IN THIS ISSUE:

PRESIDENT’S UPDATE / Owning Our Momentum
RESEARCH / Consumer Spending Impacts Retail
ADVOCACY / Changes to Lending & Tax Reform
EDUCATION / Assembling Great Teams
DATA & TECH / New NAR Resources for Members
RPR® Now Available to Institute Affiliate Members
To ensure all NAR members have access to property data and tools after the recent disruption in the industry, the National Association of REALTORS® is extending FREE access to the Realtors Property Resource® (RPR®) platform to members with an Institute Affiliate* membership through 2018.

*Members with REALTOR® status already have access to this exclusive NAR member benefit.

Register for the REALTORS® Legislative Conference & Trade Expo
Take an active role to advance the commercial real estate industry, public policy, and your association. Travel to Washington, D.C., for special issues forums, committee meetings, legislative activities, a networking reception, and the industry trade show. Register and search for commercial programming at:

www.nar.realtor/midyear

Bring Your Perspective to 2019 Committees
Serving on a committee is a great way to make your concerns heard. You can complete your application and submit your endorsements online beginning in April. Once your materials are received, your information is compiled into reports to be used by NAR Officers in the NAR committee selection process. If you have any questions, please email vholmen@realtors.org or call Victoria Holmen at (312) 329-8414.

www.CommitteeApp.realtor

Make NAR’s Booth Your “Home Base in Vegas”
Will you be meeting with clients at ICSC RECon this May? Schedule as many 30-minute sessions as you need on a first-come-first-served basis by e-mailing NARCommercial@realtors.org with your request. Be sure to visit the booth for personalized property data resource demos and complimentary refreshments.

www.nar.realtor/icsc
OWNING OUR MOMENTUM

A NOTE FROM 2018 NAR PRESIDENT, ELIZABETH MENDENHALL

Every competitive swimmer understands how the start of the race can decide the finish. You may have a strong stroke and thunderous kick, but if you’re slow off the starting block, it’s difficult to catch up in the water – especially if your competition in the surrounding lanes is resilient. A good start means creating tremendous speed with your dive, carrying it through your breakout, using your momentum to explode up to the surface, and owning your race through the finish.

My swimming career ended years ago but the lessons I learned remain applicable. As we dive into 2018, it’s imperative we start the year forcefully. The real estate industry is evolving at breakneck speed. Not only do REALTORS® need to pick up the pace, we need to drive the pace. While NAR was quick off the block, working tirelessly this first quarter to harness the power of our 1.2 million members, we need your help to ensure a successful finish come yearend.

NAR’s Strategic Planning Committee has identified four priorities the Association must focus on throughout 2018. These issues are not new. In fact, most have been association priorities for many years now. However, they have a different trajectory in today’s environment. Our success in achieving these goals continues to change as new innovators shape our industry, and there are significant and imminent consequences for waiting out the race in the wading pool.

The first priority is to define measurable increases in professionalism for REALTORS®. Our goal is to find out what issues make the most difference to consumers and how we can surmount those expectations. Professionalism is a hot topic for all practitioners, but it is especially important in the commercial space, where more residential agents are dabbling in the commercial practice. Proficiency is essential; NAR will continue to make strides in support of this priority.

The second is to increase our efforts and influence in regulatory and legislative initiatives. All members need to understand the connection between getting involved in advocacy and sustaining their business. Given the current political climate, it is essential that we heighten our advocacy work in 2018 to deal with vital legislative issues such as the National Flood Insurance Program, 1031-exchanges, and ramifications from tax reform.

Our third priority is to take real estate data to the next level. Real estate brokers in the commercial arena face great competition in terms of who is managing our data and how to make the most of it. We want to explore new business models and dynamic partnerships so REALTORS® can stay competitive and provide value to consumers.

Finally, NAR is committed to ensuring REALTORS® stay relevant to the real estate transaction, no matter how the business model changes. Consumers are better protected when they have a trusted advisor at their side, guiding them through complicated transactions, and this is exactly what our commercial members do every day. We want to share this message throughout this year.

NAR’s 2018 priorities focus on issues uniting all REALTORS®, enabling our association and our industry to move faster. We cannot be content to simply tread water. We must “Own It” together. Let’s plunge full-throttle into this year, striving to maximize our momentum and ensure REALTORS® will own our competition, own our profession, and own our future.

Elizabeth G. Mendenhall
Finalized in December 2017 and effective January 1, 2018, the U.S. Small Business Administration (SBA) has updated its standard operating procedure (SOP) relating to equity requirements for its 7(a) loan program, lowering them from 25% to 10%.

The 7(a) loan program is the SBA’s most popular, allowing small business borrowers to obtain up to $5M in loans to fund startup costs, which include the purchase of new land (including construction costs), repairs to existing capital, and purchasing or expanding an existing business. In addition to lowering the equity requirements for the 7(a) program, the SOP update also streamlines and improves the administration of SBA 504 Loans, or the Certified Development Company program, which provides long-term, fixed-rate financing for the acquisition of fixed assets (frequently real estate, buildings, and machinery) necessary for small businesses to grow.

Though it remains to be seen how the lenders themselves will respond to the lower equity requirements, the SOP update may provide greater accessibility and flexibility, and more lending, for small business working with the SBA – potentially spurring growth throughout the country. NAR Commercial members frequently work with small businesses as clients, and according to NAR’s Commercial Real Estate Lending Trends 2017 report, 6% worked with the SBA loans programs and 16% used the SBA to refinance existing loans.

These positive changes come about following several collaborative years between NAR and the SBA, during which NAR has provided the SBA feedback on lending programs and worked to raise awareness among REALTORS® of the options the agency provides. During that time, along with the SOP update, the SBA unveiled “SBA One,” a program to modernize the agency and make it more responsive to borrower’s needs. SBA One streamlined the application process for borrowers and created new options and opportunities for borrowers and lenders to find each other. NAR continues to work closely with the SBA to improve their programs and educate members on their availability and uses, including education sessions and panels at the NAR conferences featuring the SBA Administrator and Program Officers.

