



2020 REALTORS®
LEGISLATIVE MEETINGS

HOME FRONT

FIGHTING FOR THE
FUTURE OF REAL ESTATE

COMMERCIAL REAL ESTATE
RESEARCH ADVISORY BOARD
May 5, 2020 | 1 - 2 PM Central Time



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 NATIONAL
ASSOCIATION OF
REALTORS®



AGENDA

COMMERCIAL REAL ESTATE RESEARCH ADVISORY BOARD
May 5, 2020 | 1 - 2 PM Central Time

1:00 - 1:05 PM | Chair Soozie Jones-Walker, CCIM, GRI,SIOR
Call to Order, Welcome, Opening Remarks
Ownership Disclosure and Conflict of Interest Policy
Call for Approval of 2019 Annual Meeting Minutes

1:05-1:25 PM | Gay Cororaton, Brandon Hardin
Repurposing Vacant Retail Malls Study

1:25-1:40 PM | Amanda Riggs
2020 Commercial Member Specialty Report

1:40-2:00 PM | Chair Soozie Jones-Walker
CRE Research suggestions



REPURPOSING VACANT RETAIL MALLS

Gay Cororaton, Director of Housing and Commercial Research
Brandon Hardin, Research Economist

NATIONAL ASSOCIATION OF REALTORS®
Research Group

RESEARCH GOALS & METHODS

GOALS

Document cases on repurposing vacant retail malls and gather insights on best practices

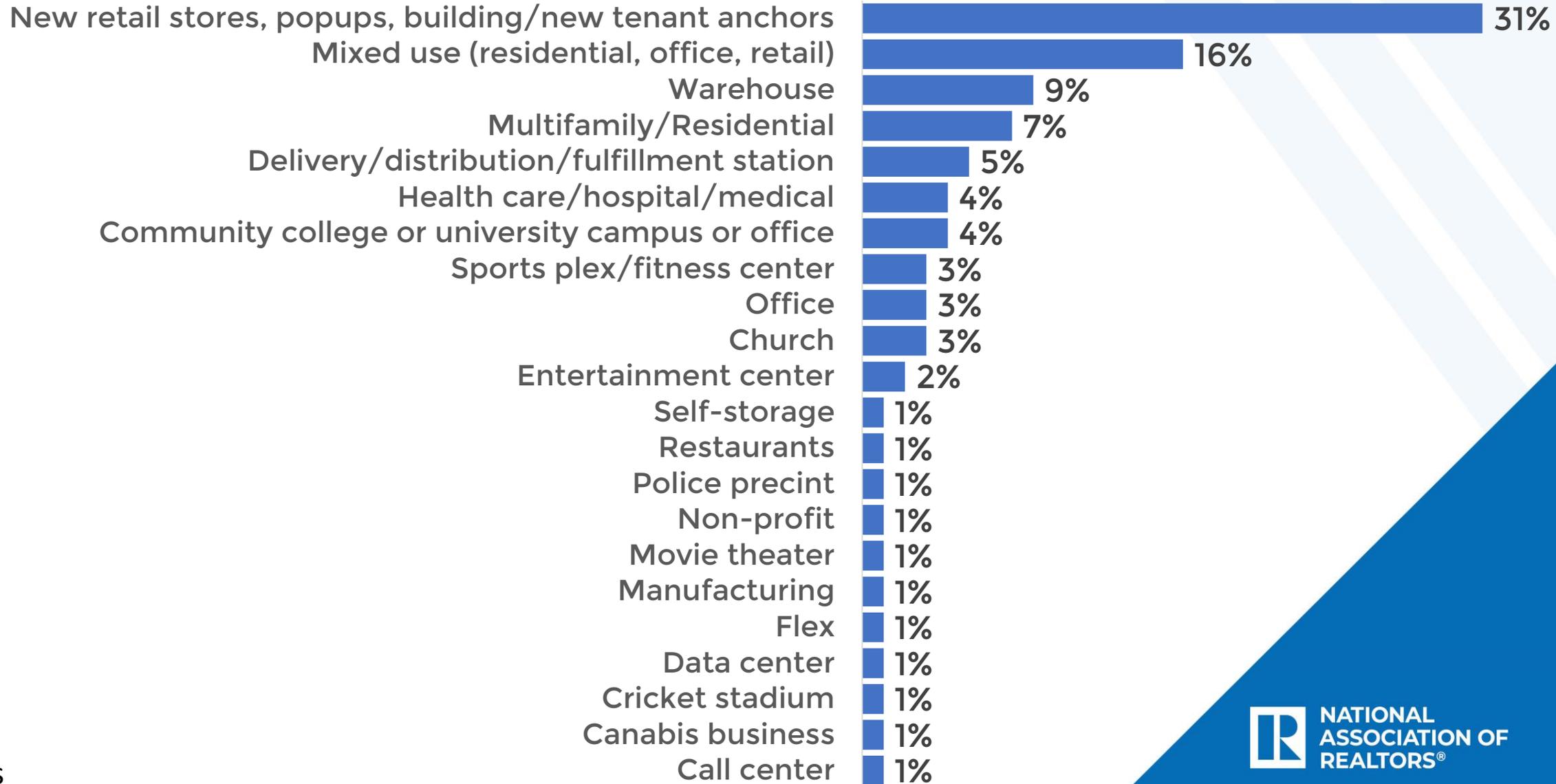
Highlight sources of public and private development funding

METHODS

Online survey sent out to 77,350 NAR commercial members during March 12-23, 2020, of which 2,684 responded; collected information on 94 distinct vacant malls

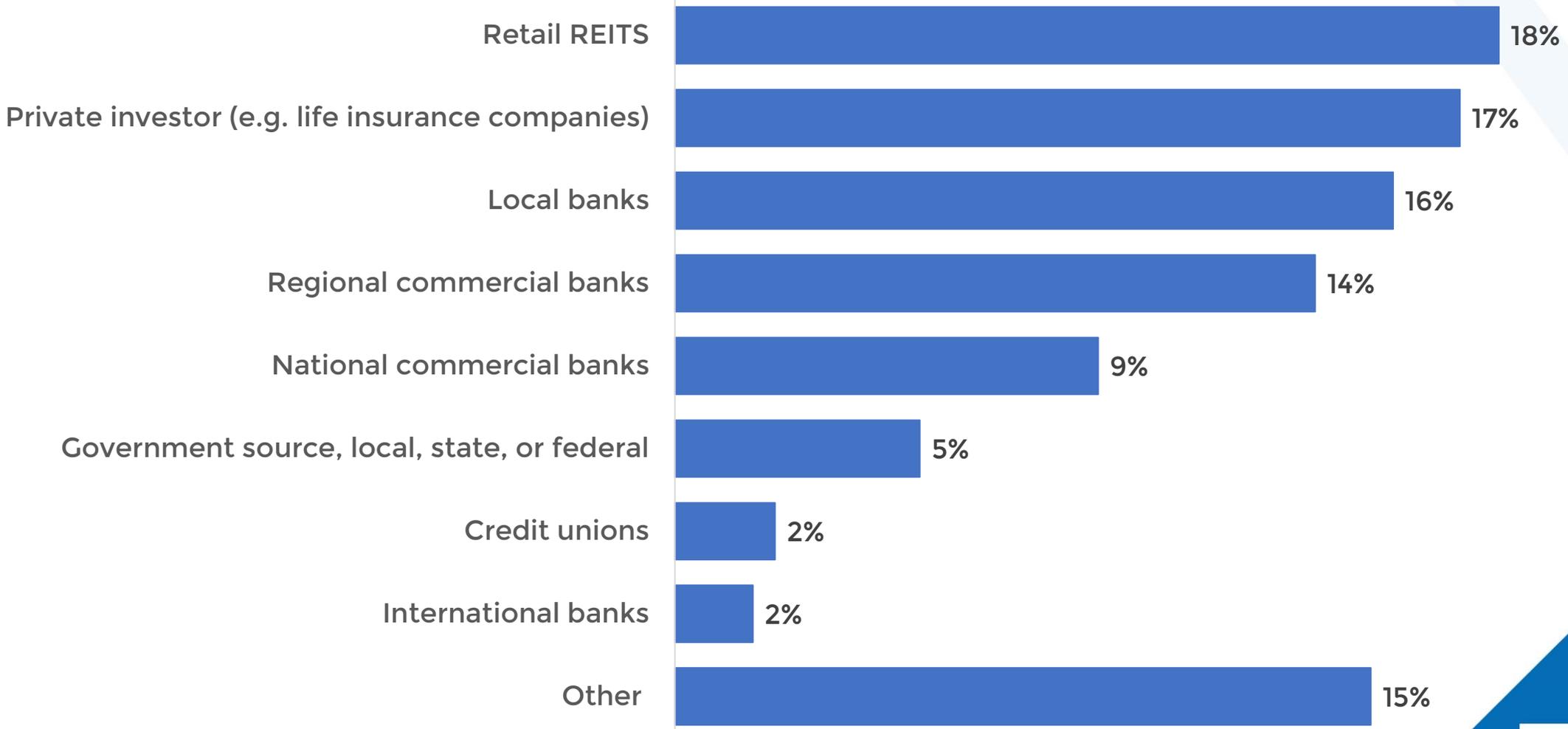
Documented six cases where project and financing information was adequately available from state and local government websites, official developer and architect websites, local media outlets, and SEC filings.

