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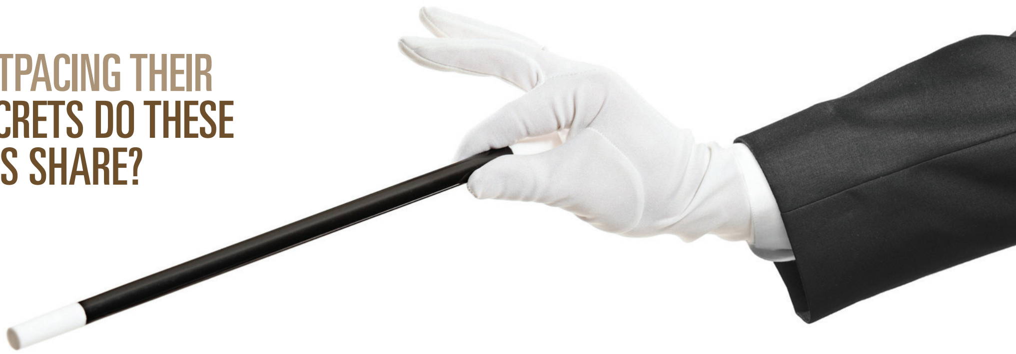
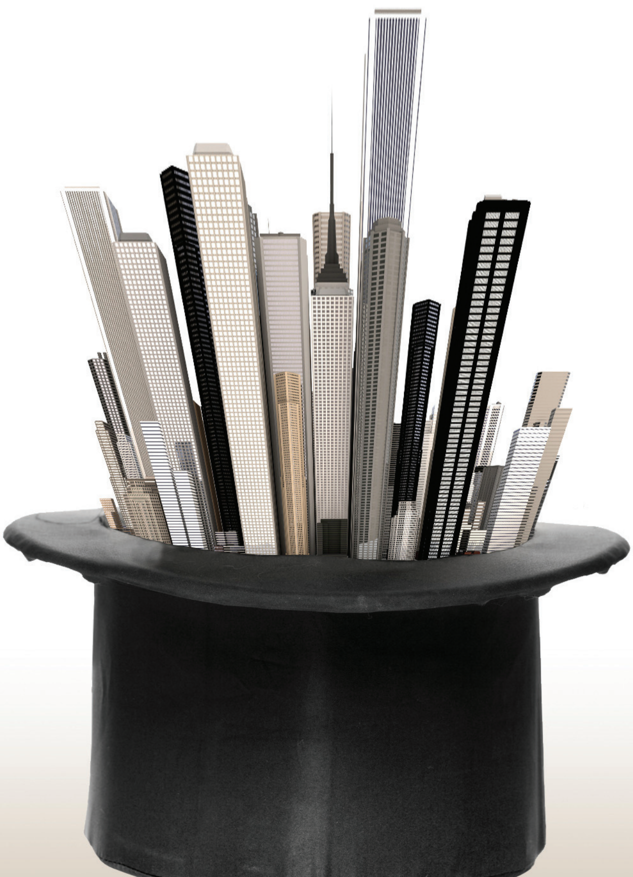
COMMERCIAL CONNECTIONS

THE NATIONAL ASSOCIATION OF REALTORS® COMMERCIAL REAL ESTATE NEWSLETTER VOLUME 13 ISSUE 3 **THIRD QUARTER 2012**

SOME CITIES ARE OUTPACING THEIR NEIGHBORS. **WHAT SECRETS DO THESE MID-SIZED CITIES SHARE?**





MIDDLE MARKET MAGIC

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THE LATEST

VISIT MIPIM - THE WORLD'S PROPERTY MARKET REALTORS® REGISTRATION DISCOUNT

MIPIM IS THE INTERNATIONAL REAL ESTATE SHOW for professionals in Cannes, France March 12-15, 2013. MIPIM, the world's property market, brings together the most influential players from all international property sectors and offers unrivaled access to a great number of development projects and sources of capital worldwide. MIPIM is offering a reduced registration fee of €990 + 19.6% refundable VAT (value-added tax) for the first REALTOR® registrant and €790 + 19.6% refundable VAT for each additional REALTOR® registrant from the same firm/company. This is a 25% discount for the first registrant and 30% for subsequent members of your team! Contact Cheré at clarose@realtors.org for more information and to register for the conference (there will be no online registration for this discount.)

