

COMMERCIAL CONNECTIONS

A PUBLICATION BY THE NATIONAL ASSOCIATION OF REALTORS®



WINTER EDITION

EVOLUTION -OR- REVOLUTION?

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IN THIS ISSUE:

PRESIDENT'S UPDATE / Looking Forward
ADVOCACY / Tax Reform in 2017
RESEARCH / Business Creation Index
INDUSTRY TRENDS / Continuing Evolution of Retail
PLUS / Community Building, Commercial Tech Tools,
Networking Advice and more

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www.nar.realtor/midyear

EB-5 Gains Temporary Reprieve

In December, Congress extended the EB-5 visa through April. A popular foreign investment and U.S. job creation program, EB-5 has become a key source of capital for many economic development projects across the country including infrastructure, energy development, and downtown revitalization. Legislation to mandate long-term reforms has been introduced in both the House and Senate, but no hearings have been held on the bills. Stay tuned to the NAR for updates.

narfocus.com/billdatabase/clientfiles/172/issue_pdfs/50.pdf

Apply for 2018 NAR Governance Leadership

Interested in a committee appointment in 2018? The first step is to create or update your expertise profile before the application site opens in April. Learn how to complete your application and view the 2018 Committee Appointment Process Timeline.

<http://bit.ly/2kbXKnu>

National Land Conference March 31 – April 2

NLC17 is a powerful networking and education resource for commercial real estate professionals looking to make connections, gain expertise in conducting land transactions, and exchange best practices. Register today for this premier event, hosted by the REALTORS® Land Institute.

www.rliland.com/national-land-conference

Special Issue of Commercial Connections

The digital-only REALTORS® Conference & Expo Recap edition features engaging coverage of the 2016 meeting in Orlando. Get the inside scoop on commercial offerings at NAR's largest event of the year and see why you should attend in 2017 - being held here in Chicago!

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LOOKING AHEAD: 2017

A NOTE FROM THE PRESIDENT, BILL BROWN



BILL BROWN

We've entered a new year, and there is no doubt about it, changes are on the horizon. 2017 will be a year of transition, not only within the political and policy arenas, but also within our own arena. Real estate practitioners – brace yourselves! There is a revolution brewing on almost every level of organized real estate, whether legislative, technology, or market forces drive it. These winds of change mandate REALTORS® to work vigilantly to ensure our interests be safeguarded. Change and transition can seem formidable, but REALTORS® cannot be daunted. We must, and we will, use this period of transition to best shape the future of our industry.

With transitions in leadership at the local, state, and federal levels, we must anticipate and prepare for possible changes, both large and small, in the policies affecting property ownership and real estate investment. While it is impossible to know right out of the gate what those changes will be, our priorities remain the same. Property ownership is still an aspirational achievement for millions of Americans, and we will not compromise when it comes to protecting all real estate tax provisions, including, but not limited to the mortgage interest deduction, state and local property tax deduction, and 1031 like-kind exchanges.

As a practitioner whose sole business is multifamily investment and brokerage, I just like you understand how critical 1031 like-kind exchanges are for real estate investment. REALTORS® must educate legislators that 1031 exchanges are not a tax break, but rather a deferral that encourages further investment into a community and the economy. It is probable that any major tax reform discussion that comes before Congress will likely include the 1031 exchange. However, the National Association of REALTORS® is prepared to fight tooth-and-nail to protect this critical policy.

We also expect two other significant debates: one will examine revisions to Dodd-Frank and the second will focus on reform of the Government Sponsored Enterprises, more commonly known as Freddie Mac and Fannie Mae. Dodd-Frank has had a tremendous impact on commercial business especially in relation to community banks and small-cap market lenders. However, as REALTORS®, we have adapted; crowdfunding, lending technologies, and alternative lending sources have grown rapidly within the commercial market in response to tightening lending conditions. It's imperative to our profession that the REALTOR® voice is heard loud and clear when it comes to conversations focused on Dodd-Frank and GSE reform. We must help drive any policy reform to ensure our interests are secure.

The bottom line is while changes are likely coming, we are well-prepared to defend and to shape the issues important to our industry. REALTOR® champions posted big wins in the 2016 elections at all levels of government, putting us in a strong position to advance policies that strengthen real estate markets and protect private property rights. Our focus has, and will always be, non-partisan. We are committed to building dynamic communities accessible to all.

No matter what 2017 has in store for us, rest-assured that the National Association of REALTORS® will strive tirelessly to safeguard our interests and protect our livelihoods. Success, however, depends on your support. Join me in taking an active role in this REALTOR® revolution by supporting the REALTOR® Party, responding to Calls for Action, and becoming more involved at the local, state, and national levels. Your involvement matters now, more than ever.

TAX REFORM IN 2017

By John DiBiase, Communications Director, Government Affairs,
National Association of REALTORS®



A new Administration and Congress are getting up to speed in Washington, D.C. Although NAR cannot predict what changes might occur within the Real Estate Sector of the economy, we do have some insights from our friends in Congress that lead us to an anticipated path for 2017.

The Previous Congress adjourns without passing Tax-Extenders

After passing a Continuing Resolution that will fund Federal Government operations until April 28, 2017, the 114th Congress adjourned on Friday, December 9, 2016. A long-awaited extension of the “Tax Extenders” package was not passed in the lame-duck session; it is expected that any Tax Extenders Package would be included in a comprehensive tax reform package.

What About Tax Reform?

Here is what NAR has learned so far. The Trump Administration and the Republican Congressional leadership intend to use a legislative vehicle called **Budget Reconciliation** to move Tax Reform. Current plans are to use Budget Reconciliation twice. The first to repeal the Affordable Care Act and the second to pass Tax Reform. **NAR is already engaged with key members of the tax writing committees in the House and Senate, on both sides of the aisle**, to outline our positions on Tax Reform. NAR will protect all commercial and residential real estate tax provisions. Here are two documents that outline NAR policy and talking points for you to use with your colleagues and clients.

