

INSTRUCTOR MATERIALS

Residential to Commercial

What Texas Agents Need to Know Before Taking the Deal

Complete Class Outline and Instructor Script. Designed for a one-hour class for residential real estate agents who want to understand and safely approach commercial opportunities.

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Instructor Framing

This class is not designed to turn a residential agent into a commercial expert in one hour. It is designed to help agents recognize opportunities, understand the risks, respect the TREC competency rule, and know when to get broker guidance, mentorship, partnership, or referral help.

Part 1: Class Outline

Class Snapshot

Class Title	Residential to Commercial: What Texas Agents Need to Know Before Taking the Deal
Length	Approximately 60 minutes
Audience	Residential real estate agents in Texas
Primary Goal	Help agents understand commercial opportunities, avoid major mistakes, and know when they need guidance.

Learning Objectives

- Explain whether a Texas residential agent may legally participate in commercial transactions.
- Understand the TREC competency rule and why a license alone is not enough.
- Apply the first three commercial transaction guidance standard.
- Recognize the biggest differences between residential and commercial real estate.
- Identify common commercial property types and basic vocabulary.
- Understand the basic commercial transaction process.
- Spot common pitfalls involving zoning, leases, financials, due diligence, forms, and environmental concerns.
- Identify helpful designations, education paths, and professional resources.

Class Flow Plan

Section	Focus
Opening	Can a residential agent work commercial, and what is the purpose of the class?

TREC Competency and Guidance	Competency rule, limits, broker involvement, first three guided transactions.
Why Residential Agents Should Understand Commercial	Opportunity in existing relationships and natural crossover points.
Major Differences	Value, financing, forms, due diligence, timelines.
Commercial Property Types	Office, retail, industrial, multifamily, land, special use.
Basic Commercial Terms	Cap rate, NOI, gross lease, NNN, CAM, TI, LOI, due diligence, estoppel, rent roll, pro forma.
Basic Transaction Process	Client conversation, broker check, search or listing prep, LOI or offer, contract, due diligence, closing or lease execution.
Pitfalls	Competency, zoning, lease structure, numbers, environmental, forms, overpromising, ego.
How to Start Safely	Start small, guided, humble, educated.
Designations and Closing	CCIM, SIOR, TACS, ALC, CIPS, CPM and final reminders. Trim as needed.

Key Message

Core Theme: *Your license may allow you to participate in commercial real estate, but competency determines whether you should lead the deal alone. For the first three commercial transactions, get guided, supervised, mentored, partnered, or referred.*

Section Outline

Opening: Can Residential Agents Sell Commercial?

- Yes, a Texas license allows participation in commercial brokerage activity through the sponsoring broker.
- Legal ability is not the same as competency.
- The purpose is to recognize opportunities, ask better questions, avoid danger, and know when to bring in help.

TREC Competency Rule and First Three Guided Transactions

- Review TREC Rule §531.4, Competency.
- Explain that agents must be educated in the characteristics involved in the specific type of real estate being brokered.
- Clarify that the first three transaction guidance standard is a best practice and brokerage risk-management rule, not a quoted TREC rule.
- Define guided as broker involvement, commercial mentor, co-broker, referral partner, document review, and strategic oversight.

Why Residential Agents Should Understand Commercial

- Commercial opportunities often come from existing relationships.
- Examples: business owners, investors, churches, landowners, landlords, tenants, and past clients.
- Opportunity includes larger commissions, repeat clients, referral income, and long-term relationships.

Big Differences Between Residential and Commercial

- Residential is often emotion-driven, commercial is usually business-driven.
- Commercial value is tied to income, use, lease quality, risk, and future potential.
- Commercial financing may look at both the borrower and the property.
- Forms and documents may differ significantly from standard residential forms.
- Due diligence can be deeper and timelines can be longer.

Commercial Property Types

- Office: parking, layout, tenant improvements, accessibility, lease terms.
- Retail: visibility, traffic, signage, co-tenants, NNN, build-out.
- Industrial: clear height, dock doors, truck access, power, zoning.

- Multifamily: rent roll, NOI, occupancy, expenses, property management.
- Land: zoning, utilities, access, drainage, entitlements, highest and best use.
- Special use: churches, daycares, event centers, car washes, hotels, self-storage.

