital level — these professionals make the highest-level decisions about where money goes and why.

Core Decisions

- Which markets are attractive?
- Which property types to pursue?
- How much risk is acceptable?
- How should investments be financed?
- When to buy or sell?

Possible Roles

- Acquisitions analyst
- Investment analyst
- Portfolio manager
- Investment manager
- Capital markets professional
- Investment committee member

These professionals look across an entire portfolio rather than focusing only on a single building.

Asset Management

Asset management represents the **owner's strategic perspective on an individual property or portfolio**. Asset managers ask the hard questions about whether the investment is performing — and what should change.

Key Questions an Asset Manager Asks

- Is the property performing according to plan?
- Should rents increase? Should we renovate or refinance?
- Are operating expenses too high?
- Should we sell or invest additional capital?

Property Management vs. Asset Management

Property Management = How are we operating the building day to day?

Asset Management = Are we making the right strategic decisions for the investment?



Property Management

Property management handles the day-to-day operation of commercial buildings. The property manager often becomes the **quarterback of the property** — interacting with nearly everyone involved.

Tenant & Financial

- Tenant relations
- Rent collection
- Accounts payable & receivable
- Budgeting
- Operating expense reconciliations

Operations & Reporting

- Vendor management
- Maintenance coordination
- Capital projects
- Emergency response
- Property inspections
- Reporting to ownership

Facilities Management

Facilities management focuses heavily on the physical environment of commercial buildings. Facilities professionals can work for property owners, property management companies, or directly for corporations that occupy buildings.



Building Systems

HVAC, electrical, plumbing, elevators, fire/life safety systems, and access control are core responsibilities requiring specialized knowledge.



Maintenance & Services

Janitorial services, landscaping, parking, roofing, and ongoing building maintenance keep properties functional and safe every day.



Safety & Security

Security systems, access control, and life safety procedures protect both the property and the people who occupy it.



Commercial Real Estate Brokerage: Landlord Representation

Commercial brokers connect people and opportunities — but there are several very different kinds of brokerage, each serving a distinct client.

Landlord Representation

A landlord representative helps property owners lease their vacant space. They work on behalf of the building owner to attract, qualify, and close tenants.

→ Market Available Space

Create marketing materials, list properties, and promote vacancies through industry channels and direct outreach.

→ Identify & Tour Prospects

Source potential tenants, schedule property tours, and present the building's strengths relative to competing options.

→ Negotiate & Close

Advise ownership on rental rates, negotiate business terms, and track competing properties in the market.

Commercial Real Estate Brokerage: Tenant Representation

A tenant representative helps companies find and lease space — representing the **occupant**, not the building owner. This is a fundamentally different client relationship.

A company needs 25,000 square feet for its new headquarters. The tenant rep identifies options, compares buildings, analyzes financial terms, negotiates with landlords, coordinates tours, and helps structure the transaction — all on behalf of the occupying company.

01

Identify Options

Survey the market for spaces that meet the client's size, location, and budget requirements.

02

Analyze & Compare

Evaluate buildings on financial terms, lease structure, amenities, and long-term fit.

03

Negotiate & Close

Negotiate with landlords to secure the best possible terms for the occupying company.

Investment Sales Brokerage

Investment sales brokers help owners **buy and sell commercial properties** — sometimes called investment sales, capital markets, or acquisition/disposition brokerage. This is very different from leasing.

What the Broker Does

- Value the property
- Prepare marketing materials and offering memoranda
- Source and qualify buyers
- Manage offers and negotiate terms
- Coordinate due diligence
- Help move the transaction toward closing

Scale of Transactions

A single investment sales broker might represent an owner selling a \$20 million shopping center, a \$150 million office portfolio, or a single NNN retail pad site.

The skills required — underwriting, marketing, negotiation, relationship management — differ significantly from leasing brokerage.



Other Types of Commercial Brokers

A commercial real estate license can lead to many different career paths beyond office leasing or investment sales. The brokerage world includes a wide range of specialists.

Land Brokers

Buy and sell raw land and development sites for builders, developers, and investors.

Debt Brokers

Help property owners find the right loan and lender for acquisitions, refinances, and construction.