▷ To learn more about MIPIM go to the official website at:
www.MIPIM.com

NEW AT REALTORS® CONFERENCE & EXPO - SPEED NETWORKING, SATURDAY, NOVEMBER 10, 2012

IN ADDITION TO EDUCATION, NETWORKING and the Commercial Block at the EXPO, NAR Commercial is featuring Speed Networking for commercial attendees at the Conference. Strategically scheduled the afternoon before the NAR Commercial Red Carpet Reception, attendees will increase the number of new contacts exponentially by increasing the number of faces and names you will recognize at the reception! It is not too late to join over 2,000 of your commercial colleagues at the REALTORS® Conference & EXPO, November 9 – 13, 2012.

▷ View the commercial schedule of events and register at:
www.realtor.org/convention.nsf

ALL ABOUT THE OFFICE - NAR BLOGS OFFER INSIGHT ON VITAL MARKET NICHE

IF YOU ARE LOOKING TO KEEP ABREAST OF THE LATEST TRENDS and numbers related to market niches like office, retail, multi-family, industrial and land then add the Source blog (*blog.commercialsource.com*) and the Economists' Outlook blog (*economistsoutlook.blogs.realtor.org*) to your daily feed. Economists' Outlook recently reported on office vacancy declining to 16.1 percent and the Source blog posted about office building classification and the differences between Class A, Class B, and Class C varying widely by market area.

▷ These blog posts can be found at the following short links:
http://tinyurl.com/economistsblogoffice
http://tinyurl.com/sourceblogoffice

UPCOMING COMMERCIAL & AFFILIATE MEETINGS

CCIM INSTITUTE
Annual Meetings & Conference
October 12 – 16, 2012
Las Vegas, NV
http://live2012.ccim.com

COUNSELORS OF REAL ESTATE (CRE)
2012 Annual Convention
October 14 – 17, 2012
Miami, FL
www.cre.org

INSTITUTE OF REAL ESTATE MANAGEMENT (IREM)
Fall Leadership Conference
October 16 – 20, 2012
New Orleans, LA
www.irem.org/iflc/

URBAN LAND INSTITUTE (ULI)
Visit the NAR Commercial Booth!
ULI Fall Meeting
October 16 – 20, 2012
Denver, CO
www.ulifall.org

SOCIETY OF INDUSTRIAL AND OFFICE REALTORS® (SIOR)
Fall World Conference
October 25 – 27, 2012
Los Angeles, CA
www.sior.com/events

REALTORS® LAND INSTITUTE (RLI)
RLI Day @ REALTORS Conference & Expo
November 8, 2012
Orlando, FL
www.rliland.com/nar-annual-conference

REALTORS® CONFERENCE & EXPO
Visit the Commercial Block at the Expo!
November 9 – 12, 2012
Orlando, FL
www.realtor.org/convention.nsf

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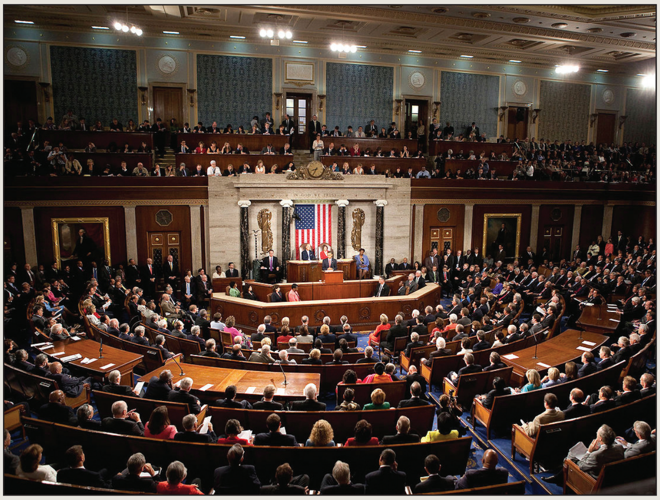
TERRORISM RISK INSURANCE ACT



