WINTER 2025

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Energizing Towns

Commercial real estate pros are playing a vital role in strengthening their communities.

WINTER 2025

Commercial real estate agents and partners Donald Hitchcock (left) and Paul Yandura are committed to reviving the small community of Wardensville, W.Va.

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Paying by App

Proptech Solutions Ease the Pain of Collecting Tenants' Rents

Digital currency may be the next step.

Some property managers find rent collection to be a labor-intensive hassle, but proptech solutions are helping to automate and ease the process.

Several proptech companies are providing solutions to reduce the number of cash and check payments and digitize those payments, says James Scott, IREM innovator-in-residence and research scientist with the real estate technology hub at MIT's Center for Real Estate.

Zego Pay, for instance, uses payment software to automatically digitize rent payments, whether tenants pay online, by check, or with cash. The results can include financial savings from fees and labor. "Processing checks and cash payments can cost from $3 to $10 per payment," says Mark Peters, president and general manager of Zego.

Next Up: Digital Currency?

The next development in rent collection may be digital currency. One property manager who is already on board is Jason Hagenow, vice president of property management at Meridian Group in the Madison, Wis., area. "Our tenants can pay rent directly from their digital wallets. We focus on bitcoin, as it's the most widely accepted digital currency with the most consistent pricing."

He says he offers tenants a deal. "If a tenant pays in bitcoin, we give them rent credits for value increases. For example, if rent is $1,000 and the payment in bitcoin appreciates to $1,200 by the next month, we split the $200 increase, giving the tenant a $100 credit for the following month."

Could wider use be coming? "As [digital currencies] become more stable, we will see more adoption," Hagenow says.

Adapted from "Automating Rent Payments," in the Journal of Property Management, September/October 2024, and "Streamline the Work of Owning Residential Investments," in CREATE, Fall 2024.

Editor's Note: RentRedi, an NAR REALTOR Benefits® partner, offers a mobile app that enables users to collect rent payments, find qualified renters through background checks and proof-of-income verification, manage rental property accounting, track maintenance repairs and more. Learn more at rentredi.com/nar.

Dealmakers

Valuable Drive Time

Joey Galanti, founder and managing principal of Galanti Realty Partners, Atlanta, represented the buyer in the $15 million sale of The Meadows, a 240-pad, 50-acre mobile home park located in Conyers, Ga.

Galanti started his real estate career in 2016 as a property manager. He went on to become a research analyst and earn his license; after graduating to higher-level positions in underwriting, brokerage, acquisitions and asset management, he earned his brokerage license and, in January 2023, started his firm. As an off-market sourcing specialist, he leverages data to unearth hidden opportunities.

While working on an assignment in Conyers, Galanti came across The Meadows, a thriving community that he knew would be a strong fit for one client in particular. Using his own database, compiled from public and private records, he identified the true ownership group and called one of the decision makers.

Surprisingly, the property had never traded hands; the owners had operated the park since they developed it in 1972. "One of the owners I spoke with told me, 'We aren't seeking a sale at this time,' but I still felt it was important to give him my opinion of value, and it piqued his interest," Galanti recalls.

Atlanta-area broker Bob Love had managed the property for decades. So the owners brought Love in to represent their side. The transaction closed in June 2024, five months after Galanti's initial phone call. The Meadows will remain a mobile-home community, Galanti says, providing much-needed affordable housing in the Atlanta metro area.

Share Your Story

Have you closed a commercial transaction within the past six months in excess of $5 million? Tell us about it, and you may be featured online or in a future issue of CREATE Magazine.

nar.realtor/commercial/create/dealmakers

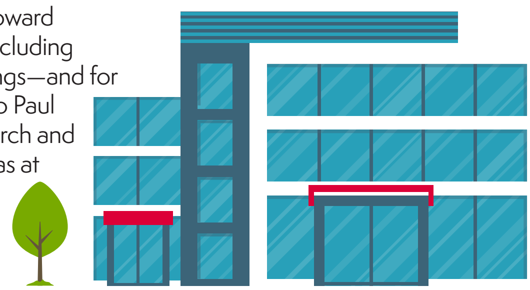
> **“Commercial real estate will always be cyclical. No matter how how good you are, you’re going to have tough times. Through no fault of your own, deals are going to fall apart. Those are the times when you can take a step back and work a little more on your business as opposed to working in your business.”**
>
> *Bob Knakal, chairman and CEO of BKREA, New York, speaking at the C5 + CCIM Summit*

Investor Target

Medical Outpatient Buildings Ripe for Healthy Investment

Favorable conditions make this health care subsector a strong choice.

Investors are gravitating toward health care real estate—including medical outpatient buildings—and for good reason, according to Paul Leonard, director of research and real estate for the Americas at Nuveen.



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The current environment is an “opportunistic entry point” for investors in medical outpatient buildings, Leonard says, citing favorable conditions including:

1 HIGH HEALTH CARE SPENDING: U.S. health care spending accounts for a large and growing part of the economy. As of year’s end 2023, it represented one-sixth of the U.S. gross domestic product.

2 POPULARITY OF OUTPATIENT HEALTH CARE: Consumers and hospitals have moved toward outpatient treatment because of patient convenience, lower costs, and lower hospital reimbursement.

3 AN INCREASE IN SENIOR DEMAND: Seniors are expected to represent a growing share of the U.S. population, increasing by 70% by 2040. Because seniors spend about three times more on health care than younger age groups, that growth should greatly increase health care spending and strong demand.

4 A STRONG TRACK RECORD: The medical outpatient sector has historically generated higher income returns and lower total return volatility than the average sector.

5 SUPPLY AND DEMAND: On the supply side, developers started delaying projects in 2022, when construction financing tightened. Medical outpatient starts have fallen to half of the 2022 level even though occupancy rates are the strongest on record and demand is expected to be strong.

6 DIFFERENT RISK PROFILE THAN THAT OF OFFICE SECTOR: Medical outpatient buildings are less subject to office sector risks such as remote work. In addition, most developers will proceed with medical outpatient projects only with significant preleasing from providers. Outpatient fundamentals weren’t flattened by the pandemic. They soared while the traditional office sector struggled to recover.

Vacancies

Office Downsizing May Have Reached Its Peak

Smaller companies are more likely to expand or maintain portfolios.

Corporate real estate executives who oversee office portfolios recently offered a glimpse of optimism for the beleaguered office sector. Thirty-eight percent of office-using companies said they expect to expand their occupied space over the next three years, compared to 20% in 2023, according to the CBRE 2024 Americas Office Occupier Sentiment Survey. (Although 37% of respondents to the survey said they plan to reduce their occupied space, that’s a drop from 53% last year.)

“An 18-percentage-point, year-over-year increase in companies anticipating expansion of their office footprints is a significant step toward a return to growth,” said Manish Kashyap, the company’s global president of advisory and transaction services, as quoted on the CBRE website.

The companies that anticipate expansion said their reasons include:

- Expected business growth
- Changes in workplace design standards that accommodate new work patterns
- Desire to recover from space trims during the pandemic
- Accommodation of additional employees

Of the smallest companies—those with fewer than 1,000 employees—80% said they plan to maintain or expand their portfolios during the next three years, compared to 63% last year. “Tenants with smaller requirements will continue to drive transaction velocity and shape the future of office leasing activity,” the survey report said.

80%

of smaller companies plan to keep or grow their office space.

CBRE 2024 Americas Office Occupier Sentiment Survey

TAKE THIS

COMMERCIALRE NEWS, TIPS AND TRENDS

Sustainability

How Buildings Can Be Smarter

A major roadblock to smart-building tech adoption is the lack of full integration of systems and data.