Issue Brief:

<http://narfocus.com/billdatabase/clientfiles/172/19/2795.pdf>

Talking Points:

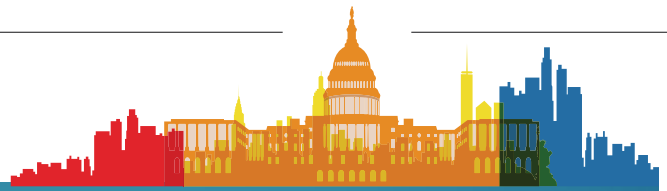
<http://narfocus.com/billdatabase/clientfiles/172/19/2796.pdf>

GOP Priorities for the 115th Congress

The GOP leadership has identified several priorities for 2017. These are not listed in any particular order, but rather are intended to provide a snapshot of what issues are going to be looked at early in the new Congress. In order to use Budget Reconciliation both the House and Senate must pass the same Budget. It is the leadership’s intention to pass both an FY17 Budget and an FY18 Budget so that they can use Budget Reconciliation for Tax Reform and the Repeal of the Affordable Care Act. **Regulatory reform** is expected to be high on the list of Congressional action. This is a reaction to the large number of executive orders issued in the Obama Administration. Congress will flex its muscles as a co-equal branch of government. **Job Creation** it is expected that the GOP will claim most recent job creation was the result of regulatory compliance and did not represent an added demand for workers. **Immigration** GOP will push for border security measures including the Southern Border Wall. Additionally, the US Senate will have more than 1200 nominations to process, potentially slowing down legislative activity.

How many of these ideas will become the law of the land? I will leave that to Michael Jordan: “I can’t speak for the future. I have no crystal ball.”

Learn more about NAR’s stance on pending Tax Reform at <http://bit.ly/2kuWGfj> or www.nar.realtor/topics/tax-reform



Want to learn even more?

TAKE A DEEPER DIVE

1031 LIKE-KIND EXCHANGE ISSUE BRIEF

What is the fundamental issue?

Since 1921, U.S. tax law has recognized that the exchange of one investment or business-use property for another of like-kind results in no change in the economic position of the taxpayer, and therefore, should not result in the immediate imposition of income tax. The like-kind exchange rules permit the deferral of taxes, so long as the taxpayer satisfies numerous requirements and consummates both a sale and purchase of replacement property within 180 days. Real estate investors and commercial real estate practitioners place a very high priority on retaining the current like-kind exchange rules.

I am a real estate professional. What does this mean for my business?

The exchange rules often provide a real estate professional with an opportunity to facilitate two transactions: the sale of the relinquished property and the purchase of the replacement property. Any curtailment of the exchange rules will make both pieces of exchange transactions more difficult to conclude and would mean that many transactions would not take place. The like-kind exchange technique is among the most important of all tax provisions for real estate investors and commercial real estate professionals.

NAR Policy:

NAR opposes any change that would undermine the deferral mechanisms associated with exchanges or lead to fewer transactions.

The like-kind exchange technique is fundamental to the real estate investment sector. The current law provides investors with a great deal of flexibility in managing their real estate portfolio. Real estate is essentially an illiquid asset that requires substantial commitments of cash. Flexibility is needed in order to assure the free movement of property and capital. This, in turn, results in economic growth and job creation.

To summarize, NAR:

- 🏛️ understands the like-kind exchange technique is among the most important of all tax provisions for real estate investors and commercial real estate professionals.
- 🏛️ opposes any change that would undermine the deferral mechanisms associated with exchanges or lead to fewer transactions.
- 🏛️ believes the like-kind exchange technique is fundamental to the real estate investment sector.
- 🏛️ is working with other interested stakeholders to oppose the repeal or limitation of the like-kind exchange provision.
- 🏛️ is educating Members of Congress and their staffs on the importance of this provision to the economy.



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COMMERCIAL MORTGAGE-BACKED SECURITIES MARKET GETS NEW RULES FOR CHRISTMAS

by Rob Warmowski, Contributing Writer



If your holiday wish list included easier access to capital for new commercial real estate projects, you may have found a lump of coal in your stocking instead.

On December 24, the market for commercial mortgage-backed securities (CMBS) was transformed with new rules that address the problem of systemic risk. On that date, Mandatory Dodd-Frank compliance by originators of bonds made up of commercial property mortgages began. The most notable new requirement is to force loan originators to keep a piece of every CMBS issued for a period of five years.

Down on the Tranche

There is a fair play idea in the regulations' new underwriting standards. The new regs don't merely compel the originators to hold onto the best parts of their offerings. Originators now have to keep 5% of the entire offering – at every risk level, or tranche.

In CMBS structures, there are pieces, called tranches, that are sold off to investors at prices and rates of return that reflect the relative riskiness of each piece. Total risk equals a combination of market risk plus the rules the originator writes concerning the different groupings. One example of a rule is: “A” tranche holders must get paid before “B” tranche holders, and so on – typically making the risks to investors rise as the “grade” of the offering declines.

The new regulations take the premise that systemic risk – risk to the entire marketplace and wider economy such as was on display so vividly in 2008 – rises to the degree that financial innovation allows originators to design offerings that the originators would not themselves hold or buy.

Keeping originators honest by having them “keep skin in the game” was implemented in the December 24 changes by mandating that all tranches, not just the lowest-risk ones, had to be represented within the 5% now-required holding. It becomes harder, the thinking goes, for originators to lower underwriting standards to dangerous levels, obscuring risk, and then flip the resulting security along with its hidden dangers, to random buyers.

Vertical vs L-Shaped Risk

If you imagine all the tranches represented as a list, running top-to-bottom in order of which tranche gets paid soonest, it makes sense that a risk retention regulation based on the idea of fair play would call for the sponsors to hold on to some portion of each tranche in the asset. This can be imagined as a “vertical” risk, where the issuers, in theory, are holding on to some of the riskiest investments listed – the ones toward the bottom.

As it turns out, the vertical risk structure isn't the only one available under the new regulations. A report from law firm Orrick, Herrington & Sutcliffe dating from when the CMBS risk retention rules were being proposed in 2011, indicates that risk retention may also take the form of an “L-shaped” rather than “vertical” risk profile.

L-shaped is another way to get to 5% – it means that 2.5% of the par value of the portfolio can be defined by a vertical stripe down the aforementioned list, with the remaining



COMMERCIAL MORTGAGE-BACKED SECURITIES CONTINUED

2.5% taken up by a horizontal stripe. A horizontal stripe in a list of tranches means that an entire tranche can be retained as long as it adds up to 2.5% of the par value of the entire bond. Vertical plus horizontal = L-shaped.

Advantage: To Big Banks, or Entire Market?

Commercial Mortgage Alert (cmaalert.com) shows CMBS issuance volume took a significant nose-dive in 2016 over 2015, with U.S. volume down over 45%. Will December's new rules pick up the pace in new issuances? In advance of new regulations in financial markets such as this one, trepidation about the unintended consequences of regs flows freely. But in the case of these risk retention rules, it's the big players in the market who have the balance sheets sizeable enough to adapt to the new realities – in other words, to have the financial strength to hold on to 5% of their CMBS issuance.