ON SEPTEMBER 11, 2012 the Subcommittee on Insurance, Housing and Community Opportunity held a hearing entitled "TRIA at Ten Years: The Future of the Terrorism Insurance Program". By invitation only, NAR submitted testimony and was represented by 2012 NAR Commercial Committee Vice-Chair, Linda St. Peter, CCIM, CIPS (Prudential Connecticut Realty in Wallingford, CT.) Linda testified on behalf of NAR and its commercial affiliates: CCIM Institute, Institute of Real Estate Management, REALTORS® Land Institute, and Society of Industrial and Office REALTORS®. The purpose of the hearing was to provide an overview and begin the conversation about how TRIA has worked, how TRIA has affected various stakeholders, what the private market's current capacity is to provide terrorism insurance, and what Congress can do to encourage greater private sector participation.

ORIGIN

Following the terrorist attacks of September 11, 2001, insurers backed out of the terrorism insurance market place prompting Congress to create a federal reinsurance backstop program in the Terrorism Risk Insurance Act of 2002 which also mandated that insurers make terrorism coverage available along with its property and casualty lines. In December 2005, Congress passed the Terrorism Risk Insurance Extension Act (TRIEA), which extended the federal terrorism insurance backstop program for an additional two years. On December 26, 2007, just days before the Act was once again set to expire, President Bush signed H.R. 2761 into law to extend the program for an additional seven years through the end of 2014.

WHAT'S AT STAKE

American businesses continue to rely upon the availability and affordability of terrorism risk insurance. The federal backstop program is a critical component of the private/public partnership created to protect the nation's business sector by ensuring that adequate insurance coverage is available to effectively manage economic risks. This is has been a particular concern for those in commercial real estate who need to have terrorism coverage in place in order to secure financing. Commercial mortgage-backed security (CMBS) borrowers face the threat of default and bond downgrades without adequate coverage. In the retail and multifamily sectors specifically, a jump in terrorism insurance premiums can reduce the value of commercial properties. If terrorism insurance becomes unavailable again this throws the financing into technical default.

WHAT NAR IS DOING

Because of the importance of terrorism insurance coverage to commercial real estate, NAR supports the continued availability and affordability of coverage. NAR will continue to monitor and join in the conversation in Washington as to the policy decisions regarding terrorism insurance.

HOW TO GET INVOLVED

REALTORS® can get involved today by staying informed on TRIA and NAR's policy supporting terrorism insurance coverage:

- To view Linda St.Peter's testimony on NAR's behalf, go to the video at: ***http://bit.ly/TCcw8t***.
- To read NAR's Issue Summary on Terrorism Insurance and all other Advocacy Issues Summaries, go to: ***www.realtor.org/political-advocacy/all-advocacy-issues***.

MIDDLE MARKET MAGIC

BY MARIWYN EVANS REALTOR® MAGAZINE COMMERCIAL EDITOR,

EVERY COMMERCIAL REAL ESTATE BROKER knows the equation: if you want to increase demand, you need more jobs. Simple, right? Not really, especially not in this economy. Yet some cities are outpacing their neighbors — adding the good jobs that fuel demand for office, retail, and multifamily. What secrets do these mid-sized cities (1.5 to 2.5 million in population) share?

GET THE ECONOMY IN FOCUS

If there is one thing that sets top job-growth cities apart, it's that their public and private leadership focuses intentionally on their economies, says Bruce Katz, vice president of the Brookings Institution and founding director of the Brookings Metropolitan Policy Program. The key, says Katz, is recognizing the trade sectors that already exist within a city's economy and then building on those strengths.

