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COMMERCIAL CONNECTIONS

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COMMUNITIES IN BLOOM: INVEST, DEVELOP, & THRIVE

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Real Estate
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COMMERCIAL CONNECTIONS

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THE LATEST

Commercial Data & Listing Resources

There are now more than thirty companies with commercial-centric products and tools on NAR's new Commercial Data and Listing Resources page. What's even better news? Nearly half offer exclusive discounts to NAR members. Find listing platforms, property data, marketing services, and other business tools to help your business flourish.
www.nar.realtor/commercialdata

Members Make International Connections at MIPIM

Associations from 17 U.S. markets joined NAR in hosting an expanded USA Pavilion at MIPIM in Cannes, France in March. Members and representatives of state and local governments took advantage of this unique opportunity to showcase local property markets to a global audience of nearly 27,000 leading real estate executives, investors, and political leaders from 100 countries. CCIM Institute and SIOR partnered together in an adjacent space to provide focused opportunities for designees to connect and network.
www.nar.realtor/mipim

2018 NAR REach® Class Announced

NAR's Second Century Ventures has announced the 2018 class of the REach® program, a technology accelerator helping launch companies into real estate and its adjacent verticals. This year's class features a broad range of companies with products and services that can benefit you by generating increased business, boosting exposure, and creating greater efficiencies.

Commercial members needed! Get involved with the REach® program as an Insight Panelist, providing feedback on the companies in exchange for special access to their services. Apply today!
www.narreach.com/realtors

ADA Reform a Success Thanks to Members Like You

In February, Commercial members like you responded to NAR'S Call for Action on ADA Reform – thank you! As a result, the House of Representatives voted to pass HR 620, the ADA Education and Reform Act. HR 620 is designed to provide businesses an opportunity to fix alleged violations and halt the practice of "drive-by-ADA suits," in which attorneys hit many businesses with demand letters for small, easily curable infractions of the ADA. NAR will keep working with the Senate on crafting a companion bill with the goal to see this legislation passed into law.
www.nar.realtor/washington-report/ada-reform-bill-passes-house

RETAIL FOLLOWS ROOFTOPS

COMMERCIAL REAL ESTATE & THE IMPORTANCE OF FAIR HOUSING

A NOTE FROM 2018 NAR PRESIDENT, ELIZABETH MENDENHALL

ELIZABETH MENDENHALL

On April 11, 1968, seven days after the assassination of Dr. Martin Luther King, Jr., President Johnson signed the Fair Housing Act into law. The Act states "It is the policy of the United States to provide, within constitutional limitations, for fair housing throughout the United States," prohibiting discrimination based on race, color, religion and national origin. Six years later, the Act was amended to prohibit discrimination based on sex, and in 1988, the Fair Housing Amendments Act extended protection to persons with a disability and families with children. The requirements of the Act, and in addition, equal opportunity based on sexual orientation and gender identity, are incorporated into our REALTORS® Code of Ethics.

This year marks the Fair Housing Act's 50th Anniversary, and the National Association of REALTORS® has joined forces with our partners and allies in a yearlong awareness and action campaign. As REALTORS® who practice commercial real estate, perhaps you're questioning why or how this campaign matters to your business. While applications of the Fair Housing Act apply to residences only, fair housing makes us <u>all</u> stronger! The adage "retail follows rooftops" reminds us that we all have a stake in building dynamic, accessible communities. Fair housing is so much more than a list of dos and don'ts, rights and penalties, and mandatory continuing education. It touches on the core of who we are as REALTORS® and what we do, day in and day out, building strong communities, protecting property interests and promoting a vibrant business environment. Our businesses and livelihood depend on a free, open market that embraces equal opportunity– the Fair Housing Act helps to make this possible.

The 50th Anniversary will be highlighted throughout the 2018 REALTORS® Legislative Meetings in Washington, D.C., May 14–19, including at a special event at the Smithsonian National Museum of African American History and Culture. Commemoration activities will underscore how far we've come as both a society and as an association—and, more importantly, how much work still needs to be done. REALTORS® understand that our voices matter in this discussion – it's why 10,000 REALTORS® descend upon our nation's Capital annually to engage our legislators on issues that protect and promote private property rights.

When legislators and regulators meet with our members they become keenly aware of the key role real estate plays in the health of our nation and are more likely to champion and safeguard REALTORS® interests. It's critical for our policymakers to understand that REALTORS® who practice commercial real estate help revitalize communities by facilitating investments and promoting the sale and lease of commercial properties, enhancing neighborhoods and creating millions of jobs across the country. Our presence in Washington during the 2018 REALTORS® Legislative Meetings will be a reminder that commercial practitioners help create the business and services that power great communities.

With the recent passage of HR 620, the *ADA Education and Reform Act*, we saw the difference REALTORS® can make when we come together and speak with one voice. NAR advocated strongly in support of HR 620, and I want to thank all of you who responded to our call-for-action ahead of the floor vote. Your action mattered! NAR looks forward to working with the Senate on crafting a companion bill and ultimately working to see this legislation passed into law.

Advocacy is a vital component of what REALTORS® do as stewards of the right to own, use and transfer private property. The Fair Housing Act is integral to our mission.

Elizabeth J. Mendenhall

A LOOK INSIDE LENDING REFORM

By Erin Stackley, Senior Commercial Legislative Policy Representative, NAR

Though the economy continues to rebound, reports of tightness in lending for commercial real estate persist. One potential culprit is increased regulation on financial institutions. These regulations were enacted to protect against another financial crisis, but some are overly-broad and redundant, resulting in a dramatic increase in compliance burden for financial institutions, felt most heavily by regional and community lenders. One particularly troublesome example is Basel III risk-based capital requirements for lenders.

Basel III was implemented in January 2015, creating a new risk-based capital category for "High Volatility Commercial Real Estate Exposures" (HVCRE), for commercial acquisition, development, and construction (ADC) loans. It raised the risk-weight for those loans from 100% to 150%, increasing their cost for lenders and generally making commercial real estate loans less attractive than other types with lower risk-weights. Additionally, the rule is vague which has led to lender confusion about implementing it.

The 115th Congress has taken steps to remedy this burden, via bills to reform and narrowly tailor regulations to their objectives. One example, which passed the House and the Senate (as part of a larger package) is HR 2148, the "Clarifying Commercial Real Estate Loans Act," which addresses issues with Basel III risk-based capital requirements for lenders.

Rep. Pittenger (R-NC) introduced HR 2148, which clearly defines both "HVCRE ADC" loans and the exemptions. "HVCRE ADC" loans are those which primarily finance ADC projects; provide financing for acquiring, developing, or improving real estate into income-producing; and depend on future income, sales, or proceeds from the property to repay the loan. Exemptions are ADC loans for 1-4 family residential; real estate investments in community development or agricultural land; acquisition, refinancing, or improving existing income-producing real estate secured by a mortgage on that property if the cash flow is enough to support its debt services and expenses; and commercial real estate with a loan-to-value ratio meeting requirements set by the federal banking agencies and contributed capital of at least 15% of the property's appraised "as completed" value. It also clarifies that loans placed into service prior to 2015 are exempt.

HR 2148 passed the House Financial Services Committee by a bipartisan vote of 59-1, and then passed by the House of Representatives by a voice-vote. A Senate companion bill, S. 2405, was introduced by Senators Cotton (R-AR) and Jones (D-AL), and it was added by amendment to S. 2155, the Economic Growth, Regulatory Relief, and Consumer Protection Act, which passed the Senate by a vote of 67-31 in March. NAR supports this important legislation, and will continue to advocate for it as the House and Senate work together toward final passage into law of this common-sense regulatory relief for lenders.