How were vacant malls repurposed?



n=94 cases

What was the source of financing for the acquisition or lease of the closed property that is being repurposed? Check all that apply.



n=810 responses; "Other" includes cash, crowdfunding, mezzanine financing, debt financing, community housing network, church, foundation, local philanthropists, lease transaction, land contract, Opportunity Zone Trust, private equity, state and tax increment financing, community college, industrial developer, hedge funds

Discount or premium from prior sale price

Average	-43%
Maximum	20%
Minimum	-90%
<i>Number of responses</i>	<i>60</i>

Going-in cap rate

Average	7%
Maximum	10%
Minimum	3%
<i>Number of responses</i>	<i>52</i>

Acquisition cost per square foot

Average	\$80
Maximum	\$417
Minimum	\$1
<i>Number of responses</i>	<i>69</i>

Months property was vacant

Average	47
Maximum	240
Minimum	6
<i>Number of responses</i>	<i>93</i>

Was rezoning required?

Yes	20%
No	63%
Don't know/not sure/city has not decided/can't say	16%
City has no zoning	1%
<i>Number of responses</i>	<i>89</i>

Case Insights

Public financial support is often necessary to redevelop the vacant mall and area

- Public infrastructure improvement (Worcester Galleria, Mass., Euclid Mall)
- Pledged /earmarked taxes to support bond issuance (Cloverleaf Mall, Virginia)
- Sales tax exemption for construction materials (Nanuet Mall, New York)

Need committed private investors who can pool financial resources to withstand economic risks

- Great Recession delayed development of Worcester Center Galleria, Cloverleaf Mall, Nanuet Mall

Demonstrating economic impact to secure community buy-in is essential

- Jobs (1,413 jobs in Metro North Mall, Kansas)
- Future development projects (Worcester Galleria generated \$2B in additional projects)

City Square Development Details

Project Team	
Owner/Client	Hanover Insurance, Leggat McCall Properties, Berkeley Investments, City of Worcester
Master Plan Architect	Arrowstreet
Developers	Leggat McCall Properties, Franklin Realty, Berkeley Investments
Development Management	Leggat McCall Properties, Franklin Realty, Berkeley Investments
Construction Management	Leggat McCall Properties, Franklin Realty, Berkeley Investments

Development Site Information	Previous Purpose	Repositioned Purpose
Property Name	Worcester Center Galleria	City Square
Total Acreage	34 Acres	20 Acres
Total Square Feet	-	2 Million
Uses		
Retail (SF)	1 Million	350,000
Office/Medical	-	500,000
Residences	-	1,000 Units
Parking Spaces	4,300	3,900
Hotel	-	168 Rooms

Note: Uses based on Arrowstreet blueprint

Project Timeline	
Landmark	Year
Original Development Completed	1971
Land/Building Acquired	2004-2010
Initial Planning	2004
Construction Started	2010
Project Cost	
Development Value	\$565 Million

Case Study 1. Worcester Center Galleria Worcester Massachusetts

Stonebridge Development Details

Project Team

Owner/Client	Crosland Southeast, Hutensky Capital Partners, Chesterfield County, S2 Capital Partners
Master Plan Architect	McMillan Pazdan Smith
Architect	Humphreys & Partners
Developers	Crosland Southeast, Hutensky Capital Partners
Construction	HOAR Construction
Demolition	S.B. Cox
Development Management	Timmons Group
Engineering & Planning	Timmons Group

Development Site Information	Previous Purpose	Repositioned Purpose
Property Name	Cloverleaf Mall	Stonebridge
Total Acreage	83 Acres	83 Acres
Uses		
Retail (SF)	-	67,416
Retail Tenants	42	19
Residential	-	600 Units

Note: Uses based on Stonebridge blueprint (Crosland Southeast)

Project Timeline

Landmark	Year
Original Development Completed	1972
Land/Building Acquired	2004-2010
Initial Planning	2004
Zoning	2008
Construction Started	2010

Project Cost

Development Value	\$120+ Million
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Case Study 2.

Cloverleaf Mall

Richmond, Virginia

The Shops at Nanuet Development Details

Project Team	
Owner/Client	Simon Property Group
Architects	Dorsky + Yue International, LLC and Langan
Developers	Simon Property Group
Construction	Langan, HVS LLC
Demolition	Langan
Local Counsel	Ira M. Emanuel, P.C.
General Contractor	Whiting-Turner Contracting
Engineering	Wick Fisher White, Langan

Development Site Information	Previous Purpose	Repositioned Purpose
Property Name	Nanuet Mall	The Shops at Nanuet
Total Acreage	63 Acres	63 Acres
Uses		
Retail (SF)	913,000	757,928
Retail Tenants	120	51
Note: Uses based on The Shops at Nanuet property brochure (Simon Property Group)		

Project Timeline	
Landmark	Year
Original Development Completed	1969
Land/Building Acquired	1998
Initial Planning	2003
Demolition	2012

Project Cost	
Development Total Value	\$150+ Million

Case Study 3. Nanuet Mall Nanuet, New York

One Westside Development Details

Project Team		
Owner/Client	Hudson Pacific Properties, The Macerich Company	
Architect	Gensler	
Operator	Hudson Pacific Properties	
Developer	Hudson Pacific Properties	
Tenant	Google	
Development Site Information	Previous Purpose	Repositioned Purpose
Property Name	Westside Pavilion	One Westside
Total Acreage	6 Acres	6 Acres
Uses		
Retail (SF)	756,236	96,000
Retail Tenants	150	10+
Office Space		540,000
<small>Note: Uses based on One Westside Brochure and Hudson Pacific Properties (HPP) website</small>		
Project Timeline		
Landmark	Year	
Original Development Completed	1985	
Land/Building Acquired	1998	
Initial Planning	2016	
Demolition	2019	
Construction Started	2019	
Projected Completed	Ongoing	
Project Cost		
Development Total Value	\$500 Million - \$550 Million	

Case Study 4. Westside Pavilion West Los Angeles, California

Amazon Development Details

Project Team

Owner/Client	Seefried Industrial Properties, Inc., Google
Architect	Langan, Macgregor Associates Architects
Contractor	Whiting-Turner Contracting Company, Browder + Leguizamon & Associates, Inc. Burton Scot
Developers	Seefried Industrial Properties, Inc.
Engineer	Jordan and Skala Engineers
Demolition	Sitech, Inc.
Excavation	Newcomer Concrete Services Inc.
Tenant	Amazon

Development Site Information	Previous Purpose	Repositioned Purpose
Property Name	Euclid Square Mall	Amazon
Total Acreage	70.9 Acres	70.9 Acres
Uses		
Retail (SF)	687,000	-
Retail Tenants	96	-
Warehouse Space	-	855,000

Note: Uses based on Seefried Industrial Properties and Langan website

Project Timeline

Landmark	Year
Original Development Completed	1977
Land/Building Acquired	2017
Demolition	2017-2018
Construction Started	2018
Project Completed	2019

Project Cost

Total Investment	\$250+ Million
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Case Study 5. Euclid Square Mall Euclid, Ohio

