

COMMERCIAL CONNECTIONS

A PUBLICATION BY THE NATIONAL ASSOCIATION OF REALTORS®



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PLUS / EB-5 Update, New Plant Book, & Smart Growth Grants

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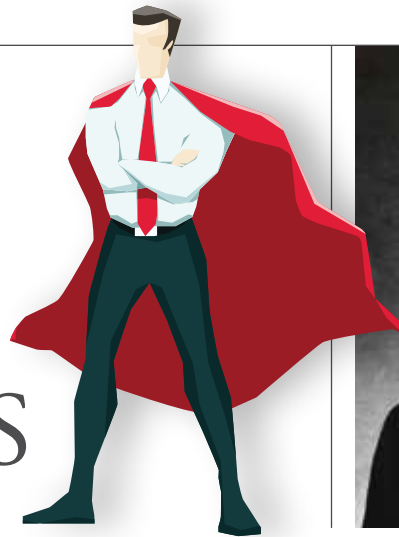
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COMMERCIAL SPACES BREATHE EASY

EMPOWER YOURSELF FOR SUCCESS

A NOTE FROM THE PRESIDENT, BILL BROWN



BILL BROWN

A core goal set by the 2017 National Association of REALTORS® Leadership Team is to help REALTORS® better help themselves. We are a multifaceted organization providing a robust litany of resources and services, covering everything from advocacy to technology to education, to support membership and enhance your prosperity. Throughout the year, association leadership, staff, and volunteers have worked diligently to grow our member resources to ensure you have access to the tools REALTORS® need to meet the needs of 21st century consumers.

NAR's Research Division has been busy laboring towards this goal of helping REALTORS® help themselves. Commercial members have noted they find value in our research because they are able to see how changes in their markets, aggregated nationally, compare with broader trends. A large percentage of REALTORS® are active in "small cap" commercial markets, which tend to be obscured by or absent from many third-party data aggregators. NAR's research is able to shine a spotlight on these smaller markets.

As a result, NAR has established a reputation for producing exceptional research of the commercial real estate market. Over the years, REALTORS® have benefited from publications such as our **Commercial Real Estate Outlook**, **Commercial Real Estate Lending Trends**, and **Commercial Real Estate Market Trends**. This year, we are pleased to share three new commercial reports aimed at further empowering NAR's commercial members.

The first is the Swanepoel T3 Group's **Commercial Real Estate ALERT**, released in May of 2017. Commissioned by NAR, and akin to the DANGER Report, the ALERT Report is a comprehensive publication that examines emerging risks and opportunities in the commercial real estate industry. The report synthesizes information from

broad industry research sources along with industry leaders and REALTORS®, covering a range of topics from capital markets and crowdfunding, to technology, e-commerce, sustainability and regulations.

The second commercial report new in 2017 is **Commercial Real Estate International Business Trends**, an annual report focused on REALTORS® experiences with international investments. More and more REALTORS® are working with global clients, making this an indispensable resource on investment traits, sources of capital by global region and country, leasing trends for international clients, as well as appraisals.

Finally, the third report is the quarterly **Business Creation Index**. Through a focused monthly survey of commercial members, NAR Research is able to monitor local small business conditions and provide insight into business openings and closings by industry, population density, and sub-region.

I encourage you to visit nar.realtor/commercial to access these reports, as well as the entire collection of NAR commercial research and a wide variety of other resources designed to help you remain at the front of our industry.

NAR's commitment to every business segment of our membership is unwavering. By helping REALTORS® help themselves, we make strides to ensure you remain the authority of our industry. Working together, we can safeguard our livelihood, and secure our profession for future generations of REALTORS®.

THE LATEST



Just In: Commercial Real Estate Market Trends

This NAR report collects data from commercial members to provide an overview of market performance, sales and rental transactions, and look at current and future economic challenges and expectations.

www.nar.realtor/research-and-statistics/commercial-real-estate-market-survey

Three Commercial Field Guides Recently Updated

Field Guides from the NAR Library are one-stop resource packages designed to educate and empower REALTORS® on topics relevant to them. Expand your knowledge of office properties, auctions, and retail property markets through carefully curated articles, books, websites, statistics, and other materials. Have an idea for a new Field Guide? Email infoservices@realtors.org with your suggestions.

www.nar.realtor/field-guides

Commercial ALERT Report Released

Commissioned by NAR, the ALERT Report explores potential roadblocks, risks, and opportunities which could impact the commercial real estate industry in the coming years. Research was conducted by Swanepoel T3 Group and centers on key areas including capital markets, technology, e-commerce, sustainability, and more. Download the report for free.

www.nar.realtor/reports/commercial-alert-report

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www.crettech.com

New Issue of On Common Ground

Explore articles on water availability and infrastructure, repurposing our nation's malls, how LEED has rocked the built environment, and more. *On Common Ground* is the only magazine entirely devoted to REALTORS® and smart growth. The digital edition is available online.

www.oncommonground-digital.org/oncommonground/summer_2017_sustainability

Information Services Benefits You

Sometimes a little information can go a long way toward achieving your goals. Whether you're in need of an elusive statistic or looking for information to help support a project, NAR's Library & Archives can help zero in on the right resources for the job. The Library's reference & research service, one of many benefits of your REALTOR® membership, can help you build your knowledge and make better-informed decisions. Contact NAR's Information Services at 800-874-6500 or infoservices@realtors.org to discuss your research question with a librarian.

A CONVERSATION WITH MICHAEL SCHOONOVER

COMMERCIAL LEGISLATION & REGULATORY ADVISORY BOARD CHAIR



MICHAEL SCHOONOVER, ALC, GREEN

Commercial Connections (CC): You have a long track record of success as a REALTOR®, both in your own business career and serving as an advocate on the political front. Do the two roles complement one another?