Basic Commercial Terms

- Cap rate, NOI, gross lease, NNN lease, CAM, TI, LOI, due diligence, estoppel certificate, rent roll, pro forma.
- Key warning: Hope is not underwriting. Actual numbers matter.

Pitfalls

- Thinking real estate is real estate.
- Taking a commercial deal without competence or guidance.
- Failing to verify zoning and intended use.
- Misunderstanding total occupancy cost.
- Relying on seller numbers without verification.
- Ignoring environmental concerns.
- Using the wrong form or casually changing legal language.
- Overpromising returns, approvals, occupancy, or appreciation.
- Protecting ego instead of protecting the client.

Safe Starting Path

- Start with smaller, simpler opportunities.
- Involve your broker early.
- Partner with or refer to commercial specialists.
- Build a resource team of lenders, attorneys, CPAs, inspectors, surveyors, environmental consultants, zoning contacts, title professionals, and commercial brokers.
- Study designations and local commercial education.

Part 2: Complete Instructor Script

Opening

Good morning, everybody.

Today we are going to talk about something a lot of residential agents are curious about, but many are also a little nervous about: Can a residential real estate agent sell commercial property?

The short answer is yes. In Texas, your real estate license does not say residential only or commercial only. If you are a licensed Texas real estate sales agent, you can legally be involved in commercial real estate activity, as long as you are acting through your sponsoring broker and following the law, rules, and ethical standards that apply to your license.

However, there is a very big difference between being legally allowed to do something and being competent to do it. That is really the heart of this class.

Today's class is not designed to make you a commercial real estate expert in one hour. That would be irresponsible. My goal is to help you understand enough to recognize commercial opportunities, ask better questions, avoid dangerous mistakes, and know when to bring in help.

Commercial real estate can be a great opportunity. It can lead to larger commissions, repeat investor relationships, business-owner clients, leasing opportunities, land deals, and long-term wealth-building conversations.

It can also get you in trouble if you treat it like residential real estate with bigger buildings.

Today, we are going to cover whether residential agents can work commercial deals, the TREC competency rule, why new commercial agents need guidance, the main differences between residential and commercial, the major commercial property types, basic terminology, the transaction process, common pitfalls, how to get started safely, and helpful designations and training paths.

Before we go any further, let me ask you this: How many of you have ever had a residential client ask you about buying a small office, warehouse, retail space, land, multifamily property, or investment property?

Pause for responses.

That is exactly why this matters. Most residential agents do not go looking for commercial real estate at first. Commercial real estate usually finds them through someone they already know.

A past client opens a business. A family member wants to buy a building. A church needs property. An investor wants a small apartment complex. A seller has land that may have commercial use. A business owner asks about leasing space.

If you are not prepared, one of two things usually happens. Either you run from the opportunity because you are intimidated, or you take it and wing it. Neither one is ideal.

The better answer is to understand the basics, respect the risks, and get the right guidance.

TREC Competency Rule and Guidance

Before we talk about commercial property types or deal structure, we need to start with competency.

This is not just my opinion. This is a TREC issue.

Under TREC Rule §531.4, Competency, a license holder must be knowledgeable and competent as a real estate brokerage practitioner. The rule says a license holder must be informed on local market issues and conditions, informed on national, state, and local real estate industry issues, exercise judgment and skill in brokerage activities, and be educated in the characteristics involved in the specific type of real estate being brokered for others.

That last part matters a lot. TREC does not simply say, have a license and go do whatever you want. The rule specifically points to being educated in the characteristics involved in the specific type of real estate being brokered.

Commercial real estate is a specific type of real estate. Office is different from residential. Retail is different from residential. Industrial is different from residential. Commercial leasing is different from residential leasing. Commercial investment property is different from a traditional residential resale.

So if you are a residential agent and you get a commercial opportunity, the first question should not be: Can I legally do this? The better question is: Am I competent to handle this properly, and if not, who is guiding me?

That is the professional standard.

Now, I want to be very careful with this next part. To my knowledge, TREC does not have a specific rule that says an agent must be mentored through their first three commercial transactions. That is not the wording of the TREC rule.

However, as a practical brokerage standard and as a risk-management standard, I strongly recommend this: For your first three commercial transactions, do not go it alone.

