

# Building a World Series Vendor Team

**Part One — Pre-Construction**  
This installment in a three-part series will examine how to assemble a great team before breaking ground.

By Matt Springer

**B**uilding the perfect team to develop a real estate project is similar to building a team to win the World Series. Success starts and ends with the team itself — a brilliant marketing strategy or financing structure can crumble to pieces if the wrong people are selected to execute the plan.

This three-part series of articles will examine the value a perfectly assembled vendor team brings to a project.

Large developers have a staff of professionals working behind the scenes to analyze proposed projects and prepare entitlement presentations. Small

developers, on the other hand, end up wearing all the hats, which is inefficient, costs time and money and makes it harder to compete in the marketplace.

## **Expertise coupled with timing**

CenterPoint, a Miami, Fla.-based firm that capitalizes projects from the ground up, recognizes the value an experienced team brings to bear on a project; the right expertise at the right time is essential to a project's success. That's why the firm has partnered with some of the industry's top vendors and implemented an "our money, our vendors" policy to bring their skills directly to clients. CenterPoint then pays the vendors directly, saving developers money.

"Developers have great ideas, but it takes a team effort to turn ideas into bricks and mortar," says Stephen Zadrick, founder and CEO of CenterPoint. "Our

▼ **Aareas Interactive produces photo-realistic, virtual-reality walk-through presentations that enable prospective buyers to submerge themselves in the product and experience the lifestyle the project offers. All photos courtesy of Aareas Interactive.**



vendor team gives the small developer a leg up, providing a similar level of professional expertise to the resources that large developers enjoy."

## **Land acquisition and entitlement**

John MacDonald, a principal at Salt Lake City-based MacDonald, Head & Associates, offers services that can be essential to the pre-construction stage. A specialist in land acquisition and entitlements, MacDonald says he works behind the curtain to help reduce the developer's risk and ensure the project's success from the start by analyzing the site's potential based on market



demographics and either validating the developer's plan or offering suggestions for corrections. His role includes identifying land parcels that match the project, assisting with due diligence and preparing the entitlement package, tailoring the presentation to its local government's unique rules and biases.

"Before developers buy land, they need to know what's going to be built on it in order to know how much to pay," MacDonald says. "In other words, they need to know the end of the story in order to know how to structure the deal. Small developers sometimes work in reverse and often end up paying too

much, or they realize they have land that has no workable plan."

Having worked in the nation's top 75 real estate markets, MacDonald knows the drill well and can gear an entitlement presentation to a jurisdiction's political bent, right down to the use of keywords and catchphrases such as green, sustainable, slow growth and Active Adult to position the project in the most positive light possible. As a result, developers working with MacDonald can expect to secure entitlements within six to 12 months, rather than the national average of 24 months. "This saves a ton of money in carrying costs on land," he says.

▲ **3D architectural renderings can serve as a significant marketing tool when used in conjunction with traditional marketing methods.**

### **Ignoring emphasis on marketing**

Sales and marketing are the last part of the team developers usually consider when planning the pre-construction phase. Yet it may very well be the most important piece in the pre-construction puzzle. Joel Lazar, president and CEO of Orlando, Fla.-based Century Marketing International, or CMI, says his firm might be involved in planning the type of project to be built, but more often is tapped pre-construction as a consultant on the due diligence process and to map



▲ **Architectural renderings can be the driving force behind getting people out to your sales center and considering a purchase in your development.**

out a pre-sales marketing strategy based on a developer's construction timing.

He explains that a developer legally cannot put units under contract until the project is entitled. Once the project is entitled and pre-sales begin, construction must be completed within two years.

Lazar notes that lenders usually require a percentage of pre-sales to fund a project. "If the level of pre-sales isn't achieved, that's very costly — money invested in due diligence and entitlements is lost."

Working with the selected advertising agency and a broker alliance program, CMI develops a marketing plan that will maximize sales velocity, beginning with a priority wait list, which the sales team uses to make contractual reservations with a deposit later on when the developer moves to pre-sales mode.

Lazar notes, however, that with the market softening, pre-sale firms are getting more selective about the projects they undertake and are putting clauses in contracts to protect themselves from developer lawsuits. He notes that a number of developers overestimated market demand and underestimated rising construction costs, some of whom blamed pre-sale shortfalls on the marketing team.

"Don't discount the expertise of sales and marketing management professionals,"



▲ **3D architectural renderings can depict the look and feel of a development without a physical model. They also enhance project perception and may eliminate the need for models.**

Lazar says. "If brought on early in the campaign, they can decrease the risk. But there has to be a high degree of comfort. If you don't trust them from the beginning, it won't be a good relationship."

### **Setting your company apart**

Another important piece of the pre-sales campaign is presentation, notes Frank Guido, president of Toronto, Canada-based Aareas Interactive. His company produces photo-realistic, virtual-reality walk-through presentations that enable prospective buyers to submerge themselves in the product and experience the lifestyle the project offers.

"People like to see and touch a product they're going to buy," Guido says. "In the absence of touch, seeing is the next best thing. Our presentations can help the developer communicate the story effectively in order to justify charging a higher margin than the guy next door."

Additionally, Guido's firm offers an options management program, which completely automates the selection process, eliminating paperwork and costly construction errors, improving customer satisfaction and increasing the sale of upgrades. The 24/7 Sales Center concept allows homebuyers to preview the effect of various features before making final selections, Guido says. The program configures custom selections and then generates the paperwork automatically.

Part Two of this series will further explore team-building strategies with a look at how to best plan a construction team.



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