Despite the benefits of smart building technology, relatively few organizations take advantage of it. That's because their building systems and data aren't fully integrated, according to a survey conducted for Johnson Controls, which offers building technology, software and services across 150 countries. Respondents included retail and commercial real estate leaders whose experiences informed these three results:

1 Less than 15% of respondents said they're fully integrated. On a scale of 1 (not at all integrated) to 7 (fully integrated), only 13% of retail and commercial real estate leaders reported their systems and equipment were fully integrated.

2 Low integration of facility data is costly. Many leaders said that as a result of low integration, their organizations faced decreases in operating efficiencies (62%), customer loyalty (59%), revenue (47%), and brand reputation (45%). Fifty-seven percent said they had dealt with more regulatory penalties.

3 Managing numerous partners involved with facilities is complicated. Nearly two-thirds of surveyed leaders work with partners that each specialize in specific types of building systems. Leaders also deal with misalignment between their partners (56%) and problems getting accurate and useful information from them (65%).

©EAST TENNESSEE REALTORS®

Local volunteers gather with East Tennessee REALTORS® President Tina Collins-Hefner (third from left), Joey Smith (center), Tenn. Lt. Gov. Randy McNally and Clinton Mayor Scott Burton (right).

Community Heritage

Unveiling 'Townie the Turtle'

REALTOR® association and local students in East Tennessee collaborate to develop a whimsical public art project.

With the help of a National Association of REALTORS® Placemaking Grant, East Tennessee REALTORS® supported the Historic Downtown Clinton Youth Board's initiative to add small trees and a clever terrapin sculpture to improve a small park outside the public library in Clinton, Tenn. Joey Smith, a real estate agent and volunteer leader for the Historic Downtown Clinton group, presented the project to the local association in May 2023, and with the creative skills of the sixth-grade glass at South Clinton Elementary, the project culminated in a ribbon-cutting ceremony for Townie the Turtle during the Mosaic Arts Festival in April 2024.

"Terrapin Hill, a park on a small hill in the heart of downtown Clinton, held a fascinating history," writes Catrin Latham, government affairs and policy specialist for the association. "This quirky bit of local lore, coupled with the park's proximity to the library, inspired the students to propose a sculpture of a turtle on its back, reading a book. This whimsical idea would transform the underutilized space into a scenic walkway connecting downtown to the main street."

The Tennessee Arts Commission sponsored a storybook trail through the park, which incorporates a book written by local author Ray Oliver and illustrated by Smith, that follows Townie the Turtle through historic downtown Clinton. The newly enhanced park has become a gathering place for educational field trips, where children can learn about their town's heritage.

nar.realtor/blogs/spaces-to-places/townie-the-turtle

> **"Attention is the new currency. It's not who you know; it's who knows you. And if your prospective client or customer does not know who you are and what you do, you're not going to get their business."**
>
> *Beth Azor, founder and principal of Azor Advisory Services, Davie, Fla., speaking at the C5 + CCIM Summit on three ways to get the attention of your potential customers: social media, events and prospecting.*

Building Connections

C5 + CCIM Summit Forges Creativity, Fuels New Deals

At the C5 + CCIM Global Summit in September, practitioners gathered to learn and meet with peers from every part of the commercial ecosystem. Mark your calendar: The next summit is Sept. 16–18, 2025, in Chicago.

Pictured (*clockwise from right*) are: Tiffani Bova, brand evangelist and speaker; panelist Helen Calvin, CEO of Buildout; attendees (*from left*) Ferdnando Arencibia Jr., Jennifer Wollmann, Theresa M. Blauch-Mitchell, and Ronald Osborne; speakers Michael Bull (*left*), CEO of Bull Realty, and Bob Knakal, chairman and CEO of BKREA; and attendees enjoying the Havana Nights reception (*from left*) David Harrison, Melody Wen and Rony Thessier.

c5summit.realestate

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Safeguards

How Commercial Real Estate Pros Can Put Safety First

Take these precautions against work-related risks.

Commercial real estate pros face safety issues unique to their work. In a recent podcast, "Staying Safe in the Commercial Real Estate Space," part of the "Drive With NAR" Safety Series, podcast guests highlighted four risks and recommended safeguards.

1. PHYSICAL SAFETY

In a common-use building, there may be hallways or spaces that could hide dangers for a lone agent, said Dawn Aspaas, a broker with Complete Real Estate in Sioux Falls, S.D., and a business transition consultant. "Know how to easily exit."

"Security cameras are a deterrent to some extent, but they may not be positioned where they're capturing the right information," said Brian Woods, CIPS, RENE, C2EX, broker-owner of Team Realty and Investment Solutions in West Palm Beach, Fla. Pay attention to where you park, and watch for lighting and landscaping that could obscure a person.

Notify someone about your whereabouts at all times, Aspaas advised, including where you're going, who you're meeting with and when you're expected back.

2. ONLINE SCAMS IN LAND TRANSACTIONS

Commercial properties aren't immune to the risk of online real estate scams. In fact, Aspaas said, one of her clients once mistakenly believed they were getting a great deal on some land and wired $5,000 to the person they thought was the seller. But the deal wasn't real. "Make sure buyers know not to look for land in places like Craigslist," she adds.

3. ENVIRONMENTAL ISSUES

An environmental site assessment can protect the buyer's rights going forward, Woods says. "We've got to have the right professionals come in to provide the right information to people. Making sure that our customers and our clients are aware of these potential challenges—that's our role."