Metro North Crossing Development Details

Project Team

Owner/Client	Metro North Crossing LLC
Architect	Slaggie Architects and Piper-Wind Architects Inc.
Planning	Landplan Engineering
Developer	Metro North Crossing LLC
Engineer	Landplan Engineering
Demolition	Industrial Salvage & Wrecking Company
General Contractor	B. Dean Construction
Attorney	Thomson Walker LLC

Development Site Information	Previous Purpose	Repositioned Purpose
Property Name	Metro North Mall	Metro North Crossing
Total Acreage	106 Acres	103 Acres
Uses		
Retail (SF)	1.3 Million	651,000
Office (SF)	-	85,000
Retail Tenants	150 Peak	
Hotel (SF)	-	82,000
Residential (SF)	-	303,600
Parking Spaces	7,500	4,460

Note: Uses based on KCMO City Clerk and Metro North Crossing Brochure and website

Project Timeline

Landmark	Year
Original Development Completed	1976
Land/Building Acquired	2016
Rezoning	2016
Demolition	2016-2018
Construction Started	2019

Project Cost

Total Investment	\$264+ Million
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Case Study 6. Metro North Mall Kansas City, Missouri



UPDATE ON COMMERCIAL SPECIALTY & BUSINESS IMPLEMENTATION

Amanda Riggs

Data Scientist

NATIONAL ASSOCIATION OF REALTORS®

DISCUSSION TOPICS

RECAP OF COMMERCIAL SPECIALTY REPORT

- Total commercial members in the database and their subgroups

UPDATE SINCE ANNUAL 2019

- Requests from this advisory board, how we sought to answer them, and important findings