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

ADVOCACY

SMALL BUSINESS ADMINISTRATION MAKES POSITIVE CHANGES TO LOAN PROGRAMS

By Erin Stackley, Senior Commercial Legislative Policy Representative, NAR

A GLANCE AT TAX REFORM & ITS IMPACT ON COMMERCIAL REAL ESTATE

1031 LIKE-KIND EXCHANGES: Retained for real property, but repealed for personal property.

CARRIED INTEREST: Requires a three-year holding period to qualify for capital gains treatment of carried interest.

PASS-THROUGH INCOME: Eligible for a 20% deduction, if it is a “non-personal service business.” “Personal service businesses” will likely include real estate, but there are still options for real estate professionals to take advantage of some or all of the new tax rules for pass-through income:

— Business owners making less than $157,500 (single) or $315,000 (couples filing jointly) can take the 20% deduction, even from personal service businesses.
  • Above those income levels, the benefit of the 20% deduction phases out over an income range of $50,000 for singles and $100,000 for couples.
— Non-personal service income above the threshold may see the deduction limited by the wage and capital limit exception.¹

¹ This limits the deduction to the greater of 50% of the W-2 wages, or 25% of the W-2 wages plus 2.5% of the cost basis of the tangible depreciable property of the business at the end of the year.

HOW WILL TAX REFORM AFFECT YOU?

Read NAR’s comprehensive overview: www.nar.realtor/tax-reform

NAR’s Government Affairs Team breaks it down on video: tinyurl.com/yb6gym8n
“Every day, the commercial real estate industry faces a myriad of complex policy issues. I can concentrate on my business and my clients because I know RPAC and the REALTOR® Party are always advocating for me.”

-Krista Clark,
NAR 2018 Commercial Liaison
Adventurer... Practitioner
Always available!

Institute Affiliates can now access through 2018!

Good price and potential for vacant building in Charlotte

What do you know?

One sec, hiking with kids

Just sent demographic and economic stats report. Lots of millennials nearby. 👍

What? Working from the trail?!

Numbers look good. Let's talk co-working investment opportunities.

Strategy tomorrow? I'll call later.

Institute Affiliates can now access through 2018!
RETAIL SECTOR CONTENDS WITH SHIFTING CONSUMER SPENDING

By George Ratiu, Managing Director of Housing & Commercial Research, NAR

Employment Gains Boost Income
The economy continued to grow at a solid annual rate of 3.0 percent in the third quarter of 2017, sustaining the growth pace from the second quarter (3.1 percent). Private consumption and investment spending continued to be the engines of growth, as the employment landscape remained bright.

Since March 2010, private payrolls have increased by an average of nearly 190,000 jobs per month, totaling 17.1 million new jobs over the period ending in October 2017. Hurricanes Harvey and Irma temporarily moderated that pace, leading to 18,000 net new jobs in September 2017. Nonetheless, the number of new jobs recovered quickly, to 252,000 in October 2017. The total number of post-recession net new jobs more than offsets the 8.8 million jobs lost during the 2008-09 recession.

The third quarter’s figures painted a solid picture of gains. Payroll employment advanced in the third quarter of 2017, to the tune of 471,000 new jobs, according to the Bureau of Labor Statistics (BLS). Private service-providing industries continued as the growth engine during the third quarter, with 383,000 net new jobs. The unemployment rate dropped to 4.3 percent in the third quarter of 2017 compared to the rate in the second quarter (4.4 percent) and one year ago (4.9 percent).

Along with employment advances, wage growth has been rising, and along with it, disposable income. Disposable personal income—adjusted for inflation—increased 1.1 percent in the third quarter, according to the BEA. Real disposable income growth was on par with the third quarter’s 1.1 percent gain, but lower than the 1.4 percent growth registered in the third quarter of 2016.
Consumption Patterns Impact Retail Sales

Riding a wave of strengthening employment figures, consumers’ optimism improved. The Conference Board’s Consumer Confidence Index indicates that consumers have become more bullish, as the index rose to 125.9 in October 2017, up from the previous month (120.6) and one year ago (100.8).

In turn, consumer spending continued on an upward trend. Private consumption spending—the largest component of gross domestic product—increased at an annual rate of 2.4 percent, in the wake a solid advance from the second quarter (3.3 percent). Reflecting the late summer/early fall season, consumers spent more on cars, trucks and SUVs, food and beverage, recreation, as well as at restaurants and hotels.

However, on the retail side, consumers continued their shift toward on-line purchases in 2017, driving strong demand for distribution centers. Retail e-commerce sales totaled $115.3 billion in the third quarter of last year, a 15.5 percent gain compared with the same quarter of the prior year, according to the Census Bureau. E-commerce sales represented 9.1 percent of total retail sales.

Retail Sector Experiences Rising Vacancies

Low unemployment rates, rising wages, and improving optimism led to growing retail sales in the third quarter. Demand for retail spaces was positive, even with department store closures. Retail net absorption totaled 7.4 million square feet during the quarter, according to CBRE. Retail construction activity slowed, with completions totaling 11.3 million square feet. Retail availability rate picked up, moving to 7.0 percent in the third quarter, as asking retail rents moderated, rising 4.1 percent year-over-year, to $17.15 per square foot.

Commercial fundamentals in REALTOR® member markets stumbled in the third quarter of this year, despite an expanding economy. Leasing volume declined, posting a 5.9 percent slide from the preceding quarter. New construction increased by a slower 2.9 percent from the prior quarter, as developers faced higher construction costs and a shortage of labor. Leasing rates increased by a modest 1.1 percent, as concessions declined 1.6 percent.

...continued
Vacancy rates continued declining in the third quarter of this year across the property types, with the exception of retail. Office vacancies reached 12.7 percent, while industrial dropped to 8.0 percent. Multifamily vacancies declined to 5.3 percent as household formation numbers advanced. Retail vacancies rose to 11.1 percent, as national department stores announced further store closings during the quarter.