Your first three commercial transactions should be handled with your sponsoring broker's knowledge and involvement, guidance from an experienced commercial agent, broker, mentor, or co-broker, and someone reviewing the deal structure, forms, deadlines, due diligence, and red flags.

Here is why. On your first commercial deal, you do not know what you do not know. On your second commercial deal, you know a little more, but not enough to be dangerous in a good way. By your third guided deal, you should start seeing patterns. You start to understand the questions, the process, the risks, the vocabulary, and the rhythm of the transaction.

That does not make you an expert, but it starts building competence.

Your license may allow you to participate in commercial real estate, but competence determines whether you should lead the deal alone.

There is no shame in partnering. There is no shame in co-brokering. There is no shame in referring. There is no shame in asking your broker for guidance. There is a lot of shame in pretending you know what you are doing and damaging a client.

The rule of thumb I want you to remember today is this: First three commercial deals, get guided, get supervised, get mentored, or get partnered.

That is not weakness. That is professionalism.

Here is a simple way to say it to a client: I can help you with this, but commercial real estate has specialized issues, so I am going to bring in the right commercial expertise to make sure you are fully protected.

That sounds professional. That builds trust. That protects the client. That protects you.

Now that we understand the competency issue, let's talk about why commercial is so different.

Why Residential Agents Should Understand Commercial

Most residential agents think commercial real estate is a completely separate world. In some ways, it is.

Commercial agents use different language. They analyze deals differently. They negotiate differently. They often work with investors, business owners, landlords, tenants, developers, lenders, attorneys, and property managers.

However, residential agents are often much closer to commercial opportunities than they realize.

Think about your existing database. You probably know people who own small businesses, want to start a business, own rental property, want to buy investment property, need office space, need

warehouse space, need land, attend a church that may need property, know someone who owns a building, know someone who wants to lease a space, or know someone who is outgrowing a home-based business.

That means commercial opportunities are already sitting inside your relationships. The question is whether you know how to recognize them.

A past residential buyer calls and says, I am tired of leasing my salon space. I want to buy a small building. That is commercial.

A client says, My church is looking for land. That is commercial or special-use property.

A buyer says, I want to buy a fourplex, then maybe move into larger apartment buildings. That may start in residential, but it moves toward commercial investment thinking.

A seller says, I have five acres on a busy road. I think it could be used for retail. That is no longer just land. That may involve zoning, utilities, development potential, traffic counts, access, highest and best use, and commercial valuation.

A friend says, I need to lease warehouse space for my contracting business. That is commercial leasing.

Commercial can lead to larger deal sizes, longer-term client relationships, repeat investor business, business-owner referrals, listing opportunities, tenant representation opportunities, land and development opportunities, and referral income if you partner or refer properly.

However, there is a warning attached to the opportunity. Commercial clients are not usually buying based on emotion. They are making business decisions. Their questions are different, their risks are different, and their expectations may be different.

A good residential agent can absolutely grow into commercial. A careless residential agent can absolutely get hurt in commercial. There is a big difference.

The Big Differences Between Residential and Commercial

Let's start with the biggest difference. Residential real estate is usually emotion-driven.

A residential buyer often asks: Do I love the house? Can I picture my family here? Is this the right neighborhood? Are the schools good? Does the kitchen feel right? Can I afford the monthly payment?

Commercial real estate is usually business-driven.

A commercial buyer or tenant asks: Will this property make money? Will this location help my business? Does zoning allow my intended use? What is the net operating income? What are the

expenses? What is the cap rate? What are the lease terms? What are the risks? Can I finance this? Can I expand here? Can I exit profitably later?

That is a different conversation.

First, value is determined differently. In residential, we often lean heavily on comparable sales. In commercial, value can be driven by income, use, location, lease terms, tenant quality, future potential, and risk.

An investor does not just ask what the building down the street sold for. They ask what income it produces, what expenses it has, how stable the tenants are, how long the leases run, whether rents are below market, whether there is deferred maintenance, what the return is, and what the risk is.

Second, financing is different. Residential financing often focuses heavily on the borrower. Commercial financing may focus on both the borrower and the property.