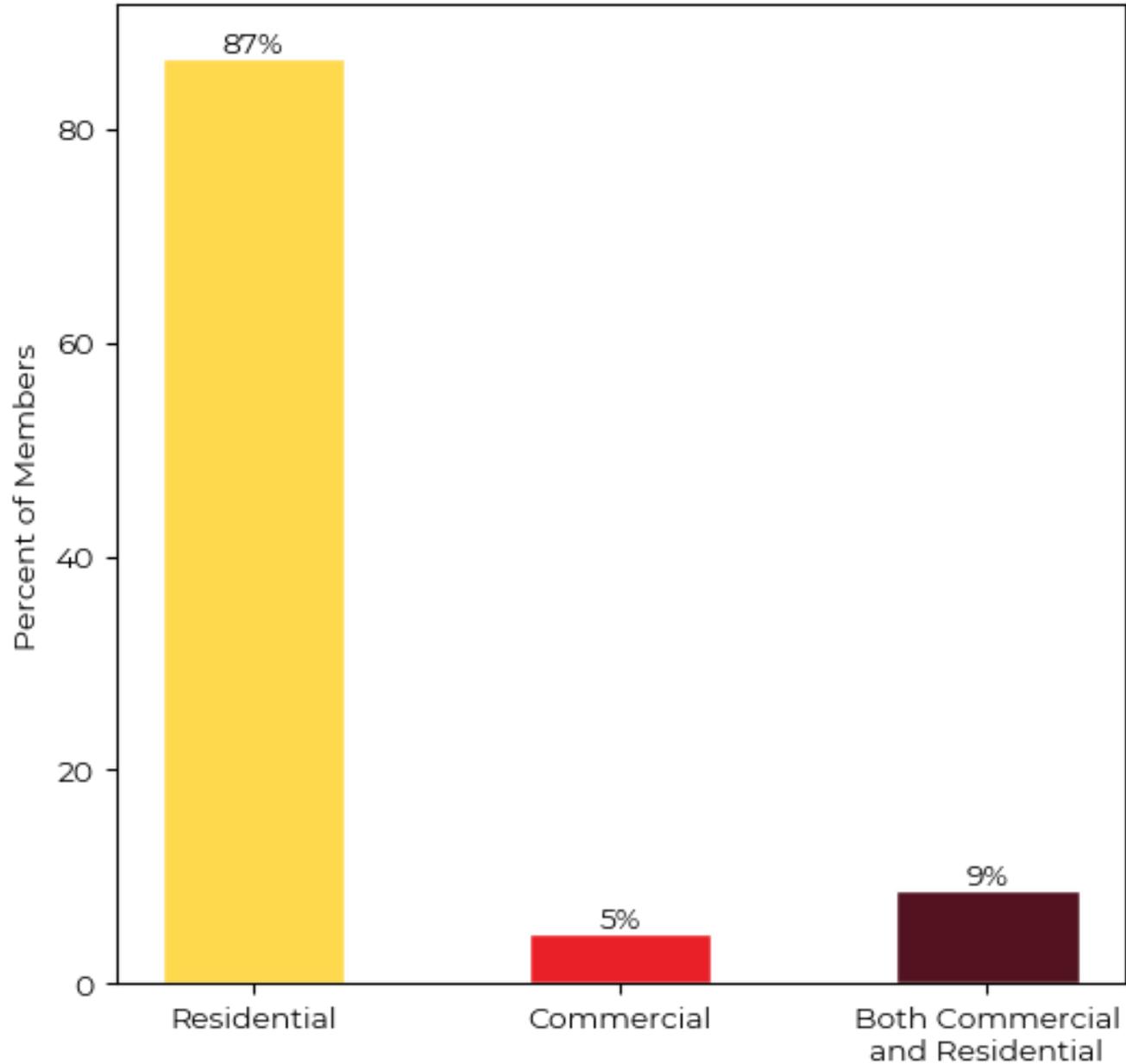
RELEVANT NEW FINDINGS

- Geographical location of members, market analysis, and retention of subgroups

BUSINESS IMPLEMENTATION

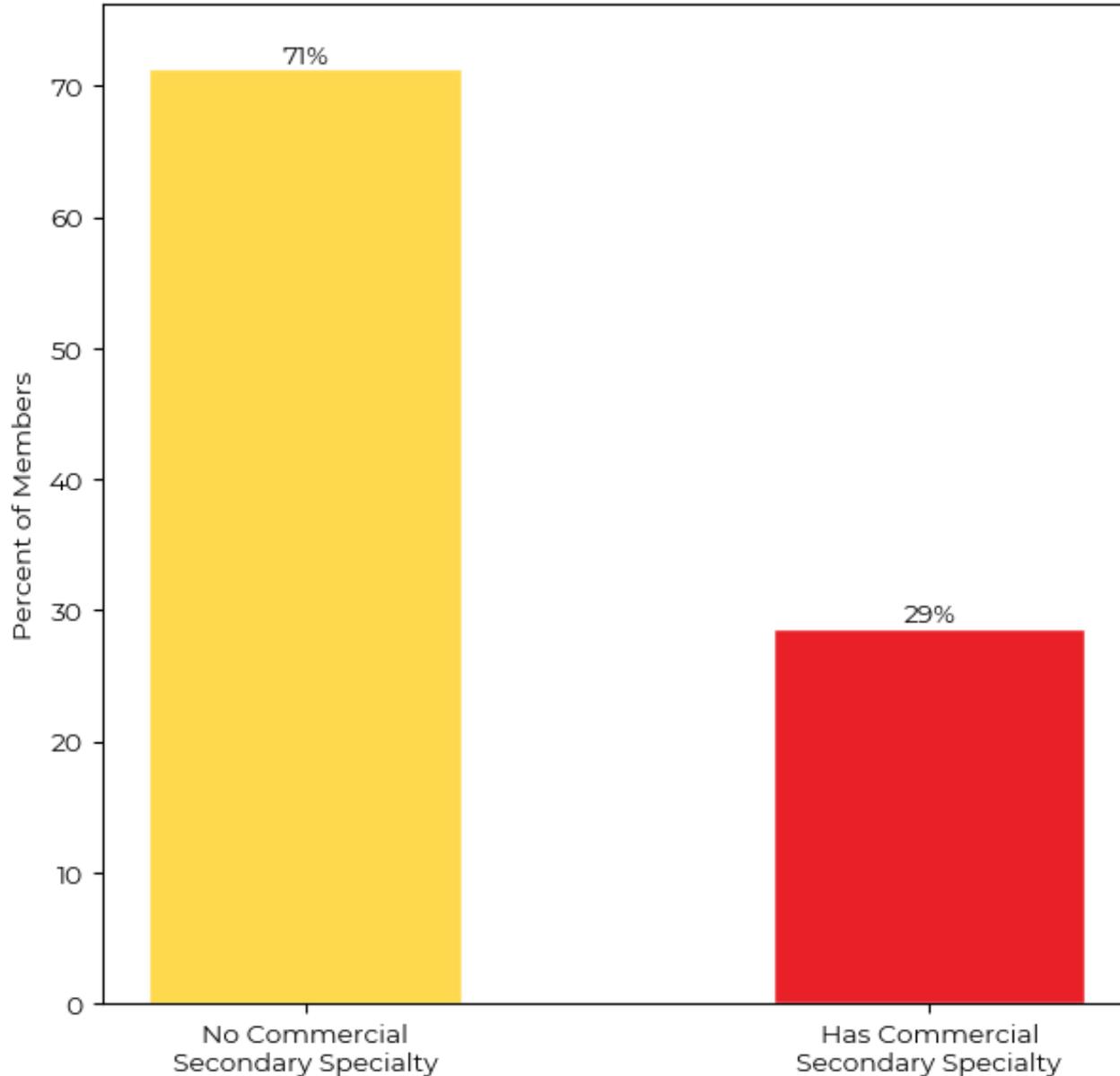
- What comes after the report

SHARE OF COMMERCIAL AND RESIDENTIAL SPECIALISTS



- Commercial specialists were 5% of all NAR members that reported a field of business in 2019

Of Members Whose Primary Specialty Was Residential

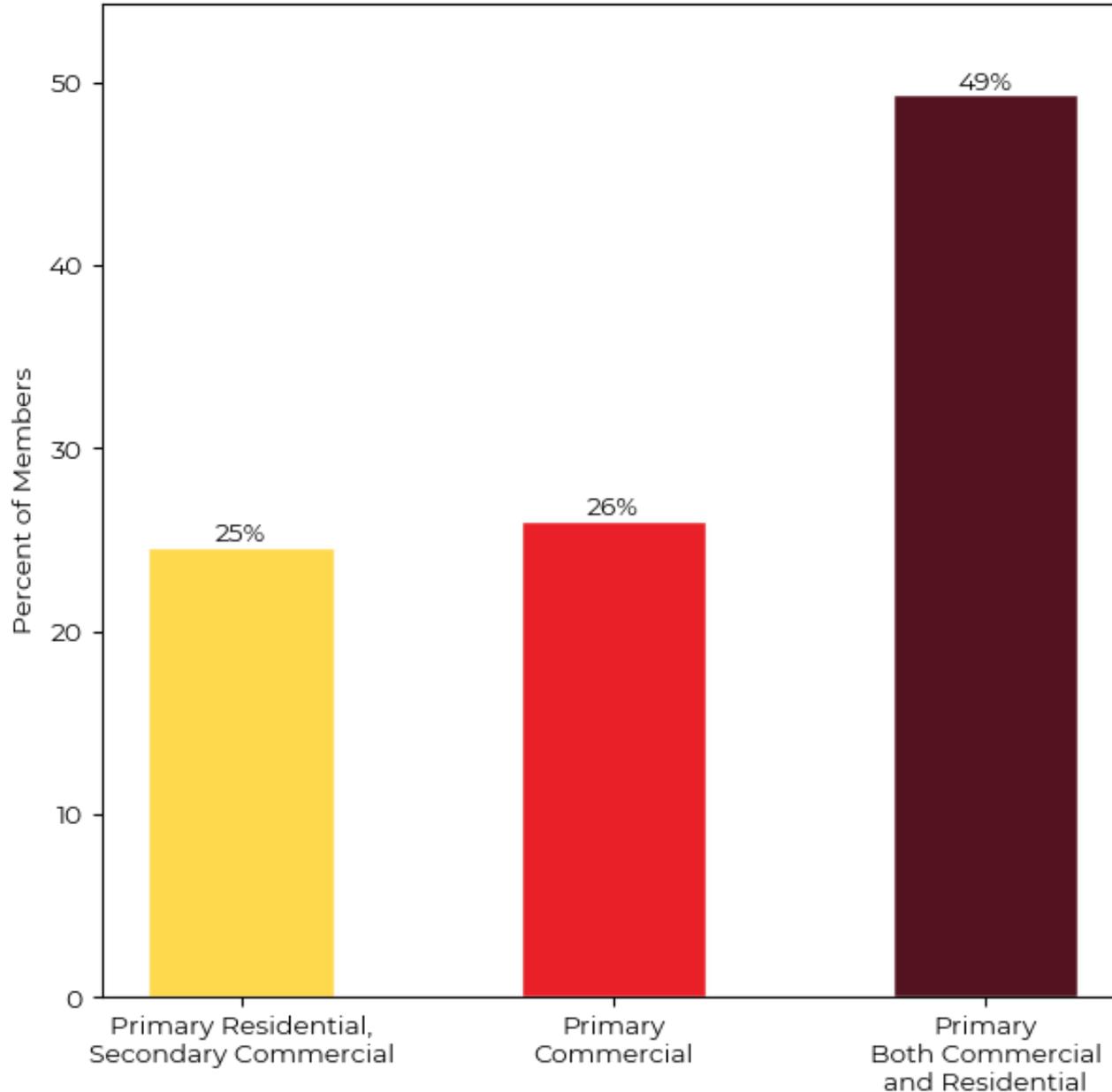


RESIDENTIAL MEMBERS WITH A SPECIALTY IN COMMERCIAL

- Nearly 1/3 of residential specialists also worked in commercial as a secondary specialty

MOST SIGNIFICANT FINDING:

- Prominence of the Dual Specialist – members specializing in both commercial and residential real estate (often in small markets where specialization is not practical)
- Distinguished from residential specialists with a secondary specialty in commercial, or “resi-mercial” members



QUESTIONS FROM ANNUAL 2019

LOCAL MARKET

- In which markets do commercial and dual specialists operate and what are the market characteristics?

RETENTION

- What is the likelihood that commercial members stay in the business?

OUTREACH

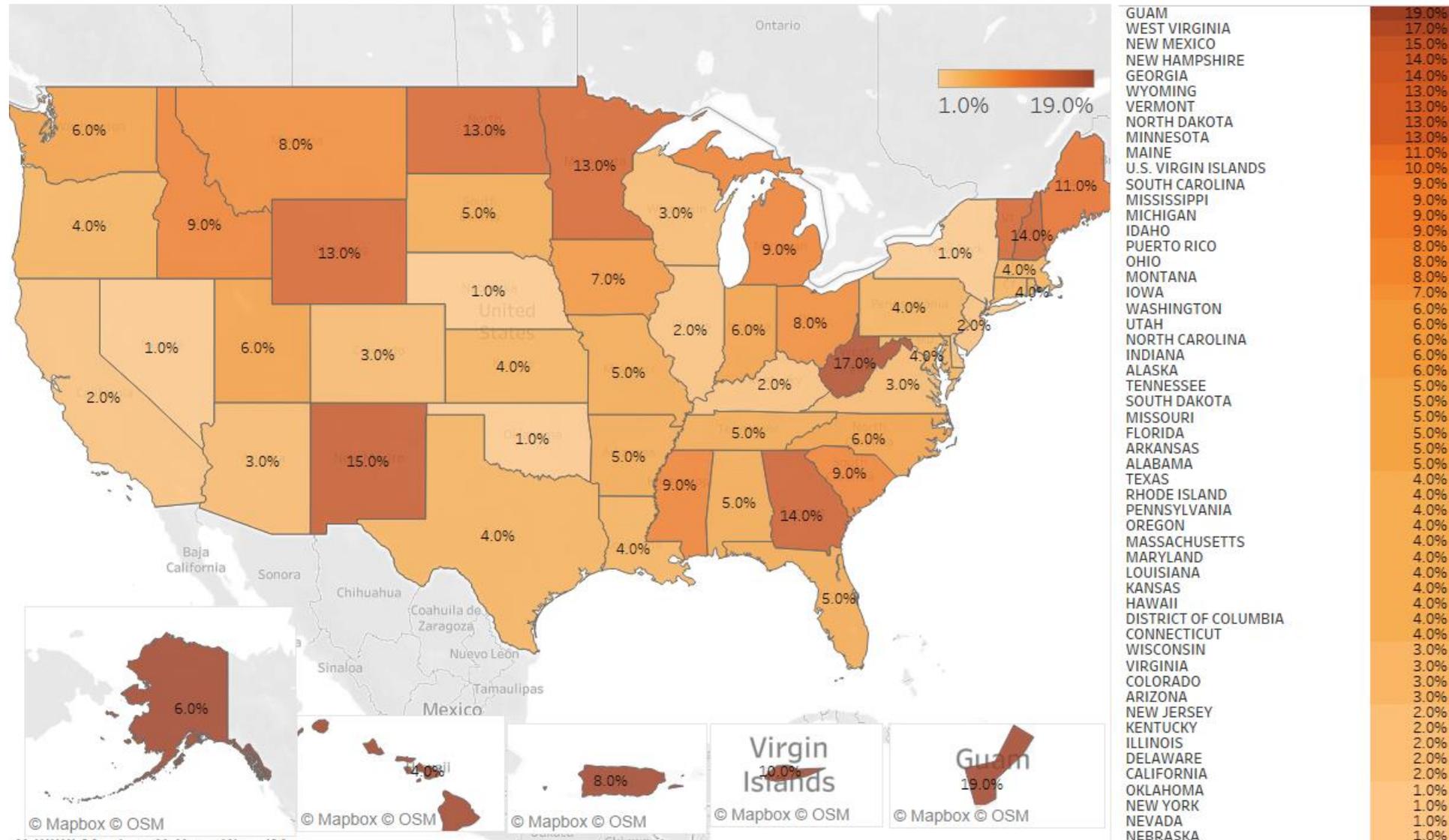
- What are the next steps for working across NAR Groups to provide an update on commercial members?

