

SUMMER 2023

# CREATE

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## A New Look

Making Commercial  
Real Estate Inclusive

Patricia Loveall, SIOR, and  
Cynthia Shelton, CCIM, CRE



SUMMER 2023



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#### Marijuana and Real Estate

Following on the heels of CREATE magazine's "High Times, Low Times" (*Winter 2023, page 14*), the National Association of REALTORS® has released a report on the impact of the cannabis businesses on real estate. Download "Marijuana & Real Estate: A Budding Issue" at [nar.realtor/marijuana-and-real-estate](http://nar.realtor/marijuana-and-real-estate).



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# CREATE

Create, powered by REALTOR® Magazine, advances best practices in commercial real estate and brings expert insights on business trends, strategies and purchases.

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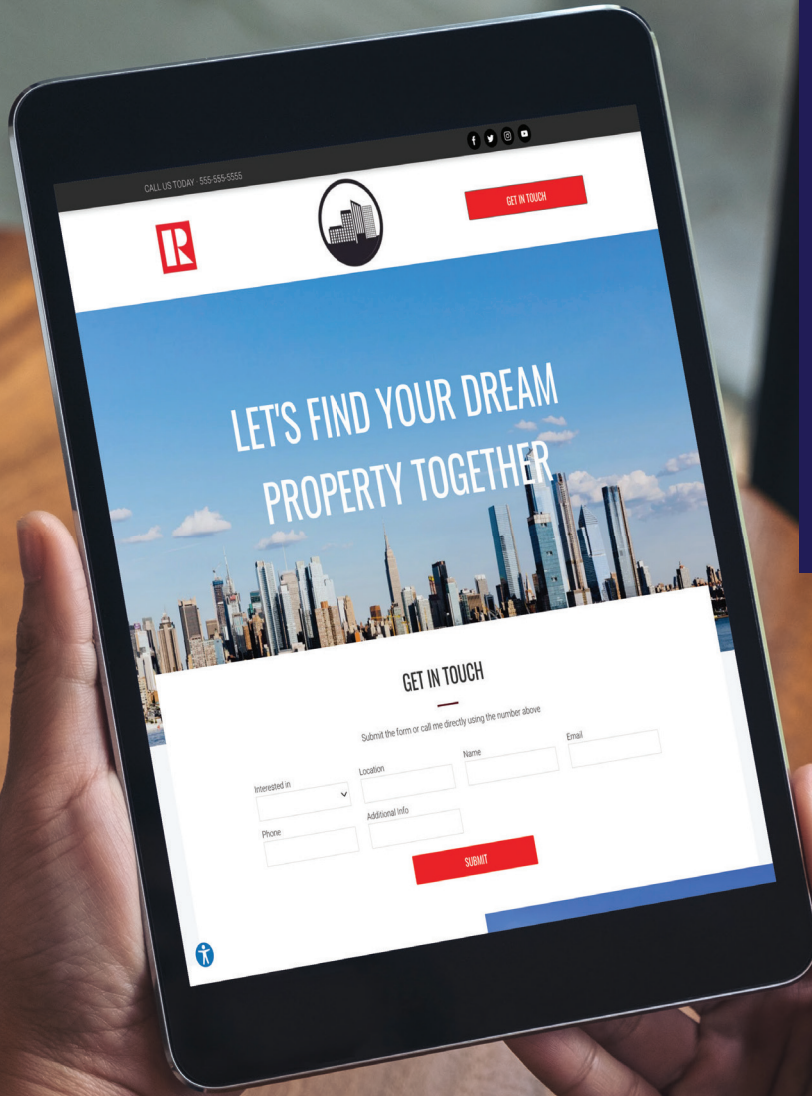


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# → TAKE THIS

COMMERCIALRE NEWS, TIPS AND TRENDS



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# 70%

Percentage of diners who say it's important for their food to come from a publicly accessible, physical location, according to the National Restaurant Association's *2023 State of the Industry Report*.

## Dining Out

### Expanding Restaurants Face Tall Orders

Big plans hit supply, delay and cost snags.

Restaurant trends are in flux in 2023. Ghost kitchens—hot in 2021—are facing slowing delivery demand, higher capital costs, and quality control issues, restaurant tech exec Rishi Nigam told digital publication *Restaurant Dive* in January. Nigam is CEO of Franklin Junction, a restaurant ecommerce platform. Meanwhile, supply chain shortages remain an unwelcome trend, bringing continued construction delays and cost hikes—especially challenging for restaurant operators that are expanding or renovating.

Take Titan Hospitality. Supply shortfalls have affected its development plans for two new restaurants, Titan CEO James King told *Restaurant Dive*. It's taking 16 weeks to get materials and 30 weeks to get a walk-in freezer box. Plus, the lack of electricians and plumbers

has pushed the construction timeline beyond the typical three weeks. All that has added up to a 30% increase in costs, King said.

Bad Ass Coffee of Hawaii recently opened its 28th location and is constructing 12 more units, according to *FSR* magazine. The coffee company's CEO, Scott Snyder, said Bad Ass is starting to see a "bit of a reprieve" on construction costs and delays, wrote *FSR* author Danny Klein. But some of its stores have faced permitting delays lasting for months, when the process used to take three or four weeks.

*Adapted from "5 Trends That Will Shape the Restaurant Industry in 2023," published by Restaurant Dive, Jan. 5, 2023, and "The State of Restaurants in 2023," published by FSR magazine, Jan. 11, 2023.*



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**Inhale**

## What's That Smell?

Property owners and managers get into the game of creating brand scents.

BY MELISSA DITTMANN TRACEY

Commercial buildings are turning to the power of smell to enhance the customer or tenant experience, matching an enticing visual space to a pleasant scent. The trend is taking hold across commercial property types—office buildings, condos, apartment units and retail stores. Even as COVID-19 cases are trending down, a “clean” smell can spark feelings of comfort and security.

Research shows pleasant scents can improve people’s mood. And smells are memorable: People recall images with about 50% accuracy after three months; but they remember smells with 65% accuracy after a year, according to the Sense of Smell Institute.

“Scent is the most impactful and memorable of the senses,” says Vanessa Brunson, CPM, senior property manager with Parkway Property Investments, a Houston-based company that owns and operates office buildings throughout the Sunbelt region. “A scent component is needed if your company wants to set itself apart from other management companies.”

So, is your brand scent more woody or floral? Scent consultants can help you decide and craft customized notes that will leave a lasting impression.

Parkway has partnered with Prolitec, an ambient scenting firm, to add customized scents to more than a dozen of its properties over the last five years. Guests may smell a warm, woody undertone mixed with crisp green apple and white floral notes—an aroma researchers have linked to luxury, sophistication and warmth. When odor remediation is necessary, like in the building gyms, Parkway uses “Mandarin Zest.”

Prominence Apartments, a luxury multifamily development in Atlanta, has scent diffusers with timers to control and distribute fragrance. The development uses “Blue

Wood,” a warm, woody scent, in the main area and “Sparkling Lime” for odor remediation in fitness rooms and trash areas.