A commercial lender may ask whether the property generates enough income to support the debt, what the debt service coverage ratio is, who the tenants are, how long the leases are, how much cash the buyer has, what the property condition is, what the intended use is, and whether there is environmental risk.

Many residential agents are used to asking, Can the buyer qualify? Commercial may also ask, Can the property qualify? That is a huge distinction.

Third, contracts and forms are different. In residential real estate, Texas agents are very used to TREC-promulgated forms for common residential transactions. Commercial transactions may use commercial forms, attorney-drafted forms, landlord forms, broker forms, developer forms, or custom agreements.

Commercial transactions may start with a letter of intent. They may involve confidentiality agreements, leases, amendments, estoppels, rent rolls, financial exhibits, zoning contingencies, environmental review, and attorney involvement.

Fourth, due diligence is much deeper. Commercial buyers may need to investigate zoning, intended use, environmental conditions, survey issues, easements, access, parking, utilities, floodplain, drainage, leases, rent rolls, tenant estoppels, operating statements, insurance, taxes, maintenance records, ADA concerns, building systems, fire code, signage rules, traffic counts, permits, certificate of occupancy, and deed restrictions.

Your job is not to know everything. Your job is to know enough to raise the right questions and bring in the right experts.

Fifth, timelines are different. Commercial deals often take longer. A commercial buyer may have a feasibility period that allows time to investigate zoning, financing, environmental issues, leases,

property condition, engineering, and future use.

Commercial leasing can also take longer because the parties may negotiate build-out, tenant improvements, rent commencement dates, free rent, renewal options, personal guarantees, signage, exclusivity clauses, and operating expenses.

In commercial, slow is not always bad. Sometimes slow is smart.

Commercial Property Types Agents Need to Know

Now let's talk about the main commercial property types. You do not need to become an expert in every category today, but you do need to know the basic differences.

Office property includes medical offices, professional offices, executive suites, small business offices, office condos, and multi-tenant office buildings. Common issues include parking, floor plan, accessibility, location, visibility, signage, lease terms, build-out needs, internet, utilities, tenant improvement allowance, and common area costs.

A residential agent might think, This looks like a nice building. A commercial agent asks, Does this layout work for the business, does the zoning allow the use, is there enough parking, what is the total monthly occupancy cost, and what lease obligations come with it?

Retail includes strip centers, restaurants, salons, boutiques, coffee shops, fitness studios, showrooms, and service businesses. Retail is heavily influenced by visibility, traffic counts, parking, signage, access, co-tenants, anchor tenants, NNN charges, build-out costs, use restrictions, and exclusivity clauses.

A tenant may want to open a coffee shop. The space looks perfect. Then you discover there is not enough parking, the landlord will not allow food service, the electrical capacity is not sufficient, the build-out is too expensive, or another tenant already has exclusive coffee rights in the center.

Industrial includes warehouse, flex space, contractor yards, distribution space, light manufacturing, storage space, and service contractor buildings. Industrial users care about function: clear height, dock-high doors, grade-level doors, truck access, power capacity, yard space, zoning, sprinkler systems, floor load, office-to-warehouse ratio, and proximity to highways.

Multifamily can be a bridge between residential and commercial. Small multifamily may include duplexes, triplexes, and fourplexes. Larger multifamily includes apartment buildings and complexes. Investors analyze multifamily based on rent roll, occupancy, lease terms, operating expenses, deferred maintenance, property management, cap rate, financing, insurance, taxes, utility structure, tenant quality, and rental demand.

Land can be one of the trickiest categories. Land may include commercial development sites, retail pad sites, mixed-use land, industrial land, multifamily development land, infill lots, and raw

land. Important issues include zoning, utilities, access, road frontage, topography, drainage, floodplain, environmental concerns, entitlements, development costs, highest and best use, easements, and restrictions.

Land is dangerous for inexperienced agents because it can look simple. It is just dirt, right? Not exactly. The value of commercial land is often tied to what can be done with it.

Special-use properties include churches, schools, daycares, event centers, car washes, hotels, self-storage, gas stations, funeral homes, and assisted living facilities. Special-use property can be profitable, but it can also be complicated because the buyer pool may be smaller, financing may be specialized, and the property may not easily convert to another use.

If you are new, special-use property is definitely not where you wing it.