POTENTIAL PARTNERSHIPS

- How can NAR partner with RPR on commercial members?

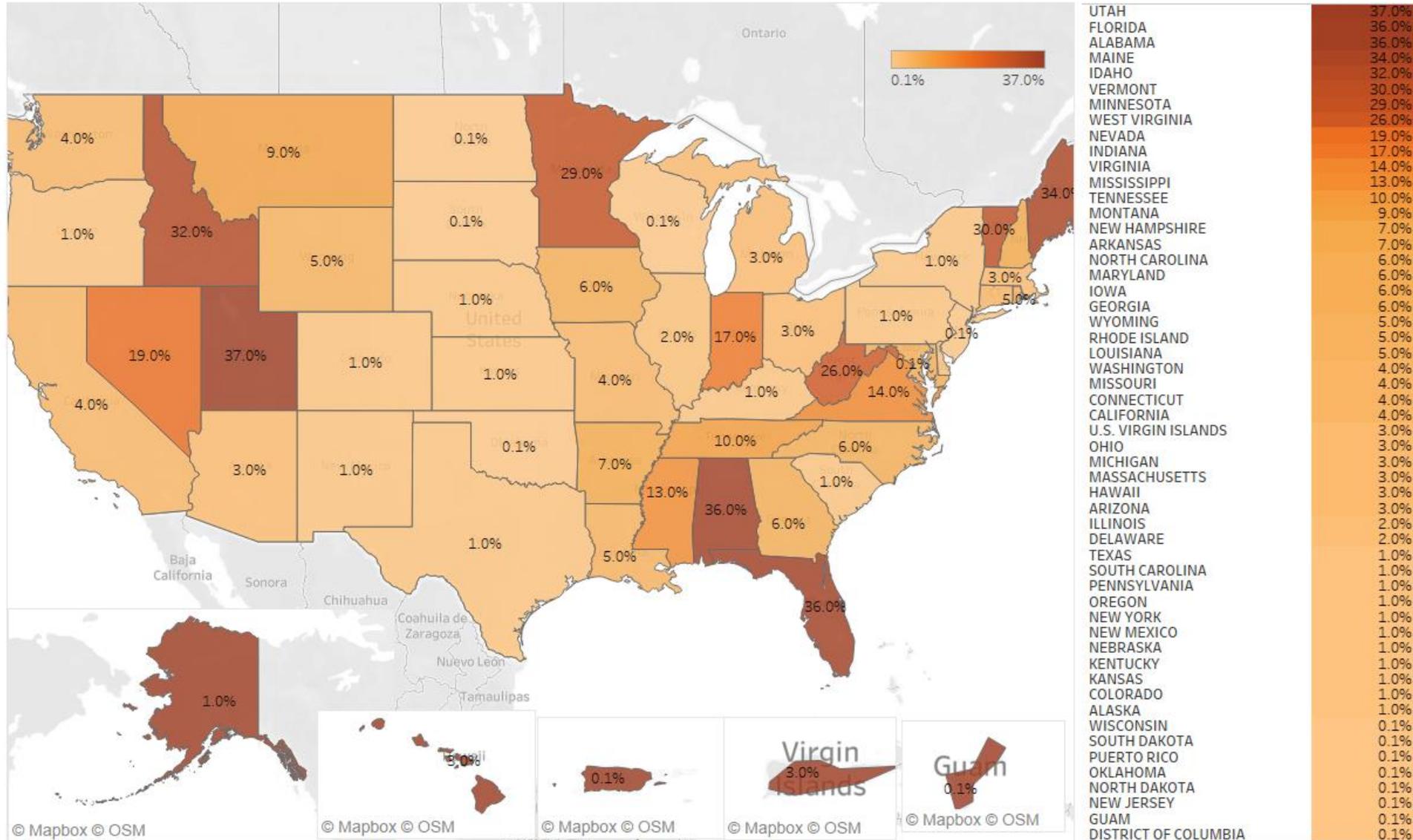
SHARE OF COMMERCIAL SPECIALISTS BY STATE

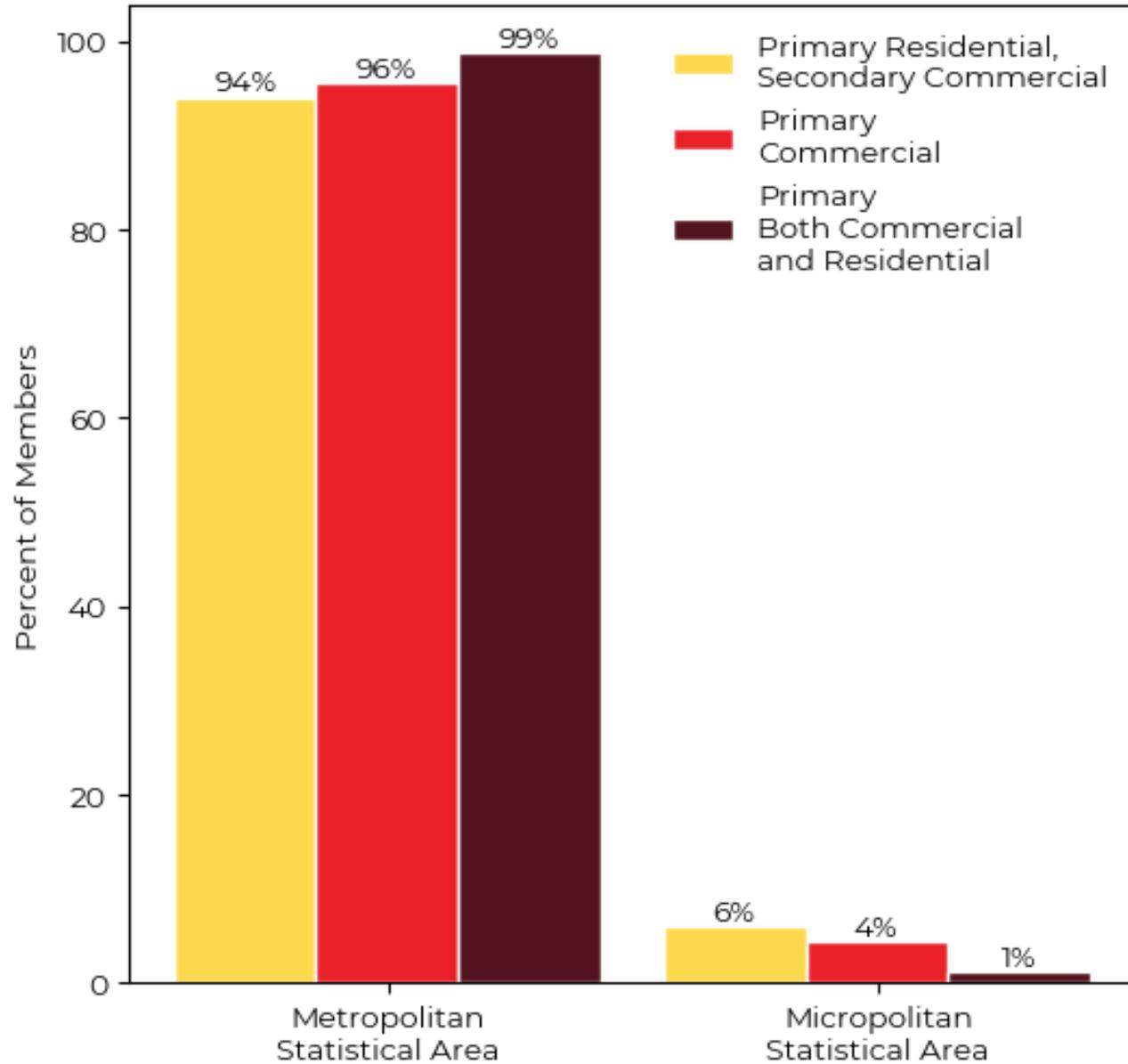
Share of Members by NAR State Association with a Primary Specialty in Commercial Real Estate