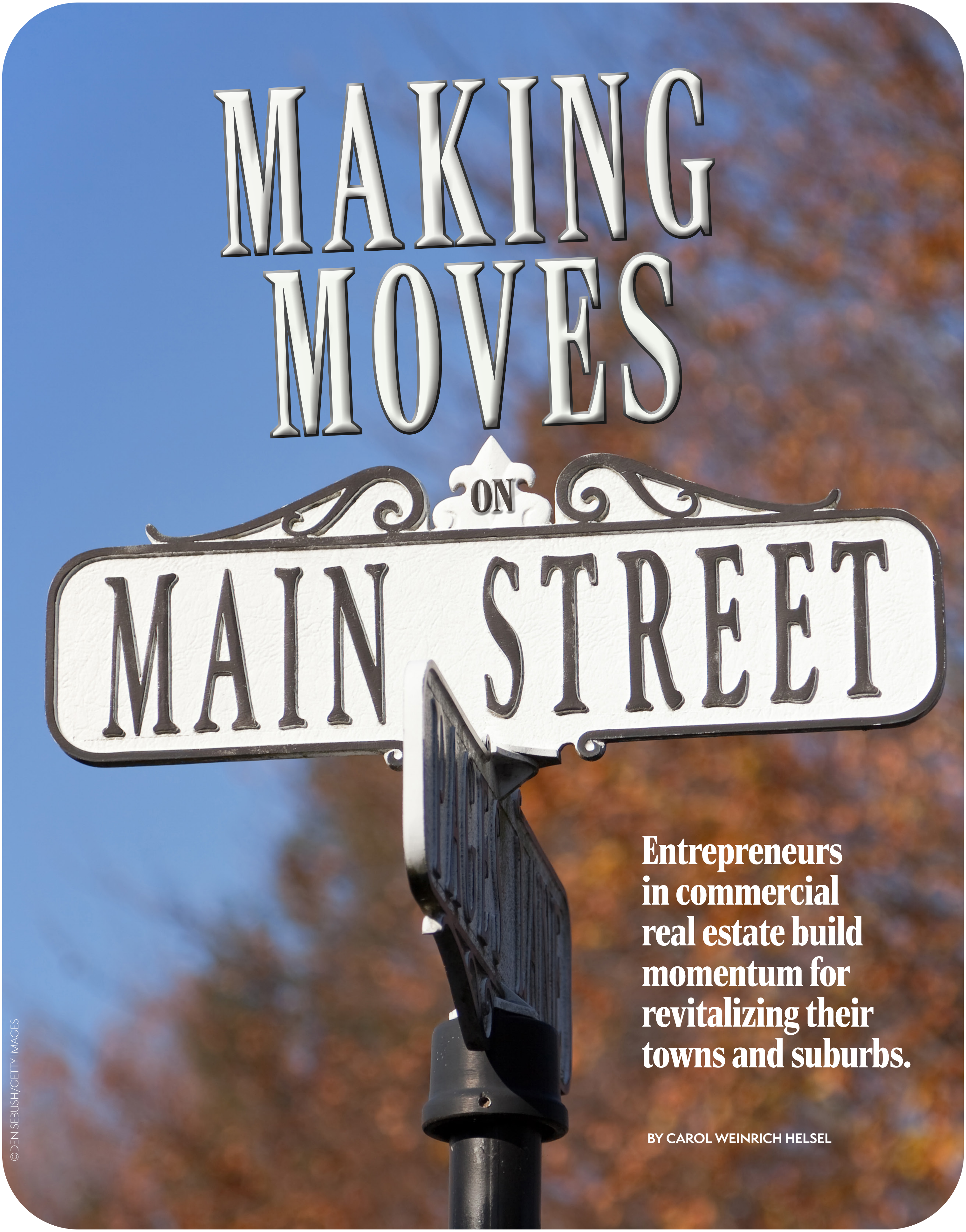
4. ABANDONED PROPERTY

"Don't go in unless you know what's in there," Aspaas cautions. "Always wear the proper gear. Your shoes need to be closed. Get the owner to go with you if they're available."

Adapted from "Staying Safe in the Commercial Real Estate Space," a "Drive With NAR" podcast powered by REALTOR® Magazine in partnership with the REALTOR® Safety Program.

nar.realtor/magazine/drive

MAKING MOVES ON MAIN STREET



Entrepreneurs in commercial real estate build momentum for revitalizing their towns and suburbs.

BY CAROL WEINRICH HELSEL

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Remote work options have led some Americans to trade urban living for smaller communities where the cost of living is lower and the quality of life is often higher. The result is an increasing demand for local services and entertainment that support Main Street development.

Other drivers boosting small-town development include a desire for walkable communities, "shop local" movements, sustainability goals, and an increased interest in revitalization as an economic development strategy. Commercial property professionals are taking advantage of these trends and, in some cases, helping drive them.

©MALCOLM YAWN

Trading D.C. Politics for Rural Renewal

In 2008, Paul Yandura and Donald Hitchcock, both self-described "political creatures," bought a vacation home in rural West Virginia to "escape from D.C." Before long, they began pondering a permanent move and worked out a plan that involved earning their real estate licenses and setting up shop with a local brokerage.

Their first commercial listing was a 3,000-square-foot historical farm and feed store in Wardensville, W.Va. "We saw a vision for the place as a community hub and 'trading post' and pitched it to the seller, who suggested we buy it ourselves," Yandura says. After some soul-searching, Yandura and Hitchcock purchased the property. Today, the Lost River Trading Post anchors a vibrant main street in Wardensville, with a population of 265, drawing customers off nearby interstate routes in the Shenandoah Valley.

Yandura and Hitchcock invested in more than an old feed store. They invested in the community, using the space to host art openings, poetry readings, pop-up dinners and concerts, thus providing a space where local artisans and entrepreneurs could create products and build businesses. "We created a 'Main Street Initiative,' independent of our business, to encourage cooperation between existing businesses and bring in new opportunities," Yandura says. Since then, about a dozen new businesses have opened—most occupying rehabbed space.

Three years after the Trading Post opened, Yandura and Hitchcock's efforts drew the attention of the Jonathan D + Mark C. Lewis Foundation, which focuses on youth empowerment. The foundation, for which Yandura had been an adviser and now serves as its CEO, created Farms Work Wonders, a nonprofit that provides job training for area youth. A multimillion-dollar investment, FWW employs over 100 people. It has spawned local businesses, including a garden market, restaurant, bakery and glassblowing studio, that create local jobs, helping to retain young people who would otherwise leave the community for work.

©LOUANNE WELGOSS

Lost River Trading Post, founded by two local real estate agents, anchors a vibrant Main Street in West Virginia's Potomac Highlands just 99 miles west of DC over the border of Virgina and the Shenandoah Valley.

"The change in the town has been dramatic," Hitchcock, ABR, says. "Our real estate clients thank us for selling them a home and making the town they love so special." Yandura and Hitchcock keep their business interests separate from the foundation's initiative but agree there is a strong synergy between them, helping spur economic development.

"Our personal and financial commitment to the town attracted the foundation's interest," Yandura says. "Simultaneously, the foundation's commitment has become a multiplier effect that we would not have created alone."

As the town's businesses expanded, so did the couple's real estate success. In 2021, they opened Lost River Trading Post Realty. Hitchcock manages the firm, which in three years has become the number one agency in the county, with four agents and an office manager; he's considering expanding to neighboring counties and states.

COMMITTING TO THE COMMUNITY

Hitchcock stresses that community participation is the key to their brokerage's success. "We got involved in civic organizations, attended town hall and economic development meetings, and worked to elect a mayor promoting a business-friendly environment," he says.

"People saw us doing things, giving back, and always being there," Yandura says. "Other entrepreneurs in the past came here and saw the investment opportunity but didn't commit to living here like current successful entrepreneurs. Being part of the community is the best advice we can offer."

They caution that reinvigorating a small-town main street isn't always an easy or fast process. "Small-town development is forever a work in progress," adds Hitchcock. "We're in constant creation mode."

Reflecting on their success, Yandura emphasizes their willingness to work with others, without letting money drive the long-term vision. "We matched people who wanted to start a business with people who wanted to invest in one," Yandura says. "It takes some of the competitiveness out of business development, which is important in a small community."

Turning Around an Indiana Neighborhood

Community is also at the heart of an incremental neighborhood revitalization effort in South Bend, Ind. Working with a cohort of small developers, Mike Keen, broker and managing partner of Hometowne Development LLC, is leading the transformation of an aging neighborhood into a growing, sustainable community he dubbed Portage Midtown. He's doing it one property at a time, and he's proving you can make money doing it.

Keen is a former professor at Indiana University in South Bend. "After 20 years of teaching, I'm in my office, imagining that if I laid every student paper I ever received side-by-side, it would be 19 miles long," he says. "I knew then it was time to do something different.

"I've always been interested in communities and sustainability," Keen says. "My plan was to be a sustainability consultant and build one net-zero home in my area to sell or rent, but the neighborhood was pretty rough." To make the area more attractive, Keen committed to building three net-zero houses, buying a vacant flower shop around the corner and seven empty lots on a tax sale to clean up the area.

Beginning with the flower shop, he and two partners each put in $60,000 to rehab the property, but it appraised at only $150,000. "If it had been a standard 'fix and flip,' we'd have been out of business," says Keen. "But it penciled out, and we could rent it, cover our expenses, and make a little cash, allowing us to move on to the next property." Fast-forward seven years, and Keen is leading the effort to renovate a 56,000-square-foot abandoned former bakery *(pictured at right)* into a collaborative village of retailers, professionals, artists and food entrepreneurs, drawing significant interest from other would-be local developers.

ENGAGING THE COMMUNITY IN INCREMENTAL DEVELOPMENT

"It's been an odyssey, and there have been lots of fits and starts," Keen says. Engaging the community to invest in their neighborhood is the foundation of Keen's incremental development model. "The developer should be the band leader, with the others in the ecosystem playing the instruments," he says. The "band" includes city and economic developers, zoning officials, finance officers, real estate agents, property managers and contractors.

Keen has organized those stakeholders into a vibrant business network called South Bend Town Makers. He began by building relationships with other small-scale developers, assisted by the city planner. "We now have a network of nearly 200 contacts."