In the words of Warren Buffett, “Price is what you pay. Value is what you get.” So what types of data or subscriptions are commercial practitioners paying for and what do they get in return? Based on a study of various markets and commercial practitioner workflows, we discovered commercial practitioners spend anywhere from $2,000 to $20,000 annually on data to support business intelligence.

These subscriptions may include:

- **On-market listing platforms**: $50-$1,000 per month
- **Aggregated public records data** (property specifications, mortgage information, tax records, legal descriptions and building owner contacts): $20-$400 per month
- **Tenant and business reports**: $25-$85 per month
- **Demographic and economic statistics**: $40-$100 per month
- **Financial analysis software**: $40-$50 per month

While price ranges for these data sources vary dramatically, and may appear like a larger investment equates to stronger support for gaining and retaining clients, and closing more deals, that’s not necessarily the case. Without a single, streamlined source of commercial data, the majority of practitioners piecemeal information from multiple sources, sometimes tied to extraordinary fee structures, and then incorporate the outcomes into one voluminous client presentation. The result is a report that not only lacks continuity but has consumed more than its fair share of a practitioner’s valuable time.

Commercial practitioners in search of smarter, more dollar wise ways of conducting business turn to Realtors Property Resource® (RPR®). The exclusive, REALTOR® only data and reporting platform offers the data a practitioner needs, from researching on-and-off market properties and business viabilities, to identifying current and predictive market trends, and even producing financial analyses to gauge return ratios at the end of hold periods — all from one single sign-on system, RPR®. In this instance, value extends far beyond price for an intuitive system that aggregates large amounts of data and quickly helps practitioners to access and accurately convey information.

RPR® Commercial includes:

- Over 320,000 active listings (including 106,000+ leasing opportunities)
- More than 35 million off-market properties (building, property specifications, tax records, mortgage information, and legal descriptions)
- 7 million+ tenants (direct contacts, phone number, time occupying space)
- More than 20 million business points of interest (address, type of business, start date, annual sales volume, number of employees, and square footage)
- 4 million+ published traffic counts (current and historical)
- Over 80,000 unique users of the Investor analysis integration powered by Valuate® with 155,000+ analyses generated
- Nationwide access to actual and predictive demographic and economic statistics and trends

With time, cost, and quality in the forefront, RPR® delivers easy access to validating research without the aggravation of multiple sites and the strain of high subscription costs. In fact, there’s no additional fee for RPR® because it’s already incorporated into NAR dues.

Leverage all that RPR® Commercial has to offer by getting started today at narrpr.com.

*RPR® is a member benefit offered by the National Association of REALTORS®.*
The way to the competition isn’t just to the competition, but to the competition. Choose the education that gives you the competitive advantage. Earn your Master of Real Estate degree from REALTOR® University. Learn more about our Commercial Real Estate Investment and Analysis concentration. RealtorU.edu

Instant access to a tool as powerful as RPR is almost a requirement today as clients continue to expect information instantaneously.

See for yourself! www.narrpr.com

RPR Commercial: Your Data all in one Place

- 320,000+ Active Listings
- 35 Million+ Off-market Properties
- 20 Million+ Businesses
- 7 Million+ Tenants
- 4 Million+ Traffic Counts
- 155,000+ Financial Analyses
The way to OUTEARN the competition isn’t just to OUTWORK the competition, but to OUTTHINK the competition.

Choose the education that gives you the competitive advantage. Earn your Master of Real Estate degree from REALTOR® University. Learn more about our Commercial Real Estate Investment and Analysis concentration.

RealtorU.edu
Recently, a wave of disruption within the commercial real estate industry impacted thousands of NAR members across the country. Xceligent’s researched property data was no longer accessible, and the CommercialSearch.com listing platform ceased operations. Additionally, some local commercial information exchanges (CIEs) shut down.

NAR President Elizabeth Mendenhall appointed a Presidential Advisory Group (PAG) on the Future of Commercial Real Estate Data. Appointing members from across the country and commercial disciplines demonstrated NAR’s desire to play an active role in the ever changing landscape of commercial technology and data use. Since late December, the PAG has met by conference call three times to prioritize needs and put forth recommendations for action.

As of early February, three recommendations have already been acted on:

A brief data survey was sent January 9 to NAR’s 80,000 commercial members. While the results show 49% of members cite a commercial listing platform as a primary need, there’s no indication one solution fits all. Members use a variety of platforms including local CIEs, CoStar and the Realtors Property Resource (RPR) to access property data.
NAR gave free RPR access to all Institute Affiliate (IA) members for the remainder of 2018. An IA member holds a designation from one of the five commercial Institutes, Societies and Councils in the NAR family (CCIM Institute, Counselors of Real Estate, Institute of Real Estate Management, REALTORS® Land Institute and Society of Industrial and Office REALTORS) but doesn’t hold REALTOR status.

A new resource page was created on NAR's member website, NAR.REALTOR, containing a list of viable vendors, tools, and other commercial data and listing resources so members know the many options existing in the market. Survey feedback pinpointed the initial group of companies members use and they were added to the Resource Page. Four of those companies negotiated NAR member discounts or other special offers. The new webpage, www.nar.realtor/commercial/technology-and-data was launched Feb. 1 and is expected to continue to grow as more companies sign on.

NAR will continue to look for opportunities to ensure all commercial members are aware of and have access to the tools needed to conduct business. Keep an eye on your monthly e-newsletter, Commercial Digest, for continuing developments.
GROWTH THROUGH MENTORSHIP

A LOOK INSIDE THE GOLDIE INITIATIVE
By Rob Warmowski, Contributing Writer

Real estate’s sales-based, lone-wolf business culture is one that can sometimes overlook the profit potential in doing things a different way. When young professionals come to this industry, often their “onboarding” is little more than receiving a few rules and pointing them to the marketplace to sink or swim. And when the professional happens to be a woman, the process is even more foreboding. Given these impersonal norms, many in the industry have begun actively seeking mentorship opportunities as a way to develop profitable skills.

When consulting giants McKinsey and Company set out in 2015 to study the impact of gender diversity on corporate profitability, they found that companies who held on to outmoded staffing and promotion norms were leaving money on the table. McKinsey looked at 350 large public companies in North America, Latin American, and the UK and found that the companies among the top 25% in gender diversity were 15% more likely to produce better returns than comparable companies – an unexpected outcome for many in a traditionally male-dominated industry.