SHARE OF DUAL SPECIALISTS BY STATE

Share of Members by NAR State Association with a Primary Specialty in Both Commercial and Residential Real Estate

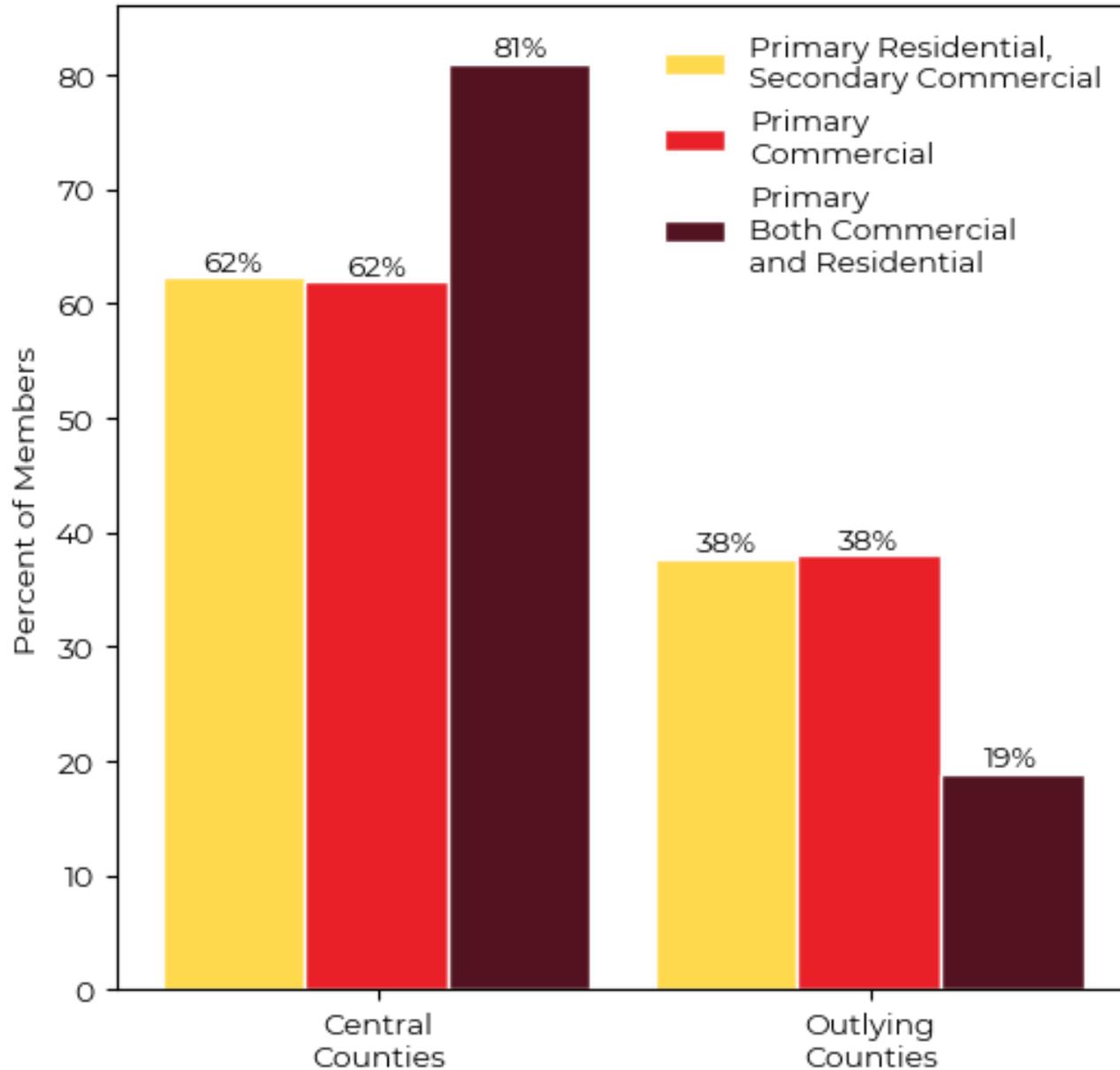




METROPOLITAN AND MICROPOLITAN STATISTICAL AREAS

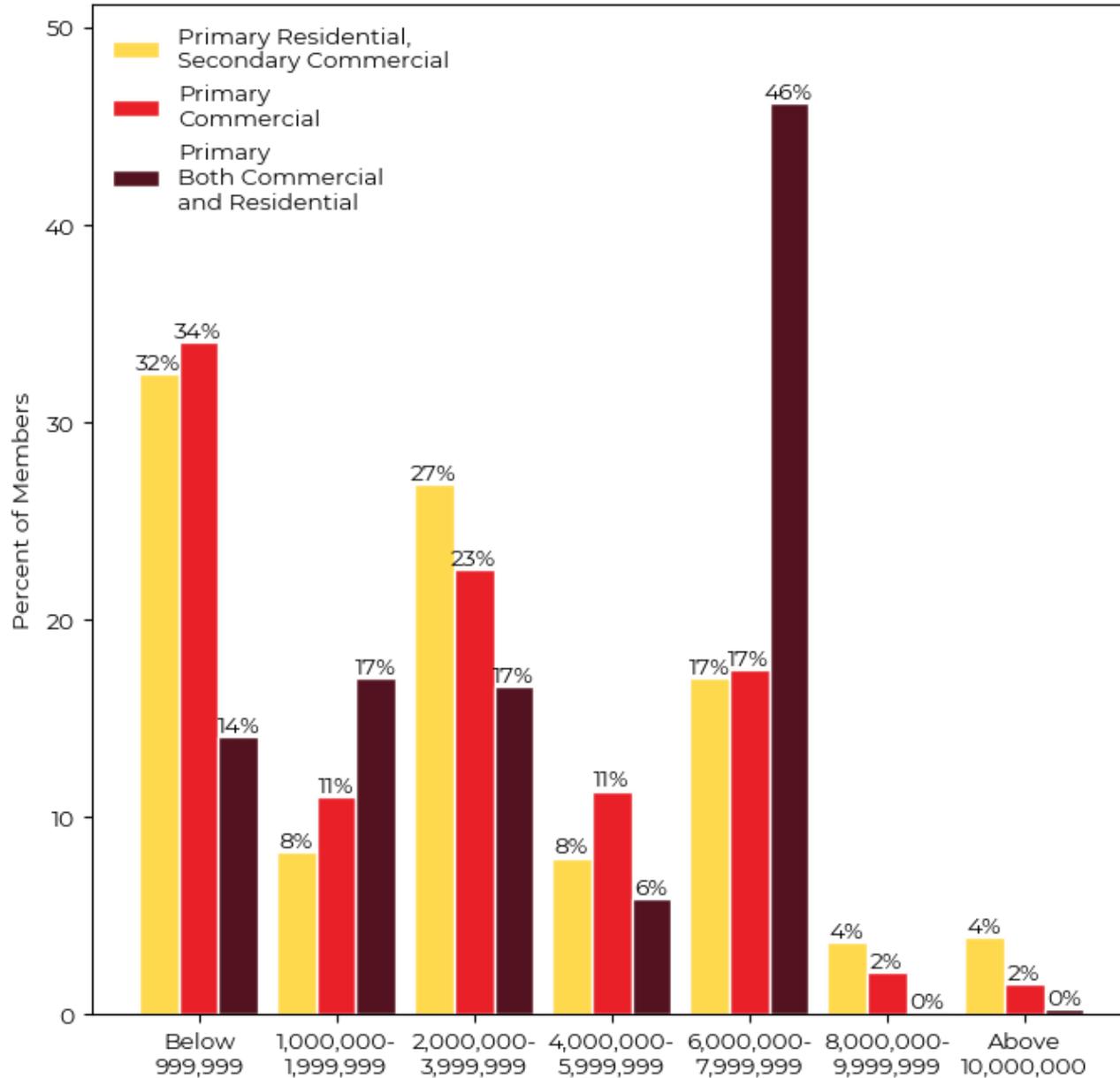
- A majority of members working in commercial operate in metropolitan areas