REALTOR® Associations Help Grow Commercial Activity

In 2023, the 190-member Heartland Association of REALTORS® helped ignite growth in the West Central Texas town of Bangs (population 1,600) with the help of the REALTOR® Party's Transforming Neighborhoods program. The program works with the Counselors of Real Estate's Consulting Corps to provide analysis, strategies and actionable recommendations.

Along with her association's president and advocacy chair, Heartland CEO Laura Tilley *(right)* met with the Bangs city manager and mayor to elicit support for CRE's application process. When CRE accepted the application, Tilley organized interviews with 25 area stakeholders for the Corps' five-day visit. Following the Corps' recommendations, there are now plans for new affordable housing and commercial developments, and the city has launched a campaign inviting people to "Invest in Small Town Living."

The association is now "more recognized as a resource," Tilley says. And the engagement spurred several members to pursue commercial designations. "Their expertise enhances their reputation and the association's as we work to position our members as community resources."

realtorparty.realtor/transforming-neighborhoods

©COURTESY OF MIKE KEEN

Mike Keen, broker and managing partner of Hometowne Development LLC, is leading the Portage Midtown redevelopment in South Bend, Ind., estimated to deliver major returns.

Keen believes the incremental model is not for developers and property agents focused solely on the bottom line. He denounces developers who come into a community and want to blast everything away to put parking lots in front of buildings that won't last 20 years. "This is a mission-based approach to real estate development and one that is very satisfying and can be profitable," he says.

START SMALL AND BUILD CAPACITY

Commercial specialists interested in incremental development should assess the market and decide what it can bear. "Start with renovations, not new builds," Keen says. "Move in, pay yourself rent, and build your capacity and resources." For sales and leasing, Keen advocates bringing the right people to the right spaces.

Ashley Hairston (*right*), owner of ANH Realty Group, is one of several real estate agents in South Bend Town Makers who saw an opportunity to do something impactful in the neighborhood. "Being young and relatively new to real estate, I couldn't see myself selling the same homes year after year," she says.

After Hairston bought her first property, she talked to Keen and realized she'd done everything wrong. "You live and learn, and I'll know for the next one," she says. Hairston is already eyeing a vacant lot next to the property she bought and is partnering with another South Bend Town Makers group member to explore a multifamily development.

GETTING BANKS ON BOARD

Financing is the biggest challenge to incremental development. "Bankers don't see it," Keen says. "We talked to six banks before securing a loan for our first effort. You have to build relationships."

Keen echoes the advice of Dallas-based incremental developer Monte Anderson: "Don't beg for money; be attractive to money." Nonprofit advocacy organization Strong Towns *(see article at right)* has recognized Anderson for his work saving struggling neighborhoods.

"It takes heart, hustle and humor," says Keen. But the payoff is real. Public Square, a journal dedicated to best practices in urbanism, estimates that by 2031, the redevelopment in Portage Midtown will total $15.2 million in private investment and deliver about $300,000 annually in taxes to the city—an astounding 2,334% increase from before Keen began his work.

The community development group doesn't compete with large-project commercial or residential development, at least not now. "We tell the city we don't object to them bringing in big outside developers, but we want them to help us build capacity so someday we can handle big projects," he says. "In the meantime, we're building a neighborhood that cares about [investment in] the community." ■

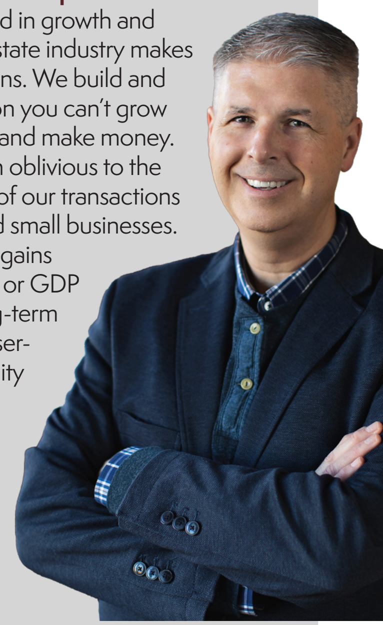
Carol Weinrich Helsel is a freelance writer and owner of Pastiche Communications.

Growing Resilient Towns Takes Persistence

Charles Marohn *(below)* is the founder and president of northern Minnesota–based Strong Towns, which seeks to replace America's postwar pattern of development (the "suburban experiment") with a financially strong and resilient development paradigm. Marohn is on a mission to help communities become stronger and more prosperous. Here, he shares his views on "Main Street America" and the role of commercial real estate professionals.

What is missing on main streets across America?
Customers. People are missing from America's main streets. When I see thriving communities, they have main streets designed and built for people living within walking distance. Trying to entice people to come with one-off events won't sustain a community.

What role does the real estate industry play in unsustainable development patterns?
Like all industries involved in growth and development, the real estate industry makes money on the transactions. We build and sell. But there is no reason you can't grow the community's wealth and make money. For too long, we've been oblivious to the long-term ramifications of our transactions on city governments and small businesses. We focus on short-term gains defined by employment or GDP data rather than the long-term cost to cities to provide services. Growing community wealth requires a more complex understanding of what is required to build a great city.



How do we solve the problem, and is there a role for commercial specialists?
We need to build more viable, smaller buildings adaptable to multiple uses—for example, commercial spaces that can be converted into residential or small shops. Adaptable buildings create less risk and more opportunity for long-term resiliency and growth. Commercial real estate professionals understand this. They see what's not working today, but understandably, they like doing large transactions—one big thing, one time. Small projects can be much harder because they involve doing many things over and over. Getting 40 tenants to fill a space takes more work than just one.

'Main Street' is currently undergoing nationwide rejuvenation. It's where families and small businesses want to be. Cities see it as a dynamic and resilient investment. But it takes work. You can't do it from afar; you must be there and nurture your investments.

LOGISTICS SERIES
PART 1

Intermodal: What Is It and Why Should You Care?

Supply-chain considerations play a key part in clients' site selection and negotiations.

BY ROB NAHIGIAN

Logistics and supply chains became hot topics in real estate beginning in the early 2000s, as offshore manufacturing accelerated. For many brokers working with domestic clients, especially those specializing in industrial and retail sales and leasing, questions about international imports arose: How does a product get from Shanghai to the United States? How expensive is it to transport goods? What U.S. port does a corporation select for its port entry, and how do products flow through the U.S. to the consumer's shelf?

Today, understanding supply-chain management is critical to commercial real estate brokers who want to help clients make real estate decisions that support the efficient distribution of goods. This year, I'll be producing a series for CREATE Magazine on different aspects of transportation that you should be aware of in your work with industrial, wholesale and retail clients.

Let's start with the basic question: What is the definition of "intermodal"? Simply, it is the transfer of products involving multiple modes of transportation. In the logistics world, there are four main modes of transportation: air, truck, rail and ship. A company that engages more than one of these modes is said to be "intermodal."

Yes, there are other forms of transportation; the Keystone Pipeline, for example, moves oil from Canada to the U.S. In congested cities, vans and even bicycles may be a company's preferred mode of transportation. And, of course, Amazon is experimenting with drones to reduce delivery to one or two hours "click to pick." (That term refers to the time between when you purchase and when the product arrives at your door.)

A Hefty Cost

Sometimes, an intermodal client looking for space in an area will rely on a broker to contact the representatives of transportation companies to talk about shipping scheduling and delivery. Whether or not you're involved in those kinds of activities, you should know the basic terminology, as well as the basic economics of supply-chain management.

Over the past 15 years, I've studied reports on supply-chain costs and toured numerous ports. Based on my reading and conversations with clients, I estimate that, for companies that transport goods overseas from China, transportation typically accounts for about 60% of total operating costs. A December 2023

LOGISTICS SERIES
PART 1

article by St. Louis–based Anders CPAs + Advisors indicated that transportation can range as high as 86% of operating costs.