STATE TAX REFORM

By Adriann Murawski, Policy Representative State & Local Government, NAR

Of particular significance to state REALTOR® associations are two deductions that will impact member businesses, the 179 and new 199A deductions which were modified by the Tax Cuts and Jobs Act of 2017. While several areas of federal tax laws will impact real estate, state tax laws will likely need to be updated as states will conform or deviate from the new federal tax laws. The tax treatment of business deductions may have an impact on state revenues. The Section 179 deduction provides an immediate write off for qualifying equipment or software purchased during the qualifying year. The new Section 199A deduction is for qualified business income which will allow up to a 20 percent deduction from certain net business income earned by sole proprietors, such as independent contractors, as well as pass-through businesses, including partnerships, limited liability companies (LLCs), and corporations. These two provisions are particularly susceptible to political negotiating at the state level. NAR will continue to provide resources on state tax reform measures. Learn more here: *http://tinyurl.com/ybmxpqob*

GET INVOLVED

NAR'S FEDERAL POLITICAL COORDINATOR PROGRAM

By Victoria Givens, REALTOR® Mobilization Programs Manager, NAR

While the National Association of REALTORS® (NAR) boasts a membership of 1.3 million members, the face and voice of the real estate industry before the United States Congress boils down to 535 members who volunteer as Federal Political Coordinators (FPCs). Nominated by their state presidents and appointed by the President of NAR, they advocate policy initiatives which support a fundamentally sound and dynamic U.S. real estate market. FPCs are chosen because of their relationships with Members of Congress, their high caliber political work and activities within their Congressional District, or their professional background in issues of importance to the district.

In a nutshell, each FPC serves as an educator to their Member of Congress with respect to vital issues in the real estate industry. In addition to regular contact with the assigned Member of Congress, there are several specific tasks that are required to fulfill the role. To that end, FPCs sign a pledge at the beginning of each term (2 years) to perform the following duties:

1. Respond to all NAR Calls for Action
2. Advocate on behalf of all REALTORS® and the REALTOR® Party
3. Contact their assigned Member of Congress at least once per quarter and submit a field report each time
4. Participate in training as required
5. Utilize and deliver all RPAC contributions in a timely manner
6. Attend each annual NAR May Meeting/Hill Visits
7. Develop a contact team
8. Sign and return the FPC Pledge Form

If you are politically active or have a relationship with a Member of Congress and are interested in becoming a Federal Political Coordinator, please reach out to your State Association. The more commercial practitioners we have in the fold, the better represented your issues will be. While a strong lobbying group in Washington is important, the real power of any industry resides in the grassroots organization and activism of its individual members. FPCs are a testament to this fact, helping define NAR as an extremely powerful force in the nation's capital.

Do you have a relationship or are you active with a particular member of Congress who currently has an FPC? Ask to be included on that REALTOR®'s team. When an FPC can no longer carry out their duties, the state often looks to the team to fill that role. If you want to be more involved in a meaningful way and have commercial interests represented at the highest levels, consider applying to become an FPC. Explore the FPC website: *https://realtorparty.realtor/member-consumer/fpcs/fpc-resources.html*

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TRANSIT-ORIENTED DEVELOPMENT TRANSFORMING CONNECTICUT

JAMES P. REDEKER

Attitudes toward transportation are changing. Time is a valuable commodity and many commuters are shifting away from automobiles in order to eliminate maintenance costs and use commutes to focus on things other than driving.

As a result, Transit-Oriented Development (TOD) is an attractive strategy for developers and investors looking to create dynamic commercial real estate opportunities. TOD is usually associated with large urban centers and sprawling metro areas, but it can be tailored to smaller markets by building on the walkable and connected urban fabric found in older cities, suburbs, and small towns.

Connecticut Department of Transportation (CTDOT) Commissioner James P. Redeker is overseeing just such an undertaking, working to modernize some of the oldest and most traveled highways, bridges, and rail lines in the U.S. and giving Connecticut a tool to compete for businesses, workers, and residents. The creation of the Hartford Line is one of the masterstrokes of this effort.

Commercial Connections (CC): *Why should communities invest in transit projects?*

James P. Redeker (JR): TOD has repeatedly proven to be a driver of economic growth. The American Public Transit Association estimates for every $1 invested in public transportation, approximately $4 is generated in economic return. Numerous studies show productivity and overall economic performance may be improved by TOD that supports the dense labor markets today's knowledge-based technology companies seek and the smart development (walkable and distinctive downtowns with a high quality-of-life) empty-nesters and millennials increasingly desire.

CC: *Are issues like TOD and 'walkability' relevant in small- and mid-sized markets?*

JR: The basic principles of TOD include walkable communities, relatively high densities, a mix of uses, and vibrant public spaces. These elements are evident in suburban areas throughout Connecticut. West Hartford, Wallingford, and Meriden are just a few examples of our successful, walkable suburban communities and smaller cities. Ultimately, successful TOD is grounded in market feasibility and a neighborhood typology that provides the appropriate type of development and scale for each unique community. For example, TOD in Hartford will have a much different feeling than in smaller communities such as Enfield, North Haven, or Berlin.

CC: *Does investing in a project like the Hartford Line enhance commercial property values?*

JR: Reliable, high speed passenger rail catalyzes economic development. Communities in Dallas, Utah, Denver, and Minnesota have seen economic growth in the millions and billions of dollars when TOD plans and policies were enacted to capitalize on transit investment. This can include, but is not limited to, master planning and redevelopment, mixed-use zoning, multi-modal connectivity, and public-private-cross jurisdictional partnerships; all of which are achievable and relevant to our new Hartford Line service.

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TRANSIT-ORIENTED DEVELOPMENT TRANSFORMING CONNECTICUT *CONTINUED*

Access to high-quality transit, partnered with a business-friendly regulatory framework provides a base in which new office, retail, and multi-unit residential opportunities can thrive and interact with one another in a walkable TOD environment.

CC: *How did the CTDOT convey why TOD projects matter and how they'll enhance adjacent markets?*

JR: Through the planning and environmental documentation process, the public was provided information on the rail program. As the program progressed through design and construction, interest in potential TOD sites increased. During this time, as part of a study funded by a grant from the Federal Transit Administration (FTA) Pilot Program for TOD Planning, the Department conducted TOD Desire and Readiness workshops with municipal officials, staff, and stakeholders to further gauge interest in development along the line. Throughout this study, we worked with municipal leaders along the line to convey the benefits of the new rail service and how it could be a catalyst for TOD, which can stimulate the market and generate economic growth.

CC: *What sorts of TOD are you seeing along the Hartford Line?*

JR: New TOD opportunities are being advanced along the corridor in anticipation of the launch of Hartford Line Service in May. The City of Meriden is an early success story with a new TOD program that has already begun to transform the half mile area around its new rail station. Mixed-use development in the station area includes 295 new residential units, 31,000 square feet of commercial space, a 273-space parking garage, and a new 14-acre town green. All of these projects have been spurred by the new station and the increase in rail service.

The new Windsor Station Apartments in Windsor are now actively leased and a developer has plans to redevelop the former Montgomery Mills property into 160 residential units in Windsor Locks – both developments are adjacent to planned new rail stations along the line.

In New Haven, located directly across the street from State Street Station, 360 State Street is one of the largest TOD projects in the state. The 700,000-square foot, LEED Platinum certified mixed-use building boasts 500 apartment units and 25,000 square feet of retail space, including a co-op marketplace. To support development, the City focused on improving local connections in the station area, specifically pedestrian and bicycle access.

