



**Society of Industrial and Office REALTORS®**

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**TRUE TO THEIR CODE**

***Society's Legally-binding Code of Ethics  
Sets the Standard for the Commercial Real Estate Industry***

Even a relatively straightforward commercial real estate transaction involves multiple parties, layered agreements, and significant sums of money. The more complex the negotiation, the greater the ambiguities and potential conflicts of interest.

As the professional society for leading commercial real estate practitioners, the Society of Industrial and Office REALTORS® has developed a comprehensive, 16-principle Code of Ethics to guide professional members in their conduct. The Code applies to all practitioners who have earned or are seeking to earn the Society's coveted professional designation – "Specialist, Industrial and Office Real Estate" (SIOR). Adherence to the Code is a condition of holding the SIOR designation. The Code operates as a contract to which all SIOR professionals are bound.

**Protecting Against Improper Conduct and Fostering Robust Competition**

The Code's reason for being is twofold:

- To protect all consumers of commercial real estate services provided by an SIOR from any improper conduct; and
- To foster robust competition in the industry.

The Code's intended beneficiaries are the clients, customers, principals and other

parties who are served by or who conduct real estate-related business with SIOR professionals. The Code applies to all matters in which an SIOR acts as agent, subagent, broker, finder, facilitator, counselor, adviser, manager, or principal.

“Ethical practices have always been at the heart of what it means to be an SIOR professional,” said J. Michael Boyd, SIOR, CRE, chairman of the Society when its membership adopted the Code, and president of Boyd, Page & Associates, in Houston. “Our new Code further codifies the principles and practices that make for ethical behavior by a commercial real estate professional. Now, more than ever, I am pleased to say that anyone who wants to know what makes an SIOR can look to the code that guides our behavior.”

For a number of years before 1999, the Society of Industrial and Office REALTORS<sup>®</sup> [an affiliate of the National Association of REALTORS<sup>®</sup> (NAR)], had required its members to follow the NAR Code of Ethics. That Code had largely been based on single-family, residential real estate principles and practices, revolving around the listing of homes offered for sale. In 1999, the Society adopted its own Code of Ethics designed to speak directly to the full range of commercial real estate practices.

### **Putting it Into Practice**

As a legally binding document, the Code has real “teeth” in the form of provisions for arbitration and enforcement. At the start of the year 2000, there were more than a dozen proceedings and arbitration cases underway as prescribed by the Code.

Like rigorous ethical systems of other professions and institutions (“First, do no harm;” “I will not lie, steal, or cheat, or tolerate those who do”), the precepts of the Society's code are deceptively simple. Their significance – and their challenge – emerge when the Code is put into practice.

As part of their continuing professional education and triennial recertification, SIOR professionals receive practical, hands-on training in applying the Code to real-life scenarios. They are asked to decide how they would act in hypothetical situations as well as situations drawn from real cases. A few examples:

- A property owner, your potential client, insists that he will never list his property below a price that you, as the commercial real estate professional, know it will never fetch. Do you tell this potential client that you cannot accept a listing that your professional judgment tells you is unrealistic? Or do you indulge his wishful thinking, knowing that if you resist going along with what the potential client thinks he wants, some other agent will step into that sycophantic role, and that you might as well be the one holding the listing when he comes to his senses?
- A property has not yet sold at the listed price, though you believe it will, in time. That time, however, is not soon enough: your listing of the property is about to expire. You know you could bring to the table an investor who only buys at deep discounts, an average 60 cents on the dollar. Do you reason that your client's interests are better served by closing a deal you know will put cash in his hands (and yours) now? Or do you sacrifice the fee and advise the owner to stick with the asking price? And, how - exactly - do you present this choice to your client?
- You manage a property that is for sale. Your client, the building owner, has verbally represented to one prospective buyer that he will entertain no other offers during a 90-day negotiating period. Well before the end of the 90 days, another interested suitor approaches your client. The building owner directs you to forward lease contracts, renewals, and other pertinent information to the second prospective buyer. You express misgivings about the wisdom of this course of action, given the verbal assurance of exclusivity previously given to the first prospective buyer. Your client angrily reminds you that you work for him. He orders you to follow instructions under pain of dismissal and possible

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legal action. This management contract represents a significant revenue stream to the company for which you work. Losing it would adversely affect your company's shareholders. Where do your obligations lie? In what order of priority? What do you do?

### **When Legitimate Obligations Clash**

In these cases – as in the real world – legitimate obligations come in conflict with each other. The right answer may not always be obvious. The scenarios which SIOR candidates and professionals are asked to consider and deal with in ethics training reflect industry realities. The training grounds the deliberately broad principles of the Code in the daily realm of commercial real estate, helping transform sixteen philosophical statements into a system of “muscular ethics” that guides every aspect of professional practice.