“People today are more conscious of the air they breathe,” says Heather Lane, vice president of commercial marketing at Prolitec. “Consequently, scents are playing a growing role in the world of property management. People expect clean, they expect welcoming, they expect luxury and they expect wellness. In short, they expect a ‘scent-sational’ experience.”

 Full story: [nar.realtor/magazine/whats-that-smell](https://nar.realtor/magazine/whats-that-smell)



**From a sustainability perspective and a resource perspective, we will be working much more with existing buildings—not just monumental ones and the obviously significant ones. But I think we are going to change our attitude toward the reuse and the refurbishment and the refitting of more ordinary buildings. And I think this will be a big shift in the next 10 years.”**

*David Chipperfield, winner of the 2023 Pritzker Architecture Prize, in an interview with Jeffrey Brown for PBS NewsHour, March 7, 2023*



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# TAKE THIS

COMMERCIAL RE NEWS, TIPS AND TRENDS

## Distress

### Confronting the Debt Wall

Complications have emerged, but so has a proposed solution.

Commercial real estate is up against a debt wall. A record number of commercial mortgages held by banks—amounting to \$270 billion—are scheduled to mature this year, according to data from Trepp and published by *American Banker*. After that hurdle comes another one: Almost \$1.5 trillion of U.S. commercial real estate debt will be due for repayment before the end of 2025.

Analysts are ticking off conditions that complicate the problem:

- Interest rates are expected to continue to rise as much as 4.5 percentage points, according to Morgan Stanley.
- Office space occupancy has not bounced back in U.S. cities.
- Local and regional bank instability has caused uncertainty among customers and investors despite government intervention.

However, distressed debt does offer opportunity. It's becoming more popular, even with the relative risk, and is easier to find as more property owners default on mortgage payments, according to a CBRE executive quoted in *Bisnow*. Especially for in-demand property types like multifamily and industrial, real estate-related debt can offer higher returns even in a shaky economy, *Bisnow* noted.

Most of the loans that will mature in the next three years were financed when base rates were very low. That means that refinancing them now, when interest rates are high and values are lower, would present issues. NAR, the CCIM Institute and the Society of Industrial and Office REALTORS® have joined a coalition to ease the situation, signing onto a letter to federal bank regulators asking that financial institutions be given flexibility to work with their commercial real estate borrowers in developing responsible restructuring plans.

## Insurance

### Crippling Rate Hikes

Commercial brokers attending the REALTORS® Legislative Meetings May 6–11 in Washington, D.C., discussed a range of thorny policy issues, from the need for tax incentives to convert vacant office buildings to refinancing challenges in the CMBS market. But for some, no issue loomed larger than the spike in insurance costs for commercial properties.

*Bisnow* reported in April that, year over year, premiums had increased by an average of 9.4% nationwide from 2021 to 2022. "In places like Texas, Florida and California, however, the increases are far sharper, with jumps of 30% to 50%," *Bisnow* writer Miriam Hall said, citing data from the Insurance Information Institute.

Affordability is a big issue since most lenders require property owners to buy coverage for 100% of the replacement cost. And with insurers pulling out of some catastrophe-prone areas, owners' ability to buy any coverage is imperiled.

## Advising Clients

# QUICK TAKES ON THE DOWNTURN

Experienced commercial real estate professionals learn from the past but know that each downturn differs. Three members of the Society of Industrial and Office REALTORS® share how they're counseling clients in the current environment.



**Aaron Barnard, CCIM, SIOR, senior director at Cushman & Wakefield, Minneapolis**

**View of the downturn:** The future of office space consumption is being written now. People need to be together, which gives me hope for the longevity of spaces that are work-specific and away from our homes.

**Advice to clients:** An investor may not be seeing the same return on an asset as before and may want to exit. But on the buyer side, a less competitive market offers flexibility on terms and due diligence items.



**Paul Kluck, SIOR, first vice president at CBRE, Denver**

**View of the downturn:** Many people think there will be blood in the streets and a huge number of foreclosures, but those things won't happen.

**Advice to clients:** Track the buildings you want, and get in there and buy when the price drops a little.



**Tim Tran, CCIM, SIOR, president of The Ivy Group, Fremont, Calif.**

**View of the downturn:** This downturn differs from previous ones in that we reached this point in six to eight months. People don't know how to react when change comes that quickly.

**Advice to clients:** Adjust your thinking about value. In a recently closed deal, we priced a commercial kitchen at \$5.2 million. But the market changed considerably, and the property appraised for \$4.15 million. The kitchen sold after the seller, who needed to sell, reduced the price by \$1 million—still above appraised value. You have to be able to pivot.

*Adapted from "Getting Your Clients Through a Recession," published in the Society of Industrial and Office REALTORS®' SIOR Report, Spring 2023 issue.*



Lead Generation

## Canvassing: It's Not Just for Rookies

Industry veterans benefit from putting themselves out there.



Azor

Beth Azor started intensive prospecting for business 37 years ago—and hasn't stopped. Some might call that a rookie move, but it has contributed to her ownership of five shopping malls, says Azor, an investor, trainer, coach and owner of Azor Advisory Services and Azor Academy in South Florida.

"Most people in commercial real estate think they should get to a point where referrals drive their business," she says, but when you stop canvassing, you stop learning. "If I'm out in the marketplace finding that every other shopping center has an acai bowl, I have to learn what that concept is."

**Personal touch.** Azor likes to check out stores in person to see if they might be a good fit for her properties. The owner or gatekeeper is typically receptive, she says. "I say that I own or lease or rep real estate properties and ask, 'Are you expanding?'" Even if they aren't, they still have to renew their lease and want information that will help them.

**Social media prospecting.** The platforms that offer Azor the best traction for prospecting for tenants are Instagram and Facebook, she says, noting that she gets a 10% response rate on posts. Here are two of her tips:

**1 Use a personal account to send direct messages.** "People like to do business with people they know and see a little bit behind the scenes. My account shows my kids, my travel and my business posts." If that idea is off-putting, she suggests creating a new personal account and populating it with business pictures and information.

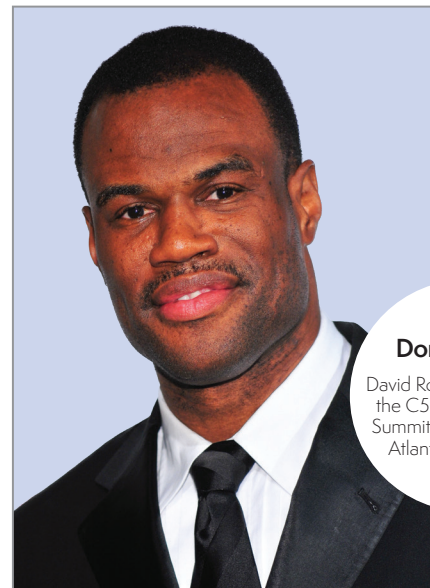
**2 Keep DMs short and sweet, with no hyperlinks.** "I write, 'Hi. I have a former sub sandwich shop in Daytona. Are you interested in expanding?'" If they say, 'Yes,' I say, 'OK, give me your email, and I'll send you a flyer.'"