Trade sectors, first defined by Harvard's Michael E. Porter 15 years ago, are groups of related industries that sell most of their products outside a city's geographic area. Trade sectors, or clusters, can be anything from traditional manufacturing to software development to music, but they are the key drivers of economic growth and prosperity.

While a smart city doesn't limit itself to one economic sector (see Detroit), focusing on a few can help build a city's economic brand and create a synergy that will attract more companies in the same field, says Katz. "Each city has to ask, 'What is our special role?'," he says.

Case in point: Austin. Once a hub of semi-conductor manufacturing, the city lost 25,000 manufacturing jobs between 2000 and 2003 thanks to globalization and the dot.com bust. Today, the more than 100,000 tech jobs in Austin focus on design of games, semi-conductors, and mobile apps — all trade jobs. "Technology companies like to be around other technology companies. Plus it's easier to recruit a new hire if there are other companies with similar needs nearby," says Dave Porter, senior vice president of the Austin Chamber of Commerce.

GET AND KEEP THE BEST AND BRIGHTEST

Once you have your focus, you need "a reliable supply of skilled workers that match the needs of your target economic clusters, says Katz. The presence of major universities plays a critical role, both in attracting young educated workers and in research to support key economic clusters. Case in point: Pittsburgh, with 36 colleges and universities in the region, synergies between universities and researchers at the National Energy Technology Lab, the world headquarters of Westinghouse's nuclear division, and PP&G's advanced research into materials for solar and energy conservation complement regional resources in coal and natural gas. The combination gives Pittsburgh a competitive edge in attracting energy-related businesses, explains Dewitt Peart, president of the Pittsburgh Regional Alliance. Demand for space is so strong that Pittsburgh's Class A space in the CBD is almost fully occupied, and office rents rose 7 percent annually between 2010 and 2012, reports Jeremy Kronman, CCIM, SIOR, executive vice president of CBRE in Pittsburgh.

Universities are "a key anchor," says Katz, but just as essential for continued job growth are good K-12 and technical schools that supply workers at all levels. Case in point: Nashville. Although it saw a 42.4 percent increase in college-educated residents between 2000 and 2010 (to 19.5 percent of the population), the city's mayor, Karl

"MOST OTHER FAST-GROWING CITIES LAG BEHIND IN TRANSIT, BUT THEY KNOW THEY HAVE TO CATCH UP OR LOSE OUT."

Dean, has made better education at all levels one of his principal goals. One result: The Academies of Nashville, which pairs the local business community and high schools to create specialized career-oriented courses such as the Academy of Digital Design and Communications, sponsored by the Country Music Television, and a network of alternative high schools funded by a grant from the National League of Cities. With office vacancies at 9 percent and a new 1.5 million square foot convention center with a green roof scheduled to open in 2013, “We are running out of space downtown, and I can look out of my office and see six cranes,” says Terry Smith, CCIM, SIOR, executive vice president at Colliers International.

FORM A PRIVATE/PUBLIC PARTNERSHIP

The cooperation between private, public, and philanthropic in Nashville’s education program highlights another key to sustained economic growth — a shared vision and a cooperative outlook, says Chris Leinberger, president of LOCUS, professor at George Washington University School of Business, and nonresident senior fellow at Brookings. “The private sector has to take the leadership role,” he says. Case in point: Opportunity Austin, a private economic development initiative coordinated by the Chamber of Commerce and completely funded by the private sector. “City councils can be slow to act. Sometimes you just need to make a decision and get on a plane,” says Jerry Heare, SIOR, senior vice president at NAI REOC.

Also key: Getting buy-in from all communities in the region. In Denver, each of the 70 mayors of cities in the seven-county region has veto power on proposals, and all sign a Code of Ethics, “which basically says you will sell the region first and not sell against your neighbor,” says Tom Clark, executive vice president of the MetroDenver Economic Development Corporation. The cooperation is a big reason the area has “a world class infrastructure,” says Clark.