Michael Schoonover (MS): Absolutely. Being actively involved in the organization – at any level - helps your business because it builds your network. I can pretty much call someone I know in any part of the country because of my work at NAR. It's also helped with clients. For example, I'm a strong supporter of the Main Street Tax Fairness Act, which seeks to establish an effective way to tax internet sales. That's helped me with small business owners in my market who see I'm out there helping them and fighting to protect their right to do business.

CC: While it may seem like little is happening in Washington, D.C., political battles and stalemates at the local, state, and national level are nothing new. What should members be doing to remain involved and advocate for our industry?

MS: It's true we are at a stalemate. In particular, the lack of nominations and confirmations for political appointments at the national level is slowing us down because we can't go to anyone to advocate. Talking to our local senators and congressional representatives and pushing them to help fill these appointments is key. What happens too often when we go up on the Hill to meet with our congressional delegation is we say "we want this, please do that." But sometimes what we need to be saying is "here are some things we support. What can we do to help?"

CC: In your position as Chair of the Legislation and Regulatory Advisory Board, you have an inside perspective on the pressing issues NAR is addressing. What key legislative and regulatory issues are you currently watching most closely?

MS: First of all, appraisal issues impact both the residential and commercial sides of the organization so we must continue to monitor this issue.

Next is 1031 Like Kind Exchanges, which are such an important piece of commercial real estate. There is currently a push in congress to allow 100% costing within the first year of a transaction, but you can't cost out the land. There are areas in my state of Washington where the land might be worth as much or more than the improvements. So that's scary. In my experience, it's not really the huge corporations that do many of the 1031 transactions. It's the mom and pop businesses with a half dozen or less employees that are able to sell a building and acquire a larger one where they can then hire more people. 1031s create jobs.

The third is the Main Street Tax Fairness Act, which taxes internet sales. We need to provide a level playing field on tax issues. I strongly believe the small business people are the ones that grow our economy.

CC: What value does NAR's focus on advocacy provide to commercial practitioners?

MS: When I first got my license, I joined a firm. I had to pay my REALTOR® dues and I kind of felt I wasn't getting anything out of it. But then I started going to meetings at my association and I saw they were doing things to change our market. I decided to get more involved because I learned NAR protects property rights and watches over tax issues. These are vitally important.

But it's more than that. If you aren't making money off of your membership then you aren't paying attention. There are discounts on things like rental cars and computers. There is education from RLI, IREM®, SIOR, and CCIM and if you look at the people who hold those designations

A CONVERSATION WITH MICHAEL SCHOONOVER CONTINUED

they make far more money than the folks who don't. A big part of that is the networking, getting to know people all over the country and world. You've got to take advantage of what you are paying for by getting involved.

CC: What advice do you have for members who might want to follow in your footsteps and become more involved in legislative and regulatory matters at the local, state, or national level?

MS: If you're going to learn the real estate business you are going to need a good mentor.

I was state president of the Washington Association of REALTORS® – the first commercial member to hold that position in 35 years. My goal was for five of the people who sat on my executive committee to follow me and become future State Presidents. So far three of them have done so. That's what we as leaders need to do. A lot of young people don't realize we want to mentor you. We aren't going to be here forever. We need to replace ourselves.

It's key to look around at your local and state association and see who is active. Then ask them if you can shadow them and see how they work. A lot of stuff happens at the local level that requires advocacy and it's important for younger commercial members to be involved. For instance, here in Seattle a capital gains tax might pass and it could hurt our local economy and commercial markets. A less experienced member could get involved in that local issue, advocating against the measure, and develop the kind of background and understanding to build themselves up to the national level.

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INSIDE THE NUMBERS: ECONOMIC OUTPUT & SMALL BUSINESS CREATION

NEW BUSINESS OPENINGS CURRENTLY OUTPACING CLOSINGS

By George Ratiu, Director of Quantitative & Commercial Research, NAR



Economic Output Advances

Economic activity started on a moderate pace early in 2017. Gross domestic product advanced during the first quarter of 2017, with a 1.2 percent annual increase, based on the second estimate of real gross domestic product (GDP) from the Bureau of Economic Analysis (BEA). While the second estimate was an improvement over the initial 0.7 percent, it was far below the average 3.4 percent typical of first-quarter GDP growth over the 1950-16 period. However, the second quarter GDP is expected to show improvement, with a yearly gain above 3.0 percent.

The first quarter moderation in economic activity came mostly from a pullback in consumer spending and, to a smaller extent, a decline in government expenditures. Consumer spending—the main component of GDP—was positive, with a 0.6 percent annual gain during the quarter. While consumers cut back on purchases of cars, clothes, shoes, as well as gasoline, oil, and energy goods, they upped spending on furniture and household appliances, recreational goods and vehicles, and grocery store items. Spending on services rose 0.8 percent on an annual basis, with recreation, transportation, and financial services leading the modest gains.

The corporate outlook—still riding the tidal wave of the presidential election outcome and the promise of less regulation—mirrored gains in the private domestic investment figures. Nonresidential fixed investment increased at a 9.4 percent annual rate, the strongest

quarterly gain since the fourth quarter of 2013. Companies boosted investments in equipment and intellectual property products. Investments in commercial real estate jumped at a 22.1 percent annual rate, while investments in residential real estate rose at a 13.7 percent rate.

Payroll employment advanced in the first quarter of 2017, with a net gain of 527,000 new jobs, according to the Bureau of Labor Statistics (BLS). Private service-providing industries continued as the growth engine during the quarter, with 341,000 net new jobs.

In the wake of employment gains, consumer confidence strengthened. The Conference Board's Consumer Confidence index advanced 22.4 percent YoY, to 117.5, the highest value since the fourth quarter of 2000. The value for April 2017 was 120.3, indicating growing optimism about the 2017 outlook.

Small Business Creation Follows Economic Shifts

Mirroring broader economic activity, business creation moderated toward the midpoint of the year. The Business Creation Index (BCI) tracks changes in small business activity. The index stems from a national survey of REALTORS® who specialize in commercial real estate, and who are actively engaged in their economies and markets. The index focuses on changes in business openings, closings, and the net effect between the two, across geographies and industries.