CC: *What kind of impact do you anticipate the Hartford Line will have on commercial real estate over the next decade?*

JR: The Regional Plan Association (RPA) estimates that within 2 miles of a transit station, there is an estimated 5% average increase in home sale prices, with higher increases closer to a transit station. Commercial real estate values are also expected to rise as large businesses seek to capitalize on the proximity to transit which allows them to provide transit alternatives for their commuting workforce. Businesses are seeking increased access to transit and walkable town centers to attract a younger, professional workforce because increased transit ridership and TOD have been shown to result in more foot traffic in the types of communities that the Hartford Line will serve, providing value to commercial businesses, and ultimately raising property values.

TAKE A DEEPER DIVE

Want to take a deeper-dive into TOD? The NAR Library has these free resources:

TRANSIT-ORIENTED DEVELOPMENT:
Selected References (Washington, D.C.: Urban Land Institute, 2004)

THE NEW TRANSIT TOWN:
Best Practices in Transit-Oriented Development
(Washington, D.C.: Island Press, 2004)

Pedestrian- and Transit-Oriented Design by Reid H. Ewing and Keith Bartholomew
(Washington, D.C.: Urban Land Institute and American Planning Association, 2013)

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LOOKING FORWARD THROUGH THE REARVIEW MIRROR

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

Economic expansion turns nine years old

We find ourselves in the ninth year of economic expansion, with most indices pointing in an upward direction. According to the *Expectations & Market Realities in Real Estate 2018* report, published by Deloitte, the National Association of REALTORS® and Situs RERC, most global economies toiled under sunnier skies over the past year, with about 75 percent of countries experiencing gains.

In the U.S., gross domestic product has been expanding steadily, boosted by a combination of higher consumer spending, rising business investments, and solid export activity. For consumers, the pace of job creation and wage growth spurred increased optimism, which led to higher spending. Employers added 2.2 million new jobs to payrolls during 2017, bringing the 2010-17 total number of new jobs to 17.8 million. The unemployment rate declined from 4.8 percent in January of 2017 to 4.1 percent by January of 2018. For perspective, the unemployment rate clocked at 9.8 percent in January 2010, not far from the Great Recession-high of 10.0 percent. Just as importantly, employment gains over this period have been broad-based, across most sectors.

The pace of economic gains was also reflected in the Federal Reserve's monetary policy actions. The Federal Open Market Committee voted for three rate hikes during 2017, citing the low unemployment rate and signs of upward pressures on inflation. The Consumer Price Index (CPI) moved in a narrow range most of the year, around 2.0 percent, according to the Bureau of Labor Statistics. However, the cost of housing — both rent and owners' equivalent rent, which comprise about a third of the CPI—advanced at a faster clip during 2017, averaging close to 3.5 percent. In addition, the Fed also moved toward further monetary tightening, when it announced in October of 2017 that it would commence divesting some of its $4.5 trillion in assets starting in 2018, by allowing maturing bonds to roll off its balance sheet without reinvesting the payments.

Commercial real estate matures

For commercial real estate fundamentals, the economic gains translated into solid demand for space. While the performance of each property sector offered more nuances in 2017, on balance, commercial markets recorded rising rents, placing cash flows at the center of shifting investor expectations.

This shift in investor expectations was a defining characteristic of the commercial real estate landscape in 2017. While the bifurcation in investment trends continued along valuation lines, with pricing reaching new highs and interest rates moving higher, investors refocused their strategies away from returns based on appreciation gains and cap rate compression, and toward cash-flow-centered returns.

The refocus was evident in transaction volumes and pricing. Investment volume in the large cap space closed 2017 with $463.9 billion in transactions, a 7 percent decline from 2016, according to Real Capital Analytics (RCA). This marked the second year of sales declines. Sales volume declined in each of the four quarters, with the last one posting a 13 percent drop.

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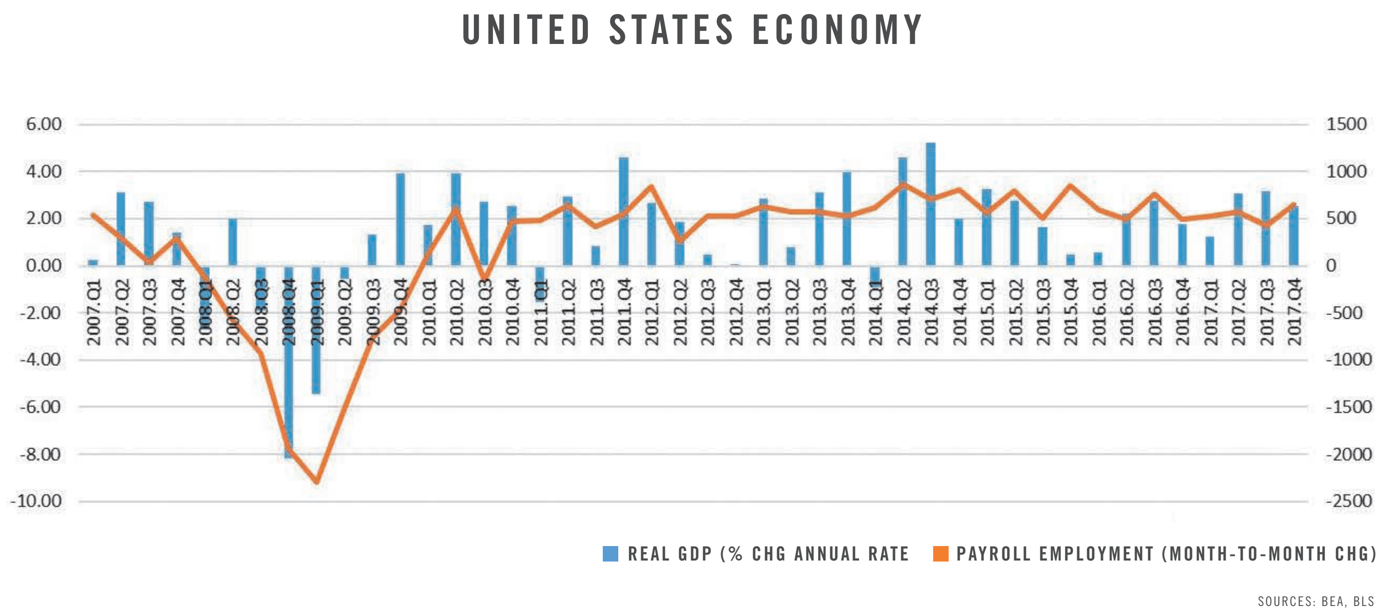
LOOKING FORWARD THROUGH THE REARVIEW MIRROR *CONTINUED*

FIGURE 1



However, highlighting the more nuanced environment, prices in large cap commercial real estate markets advanced 7.1 percent year-over-year in 2017, according to RCA. All property types, except hotels, posted higher prices during the year, with the apartment and industrial properties recording higher comparative gains. Analysis from RCA pointed to a growing gap between sellers' high price expectations and buyers' willingness to pay those high prices. Cap rates spent most of the year moving sideways, in a narrow range of 6.7-6.9 percent. The fourth quarter of 2017 average across all property types was 6.9 percent, on par with the last quarter of 2016, according to RCA.