Another must do: Be willing to pay for the improvements you want. Denver citizens voted a sales tax increase to fund FasTracks, an expansion that will add 122 miles of commuter and light rail throughout the metro area. Nashville recently voted in a property tax that will add $100 million over seven years to the city’s education budget. Another tip: Lower costs of capital and labor during recessions make slow times ideal for investing in infrastructure projects, says Paul Washington, executive director of Denver’s Office of Economic Development.

“Be willing to pay for the improvements you want.”

BUY INTO 21ST CENTURY TRANSIT

Denver’s willingness to fund rapid transit has put it on the path to be a 21st century city,” say Leinberger. The 2014 completion of the Union Station transit hub will increase connections region-wide. The redevelopment of the historic structure, which will also have a new boutique hotel and 76,000 square feet of retail and restaurants, has already helped increase leasing activity in the area, says R.C. Myles, CCIM, SIOR, senior vice president, capital markets with Cassidy Turley Fuller Real Estate.

Most other fast-growing cities lag behind in transit, but they know they have to catch up or lose out. Nashville just passed a bus rapid transit plan with support from the Greater Nashville Association of REALTORS®. In 2011, GNAR used a $10,000 Smart Growth Grant from NAR to create the Transit Citizen Leadership Academy with the goal of educating key community leaders about the value of transit, says Kendra Cooke, 2012 GNAR president. Attendees included mayors from all 10 counties in the metro and helped create the critical mass of support to pass the $174 million project.

BOOST YOUR QUALITY OF LIFE

While quality-of-life improvements without job growth may just be window dressing, a great place to live will keep top workers in town, says Leinberger. What makes a great place? Density and walkability, he says. City-spanning greenways like those in Nashville and transit-oriented developments in Denver encourage walkability and cut pollution. Sufficient density also lets a city support vibrant public spaces and cultural institutions. Case in point: In Pittsburgh, the city’s Urban Redevelopment Authority spent $5 million to turn a decaying square full of drug deals and bus fumes into vibrant 24/7 piazza for the city’s workers and 8,000 residents. URA offered low-interest loans that helped merchants renovate. Today, the Market Square area has 30 restaurants, 500 fully occupied apartments, and, soon, a luxury hotel. The city has also launched a 10-year plan to reconnect its riverfronts to neighborhoods. “That connection creates added value and tax revenues beyond the actual development into the community,” says Robert Rubinstein, URA’s acting executive director.

No city has it all, and all have room for improvement. But with a vision and a will to implement that vision, many more cities have the potential to become economic leaders in the 21st century. CC

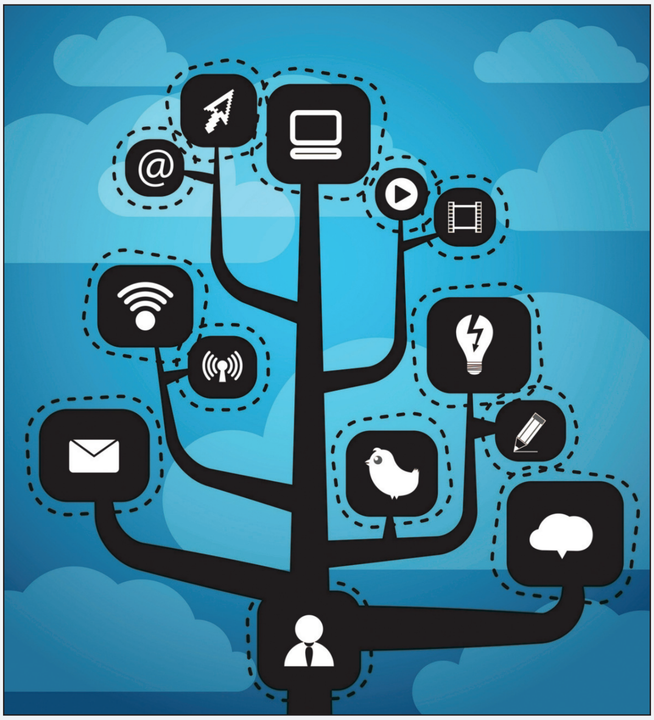
SOCIALLY NETWORK YOUR WAY TO BUILDING BUSINESS

BY: JEAN MADAY, NAR COMMERCIAL PROFESSIONAL DEVELOPMENT AND OUTREACH MANAGER

In today's continually evolving social media landscape, incorporating these tools in your business strategy is becoming more crucial than ever. But what is most effective for commercial real estate and how can you most wisely use your time?