In the commercial real estate industry, the gold in gender diversity may have no greater symbol than a woman with the stuff in her very name. In 2007, Goldie B. Wolfe Miller, commercial broker extraordinaire and first female Vice President of Arthur Rubloff & Company, leveraged her decades of industry success to found The Goldie B. Wolfe Miller Women Leaders In Real Estate Initiative, a program dedicated to mentoring women entering a traditionally male-dominated industry.

Wolfe Miller’s vision was to put more women in the corner office by creating a mentorship program to share with candidates what she learned about making it there. Leaving Rubloff in 1989, she started her own firm and grew it from a tenant representation specialty into a juggernaut with $3 billion in transactions, reported to be the largest woman-owned commercial real estate company in the country. Along the way, invaluable experiences piled up and she wanted to share.

Mentors and Mentees
Karin Kraai, Senior Managing Director at Newmark Knight Frank would know about the benefits of such sharing. As a past President of the Goldie Initiative Board, she has served as mentor to program graduates, helping to guide them in their careers and navigate the industry.

“I have had the opportunity to have mentors throughout my career, both male and female. These leaders challenged me and weren’t afraid to give me constructive feedback, especially when I needed it the most.”

Stop The Second-Guessing
The personal touch of mentorship programs means the
opportunity for honest assessments from someone more akin to a friend than a teacher or colleague. Kraai recalls when one bit of input had a major effect in her career.

“One of my mentors told me several years ago that he noticed a difference in my style, and that while I might wonder if I had ‘lost my edge’ that I had actually gained it. I realized that I had become more comfortable in just being myself and not trying to act or present in a certain way that I thought at the time was more acceptable or competitive.”

Kraai decided to embrace this advice and began to take strategic risks in her professional career and in choices of volunteerism. “[I]t led to me starting my own company, becoming President of the Board for the Goldie Initiative and being asked to speak on several panels that have created some great opportunities and relationships.”

Not Taking No For An Answer
Sevara Davis, Senior Manager of Real Estate at Chicago Public Schools manages a portfolio of over 60 million square feet in the nation’s third-largest public school system. A graduate of the Goldie Initiative program, she credits the mentorship she received for insights leading to successes in that most critical of business arenas: negotiations.

“I negotiated and fought for this position for no less than five months. I kept pushing, kept interviewing, kept saying ‘Hey, I’m the person for this position. Here’s what I can do once I’m in the position. Here are the contacts that I have to push these buildings through and make sure everything is handled successfully.’"

The technique, persistence, and endurance on display, says Davis, come from the guidance she got from mentors under the program. “Not only in pushing for my job specifically - all of these things are acutely in line to what I know Goldie to be: a go-getter, determined, not taking no for an answer, and doing whatever it takes to get the desired outcome. I feel like I directly applied that.”

A Team Even If You’re Alone
Davis remembers that mentorship is in part a numbers game: the more personal input she got from more mentors, the better. “I’ve had countless direct and indirect mentors with the program. Mentors that I’ve had lunch with, dinner with, or had built personal relationships with. I say to them ‘Hey, this is what I’m thinking of doing in this [career position], what are your thoughts on that? What would you say would be a better fit?’ They’ve been instrumental in figuring out what the path through my career looks like. They say ‘this is what I think you should be doing, here’s how you get with that, and here’s how to progress toward it.’”

Giving Back
Karin Kraai echoes the Initiative’s founder’s idea by helping the mentored become the mentors. “I have mentored several scholars in the Goldie Initiative and throughout my career; I believe it’s imperative to do so to help upcoming leaders in the industry and to give back. I now also seek out mentors that are younger than me and earlier in their career; we can help each other with different perspectives, information, and ideas.”
LANDU Education Week
Arlington, Texas | June 3-11
Complete all six courses towards the Accredited Land Consultant (ALC) Designation in one place!
Registration opens April 2018.

2018 LANDU Education Week Courses
• Land 101: Fundamentals of Land Brokerage
• Land Investment Analysis
• Transitional Land Real Estate Transactions
• Tax Deferred 1031 Exchanges
• Real Estate Mapping Technologies & Techniques
• Agricultural Land Brokerage & Marketing
PLANNING FOR THE UNTHINKABLE:

A MASS CASUALTY EVENT
By Clifford Chip Olson, CCIM

Mass casualty events such as active shooter situations, vehicle accidents, and explosions often leave us wondering if we are safe in our day-to-day activities. It is vital for property managers to be prepared for these events. The work you do today could save lives tomorrow. Factors like ease of access, inadequate escape paths, inability to identify threats, and poor communication have made it easier for mass casualty events to occur. How can your plan address these site vulnerabilities?

Property Managers Can Lessen the Possibility of a Mass Casualty Event
The first step towards building your plan is to involve the right people. The assessment process provides you an opportunity to work with community partners to identify, correct, and prevent problems and fosters communication with those involved in a crisis situation. Cultivate these relationships in advance so emergency responders are familiar with your properties and organization.

You may already have talent from your staff, building maintenance departments, and tenants who can provide ideas and insights. Local law enforcement can share crime patterns and history. Other potential resources can include Fire Departments, Emergency Management Departments, hospitals, community watch groups, and local advocacy organizations. You may also wish to connect with other area property managers about their plans.

Assessing and Correcting Vulnerabilities
Site assessments must be completed annually to determine potential vulnerabilities. This includes walking the neighborhood and grounds, interacting with tenants, conducting online research, and communicating with local law enforcement. It also means inspecting the property, reviewing policies and procedures, and examining the building’s operational systems. Consideration of situational risk factors such as valuables on site or social activities in the community should be incorporated.

The results of your site assessment should be kept in written form by the property manager and on-site to ensure easy access.

Good Assessments Account for Areas and Layers of Security
Your assessment team must think about human interactions and brainstorm “What If?” scenarios as a focus for evaluating security in each area and layer. Think of layers as the property and surrounding infrastructure and areas as spaces in the property. A standard approach for assessing each is needed.