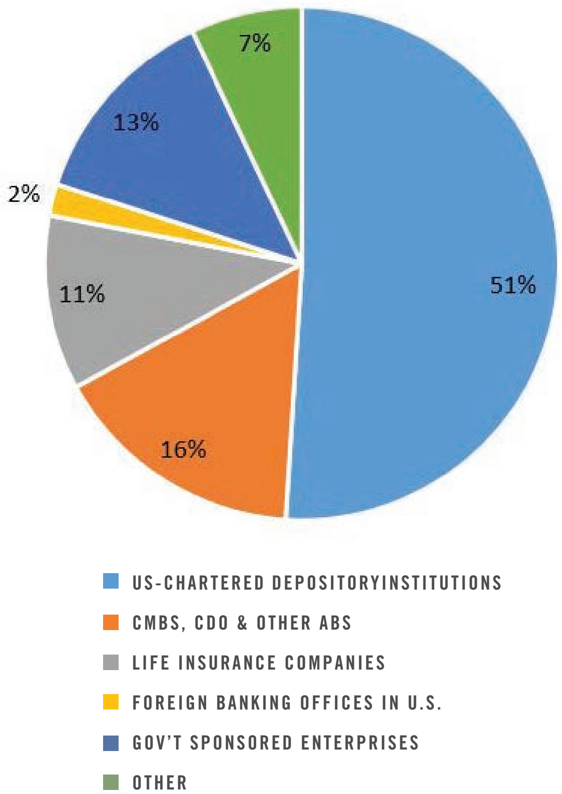
The common thread in commercial real estate markets over the past year was the continued increase in the profile of small cap metros and properties. While the six major markets tracked by RCA experienced a 14 percent decline in investment sales over the year, secondary markets' sales volume slid by a moderate two percent in 2017, and tertiary markets' investments were flat over the year.

The thread was also echoed by trends in REALTORS®' commercial real estate markets, most of which focus on small cap transactions. REALTORS® reported advances in investment sales, as the momentum picked up in the final quarter of 2017. Following on the second quarter's 4.4 percent increase and the third quarter's 3.6 percent gain in sales volume, REALTORS® reported that sales volume advanced a solid 9.1 percent in the fourth quarter.

Mirroring large cap investors' interest in rising fundamentals and higher yields, small cap markets remained an attractive environment. The shortage of available inventory—a defining market feature during this cycle—remained the number one concern for REALTORS® engaged in commercial investments. The dearth of inventory pushed prices for SCRE properties up, to the tune of a 6.9 percent yearly advance in the fourth quarter of last year. Echoing the large cap market trend, the pricing gap between buyers and sellers proved the second highest ranked concern for commercial practitioners. Anecdotally, REALTORS® indicated that while sellers expected high prices, many buyers were more targeted in their acquisition strategies, and more likely to focus on expected cash flow gains to drive valuations, versus cap rate compression.

FIGURE 2

COMMERCIAL REAL ESTATE DEBT UNIVERSE



SOURCE: FEDERAL RESERVE BOARD, 2017.Q3

Outlook remains cautiously optimistic amid rising interest rates

The longer-dated bond market remained tentative in 2017, even with the Fed's rate increases. The Treasury 10-year note ranged from 2.17 percent in the first quarter to 2.29 percent in the third quarter, and settled at 2.25 percent by the end of December. However, the rate picked up speed during the first part of 2018, riding a precipitous curve and reaching a high of 2.94 percent on February 21 of this year. With the Federal Reserve signaling continued commitment to upward rate adjustments, most market participants expect three-to-four increases this year.

As investors scan the horizon for signs of change and risk, questions abound about the current cycle's duration, timing, and outlook, in light of the expected upward march in interest rates. Are commercial real estate assets overvalued? Is there a price bubble? As we approach the 10-year mark of this cycle, are we headed for a downturn?

Over the next two years—barring external shocks—the U.S. economy is projected to continue expanding at a positive-if-moderate pace: 2.9 percent in 2018 and 2.6 percent in 2019. With the attendant gains in employment, the advance will maintain demand for commercial properties on a positive trend line. In turn, landlords can expect positive cash flows, especially for value-add properties. Net operating income growth has been a major contributor to price gains in 2017, particularly for retail and industrial properties, and it is expected to play an important role over the next couple of years.

With cap rates flat over the past year and a half, compression likely reached its lower bound, and investors can expect rising rates to add upward pressure on yields. However, it's worth noting that cap rates remain low by historical trends, in line with returns on most financial assets. Moreover, the spreads between caps and the 10-year Treasury note yield—a measure of investor compensation for commercial real estate risk—remain quite wide, especially when viewed through the lens of a longer-timed horizon. Investors in commercial real estate assets retain about a 400 basis-point cushion against rising interest rates.

Adding a bright line to the outlook, unlike prior cycles, debt financing has played a smaller role in the current expansion. Partly due to the regulatory environment and partly due to investor preference, equity capital has become a larger source of commercial real estate funding, exceeding debt placements in 2017. While commercial real estate debt instruments accounted for $3.76 trillion in 2016, they comprised $3.92 trillion in 2017. In comparison, commercial real estate equity investments totaled $3.97 trillion in 2017, a noticeable advance from 2016's $2.85 trillion, based on an analysis by Situs RERC.

It is important to keep in mind this is a constantly shifting environment and risks are also evolving. With improving global economies, investors are finding attractive alternatives outside U.S. commercial real estate markets. With rising prices and shrinking inventory, investors are likely to shift some of their allocations away from U.S. metros and toward faster growing economies in Asia and Europe. Also, while the tax reform and a softer regulatory regime are expected to boost corporate investments in the U.S. economy, an unresolved North American Free Trade Agreement renegotiation, coupled with the administration's proposed tariffs, could potentially provide negative shocks to prices and consumer spending.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MAKE POWERFUL CLIENT CONNECTIONS


KYLE MALNATI

WITH EFFECTIVE EMAIL MARKETING

By Kyle Malnati, CEO and Employing Broker, Calibrate Real Estate

Growth, progress, and disruption are exponential in today's commercial real estate industry, leaving many successful agents wondering how their business might change in the Information Age. New technology is developed so quickly it can be hard to know which Customer Relationship Management (CRM) system is the best for us and if social media platforms can be powerful business tools.

A lot of this change is good. Contracts are written faster, can be signed electronically, and are actually legible (remember trying to read a faxed version?) – all without even sitting with our client. The business world moves at a rapid pace and real estate is no different.

The median age of NAR's commercial members is 60, 73% are male, and 68% have a bachelors' degree or higher.* Many of our members can recall using word processors to write letters and carrying change to make phone calls from a pay phone. Because I am a Millennial with 14 years of brokerage experience, I am often asked to share successful marketing strategies from a more "youthful perspective" with my older, less tech-savvy counterparts.

My first piece of advice is to dispel the myth that real estate is no longer a relationship business. Even though the internet, email, and social media allow you to communicate, they do not connect you with your clients. Talking 'kneecap-to-kneecap' in a conference room and hammering out details over the telephone are still the most effective ways to negotiate a deal. The foundation of your business is people serving people so it's vital to view technology as a tool and not as the center of your business. As long as you focus on taking care of people, you will continue to have a successful career.

Let's talk about some of the tech tools that can amplify your real estate business. My first tip is to pick one method to market yourself: email marketing.

Strategies and messages that were effective many years ago can still work today, but you should deliver them differently. Email marketing is efficient, inexpensive, and measurable. Gone are the days of spending thousands of dollars on a mailing campaign and wondering who received it. You should still produce postcards and newsletters, but do so digitally.

Proof of this concept was tested by my company recently. We created a survey for our own clients and found that email marketing was still their preferred way of gathering information over Facebook, YouTube, Instagram, Twitter, etc.

