

# COMMERCIAL CONNECTIONS

A PUBLICATION BY THE NATIONAL ASSOCIATION OF REALTORS®



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# COMMERCIAL CONNECTIONS

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# CONNECTING MANY DOTS

**FROM DATA COLLECTION TO EXCITING COMMERCIAL REAL ESTATE EVENTS, OUR COMMITMENT TO YOU KEEPS GETTING STRONGER.**

You might be surprised to know that nearly 140,000 NAR members work in commercial real estate—or that 40% of those folks have been in the business fewer than five years. These are some of the insights gleaned from M1, the National Association of REALTORS®' new membership database. Our understanding of the membership is growing in nuance thanks to ongoing—and much needed—database modernization.

Just three years ago, the membership picture was murkier. In 2018, for instance, 7,139 members self-identified having a primary specialty in both commercial and residential. That number has shot up by 656% to 53,965, because of a simple change. In 2019, we began requiring new members to indicate their primary specialty. The member database lets you select from up to 104 specialties, including 30 in commercial. Precise data is a crucially important part of NAR's multiyear effort to know you more clearly and, therefore, serve you with more relevant, customized resources. I encourage you to check your own profile, and update it if needed, in the My Account section of [nar.realtor](http://nar.realtor).

While you're online, **register to attend the C5 Summit**, which takes place in New York City, Sept. 27–29. C5 brings together a wide range of industry players, helping attendees connect to capital, incentive programs, and development opportunities around the country. C5 combines terrific networking and dealmaking opportunities with top-notch education on ways to position your community and your business for growth. Plus, hear from legendary Major League Baseball All-Star Alex Rodriguez. (Turn the page for our **interview with Alex Rodriguez**.) One of NAR's first in-person gatherings since the pandemic, C5 is an exciting opportunity to help ramp up commercial real estate in the post-pandemic world.

As plans for C5 take shape, NAR is also pressing forward on **legislative issues of key importance** to you, including long-term investment in infrastructure, especially broadband, surface transportation, and water management. We're also working to mitigate regulatory barriers in order

to help revitalize the economy, create jobs, and generate business opportunities.



CHARLIE OPPLER, 2021 PRESIDENT  
NATIONAL ASSOCIATION OF REALTORS®

And of course, we're keeping a close watch on tax proposals in Washington, including threats to repeal the 1031 tax-deferred exchange. NAR is working with the same coalition that persuaded Congress to retain real property exchanges in the 2017 tax reform. We're armed with fresh, rigorously conducted research showing the job growth, revenue, and business investment dollars that exchanges help support. Coalition members have already met with the all-important tax-writing committees in the House and Senate.

Relationships let us serve you in other ways, too. One is through significant discounts with two commercial property search and marketing platforms, **Brevitas** and **Crex**. Our partnership with the platforms also means their listings are integrated into RPR®, a robust property database, exclusively for NAR members.

One area where we are working to nurture relationships is between seasoned professionals and individuals seeking career opportunities in real estate. Our new **mentorship program, NAR Spire**, will offer young people in underserved areas the opportunity to explore a career in sales, marketing, IT, property management—really any real estate discipline—while learning about the wealth-building benefits of property ownership and investment. We're pairing mentees and mentors in eight pilot areas—Chicago; Raleigh-Durham, N.C.; Baltimore; Memphis, Tenn.; Rochester, N.Y.; Seattle; Trenton, N.J.; and Washington, D.C. If you work in one of these areas, you can help shape the future of our industry by applying to be a mentor at [NAR.realtor/NARmentorship](http://NAR.realtor/NARmentorship). After all, there are a few things about our members that we don't need data to prove: You're “people people” who care for your neighbors and understand the unlimited potential of a real estate career.

# A WORD WITH A-ROD

**THE BASEBALL SUPERSTAR—AND HEADLINER FOR C5 SUMMIT—EXPLAINS THE ROOTS AND PHILOSOPHY BEHIND HIS REAL ESTATE INVESTING.**

For Alex Rodriguez, Major League Baseball All-Star and a member of the 2009 World Series champion New York Yankees, there was never a question of retiring from the sport and resting on his laurels.

His longtime interest in real estate stems from equal parts early exposure to the benefits of owning real estate and fear. The exposure came from growing up living with his mom in rental housing. “We had to move every 18 months because they kept raising the rent,” he quips.