While the banks who underwrite these securities aren't the ones holding the loans on properties listed therein, the new 5% retention rule will effectively make them participants in all the securities' underlying loans. The hope seems to be that the commercial side of the real estate industry can learn from the 2008 meltdown in residential mortgage-backed securities. High on the list of things learned might be that Wall Street's participation in the instruments created by financial innovation can increase underwriting standards and lower systemic risk. How the new administration addresses this issue remains to be seen, but it will certainly influence the market if left unchanged.

*Do you have a comment or question about this article?
Contact us at NARcommercial@realtors.org with your thoughts.*

ENABLING A TRANSFORMATION:

HOW THE CRE® CONSULTING CORPS HELPED CHANGE A GEORGIA TOWN'S ECONOMIC FUTURE

by Howard Gelbtuch, CRE, Principal, Greenwich Realty Advisors



HOWARD GELBTUCH



SCENES FROM MILLEDGEVILLE, GA — PHOTOS SOURCE: WWW.VISITMILLEDGEVILLE.ORG

Every community has its “issues.” More often than not, those issues have implications for real estate.

Such was the case in Milledgeville: a picturesque, historic city that was Georgia’s state capital in the 1800s. Spared during the Civil War by General Sherman’s Union Army troops on their march to Atlanta, Milledgeville was home to the world’s largest mental institution: Central State Hospital (CSH). It was the largest employer in central Georgia for decades. Then it closed.

Changes to mental health treatment reversed the centuries-old convention of institutionalizing the mentally ill, ultimately leading to the enormous hospital’s demise. Hundreds of jobs were lost, and the community was left with nearly 200 vacant buildings – many in decay – on a 2,000-acre campus.

Help Was Just a Phone Call Away

The CRE® Consulting Corps – a public service initiative of The Counselors of Real Estate® (an NAR commercial affiliate organization) stepped in. The CRE® consulting team worked with Milledgeville’s Central State Hospital Local Redevelopment Authority (CSHLRA) to find a solution to the community’s economic (and real estate) challenges.

Quay Fuller – chairman of the CSHLRA Board of Directors and a member of NAR – says government officials, business owners, local academic leaders and townspeople had differing

ideas for repurposing the hospital campus. “One of the most valuable aspects of working with the Consulting Corps was the CRE® team’s ability to involve key stakeholders, hear multiple points of view, and bring everyone together to support a common vision to revitalize the CSH site,” Fuller says. A five-member CRE® team, with real estate expertise customized for the assignment, spent a week in Milledgeville, and then continued working remotely to deliver a final, comprehensive client report, which included actionable tactics and “best practices” to help the city attract businesses and jobs to the site.

The Plan Is Working

Among the businesses opened so far are the 280-bed Correct Life Geriatric Care Facility, the Youth Challenge Academy (an initiative for teens), and the Summit Communiversity – a small business incubator. In all, 10 separate businesses are now operating on the CSH campus, and more than 500 jobs have been created. “The CRE® Consulting Corps provided an entirely fresh perspective and solid, actionable strategies,” Fuller says. “I highly recommend them.”

ENABLING A TRANSFORMATION CONTINUED



A NURSING CENTER WAS BUILT FROM THE RUBBLE

Is It Time to Call the CRE® Consulting Corps?

Frederick Campbell, CRE, president of The Cascade Group, and chair of the 2017 CRE® Consulting Corps steering committee, notes “The Counselors welcomes referrals for projects that enable positive changes in communities and non-profit organizations by solving real estate problems.”

CRE® members are seasoned property advisors who work in more than 50 real estate specialties, including development, finance, urban planning, health care investment, valuation, tax, institutional real estate, government, and academia.

For nearly two decades, the CRE® Consulting Corps has assisted municipalities, schools, non-profit organizations, and religious communities in solving a wide variety of real estate problems. Some recent projects include downtown revitalizations, hospital site adaptive reuse, asset management guidelines for religious communities, town/college expansion planning, and land planning for universities.



THE OLD WALKER BUILDING PRIOR TO RENOVATION

For information about referring a project to The CRE® Consulting Corps, or for membership in The Counselors of Real Estate, contact shaack@cre.org or call (312) 329-8431; www.cre.org.

MAXIMIZING YOUR ROI AT NATIONAL MEETINGS

By David Morris, CCIM

I hope your 2017 goals include attending at least one national meeting at NAR, CCIM, SIOR, IREM®, RLI, CRE®, or your brokerage's national meeting. Attending these events opens your doors to regional, national, and international opportunities. To get the most out of your investment, I suggest committing to attend an annual conference for at least three consecutive years. Do not look at it as an expense! It's an investment in your future you will recoup by building relationships, learning best practices, and encouraging referrals.

Plan Ahead

Once you pick a conference, choose which sessions to attend to make sure your schedule is balanced and you are optimizing your learning experience. Look for topics that impact your market and speakers who have achieved the goals you set for yourself.

Build Your Conference Database

Build a database of conference attendees. Call the event organizer and ask for a list of attendees. If you are a designee, such as CCIM, SIOR, break down the list to the brokers who share your designation.

Two weeks before the conference, send an email (HTML or Outlook "Mail Merge" function) introducing yourself, your market, your specialty and be sure to include a headshot. Add concise commentary about what's going on in your market and attach your most recent market report. Mention that you look forward to meeting that person at the conference to share market knowledge, connections, and best practices over a beer or a cup of coffee. This is a great way to break the ice. People who received your email will be more open



DAVID MORRIS

to approach you since you already made a soft-introduction. During the conference, get as many business cards as possible. Write notes on the back of each broker's card about what you talked about or what you learned/shared.

Post-Conference Follow Up

Within a week of the conference, add your new contacts to your database. Draft a follow up email (HTML or Outlook Mail Merge) to everyone highlighting some of your "take-aways" from the event and that your eagerness to work/collaborate with them if they should have any business coming to your market and visa-verse.

On-Going Engagement

Building a conference database over a few years and sending introduction-emails will ensure referrals and your conference ROI. It is professional and an immediate way to expand relationships and build your business.

David Morris, CCIM is the former Managing Director of the Grubb & Ellis office in St. Louis. Connect with Dave on LinkedIn at [davidmorrisccim](#)



PIXELS & MORTAR:

THE CONTINUING EVOLUTION OF RETAIL

by Jacob S. Knabb, Commercial Communications & Services Associate,
National Association of REALTORS®



The retail sector occupies a huge part of the U.S. economy, directly affecting office, industrial, land, and multifamily sectors of the commercial real estate market. According to The International Council of Shopping Centers (ICSC), 1-in-11 jobs are related to shopping centers and retail is the largest employer in more than half the states in the U.S.