Basic Commercial Terms Residential Agents Must Know

Now let's cover some basic commercial vocabulary. You do not need to become a financial analyst today, but you need to understand the words well enough to follow the conversation.

Cap rate stands for capitalization rate. The simple formula is net operating income divided by purchase price equals cap rate. If a property has \$100,000 in annual net operating income and sells for \$1,000,000, the cap rate is 10 percent.

Cap rate is one way investors compare income-producing properties. A higher cap rate may suggest a higher return, but it may also suggest higher risk. A lower cap rate may suggest lower risk, stronger location, better tenants, or stronger demand. Do not oversimplify cap rates.

NOI means net operating income. It is the property income after operating expenses, but before debt service, income taxes, depreciation, and major capital expenses. In plain English, NOI is what the property produces operationally before the loan payment.

In a gross lease, the tenant usually pays one rent amount, and the landlord pays many or all of the property expenses. This can feel simpler to the tenant.

NNN stands for triple net. In a triple net lease, the tenant typically pays base rent plus their share of taxes, insurance, and maintenance. A tenant may see a lease rate and think that is the full cost, but it may not be.

For example, base rent may be \$3,000 per month and NNN charges may be \$1,200 per month. The total occupancy cost is \$4,200 per month. Do not let your client focus only on base rent. Always ask: What is the total monthly occupancy cost?

CAM stands for common area maintenance. These are expenses related to shared areas of a property, such as parking lots, landscaping, lighting, exterior maintenance, common hallways, and other shared costs.

TI stands for tenant improvements. These are improvements or modifications made to the space for the tenant's use, such as walls, offices, flooring, plumbing, electrical, treatment rooms, or finishing out a shell space.

LOI stands for letter of intent. It is usually a preliminary document that outlines major business terms before the full contract or lease is drafted. Be careful. An LOI may be non-binding, partially binding, or may create obligations depending on how it is written.

Due diligence or feasibility period is the buyer's investigation period. In commercial, it may include physical condition, zoning, use, financing, environmental issues, title, survey, leases, financials, utilities, and development potential.

An estoppel certificate is usually a document signed by a tenant confirming key lease facts. This helps confirm whether the lease, rent, deposit, term, and default status are what the seller says they are.

A rent roll is a summary of tenants and lease information, including tenant names, suite numbers, rent amounts, lease dates, deposits, vacancy, and past due amounts.

A pro forma is a projection. It is what the property might do, not necessarily what it is doing now. This is one of the biggest beginner traps.

Remember this line: Hope is not underwriting. Actual numbers matter.

The Basic Commercial Transaction Process

Now let's walk through a basic commercial transaction process. This will vary depending on whether it is a purchase, sale, lease, investment property, owner-user deal, or land transaction, but generally there are some common stages.

Stage one is the initial client conversation. This is where you slow down and ask better questions.

For a buyer, ask what type of property they are looking for, what the intended use is, whether they will occupy it or lease it out, whether they need financing, whether they have spoken with a commercial lender, what location matters, what size they need, what zoning they need, what their timeline is, and who else is advising them.

For a tenant, ask what type of business they operate, how much space they need, what use must be allowed, what their budget is for total occupancy cost, whether they need build-out, whether they need special parking, signage, or equipment, what their current lease situation is, and when they need to move.

For a seller, ask what type of property it is, whether it is occupied, whether there are leases, whether financials are available, whether there is a rent roll, whether there are known property

issues, what the zoning is, whether there are environmental concerns, and what documents are available.

Stage two is the broker and mentor check. If this is one of your first commercial transactions, stop here and involve your broker or mentor. Do not wait until you are already in trouble.

Stage three is property search or listing preparation. For a buyer or tenant, the search should be based on use, location, size, budget, zoning, access, and business needs. For a seller or landlord, listing preparation may require property information, financials, lease documents, operating expenses, photos, surveys, zoning information, offering memorandum, rent roll, and property condition information.

Stage four is the offer or letter of intent. Commercial deals may begin with a formal offer or an LOI. This is where major business terms are discussed, including price, lease rate, earnest money, feasibility period, closing date, financing contingency, tenant improvements, renewal options, deposits, due diligence documents, and commission terms.