Consider the first layer the natural or constructed barriers which include neighborhood spaces such as the surrounding houses, streets, curbs, and public sidewalks. The second layer extends from the public sidewalk to the edge of building. The third layer is the building exterior and interior areas.

...CONTINUED
Thoroughly observe your surroundings in each layer, considering them from the viewpoints of both people who use the space regularly and people who intend harm. Document all potentially problematic vulnerabilities you observe.

For example: What if someone brought a weapon to a tenant’s business in the third layer of your property, intending to settle a grievance? How would your staff react? How would local law enforcement instruct people to implement protective actions? What could you do to mitigate the potential for disaster? Running scenarios like this focuses your attention on useful questions about prevention, actions needed, communications, and escape routes.

Don’t forget to include special events and activities, both onsite and offsite, and the added challenges they may pose. Special events can sometimes cause emotional controversy, media attention, exposure, and transportation issues.

Putting It Together to Form Your Plan

After identifying potential vulnerabilities, it is important to develop a plan or strategy for enhancing protective measures. Modifying landscaping, improving lighting, or adding signs can make a difference. Further improvements can include adding security technology and communications systems, and enhancing locks and window protections.

In addition to physical changes, updated policies and procedures should be established and incorporated into the emergency operations documents. It is important for staff, property occupants, and users to understand security and technological solutions. However, these are only effective when people regard safety and security as their personal responsibility. A successful plan allows everyone to be observant, make reasonable evaluations of the potential for harm, warn others, and get help.

Ideally your plan instills an attitude of shared responsibility that extends beyond the walls of your property and involves the whole community. Because security begins and ends with people, effective plans must build partnerships and promote awareness among neighbors, social service organizations, local business, first responders, community leaders, and others.
Commercial Real Estate Bridge Lender

- NON-RECOUSE Loans
- $3 to 12 Million
- Quick Response and Decision Making
- Aggressive Underwriting for Quality Real Estate
- Flexible Lending Structures

Tell us your story

Art Rendak
630.218.5261
www.inlandmtg.com

Inland Mortgage Capital, LLC
MALL MAKEOVERS TURN THE CORNER

By G.M. Filisko, Contributing Writer

Too many of the nation’s malls have been flailing for years, but there now appears to be consensus in the development sphere that the best way forward is to transform many of them into major mixed-use and walkable communities that will serve as a base camp for residents, businesses, and visitors.

At least, that option is viable for some malls, says Doug Beiswenger, managing partner of LBG Real Estate Cos in Newport Beach, Calif. In July 2017, LBG purchased the Hilltop Mall in Richmond, Calif., for an undisclosed amount and has just launched its plan to redevelop the property.

“I think it’s very location specific,” says Beiswenger. “We look at a lot of malls across the country, and there are a lot where there just may not be a market to develop a mixed-used community.”

The man spearheading the transformation of the former Valley View Mall into a new community called Dallas Midtown, Scott Beck, CEO of Beck Ventures, agrees that creating new communities out of whole cloth is the answer for many distressed malls — but not all. “To me, it really depends on where these malls are located,” he asserts. “To simply say, ‘This is a mall, so we can do a mixed-use redevelopment’ isn’t accurate.”

What’s making today’s mall turnaround projects work? Beiswenger and Beck say the idea of mixed-use communities blossoming from underperforming malls is viable in locations where several factors have come together.

“My personal opinion is that there are a number of malls that are in a fairly in-between situation, where they just don’t make sense to create a mixed-use development of the property,” says Beiswenger. “You need a mall that’s gotten to a point that it’s time to do that, but you also need that population density and income to support that transformation.”

That’s what attracted Beiswenger’s company to the Hilltop Mall, which is currently performing anemically. It’s about 70 percent leased, and its maintenance and aesthetics have long been neglected. “The problem with this mall has been that the previous ownership, which was foreclosed on, hadn’t put any capital into it,” he explains. “And malls are a capital-intensive endeavor.”

Despite that, this site is a beauty in the eyes of developers like Beiswenger. “We’re looking for properties like Hilltop that have that population and a certain level of average household income of that general population,” he says. “The Hilltop property is very ideal for infill with an existing dense population with excellent income.”

It’s also 20 miles from downtown San Francisco and 25 miles south of Napa. “The city of Richmond is about to open a ferry that will go from the port to the ferry building in downtown San Francisco in 26 minutes,” notes Beiswenger. “We also have a freeway on and off ramp on the I-80 that’s named after Hilltop. This is in the East Bay of California, and you simply can’t replicate this sort of opportunity.”
What's making today's mall turnaround projects work? Beiswenger and Beck say the idea of mixed-use communities blossoming from underperforming malls is viable in locations where several factors have come together.

“My personal opinion is that there are a number of malls that are in a fairly in-between situation, where they just don’t make sense to create a mixed-use development of the property,” says Beiswenger. “You need a mall that’s gotten to a point that it’s time to do that, but you also need that population density and income to support that transformation.”

That’s what attracted Beiswenger’s company to the Hilltop Mall, which is currently performing anemically. It’s about 70 percent leased, and its maintenance and aesthetics have long been neglected. “The problem with this mall has been that the previous ownership, which was foreclosed on, hadn’t put any capital into it,” he explains. “And malls are a capital-intensive endeavor.”

Despite that, this site is a beauty in the eyes of developers like Beiswenger. “We’re looking for properties like Hilltop that have that population and a certain level of average household income of that general population,” he says. “The Hilltop property is very ideal for infill with an existing dense population with excellent income.”

It’s also 20 miles from downtown San Francisco and 25 miles south of Napa. “The city of Richmond is about to open a ferry that will go from the port to the ferry building in downtown San Francisco in 26 minutes,” notes Beiswenger. “We also have a freeway on and off ramp on the I-80 that’s named after Hilltop. This is in the East Bay of California, and you simply can’t replicate this sort of opportunity.”