The question of whether e-commerce is hurting local retail or if the economic recovery following the housing crisis in 2008 is happening quickly enough is one that has broad-reaching implications for REALTORS® all over the country.

According to the U.S. Census Bureau, “e-commerce sales in the third quarter of 2016 accounted for 8.4% of total sales,” up 15.7% YoY, while retail overall is seeing sluggish growth, up only 2.2% YoY. This decade-long surge in e-commerce has altered the retail landscape, generating discussion and concern about the future of the industry. In other words, the rise of e-commerce has rattled retail.

Amid all of this turbulence, it is important to remember that e-commerce may be growing at a faster clip than traditional retail but it still comprises a small slice of the whole pie. Shifts from brick-and-mortar locations to online vendors, the rise of omnichannel approaches, the desire to find the lowest price at any cost, and heightened customer expectations for delivery at the speed of Amazon Prime have forced innovation and led to downsizing for traditional bulwarks like Macy’s and JC Penney’s. Can brick-and-mortar weather these transitions?

A Good Blend of Bricks and Clicks

“Retail is very healthy,” says Tom McGee, President and CEO of ICSC, citing net operating income for retail increasing 4.9% YoY 2016 from 2015 as an indication of a strong retail sector. He is confident the downsizing of traditional anchor stores is merely a sign of adaptation, not a cause for panic. “I go back to the 93% occupancy rates which indicates that the store closures over the past decade or so have been adjusted to by the landlord community in general.”

“The reality is that it’s brick and clicks,” says McGee. “More than 90% of sales still happen in a store. What you do find is that people use technology for research: to read reviews and check prices.” McGee notes today’s consumer favors omnichannel shopping experiences, which blend e-commerce with brick-and-mortar allowing engagement online, in-person, and on a smart phone.

There is industry enthusiasm about this blend of bricks and clicks and many are encouraged by the innovations beginning to materialize. “The idea that my phone can tell me where I am in a store and save me looking for a map,” McGee says “or push notify me of coupons and sales as I walk past stores, or recognize that I have purchased khakis at the Gap before and inform me about a new, blue color that is just out, is exciting.”

Tangible Goods and Service Providers

“E-commerce can’t paint your nails, cut your hair, or serve you a burrito,” says Travis Carter, CCIM. Carter feels there is a future for “brick-and-mortar,” though he sees changes in his Greensboro market because of e-commerce. “Consumers still need to see, touch, and feel those tangible goods,” Carter says, noting that the biggest change in retail can be seen through the dynamic of the shopping center tenant mix, which continues to shift towards businesses that provide services.

“You can walk into most any grocery-anchored shopping center in the southeast and find small shops filled with nail and hair salons, restaurants, fitness centers, insurance and investment offices, medical providers, and the list goes on.”

Heightened competition in the retail sector has raised the stakes, even for national chains. “Retailers have more real estate options and consumers have many more options in retailers.” The best learn to adapt and embrace change, to blend e-commerce with brick-and-mortar, enhancing the shopping experience for their clientele.

A Reason to Hit the Town on Friday Night

“Retail is about connecting and forming loyalty to consumers,” says Barbara Tria. “They connect with the core product and that builds loyalty to the brand.” Tria is excited about the innovations between merchants she is observing in her Miami market. Because of e-commerce, many local retailers have doubled down on engagement with their clientele, even partnering with other merchants in their trade areas, creating an exciting atmosphere of experiential retail.

“My core market is City of Coral Gables,” Tria says, “where the city is in the middle of a \$20mm capital improvement project for Miracle Mile and the stretch of Giralda now known as “restaurant row.” The City of Coral Gables has been successful in engaging its property owners in a public-private blend for this project, including the expansion of sidewalks and the development of an overall design concept to evoke the clouds and sky on the Miracle Mile and to echo the look of a sandy beach on Giralda. “The plan allows the street to be closed off and the restaurant operators can expand seating to the beautiful outdoor setting,” Tria says. “Activating the street in this new way gives consumers an additional reason to go to Coral Gables.”



PIXELS & MORTAR CONTINUED

A lot of the initial growing pains associated with the shift towards mixed-use developments in markets can be attributed to developers who “had a mandate to have retail on the ground floor and at the time lacked the knowledge to deliver a retail-friendly box,” Tria argues. She strongly believes the current demand for experiential retail is well-matched to the retail renaissance in Coral Gables.

“Merchants are collaborating to fill spaces with unique experiences,” Tria notes, “and they might form a pop-up shop and work with like-minded landlords to craft an overall experience. It adds to the community and has paid off well.”

Retail Resilience in the Windy City

“A decade ago developers would do speculative projects in hopes that tenants would come along,” says Ken Robberechts, CCIM. “You don’t see that as much in Chicago now. In general, they communicate well with the community, organizations, and alderman in order to deliver the right tenant mix on a development. It’s about getting the community behind it and understanding what the community needs in order to bring a successful project to fruition.”

For Robberechts, brick-and-mortar is in a good place, especially the businesses that have adapted and thrived along with the rise of e-commerce. “I think the word broadly defined is resilience,” Robberechts argues. “You’re seeing resilience within the brick-and-mortar part of the industry.” Robberechts attributes this to the focus of developers and landlords on finding creative ways to service different types of tenants.

“There are significant mixed-use projects taking place. I see that growing, well into the next 5-10 years,” Robberechts says. “Where I see e-commerce really impacting retail is the inventory off of Main and Main. Those mom and pop type startups may not want to be in the middle of the block to test their proof of concept as e-commerce provides an alternative avenue. That is where you’re seeing landlords having to get more creative on vacant space.”

Rubbing Shoulders with Mom and Pop

“I don’t think it’s lip service to speak to the importance of experiential retail,” says John Propp, CCIM. “I can see the pendulum swinging back away from everything happening online.” Propp’s Denver market is in the midst of a commercial real estate boom unlike anything he can remember. “There has to be some sort of a concern,” he says. “E-commerce has to be more than a passing fad. But I don’t think it’s an end to the mom and pop.”

Propp views the two as moving closer to omnichannel sales. He feels the last real impediment is the issue of sales tax. Purchases made online don’t typically include a state sales tax, a decision stemming back to a 1992 Supreme Court decision. “Once this is settled there will be even less conflict between the two. The percentage of sales from an LL Bean catalog was minute. Now we are seeing millions and millions of dollars in e-commerce sales. It usually doesn’t take that long for legislators to find tax dollars.”