My second tip is to avoid chasing after change, which should be a relief to you. If you look at recent innovations and figure out what hasn't changed, you'll realize one consistent central theme: your client wants to be assured that you are the expert who can help them. Make sure you are addressing client need in any marketing and communication plans.

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*According to NAR's 2017 Commercial Member Profile

MAKE POWERFUL CLIENT CONNECTIONS WITH EFFECTIVE EMAIL MARKETING *CONTINUED*

Commercial real estate brokers are interested in results, right? My third tip is to effectively execute your email marketing campaigns using four simple steps designed to deliver optimal outcomes.

STEP 1:

Pick a broadcast email distribution company. A few examples are: MailChimp, Constant Contact, and Vertical Response.

STEP 2:

File email addresses from your CRM database into a spreadsheet that can be uploaded to your email provider's system. You will want to upload this same list for every marketing campaign category you use. Here's why: you will lose email followers that unsubscribe every time you send an email. Some of your clients won't want market statistics while they will want new listings from you.

STEP 3:

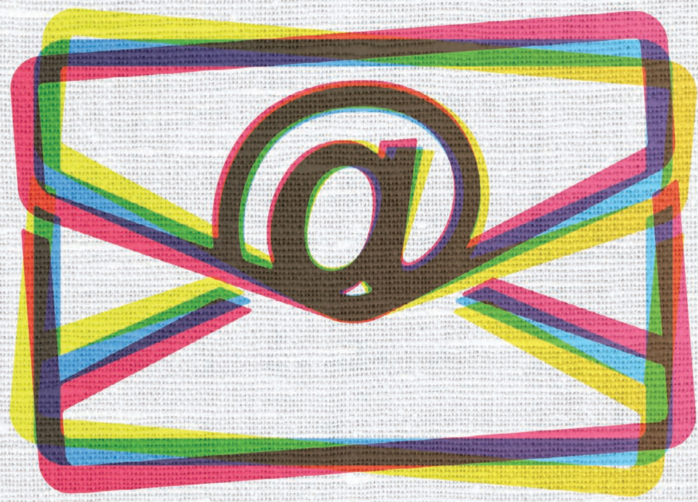
Start sending emails and do it regularly within your campaign categories. You should be emailing once or twice a week to get reliable statistics.

STEP 4:

Review the statistics after you've sent about a dozen emails. You will start to notice behavioral patterns. Use this data to improve your next batch of emails. I track 'Open Rate,' 'Click Through,' and 'Subscribers with Most Opens.' You read that last sentence correctly. Your email platform keeps track of who interacted with your email the most, what they clicked, and what time they clicked it!

Now it's time to go "old-school" with my fourth tip and foster that relationship. Pick up the phone and call the subscribers with the most opens.

Commercial real estate thrives on relationships, after all, and email marketing is a powerful way to deepen your connections. Remember, clients want to hear from us when we make deals happen, so use email campaigns to keep yourself essential to the consumer throughout every transaction.



MY TOP FIVE TYPES OF EMAIL MARKETING CAMPAIGNS

1. Geographical farming of newsletters
2. Just Listed and SOLD digital card/flyer
3. Video interviews of clients
4. Market Statistics
5. Collection of links to relevant articles

PARKING MONEY

APPROACHING COMMERCIAL REAL ESTATE INVESTMENT

By Rob Warmowski, Contributing Writer

If there's a compact, useful way to think of starting investment in nonresidential real estate, it's to begin by defining what the act of investment in this asset class is. Start with a roof: imagine a commercial property and all the activity under its roof. Investment is how anyone may participate in the commerce conducted under the roof in question.

Commercial activity is generally made up of working people, typically company employees, showing up underneath the roof every working day to create value. In exchange for capital invested to obtain a share of property ownership, the fruits of that commercial activity often appear in the form of rents paid to ownership.

Setting aside the thorny issues of the specific commerce in question – labor relations being chief among the factors that produce commerce and therefore the value that investors participate in – an investor in commercial real estate seeks to place a bet on the outcome of buying an ownership share producing a profit, also known as a return on investment (ROI).

This bet is about getting right the mix of factors that go into commerce: labor (workers), business management (tenant's executive leadership), property management (landlord or property manager efforts), capital (investors), and government (infrastructure, zoning). Investment in commercial property is a way to say "I believe this property or portfolio will be home to value generation in the future because these factors are all arranged to add value."

Homework: Do It All

Evaluating commercial investments is the art and science of identifying what you need to know, then learning it. Not doing your homework is not an option, and you should err on the side of too much information rather than too little. Happily, researching commercial property and its tenants and histories can be a bit more information-rich a proposition than other investments.

A prospectus in a stock or bond, once consumed, tends to stand on its own or not – it lives or dies in your eyes by its pitch. But commercial property investment is both more complex and less liquid. It needs to be treated with greater care. Underwriting, or evaluating, these opportunities ties together enough different factors that it pays to develop a holistic perspective, made from many different points of view.

Atlanta's Bill Adams, MBA, CCIM, CRB, heads up a commercial specialty brokerage. He does his homework using the following laundry list: "Talk to government officials, adjacent property owners, real estate brokers, and the property's tenants, if the property is being actively marketed and you have the current owner's permission to contact the tenant(s)."

Adams believes those perspectives are vital. "The government officials will make you aware of zoning, planning, and city service issues," he says. "The adjacent owners can share their experience of owning a property in that location. The real estate brokers can tell you about market trends and the tenants will tell you about what they like or don't like about a property and if they are committed to staying in the property." Adams is adamant about one investment truth above all others: "never buy a property on pure emotion or rely on unrealistic income projections."

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PARKING MONEY: APPROACHING COMMERCIAL REAL ESTATE INVESTMENT *CONTINUED*

Giving Credit Where it's Due

Investigation of a tenant's business is inspection of the engine that drives property income in the form of lease payments. A major measure of the health of that engine is the degree of how likely a business is to successfully borrow capital. Creditworthiness is a leading indicator in commercial real estate investment for Camille Renshaw, CEO and Co-Founder of Brokers + Engineers, a net lease specialty shop doing business in New York, San Francisco, and Tampa. Net leasing, where tenants are on the hook for more than rent, presents investment opportunities that are sensitive to tenant credit quality.

Renshaw looks for a deep understanding of the tenant's credit, which is vital to the sustainability of the property's income and long-term value. "An experienced NNN broker advisor can help investors analyze a tenant's credit rating and the tenant's stock or company news," she says, as well as "the tenant's executive team, store sales, and customer visits, and the company's P&L with particular attention to cash flow."

Knowing credit history is one thing, but the future of a tenant's credit is something else entirely. Under Renshaw, Brokers + Engineers has developed a proprietary pricing model for net leased assets. It's a way to glimpse the future by "leveraging these tenant credit metrics against what we believe is the largest data set in net lease real estate. It creates predictive pricing five years out and then brings it back to today's net present value."

Before the Beginning

While taking a holistic view on an investment means doing more diligence work than is done evaluating stock pitches, a stock-like investment experience is available nonetheless. The commercial investment ecosystem expanded significantly in the 1960s with the introduction of the Real Estate Investment Trust, or REIT. Serving to mimic the stock market by condensing the investment proposition into liquid shares traded on stock markets, REITs have for decades expanded the opportunity for small investors to participate in income-producing real estate, including apartments.

Because by law the taxable income a REIT makes must be distributed at least 90% to its shareholders, successfully managed REIT portfolios throw off dividends to investors, making them excellent income-generating holdings, such returns often serving as a capital-raising stepping stone for investors getting their feet wet in commercial real estate.

