



“John Sutton”
Executive Vice President
XYZ Corporation

COMMERCIAL REAL ESTATE

Executive Summary/Synopsis

In the wake of the financial crisis of 2008, companies across the nation were forced to make difficult financial decisions. In 2009, a large, national undergarment manufacturer was forced to lay off hundreds of workers, making their factory obsolete and too vacant to operate. As a result, XYZ Corp, a leading corporate real estate firm, was hired to sell one of their warehouse buildings in a blue-collar manufacturing town in Northeastern Pennsylvania. After months of attempts, XYZ found a potential buyer for the abandoned warehouse that would provide fifty new jobs to the town faced with newly unemployed residents. Typical commission rates for corporate property sales at the time were 2% sales price of the building. During the transaction, the lead agent was told to raise the commission rate by his supervisor, despite the negative impact on many of the stakeholders. If the agents settled for the lower rate and the sale was completed, the town’s economic recovery could accelerate by generating many job opportunities. However, raising the rate could put the entire deal at risk. In a tough economic environment, XYZ also needed to ensure the sale of the warehouse.

Background

XYZ Company is a global, publicly traded commercial real estate business, primarily focused on warehouse, retail, and office sales. The company is grounded on pillars of respect, integrity, service, and excellence. XYZ is dedicated to being action driven and ensuring that all aspects of their organization align with their values. The company is committed to providing their clients with opportunities to drive strategic business outcomes. They facilitate the sale of commercial properties to both small businesses and large corporations, enabling continued growth and success across diverse industries in many communities.

John Sutton is an Executive Vice President of XYZ and focuses on the sale of warehouses. John is well-versed in the various areas of commercial real estate including lease negotiation, lease restructuring, acquisitions and dispositions, build-to-suit, site selection, and ground-up development. Since joining XYZ in 2005, John and his team have leased and sold over 90 million square-feet of real estate with a total value of over \$2.9 billion. He is a licensed commercial real estate agent in both

Pennsylvania and New Jersey and is ranked in XYZ’s Top 10% Global. Throughout his adulthood and amidst his professional journey, he has continually relied on his faith to make ethical decisions.

Case (Problem)

Amidst the difficult economic times, XYZ was actively searching for opportunities, even if it came with challenges. Luckily, John found a company with a warehouse in northeastern Pennsylvania which needed assistance in selling their building. However, this factory was located in a blue-collar manufacturing town and the closure of the warehouse would result in the loss of hundreds of jobs. Before this took place, John visited the warehouse and met workers, carrying within him the knowledge of the company's plans to shut down the warehouse. Understanding the gravity of the situation, he wanted to help the workers of the town, knowing that many of them would be laid off during a time of nationwide financial hardship.

John worked to find a needle in a haystack: a company willing to buy a warehouse of this kind in such strenuous times. After some time, a storage company for batteries demonstrated interest in purchasing the warehouse, looking to grow in a tough economic environment. This was great news, as finding a willing company seemed nearly impossible.

However, once his supervisor saw the deal structure, he stated that a 2% commission was not an adequate amount. He wanted John to return to the purchaser and request a larger percentage. In doing so, John faced the possibility of losing the opportunity and not closing the deal. On the other hand, he had only four years of experience under his belt and he really needed his job. He did not want to upset his supervisor by refusing to go back and ask for more money and was trying to make a name for himself in the field. The situation was greater than him; at the time, he had four children all under the age of five in a 100% commission-based job. Additionally, he understood that the completion of the deal would create many job opportunities for the community. There was a lot on the line and John had to choose between obeying his mentor (and negotiating a higher commission rate) or closing the deal (and ensuring the opening of jobs for locals).

This was a tough decision for John. Many factors such as the setting of the warehouse and the looming financial crisis involved a thorough analysis of the available options. To help talk this through, John spoke with a priest about the situation. They prayed together and carefully thought about the morality of the case. It was around Easter time, and he went to confession. Faith being such a vital part of his life, he leaned on it through this tough process. He thought of the workers of that town and how this financial situation affected them and their families. He remembered walking through the warehouse before it closed, knowing the eventual fate before the workers did.

Should John go forward with the deal and accept the 2% commission (going against his boss and helping the town), OR, should he push for a higher rate and put the deal (and his career) at risk?

Conclusion

After much deliberation, John decided to tell his mentor that he would not return to the battery storage company and request an increased commission rate. This decision prompted uneasiness between the two men. The relationship grew cold, as the mentor would not speak to John for weeks. This harsh consequence possibly affected John's professional future. However, the coldness wore off over time and John said that the outcome may have improved their relationship, as the two became 50/50 partners for many years. Perhaps, as John recalls, the fact that he stood up to the mentor for what was right, strengthened the mentor's appreciation and respect for him.

When asked if he would make the same decision today, John did not hesitate to say yes and that he would have made that decision sooner. From a young age, he was taught the values of "time, talent, and treasure." He stressed the importance of relationships with people and to not be centered on money. "If you do the right things, the money will come."

John works to instill this same perspective into his staff today. By grounding XYZ with a foundation of the value of the common good, he is making a positive impact on the world each day.