...CONTINUED

INSIDE THE NUMBERS: ECONOMIC OUTPUT & SMALL BUSINESS CREATION CONTINUED

Based on the BCI data, 53 percent of respondents recorded increased business openings in June 2017. The pace was a slowdown from March, when 58% of respondents indicated increased business openings. The rate of business openings was flat however, across the two quarters, with 54 percent of surveyed REALTORS® indicating increases.

The distribution of openings by industry corresponded with the warming seasons and consumer spending patterns. Food and beverages services led the list of industries with the highest share of new businesses, at 61 percent. REALTORS® reported 58 percent more openings in the retail sector, with health care (medical and dental) posting a 40 percent advance in openings.

Regionally, the Central part of the United States witnessed the strongest rates of business creation. The West North Central, comprising Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota and South Dakota, posted a 66 percent increase in new companies, followed by the East South Central region—Alabama, Kentucky, Mississippi and Tennessee—with a 60 percent gain in new firms.

The good news in the index came from the net difference between business openings and closings. During the second quarter, 54 percent of REALTORS® responding to the BCI survey indicated more companies opening than closing, a slight improvement from the first quarter's 53 percent.

For more details, read the June 2017 Business Creation Index report.

COMMERCIAL REAL ESTATE OUTLOOK

With increased business openings and projected pick-up in economic output, demand for commercial spaces is expected to continue on an upward trajectory. Positive net absorption will likely continue adding downward pressure on vacancies, leading to improved cash flows.



SUCCESS

OPERATION

BY THE NUMBERS

ECONOMIC OUTPUT & SMALL BUSINESS CREATION: APRIL — JUNE, 2017

FIGURE 1

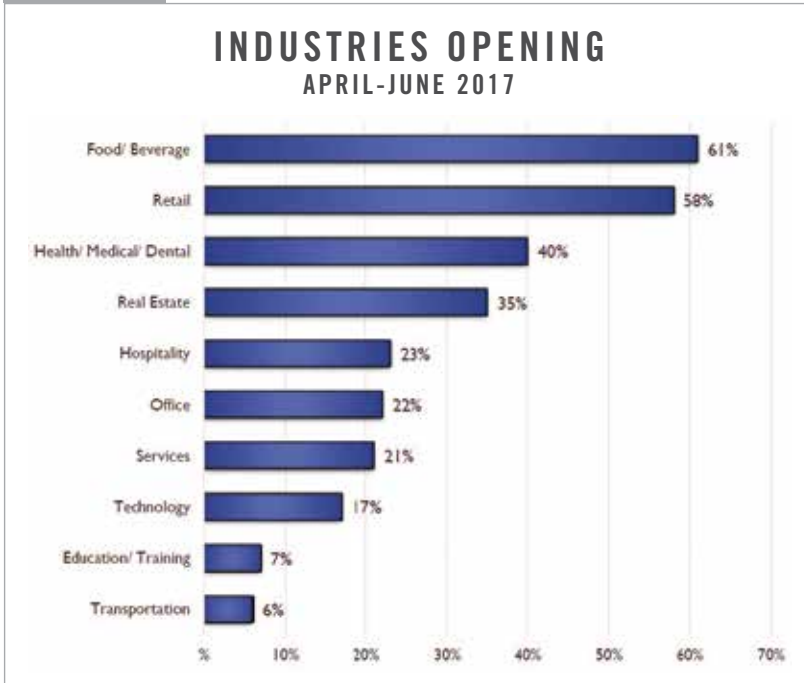
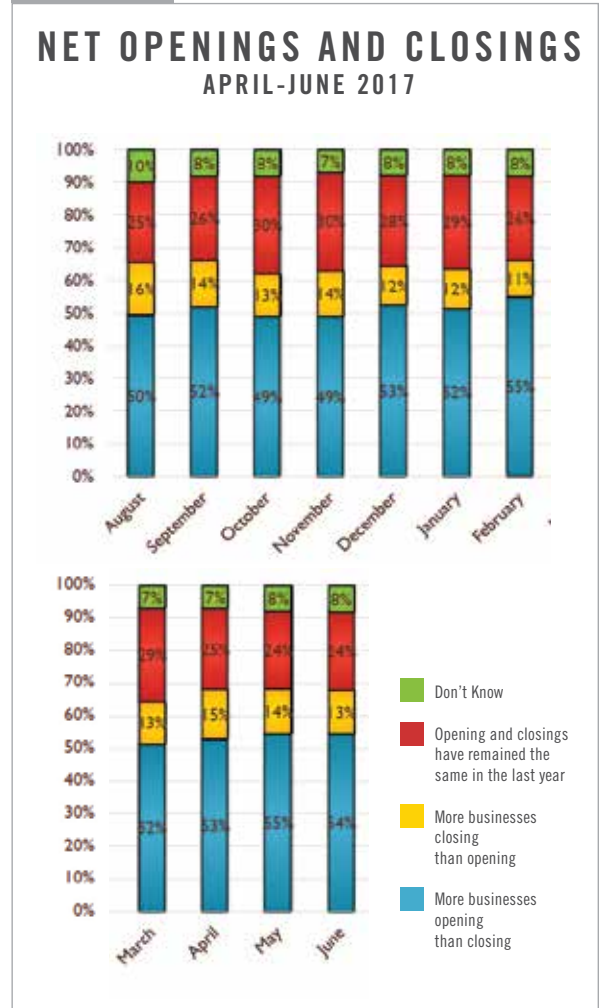


FIGURE 2



FIGURE 3



Do you have a comment or question about this article?

Contact us at NARcommercial@realtors.org with your thoughts.