And the fear? That came later, as he contemplated his post-baseball career. “I never wanted to be a player who played for a long time and then ran into financial issues when I was done playing. I felt real estate investments would be a great insurance policy for me.”

Rodriguez is the keynote speaker for C5 Summit 2021, Sept. 27–29 in New York City, where he’ll share stories about his transition from baseball to real estate and talk about his investing strategy.

## FINDING POCKETS OF OPPORTUNITY

After founding A-Rod Corp in 1995, Rodriguez purchased a duplex apartment. “Then I bought a fourplex and an eightplex, and off we went,” he says. From there, he assembled a team, bought apartment units across the southeastern U.S., and built a fully integrated real estate and development company.

In 2020 Rodriguez invested in a \$680 million hospitality fund created by CGI Merchant Group. The fund will acquire assets in the hospitality space across the U.S. and is a joint venture with Adi Chugh, founder of Maverick Commercial Properties.

Why invest in hospitality during a time when hotel companies are still recovering from the COVID-19 shutdown? “Historically, we’ve always been contrarians at A-Rod Corp,” he says, adding that opportunities are market centric. “Multifamily has been really good, especially in the southeastern states we’re focusing on, including all parts of Florida and South and North Carolina. In addition, Arizona’s on fire, and Austin, Texas, is strong.”



SOURCE: THE HARRY WALKER AGENCY

## THE ROI ON NETWORKING

Despite his natural interest in commercial real estate, Rodriguez says he has benefited from some great mentors.

“One is the late Jose Milton, who came here from Cuba, started buying apartments in the late 1960s, and built an empire. He was my landlord in Coral Gables, Fla., for 15 years and someone I really looked up to who gave me a great deal of confidence.”

Other mentors include Stuart Zook, principal at Rodriguez’s Monument Capital Management in Miami, and Barry Sternlicht, chairman and CEO of Starlight Capital Group.



Advice Rodriguez has taken from mentors: “Stay in your circle of competence, surround yourself with an A-plus team, and be bullish when others are shy and shy when others are bullish. Do what you know really, really well, and do it over and over again.”

Rodriguez is bullish on networking at events including the C5 Summit. “The ROI on my networking, going back to the early days of my career, has been incredible,” he says.

“There’s never a replacement for in-person meetings. Five minutes in person is more valuable than 50 minutes in a virtual meeting,” says Rodriguez. “Really lean into that. Go in with an open mind. Positive energy is more important today than ever before.”

## SEE YOU AT C5

At commercial real estate’s exciting new C5 Summit, you’ll have the opportunity to hear from industry leaders, explore trends, build relationships with key decision makers, and negotiate deals.

Besides the keynote session with Alex Rodriguez, the summit lineup includes insights from top economists; a look into the future of sustainability; and innovations in office space, investments, and emerging tech. A Future of Cities keynote features Greg Lindsay, director of applied research for NewCities, a global nonprofit focused on the urban ecosystem.

Register at [c5summit.realestate](https://c5summit.realestate).

# LEASE RENEGOTIATION STARTS WITH FINDING COMMON GROUND

UNDERSTANDING THE PERSPECTIVES OF TENANTS IS A STRONG FIRST STEP IN THE PROCESS.

By Lydia Bennett, CCIM, and Soozie Jones Walker, CCIM, SIOR



BENNETT



WALKER

The COVID-19 pandemic has strained many commercial real estate leases. Landlords across sectors are facing difficult questions. Is forbearance a way to keep tenants in properties? Are

rent deferrals a short-term solution to disruptions in retail, multifamily, hospitality, and other sectors?

Pinterest, the image-sharing social media service that allows users to categorize their posts, offers an example of how quickly things can change. In March 2020, the online giant signed a deal for 490,000 square feet of office space in San Francisco, totaling \$440 million in payments. By August 2020, Pinterest decided to pay the landlord \$89.5 million to cancel the contract.

To prepare for lease negotiations, picture the four parties in a typical lease—landlords, property managers, tenants, and lenders—as legs of a stool, relying on one another to remain operational. A successful renegotiation means these players need to work together to preserve an asset's income and value.

1. **Landlords** want strong revenue, offset by cost recovery and other tax advantages, to generate annual income and positive before- and after-tax yields (internal rate of return). During a disruption, however, both the return and future value of the property can be jeopardized.
2. **Property managers** look to achieve the highest annual income (net operating income) for the landlord and control expenses, all while handling the day-to-day operations of the property and keeping the tenants satisfied.