Azor has recently begun using Twitter to prospect for business partners. "I've been on it for only three months and have made over six figures. I post canvassing stories that aren't all success stories; some are about when I screwed up." Most business has come from companies with 30 or fewer employees that are ready to take action, she says.



... wherever rent controls are introduced, two major things always happen: First, the supply of properties to rent falls as landlords pull out of the market. Who wants to see their returns significantly lag inflation? Second, the quality of the housing deteriorates. What's the incentive to improve a house if you aren't making any money and the tenants aren't leaving until they die?"

Merryn Somerset Webb, Bloomberg Opinion senior columnist, April 21, 2023. Learn what NAR is doing to combat rent control proposals, page 21.



Don't Miss It!

David Robinson headlines the C5 + CCIM Global Summit, Sept. 28-30, in Atlanta. Learn more: page 20.

# DIVERSITY AT Work

**How these pros blazed a trail of success—and what they're doing to help others along the way.**

**BY CAROL WEINRICH HELSEL**



**Have Confidence,  
But Check the Ego  
Patricia Loveall, SIOR**

Executive vice president,  
CBRE, Seattle, Wash.

At a recent meeting of the Society of Office and Industrial REALTORS®, Patricia Loveall watched the introduction of 200 new members and member associates. Among them were many women and people of color. “I looked at that group and saw the future of our industry,” Loveall says. “It was exciting to see that the steps we’re taking to increase the diversity of the real estate sector are producing results.”

Loveall has 40 years of industrial sales and leasing experience, including 1,000-plus acres of land and more than 17 million square feet of industrial and office space. Although she has witnessed commercial real estate become more welcoming to women, she actively works to introduce young women to the industry and be a mentor. “If you don’t get exposed to this business, it won’t be on your career radar screen,” she says. “It’s incumbent on us to show young professionals what a commercial real estate career could look like.”

Loveall’s own career path benefitted from a mentor—Jerry Mathews, co-founder of Kidder Mathews, where Loveall would enjoy a long and productive career. Mathews observed her work as an asset manager for a Seattle developer and suggested brokerage was her calling.

Loveall was a partner and executive vice president of Kidder Mathews until February 2023, when she joined CBRE as executive vice president.

Early on, Loveall found advantages to being female in a male-dominated career. “You stand out,” she says. “There were instances where male colleagues wanted me to act subservient, but I didn’t care. I was there to serve my clients and to prove myself.”

In Loveall’s view, women bring unique skills to a transaction. “Broadly speaking, women are good listeners and sensitive to situational nuances that can benefit the client.” She also believes women easily check their egos. “Our egos give us the confidence and swagger to do the job, but it’s essential to recognize when it’s more important to be part of the team,” says Loveall.

Among the advice she offers to other women in the commercial sector is to be confident, do the hard work, don’t be afraid to say you don’t know something (but then find out), and never hesitate to bring in another broker if they add value. “I learned early not to focus on the commission,” says Loveall. “If you serve the client, you’ll get paid.”

Loveall is a former Seattle Commercial Real Estate Women Network board member and former president of the Washington State Commercial Association of REALTORS®. She currently serves as global president of SIOR and was recently honored with the Michael P. Hickey Award by the Industrial Asset Management Council for her work as a mentor, among other accomplishments.

Loveall remains an active mentor. “The more we can guide women into success, the better our industry will be,” says Loveall.



If the words “commercial real estate professional” make you think of a silver-haired man, you’re right in line with NAR research conducted in 2018. It showed that 70% of commercial members were men and the median age was 60. (The research didn’t touch on racial or ethnic characteristics.)

But, more and more, that mold is changing. Here, three pioneering professionals talk about how mentoring furthered their career trajectory. Each is committed to paying it forward—mentoring young women and people of color—and being intentional about diversifying the commercial real estate industry. We’re also pleased to introduce you to young professionals who are further changing the norm as they blaze their own career paths and show the way for others.



***Specialize, and Do It Well***  
**Cynthia Shelton, CCIM, CRE**

Senior managing director of the investments and capital markets division, LandQwest Commercial, Orlando, Fla.

During her transition year from residential into commercial real estate in Washington state, Cynthia Shelton earned \$0 from commercial transactions. She considered staying in residential sales but was frustrated by weekend hours and emotional home buyers. “I knew commercial real estate was a better fit, but residential referrals kept coming and paying the bills,” says Shelton. “I wanted to get my CCIM designation but knew I would have difficulty meeting the required dollar volume in my small market.” When her husband’s work prompted a return to Florida, where the couple had moved from, the referrals ended; Shelton dove into the commercial sector in Tampa Bay and never looked back.

Today, Shelton is the senior managing director of the investments and capital markets division for LandQwest Commercial Real Estate Services in Orlando, Fla., where she focuses on the disposition of retail investment properties. Previously, Shelton served as director of investment sales for Colliers International and vice president of acquisitions for an NYSE-traded real estate investment trust, acquiring more than \$300 million in single-tenant assets.

Early on, Shelton was often the only female in her position. In Florida, she interviewed for a sales team position at a large multinational firm—first with several men and then

with the sales team leader, a woman. “She told me the men all thought I’d make a great administrative assistant and, if I took the job, I’d always be an admin person in their eyes,” says Shelton, who decided to accept a brokerage position at another firm. “Over the years, I’ve walked away from deals when people didn’t see me in the role. I tell them I’d like to assist them but not if they don’t think I know the business.”

Shelton has helped other women succeed in the commercial sector. In 1995, she began hosting a “Women in Retail” event held during International Council of Shopping Centers conferences. “It was a great opportunity for women in the retail sector to network, and I maintain some of those contacts to this day,” she says.

In 2002, Shelton served as CCIM president. She was only the second woman elected to the role. “You had to prove you could juggle a family, career and volunteerism,” says Shelton, who recalls overhearing a woman remark that rather than running for president, she should be home with her young daughter and husband. Fortunately, attitudes have changed. “Our industry is much more diverse, which brings different perspectives to the table and benefits our clients and our industry,” she says.

“Today, young men come to me for counsel and advice,” Shelton says. “That wouldn’t have happened when I joined the industry.” Shelton is happy to help anyone but says she most enjoys guiding young professionals in whom she sees herself. Shelton advises anyone interested in commercial real estate to learn the sector inside and out and to specialize. “You’re not doing your client any favors by trying to do it all,” she advises. “Say what you think without being negative and treat people fairly. It will come back to help you and your client.”



### ***Be Intentional About Relationships***

**T. Dallas Smith** Founder and CEO,  
T. Dallas Smith & Co., Atlanta

At age 19, T. Dallas Smith set his sights on a career in real estate. He knew nothing about it, except that it was a top category among Forbes' 1982 ranking of the 400 richest Americans. "I wanted to make money," says Smith, who pursued a job in the commercial market with hard work and an unbreakable belief in himself.