RPR® USER SPOTLIGHT

DANIEL LEVISON, CHAIRMAN/CEO, SHAREDSPACE, ATLANTA, GA

by Emily Line, Vice President of Commercial Services, Realtors Property Resource®



DANIEL LEVISON

Daniel “Danny” Levison has 40+ years of experience as a REALTOR®, investor, landlord, and manager of a commercial brokerage. Danny’s investment company, Atlanta Investment Properties, specialized in purchasing, leasing, and managing multi-tenant commercial properties within a 100-mile radius of Atlanta, Georgia, until they sold the 25 building 1MM sq ft portfolio in October 2015 for \$35MM. Additionally, Danny was managing broker for Commercial Property Professionals where he oversaw their third party managing and leasing teams representing more than 1MM sq ft in 30+ buildings.

Emily Line (EL): You have a track record of successfully leasing traditional office space in one of the most vibrant commercial markets in the country. Yet you’ve recently taken a leap into the co-working scene. What led to that decision?

Danny Levison (DL): Co-working spaces have exploded onto the office scene and it’s not just entrepreneurs and freelancers anymore – big business is making use of these innovative work environments. Co-working is no longer a concept unique to Silicon Valley, but has blossomed into the largest component of the shared economy. A major takeaway from *Deskmag’s* “Global Coworking 2016 Survey & Forecast” is that co-working spaces are not just for startups anymore. They provide big benefits for big business.

EL: It’s simple to get the value proposition for a start-up with limited capital – co-working provides office space without a long-term commitment. But what are the benefits for established corporations?

DL: Co-working creates the opportunity for corporate and entrepreneurial businesses to collaborate in ways that create business opportunities and business opportunities create jobs. It’s all about supercharged networking. KPMG is a great example. They’re a top global accounting firm employing tens of thousands of workers and they provide some of their workforce “flex-work” environments at co-working facilities. KPMG values being close to startups and small entrepreneurial businesses that could quickly scale up and become clients or who they can contract for specific projects.

There’s also terrific value in utilizing co-working spaces for the convenience of holding client meetings. The notion of meeting clients in the middle, providing a neutral location and reducing time spent traveling is a value efficiency. Lastly, if there are short-term special projects that require additional space or an offsite location for a confidential initiative, renting a co-working office for a month or two may be ideal.

EL: You successfully launched SharedSpace in Atlanta over a year ago and have aggressive plans for expansion throughout the Southeast. How do you pick locations?

DL: Our plan is to focus on secondary cities and grab market share. We know the younger generations live and breathe community, openness, and collaboration. We dive deep into demographic and economic stats for a market. We want to know current numbers and projections for the general population, validate the strength of the local economy, study the patterns of millennials in those markets, understand the job growth, identify the professional focus in the area, and concentrate on technology-focused markets. We spend time researching home building and overall development projects in a geography and of course stay dialed in to reports on hot markets. We also look for specific economic generators or projects in communities that will drive economic growth.

EL: What technology do you use to conduct that market research?

DL: *Laughs* Clearly RPR®! My REALTOR® Benefit. It saves us time and money. Esri is the premier source for this type of data and we’d have to pay a sizable amount of money to aggregate and make sense of the stats versus signing into RPR® and consuming Esri information immediately. RPR®’s ease of use and depth of data allows us to conduct meaningful analyses before even stepping into a market. We would be guessing when it comes to choosing the next location if it wasn’t for RPR® data telling us where there’s a need and exactly how we can best market to a particular area’s demographics.

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TRANSIT ORIENTED DEVELOPMENT

DRIVING INVESTMENT IN METRO MARKETS NATIONWIDE

By Edward M. Bury, Contributing Writer



Many factors drive real estate investment and development, including economic conditions, market demand, and the availability of capital. Studies reveal another critical element now plays a significant role in determining where new real estate projects will be planned and built: proximity to smartly-designed and well-maintained infrastructure. More than ever people are specifically interested in public transit and pedestrian walkways that provide accessible, reliable, and convenient ways to travel between home and work, schools and recreation.

Recent research supports this contention. A study from the Urban Land Institute, “Infrastructure 2014: Shaping the Competitive City,” found that improving transportation infrastructure ranked among the highest priorities from 440 public officials and real estate leaders surveyed.

A trend known as transit oriented development (TOD) has been popularized by this demand. The concept centers on building high-density multifamily, office, and mixed-use properties within a defined proximity – usually a one-half mile walking distance – from a rapid transit or light rail station. Proponents of TOD development cite benefits that include putting undeveloped or underdeveloped properties to more productive uses, slowing the pace of urban sprawl, reducing traffic congestion, and contributing to sustainability through less reliance on personal auto use.

Examples of TOD developments most often can be found in older urban markets with “legacy” transit networks established before auto travel became dominant. In recent years, the concept is taking hold in emerging metro areas where new rail transportation is helping manage growth, provide greater access to businesses and social services, and contribute to the quality of life. Recognized for decades by urban planners as a viable way to design and grow livable and resilient communities, transit oriented development

is gaining broader acceptance by municipalities seeking to address mounting issues like affordable housing options in gentrifying neighborhoods and access to more convenient community services and resources.

TOD Poses Challenges for Developers

Like any real estate development, new TOD properties present specific demands to the development team. Working with transit agencies and navigating requirements laid out by local governments are among factors developers must address.

Francis DeCoste, COO of Transit Realty Associates of Boston, pointed out one initial issue developers encounter centers on the mission of transit providers. “There is, of course, a transit component to a TOD project” he said. “So, the challenge is that these projects have to be coordinated with transportation agencies. Their main business is moving people and not developing real estate. Both parties have different types of objectives, and getting those objectives coordinated is one of the biggest challenges developers face.”

Most TOD projects, DeCoste added, require a high degree of density within the overall development to help address any related infrastructure costs and may include securing air rights needed to build the project. That can lead to challenging negotiations with the local government during the initial planning stages. “When going through the governmental approval process, developers have to make municipalities understand what’s needed to develop these sites as a TOD property,” DeCoste said. “The developer may have to give up some density, which they may or may not want to do. And, there’s the idea that a

...CONTINUED

TRANSIT ORIENTED DEVELOPMENT CONTINUED

TOD property has reduced parking; developers have to get the municipality to buy off on the idea that it's okay to have less parking.”