ENGAGEMENT FACTOR

First of all, you need to understand that when you get down to it, social media is really the engagement factor – participating in a two-way conversation with your audience. The role of social media can be broken down into three key areas – communications, marketing and branding. Communicate a message, engage in conversation and perspective. Market your expertise by sharing meaningful and relevant content. Listen to what your potential clients are saying and what needs they have. Brand yourself as a relationship builder with market and industry knowledge, not as a self-promoter. Every time you "do" social media, it really is an opportunity to increase your engagement factor.



30% RULE

The next step is to strategically think about balance in types of conversations and content you post, just as you would with a "traditional" marketing plan (social media can seem 'off the cuff' but it deserves forethought and planning the same as your marketing plan and as part of that overall plan.) To get started, consider the 30% rule – 30% promotion, 30% conversation, and 30% recommendation.

Promotional content would be anything that is original to you and/or relevant to your own business such as an event you are speaking at or even a deal you just closed. With promotional content, generally YOU and your business are the topic.

Conversational content focuses on talking to other people in the space. Examples include replying to a tweet in your Twitter stream, posting a comment on a blog (like NAR's The Source commercial real estate blog) or on a discussion board in LinkedIn. You will find that once you join the conversation it will build upon itself – just like in real life.

Recommendations include re-tweeting a tweet, re-sharing a Facebook post and posting relevant (to you and your followers/friends) articles, news stories, blog posts, video or podcasts from the web.

That makes up 90% of your content – what about the other 10%? Ten percent is about getting personal. Not in a blatant self-promotional way or in a I'm-going-to-tell-

"BEING PERSONAL BREAKS DOWN BARRIERS AND HELPS FIND COMMON BONDS BETWEEN PEOPLE."

you-what-I-am-doing-every-minute way. That, just like a tacky marketing flyer or business card, will not help you in branding yourself as a professional expert – especially in an industry like commercial real estate. Instead, share a bit of who you are as a person, what your day is like, what you are doing for dinner, etc. Just remember to keep it to only about 10% of the content you share.

One of the most powerful aspects of social media is the ability to reach out and connect with colleagues, clients, friends and family across the country in a matter of seconds. But the lack of face to face interaction can create a wall – which is why it is so critical to include your personal self as you engage in social media. Being personal breaks down barriers and helps find common bonds between people. One example started by NAR Commercial is the CRE Java Club (#CREJAVACLUB). CRE Java Club is a group of commercial professionals from all over the country who met via Twitter by sharing their love of coffee (if you've ever met the NAR Commercial team on the road you know our love of all caffeinated beverages.) Not only have some great personal friendships been made, but it has generated business for participants built on trust and a shared experience.

"One of the most powerful aspects of social media is the ability to reach out and connect with colleagues, clients, friends and family across the country in a matter of seconds."

FORMULA FOR SUCCESS

Engage in social media because you want to be social, not just because you need to check it off your list of things to do. Craft a strategy – your own personal strategy based on your professional and business objectives.

> Here's a simple formula to keep in mind:
> **Engagement + Meaningful Content / Time = Business, Loyalty, and Financial Success**

In other words, use social media as a tool to meet people while listening to others and insert yourself into the conversation with information that is useful and relevant. Focus on this, and continually repeat your efforts. Over a period of time, you will see results – connections that can lead to new clients and deals, while increasing the word of mouth of your reputation and character. Now THAT has impact. CC

TOP TEN ISSUES AFFECTING THE REAL ESTATE INDUSTRY

The Counselors of Real Estate®, an invitation-only professional association of top leaders in more than 50 specialties within the real estate industry (and which is an affiliate of the National Association of REALTORS®) developed the following list of critical issues that will affect the real estate industry over the next 10 – 30 years. Members of CRE®s External Affairs Committee regularly issue alerts about important topics. Many of the issues have strong interrelationships and are common across industries.