That may be why Beiswenger’s team is now inundated with interest. “Since we purchased the property, we’ve received a tremendous amount of press, and we have all types of uses coming at us — retail, residential, hotel, office, medical office,” he rattles off. “The longer-term plan is to revitalize the mall and make that an excellent operation and then to develop areas of the mall that are no longer needed for parking. The property is zoned for almost 10,000 housing units, and those would all be a medium- to higher-density product with a combination of rental units and ownership. We envision a dense, truly walkable mixed-use community.”

The Answer Is “Eatertainment”

About 1,700 miles away, Dallas Midtown meets Beck’s primary criteria for success — it’s in an urban area. The property sits in north Dallas about halfway between the city center and the Oklahoma border, and it’s flanked by 635 on the south and the Dallas tollway to the west.

“If a mall is in the center of an urbanized area, this type of redevelopment is very possible,” asserts Beck. “If the mall isn’t in the center of an urban core — maybe it’s in a tertiary market or off the beaten path — I think it becomes much more difficult to justify high-density, mixed-use development.

One factor that’s brought this issue to a head is that while mall owners have been slow to act, some now have no choice. “I don’t think the delay in redeveloping failing malls has to do with the fact that smart real estate people didn’t know what the answers were,” says Beck. “It’s been more about creating a situation whereby the capital or ownership group is forced to react.”

Beck’s company purchased Valley View out of bankruptcy in 2012, where it was encumbered by $250 million in mortgage-backed securities. “What forced the issue was that the mall had gotten to the point where it had lost so many tenants, and then the recession started,” Beck explains. “The former owners walked away. All of the sudden a new buyer like us enters, and we don’t have that debt anymore.”

Mall owners are also backed into a corner because brick-and-mortar retail’s decline is accelerating, not slowing. “The rate at which online sales are cannibalizing retail consumer goods is also forcing the issue,” adds Beck.

...CONTINUED
“Financial institutions and investors want to know from mall owners what their answer is to repositioning due to retail sales going down.”

Beck’s answer for Dallas Midtown is what he calls “eatertainment.” He’s referring to restaurants combined with more service-oriented and “activities” tenants as opposed to tenants with goods for consumers to buy.

The groundbreaking for the first phase at Dallas Midtown took place in June 2017, and it’s expected to be completed by 2020. The $4B project will include nearly 1,000 studio to three-bedroom apartments across three different buildings with rents from about $1,1K-$3K. A 440-key high-rise hotel with 50k square feet of meeting space is planned, but Beck’s company is keeping the brand under wraps for now.

For the retail, the two main anchors are an athletic facility on one end of the street with a luxury, dine-in movie theater on the other end. The apartments, hotel and office space will be stacked on top of 200,000 square feet of eatertainment, which Beck says will be much less focused on retail and more on tenants like restaurants, bars, lounges, coffee shops, and service-oriented business like nail salons. The plan also includes a 20-acre park billed as the equivalent to a Central Park in Dallas, a trolley to the Dallas Galleria, luxury condo units, and more.

Market dynamics will dictate each phase. For instance, Beck is like so many others today chasing after the Amazon HQ2 facility. If Dallas Midtown lands that behemoth tenant or a handful of smaller tenants with similar space needs, the second phase could be completed in six years. If not, the project will likely evolve over 10-15 years. “It’s perpetual timing,” says Beck. “The timeline depends on market dynamics, as it does for all these projects.”
Tired of being treated like an account? At RE/MAX Commercial, we don’t take your business for granted. Work with a Practitioner who has the full authority to help you achieve your goals and delivers on what’s promised. Don’t let them fool you: you’re not a number.

One-on-one service.
That’s the Sign of an Agent with RE/MAX Commercial

©2017 RE/MAX, LLC. Each RE/MAX® office is independently owned and operated. 17_198549
BUILDING SUCCESSFUL COMPANIES BY ASSEMBLING GREAT TEAMS

By Jacob S. Knabb, Associate, Commercial Communications & Services, NAR

A recent Forbes article argues “[t]he chief job of any leader is to hire a tremendous team and organize them to fulfill the team’s mission.” It’s hard to disagree with this assessment and simple to understand the idea. Good leaders create good teams. But buried in that thought is a bedeviling truth: when the team isn’t working, it’s a leadership problem.

So how can you create a results-oriented culture of teamwork at your firm? The answer is simple: strong leaders are committed to consistently working to cultivate an environment that attracts and rewards talented team players.

Creating a Company Culture to Attract & Keep Talent

Company culture can be difficult to pin down. It’s hard to establish, can change unexpectedly, and is difficult to repair once it sours. For Kevin Maggiacomo, CEO of SVN® International Corp., everything hinges on the feeling of trust. “In every corporate culture, there are certain ‘enemies of trust,’ Maggiacomo explains, “such as inconsistent messaging, locked doors, and locked drawers with zero collaboration and so on.” Those things are culture killers, eroding confidence in leadership and creating an ‘every person for themselves’ attitude that is toxic to team building.

“Organizational trust is built over time, and must be maintained and restored when damaged,” Maggiacomo says. In fact, the ongoing process of proactively cultivating trust is more important than ever before. “Look, trust, in an increasingly chaotic political and corporate environment, is being demanded,” he argues, “and will separate those companies who are built to last from the also-rans.” Empowering your teams to succeed, allowing them to fail and learn from the experience, and celebrating their victories without claiming them as your own are keys to establishing trust in the workplace.

However, trust can extend even further into the things your firm does outside of the office.

“When a person joins a firm, they want to be proud of it,” says Mike Reagan, SVP of RE/MAX Commercial. A positive culture must involve training, education, mentoring, and coaching. And in today’s business world, it must also extend into your personal life.

“We have a 25-year relationship with Children’s Miracle Networks Hospitals,” Reagan explains, “and we’ve generated millions for local hospitals.” Cultivating this environment allows people to feel part of something. It’s
a source of pride and respect in the community, allowing your team to know “they are making a difference with your corporate culture and giving back,” Reagan says.