Being true to the Code assumes members' adherence to the law, but ethical conduct goes well beyond legal considerations. The law sets society's floor, the lowest-common denominator below which behavior must not fall. Ethics concerns itself with how we should act in the face of complex situations; ethical behavior involves much more than base assumptions and minimal obligations. Laws vary by jurisdiction. Business customs and practices vary, by region and according to the prevailing business climate. Ethics transcend concerns such as – “That’s how we do things where I come from!” or “Yes, but the market’s really slow right now.” Ethics are universal, an increasingly important consideration in a rapidly globalizing, culturally diverse industry.

### **Make the Code a Part of the Service Agreement**

When hiring an SIOR professional, the client of commercial real estate services benefits from the clearly defined expectations outlined by the Code. The sense of

certainty is akin to the certainty gained by a client of legal services who knows what to expect when he or she hires an attorney who is admitted to the bar. The Code applies to all active SIOR members, candidates for membership, and those who work for, are supervised by, or otherwise collaborate with members or candidates.

Most, if not all of the service agreements between commercial real estate professionals and their clients contain provisions that call for “ethical behavior” and “normal standards of professional conduct.” Making the Code a part of a professional service agreement – perhaps as an addendum to the contract – can eliminate much of the ambiguity in defining ethical and professional norms.

### **Basic Principles**

The bedrock principle of the Code, from which all the rest derive, is the first: “Act in the best interest of those who should benefit from your conduct.” Principle One requires an SIOR professional to subordinate his or her own interests – including commission and other compensation considerations – to those with whom he or she has a professional or business relationship. It does not matter in what capacity the SIOR member is acting.

In a complex industry fraught with gray areas, the Code is understandably concerned with conflicts of interest. SIOR members are required to fully disclose, in writing, to all parties to a transaction, any obligation they may have that may give rise even to the appearance of a conflict. If a client even wonders whether a real estate professional has a conflict, he or she will be less likely to trust the professional’s judgment, and the relationship, and thus the transaction, will necessarily suffer.

Clients of SIORs may also be assured that all of the sensitive financial information contained in real estate transactions will be disclosed – and withheld –

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appropriately. SIOR professionals are also contractually obligated under the Code to resolve any real-estate disputes through alternative dispute resolution, or mediation, and to be bound by the outcome. This relieves the overburdened court system of added litigation. More importantly, it assures the client that his transaction will not be subjected to retaliatory or predatory litigation.

The first principle also precludes SIOR members from taking an action that attempts to impair competition, including price-fixing. No SIOR can interfere with another professional's client relationships. No SIOR can speak ill of another real estate professional – any solicited information that may be negative must be documented and substantiated.

SIOR members cannot attempt any action that is deemed to be dishonest or misleading. Such an act need not succeed, or result in actual damages if it does. The mere attempt at dishonesty is sufficient to trigger action under the Code.

Without enforcement and penalties, the Code would be merely an aspirational statement; a wish. But once a complaint is filed against an SIOR professional under the Code, a formal adjudication process is convened. The burden of proof is on the complainant who must show by a preponderance of evidence that the Code was violated. Penalties can range from verbal reprimand to expulsion and stiff fines.

### **Standard Bearer for the Industry**

General Norman Schwarzkopf once said: "The truth is, we generally know the right thing to do. It's doing it that's the hard part." The Society's Code of Ethics provides SIOR professionals with guidance in discerning the right thing, especially in gray areas, and the moral support and incentive to do it.

"Setting standards is an important part of the Society's role in the commercial real

estate community,” said the Society’s president for the year 2000, Richard C. Stanland, Jr. senior vice president of Edens & Avant, Inc., Columbia, SC. “The real beneficiary of the Society’s Code of Ethics is the broader commercial real estate industry. Corporate real estate executives and others who conduct business with an SIOR now know exactly what to expect in terms of character and ethical behavior. The Code further distinguishes the Society as the preeminent association for commercial real estate professionals.”

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**The 16 Principles of the Code of Ethics  
of the  
Society of Industrial and Office REALTORS®**

Principle 1: Act in the best interest of those who should benefit from your conduct.

Principle 2: Be honest at all times and with all parties.

Principle 3: Honor your fiduciary duties.

Principle 4: Be sensitive to potential conflicts of interest.

Principle 5: Disclose and obtain approval for self-dealing.

Principle 6: Document all agreements, and keep accurate records.

Principle 7: Do not discriminate.

Principle 8: Obey the law.

Principle 9: Following the appropriate ethical codes that govern activities outside the scope of the Society's Code.

Principle 10: Be truthful in all advertising and representations.

Principle 11: Do not make false or misleading statements about others.

Principle 12: Disclose the nature of your relationship.

Principle 13: Offer to cooperate with and compensate other real estate professionals.

Principle 14: Do not interfere in the relationships or rights of other real estate professionals.

Principle 15: Cooperate in all professional standards proceedings.

Principle 16: Resolve financial disputes through mediation and/or arbitration.

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