A call to a local commissioner led to one contact that led to another, and soon he was asked to provide a resume to Thomas W.

Tift Jr., a renowned Georgia developer. Aware that his first name (Tonialo) and other details would identify him as Black, Smith made some changes. "I 'whitewashed' my resume," he says, removing basketball from his hobbies but leaving golf. He even changed his name, adopting "Dallas" from the popular TV show. The strategy worked, leading to a face-to-face interview.

"When I gave the receptionist my name, she nearly fell out of her chair," recounts Smith. He later learned that when she told Tift that Smith was here for the interview and that he was Black, Tift responded it would be "the shortest interview in history." That turned out not to be the case.

Tift hired Smith in 1982 as a leasing and management representative for Atlanta Air Center Realty. In 1989, Smith became the first African American broker at Cushman & Wakefield of Georgia, helping open doors for many Black brokers. He pioneered the brokerage division for H.J. Russell & Co. and, in 2007, opened T. Dallas Smith & Co., specializing in tenant representation in office, industrial and land. His team has completed transactions with an aggregate value of over \$16 billion.

Initially, Smith didn't want to mentor others. "People would ask me, and I'd say, 'Go get your license and then come back,' but they never did—until Leonte Benton, who returned three weeks later with a license," says Smith. It was 2007, and Benton was a sophomore at Morehouse College. "I had him doing ridiculous things—hoping he'd quit. One day I asked him to store some bottled water. I watched him willingly do it in his suit and tie, which was my epiphany. He was me in 1982." Smith realized his life's purpose was to help other people of color enter the business. Benton is now president of T. Dallas Smith & Co.

Smith's impact is exponential. "Whatever number I've mentored is multiplied because it exposes their children and their friends' children to real estate as a career. I'm not finished yet," says Smith, noting less than 5% of commercial brokers are Black. "We've got a whole lot more work to do."

He advises those new in the business to be intentional about relationships. "Engage in local commercial boards to rub shoulders with those you want to be like," says Smith. "You might find a mentor or someone who will bring you into their business."

Intentionality is also critical for increasing diversity. "People with power need to be intentional about bringing people of color into the business," says Smith. "Until you adopt that mindset, we're just kicking the can down the road." ■

*Carol Weinrich Hesel is owner of Pastiche Communications.*

***"Whatever number I've mentored is multiplied because it exposes their children and their friends' children to real estate as a career."***

***—T. Dallas Smith***

# The Next Generation of Industry Leaders



## **Akil Hameed, AHWD**

Broker-owner, Fass Real Estate Services, Cleveland

From his Twinsburg, Ohio, basement to a full-service office featuring commercial, residential, management and consulting services, Akil Hameed has grown Fass Real Estate Services into a multimillion-dollar real estate development, brokerage, and consulting firm in northeast Ohio. Hameed is also vice chair of Project REAP—the Real Estate Associate Program—dedicated to advancing diversity, equity and inclusion in the commercial sector through education, mentorship and partnerships. He serves as the 2023 president of the Akron Cleveland Association of REALTORS®. Hameed attributes his success in commercial real estate to his mentor, David Browning of CBRE. “[David] was very intentional about forging a relationship to create the advancement of my firm as a minority company,” Hameed says.



## **Courtney Johnson Rose, ccm**

CEO, George E. Johnson Development Inc., Houston

Courtney Johnson Rose’s name has been a fixture on lists of top professionals under 20, 30 and 40, including REALTOR® Magazine’s 30 Under 30 class of 2007. After joining the family business in 2002 as a developer, Rose took the helm in 2019, procuring contracts with major Texas institutions. Today, she’s president-elect of the National Association of Real Estate Brokers. She holds a master’s degree in community development and a doctorate in organizational leadership. “Mentorship is a key tool to help gain more diversity in commercial real estate.” Rose says. “I am very fortunate to have my father, George Johnson, who has been in real estate for over 40 years, as my mentor to assist in my growth and success.”



## **Rita Tené Ellison**

Associate director, T. Dallas Smith & Co., Atlanta

Rita Tené Ellison began her commercial real estate career as an intern at T. Dallas Smith & Co. during her junior year at Georgia State University, majoring in real estate. She returned 12 years later after acquiring extensive experience with, among others, CoStar,

Situs and JLL, where she oversaw a portfolio totaling 1 million square feet with various asset classes. She was recognized in 2022 as New Member of the Year by CREW Atlanta. Ellison, who also sits on the Rialto Center for the Arts board at GSU, excels in developing proactive solutions to complex customer challenges. In addition to crediting Dallas Smith, she says, “I am fortunate to work closely with mentors like Audra Cunningham, who, as a Black woman, is breaking barriers every day—exposing the next generation of diverse women to this business.” Cunningham is executive vice president and chief administrative officer for T. Dallas Smith & Co.



## **Regina Wang, ccm**

Vice president, CBRE Capital Markets, Debt & Structured Finance, Seattle

Regina Wang’s extensive knowledge and experience in financial analysis, business strategy, commercial real estate development and private equity serve her well. She worked for real estate firms and a venture capital-backed AI technology company before joining CBRE in 2019. Since then, she has underwritten/originated over \$1 billion of debt and co-led efforts to raise over \$300 million of equity for commercial real estate projects. Wang views mentorship as critical to her career achievement. “Mentorship often comes via inspiration from people who are inclusive, open resources for you, and let you observe firsthand how they handle challenges and solve problems,” Wang says.



## **Ashleigh Kiggans**

Vice president, MacRo Commercial Real Estate, Frederick, Md.

In 2022, the Frederick County, Md., Office of Economic Development named Ashleigh Kiggans in its Top 50 Under 40 list, spotlighting young leaders across many industries. Kiggans joined MacRo in 2015 as one of the youngest female associates in the area and, in 2018, was promoted to vice president. Valued for the healthy competitiveness she brings to the market, Kiggans is equally dedicated to bringing more strong women into the industry and recently hired her first mentee. Ashleigh credits MacRo’s owner, Rocky Mackintosh, for helping her embrace that she was different from most others in the industry: “I may be one of the first of my background in the Frederick commercial real estate market, but my goal is to make sure I’m not the last!”



Hello

EV Charging  
has arrived.

volta

Shell purchased Volta in March, declaring the coming of a post-carbon fueling future.



# Sparking Change

Electric vehicles put a charge into  
commercial real estate.

BY DAVID A. GOLDBERG

**T**he age of the electric vehicle is upon us—and commercial real estate will never be quite the same.

The declaration of EV supremacy might sound like a bold statement, given that EVs represented not quite 6% of new vehicle registrations in 2022. But consider the growth: EV sales were barely 3% the year before.

And that growth stands to be supercharged with a plan, announced in April by the U.S. Environmental Protection Agency, that calls for two-thirds of passenger cars and a quarter of heavy trucks to be all-electric by 2032. Consider, too, that global oil behemoth Shell at the end of March purchased Volta, one of the largest networks of privately operated EV charging stations in North America and Europe, declaring that it sees the coming of a post-carbon fueling future.