Stage five is contract or lease negotiation. Be very careful about changing legal language or explaining legal consequences. Your client may need legal counsel.

Stage six is due diligence. This may involve inspections, environmental reports, survey, title review, zoning confirmation, lease review, financial review, lender review, insurance review, contractor bids, and engineering review.

Stage seven is financing and final negotiations. Commercial financing can take time and may involve appraisal, environmental reports, lease review, borrower financials, business financials, property financials, entity documents, insurance, survey, and title.

Stage eight is closing or lease execution. For a purchase, closing may involve the title company, lender, attorneys, brokers, buyer, seller, and possibly tenants. For a lease, execution may involve deposits, insurance certificates, build-out timelines, commencement dates, keys, permits, and occupancy requirements.

Common Pitfalls Residential Agents Must Avoid

Now let's talk about where agents get in trouble.

Pitfall one: Thinking real estate is real estate. Commercial is not just residential with bigger numbers. The math is different, the documents are different, the due diligence is different, the financing is different, and the risk is different.

Pitfall two: Taking a commercial deal without competency or guidance. If you are new to commercial and you take a deal with no broker involvement, no mentor, no experienced co-broker, and no real guidance, you may be creating unnecessary risk for yourself and your client.

Remember TREC Rule §531.4. You must be competent, informed, exercise judgment and skill, and be educated in the characteristics involved in the specific type of real estate being brokered.

So again: First three commercial deals, get guided.

Pitfall three: Failing to verify zoning and use. Just because a property looks right does not mean the client can use it for their intended purpose. Never say, This should work. Say, We need to verify whether your intended use is allowed.

Pitfall four: Misunderstanding lease structure. A tenant may think they can afford a space based on base rent, but then they discover NNN, CAM, utilities, insurance, maintenance obligations, deposits, build-out costs, and personal guarantees. Always focus on total occupancy cost.

Pitfall five: Relying on seller-provided numbers without verification. Seller numbers may be accurate, incomplete, optimistic, outdated, or pro forma. Encourage your client to verify rent roll, leases, profit and loss statements, tax records, utility bills, insurance, maintenance history, deposits, vacancy, and expense reimbursements.

Pitfall six: Ignoring environmental concerns. Gas stations, auto repair shops, dry cleaners, industrial properties, manufacturing sites, underground storage tanks, and hazardous materials can create environmental risk. Do not diagnose it yourself. Get the right professionals involved.

Pitfall seven: Using the wrong form or casually modifying legal language. Commercial contracts and leases can be heavily negotiated. Do not play attorney. Use this phrase: That is a legal question. We need to have your attorney review that before you rely on it.

Pitfall eight: Overpromising investment results. Never guarantee returns, appreciation, occupancy, future rent increases, business success, development approval, or financing approval.

Pitfall nine: Not understanding who the client needs on the team. Commercial clients may need an attorney, CPA, commercial lender, surveyor, inspector, environmental consultant, insurance agent, engineer, architect, contractor, zoning consultant, or property manager.

Pitfall ten: Protecting your ego instead of protecting the client. Sometimes the best move is to co-broker. Sometimes the best move is to refer. Sometimes the best move is to bring in a mentor. Sometimes the best move is to tell the client, This is outside my expertise, but I can connect you with the right person.

How Residential Agents Should Safely Get Started

So how should a residential agent get started in commercial? Start small. Start guided. Start humble. Start educated.

Good entry points may include small office condos, small office leases, small retail leases, small multifamily, small owner-user buildings, referrals to commercial specialists, shadowing

experienced commercial agents, and co-brokered deals.

Build a resource team. You want relationships with commercial lenders, real estate attorneys, CPAs, surveyors, environmental consultants, commercial inspectors, insurance professionals, title companies with commercial experience, zoning or planning contacts, commercial appraisers, and experienced commercial brokers.

Learn the forms. Get familiar with commercial listing agreements, commercial buyer representation agreements, tenant representation agreements, commercial contracts, commercial leases, letters of intent, confidentiality agreements, and commission agreements.

Learn the math. At minimum, understand cap rate, NOI, cash-on-cash return, price per square foot, rent per square foot, NNN, CAM, debt service coverage ratio, and break-even occupancy.