You don't need to be a transportation expert to understand that transportation takes a big piece of the pie. Add in the cost of inventory, labor and customer service, and that does not leave much in the budget for rent. By the time a real estate director approaches you about space availability, the company has likely committed 90% or more of its budget. Budgeted rent costs in the logistics industry tend to range between 4% and 6% of total supply-chain costs. Rent is important, but the cost and mode of transportation highly affects real estate site selection and lease negotiations.

Transportation costs vary depending on the mode. At right, take a closer look at the four main modes of transporting goods from most expensive (air) to least expensive (ship). Because this article is about intermodal, the analysis is geared toward companies that import goods from overseas.

Be a One-stop Shop

Today, if you're working with clients who ship goods from overseas, your professional services should go beyond knowledge of warehouse availability and rental rates. It's useful to know the answer to questions such as:

- Which port(s) of entry do they use?
- Are there adequate warehouse facilities nearby?
- Are there adequate transportation options (rail or truck) from ship to warehouse?
- Does the final customer base its port decision on geography of its client location?
- Does the port have rail or highway access?
- Where is the destination?

All these questions involve intermodal transportation, and an end user expects a real estate broker to be ready with the answers. By understanding your client's transportation requirements, having a strong network of contacts within all four modes of transportation, and knowing the availability of the intermodal transportation for selected buildings you can be a valuable partner to your client's real estate team. ■

Rob Nahigian, SIOR, CRE, is president of Auburndale Realty in Newton, Mass. In his career, which spans more than 50 years, he has handled approximately $7.2 billion of real estate totaling 44 million square feet. Since the 1980s, he has been teaching industrial real estate topics for the Society of Industrial and Office REALTORS®, and he is a frequent speaker and author on transportation and its impact on real estate site selection.

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AIR

Great for: Getting product delivered to customers ASAP. Seasonal product can be transported from South Korea to Columbus, Ohio, in 14 hours and 2 minutes, according to TravelMath. By contrast, products take approximately 13 days to get from Shanghai to Long Beach by ship and another six days to get from Long Beach to Columbus by rail, truck or both. Products moving through the Panama Canal from Shanghai to New York City take about 26 days.

Disadvantage: Besides being the most expensive mode of transportation, cargo planes generally require at least 7,900 linear feet for a runway. That will eliminate many smaller airport choices.

TRUCK

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Great for: Transporting product just about anywhere there are streets and highways.

Disadvantages: Trucks generally carry only one container. In addition, a driver's life is grueling, so it's difficult to find workers willing to drive trucks. The American Trucking Association says the U.S. was short 60,000 drivers in 2023. As a result, the cost of hiring drivers is high. Job search site Indeed has openings at companies like Walmart that are paying up to $110,000 per year.

A third disadvantage is urban traffic and bridges. Traffic congestion creates a tremendous loss of time, and many cities don't have truck clearance on their secondary bridges. Some cities, such as New York, charge congestion fees to trucks traveling in peak hours.

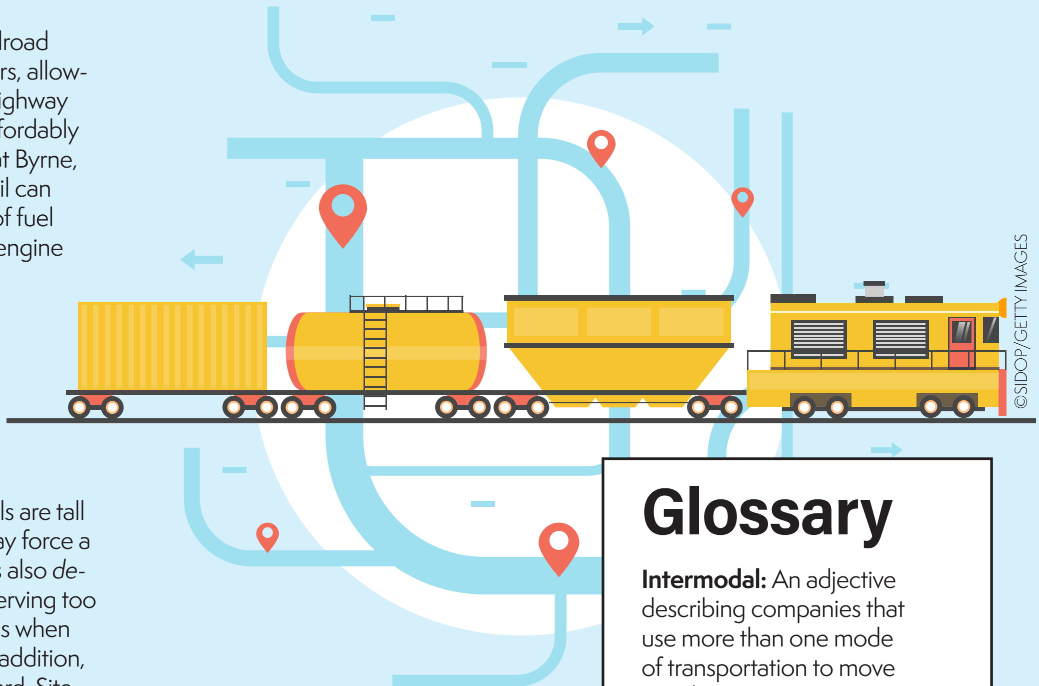
Interesting aside: Truck transportation can be circuitous. In addition to avoiding areas of low bridge clearance, truck drivers sometimes go out of their way to avoid left turns. United Parcel Service even began discouraging left turns where possible after the National Highway Traffic Safety Administration published crash data in 2010 showing that left-hand turns were the number one causal factor in crashes. In intersections, left turns lead to far more accidents than crossings and right turns.

RAIL

Great for: Transporting hundreds or thousands of containers over land.

Rail service saves time and money. Railroad companies can double-stack containers, allowing for more capacity on a train, and highway traffic is not an issue. Rail cars travel affordably at all hours of the day. According to Pat Byrne, a former regional manager for CSX, rail can achieve over 400 miles to the gallon of fuel (primarily diesel fuel with coolant and engine oil). Chicago is the largest hub for rail, and Kansas City is the second largest hub. Chicago, therefore, has the most industrial square footage in the country. Its central location allows for relatively easy distribution to the coasts.

Disadvantages: Not all railroad tunnels are tall enough for double-stacking, which may force a redirection of rail cars. With rail, there's also *demurrage*—the cost associated with reserving too many rail cars and the cost that accrues when product is left sitting in the rail yard. In addition, rail does not flow to everyone's backyard. Site selection can be challenging if a client wants both rail service and a location next to a highway ramp. That's because rail was originally developed to travel through the middle of a town or city, while the highway is often on the outskirts.



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Glossary

Intermodal: An adjective describing companies that use more than one mode of transportation to move goods.

Logistics: The process for transporting goods from the point of origin to the point of consumption (and back, in the case of returns).

Supply chain: Encompasses every step in getting goods from the source to the end user, including not just delivery but also the growth or mining of raw materials, manufacturing and final assembly.

TEU: A transportation industry acronym for "twenty-equivalent units," referring to a standard marine shipping container that measures 20 feet long, 8 feet wide and 8.6 feet tall.

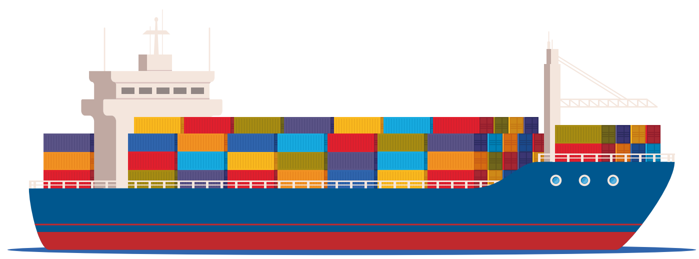
SHIP

Great for: High-volume transport overseas. Cargo ships carry thousands of containers. Interesting aside: You can track the location of ships en route using Vesselfinder.com.