At the End of the Day It’s Important to Work Together

While no one can see the future with precision, it is certain that further evolution will occur. Anchor stores continue to change, pivoting from big-box retailers to smaller service providers, medical facilities, restaurants, and multi-unit residential. National chains are downsizing and refocusing on personalization, catering to more specific clientele rather than trying to be everything to everyone. Omnichannel approaches and experiential retail continue to take root in all facets of the market, from e-commerce giants like Zappos to boutique boot shops in Memphis. Still, reports of the death of traditional retail are greatly exaggerated. Across the country, REALTORS® are working with their clients to adapt and prosper as the industry reinvents itself.



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Contact us at NARcommercial@realtors.org with your thoughts.*

10 COMMERCIAL REAL ESTATE TECHNOLOGY COMPANIES TO WATCH IN 2017



DUKE LONG

By Duke Long, Managing Partner, PUR Ventures

There are a growing number of tech start-ups creating new commercial real estate tools as solutions to the same old way we've been doing things. I think these ten companies engaged in commercial real estate technology warrant attention in the months and years ahead. Here's my perspective on why:

5 YOU ALREADY KNOW:



VTS: Merging with HighTower was a savvy move and now they are poised to take on the world with unprecedented talent. Know why? Let the owner of a sixty-building portfolio tell you: "Every day every hour every minute I have my portfolio of leasing data in front of me in a simple, beautiful display. My teams now work with each other across the platform and it helps us make decisions instantly. Compare that to what in the past would have taken weeks." High quality, visual, actionable data gold.

Opendoor

Opendoor: Ok, I acknowledge it's not exactly a commercial real estate play, but what if it's just a REIT? Is that too far of a reach? Blackstone has a 50k+ house REIT. I know the guy that started it for them. Guess what he told me? "It was the technology that enabled us to put the deal together and manage the portfolio." Why not just look at how they do the entire transaction and follow the same model? Seems simple enough to me.

CADRE

Cadre: What kind of platform would you create if you wanted to do just your own deals? What if you wanted to fund those deals with wealthy investors? What if those investors could down the road have the ability to "sell" their shares in a way similar to the stock market? What if those investors did not have to foot the bill for the normal fund 2 and 20 management fees? Raise \$68 million from some of the smartest real estate and tech investors in the world and go hire talent so good CEOs of other companies fly in to try and keep them from jumping ship. Tell me you saw this coming. You didn't.



Ten-X: Worldwide online commercial real estate transaction platform. The entire transaction. Think of the pipeline. Discovery to what? To close. It may be a law somewhere that makes it mandatory that I mention one of their main backers is The Google. What is the big focus of Ten-X? Engage and develop relationships with brokers, because that's where the deals and transactions start. Transactions equals dollars. For everyone.

10 COMPANIES TO WATCH IN 2017 CONTINUED**wework.**

WeWork: In the next five years, how much of the workforce will be untethered? Interesting that WeWork started out with funding from building owners. WeWork is also starting to develop and build their own buildings. What have they figured out? Efficiencies from property management to BIM. Using technology to do what? Build, acquire, and manage assets with technology. Are they just a better developer and broker than anyone else because of their use of that technology? Name the best out there now. They have to be in the top 5. “WeWork is not a broker. WeWork is not a broker.” Repeat that to yourself every day. It may help calm your nerves.

5 YOU SHOULD KNOW SOON:**FLOORED**

Floored: Why did CBRE acquire them? Let’s start with the CEO David Eisenberg. Pure brilliance of tech and commercial real estate in one package. Is it possible to be as visible and as well-known as he is and still be under the radar? I listen to him, always. Every other tech CEO/investor/developer/marketer/broker savant does. Can we keep that kind of talent in commercial real estate? We better. Need a breakdown of what the acquisition means? Competition for deals. Don’t get it? Think harder.

HB HONEST BUILDINGS

Honest Buildings: What do they do? “Honest Buildings is the collaborative, data-driven technology that empowers smart decision making, ensuring capital and construction projects are on time and on budget.” Think about the process of construction today. Design to build has to be the most inefficient and wasteful process on the planet. Solve that problem and? Serious money. That’s what Honest Buildings does.

REALMASSIVE

Real Massive: Are they just building a database? What’s the big deal? You can market, search, promote, analyze, and track metrics all on one platform. It’s a commercial real estate digital marketplace. Still not getting it? What is the best source of real time market data and the tools to use that data in your backyard? Who owns it? Who is their competition? Are they your competition?

digsy.

Digsy: They say they make the process of finding space easy. Don’t we all. They say they have real humans working to help. They sure about that? If you are a user/tenant what is it that you want the most? To move your business NOW! How much do you care about the process of the transaction? ZERO. And that’s the entire point. The user does not care about your school, your football team, your affinity for golf. They care about MOVING. They also want an experience they are used to and that experience is online! Don’t think so? Digsy does. By the way, started and funded by former big-time commercial real estate brokers.

Comfy

Comfy: By giving everyone a choice in their personal comfort, Comfy delivers immediate happiness and powerful analytics to better inform your workplace decisions. Data coming directly from the actual users of the workplace. Think about what that means. Put that together with Investments from The Google, CBRE, and little old Microsoft, to name a few, and what do you get? Happiness.



*Do you have a comment or question about this article?
Contact us at NARcommercial@realtors.org with your thoughts.*




Coffee lover...
 REALTOR®
 Always available!



RPR's app
 now includes
 Commercial data


Hey, is that shop still available on Main St?

 Checking ...
 Yes! And price reduced

What's the area like ...
 Any similar businesses?


New permits?

What's nearby?

 Looking now ...

Check your email
 Sent property report
 PLUS market analysis

ALREADY? You rock!
 When can I see it? 😊

 Does 10 am work?
 I'll bring coffee



YOUR 2017 COMMERCIAL LEADERSHIP

DEENA ZIMMERMAN

COMMERCIAL LIAISON

Favorite Book: *Goals!* by Brian Tracy

If you could live anywhere in the world, where would it be? Anywhere I can walk out the door and step onto a beach

The best piece of Career Advice you ever received: ALWAYS trust your gut, it's never wrong.

TRAY BATES, CCIM, CIPS, SIOR

CHAIR, COMMERCIAL COMMITTEE

Favorite Book: *Who Moved My Cheese?* by Spencer Johnson, M.D.

If you could live anywhere in the world, where would it be? I favor a warm climate with water access. Corpus Christi, TX fits the bill for me!

The best piece of Career Advice you ever received: When driving through your market, never return from a meeting using the same route as you used to get there. You will notice opportunities you would have missed.

BETH CRISTINA, ALC

VICE CHAIR, COMMERCIAL COMMITTEE

Favorite Book: *The Bible*

If you could live anywhere in the world, where would it be? Washington, D.C.

The best piece of Career Advice you ever received: Never assume anything!