New Rail Network Driving TOD in Orlando

The foundation of TOD development centers on providing convenient public transit options to reduce automobile ownership and the need for lots of parking. That makes sense in dense, older metro areas with established transit networks like Chicago, which in 2015 enacted an ordinance that includes eliminating parking restrictions for mixed-use properties built within a quarter-mile of an existing Chicago Transit Authority or Metra rail station.

But the concept also is taking hold in still car-centric markets with recently-completed public transportation networks. That's the case in Orlando, where the SunRail commuter line now operates 12 stations within three counties. Preliminary guidelines for planning the line, which opened in 2015, included detailed “TOD community sketchbook” documents to give the communities served a vision of potential redevelopment projects near SunRail stations. A Phase 2 is underway that will add four more stations to expand the rail network and help guide adjacent multifamily and other commercial property development.

“Transit oriented development is really starting to happen here in Orlando,” said Cynthia Shelton, CCIM, CRE, CIPS, Senior Managing Director of Capital Markets at Landqwest Commercial, a diversified central Florida real estate firm. “These kinds of properties give rise to the idea of the walkable city. People like my 27-year-old daughter want to live in a downtown area where she can say, ‘I work there, I play there, and I take my dog for walks there.’”

A recent surge in new and remodeled properties in the downtown area of Lake Mary, which boasts a SunRail station, was cited by Shelton as an example of the impact the rail line has made on the real estate market in that suburban Orlando city. Developers of properties near the Lake Mary City Hall received tax credits for such incentives as design setbacks or incorporating fewer parking spaces into the property.

“Some new development had been going on before the SunRail station was built, but now developers have really embraced it,” she said. “Today, it's not just three blocks

from the station to City Hall, it's three blocks to the new restaurant, the yoga studio and the office.”



The Outlook for TOD

Expect the fundamental idea of TOD – using transit as a major factor that drives new development and energizes cities – to continue to gain acceptance. Real estate professionals contacted said the industry is becoming increasingly aware of the role transit oriented development projects play in urban planning and development today, and studies have revealed people support the concept. A case in point: The “2013 Community Performance Survey” from the National Association of REALTORS® showed 60 percent of respondents favored diverse, walkable communities that are closer to employment.

NAR offers an incentive to get TOD type of developments underway through the Smart Growth Grants program, designed to encourage REALTORS® and communities to build responsible communities that offer a range of housing options, are walkable and include various transportation options.

Perhaps the most compelling factor regarding the future of TOD properties centers on housing preferences made by millennials. A survey, “Transit Oriented Development in America,” produced by infrastructure consultants HNTB Corporation, found that 70 percent of millennials would pay more in rent or mortgage to get to work or play without using a vehicle.

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SCHEDULE AT-A-GLANCE

THURSDAY, NOVEMBER 2ND

- Commercial Legislative & Regulatory Advisory Board Meeting
- Commercial Research Advisory Board Meeting

FRIDAY, NOVEMBER 3RD

- Commercial Committee Meeting
- Property Management Forum
- Land Use, Property Rights & Environment Committee Meeting
- Commercial Economic Issues & Business Trends Forum
- Commercial Education Sessions
- Commercial Marketplace & Learning Theater

SATURDAY, NOVEMBER 4TH

- Commercial Leadership Forum
- Commercial Education Sessions
- Commercial Marketplace & Learning Theater
- General Session with Michael Phelps
- Commercial Red Carpet Networking Reception - *Unwind after a long day and network with colleagues over some savory appetizers and refreshing drinks. Enjoy making new connections and maybe even find a business opportunity!* **TICKETED EVENT**

SUNDAY, NOVEMBER 5TH

- Commercial Education Sessions
- Commercial Marketplace & Learning Theater

MONDAY, NOVEMBER 6TH

- Commercial Caffeinated Networking Breakfast - *Hear from key industry thought leaders over a continental breakfast. Bring plenty of business cards to network with fellow commercial practitioners from across the country.* **TICKETED EVENT**
- Commercial Marketplace & Learning Theater
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EB-5 VISA PROGRAM

BALANCING RISK & OPPORTUNITY TO SPUR ECONOMIC DEVELOPMENT

By Russell Riggs, Senior Policy Representative, NAR



For a quarter century, the EB-5 Visa Program has helped finance economic development projects across America, sparking job growth and business investment in cities, suburbs, and rural regions throughout the U.S.—all at no cost to the taxpayer. EB-5-funded projects span a diverse range of regions and industries, from charter schools in Utah and manufacturing plants in South Carolina, to mixed-use commercial property in downtown Washington, DC.

Regulated by the U.S. Department of Homeland Security, the EB-5 program provides a path to citizenship to foreign investor-entrepreneurs for up to 10,000 visas each year. The initial application requires proof of investment in a qualified project, evidence of an investment of at least \$500,000, and the creation of at least 10 U.S. jobs.

The Brookings Institute estimates the EB-5 program has generated at least \$5BB in investment and directly created at least 85,500 American jobs since its inception, with most of these gains realized since 2010.

In addition to direct jobs, the EB-5 program has supported the creation of countless other indirect jobs in communities surrounding EB-5 projects. For example, a manufacturing plant built with EB-5 investment may lead to new growth opportunities for parts suppliers, while a new EB-5 funded hotel can generate more

demand for local restaurants and retail shops. That's a hefty economic punch for a program that represents just 2.9 percent of all employment-based visas.

EB-5 applicants undergo two rounds of extensive background checks administered by the Department of Homeland Security and Department of State. This screening process is more robust than any other employment-based visa program, and pays for itself through fees.