3. **Tenants** care about property maintenance. Even though they may be in distress and require assistance during a disruption, they are still concerned with the operation and viability of the property.
4. **Lenders** are not all alike. They can either assist a property owner during difficult times or hinder the process because of inflexibility. Lenders vary in their willingness to renegotiate with local or national banks and private institutions.

In any renegotiation, tenants and landlords want to preserve income and continue to be able to pay all obligations. Tenants, though, hope to maintain business income and keep control of the location, while landlords are interested in preserving the value of the building and maintaining ownership.

The most effective CRE professionals recognize opportunities to assist with lease modifications—and understanding the perspectives of everyone involved is a key first step.

*This article was adapted from the CCIM Institute's course "Lease Modification Strategies and Solutions." Visit [ccim.com/education](https://www.ccim.com/education) for more information.*

# REAL ESTATE INVESTORS STILL ON SIDELINES

FOR NOW, THE POSITIVES ARE OFFSET BY LOW DEAL FLOW.



In a recent podcast excerpted here, Michel Couillard, CRE, left, interviewed James Nelson, CRE, about real estate investment opportunities that have emerged during the pandemic recovery. Couillard is global chair of The Counselors of Real

Estate, and Nelson is principal and head of Tri-State Investment Sales for Avison Young in New York City, specializing in multifamily, office, and retail sales. Nelson is former chairman of the Real Estate Board of New York's commercial board of directors.

## How would you describe the investment environment?



We have very low sales volume because many buyers and sellers have been on the sidelines. They're waiting to see how this all plays out and where the opportunities are. But what I'm optimistic about, and how this [pandemic] downturn is different

from the financial crisis, is the amount of liquidity that's in the market, the amount of equity on the sidelines, and the debt that's available, albeit that type of financing is really more available to the cash flowing assets at a much more conservative loan-to-value. But to talk about the opportunity in the market, I haven't seen this before, where there's this much of a spread between the cap rates and the 10-year Treasuries. That presents an opportunity if you can buy at today's pricing and lock in long-term, 10-year debt.

If you speak to most of the investors out there, they'll say they're frustrated because they're not seeing a lot of deal flow. It's been quiet because a lot of sellers are trying to hold off decisions if they can. They're saying, "I can sell in six months to a year from now, once the offices return and people return to markets like New York City."

## What property sectors look attractive to investors in 2021?

It depends on if you're looking to make a mainstream investment or you're a contrarian. If you look at the spectrum—my data is just for New York City—but trying to understand where pricing is by asset classes, there are several asset classes that have experienced downward pressure on pricing. But other asset classes—like life sciences, med-



ical, and certainly industrial logistics—have been winners. I don't even know where to put hotels right now. I think there's a difference between hotels for the business traveler and leisure. With regard to the future of the workplace, we're still trying to figure that out. Companies are downsizing and offering flexibility. This is probably the greatest experiment we've seen in the modern age of office use. We really need to get through this time, get everyone fully vaccinated, and see how the office use has changed.

## Based on the data, with the possible exception of retail, the pandemic had less effect on real estate than the global financial crisis. Why?

With the financial crisis, we created a leverage situation. I sold a vacant building where one of the big banks provided 90% financing on pro forma rents. That would never happen today. A lot of the big banks learned their lessons, and they were a lot more conservative with how they approached these loans, looking for the cash flow and underwriting the deals more carefully. During the financial crisis, the idea was to kick the can down the road and hope a market recovery would save the day. This time around, it's very difficult to talk about the market without getting specific on asset classes. But in general, we're not going to see any drastic moves until buildings open back up and tenants come back in the market. My firm does a lot of work, including valuation, with special servicers. For now, no one's taking an aggressive stance. You may have banks selling off loans here and there, but for the most part, they're going to give forbearance and give borrowers time to figure this out and work with their tenants. There's that feeling that we're all in this together.

*Hear more perspectives from CREs in the know by tuning in to this and other CRE podcasts at [cre.org/category/podcast](https://cre.org/category/podcast).*

# SIOR AWARDS LARGEST SALES, LEASE DEALS

**SOUTH CAROLINA INDUSTRIAL DEAL TOPS LIST OF MORE THAN 1,800 SIOR MEMBER TRANSACTIONS, TOTALING 117 MILLION SQUARE FEET.**

The Society of Industrial and Office REALTORS® in March 2021 announced the winners of its 2020 Top Transactions Awards. The awards are presented to SIOR members who completed the largest sales and lease transactions around the world, ranked by dollar volume. This year, nearly 500 SIOR members reported more than 1,800 transactions totaling 117 million square feet and \$10.7 billion in leases and sales in the industrial, investment, office, land, alternative assets, and redevelopment sectors. In total, 23 members won awards in 14 categories.