Equity Brokers

Help real estate companies find investors or equity partners to capitalize their projects.

Specialty Brokers

Focus on niches such as hotels, multifamily, medical office, life science, data centers, or self-storage.

Corporate Real Estate

Commercial real estate is not only about owning buildings. Large companies need professionals to manage the real estate they **occupy** — and that portfolio can be enormous.

Imagine a company with 70 offices, 12 warehouses, 4 distribution centers, and 600 retail stores. Someone has to manage that entire real estate strategy.

Portfolio Strategy

- Site selection
- Leasing & renewals
- Expansions & relocations
- Dispositions

Operations

- Workplace strategy
- Construction management
- Facilities oversight
- Portfolio planning

Corporate real estate asks: "**What real estate does our company need in order to operate successfully?**"

Development

Developers create or transform real estate — combining real estate, finance, construction, government, design, and entrepreneurship into a single complex process.



Development is one of the highest-risk and highest-reward paths in commercial real estate — requiring patience, vision, and the ability to manage complexity across multiple disciplines simultaneously.



The Development and Construction Team

A single development project requires an extensive team of specialists across design, engineering, construction, legal, and finance. Commercial real estate creates opportunities well beyond traditional sales and brokerage roles.



Design Team

Architect, civil engineer, structural engineer, mechanical engineer, electrical engineer, interior designer, and landscape architect.



Construction Team

General contractor, subcontractors, construction manager, project manager, and environmental consultant.