Most EB-5 applications come through one of the approved regional centers, which market the program abroad, pool investment, and often facilitate the development of EB-5 projects. In the past 10 years, the EB-5 Regional Center Program has increased the number of EB-5 applications and supported the development of projects, substantially increasing the number of visas awarded and jobs created by the program.

The EB-5 Regional Center Program has been reauthorized every three years since 1992 by broad bipartisan margins. It is up for reauthorization again in September 2017.

The National Association REALTORS® supports legislation to reauthorize the EB-5 Regional Center Program before it expires. NAR also supports reforms



to the EB-5 program that would address national security concerns, deter fraud and put Americans to work. If not reauthorized by Sept. 30, an estimated \$6.8BB in foreign investment dollars and as many as 130,000 American jobs will be lost.

Congress has considered reforming the EB-5 program for several years, but has never been able to enact a reform bill. Significant differences on three key issues tend to dominate these debates: (1) how to define rural and high unemployment areas; (2) whether the EB-5 program should have special visa allocations for projects in rural and distressed urban areas; and (3) what the minimum investment amount should be. In addition, critics of the program allege widespread fraud and abuse, poor accounting of where these funds come from and no transparency as to how these jobs are created.

Although there is not a lot of time to enact a comprehensive reform bill by September, there is hope that Congress will put integrity measures in place that will provide investors and U.S. officials with much needed certainty and security.

TAKE A DEEPER DIVE

This year may finally see enactment of an EB-5 reform bill. Change could:

- Permanently authorize the EB-5 Regional Center Program.
- Require regional centers to disclose financial statements related to EB-5 projects.
- Institute a screening process of the owners and managers of regional centers.
- Create a new process for evaluating foreign ownership of regional centers.
- Require investors to comply with additional regulations and laws.

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THE HEART OF DOWNTOWN

HOW LOCAL ASSOCIATIONS USE GRANTS TO STRENGTHEN COMMUNITIES

By Tara C. Perkins, Contributing Writer



Part three in a four-part series, this piece continues the look at how local associations have used NAR's grant funding to influence community development or enhance commercial membership services. In the following projects, Smart Growth Grants (SGG) were utilized in an array of impactful ways. These grants support land-use related issues, with the goal of affecting public policy and supporting sustainable development. Enhanced relationships with elected officials and the increased visibility of REALTORS® as community leaders have been notable by-products of these project collaborations.

PROJECT SPOTLIGHT: MYRTLE BEACH, SOUTH CAROLINA

The Coastal Carolinas Association of REALTORS® (CCAR) conducted a fiscal analysis of downtown Myrtle Beach in September 2016. The analysis was in response to the closure of Arcelor Mittal Steel Mill, located along the waterfront in the heart of the adjacent Georgetown historic district. CCAR partnered with Urban Land Institute (ULI), representatives from local governments, the South Carolina Ports Authority, state-owned utility provider Santee Cooper, and the Frances P. Bunnelle Foundation. A panel was created to facilitate engagement between the ULI and association members.

The panel, largely comprised of active real estate professionals, met with community stakeholders, visited the mill site, evaluated market conditions, and developed recommendations that provided a balance of community input and sustainable development. The study provided the

community with a diverse perspective from development professionals, helping community leaders to better understand the site's potential.

"We were very pleased to participate in the coalition that supported the ULI study of the Georgetown Steel Mill and surrounding area. It was a great opportunity for our REALTOR® Association to be an integral part of discussing future plans for our community. This effort engaged the City, County, and community leaders, working alongside local residents around a vision for the redevelopment of the mill site and downtown. The energy surrounding this project has given a renewed spirit to the residents and businesses of Georgetown County," said Laura Crowther of CCAR.

...CONTINUED

THE HEART OF DOWNTOWN CONTINUED



MYRTLE BEACH SKYLINE

PROJECT SPOTLIGHT: OKLAHOMA CITY, OKLAHOMA

Oklahoma City Metropolitan Association of REALTORS® (OKCMAR) held a bus tour last September which showcased smart growth projects in the area to 50 commercial members. The OKCMAR Commercial Bus tour supported the association's continued educational efforts by informing association members about the positive results of smart growth development, thus creating stewards who will work to influence future policy regarding land use, specific growth, and transportation issues impacting the community.

One offshoot is already happening as Oklahoma City officials have proposed a new transportation program called *planOKC*, which envisions a street system that works with transit trails, sidewalks and bike networks. Oklahoma City voters approved a one-cent sales tax for capital projects, helping provide \$40MM in funding for transit trails, \$10MM for sidewalks and \$130MM for the streetcar system.

"In Oklahoma City and surrounding areas, it is imperative that land-use and fill developments are planned well to prevent sprawl. We will continue to provide education to our members to promote sustainable smart growth land development in the future," said Tammee Hatfield of OKCMAR.



OKLAHOMA CITY BY NIGHT

PROJECT SPOTLIGHT: TRAVERSE CITY, MICHIGAN

Traverse Areas Association of REALTORS® (TAAR) was awarded a SGG and completed a fiscal analysis for downtown development in December 2016. TAAR partnered with Traverse City, Grand Traverse County, the Traverse City Downtown Development Authority (DDA) and Urban 3, to study the relationship of tax returns and development categories across Grand Traverse County. In turn, Urban 3 collaborated with county/city staff, gathered and processed data, constructed a 3-D model that measured the relative economic potency of different building and land types, and delivered public presentations of the model. TAAR then conducted a series of presentations and distributed reports of development patterns for community leaders and the general public. The seminars and reports created awareness about how taxes will provide the financial resources for a sustainable and inclusive community, including: park maintenance, police and fire protection, bike trails, street cleaning, storm water filter systems, cultural and educational facilities, elevated civic engagement, and affordable housing.