Most importantly, find a commercial mentor. I would rather see you split your first few commercial deals and learn the right way than keep the whole commission and make a major mistake.

A guided deal is education with a paycheck. A reckless deal is tuition with consequences.

Helpful Designations and Training

If commercial real estate interests you, there are some designations and training paths worth knowing. This section can be shortened or used as a handout if needed.

CCIM stands for Certified Commercial Investment Member. This is one of the most recognized commercial real estate designations, especially for agents interested in investment analysis, income-producing property, and commercial deal structure.

SIOR stands for Society of Industrial and Office Realtors. This is especially relevant for agents who want to specialize in industrial and office brokerage.

TACS stands for Texas Accredited Commercial Specialist. This can be a good Texas-focused commercial education path for agents who want a structured introduction to commercial real estate.

ALC stands for Accredited Land Consultant. This is helpful for agents interested in land, ranch, development tracts, and investment land.

CIPS stands for Certified International Property Specialist. This can be useful for agents working with international buyers, global investors, or cross-border real estate interest.

CPM stands for Certified Property Manager. This is helpful for agents who want to understand property management, asset management, and income-producing real estate operations.

Also look for local commercial board classes, Texas REALTORS commercial classes, CCIM chapter events, commercial lender workshops, commercial title company classes, broker-led transaction reviews, and mentorship opportunities.

You do not have to get every designation. Pick the education path that matches the type of commercial real estate you want to pursue.

Closing

Let's wrap this up.

The point of today's class is not that every residential agent should immediately become a commercial agent. The point is that every residential agent should know enough to recognize commercial opportunities, ask better questions, and protect the client.

Commercial real estate can be a powerful addition to your business. It can open doors to investors, business owners, landlords, tenants, developers, churches, landowners, and repeat clients.

However, commercial real estate demands respect. Your license may allow you to participate, but competency determines whether you are ready to lead.

Here are the five things I want you to remember: Yes, a Texas agent can work commercial real estate. TREC requires competency in the specific type of real estate being brokered. Your first three commercial transactions should be guided by your broker, mentor, commercial partner, or experienced co-broker. Commercial is driven by use, income, risk, and business purpose. When in doubt, slow down and bring in the right expert.

Here is the final thought: Do not fake being a commercial expert. Become educated enough to recognize the opportunity, humble enough to ask for help, and professional enough to protect your client.

That is how you grow into commercial the right way. Thank you, everybody.

Part 3: Instructor Extras and Handouts

Optional Discussion Questions

1. What commercial opportunities have already shown up in your residential business?
2. Which property type feels most approachable to you right now?
3. What commercial topic feels most intimidating?
4. Who could you identify as a possible commercial mentor?
5. What is one commercial term from today that you need to study more deeply?

First Commercial Deal Safety Checklist

1. Have I notified my broker?
2. Do I understand the property type?
3. Do I understand the client's intended use?
4. Have I identified whether zoning or use must be verified?
5. Do I understand the likely form or document path?
6. Do I know whether this is a purchase, lease, investment, owner-user, land, or special-use deal?
7. Do I know what due diligence items matter?
8. Do I have a commercial mentor, partner, or co-broker involved?
9. Have I encouraged the client to use appropriate experts?
10. Am I staying within my area of competence?

Checklist Reminder: *First three commercial transactions: guided, supervised, mentored, partnered, or referred.*

Client-Friendly Language

- I can help you with this, but commercial real estate has specialized issues, so I am going to bring in the right commercial expertise to make sure you are fully protected.

- We need to verify whether your intended use is allowed before we assume this property works.
- That is a legal question. We need to have your attorney review that before you rely on it.
- Let's look at the total occupancy cost, not just the base rent.
- I want to slow this down enough to make sure the right due diligence is done.

Source Notes

TREC Rule §531.4, Competency: Texas Real Estate Commission, Chapter 531 Canons of Professional Ethics and Conduct, §531.4 Competency. URL: <https://www.trec.texas.gov/agency-information/rules-and-laws/trec-rules>

Texas REALTORS commercial education and committee involvement reference: Texas REALTORS, Leading the Organization Student Manual, commercial committees section referencing TACS or CCIM. URL: <https://www.texasrealestate.com/wp-content/uploads/Leading-the-Organization-Student-Manual-2022.pdf>