CCIM

GET A LEG UP WITH A CCIM INSTITUTE RESOURCE

Start your self-education on the commercial real estate investment ecosystem by checking out the **CCIM Online Glossary** at *https://tinyurl.com/ycllz3mm*. Browsing the glossary is a great way highlight what you need to learn.

Learn more about investing and development through **CCIM Institute's Development Specialty Track** by visiting *www.ccim.com* or calling +1 (312) 321-4460, option 2.

YOUR TO-DO LIST

BEFORE MOVING INTO INVESTING AND DEVELOPMENT

By Mark Polon, CCIM

1 BUILD YOUR PORTFOLIO, NOT SOMEONE ELSE'S

When brokers represent investor clients, they spend a lot of time making their clients rich. Development projects and investment real estate assets allow you to build your own personal portfolio. When the proper analyses are applied, the potential upside and long-term returns on time invested are significantly greater for investors and developers than for brokers.

2 ASSESS YOUR RISK TOLERANCE

Think long and hard about the many factors that can impact the value and performance of a built or purchased asset over time. Development is riskiest of all investments. But potential developers can use tools such as STDB's ArcGIS analysis to evaluate market feasibility and Tapestry Segmentation to forecast demand. Potential investors can run financial models to assess current income streams and ultimately determine an asset's risk and sensitivity to changes in market fundamentals.

3 TURN CLIENTS INTO PARTNERS

A great way to make your first entry into the investment or development world is to use your earned commissions from the transaction to join your client in the ownership of the asset. First, you have to build trust by doing a great job representing the client. Then, once the client has faith in your knowledge and capabilities, you can propose putting your commission into the deal and becoming a partner. Typically they're more than willing to bring in a broker who demonstrates a thorough understanding of investment analysis fundamentals.

4 KNOW YOUR ETHICAL OBLIGATIONS

Brokers are often among the first people to access assets that are newly available to the market. If you're interested in investing in an asset (and potentially representing the seller), you're obligated to fully disclose that interest right up front. Review the Code of Ethics and Standards of Practice of the National Association of REALTORS® to ensure that you're complying with all applicable guidelines.

5 CHOOSE THE RIGHT PROPERTY TYPE

When looking at investment or development opportunities, stick to the types of assets that already resonate with you. Don't chase the money. You can work with different property types on commission before taking on investment or development risk. For example, I discovered that I was most interested in office properties, though it hasn't always been the most lucrative sector. You're not going to be an effective investor or developer if you're not comfortable with the property type you have in your portfolio.

Mark Polon, CCIM, is a senior instructor for CCIM Institute and president at Polon Consulting in Middle Haddam, Conn.

RPR® COMMERCIAL DATA

REALTORS PROPERTY RESOURCE

A DEEP DIVE INTO PEOPLE PATTERNS TO BUILD STRONG COMMUNITIES

By Emily Line, Vice President, Commercial Services, Realtors Property Resource®

Demographics and Psychographics

In todays' business landscape, it's key to understand basic people characteristics, no matter the geography, and crucial to have a greater perspective on attitudes, lifestyles, and behaviors to ensure economic viability. As a result, demographics and psychographic information are now integral to a commercial practitioner's workflow. Clients expect detailed analysis to determine site selection and commercial practitioners are accustomed to accommodating them by studying market stats such as age, income, and education in an effort to gain clarity on potential purchasing powers or employment capabilities.

More than ever corporate culture and employee happiness, productivity, and retention are at the forefront of many business discussions. REALTORS® can provide indispensable expertise to clients by researching a market for existing amenities, entertainment opportunities, and community interests. RPR® demographics provide a detailed understanding of who buys the client's product or service, and its psychographics further explain why they are buying.

Your Data At Work

RPR®'s demographic and psychographic stats are forecasting further migration to the suburbs – and with good reason. Millennials are driving Urban Suburban growth across the U.S. Suburban communities nationwide have risen to the challenge of providing the live-work-play lifestyle required by this demographic. "Downtowns" created from five-story, mixed-use developments are the hallmark of suburban communities looking to attract young, educated residents aging into parenthood.

Since it's a hot topic of conversation, let's take a look at a few of Amazon's remaining suitors and evaluate the "people stats." U.S. Census Bureau data combined with RPR® drive time and distance measures reveal Americans are still driving to work, with the average commute time being 26.4 minutes each way. So it's reasonable to assume that a portion of the 50,000 people who will work at Amazon HQ2 will commute from outside of an urban downtown. Thus, when it comes to evaluating Amazon's options, solely examining the urban core of each city on the HQ2 "Top 20" list doesn't offer a complete picture of a metro area.

In the Midwest, data gleaned from RPR® reveals why three suburbs of cities stand out as communities to which Amazon should pay close attention. Let's take a look at these populous areas where many employees might inevitably live.

DUBLIN, OHIO

Dublin is Columbus' most populous suburb, with a population of just under 45,000 and a picturesque downtown that feels surprisingly urban despite the well-kept landscaping only found in a suburb. Average household income for Dublin residents is $151,135 and a staggering 79 percent hold college degrees. These are career professionals who have prospered through the Great Recession. To maintain their upscale suburban lifestyles, these goal-oriented couples often commute far and work long hours. However, their schedules are fine-tuned to meet the needs of their school-age children. They are financially savvy: investing wisely and benefiting from interest and dividend income.

FISHERS, IN

Fishers is the fastest-growing suburb of Indianapolis, with a population of close to 91,000. *Money* recognized Fishers as "The Best Place to Live in America" in 2017, which

...CONTINUED

MEMBER BENEFIT

RPR® COMMERCIAL DATA: A DEEP DIVE INTO PEOPLE PATTERNS TO BUILD STRONG COMMUNITIES *CONTINUED*

isn't surprising considering the revitalized downtown and brand new IKEA store. With a median age of 34.5, the population skews younger than its Midwestern suburban counterparts. Fishers has also made a name for itself in the technology sector, as the first city-funded IoT lab in the US will open this spring. Young professionals with families who have opted to trade-up to the newest housing make up the dominant population segment – one that is well-educated with a running start on prosperity and a higher proportion of mortgages

NAPERVILLE, IL

Naperville is the most prominent Chicago suburb and a large percentage of Naperville residents work in the professional, scientific, and technical fields. Recent investment in entertainment gives its 144,600 residents exciting local options, though downtown Chicago is only a 45-minute train ride away. Average household income is $140,250, and, like Dublin, the dominant population segment is career professionals with upscale suburban lifestyles. In addition to traditional suburban homeowners, though, many prefer to live in condos, townhomes, or apartments as they change jobs often within Science, Technology, Engineering, and Math fields.

Regardless of where Amazon decides to place its HQ2 location, any company debating a new site should examine the surrounding suburbs. With RPR®, REALTORS® can be the data expert who conducts the study before these companies spend thousands of dollars for this depth and detail – giving you the edge over your competition.

Ready to dive into the data?
RPR® is a member benefit, providing REALTORS® data and reporting tools for no additional cost. Start using RPR® today at *www.narrpr.com*.

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

GET YOUR DEVELOPMENTS IN THE GREEN

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

PHOTOS BY CHRISTOPHER T. MARTIN

Finding room for green spaces in your commercial property can seem overwhelming and cost-prohibitive. But green concepts don't always have to mean complex gray water filtration systems, solar panels, and biophilic design principles. Sometimes old school, common-sense solutions can solve 21st century problems.