The top five transactions by dollar volume:

- A team from Colliers International arranged the \$184 million sale of 5.5 million square feet of industrial space in multiple locations in South Carolina. They are Mark Erickson, SIOR, of Charleston, S.C.; Brockton Hall, SIOR, of Greenville, S.C.; Dave Mathews, SIOR, of Columbia, S.C.; Grant Miller, SIOR, of Charlotte, N.C.; Donald Moss, SIOR, of Charlotte, N.C.; Matthew Pickard, SIOR member associate, of Charleston, S.C.; Charles Salley, SIOR, of Columbia, S.C.; Garrett Scott, SIOR, of Spartanburg, S.C.; Robert Speir, SIOR, of Charlotte, N.C.
- Jill Rasmussen, SIOR, CCIM, of Davis Real Estate in Minneapolis, arranged the \$160,663,000 sale of 438,690 square feet of office space in various Minnesota locations, winning awards for both the largest individual (nonmember-to-member) office transaction and the largest nonmember-to-member investment transaction.
- Kristopher Davis, SIOR, and Brett Price, SIOR, both of Newmark Levy Strange Beffort in Oklahoma City, arranged the \$124,735,000 sale of 529,822 square feet on 34 acres of Oklahoma City office space, winning largest member-to-member office transaction.
- Kevin Higgins, SIOR, of CBRE in Las Vegas, arranged the \$123,784,090 lease of 649,136 square feet of industrial space in North Las Vegas, winning



the award for largest nonmember-to-member industrial transaction.

- Brockton Hall, SIOR, and Garrett Scott, SIOR, of Colliers International in Greenville, S.C., and Spartanburg, S.C., respectively, along with Mike Demperio, SIOR affiliate member with CRG/Clayco in Atlanta, arranged the \$96,186,016 lease of 1,400,580 square feet of industrial space in Spartanburg, winning the award for the largest member-to-member affiliate transaction.

SIOR also recognized the top 50 office deals, top 50 industrial deals, top 10 office sales, top 10 office leases, top 10 office investment transactions, and top 10 industrial investment transactions. See all the winners at [sior.com/transactions-and-data/top-transactions/sior-annual-top-deals](https://www.sior.com/transactions-and-data/top-transactions/sior-annual-top-deals).



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# THE DEMAND FOR LAND

## RESIDENTIAL, RECREATIONAL LAND TRANSACTIONS GROW WITH HOMEBUYING SURGE.

The 2020 Land Market Survey, released in April, documents just how well the land market held up to the pandemic's severe pressure. Land sales increased 3% on average, and prices rose 2% on average. The survey was conducted by the REALTORS® Land Institute and the National Association of REALTORS®.

The survey's 314 respondents reported that the number of land sales rose the most in residential, at 6% on average, followed by sales of land for industrial use at 4%, and recreational and ranch lands, each at 3%.

Underpinning the strong demand for residential land is robust homebuying activity. COVID-19 has heightened people's interest in open spaces, driving the demand for land in the suburbs and for recreational land. NAR's monthly REALTORS® Confidence Index Survey of members primarily engaged in residential transactions shows homebuying activity in the suburbs and in vacation-home areas was on the rise in 2020. Eighty-three percent of homes sold by REALTORS® last year were in the suburbs, an increase from the 80% share in 2019. Vacation-home sales accounted for 5.5% of existing-home sales in 2020, up from 5% in 2019.

On the commercial side, the continued shift toward electronic and mail-order shopping supported sales of land for industrial use. Industrial accounted for 16% of retail sales, up from 13% in 2019.

Demand for timberland, however, remained flat. Timber production declined in 2020 because of COVID-19-related work stoppages and falling U.S. wood exports. Exports of wood products fell 10% in 2020 as the global economy shrank by 4.4%.

Looking at prices, the sales price of residential land rose 6.8% on average in 2020. Recreational land had the next highest price gain, at 3.6%, followed by land for industrial use at 3.4% ranch land at 3.1%.