MICHAEL SCHOONOVER, ALC, GREEN, SFR

CHAIR, COMMERCIAL LEG/REG ADVISORY BOARD

Favorite Book: *Team of Rivals: The Political Genius of Abraham Lincoln* by Doris Kearns Goodwin

If you could live anywhere in the world, where would it be? Western Washington State

The best piece of Career Advice you ever received: Always pound the first nail.

KIEYASIEN MOORE, CCIM

VICE CHAIR, COMMERCIAL LEG/REG ADVISORY BOARD

Favorite Book: *I Know Why the Caged Bird Sings* by Maya Angelou

If you could live anywhere in the world, where would it be? Maui, Hawaii

The best piece of Career Advice you ever received: Work comes in, work goes out, so learn the degree of effort required to get each job done.

MIKE VACHANI, ABR, CIPS

CHAIR, COMMERCIAL RESEARCH ADVISORY BOARD

Favorite Book: None

If you could live anywhere in the world, where would it be? Italy

The best piece of Career Advice you ever received: We can always replace a job but you cannot replace your family and friends – make sure you have a good balance between the two and make your decisions based on this!



DEENA ZIMMERMAN



BETH CRISTINA



KIEYASIEN MOORE



MIKE CRADDOCK



ALEX RUGGIERI



CATHY CONEWAY



TRAY BATES



MICHAEL SCHOONOVER



MIKE VACHANI



O. RANDALL WOODBURY

MIKE CRADDOCK

VICE CHAIR, COMMERCIAL RESEARCH ADVISORY BOARD

Favorite Book: Great History Books or Historical Biographies

If you could live anywhere in the world, where would it be? White, Blue, & Warm: White sand, Blue water, and Sun

The best piece of Career Advice you ever received: You need to be more serious – oh wait, that’s never happened! It is the Golden Rule!

CATHY CONEWAY, GRI

VICE CHAIR, COMMERCIAL LEADERSHIP FORUM

Favorite Book: Any book by James Patterson

If you could live anywhere in the world, where would it be? Vienna, Austria

The best piece of Career Advice you ever received: Pick a path in real estate, be persistent, and always ask for feedback.

ALEX RUGGIERI, CCIM, CIPS, CRE, GRI

CHAIR, COMMERCIAL LEADERSHIP FORUM

Favorite Book: *Cosmos* by Carl Sagan

If you could live anywhere in the world, where would it be? St. Thomas

The best piece of Career Advice you ever received: Pray as if everything depended on God and then work as if everything depended on you.

O. RANDALL WOODBURY, CPM

CHAIR, COMMERCIAL ECONOMIC ISSUES & TRENDS FORUM

Favorite Book: *Canyon of Dreams: The Magic and Music of Laurel Canyon* by Harvey Kubernik

If you could live anywhere in the world, where would it be? Hawaii

The best piece of Career Advice you ever received: From my grandfather 40 yrs ago, “An Optimist will build castles in the sky. A Dreamer will live there. A Realist will collect rent from both of them!”



SOOZI JONES-WALKER



PAUL DIZMANG



DEBORAH NEWELL



ANGELA WEST



DAWN CARPENTER

YOUR 2017 COMMERCIAL LEADERSHIP CONTINUED

SOOZI JONES-WALKER, CCIM, GRI, SIOR

VICE CHAIR, COMMERCIAL ECONOMIC ISSUES & TRENDS FORUM

Favorite Book: *Words That Work* by Frank Luntz

If you could live anywhere in the world, where would it be? Tahiti, in a hut over the water with a glass of wine.

The best piece of Career Advice you ever received: Keep your ego in your pocket and your eye on the goal – get your deal done. It's not about you, it's about your client.

PAUL DIZMANG, CRS, GRI

CHAIR, PROPERTY MANAGEMENT FORUM

Favorite Book: It changes all the time, but today it is *Leaders Eat Last* by Simon Sinek

If you could live anywhere in the world, where would it be? Kauai, Hawaii

The best piece of Career Advice you ever received: Always make financial decisions first before emotional ones. And a close 2nd and my favorite, Never fall in love with something that can't love you back.

DEBORAH NEWELL

VICE CHAIR, PROPERTY MANAGEMENT FORUM

Favorite Book: *QBQ! The Question Behind the Question: Practicing Personal Accountability at Work and in Life* by John G. Miller

If you could live anywhere in the world, where would it be? France

The best piece of Career Advice you ever received: “You get more bees with honey.” Advice from my mother. And the same advice I find that I give others and try to remember myself when dealing with “challenging” clients.

ANGELA WEST, CCIM, SIOR

CHAIR, LARGE COMMERCIAL FIRMS ADVISORY GROUP

Favorite Book: *Outliers* by Malcolm Gladwell

If you could live anywhere in the world, where would it be? Vienna, Austria

The best piece of Career Advice you ever received: Shoot for the moon. Even if you miss you'll land among the stars.

DAWN CARPENTER, CPM

VICE CHAIR, LARGE COMMERCIAL FIRMS ADVISORY GROUP

Favorite Book: *Next Generation Leader* by Andy Stanley

If you could live anywhere in the world, where would it be? Bora Bora

The best piece of Career Advice you ever received: Be real and get to know people.

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RPR® USER SPOTLIGHT



REALTORS
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DEENA ZIMMERMAN, VICE PRESIDENT, SVN CHICAGO COMMERCIAL

by Emily Line, Vice President of Commercial Services, Realtors Property Resource®

Deena Zimmerman's expertise in retail tenant representation has helped fuel Chicago's economic growth and sustainability for over a decade. Zimmerman specializes in finding high-quality retail locations in and around Chicago for national operators, franchisees, and first-time entrepreneurs. In addition to being a top-producing tenant rep with SVN Chicago Commercial, she finds time to hold leadership positions in the Chicago Association of REALTORS® and is the 2017 National Association of REALTORS® Commercial Liaison.

Emily Line (EL): You are starting the year on a high note, having just completed a “career best” for transactions in 2016. As a well-respected industry leader, what insight can you shed on retail investing?

Deena Zimmerman (DZ): We're in a faster growth phase, as the increase in the GDP and decrease in unemployment would indicate. Simply put, more people are working, equating to retail dollars being spent. Traditional retailers are adjusting to in-store and online sales models. There is a growing demand for the “site-to-store” model where a customer will purchase online and pick up in the store. Lastly, retail sites can be the best redevelopment projects. There's great opportunity to take existing retail spaces in premier locations and reimagine mixed-use opportunities.

EL: You have always said, “I want my clients to feel like we're a team and that their goals are my goals.” How do you achieve that outcome?

