

SUBCOMMITTEE RECOMMENDATION

Department of Administrative Services Real Estate Services Commercial Broker Utilization

To:	Ways and Means Full Committee
From:	General Government Subcommittee
Carrier:	Senator Golden

On February 8th, the General Government Subcommittee recommended acknowledging receipt of a report from the Department of Administrative Services on the Real Estate Services program's use of commercial brokers.

DAS Real Estate Services program assists client agencies in entering into property leases, enforcing leases, and purchasing properties. While most transactions are performed by the DAS staff, in some transactions DAS uses contracted commercial real estate brokers. As directed by a budget note, the report submitted by the agency included a 3-biennia look back at real estate lease, sale, and purchase transactions involving contracted real estate brokers. Over that period, approximately 8.4% of lease transactions and one of the eight property sale transactions involved a DAS-contracted broker. The use of contracted brokers gives the state access to additional expertise and resources as well as the flexibility to respond to unexpected workload fluctuations. In addition, the use of a broker in a sale or purchase may be considered when the market is particularly active or a sale is of an unusual, complex, or niche property.

Most commercial real estate transaction commissions are paid by the seller or the landlord, based on the agreements in place. Sellers and landlords typically respect the agreements buyers and tenants have with their own brokers. If both parties have representation, the total commission paid under the seller or landlord agreement will be split between the brokers. DAS does not pay commissions on leases as a tenant. DAS brokers typically have contracted agreements with landlords at below standard market rates. Industry standard commission rates on commercial real estate purchase and sale transactions typically range from 3-5% of the full value of the transacted property, paid by the seller. DAS typically pays 3-4% on sale transactions and does not pay commissions on purchase transactions.

The General Government Subcommittee recommends approval.