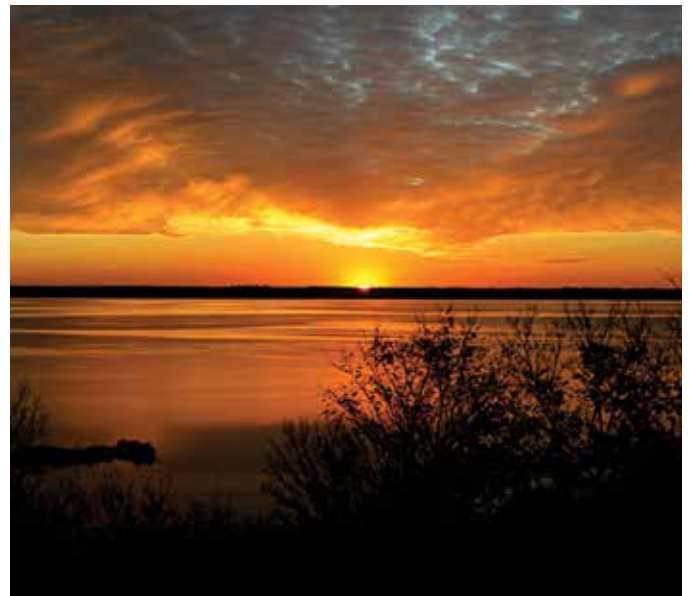
In the end TAAR was able to highlight the need for smart growth, and their findings will guide future investment, helping to develop an understanding of the tax productivity of area land. The results demonstrate that the greatest return on investment for city and county government is found in the urban core. Consequently, smart growth is being considered as preferential in future development. “Urban 3 presented relevant information that for the first time illustrated the value of vertical development in a way that local stakeholders can comprehend. Their graphic illustrations and case studies were very enlightening and provoked many pertinent conversations among local elected officials,” said Kim Pontius, CEO of TAAR.

The project, as part of the Grand Vision (GV) (www.thegrandvision.org, powered by TAAR), has encouraged public conversations that are focused on fact-driven economic and community development, which will inform future development and investment decisions undertaken both in the public and private sectors. TAAR has now become the repository and the stewards of all of the information and data generated from the GV process.

As part of NAR’s practice of layering grants towards a larger goal, TAAR received a second SGG for a downtown market analysis that was initiated in February 2016. Traverse City is considered one of the region’s most popular real estate markets. The study has encouraged the reconsideration

of previous efforts to curb downtown workforce housing and provides new strategies in planning the city’s five commercial corridors. Growth hurdles were identified and tactics were provided to remove obstacles.

TAAR collaborated with the DDA to promote greater density and downtown housing zoning policies. The first DDA market analysis since 2007 resulted in a report providing insight into retail, office, and housing markets, and a performance comparison with other regional areas that highlighted 18 strategies to address issues affecting downtown. REALTORS® were involved in all phases of the project and City planners have since leveraged TAAR leadership for advice regarding development, including streetscape ideas. The association will now be able to utilize market statistic datasets to assist in modeling and to craft a new master plan.



SUNRISE OVER GRAND TRAVERSE BAY

Smart Growth for Smart Communities

Smart Growth is taking hold in downtown communities across the nation—creating an exciting trend of revitalization in places like Myrtle Beach, Oklahoma City, and Traverse City.

Learn how your local association can create a project at www.realtoractioncenter.com/smartgrowth or by contacting NAR’s Manager of Smart Growth Programs, Hugh Morris at 202-383-1278 or hmorris@realtors.org.

A CHANGING COMMERCIAL LANDSCAPE

SIOR PROVIDES A LEG UP

By Amy Keller, Contributing Writer



Shortly after the Society of Industrial and Office Realtors® (SIOR) was founded in 1941, the group was tapped to perform a critical task. The U.S. was readying to enter World War II, and the Department of War asked the organization's 200 charter members to locate warehouse space across the nation to manufacture everything from tanks to uniforms to prepare the country for war.

Three-quarters of a century later, e-commerce battles are fueling another warehouse boom and SIOR members are at the forefront, leading the charge to help businesses find strategically located industrial facilities to optimize their supply chains.

“This has been a remarkable transformational shift in American business,” says Craig Meyer, SIOR, SIOR Global President from 2008-09 and the head of Jones Lang Lasalle’s Logistics and Industrial Services Group. A decade ago, he notes, warehouses were little more than mega-sheds, optimized for moving pallets and cases of goods to the shelves of brick-and-mortar outlets. Today, amid the proliferation of online shopping, traditional warehouses are being supplanted by massive, cutting edge fulfillment centers, where online orders are received, sorted, packed, and dispatched to consumers at break-neck speed.

At the same time, mid-sized performance centers half that size are popping up in secondary markets and merchants are increasingly seeking smaller, urban warehouse space—microwarehouses, if you will—to accommodate the “last mile,” or final leg of delivery, and meet customer expectations for near instant gratification.

Microwarehousing solutions for tackling last-mile logistics run the gamut from “click-and-collect” methods, where a consumer makes a purchase on their smartphone and picks items up in a retail store or locker, to pop-up distribution centers, where a truck pulls into a parking lot and a swarm of on-demand delivery drivers pick up items and deliver them within a small community radius.

Whatever the method, the digital shopping revolution sparked by Amazon has been a boon for the industrial real estate sector.

According to CBRE, every \$1BB of online sales requires about 1.25MM sq ft of logistics space and e-tailers are gobbling up square footage. National vacancy rates for warehouse and distribution space reached a 17-year-low of 5.3% during the first quarter of 2017, according to a market analysis by Jones Lang Lasalle.

“For those of us in the industrial real estate business, we will look at this as the Golden Age,” says Meyer, who has been working with a major retailer to revamp the company’s distribution system and roll out 10MM sq ft of new fulfillment centers across the nation. “Everybody

is coming to us saying ‘We are recasting our online ecommerce approach and we’re reevaluating how we distribute product.’”