DZ: I offer personalized service and expertise on location, space, and lease/purchase options. I work hard to identify specific criteria, provide options, and negotiate key terms unique to each deal. RPR Commercial allows me to analyze areas based on more specific attributes than my clients could ever imagine.



DEENA ZIMMERMAN



For example, I have a women's clothing store expanding into Chicago. They need an area with large concentrations of 20 – 30-year-old women with high disposable incomes. I impressed them with my ability to target areas with women in their 20s – 30s earning \$75k – \$100k, with high annual spending on women's apparel. I got this information by creating an RPR Trade Area report that included actuals and projections broken down by gender, age, education, income, economic, and population comparisons.

EL: It sounds like the RPR® technology solutions validate your advice to your clients. How else has it helped your business?

DZ: Listen, I would pay hundreds of dollars a year for RPR® if it weren't given to me as a National Association of REALTORS® benefit. I recently went up against four non-REALTOR® firms trying to land a 20,000-square-foot deal. The client was blown away when I shared my site selection analysis. I will make six figures on this deal thanks to resources I have as a REALTOR®. However, the best part is not only executing deals using RPR Commercial. The depth of the reports and my ability to use them to help my clients succeed has created additional business as national retailers have referred me to other national businesses.

STRENGTHENING COMMUNITIES BY FUNDING IMAGINATION



By Tara C. Perkins, Contributing Writer

The American landscape is comprised of a host of neighborhoods and communities in all shapes and sizes – large, thriving metropolitan areas like New York and Chicago, rural villages like those nestled in the mountains of West Virginia, beachside oases dotting the picturesque coasts of California and Florida, and scenic farming homesteads like those located on the rugged acreage of New England.

Wherever community exists, there is bound to be commercial enterprise. The backbone of America's economy is the myriad businesses and industries throughout the nation, along with the people who live and work in those locales. Ample opportunity comes with commercial activity, like the necessary entities that support community members, including schools; grocery, clothing and specialty stores; and recreation establishments. Prosperity drives commercial endeavors and with responsible commercial enterprise, comes growth for America. National Association of REALTORS® (NAR) supports the involvement of its commercial members across the country through local member services, aimed at having a positive impact on economic structure within communities where members are working diligently to foster business development.

NAR's Commercial Innovation Grant Program (CIG)

REALTORS® are essential to the development of America's flourishing backdrop of commercial activity. The Commercial Innovation Grant Program (CIG) provides funding to local REALTOR® associations to enhance or launch new or, as

2017 NAR President Bill Brown would say, revolutionary commercial member services.

Shara Varner, NAR's Manager of Commercial Development and Outreach, has spent three years managing the CIG Program. Varner says, "The goal of the program has transcended from a speakers bureau to a strategy that advances how NAR provides for their commercial membership. How do our member associations get proactive and educate their members, and the community about what they do? How can they display available properties and help current tenants in properties? How do they get folks to think about REALTORS® as resources and not as a one-stop transaction?"

NAR developed the CIG program to help Associations do just that. "It is important for REALTORS® to stay relevant," Varner explains, "to build their book of business and deepen current relationships. Commercial practitioners are so busy creating communities, block-by-block. CIG funding is a jumpstart to get folks over the hurdle so they can get out there in innovative ways."

Here is a look at three projects that received funding in 2016 for new services:

Project Spotlight: Winston-Salem

The community where the Winston-Salem Regional Association of REALTORS® (WSRAR) is centered was facing a two-year construction project to a major highway connecting outlying areas to the downtown, with an expected negative impact on traffic to local businesses. Susan Jester, Director of MLS/RCA Services for WSRAR spoke about the grant that was awarded to WSRAR that helped the Association and its members to meet the challenge in a unique way. “We conducted outreach to the North Carolina Department of Transportation to get information about the anticipated impact on businesses. This data was housed on a thumb-drive and distributed to businesses by our members in attractive bags containing an informative magnet and a foam, stress-relief construction cone. The information allowed business owners to create branded flyers, helping customers to navigate construction to continue shopping and conducting business. Thumb-drives were branded and served as a powerful advertising device to connect with the retail and business community. This was a creative way to showcase the expertise of the REALTORS® and to tackle a common problem.”

According to Jester, as a REALTOR®, it is vital to establish yourself as part of the community you serve. REALTORS® are in the trenches and endure changes in the community, along with other residents and businesses. It is important to communicate that we offer myriad services and an ongoing relationship. “Your idea to address a challenge does not need to be a huge idea—just a clever one. Taking proactive steps and cultivating collaboration is paramount. The grant serves as a boost to lift a unique program,” says Jester.

Paul Stewart McGill, 2017 WSRAR Chair, says, “We hosted a luncheon and a breakfast to educate our members about the project. Closing the highway presents challenges for both members and local business owners and this was an ideal opportunity for education. Our leadership was invested in making the project a success. Members were educated and downtown business owners had an opportunity to interact with the membership outside of a business transaction. I believe NAR offers vital help for programming that improves the value and benefits for commercial members.”

Jester adds, “With members personally distributing to businesses, they reinforced that REALTORS® are committed to the community.”





Project Spotlight: Central Oklahoma

The Central Oklahoma Commercial Association of REALTORS® (COCAR) founded an annual networking event called The COCAR Fall Forum that focuses on a topic of interest to the commercial real estate community, while providing continuing education credit for commercial real estate licensees. With a clear focus on advocacy rather than economic forecasts, this first-ever forum covered local and state issues. COCAR highlighted their expertise and established themselves as a valuable resource with their choice of topic, and the creation of a relevant white paper about earthquakes.

Bart Binning of COCAR says, “Since we are a new Commercial Overlay Board, one purpose of the forum was to establish a name for our organization with the general public, in terms of political advocacy. Oklahoma has experienced a considerable increase in the number of earthquakes and this matters to our community. Noteworthy announcements were made concerning the origin of the earthquakes. We had significant press leading up to and at the event, and the Oklahoma educational television authority broadcast the first two hours, which was immense visibility. Overall, our Fall Forum was a huge success. As REALTORS® and members of the community, we established vital credibility.”

Project Spotlight: Reading-Berks

Commercial members of the Reading-Berks Association of REALTORS® (RBAR) did not have one central location to direct potential buyers to search for commercial properties. So, RBAR applied for a grant from NAR to help create a web tool to provide a one-stop place to search all available commercial properties in Berks County. Wesley T. Stefanick, Director of Government and Community Affairs for the CIG recipient, RBAR, says, “With the CIG, we were able to create a single-source search capability to help companies looking to locate or expand in Berks County to find the space they need. Our local economic development organization is now promoting the website.”