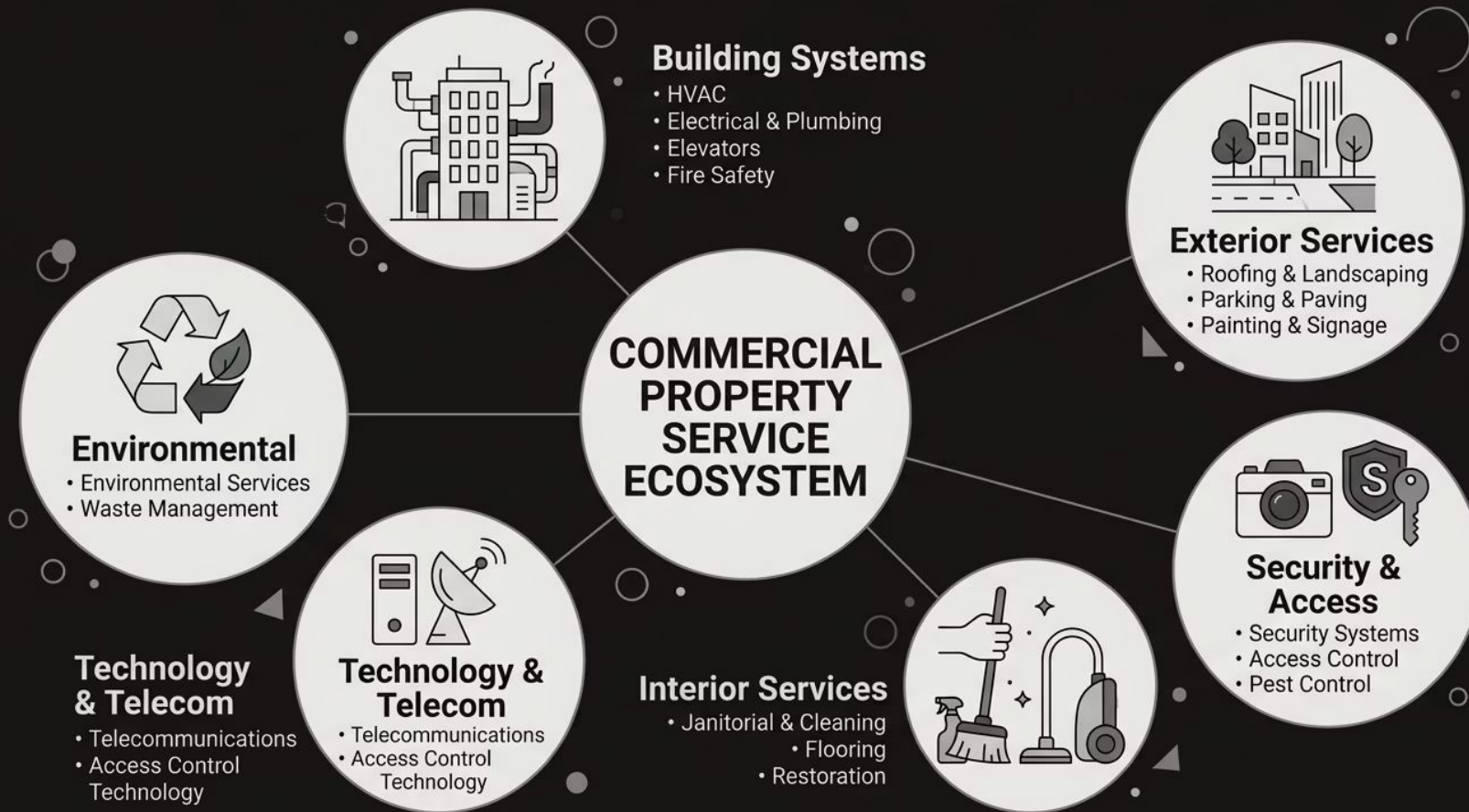


Finance & Legal

Land-use attorney, government agencies, lenders, and investors all play critical roles in getting a project approved and capitalized.

The Trades and Service Companies

Every commercial property creates an entire ecosystem of service businesses. Many successful commercial real estate professionals never buy, sell, or lease a building — they **serve the companies that do**.



These companies may serve hundreds or thousands of commercial properties — building sustainable businesses within the CRE ecosystem without ever holding a license.

Professional Services Around Real Estate

Commercial real estate also requires an enormous professional services network. Every transaction, lease, and ownership decision touches multiple disciplines simultaneously.

Legal & Title

Real estate attorneys handle leases, purchases, ownership structures, and disputes. **Title companies** research and insure property ownership rights. **Escrow** coordinates money, documents, and closing.

Finance & Accounting

Lenders provide debt financing. **Accountants** manage financial statements, tax reporting, and investment analysis. **Property tax consultants** help owners understand and appeal assessments.

Risk & Valuation

Insurance brokers manage property risk. **Appraisers** provide independent valuations. **Environmental consultants** evaluate site risks. **Engineers** assess building systems and physical condition.

How a Commercial Lease Works

Commercial leases can be substantially more complex than residential leases — often running dozens of pages and covering a wide range of negotiated terms.

Lease Length

Where a residential tenant signs a 12-month lease, a commercial tenant might commit to 5, 7, 10, 15, or even 20+ years. The length reflects the investment both parties make in the space.

Negotiated Terms May Include

- Base rent, rent escalations, and free rent periods
- Operating expenses, property taxes, insurance
- Tenant improvement allowances
- Renewal, expansion, and assignment rights
- Signage, parking, and sublease provisions
- Security deposits and maintenance obligations

 A commercial lease is both a **legal agreement and a financial asset** — it determines the income and obligations of the property for years to come.

Commercial Lease Structures

Understanding how expenses are allocated between landlord and tenant is essential in commercial real estate. The specific lease language always controls — these are general frameworks.

Full Service Gross

Tenant pays rent; landlord pays most operating expenses. Most common in **office** properties. Simplifies budgeting for tenants.

Modified Gross

Expenses are divided between landlord and tenant according to the specific lease terms. A negotiated middle ground between full service and triple net.

Triple Net (NNN)

Tenant pays base rent plus its share of property taxes, insurance, and common area expenses. Common in **retail and industrial** real estate.

Understanding Commercial Rent

Commercial rent can look confusing because different markets and property types quote rent in different ways. Understanding the math is a foundational skill.

How Rent Is Quoted

You might see **\$36.00 per square foot per year** or **\$3.00 per square foot per month**, depending on the market, property type, and local convention.

Sample Calculation

A 10,000 SF office at \$36/SF annually:

$10,000 \text{ SF} \times \$36 = \$360,000$ annual base rent
or approximately **\$30,000 per month**

Total Occupancy Cost

Base rent is rarely the full picture. A tenant's total occupancy cost may also include:

- Operating expenses and CAM charges
- Property taxes and insurance
- Utilities
- Parking fees
- Other lease-specific charges

Always analyze the **total cost**, not just the base rent number.