It's the vehicle-charging aspect of the EV revolution that promises to drive the most change for commercial real estate. The transition affects all manner of property types and their clients: office leaseholders looking to provide chargers to employees, industrial operations needing to fuel an electrified delivery fleet, retail centers desiring to attract and hold customers for a charging session, and multi-family properties providing an amenity-turned-necessity for tenants.

“Those who are making decisions about leases ... are making decisions around access to EV charging,” says Deana Haynes, director of commercial real estate for ChargePoint, a charging infrastructure provider. “It’s sort of like how an elevator is required for an office building: EV charging will just be part of the deal.”

Because charging can be integrated into almost any parking spot, it’s sparking a change more fundamental and transformative than merely converting gas stations into electron delivery stations, Haynes notes. “EV drivers don’t drive to a place



Today, the vast majority of personally owned EVs are charged at home in a driveway. More universal adoption will also require access to charging in multifamily situations such as the one above.

to get gas; they fuel up where they're going. The transportation industry and the real estate industry are going through a fundamental shift in how they interact."

### Chicken, Meet Egg

Ambitious goals for the growth of EVs will depend to a large degree on the ubiquity of charging, industry watchers say. People contemplating the purchase of an all-electric car often are dissuaded by "range anxiety." Even if they have a home with an overnight charging spot—and many people don't—they worry about where they'll fuel up when they get low, or how they'll make long trips that exceed a single battery charge.

In recognition of that last concern, and to ensure that electrified freight trucks can make a cross-country trek, the U.S. Congress and the Biden administration created the National Electric Vehicle Infrastructure Program in the 2021 Infrastructure Investment and Jobs Act. The program provides \$5 billion, distributed to states by formula, to develop a network of fast-charging stations along the nation's highways. Direct-current fast chargers are designed to

fill most EV batteries to 80% charge in 20 to 40 minutes, as opposed to the more common Level 2 chargers operating on 240-volt AC power—akin to a clothes dryer plug—which are designed for overnight charging or topping off. (Level 1 is standard household current of 120 volts.)

Typical EV owners, though, rack up most of their miles within urbanized areas. In recognition of the need to promote a consistent network of standardized chargers in cities and towns, Congress also provided \$2.5 billion in competitive grants to local governments and public-private partnerships looking to fill charging gaps. Applications for Charging and Fueling Infrastructure grants opened in March, with a requirement that half of the winning proposals have private-sector partners; 50% also goes to projects within rural areas, low- and moderate-income neighborhoods, and communities with a low ratio of private parking spaces.

### Broker Opportunities Arise

Public-sector applicants have a growing number of potential partners as new charging

companies emerge almost daily, with a range of business models. Among them is Bluedot Energies, whose model is drawing strong interest from commercial real estate brokers, who stand to earn an ongoing revenue stream. Bluedot aims to partner with property owners to locate solar-powered fast-charging stations in high-traffic areas such as shopping and mixed-use centers and entertainment attractions—anywhere people might linger for a half-hour longer.

"We want EV charging to pay," says Bluedot's Jofil Borja, president of business development and government affairs. "We put in the charging infrastructure and pay a lease to the property owner, but we also share the revenue." The revenue comes not only from a surcharge on the electrons at the "pump" but also from ad sales and the ability to sell power from the solar panels to the local grid. With the capacity to charge personal vehicles, transit, delivery fleets and other commercial vehicles, Borja seeks a large user base. "We also want to promote environmental and social sustainability, so if the owners have a nonprofit they care about, we can do a revenue share with them, too."

"This is my passion project," says Marianne Bornhoft, co-owner with her husband of a commercial brokerage in Spokane, Wash. She's helping to match clients with Bluedot in Washington, Idaho and elsewhere. "We are writing our own story right now. Brokers can lead clients to this new technology, expand a needed service and do good for the environment. The potential really is unlimited, depending on how hard you want to work." Bornhoft's first installation is going in along Argonne Road in the Spokane Valley. The chargers will be at a retail center with a trampoline park. "The chargers bring customers to the shops and trampoline park, and vice versa," she says.

While Bluedot is a newer entrant in the charging world, Volta is one of the elders in the field at the ripe age of nearly 15. If you've been to an AMC movie theater or Kroger grocery recently, you might have seen Volta's signature charging stations: tall, eye-catching kiosks featuring large screens on multiple sides that

display a variety of digital advertising. Those ads are Volta's bread and butter, says Rick Baker, the company's executive vice president of charging solutions. "We want to promote sustainability, but like many in the industry we have a challenge to monetize the electron. It is expensive infrastructure. Our advertising model lets us monetize the charging from day one."

While Volta is beginning to add more fast chargers, most of the 3,000-plus charge points across its 31-state network have Level 2 chargers that allow a visitor to top off. "A company like Kroger wants dwell time; they want people to go up and down the aisle longer. EV drivers know they can top off in an hour or two on the Level 2 charger."

Commercial real estate practitioners often find their way to Baker after talking to other companies that offer to install and manage charging infrastructure, but for a hefty fee, he says. "A lot of people in commercial real estate recognize the growing demand for charging, but the question is, who's going to pay for it? Do property managers want to be the owners of the infrastructure or the beneficiary of it?" Shell's ownership of Volta may portend a shift in emphasis, based on a Shell statement at the time of acquisition. "While most of Volta's current revenue is through advertising," it read, "there are plans to" increase fast-charging sites that generate revenue from fueling fees.

### Standardizing and Universalizing Charging

Today, the lion's share of EV owners live in stand-alone houses with driveways or garages and do most of their charging at home overnight, says Vanessa Warheit, senior program adviser at Plug In America, a national nonprofit that promotes access to vehicle charging. But not all houses are built with an electric panel that can accommodate charging, and most multifamily and commercial properties lack EV-charging capability. That will have to change if we expect EVs to replace internal combustion engines, Warheit says. And that in turn will require a standardized building code and local or state requirements for charging

capability. "Building codes are super, super important for EV charging because the cost of retrofitting is orders of magnitude higher than installation at construction," she says. Most localities take their guidance from the International Code Council, whose International Energy Conservation Code is being updated to call for EV-ready parking spaces that have chargers and EV-capable spaces with the conduit and power supply to install a charger at a future date.

"Building codes are super, super important for EV charging because the cost of retrofitting is orders of magnitude higher than installation at construction."

Code requirements for multifamily construction will be especially critical, Warheit says, because they are the least likely to get the infrastructure otherwise. "For multifamily property owners, EV charging can

be a huge pain," she says. "You either have to charge your tenants more because you have a commercial meter, or you might need a third party to manage the charging infrastructure, and they take a cut."

"This isn't fair to renters because they end up paying more for lesser service. They spend their time hunting for charging spaces, and they have to worry whether they can get to work in the morning."