Robert Thornburgh, CPM, SIOR, Executive Vice president and Partner with Kidder Mathews in Los Angeles and SIOR Global President-Elect, says it’s not just the e-commerce evolution that’s redefining the market. “Well-located efficient industrial space is being competitively bid, whether for lease or sale, while the scarcity of suitable infill sites in major markets for development has paved the way for a new supply source: the redevelopment of aging products—out with industrial and in with the highest and best use such as creative office or residential.”

Staying on top of such trends is mission critical in this era of fast-paced change, and SIOR has an array of tools and resources to help its 3,100 broker members do just that. Offerings include advanced educational coursework, in-depth reports on industry trends, localized chapter events, and two annual best-in-class conferences.

SIOR membership also confers a leg up on the competition. Professionals with significant experience and high production volumes are eligible to join the organization. Specific educational requirements, endorsements by colleagues, and ethics courses are also required for membership—so clients know when they hire an SIOR their commercial broker is an experienced professional who’s been “tested in terms of capability and expertise,” says Meyer.

Rising professionals who don’t yet meet the requirements for full membership can still get involved through the “SIOR Candidate Membership” program, which pairs them with a local mentor and gets them on track to qualifying for SIOR designation. Industry veterans like Thornburgh say the extra effort is well worth it. “The designation has been extraordinary – not just in the context of business referrals, but having a support network of elite commercial real estate professionals across the globe, expanded resources, and the development of meaningful, lifelong friendships,” he says. “Some of the best ideas I have implemented in my business dealings are a direct result of a local SIOR event or global conference where a colleague stretched my way of thinking.”

Drawing on the “knowledge, innovation, creativity and entrepreneurial thinking” of fellow SIORs can go a long way to help brokers successfully navigate this era of change, says Thornburgh. “Looking forward as an industry, similar

to how our product type is adapting, real estate brokers need to be willing to innovate. Yesterday’s methods will not be what solves today’s, let alone tomorrow’s challenges.”

To learn more about SIOR and how to become a member, visit <http://www.sior.com/membership/become>.



*Do you have a comment or question about this article?
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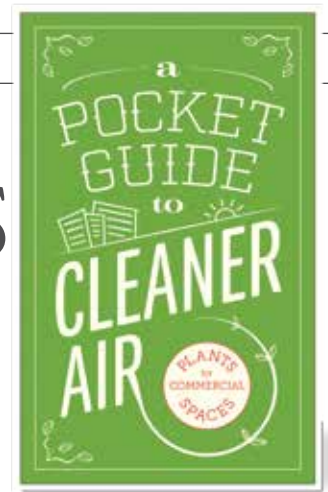


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COMMERCIAL SPACES BREATHE EASY

WITH THE HELP OF NAR'S NEW POCKET GUIDE

By Adrienne Ciskey, Lab Project Manager, Center for REALTOR® Technology, NAR



A Pocket Guide to Cleaner Air: Plants for Commercial Spaces is the first in a series of guides written to help REALTORS® lead the way in thinking about making indoor spaces better places to live and work. The EPA estimates that we spend about 90% of our time indoors, but that the air inside is actually worse than the air outside due to high levels of CO₂ and other gasses. Knowing how to mitigate these gasses before they cause health problems can help us all live better lives, and by adding just a few plants to our indoor spaces, we can be on our way to a healthier lifestyle.

Over the past few months, the NAR's Center for REALTOR® Technology (CRT) Labs, Information Services, and Information Technology departments have been working together to research and write a guide for commercial practitioners who are interested in educating their clients about indoor environmental quality concerns. With a focus on easily-accessible plants, the *Pocket Guide to Cleaner Air* serves as a valuable tool for REALTORS® to assist office managers, company executives, and others in making decisions that can positively impact office workers' moods, productivity, and quality of life.

Research shows that not only does maintaining consistent, high-quality air directly impact workers' quality of life, but that those making decisions about where a company's offices are located are willing to spend more money for green features – with indoor air quality considerations being the feature most often requested when looking at new spaces. Instead of installing expensive new HVAC systems with filtration, plants can be used to improve indoor air quality at a fraction of the cost.

Inside this book, we take a look at ten plants, originally studied by NASA in the 70s and 80s, which were proven to be effective at cleaning the air and mitigating common indoor environmental pollutants. These plants were used by NASA to keep the air clean for astronauts – and we think that's a pretty good indicator that they'll keep your office air fresh as well. Common indoor pollutants include carbon dioxide (CO₂) and volatile organic compounds

(VOCs). CO₂ is a familiar culprit of indoor air quality issues, causing increased headaches, tiredness, and loss of concentration. You've likely encountered this yourself if you've been in a large, closed off meeting room and felt yourself drifting away from the presentation you're watching. As more and more people exhale, CO₂ is building in the air you'll be breathing.

These pollutants can, over time, cause a variety of health concerns, and simply trying to "get rid" of CO₂ or VOCs can be a daunting task. VOCs are especially prevalent; an easy way to describe just how common they are is to think about how many smells you encounter in an office on any given day. Did you just get the office repainted? Those fumes contain VOCs. Are you near the highway and smell exhaust? Also VOCs. These VOCs occur in construction materials, cleaning supplies, cigarette smoke – they're everywhere. The right plants can mitigate these pollutants.

We chose the plants in this guide based on their availability (easily found in home-and-garden centers), ease of care (since these are tropical plants, they require misting from water bottles, which is easier to maintain than traditionally watering with a can), and general aesthetics (they all look really good together). Charts are included in the book that highlight the air quality concerns that each plant mitigates, which allows you to pick and choose which plants would work best for the concerns of your clients. Clients moving into brand-new construction are exposed to different VOCs than those moving into an older building, and our plants work well at mitigating both categories. We also have plants that help control humidity and mold, which are concerns for clients living in muggier conditions.

The Pocket Guide to Cleaner Air is available for print-on-demand purchase. Simply go to www.crtlabs.com to get your copy – or several copies for your most valuable clients – and start breathing cleaner air while you work.

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