Disadvantages: It can take 13 days, according to Prologis, to ship from Shanghai to Long Beach, Calif., the largest U.S. port. In addition, shipping has dangers. Ships can have accidents on the high seas, resulting in fire casualties or containers falling into the ocean.

Ships also need to reserve berths at ports and may have to wait many days out on the ocean if the port is overbooked. Waiting racks up additional costs, including those of the ship's crew, rescheduling rail or truck pickup, and paying penalties to customers for delayed deliveries. Even when there are no delays, companies also must pay for cranes to unload containers for storage on the pier or placement directly onto a rail car or a truck. This cost is known as *drayage* or, sometimes, pier costs. Nothing is free at the port.

There's also the risk of strikes, such as the one that occurred in September 2024. If a port or entire coast has a strike, a product may never make it to the client or consumer or may be delayed for weeks. In that case, especially where a distributor needs to get seasonal goods to market, it may be useful to have redundancy with locations at several ports on the East, West and Gulf coasts.



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2024 National Commercial Awards

Congratulations to these 35 commercial real estate professionals, recognized last year by their local or state REALTOR® association or by one of NAR's affiliated institutes, societies or councils for exceptional contributions to the commercial real estate industry or their community.

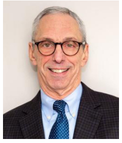
See the award won by each of this year's National Commercial Award recipients.

nar.realtor/nca

Colorado

Dax Hayden
Broker, Hayden Outdoors
Durango Area Association of REALTORS®

Connecticut



Carl Russell, CCIM, SIOR
Senior Commercial Broker Pearce Real Estate
New Haven Middlesex Association of REALTORS®

Florida

Jennifer Forbes, CIPS, AHWD
Broker-Owner, Commercial Teammates Inc.
Miami REALTORS®

Ryan Sampson, ALC, CCIM
Principal, Eshenbaugh Land Company
Florida Gulfcoast Commercial Association of REALTORS®

Georgia

James Shanken, CCIM, CIPS
Broker/Partner, Coldwell Banker Southern Coast
Hinesville Area Board of REALTORS®

Iowa

Matt Adams
Land Broker, Peoples Company
Des Moines Area Association of REALTORS®

Troy Louwagie, ALC
Broker, Hertz Real Estate Services
Cedar Rapids Area Association of REALTORS®

Idaho

Skye Root, ALC
Broker, Root Realty LLC
Boise Regional REALTORS®

Illinois

Peter Cotsirilos, CCIM
Chief Acquisitions Officer, Self-Storage Developers LLC, Keller Williams, ONEChicago
Northern Illinois Commercial Association of REALTORS®

Indiana

Randy Scheidt, CCIM, GRI
Owner, Scheidt Commercial Realty LLC
MIBOR REALTOR® Association

Kansas

W. Alan Huffman, CPM
Founding Principal and Former CEO, Key Management Co.
REALTORS® of South Central Kansas

Mitch Keeley
Land Specialist, Whitetail Properties Real Estate
Kansas City Regional Association of REALTORS®

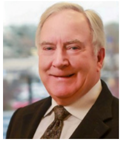
Louisiana

Steve Legendre, CCIM
Regional Vice President, Stirling
Greater Baton Rouge Association of REALTORS®

Maine

Cheri Bonawitz, CCIM
Broker, Malone Commercial Brokers
Maine Commercial Association of REALTORS®

Massachusetts



Duncan Chapman
Managing Broker, Keller Williams Realty North
REALTORS® Commercial Alliance of Massachusetts

Michigan

Max Grover, CCIM
Executive Vice President, Moxie
Commercial Alliance of REALTORS®

Mississippi

Sterling McCool, CCIM
Broker Associate, Overby Inc.
Central Mississippi REALTORS®

Missouri

James Delgado, CIPS
Vice President, Cozad Commercial RE Group
St. Charles County Association of REALTORS®

David Wright
Chief Deal Officer and Owner, Lawyers Realty Co. LLC
St. Louis Association of REALTORS®

North Carolina

Byron Aynes, CCIM
Vice President and Partner, The Overton Group LLC
Cape Fear REALTORS®

David Howard
Executive Vice President, JLL
Charlotte Region Commercial Board of REALTORS®

Timothy McGee
Owner, McGee Commercial Real Estate
Greensboro Regional REALTORS® Association

New Jersey

Jeffrey Jones, AHWD
Broker-Owner, Amerisource Realty Network
North Central Jersey Association of REALTORS®

New Mexico

Shelly Branscom, CCIM
Senior Director, NAI SunVista
Commercial Association of REALTORS® New Mexico

New York

Mark Rohlin
Broker, Mission Commercial Realty
New York State Commercial Association of REALTORS®

Ohio

Jesse Shkolnik
Senior Advisor, Equity
Columbus Association of REALTORS®

Anjanette "A.J." Frye, ABR, CIPS
President, RCF Properties Inc.
Dayton REALTORS®

Oregon

James Lyons, CCIM, SIOR
Partner, Principal Broker, Compass Commercial Real Estate
Cascades East Association of REALTORS®

Walter Ramage
Partner, Principal Broker, NAI Cascade
Cascades East Association of REALTORS®

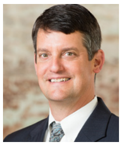
Pennsylvania

Barbra Murdocca, SRES, SFR
Chief Operating Officer, Landmark Commercial Realty
Greater Harrisburg Association of REALTORS®

Rhode Island

Christina Rouse
Director of Marketing and Operations, Broker Associate, Sweeney Real Estate & Appraisal
Rhode Island Commercial and Appraisal Board of REALTORS®

South Carolina



Peter Harper, CCIM
Principal, Lee & Associates
Charleston Trident Association of REALTORS®

Tennessee

Jay Cobble, CCIM, SIOR
Partner, Principal Broker, Providence Commercial Real Estate
East Tennessee REALTORS®

Texas

William Curtis, CCIM, CPM
Commercial Managing Director, Phyllis Browning Company
San Antonio Board of REALTORS®

Virginia

Deniz Senyurt, CCIM
Associate Broker, Coldwell Banker Realty
Northern Virginia Association of REALTORS®

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Dekalb Association of REALTORS®, Ga.
Greensboro Regional REALTORS® Association, N.C.
Long Island Board of REALTORS®, N.Y.
North San Diego County Association of REALTORS®, Calif.
St. Charles County Association of REALTORS®, Mo.

Diamond Level

Arcadia Association of REALTORS®, Calif.
Broward Palm Beaches & St Lucie REALTORS®, Fla.
Cascades East Association of REALTORS®, Ore.
Charleston Trident Association of REALTORS®, S.C.
Charlotte Region Commercial Board of REALTORS®, N.C.
Commercial Alliance of REALTORS®, Mich.
Greater Baton Rouge Association of REALTORS®, La.
Greater Harrisburg Association of REALTORS®, Pa.
Mainstreet Organization of REALTORS®, Ill.
Metrotex Association of REALTORS®, Texas
Miami Association of REALTORS®, Fla.
Naples Area Board of REALTORS®, Fla.
Northeast Tennessee Association of REALTORS®
Northern Illinois Commercial Association of REALTORS®
Orlando Regional REALTORS® Association, Fla.
Pinellas Suncoast Association of REALTORS®, Fla.
Rhode Island Commercial and Appraisal Board of REALTORS®
Scottsdale Area Association of REALTORS®, Ariz.
Southland Regional Association of REALTORS®, Calif.
Space Coast Association of REALTORS®, Fla.
St. Louis Association of REALTORS®, Mo.
Texas Regional Association of REALTORS®

Gold Level

400 North REALTORS®, Ga.
Central Wisconsin Board of REALTORS®
Columbus Association of REALTORS®, Ohio
Dayton REALTORS®, Ohio
Frederick County Association of REALTORS®, Md.
Missouri Association of REALTORS®
New Haven Middlesex REALTORS®, Conn.
Oklahoma City Metropolitan Association of REALTORS®
REALTOR® Association of Sarasota & Manatee, Fla.
REALTORS® Association of South Central Wisconsin
South Shore REALTORS®, Mass.
West & Southeast REALTORS® of the Valley, Ariz.