What Is CAM?

CAM stands for Common Area Maintenance. CAM expenses generally represent costs associated with operating the shared portions of a property — costs that landlords pass through to tenants on a pro rata basis.

Common CAM Expenses

- Landscaping and exterior maintenance
- Parking lot upkeep and lighting
- Security and janitorial services
- Property management fees
- Common utilities and repairs

Pro Rata Share – Example

If a tenant occupies **10%** of a shopping center, the lease might require that tenant to pay approximately **10% of certain recoverable operating expenses.**

The exact calculation always depends on the specific lease language — caps, exclusions, and audit rights are all commonly negotiated.

Operating Expenses

Owning a commercial building costs money — often significant amounts. Owners and property managers develop annual **operating budgets** to estimate costs, then track actual performance throughout the year.

Fixed & Semi-Fixed

- Property taxes
- Insurance
- Management fees
- Accounting & legal

Building Systems

- HVAC maintenance
- Elevator maintenance
- Utilities
- Repairs and maintenance

Services

- Landscaping
- Janitorial
- Security
- Parking management

NOI: One of the Most Important CRE Terms

Net Operating Income (NOI) is one of the most fundamental concepts in commercial real estate. Property value is often closely tied to the income a property generates — making NOI central to nearly every investment conversation.

The Formula

Property Revenue
minus
Property Operating Expenses
equals
Net Operating Income

Example

Annual property revenue: **\$1,500,000**

Operating expenses: **\$500,000**

NOI: **\$1,000,000**

Commercial investors, lenders, and asset managers watch NOI closely because it drives both valuation and financing decisions. Changes in NOI — even small ones — can significantly impact property value.

Cap Rates

The **capitalization rate**, or cap rate, is one of the most commonly used concepts in commercial real estate valuation and investment analysis. You will hear this term constantly.

The Formula

Cap Rate = NOI ÷ Property Value

If a property produces **\$500,000 NOI** and sells for **\$10,000,000** — the going-in cap rate is **5%**.

Cap rates help investors compare pricing and expected returns across different properties and markets.

How to Interpret Cap Rates

- Lower cap rate = higher price relative to income (often prime assets in strong markets)
- Higher cap rate = lower price relative to income (often higher risk or weaker markets)
- Cap rates are only one input — they do not capture financing, growth potential, or risk in full



Cap rates are a starting point for comparison — not a complete investment analysis on their own.

Financing Commercial Real Estate

Most commercial properties are purchased using some combination of **equity** (ownership capital) and **debt** (borrowed capital). Financing decisions can have a major impact on investment returns and risk.



Traditional Lenders

Banks, credit unions, and insurance companies providing conventional commercial real estate loans.



CMBS Lenders

Commercial Mortgage-Backed Securities lenders pool loans and sell them as bonds to investors on capital markets.



Government Programs

SBA loans, USDA programs, and other government-sponsored financing tools serve specific property types and borrowers.