People in the commercial real estate world would do themselves a service by learning some of the ins and outs of charging infrastructure, its requirements and costs, says Tanner Mason, managing broker of Benchmark Commercial Real Estate in Denver. "Most property owners I talk with know that EVs are coming, but they don't know about things like level 2 or 3 charging, unless they have an EV themselves," said Mason, who like Bornhoft is playing matchmaker for Bluedot.

"If people are in my business and want to go find locations, there are a few things to think about," Mason adds. "What *does* work is density and the possibility for a quick in and out. What *doesn't* work is being tucked back out of sight and away from the beaten path. You also need to have knowledge about the availability of power. Being next to a highway does not mean it's easy to build it in terms of access to the grid. It's easiest in an existing parking lot with active use, but it has to be an inviting area with things to do." And be open to new and creative ideas, he says, citing as example his recent work with a property owner near Denver International Airport who was creating a "privately developed cellphone waiting lot" where those waiting for a charge will be able to take advantage of an airplane viewing deck while enjoying snacks and beverages.

"You might not be in a Denver or a West Coast area with a lot of EVs already, but it's not too early to get into this," Mason says. "It's coming on fast." ■

*David A. Goldberg has written about transportation and urban planning for more than 20 years.*



# Step



# Up

## Your Property Management Skill Level

Master challenges with these tips and resources.

BY LYNN ETTINGER

**T**hese days, many property managers are pushing toward a new level of knowledge and skills—and with good reason.



Blaze Cambuzzi



Eddy Perez

For one thing, commercial leases have become significantly more complicated in the past 10 years, says Blaze Cambuzzi, managing partner at True Commercial Real Estate in Lancaster, Pa.

In addition, changing economic conditions demand that property managers have solid financial and analytical skills. “You need to be able to look at financials and see where changes are needed, expenses can be reduced and revenue can be increased,” says Eddy Perez, ARM, regional property manager at Wendover Housing Partners in Orlando, Fla. That analysis can help offset costs that are affecting valuations, he adds.

If you manage properties and want to strengthen your expertise, additional education is a great way to go. But it’s also essential to have good working relationships with lateral professionals such as lawyers, accountants and mechanical engineers to fill in knowledge gaps and to help ensure you’re managing your own portfolio effectively and/or offering a high level of service to clients.

### Anticipate Lease Issues

COVID-19 and the types and volume of businesses entering markets have contributed to changes in leases, says Cambuzzi. “When you have national tenants or companies, you typically get their leases, which can bring additional complexities. For example, a national tenant’s experience in Texas may have resulted in a lease provision they mandate but that might be foreign to you in your market. In the past, you wouldn’t have had quite the number or types of retailers or

dentistry/medical chains as you do today. They're all coming with corporate lease templates that you'll need to properly administer."



Jerome P. Friedlander II

In prioritizing needed skills, one focus should be the ability to point out potential problems in the lease, says attorney Jerome P. Friedlander II, of Friedlander & Friedlander P.C. in McLean, Va., and author of a book on landlord-tenant law. Take HVAC replacement, for example. "Many leases routinely require the tenant to provide annual maintenance of the HVAC system, but they usually never do it," he says. "These machines break, and the question is, who's responsible for that bill?"

Such a situation has played out in real life for Cambuzzi: Say a tenant starts out with a five-year term for a new building and experiences a couple of options and extensions. Eventually, the HVAC may be 20 years old, but the original lease terms didn't anticipate replacement.

Clashes with tenants often focus on repairs, Friedlander says. Maybe the space was move-in-ready when the lease was signed, but who's responsible for keeping it up to date—and paying for those updates—over time?

Then there's the issue of liability. New trends and technologies can introduce risk; leases may need to be updated to address that. One of the hottest trends in multifamily housing in Orlando is smart technology, says Perez. Tenants can use his company's proprietary smart tech app to access their units and remotely control the thermostat. The company anticipated liability from hackers who might access residents' information, so it worked with attorneys to develop an addendum dealing with fallout from potential data breaches.

## Learn From Lateral Professionals



Uriel Barillas

If you're running a small property management operation, beware of the tendency to do everything yourself, says Uriel Barillas, CTO of Stratafolio, a software solution for property owners and managers that's based in Cedar Rapids, Iowa. (In 2022, Stratafolio participated in REACH Commercial, a technology scale-up program operated by the



Jeri Frank

National Association of REALTORS® Second Century Ventures.) "Some property managers try to be self-sufficient, which is not efficient," he says. Jeri Frank, the company's CEO, says a smaller property manager needs support from professionals who know commercial real estate and from software to manage basics like common area maintenance reconciliation.

Attorneys are an obvious resource for leasing issues, but the key is to work with them when appropriate and avoid overreliance on them. Property managers who are less familiar with leases and spotting potential problems might consider paying for an hour of consultation with a lawyer to get a baseline understanding of a lease, Friedlander says.

Leases are not only a legal document but a property manager's operation guidelines, Cambuzzi says, so the property management business side should be considered. And that requires the property manager to be actively involved. "There are attorneys who will draft carveouts to a triple-net lease because they don't think [the lease] makes sense," he says. "But in the practice of that carveout, they are limiting the landlord's ability to improve or maintain the aesthetic appearance of the property. With a retail property, that could be detrimental. For example, the landlord could be limited in recovering the cost of resurfacing the parking lot; the net result will likely be a rough parking lot for that tenant's customers."

Other potential information sources include mechanical engineers and HVAC contractors. If a tenant is having an HVAC problem, a property manager could ask to meet the contractor at the site to discuss the state of the system, Cambuzzi says. "While they're servicing the unit, you might ask for a full estimate for a replacement or details about the condition," he says. "You can pass that information to the landlord, so they are better informed of the real exposure to these expenses and can negotiate more operationally effective deals with tenants."

## More Learning Resources

Continuing education courses and certifications, including those offered by IREM (Institute of Real Estate Management), are a great way to update your knowledge. In addition:

- ▶ **Connect with peers.** Get involved with IREM or with people at local associations or in your industry niche, Perez advises. "Ask, what does the market tell you? Data tells stories, and if we're paying attention, we'll



see things happening down the road that we need to put on our radar." Cambuzzi called on the Urban Land Institute for help with a project in New Jersey and was connected to an attorney member of the ULI in that state. The attorney spent an hour or so with him and sent him pertinent reading material. "This was the most refined search engine you could have," he says.

- ▶ **Use online resources.** Perez follows Jay Parsons, chief economist for RealPage. "They provide a lot of data on the trends related to my industry, and it's critical that we follow those kinds of posts," he says.
- ▶ **Track questions and answers.** "There was a time when I kept three-by-five index cards with me all the time," Cambuzzi says. "If I had a question about anything, I'd write it, along with how it came up, on the front of the card. Later, I'd find that answer and write it on the back of the card." The information often came in handy later, when he had a situation that required it. Today, the notes functions on your computer or smartphone can serve the same purpose.
- ▶ **Dig into records.** Records like property titles can be invaluable, Cambuzzi says. When his company took over the management of an industrial property, he found and carefully read the title. It revealed a mutual agreement on a cross easement for an adjoining property. The industrial company didn't know the easement existed and had been paying 100% of the maintenance costs but was responsible for only 46%.