In addition to these more philosophical concerns, a culture of trust can pivot on concrete issues. “They say it’s never about the money – it’s always about the money,” Jay Olshonsky, President of NAI Global, explains. “So you have to pay at the top end of the scale. But I tend to feel great culture is a combo of the money and the work.”

Olshonsky believes the biggest key to developing an attractive culture at your firm is allowing talented employees to do their own thing within the boundaries of what commercial real estate is. “One of my favorite expressions,” he says, “is if you work for a person or a company that often says ‘you can’t’ or ‘no, we don’t do it that way’ you need to run away.” Olshonsky feels this is true of any company: “Creating a culture of ‘you can’ or ‘let’s try’ is the best way to attract and retain talent.”

**The Difference is Millennial**

With the overwhelming number of young professionals entering the field and gravitating into positions of authority, change is in the air. This can be cause for concern among some who value doing things the way they’ve always been done. But is this a forward-thinking attitude or does it prevent adapting to inevitable change?

“Sometimes Millennials get lumped in a category that’s unfair,” Olshonsky says. “I hear a lot of my older peers, in all industries, say they’re lazy or don’t work the same way we work. I find that’s not the case.” Having a strong Millennial presence on your team is similar to landing good employees from any age or demographic. “You have to find the one-out-of-ten willing to go the extra mile,” Olshonsky argues. “That 10% who, if you delegate the authority, is willing to take it and excel.” Team builders must be willing to educate, train, and explain and not simply dismiss someone with new ideas.

Olshonsky takes this belief a step further, working to ensure mentoring goes both ways on his teams by stressing the importance of what he calls ‘reverse mentoring’ where younger employees help older team members learn about new technologies, business trends, and other emerging issues. “I work differently as a result of our reverse mentoring,” Olshonsky says. “I have a laptop and a smart phone and I can run the company from almost anywhere.”

Reagan also advocates for the vitality of embracing changing trends and creating learning experiences for your teams. “It is so important in a team scenario to know commercial real estate isn’t a text book environment,” Reagan explains. Commercial real estate is a relationship business with long-term collaborations between your teams and your clients. “It’s boots on the ground and conversations,” Reagan says, “and it’s vital to cultivate a willingness to help each other and an interest in closing deals as a team.”

Reagan feels today’s commercial real estate industry, with as many as four generations of real estate practitioners working together, creates a really powerful dynamic. “This synergy is critical for all the team members,” Reagan explains. Partnerships and coaching will guide younger practitioners but it’s their individualism that will make them successful and keep your firm prepared for shifts in technology and workflow. He emphasizes embracing new ways of thinking as a sign of wisdom, “especially in real estate because it’s a relationship biz.”

Embracing change can also be fun and rewarding. Maggiacomo suggests offering rankings, awards, and incentives to team members, a strategy which allows your team to “play on a national and global playing field” and “awards true leaders.”

Try creating a flexible organizational structure where team members feel free to invest in real estate ownership, development, and related projects. “While we are very careful to avoid conflicts of interest and always put the clients’ interest first, the opportunity be a part of the deal in addition to earning a fee is one that rewards many of our advisors and helps them build true wealth.”

This can be a powerful incentive to attract Millennials in particular, since they can often be concerned about income and debt in ways older generations aren’t. “Our advisors don’t just get paychecks,” Maggiacomo says. “They also participate in making their communities better places to live, work, and play.” This can be true of any commercial real estate transaction for any firm and making this level of investment a priority for your teams can be a source of real satisfaction.

**Building Your Team with a National Firm**

Team building can also be a pragmatic pursuit, centering on the concrete question of whether your company is to be independent or join a larger, existing company. What is the context where your team will be built and where will your positive culture exist?
BUILDING SUCCESSFUL COMPANIES
BY ASSEMBLING GREAT TEAMS

There are definitely advantages to going boutique – most notable among them is keeping the lion’s share of profits. However, investing in or licensing through a national commercial franchise carries many unseen advantages beyond the basic bottom line. Maggiacomo sums it up succinctly: “There is no “re-creating the wheel” – that’s time intensive and very costly, if a person is even able to pull off.”

So what are the benefits to using a wheel that works? Perhaps the biggest is the existing referral network at a national firm is much larger. “Approximately 90% of real estate biz tends to be transacted locally,” says Olshonsky, “but you will find jobs where having more reach is beneficial. A national firm gives you that reach.”

Reagan agrees. “It’s important to know and represent your entire network. In addition to continuous education, you should build an extensive network and relationships with subject matter experts so you are prepared to manage clients’ needs across all market segments and around the globe. It keeps you in the conversation as a trusted advisor.”

In the end, practitioners have to decide what kind of company they want to be and how they want to work. While it may come as a surprise, Maggiacomo, Reagan, and Olshonsky all emphasize how national firms can accommodate small entrepreneurial outfits in local markets while also providing vetted technology, discounts on education, and an international network of connections. It’s a powerful argument and one worth considering as your team grows and prospers.

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

Strong leaders are committed to consistently working to cultivate an environment that attracts and rewards talented team players.
KEVIN MAGGIACOMO’S TIPS FOR WORKING WITH MILLENNIALS:

• Recognize Millennials are now the largest generation in the U.S. workforce and many are nearing 40 years old. There’s not much they want that’s different from anyone in the workforce.
• Provide flexibility in hours and work locations. Millennials don’t want to work less, but to work smarter - i.e. avoid commutes.
• Facilitate learning and advancement opportunities based on skills and results.
• Be transparent about how to advance and succeed in their careers.
• Commit to being a company that embraces technology and diversity.

JAY OLSHONSKY’S TIPS FOR BUILDING DIVERSE TEAMS:

• Be aware of it and open to trying to attract diverse talent. It could be ethnic, geographic, male/female.
• Commit to the principle that all things being equal you’d rather hire a diverse candidate.
• Go to universities and seek talented candidates that might not normally apply.
• Be willing to change how you compensate talent. Not everyone wants to work off of commissions, so you might have to work with salary plus.
• Be willing to take some heat and believe the candidate has the skills to learn and develop. Some people will push back by saying “she doesn’t have the same experience” or “he didn’t complete this training.”