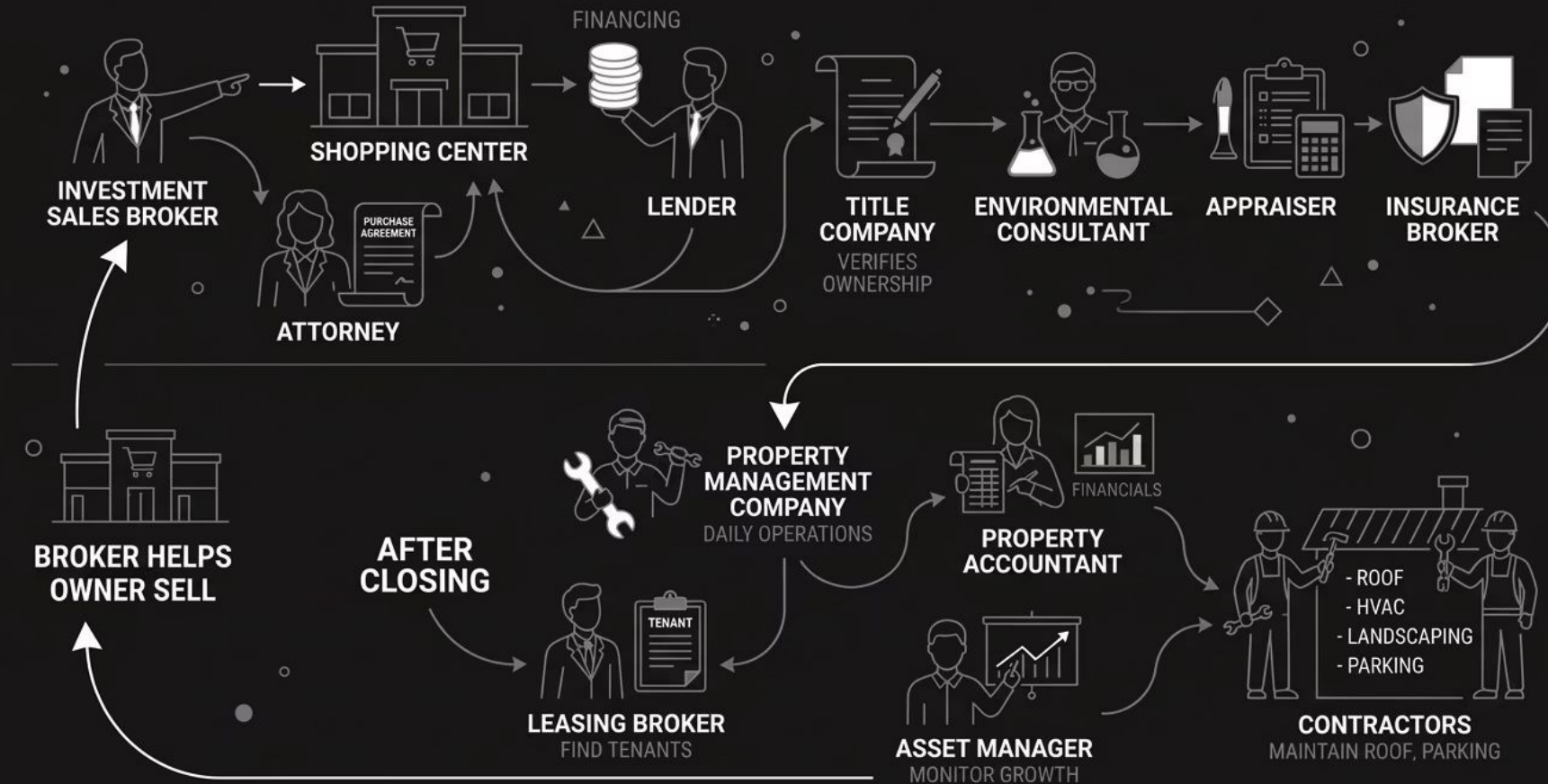


Private & Debt Funds

Debt funds and private lenders offer flexible capital — often at higher rates — for deals that traditional lenders may not serve.

How Everyone Fits Together: A Simple Example

Imagine an investor purchases a shopping center. Watch how many professionals touch a single transaction — this is the commercial real estate ecosystem in action.



Real Estate Is Also a Relationship Business

Commercial real estate can appear to be about buildings. At its core, it is largely about **people, information, trust, and relationships**.

"A single transaction may require collaboration between an owner, investor, broker, tenant, attorney, accountant, property manager, lender, contractor, and government agency — all at the same time."

Professionals who understand how to **connect the right people, communicate clearly across disciplines, and solve problems** become extremely valuable — regardless of which specific role they hold in the ecosystem. Reputation in commercial real estate is built over years, and it travels far.



You Do Not Have to Become a Broker

A real estate license is useful, but brokerage is only one of many paths. Commercial real estate supports dozens of distinct career tracks across transactions, operations, investments, development, and professional services.



Finding Your Place in Commercial Real Estate

Instead of asking *"How do I get into commercial real estate?"* — a better question is: **"Which part of commercial real estate fits my skills, interests, experience, and goals?"**



You Enjoy Selling

Explore brokerage or business development roles in leasing, investment sales, or tenant representation.