"I've always hated the expression 'Fake it till you make it,'" Cambuzzi says. Instead, he counsels property managers to "work it till you've got it. Ask questions, get the knowledge, and relentlessly pursue a deeper, better understanding of what you do." ■

# RESEARCH



Houston has outpaced most cities in the retail and office sectors.

## Mixed Results Year-over-year data as of March 2023

|             | Net absorption            | Rent growth | Vacancy rate | Cap rate | Hot markets                      |
|-------------|---------------------------|-------------|--------------|----------|----------------------------------|
| Industrial  | 361.9 million square feet | 10.3%       | 4.3%         | 6.0%     | Dallas–Fort Worth; Chicago       |
| Multifamily | 116,037 units             | 2.5%        | 6.7%         | 4.9%     | Peoria, Ill.; Fayetteville, N.C. |
| Office      | –28.8 million square feet | 0.9%        | 12.9%        | 6.8%     | Houston; Dallas–Fort Worth       |
| Retail      | 63.9 million square feet  | 3.8%        | 4.2%         | 6.7%     | Phoenix; Houston                 |

SOURCE: NAR ANALYSIS OF COSTAR DATA

## Watching the Fed

BY NADIA EVANGELOU

The first quarter of the year was anything but boring for the commercial real estate market. Slower rent growth and rising vacancy rates dominated the market. Vacancy rates reached new record highs in the office sector, which continued its struggle to recover from the pandemic. Meanwhile, with multifamily construction overperforming in the last couple of years, apartment rent growth slowed down further from the record highs during the pandemic. Although leasing activity is slower, the retail sector was able to keep vacancy rates near 4%, the lowest vacancy rate of any sector. And rent prices for industrial spaces continued their climb, growing more than 10% year over year, significantly faster than pre-pandemic. While most of

the sectors slowed from their record high activity in 2021, recent developments in the banking sector added concerns to the market. Regional banks are a critical part of the commercial real estate market because they support the majority of commercial real estate loans. If the Federal Reserve continues rate hikes, more small banks may pull back on commercial real estate lending. The good news: Inflation fell below 5% in April. This could make the Fed pause its rate hikes and switch to rate cuts soon. ■




*Evangelou is a senior economist and director of real estate research for the National Association of REALTORS®.*

## The Latest

NAR's monthly Commercial Market Insights and quarterly Commercial Real Estate Metro Market reports analyze the fundamentals and direction of the commercial real estate market and provide a deep dive into the nation's 175 largest metropolitan commercial real estate markets.

 Commercial Market Insights: [nar.realtor/commercial-market-insights](https://nar.realtor/commercial-market-insights)

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## YOUR NAR

### MEMBER BENEFITS AT A GLANCE



PARCELL AT THE NAR BROKER SUMMIT IN APRIL



#### PRESIDENT'S MESSAGE

## SLAM DUNK FOR NAR

One of the best things about being a REALTOR® is the way we come together to learn from the best. No matter how long we've been in real estate, there's always something new to learn and new perspectives to understand.

We have a unique opportunity at this year's C5 + CCIM Global Summit in Atlanta, Sept. 28–30, to hear from keynote speaker David Robinson, a two-time NBA champion, a two-time Olympic gold medalist, and a graduate of the U.S. Naval Academy. He was named to the Naismith Memorial Basketball Hall of Fame in 2009. Those accomplishments alone would make him a sought-after thought leader, but Robinson didn't stop there. He transitioned from an elite athlete to a successful real estate investor focused on supporting the communities in which he invests. He's known to be an amazing team player and mentor, and we'll get to hear from him—and other incredible speakers—at C5 + CCIM. We hope to see you there. Thank you for Riding with the Brand and making the National Association of REALTORS® the largest commercial real estate association in the U.S. —*Kenny Parcell*

 [c5summit.realestate](https://c5summit.realestate)



David Robinson

## 5 Reasons to Be in Atlanta This Fall

Atlanta is one of the country's hottest centers of art, culture and music—and NAR members have a chance to drink it all in during the C5 + CCIM Global Summit, Sept. 28–30. Why else should you attend the summit?

- 1** Join discussions on the hottest topics in commercial real estate—from AI applications and adaptive reuse to financing and the future of the industry.
- 2** Network and discover new business opportunities with other commercial real estate professionals, economic development officials, lenders and proptech founders.
- 3** Hear from keynote speaker David Robinson, who parlayed a stellar basketball career—including numerous NBA honors and two Olympic gold medals—into a standout investment business. A graduate of the U.S. Naval Academy with a major in mathematics, Robinson is a co-founder of Vero Capital (formerly Admiral Capital Group), a real estate and private equity investment management firm.
- 4** Try out the latest proptech solutions delivering business intelligence and streamlined workflows for commercial real estate professionals.
- 5** Find out what makes “the ATL” shine! Visit cutting-edge developments like Ponce City Market, stroll along the Beltline or take in some of the attractions that are steps away from the venue, such as the iconic World of Coca-Cola, the National Center for Civil and Human Rights, and the Georgia Aquarium. Plus, indulge in delicious southern cuisine at nearby restaurants and soak up the vibrant energy of Centennial Olympic Park.

 Register at [c5summit.realestate](https://c5summit.realestate) for the C5 + CCIM Global Summit, and save \$100 through Aug. 27.



## The Battle Against Rent Control

Encouraging new housing development—not pricing constraints on housing providers—will help America’s renters. **BY ERIN STACKLEY**

**A**s policy makers grapple with housing supply and affordability issues, one sector is receiving extra attention: rental housing. The federal Emergency Rental Assistance Program funds are exhausted in most areas, and inflation is making it difficult for many Americans to pay their bills. Without enough starter homes available for new homebuyers to purchase and with a shortage of low-income rental housing options, policymakers are considering how best to address these issues. Unfortunately, they are not always looking at the larger picture when they do.

At the state and local level, rent control policies are being increasingly touted as a solution. These measures typically limit the amount a property owner can raise the rent on a unit while a resident is in it.

Because these measures, like most rental-housing issues, are taken up at the state or local level, the country ends up with a patchwork of regulations. There are areas in which rent control has been in place to some degree for generations. In other areas, individual localities are considering enacting it. And in some states, preemption laws require statewide approval of the policies, barring localities from taking them up on their own.

The federal government’s role in rental housing policy is limited—but it still has influence. The Supreme Court’s decision striking down the CDC’s eviction moratorium in 2021 was an important reminder that, even during an emergency, the federal government can’t insert itself into policy areas it doesn’t have power in. However, the White House and the federal agencies do have some power, especially over federally backed housing. The White House also has its “bully pulpit,” from which it can urge states to enact policies that it cannot. Over the last year, the White House held multiple meetings with housing provider and tenant groups discussing rental housing issues. The National Association of REALTORS® was invited to participate. In these meetings, NAR stressed the need to address the root of affordability issues by generating more housing and encouraging investment in affordable housing—not rent control or other policies that interfere with the ability of housing providers to run their businesses.