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Creating a Path for Housing Development

C5 + CCIM Global Summit attendees got a state and national take on how governments can help bring about much-needed residential development in commercial zones. **BY STACEY MONCRIEFF**

For decades, National Association of REALTORS® members have been at the forefront of state and local advocacy in support of housing affordability. The availability of affordable housing is crucial not just to residents but to businesses that rely on a local workforce. Today, many states are looking at comprehensive reforms to create more affordable housing while helping cities and counties absorb underused commercial space. In September, at the **C5 + CCIM Global Summit**, hosted by NAR and the CCIM Institute, commercial practitioners got a deep dive into one such effort.

Expanding Options Statewide

The Live Local Act, Florida's first major affordable housing legislation since 1992, aims to facilitate the creation of affordable housing through adaptive reuse and urban infill. NAR welcomed one of the architects of the law, Florida state Sen. Alex Calatayud, to the C5 stage to talk about the vision for and expected impact of the legislation, which went into effect in March 2023.

"We have made the specific and intentional change to create a statewide preemption on commercial-zoned property," Calatayud *(right)* told the C5 audience. "We allowed for commercial-zoned property to be able to be converted into multifamily rentals. If at least 40% of the units are workforce-affordable, or 80% to 120% of AMI [area median income], then that parcel can be made available for the highest height in a mile; the highest density within the entirety of that jurisdiction, municipality or county; and the highest floor-area ratio x 1.5 of that jurisdiction. And, so, the Live Local Act itself is named after this concept that we can reimagine our communities so that people can live where they work."

For commercial real estate practitioners in the state, the law gives their clients new options, says Fernando Arencibia Jr., AHWD, PSA, broker and co-CEO of Avanti Way Commercial in Doral, Fla., who attended the Summit.

"I have a client who was getting ready to list a commercial parcel around the time that the Live Local Act was becoming a reality. Once it was law, I sent him the details and he reevaluated his parcel. Instead of selling it, he is going to build a

mixed-use project. So now a piece of commercial land that may have gone undeveloped for years, even though it was going to change hands, will now be activated with housing and mixed-use retail," says Arencibia *(above)*. "That's a great example of how a piece of legislation can encourage new housing units to come into a market that desperately needs it. It's impactful."

Florida Realtors® was involved in supporting the Live Local Act, says Tom Butler, public policy communications director for the state association, "and we continue to champion the legislation at every available opportunity."

Federal Government's Role

Sharing a national perspective, Sharon Wilson Géno *(below)*, president of the National Multifamily Housing Council, said federal incentives could be an important factor in making adaptive reuse projects work. But she struck a cautionary note about near-term prospects.

"Banks and lending institutions are going to need to give as much flexibility as they possibly can over the next couple of years and to be creative about how we take real estate assets that have lost some value and move forward," Wilson Géno said. States and cities may also need to rethink their tax structures, she said, because "in many communities that commercial rate is significantly higher than that residential rate."

Wilson Géno said public and private-sector collaboration can help address the multifaceted challenges facing the commercial real estate industry.

NAR Director of Commercial & Policy Oversight Erin Stackley, who facilitated the conversation, concluded with a call to action for real estate professionals to engage with policymakers at all levels of government. ■

Snapshot of Q3 2024

Negative net absorption in the office sector slowed in the third quarter compared with Q2, when it was at -43.4 million square feet.

Year-over-year data as of October 2024

	Net Absorption	Rent Growth	Vacancy Rate	Cap Rate	Hot Markets
Industrial	112.3 million square feet	2.97%	6.63%	7.36%	Richmond, VA; Minneapolis, MN
Multifamily	536,991 units	1.12%	7.81%	6.13%	Providence, RI; New York
Office	–30.7 million square feet	0.88%	13.84%	8.64%	Inland Empire, CA; Miami
Retail	32.4 million square feet	2.35%	4.08%	6.93%	Salt Lake City; Raleigh, NC

SOURCE: NAR ANALYSIS OF COSTAR DATA

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Signs of Life

Economic indicators, and the promise of more Fed cuts, point to an improving market. **BY LAWRENCE YUN**

The Federal Reserve went all-in when COVID-19 struck. From March 2020, a 0% interest-rate policy and cheap capital boosted investment in commercial real estate. The average commercial property price rose by 15%. Many of the loans were of a five-year term, and these loans are starting to come due. Some $2 trillion in refinancing will be required over the next two years.

When the Fed aggressively raised interest rates in 2022 and 2023, from 0% to 5.375%, the higher cost of capital killed off commercial investment purchases and erased earlier price gains. Recently, the average commercial price was 10% below the 2019 average.

Despite these challenges, the worst in commercial prices could be over. The job market has been resilient. There are 7 million more workers compared to pre-COVID employment, and wages are up 4.1% year over year. Consumer spending will help boost the retail sector, which incidentally added very little new supply and is therefore holding at low vacancy rates. Both industrial and multifamily sectors are enjoying solid positive demand for space but are temporarily facing oversupply conditions, which have hurt rent growth. Even the office sector is showing signs of life, especially in the Sun Belt cities. Most importantly, the Federal Reserve has started its interest rate–cutting cycle. Extra capital will move into commercial real estate, property prices will rebound somewhat, and refinancing—though not necessarily easy—will be much less challenging. ■

Lawrence Yun is chief economist and senior vice president of 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

Commercial Metro Market Reports: nar.realtor/commercial-metro-market-reports

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MEMBER BENEFITS AT A GLANCE

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PRESIDENT'S MESSAGE

Success Breeds Success

Commercial real estate activity is part of the ecosystem of a healthy community. A vibrant market spurs development, creates jobs and attracts residents. At NAR, we're practiced at working with governments and key stakeholders to drive activity. One of our great strengths as an organization is the network of REALTOR® associations around the country that can help members identify and address local needs. NAR not only supports those efforts but also celebrates successes. The REALTOR® Party, our nonpartisan advocacy operation, publishes local and state success stories at the web page listed below. One recent story rated a mention in this issue's cover story: It started when the 190-member Heartland Association of REALTORS® teamed up with elected officials in Bangs, Texas *(see page 8)*. How can the REALTOR® Party help you overcome challenges in your area? Check out the success stories, engage with your local association, and take advantage of the tremendous resources available to you as an NAR member.

realtorparty.realtor/success-stories

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Get.realtor: Transform your business with a cutting-edge, turnkey ".realtor" or ".realestate" commercial website designed to build your online presence and drive leads and referrals. A .realtor website is free to members for the first year, and $39.95 per year thereafter.

IRAR: Get a discounted flat fee on self-directed IRAs that allow direct investment in commercial properties using tax-deferred retirement dollars.

REALTOR Team Store®: Order an assortment of products, pins, garments and more—all branded in commercial red—to show off your membership pride. Receive 10% off or free shipping.

RentRedi: Access custom prescreening and application forms, collect payments, and manage maintenance, unlimited units and tenants, for just $1 for your first six months, then 50% off your six-month subscription renewal.

1-800-GOT-JUNK?: Use code NARCOM10 to save 10% on full-service junk removal to support clearing out businesses before, during or after a move.