You Enjoy Numbers

Explore investments, acquisitions, underwriting, property accounting, or asset management.



You Enjoy Operations

Explore property management, facilities management, or construction management.



You Enjoy Strategy

Explore corporate real estate, investment management, development, or asset management.

Commercial real estate is broad enough that there is rarely only one path in.

Your Current Experience May Be More Relevant Than You Think

People entering commercial real estate frequently believe they must start over. Usually they do not. Experience from other industries can transfer directly into CRE.

Example: Operations or Management Background

Experience in operations or management provides knowledge of:

- Team coordination and staff supervision
- Vendor management and contract oversight
- Budgeting and cost control
- Problem-solving under pressure
- Client and stakeholder relations

Direct CRE Connections

That same background connects naturally to:

- Property management
- Facilities management
- Corporate real estate operations
- Asset management

The fastest path into commercial real estate is often to **bring what you already know into the ecosystem** — rather than starting from scratch.

A Good First Year Does Not Require Knowing Everything

Commercial real estate knowledge compounds over time. A strong beginning is built through consistent, deliberate action — not by mastering everything at once.



Learn

Understand the basic language, players, and property types. Build your vocabulary first.



Identify & Build Relationships

Determine which two or three areas interest you most. Begin developing connections within those areas.



Explore & Experience

Talk with professionals from several CRE disciplines. Attend tours, networking events, and educational programs.



Go Deeper

Once you identify your direction, begin learning the technical skills associated with that specific path.

Questions to Ask Commercial Real Estate Professionals

When meeting someone in CRE, ask thoughtful questions. You do not need every conversation to lead to a job. The first objective is to **build your map of the industry**.

About Their Role

- What part of commercial real estate are you in?
- How did you get into it?
- Who are your clients?
- What does a normal week look like?

About the Craft

- What skills matter most in your area?
- What do beginners usually misunderstand?
- What organizations should I know?

About Getting Started

- Who else would you recommend I meet?
- If you were starting again today, what would you learn first?

Commercial Real Estate Language to Start Learning

You do not have to memorize these terms immediately — but start becoming familiar with the language. You will hear these words constantly as you explore the industry.

Term	Meaning
NOI	Net Operating Income — property revenue minus operating expenses
CAM	Common Area Maintenance — shared operating costs passed through to tenants
NNN	Triple Net — tenant pays base rent plus taxes, insurance, and CAM
TI	Tenant Improvement allowance — funds provided by landlord for tenant buildout
LOI	Letter of Intent — a non-binding summary of proposed transaction terms
Cap Rate	NOI divided by property value — a key measure of income relative to price
Rent Roll	A schedule summarizing tenants, leases, and rental economics
Due Diligence	The investigation period completed before closing a transaction
PSA	Purchase and Sale Agreement — the binding contract to buy or sell a property
Pro Rata Share	A tenant's proportional share of certain building-wide expenses

The Big Picture

Commercial real estate can be simplified into a few essential questions. **Nearly every commercial real estate career exists somewhere within these questions** — regardless of your title, property type, or market.

Ownership

Who owns the property? What is their investment strategy and return objective?

Occupancy

Who uses the property? What do they need, and what are they willing to pay?

Financing

Who finances the property? How is debt structured, and on what terms?

Operations

Who operates the property? How are costs managed and performance tracked?

Value Creation

Who advises and services the property? How does it become more valuable over time?

Where Do We Go From Here?

After reviewing this guide, choose **three areas that sound interesting** and begin exploring each one with intention.

1 Pick Three Areas

For example: Property Management, Tenant Representation, and Corporate Real Estate. Your starting point does not have to be perfect — it just has to be a start.

2 Talk to the People Who Do the Work

Ask questions. Visit properties. Understand how professionals are compensated and what skills employers and clients value most.

3 Identify the Next Door Worth Opening

You do not have to choose your entire career today. Learn the terminology, narrow the field, and take one deliberate step toward the area that resonates most.



**Learn the industry.
Build relationships.
Create opportunities.**

Commercial real estate is an ecosystem — and there is a place in it for you.

info@BCRES.org