Rent control is a rare instance where the research is fairly conclusive: It doesn’t work. These measures not only fail to improve the financial situation of most renters but also shift the burden of economic difficulties, inflation and other costs onto the housing provider with no counterbalance. This drives housing providers out of communities, stalls new development, reduces the supply of rental units, lowers property values, and over time harms that area’s economy. It is the type of “Band-Aid”

policy that doesn’t come close to addressing the root issue and ultimately does more harm than if nothing had been done at all.

So, what is the solution? Build more housing. Incentivize communities to invest in affordable housing and housing providers to participate in programs such as the Housing Choice Voucher Program, which assists low-income individuals with housing costs. NAR’s message on this issue has been consistent and clear to federal, state and local policymakers: Shifting the burden to housing providers will only make the housing supply and affordability issues worse. Governments have tools already at their disposal—federal grant programs, coronavirus State and Local Fiscal Recovery Funds, and U.S. Department of Housing & Urban Development programs—that can be used to help. In addition, states can take action to remove barriers to housing development, such as overly restrictive zoning and permit wait times.

NAR provides resources you can use to educate policymakers on why rent control doesn’t work, as well as tools to push back against rent control initiatives. These include a rent control “Hot Topic Alert,” a white paper on rent control, and Issues Mobilization grants for state and local associations. Finally, NAR helped found a coalition of influential housing provider industry groups to share our resources and develop new ones while maintaining a consistent message: no to rent control. To win, we must share this message at the federal, state and local levels, while presenting other policy solutions. With the REALTOR® family behind us, we know we can be successful. ■



*Erin Stackley is director of commercial policy and oversight for NAR.*



BOOKTOWERDETROIT.COM



# New Chapter for Detroit

Residences emerge from the restoration of architectural jewel, the Book Tower. **BY JEFFREY STEELE**

A Roaring '20s-era Detroit office building, Book Tower was in decline for almost half a century when it was acquired in 2015 by Detroit-based commercial real estate firm Bedrock. New York-based ODA was brought in for architecture and interior renovation, Brinker/Christman for construction, and Kraemer Design Group for historic preservation.

The team reinstalled 50,000 square feet of marble, replaced all 2,483 windows, and restored 29 exterior caryatids. Former office spaces were adapted into 45 unique floor plans for apartments and hotel rooms. Unveiled in June, the Book Tower offers 229 studio, one- and two-bedroom apartments, as well as an indoor-outdoor lounge with city views, a co-working space, a fitness center and a marble-arched atrium with a restored 2,200-square-foot art glass skylight.



**“This is the most meaningful project you can hope for, a historical building where architecture and design can play a transformational role in both its future, and also the future of Detroit.”**

*Eran Chen, founder and executive director, ODA, New York*

## MIXED-INCOME OPTIONS

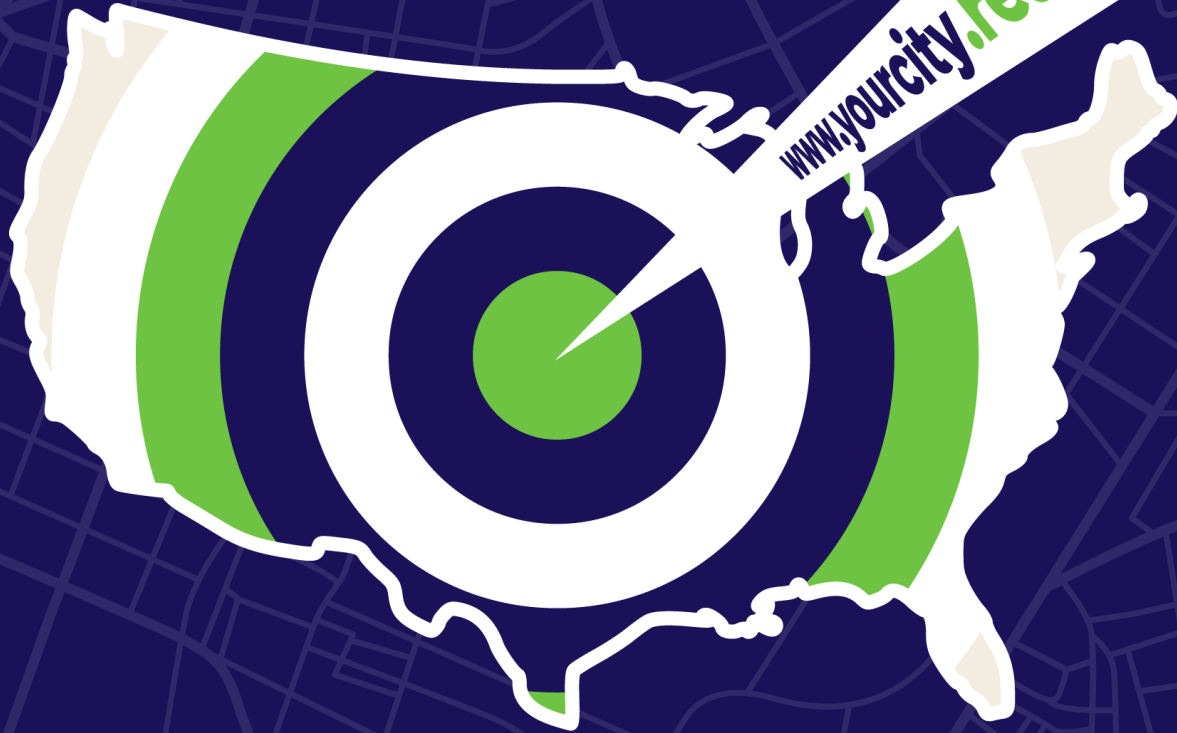
When it opened in 1926, “The Book” represented a soaring symbol of pride for the Motor City. The restored 38-story tower, the focal point of the city’s Washington Boulevard Historic District, is offering a mix of luxury and affordable units.



## THE DETAILS

- ▶ Original design by architect Louis Kamper in Academic Classicism style
- ▶ Opened in June as a mixed-use development with a total of 487,000 square feet
- ▶ Rental residences fill 187,000 square feet
- ▶ Includes 40,700 square feet of retail, 17,600 square feet of office space, and an 86,000-square-foot extended-stay hotel
- ▶ Pre-leasing opportunities launched in April 2023
- ▶ Some residences reserved as affordable for those at or below 80% of the area median income
- ▶ Event space, rooftop bar, and residential terrace in the adjoining Book Building

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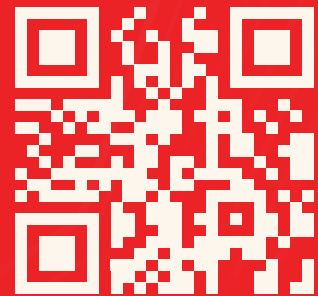
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