Other Special Offerings

Brevitas: Leverage this online marketplace to list commercial properties, connect with potential buyers and investors, and utilize marketing tools to enhance your reach. NAR members receive a 33% discount on all plans.

CompStak: REALTORS Property Resource® members receive 500 free credits to get started on this commercial real estate data platform that provides lease comps, sales comps and property data.

Crexi: Connect with buyers, sellers and brokers on this tech platform, where you can list properties and access a wide range of commercial real estate listings. NAR members receive an exclusive 35% discount on Crexi Pro.

REALTORS Property Resource® (RPR): Search for on- and off-market properties, lifestyle and behavior data, investment analysis and site-selection tools. ■

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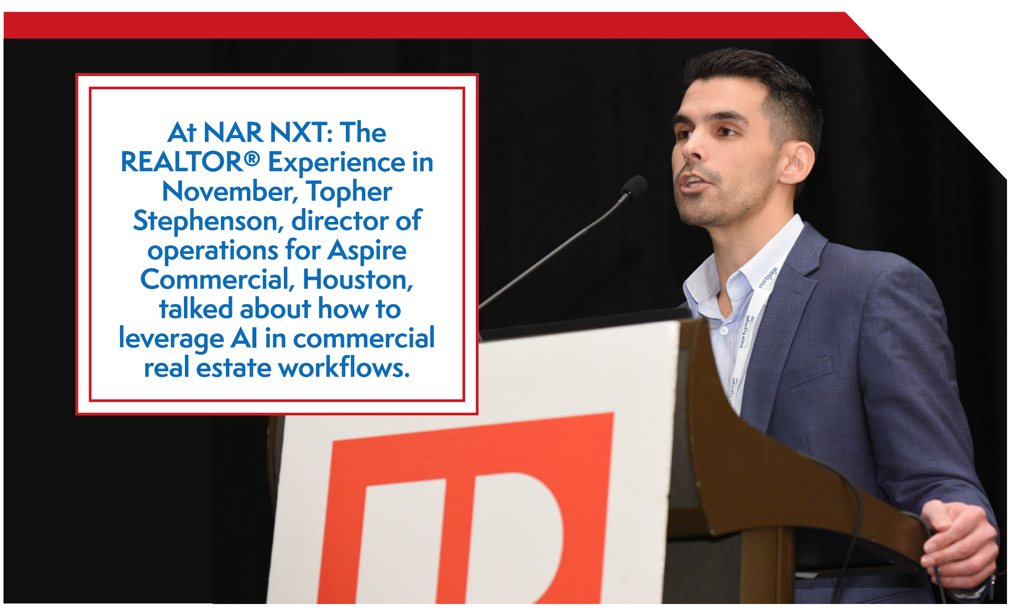

At NAR NXT: The REALTOR® Experience in November, Topher Stephenson, director of operations for Aspire Commercial, Houston, talked about how to leverage AI in commercial real estate workflows.

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Bringing Small Business Home

Startup gives small business owners a leg up in purchasing real estate.

BY STACEY MONCRIEFF

When Kevin Song was 11 years old, his world turned upside down. For his entire life, his parents had operated a thriving grocery store. The store had been a steady presence in their Brooklyn, N.Y., neighborhood for two decades. But when a developer purchased the building and sprang an enormous rent increase on them, they were forced to close the business, and later lost their home.

"Small business owners are the backbone of our country, and they should be beneficiaries and not victims of their own success."

-Kevin Song

How, Song often wondered, could a store that had supported the community for so many years be so easily driven out of business? "Small business owners are the backbone of the country, and they should be beneficiaries and not victims of their own success," he says.

Song began to ponder a solution. His question changed from "How could this happen?" to "How can I help successful small business owners avoid the situation my parents faced?"

The answer was withco, a company he founded in 2019. The company's mission is to help small business owners identify suitable properties for purchase. Withco then buys the properties and sets up a lease-to-own agreement. The arrangement enables small-business owners to build enough equity to fund a down payment and purchase the property within five years. There's a $5 million limit on purchases. And withco works with brokers and agents on both the buying and the selling side of transactions, Song says.

There are nearly 35 million small businesses in the U.S., according to a July 2024 report from the U.S. Small Business Administration. They employ almost 46% of American workers and are responsible for 43.5% of the U.S. GDP. But their size often puts them at a disadvantage when it comes to real estate, Song says. Building owners often prefer national credit tenants because owners don't know how to underwrite small business tenants, even if those tenants create value by bringing foot traffic and boosting the community.

"When I first met Kevin, and heard the why, what and how for withco, I knew I had to invest," Rich Boyle, the former chairman and CEO of LoopNet, wrote in 2022. Boyle is a general partner with Canaan, an early-stage venture capital firm. "As we got to understand Kevin's layered vision and surgical execution for the company, we realized that we were not only witnessing the creation of a brand-new massive market category but also the minting of its category leader."

Withco has attracted $30 million in venture capital, including from high-profile investors such as tennis player Venus Williams, NBA star Kevin Durant and former U.S. Housing and Urban Development Secretary Julián Castro.

The company is doing business in the 48 contiguous states—"we love the Southeast and Midwest," Song says—and more than 17,000 businesses have applied via the website, with.co.

"Our first customer from 2021 bought back their building earlier this year," Song says. "This round trip validates that there's a significantly better way to buy, lease and sell small commercial buildings."

In July, withco was named a 2024 REACH Commercial company. The program allows startups to leverage a broad community of real estate industry executives, investors, developers, mentors and entrepreneurs, along with a global network of company founders. REACH was created by Second Century Ventures, a technology growth fund backed by the National Association of REALTORS®.

"The REACH program has been amazing," Song says. "The staff, the community of founders, the ability to get the word out there to people who have real skin in the game—it's invaluable." ■

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With the Works

Raleigh Iron Works shows off local and global leasing synergy in new commercial revitalization project.

BY JEFFREY STEELE

The steel mill buildings of Raleigh, N.C., had reached the end of their useful lives in the 1980s. These bare-bones structures, essentially just concrete floors and rough cladding, accomplished little more than keeping weather outside.

Seeing their potential, Raleigh-based developer Grubb Ventures LLC purchased the buildings in 2016 and inked a partnership with global real estate investment company Jamestown in 2019, resulting in a multiyear adaptive reuse conversion into a thriving innovation center and community hub.

Brasfield & Gorrie of Birmingham, Ala., began construction of the new Raleigh Iron Works project in 2021, adding two- and three-story structures to the site, while various phases continued through 2024.

When crews began the work of converting the old steel mill and warehouse structures into a new creative office and retail center, they were given strict instructions regarding the salvaged materials pulled from the aging structures.

Materials that appeared to be original were to be carefully placed in an untrammeled corner of the site, says Anthony Smithson, managing director with Grubb Ventures. "We were careful about not throwing anything away," he says. In the completed property, those reclaimed materials are invested with new life as sculptural artwork, landscaping and signage. And there's more to come: This project represents the 10-acre first phase of anticipated development. ■

"We have very modern finishes and best-in-class execution, but we wanted to honor the original geometry in the final design."

–Anthony Smithson, managing director of development and construction, Grubb Ventures LLC

TOP TENANTS

Swiss luxury watch brand Audemars Piguet, "eatertainment" concept Jaguar Bolera, Ponysaurus Brewing, Brodeto restaurant, an ice cream shop, yoga-barre studio, houseplant boutique and menswear store fill the site along with several office tenants.

THE DETAILS

- Two Peden Steel mill buildings, Double Gable and Bow Truss, dating back to the late 1800s
- Forge, a seven-story, new-construction multifamily structure with 219 apartments surrounded by a new streetscape environment
- 71,000 square feet of retail, restaurant, fitness space
- 170,000 square feet of Class A creative office space
- Total project cost of $150 million
- Lead designer and original architect S9 Architecture, New York City, and local architect of record LS3P

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