Through a series of objective white papers to be developed over the next few years, the organization seeks to engage leaders within the industry and the world economy in meaningful dialogue to address these urgent issues.

Response to these trends will separate the winners from the losers in the real-estate market, said Scott Muldavin, CRE, a member of the group and president of The Muldavin Company, a consulting firm serving the real-estate industry.

1. **Aging Population**
   The aging of the population will broadly and dramatically affect the real estate markets from housing, retail sales, health care, and the myriad of factors that define success for different geographic areas. Aging will most directly affect the demand for real estate, but will have scores of less direct impacts such as potential capital impacts as the pensioners by the scores of millions move from being net contributors to net users of capital.
2. **Funding of Public Employee Retirement Systems**
   Underfunding of state and local retirement systems in the trillions of dollars provides extreme challenges to the provision of basic local and state services critical to real estate properties and markets. Can we tap existing government assets for cash in a way that makes economic sense and does not shortchange future generations? Real winners and losers to emerge.
3. **Student Debt Burdens**
   Student college debt averages more than $20,000 per student and its total exceeds consumer debt for the first time. How will such burdens change the patterns of spending, household formation, and growth of this generation of graduates?
4. **Infrastructure Funding and US Competitiveness**
   Creative public-private partnerships with state & local governments are being viewed as potential supplements or replacements for Federal funding of the next generation of needed infrastructure improvements, and could cover the trillions of dollars of deferred maintenance of existing assets.
5. **Changing Office, Retail and Industrial Demand**
   Radical reductions in office space use by larger occupants due to technology change and acceptance of alternative work systems—and similar changes in retail as Internet buying changes the role and purpose of physical retail —will define winners and losers going forward. The Panama Canal expansion and East Coast port expansion are changing the dynamics of warehousing.

6. **Real Estate Capital Markets Liquidity**
Capital limitations on banks as a result of Dodd Frank legislation and existing over allocations to real estate, concerns about the scale of the return of the CMBS market, hundreds of billions of dollars of real estate loans that must be refinanced in the next 3-7 years, as well as growing capital demands by other sectors of the economy will create continuing uncertainty over access to capital. Smaller properties; properties in secondary or tertiary markets; and properties with weak borrowers, substantial vacancy, high rollover of tenants in early years, or other risk factors are already experiencing a severe capital shortage.

7. **Global Change and Uncertainty**
The political gridlock and budget crisis in the US, the European financial crisis, the pending (now underway) slowdown of China's economy, uncertainty and slow growth in the Middle East, and continuing expansion of global interconnections makes uncertainty about the future a certainty. What does it mean for real estate investment in the US and abroad?

8. **Integration of Sustainability**
Sustainability has moved beyond a gimmick and become part of corporate governance, management and reporting systems, supply chains, and the basic functioning of many companies—increasing the value of sustainable property investment. How must real estate businesses adapt to keep up?

9. **Low Cap Rates**
Cap rates for core properties are back to troubling 2007 levels. What happens if interest rates increase and cap rates decompress? Has the industry set itself up for another disastrous value decline?

10. **Civil Discord and Political Gridlock**
Many of the key issues and challenges require broad consensus to solve. Will there be greater cooperation, or will political gridlock continue? Answers to this question will be critical to determining the future of the real estate industry and societies of the world.

For more information on the Counselors of Real Estate®, its External Affairs Committee and the publication of the white papers associated with these top ten issues, visit: *www.cre.org/external_affairs* or contact *info@cre.org*

"“RADICAL REDUCTIONS IN OFFICE SPACE USE BY LARGER OCCUPANTS DUE TO TECHNOLOGY CHANGE AND ACCEPTANCE OF ALTERNATIVE WORK SYSTEMS... WILL DEFINE WINNERS AND LOSERS GOING FORWARD.”"

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