Incorporating access to parks, trails, and gardens can have a big impact on occupancy for your properties and increased return on investment on developments. So where should you look for green spaces and how can you intelligently weave them into your plans?

Development Goes Hand-In-Hand with a Parklife

"Here in Chicago, the areas that have seen the most dynamic growth over the past two decades have direct access to plentiful green space," says Eddie Bluemel, Vice President at ACO Commercial. Popular areas like Lincoln Park were radically different in the '70s and '80s. Easy access to parks and Lake Michigan ignited interest in this neighborhood when people began moving from the suburbs to the city kick-starting development in the '90s.

In many ways, development and eventual gentrification follow a clear path from park space to park space. "As people get priced out of neighborhoods like Lincoln Park, it makes sense that they gravitate towards other areas with plentiful green space," says Bluemel. Organic growth follows population movement presenting development opportunities for commercial practitioners willing to scout for green spaces in urban settings like the Windy City.

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GET YOUR DEVELOPMENTS IN THE GREEN *CONTINUED*

Bluemel sites Mary Bartelme Park in Chicago's West Loop as a clear driver of development. This community destination has a modern play area for children, a separate dog park, and a viewing hill delivering picturesque sightlines of the city's famous skyline. For brokers like Bluemel with an eye towards multi-unit, office, and retail investment, access to green space pays off through increased property values and tenant-pleasing walkability scores.

Beachfront Living in Downtown Atlanta

Linear parks are a dynamic type of green space growing in popularity across the country. On the most basic level, the concept centers on driving investment through walkability. The 'linear' nature of these green spaces creates contact with lots of different communities and is now being used as a model throughout the U.S. Atlanta's BeltLine is one such project.

"This might come as a bit of a surprise for some folks," says Sarah Kirsch, Executive Director of Urban Land Institute (ULI) Atlanta, "but people refer to the BeltLine as Atlanta's beachfront property." The 'rails to trails' linear park is being built from a former railway corridor around the core of Atlanta into a sprawling multi-use trail. By any measure, the BeltLine's impact on commercial real estate, particularly office, has exceeded expectations. According to Kirsch, Atlanta is now listed as the most 'trailed' region in America.

People in Atlanta have been hungry for a project like this due to the car-dependent lifestyle in the city and that hunger isn't limited to one age group. Baby Boomers and Millennials alike are now competing for properties adjacent to the BeltLine, but success wasn't always so obvious.

In 2014, ULI Atlanta formed a group called the Livable Communities Council with the focus of advancing walkability and explaining to the average Jane and Joe why walkable communities was better for them, for health, for tax spaces. "We were initially pleased when we saw people carrying their groceries on the beltline," Kirsch says. It was the first real evidence of people embracing the project.

Because the linear park mostly runs behind commercial properties designed for sidewalk access, increased pedestrian and bicycle traffic turned people's back doors into their front doors. "Restaurants started seating diners on new patio spaces," Kirsch says, "and apartment complexes began offering bicycle valets." Now the Livable Communities Council is conducting case studies in order to better inform developers in Atlanta and elsewhere about the impact of linear parks on tax bases. "Between a 20-acre retail mall and a 3-acre walkable downtown node," Kirsch says, "we're finding it's all about the walkable space."

RESOURCES FOR FURTHER EXPLORATION:

ULI's "Active Transportation and Real Estate" publication:
http://tinyurl.com/gwu5ska

Partnership and mentoring from the Center for Sustainability and Economic Performance.
http://tinyurl.com/y8lzff9y

NAR's Placemaking Initiative:
http://tinyurl.com/y7blqaf9

The Spaces to Places Blog:
http://spacestoplaces.blogs.realtor.org/

What Does Your Garden Grow?

Community gardens are another green feature providing positive outcomes for property value. One such example is Peterson Garden Project (PGP), a Chicago-based community garden dedicated to strengthening communities, tapping into cultural heritage, improving public health, and creating sustainable outcomes.

PGP offers what it calls 'Pop-Up Victory Gardens,' which are designed to last up to 2 years and provide excellent uses for vacant land while development plans are forming. Even over a short-term period, partnerships between community gardens, developers, and property owners create goodwill. "Having a lot of people who care about

the neighborhood is good for business," says LaManda Joy, Founder and President of the PGP. Joy is quick to point out the symbiotic nature of the relationship, noting PGP would never exist without partnerships due to the cost of land on the north side of Chicago.

Evidence also indicates the 18-34 demographic responds positively to businesses who care about the environment and quality of life. "Community gardens provide a place for cohesion and community you can't really get anywhere else," Joy says. "That's a benefit for everyone."

COMMUNITY-BUILDING TIPS:

Learn how the Chicago Association of REALTORS® worked with the Peterson Garden Project: https://chicagorealtor.com/realtor-guide-community-gardens/

Into the Woods for an Urban Experience

Bob Turner, ALC, Broker Owner of Southern Properties, also makes an aquatic comparison to explain the site selection for The Parkside at Shelby Farms development in Memphis. "My partner Doug Windham and I knew Shelby Park was like an ocean which made Parkside ocean front property." However, despite the adjacent park, Turner and Windham believed linear parks would enhance walkability throughout the property.

They are banking on this concept making a big difference in the 60-acre property's long-term value. With 1,500 apartments, a 130-room hotel, and 50,000 square feet of service retail and restaurants, it was vital to create a feeling of openness inside the high-density development. Ensuring plentiful access to walkable trails and cycle paths allows for more organic engagement.

Turner cautions commercial practitioners looking to develop similar projects to be mindful of misconceptions about the term 'mixed-use.' "The description is over-applied," Turner says. "True mixed-use developments contain a mix of property types people need to live, work, and play in one place."

In the end, Parkside is a substantial investment in making the extra effort to weave in 'green spaces' and walkable community concepts. "Doug and I are breaking it up into places to eat, socialize or just watch the world go by," Turner says. "You need all these things to make a true mixed-use concept work." This style of thinking was a hard-sell at first, with many trusted advisors cautioning to work big box retail into the concept. But, as Turner puts it, "people don't want big grocery stores gobbling up their neighborhood. They can drive to that if they want."

YOUR 2018 COMMERCIAL LEADERSHIP


KRISTA CLARK


BETH CRISTINA


WILLIAM MILLIKEN


KIEYASIEN "TEYA" MOORE, ESQ


JARED BOOTH

KRISTA CLARK, EPRO

Commercial Liaison

FAVORITE CHARITY:

The charity near and dear to my heart is the Court Appointed Special Advocates (CASA) organization. A CASA volunteer is often the only familiar face an abused or neglected child sees in every step of the chaos they endure.

www.casaforchildren.org

BETH CRISTINA, ALC

Chair, Commercial Committee

FAVORITE CHARITY:

Boys and Girls Clubs of America because it helps millions of kids and teens develop essential skills, make lasting connections, and have fun.

www.bgca.org

WILLIAM MILLIKEN, CCIM, CIPS

Vice Chair, Commercial Committee

FAVORITE CHARITY:

I'm a board member of New Detroit – which works to advance racial equality and employment opportunities in Detroit's challenged neighborhoods.

www.newdetroit.org

KIEYASIEN "TEYA" MOORE, ESQ., CCIM, CRE

Chair, Commercial Leg/Reg Advisory Board

FAVORITE CHARITY:

Guided by the belief that every life has equal value, the Bill & Melinda Gates Foundation works to help all people lead healthy, productive lives. In developing countries, it focuses on improving people's health and giving them the chance to lift themselves out of hunger and extreme poverty.

www.gatesfoundation.org

JARED BOOTH, CCIM

Vice Chair, Commercial Leg/Reg Advisory Board

FAVORITE CHARITY:

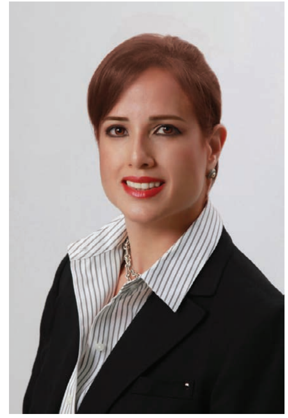
Humanitarian Services provides aid around the world for emergency response and disaster relief, along with local and long term health initiatives. I appreciate that 100% of every dollar donated is used to help people in need, with a goal to enable self-sufficiency and self-reliance after aid departs. An estimated $40M is provided annually, and over $1.2B total, without regard to race, religion, or ethnic origin.

www.ldsphilanthropies.org/humanitarian-services


MIKE CRADDOCK


G.G. GALLOWAY


CATHY CONEWAY


AGNES RIVERA


SOOZI JONES-WALKER

MIKE CRADDOCK

Chair, Commercial Research Advisory Board

FAVORITE CHARITY:

St. Jude Children's Hospital is a vital part of the war on cancer. St. Jude was built on the premise that "no child should die in the dawn of life" and this founding statement shows the importance of its pivotal work to help rid the world of cancer.

www.stjude.org

G.G. GALLOWAY

Vice Chair, Commercial Research Advisory Board

FAVORITE CHARITY:

The American Red Cross is the organization that day-in and day-out meets the needs of many in all types of disasters. Living in Florida with our fair share of storms, floods, and hurricanes, we as business leaders, home owners, and citizens realize the need to reach out to help those who become displaced by an event that 99.9% of the time could not be prevented. The Red Cross is the leader in helping others in time of need.

www.redcross.org/

CATHY CONEWAY, GRI

Chair, Commercial Leadership Forum

FAVORITE CHARITY:

My favorite charity is Habitat for Humanity. Our community is in crisis when it comes to affordable housing. Habitat for Humanity provides our poorest families with needed housing and allows them to become part of the American dream.

www.habitat.org

AGNES RIVERA, CCIM, AHWD

Vice Chair, Commercial Leadership Forum

FAVORITE CHARITY:

I volunteer at the Cupey Girl's Home (Hogar del Niñas de Cupey). For the past 60 years, they have provided a home to girls between the ages of 4 and 20 who have been victims of abuse. The facility houses approximately 40 girls, providing them with a unique system of individual homes in a warm and safe family ambiance. They receive a quality education, activities, clothes, food, and all necessary services for their recovery such as medical attention, psychologists, and social workers.

www.hogardeninasdecupey.org

SOOZI JONES-WALKER, CCIM, GRI, SIOR

Chair, Commercial Economic Issues & Trends Forum

FAVORITE CHARITY:

I'm a big believer in the CCIM Foundation. The Foundation was established to assist worthy candidates with CCIM Scholarships to attend CCIM Institute courses, enabling them to earn their CCIM designation. These scholarships are awarded through their local CCIM chapters.

www.ccimef.org/

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YOUR 2018 COMMERCIAL LEADERSHIP *CONTINUED*

BRYAN ATHERTON

DEBORAH NEWELL

ANGIE TALLANT

BRYAN ATHERTON, CCIM, SIOR

Vice Chair, Commercial Economic Issues & Trends Forum

FAVORITE CHARITY:

I support the Amyotrophic Lateral Sclerosis (ALS) Association because my family has been able to experience firsthand the incredible efforts of this organization to serve, advocate for, and empower people affected with ALS.

www.alsa.org

DEBORAH NEWELL

Chair, Property Management Forum

FAVORITE CHARITY:

Michael J. Fox Parkinson's Research is my charity of choice. This is personal as my brother suffers from Parkinson's.

www.michaeljfox.org

ANGIE TALLANT

Vice Chair, Property Management Forum

FAVORITE CHARITY:

My favorite charity is the American Heart Association – a national non-profit organization that encourages appropriate cardiac care in an effort to reduce disability and deaths caused by heart disease and stroke.

www.heart.org

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TRANSITIONAL LAND

FINDING THE HIGHEST & BEST USE

By Jessa Friedrich, MBA, Marketing Manager, REALTORS® Land Institute

Land – a word some commercial agents fear and others view as an opportunity. Make sure you are one of the latter. Some practitioners hesitate when they see a property come up involving land, like a vacant lot or tract of farmland on the outskirts of an urban area. Savvy agents know transitional land real estate properties can be diamonds in the rough awaiting discovery. Being able to identify and properly market them can be quite lucrative.

The Dirt on Transitional Land

The purpose of a real estate brokerage is to sell a property at its market value and earn a reasonable profit for the client, as well as for the agent assisting with the transaction. In traditional real estate brokerage, the agent lists an existing property with a known use and markets that property to the users for that type of property. What makes Transitional Land properties different is the need to determine the market value accurately and then market the property according to its highest and best use, which is often different than its current use, in order to increase the property's value and thus the profit.

The Down-low on Highest & Best Use

What makes transitional land a unique area of real estate brokerage is the fact that the ultimate use of the property might not be easily recognized. In fact, the very nature of transitional land is that the highest and best use is dynamic. Typically, the words 'transitional land' call to mind agricultural properties whose highest and best use changes to commercial. Everyone can envision the new big box development being built on the land that was farmer Brown's pasture. However, properties can also transition from one commercial use to another or from agricultural to industrial or recreational. While people normally think of a transitional property increasing in value because it has changed to a more profitable use, sometimes values decrease as neighborhoods deteriorate or governmental actions dictate a change to a use with a lower return.

In any event, until the highest and best use can be identified, the market value cannot be determined and the market cannot be targeted for the property to be sold.

Much of the knowledge needed for conducting transitional land transactions is founded on appraisal principles, which will allow the broker to identify the highest and best use of a property, and then estimate its market value. It is important to understand these principles in order to apply them in the process of determining market value. It is also important to be able to explain these principles to a seller in order to get the listing in their real estate practice.

What's Your Market[ing]?

Once the highest and best use has been determined and the market values estimated, an agent will then develop the marketing strategy. At this point, they must identify a target market, create a marketing strategy, and start marketing to these buyers. This is the area of brokerage that most agents enjoy.

How well an agent does in this area and how successful they are in their overall brokerage of transitional land will depend a great deal upon the work they have done in identifying the highest and best use and determining the market value.

Transitioning to Transitional Land

In transitional land, as in any other type of brokerage, preparation is the key to success. To be prepared, you must practice what you have learned. Here are some ways to get started today:

1. Take a second look at inventory using the insights gained in this article to see if the highest and best use of these properties has been properly identified.

2. Review the property's marketing plan and marketing materials to see if they meet the standards expected.

3. Analyze potential new listings with these ideas in mind.

Conducting land real estate transactions, including transitional land transactions, requires specialized expertise. Before attempting to conduct land transactions, agents should remember the REALTOR® code of ethics and acquire the proper education and knowledge.

Content from this article pulled from RLI's Transitional Land Real Estate course.

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

TAKE A DEEPER DIVE

Interested in learning more?

CHECK OUT the recently updated *Transitional Land Real Estate* course which will be offered at RLI's LANDU Education Week in Arlington, TX, this June.

VISIT *rliland.com* for more online courses designed to prepare agents to conduct land real estate transactions.

WATCH *The Transition of Transitional Land: Diamonds In The Rough* webinar recording on RLI's Webinar archive page of their website *rliland.com*