CENTRAL AND OUTLYING COUNTIES



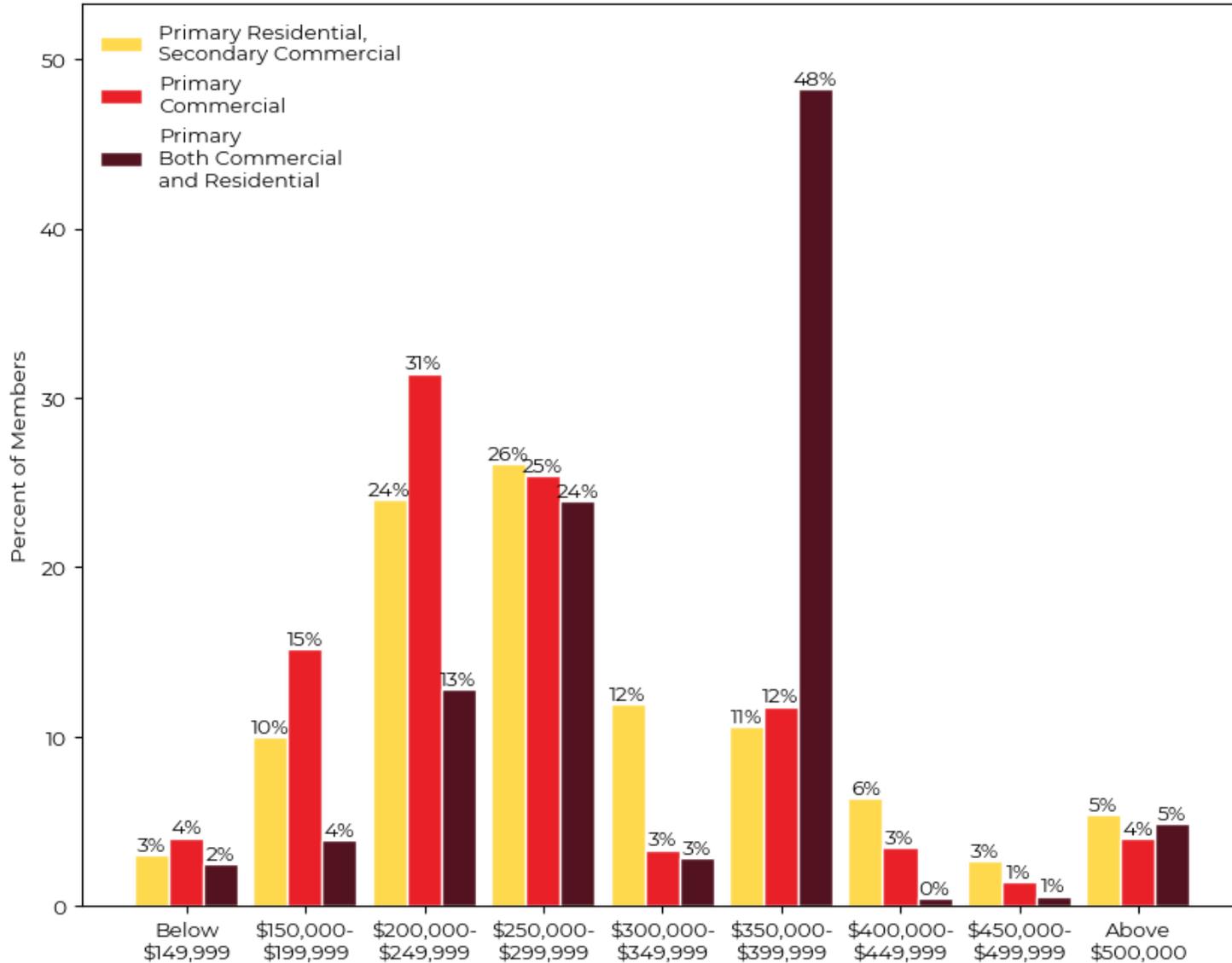
- **A third of commercial members and residential members operate in outlying counties**

POPULATION



- **46% of dual specialists operate in cities with a population between 6 and 8 million residents**

MEDIAN ANNUAL HOME PRICE

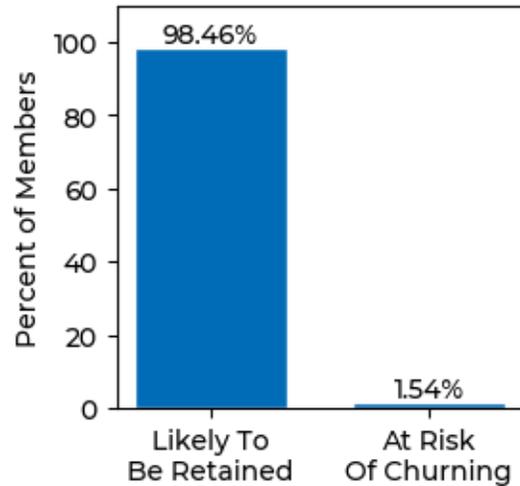


- **48% of dual specialists operate in cities where the median annual home price is between \$350-\$400,000**

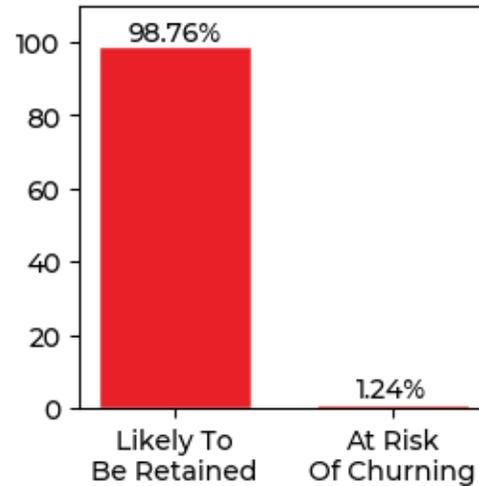
COMMERCIAL RETENTION

- Commercial members had the greatest retention rate of all specialties and were the least likely to churn in the next year