MIKE REAGAN’S TIPS FOR BUILDING STRONG TEAMS:

• Understand what it means to be a team. What are your goals and objectives?
• Have a strong team leader. One who takes the ‘we’ approach not the ‘me’ approach.
• Don’t feel like you have to do it overnight. You build a team by pacing yourself, your goals, and your objectives.
• Do you know your commission plan, transaction size, primary goals? We stand on the productivity model because we want people who thrive in a winning environment.
• Generate a steady stream of business. We want people who will understand what it’s like to work around champions.
BLOCKCHAIN EXPLAINED
COMMERCIAL REAL ESTATE AND CRYPTOCURRENCY
By Rob Warmowski, Contributing Writer

What does the commercial real estate professional really need to know about cryptocurrency? Are there relationships between, on the one hand, 2017’s mania of speculators lining up to trade billions of dollars for Bitcoin or other cryptocurrencies, and on the other hand, the existing commercial real estate market ecosystem?

Never Mind The Cryptocurrency, Here’s The Blockchain
The biggest financial technology news item of 2017 was about Bitcoin, the first in a series of digital “currencies” called cryptocurrency that have been introduced by independent software engineers over the past ten years. As with any currency worth its name, the question of value is huge.

Why is any given currency valuable? In the case of the U.S. dollar, it’s because dollars are accepted for goods and services produced in the U.S., are accepted and preferred in a great number of other countries, and because U.S. taxes are paid exclusively in dollars. The dollar’s value is stabilized by a system of banking under the Federal Reserve that issues “just enough” dollars to avoid hyperinflation, or rapid and extreme loss of value.

Bitcoin and its fellow cryptocurrencies fly in the face of this arrangement. Where the U.S. dollar’s capacity to store value is managed by the quasi-governmental Federal Reserve, a cryptocurrency depends exclusively upon its underlying software and network to pass value between trading partners. Put another way, with cryptocurrency, there’s nobody in the “middle”, just software and the internet.

It’s that underlying software and network, as opposed to a currency built upon it such as Bitcoin, that holds the most potential for changing the commercial real estate business.

That software and network together is called blockchain. So what makes up the blockchain?

A digital currency, separated from a banking system, needs a method to ensure that when I hand you a coin, I can’t hand it again to a second person. That’s what blockchain is. Every transaction undertaken with a given cryptocurrency is recorded, irrevocably, into a giant public ledger that everyone can see, thanks to the internet. This chain of transactions and motions is encoded into blocks of data, chained together in time. The validity of the information in the ledger is “guaranteed” by the “crypto” part of cryptocurrency, which we won’t get into here.

Blockchain Of Title?
It’s here we should take notice that blockchain’s public ledger of transactions has a description that somewhat matches with a key real estate institution: the title deeds to commercial properties. Chains of title reflect historical transactions attached to a given property, as recorded in county offices. It’s this surface similarity between title chain and blockchain that has inspired proposals in the real estate industry to adopt blockchain in the areas of title recording, and land registry.

Unsurprisingly, these proposals are numerous. Dave Conroy, R&D Engineer for NAR’s Center for REALTOR® Technology & CRT Labs watches the space and thinks that diversity of approaches is key. “Whether it is accuracy, accessibility, or transparency, improving property data is a
That software and network together is called blockchain. So what makes up the blockchain? A digital currency, separated from a banking system, needs a method to ensure that when I hand you a coin, I can’t hand it again to a second person. That’s what blockchain is. Every transaction undertaken with a given cryptocurrency is recorded, irrevocably, into a giant public ledger that everyone can see, thanks to the internet. This chain of transactions and motions is encoded into blocks of data, chained together in time. The validity of the information in the ledger is “guaranteed” by the “crypto” part of cryptocurrency, which we won’t get into here.

Blockchain Of Title?
It’s here we should take notice that blockchain’s public ledger of transactions has a description that somewhat matches with a key real estate institution: the title deeds to commercial properties. Chains of title reflect historical transactions attached to a given property, as recorded in county offices. It’s this surface similarity between title chain and blockchain that has inspired proposals in the real estate industry to adopt blockchain in the areas of title recording, and land registry.

Unsurprisingly, these proposals are numerous. Dave Conroy, R&D Engineer for NAR’s Center for REALTOR® Technology & CRT Labs watches the space and thinks that diversity of approaches is key. “Whether it is accuracy, accessibility, or transparency, improving property data is a key use case for blockchain and one that we will see being tackled first. I am aware of multiple pilots kicking off early 2018 in the public and private sector that are looking at improving land registry and title recording using blockchains. What has me confident that this process will eventually be improved by this technology is the number of different approaches [...] teams are taking to tackle this prized challenge.”

Solution In Search Of A Problem?
As an industry, title recording is not a hotbed of technological innovation. One reason is low volume: the number of recordings is modest compared to other types of legal or financial recordings that may number into the thousands processed per minute. Securities exchanges, for example, necessarily require deep computerization and strong data networking, and new software and hardware products and services are created every day intending to chase down and eliminate inefficiencies in these markets. By comparison, the average county recorder’s office (or equivalent) handles thousands of transactions in days and weeks, not minutes — there’s only so many pieces of property on the ground to work with. Can blockchain make a difference?

Michael Hoadley, CCIM, PMP suggests the idea of blockchain replacing deed recording as something of a solution in search of a problem. “There’s a little bit of ‘it ain’t really broke.’” Hoadley suggests that anyone buying land in volume rarely attends closings themselves, leaving many details to attorneys and title insurance companies:

“While there are clearly inefficiencies, the lenders driving the need for title insurance are the ones to convince that blockchain title for instance would be an adequate substitute for an actual title policy.”

Follow The Money
Over the past ten years, blockchain technology has sought its place in the global financial ecosystem. Thus far, we know it’s good for one thing: creating a speculative rush, skyrocketing values of new quasi-currencies, and hundreds of billions in market capitalization. But for areas of commercial life that are more about terra firma than blue sky, blockchain thus far is an innovation without a station in life.
Access the World
Commercial Real Estate Services.

+1 212 405 2500
www.naiglobal.com