The grant pushed RBAR to take a risk to solve a problem, and fostered important community collaboration, along with creating referrals. Stefanick says, “Our project greatly enhanced the value of our association for commercial real estate practitioners.”

Be Revolutionary!

Inspired to make a difference in your community? Discuss ideas with your commercial peers about how to strengthen and increase the services provided at your local REALTOR® Association. Talk to your local Association Executive about applying for NAR’s Commercial Innovation Grant. Spark your imagination and get started today!

For more information on this program including previously funded projects, visit www.nar.realtor/grants/commercial-innovation-grants



*Do you have a comment or question about this article?
Contact us at NARcommercial@realtors.org with your thoughts.*

NEW RESEARCH RESOURCE FROM NAR: BUSINESS CREATION INDEX

By the nature of the profession, commercial real estate professionals have a unique perspective on business creation as they play a key role in helping companies lease or own office space and commercial facilities.

For that reason, the NAR Research team has surveyed commercial membership each month from August to December 2016 to track whether businesses were opening or closing in their communities.

Here are a few charts from the most recent report; the full Business Creation Index can be found online at www.nar.realtor/reports/december-2016-business-creation-index

FIGURE 1

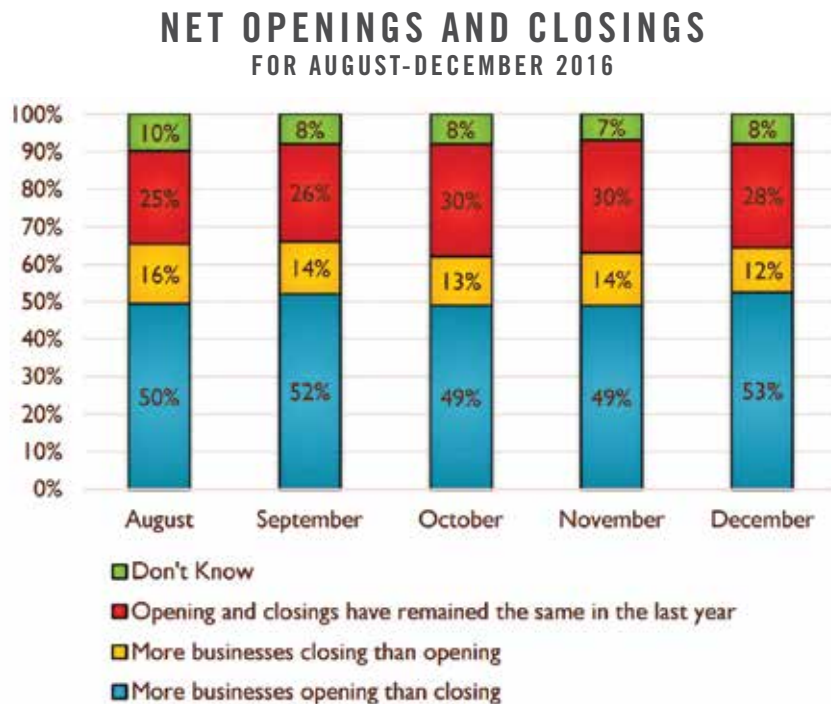


FIGURE 2

AN INCREASE OF BUSINESS OPENINGS IN COMMUNITY IN THE LAST 30 DAYS

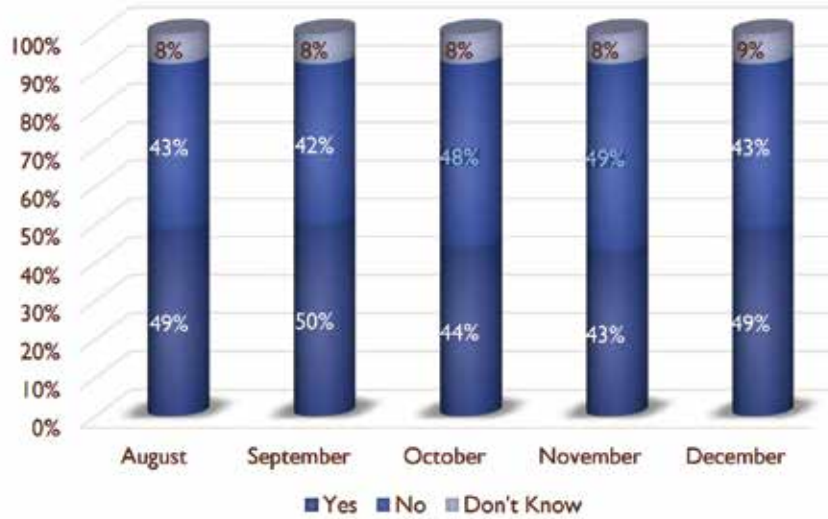
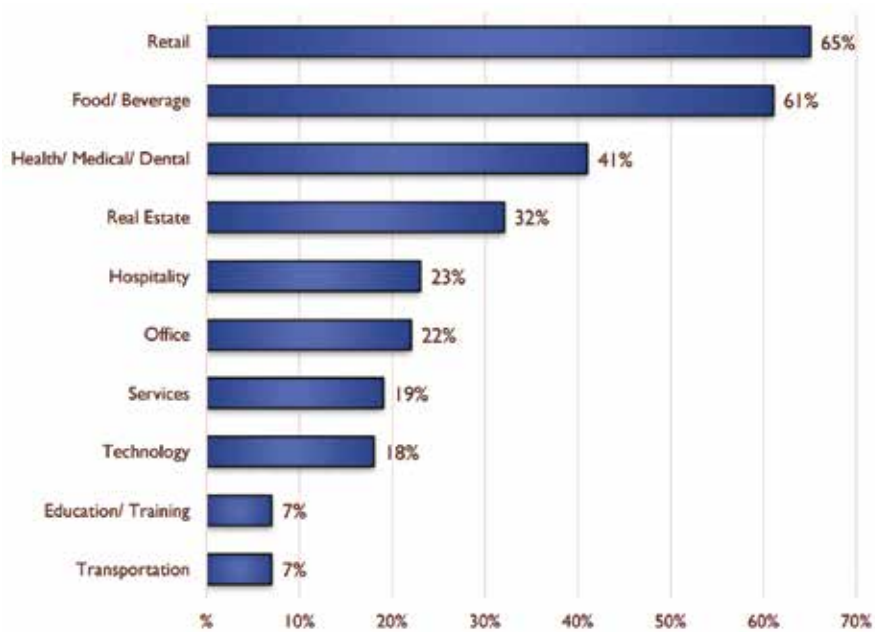


FIGURE 3

INDUSTRIES OPENING FOR AUGUST-DECEMBER 2016



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