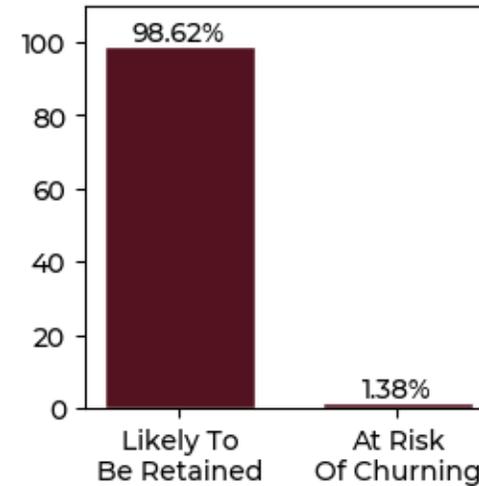
All Members



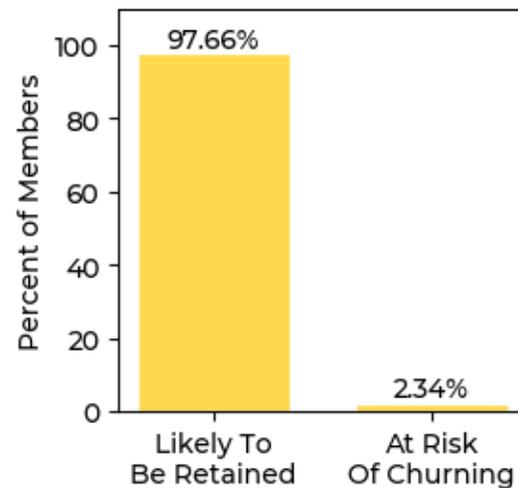
Commercial Members



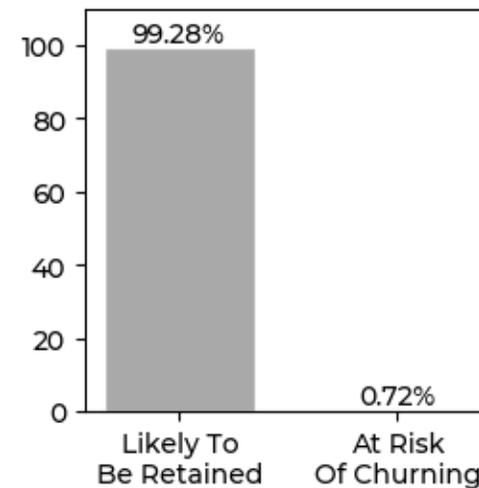
Both Commercial and Residential Members



Residential Members



Members Who Did Not List a Specialty



OUTREACH

Since the release of the report in January 2020, the Data Science Team has reached out to the following NAR Groups:

- Research Group:
 - Data sharing and strategy development with Gay on the market analysis
 - Introduction and segmentation of commercial subgroups into survey channels
- Marketing:
 - Expansion of Commercial Digest and news lists
- Member Engagement:
 - Commercial Committee setting up a roundtable discussion on how to engage subgroups
- Member Experience:
 - Reaching out to members most at risk for leaving the business to keep them engaged
- NAR Local Associations:
 - Reaching out to 100 associations to ensure quality data collection of each of the commercial subgroups

PARTNERSHIP WITH RPR

The Commercial Real Estate Research Advisory Board asked for a partnership with RPR

- We launched discussions in November 2019 with RPR
- Both organizations have identified a core project for phase one, RPR Usage:
 - To track user profiles of commercial members on the RPR platform and connect it with NAR member profiles, both commercial as well as residential
- Discussions underway between the groups to determine how best to share data
- Exploring additional analytical work, ideas, and strategies

FEEDBACK & NEXT STEPS

Data Science Team wants your feedback on future projects

1

2

3

How to submit feedback & suggestions?

ADVISORY BOARD

Ask questions and make suggestions today. Follow up with Gay through the advisory board after mid-year

EMAIL

Amanda Riggs
ariggs@nar.realtor

COMMERCIAL COMMITTEE

Participate in a roundtable discussion on engaging the commercial membership with the Commercial Committee

2020 Report on Commercial Specialty

NAR Data Science,
Information Technology



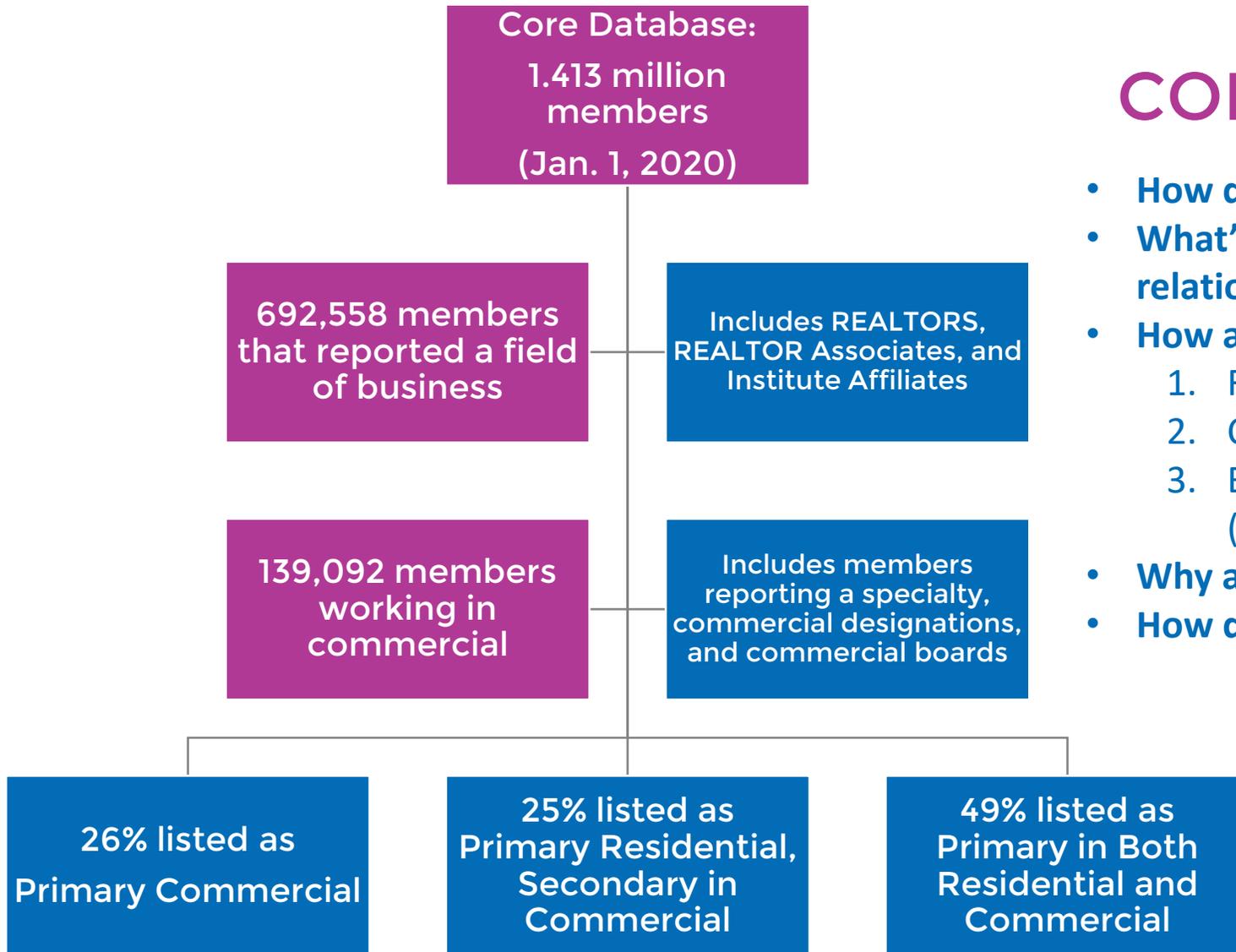
REPORT METHODOLOGY

- In 2019, reporting the NRDS field of business become a requirement
- 158 standardized fields of business:
 1. Residential (100-199 and 411)
 2. Commercial (200-299 and 410)
 3. Both residential and commercial specialties (301-302)
- Membership data was pulled from production on January 1, 2020
- Contained an aggregate number of 692,558 members reporting a primary field of business, or 49% of the 1.413 NAR membership
- 139,092 members working in commercial real estate



TOTAL COMMERCIAL MEMBERS

- How do we find these members?
- What's the breakdown of commercial members in relation to all NAR members?
- How are they coded in the database?
 1. Residential (100-199 and 411)
 2. Commercial (200-299 and 410)
 3. Both residential and commercial specialties (301-302)
- Why are the numbers important?
- How do they differ from other data sources?



NAR DATA SCIENCE

INFORMATION TECHNOLOGY

About Us

- Our goal is to promote data science, artificial intelligence, and related fields in the context of real estate to strengthen REALTOR® technology, research, education, and practice
- In January 2020, the Data Science Team became part of the larger Information Technology group in order to capture synergies with NAR's technology transformation and modernization program



AGENDA

COMMERCIAL REAL ESTATE RESEARCH ADVISORY BOARD
May 5, 2020 | 1 - 2 PM Central Time

1:40-2:00 PM

Chair Soozie Jones-Walker, CCIM, GRI, SIOR

Commercial Research Suggestions

THANK YOU



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