Land sales and prices for all types of land—except for office, retail, and hotel use—are expected to increase in 2021 as well, according to respondents to the land survey. As in 2020, the strongest sales growth is expected to be in residential land (5.9%), with prices rising 5% on average,



and the strongest price growth will be in industrial and recreational land, each increasing 3% in 2021.

Access the 2020 Land Market Survey at [nar.realtor/research-and-statistics/research-reports/realtors-land-market-survey](https://nar.realtor/research-and-statistics/research-reports/realtors-land-market-survey).



Released April 20, 2021



# FORECASTING ECONOMIC AND PHYSICAL HEALTH

WHAT TO TRACK IN A CHANGING ECONOMY—PLUS, AN EPIDEMIOLOGIST'S TAKE ON COVID-19'S FUTURE.

The Institute of Real Estate Management's 2021 Advocacy Impact Day took place just as the U.S. Congress was negotiating the final terms of the \$1.9 trillion COVID-19 relief package. The annual event informs IREM members about issues affecting the real estate management industry and ways to advocate for meaningful change. Here are highlights from the March 9 virtual meeting.

## ECONOMIC POLICY

It's an exciting but also a confusing time, economist Todd Buchholz told the Impact Day audience. Buchholz, who served as director of economic policy under President George H.W. Bush, advised watching and gauging the pace of economic recovery through three critical levers: interest rates, oil, and trade. Watching developments in these areas can help forecast growth or a downturn. But Buchholz warned that inflation, another key indicator, could throw the economy off course.

"The Federal Reserve Board's policy on maintaining low interest rates hasn't led to hyperinflation," Buchholz said, "but with the economy making impressive gains since spring 2020, the Fed risks overstimulating the economy.... If inflation pierces the 2.5% mark, [Federal Reserve Chairman Jerome] Powell will have to go back on his word and begin tightening short-term interest rates, which will send up borrowing costs for home buyers, car buyers, and companies."

Buchholz estimated 80% of office space will come back when workers begin to return to the office. He also expressed optimism about retail, including brick-and-mortar. "Opening a brick-and-mortar shop has been shown to increase online



sales by 29% in the store's region," he said, noting the trend toward more experiential retail will be even more important post-pandemic. Retailers need to create an interesting space where shoppers can experience the product, he said.

## COVID-19 PROGNOSIS

Thomas Songer, assistant professor of epidemiology at the University of Pittsburgh Graduate School of Public Health, gave IREM members a look at the science behind remaining prepared for COVID-19. "Thirty percent of people [infected with COVID-19] never show symptoms," he said. While most of the U.S. population is expected to be vaccinated by summer 2021, the virus will circulate throughout the population for years, likely requiring an annual vaccine.

Songer stressed the importance of adequate building ventilation. Investments in clean air filters and improved ventilation systems are worth the expense, he said. Even with the availability of vaccines, the pandemic has raised awareness of air quality and building wellness.

## PREPARATION TO MEET WITH LEGISLATORS

A key element of IREM's advocacy efforts is preparing IREM members to meet and build relationships with federal, state, and local legislators. Real estate industry issues discussed at the event included the eviction moratorium, the SAFE Banking Act, and 1031 exchanges.

IREM advocacy experts shared tips on securing meetings with legislators, best practices for meetings, and meeting follow-up for optimal results.

Watch the Advocacy Impact Day presentations at [irem.org/advocacy/advocacy-impact-day/aid](https://irem.org/advocacy/advocacy-impact-day/aid).



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# AFTER OPEN SPACE, WHAT'S NEXT?

POST-PANDEMIC OFFICE LAYOUTS WILL FACILITATE INTERACTION WITH SOCIAL AND WORK ZONES.



© ALVAREZ / GETTY IMAGES

Open office layouts attracted criticism before COVID-19, but they became even more of a lightning rod after health concerns emerged along with the pandemic. The critics haven't always had a replacement layout in mind, however. One critic with solutions is Los Angeles-based Clive Wilkinson Architects, an early proponent of open offices. After surveying clients and researching alternative office designs, Clive Wilkinson is recommending specific layouts for employees' return to the workplace, according to *Fast Company*. The architectural firm has designed a workplace kit of interchangeable parts that defines types of spaces they believe employers will want, including these three.

**1. The Library** is a collaborative working space with “large working tables, individual nooks, and cushy chairs for quiet focus,” according to *Fast Company*. Amber Wernick, an associate at Clive Wilkinson, said she had expected traditional desks to continue to be popular, but research found the opposite. “People are ready for a change,” she noted.

**2. The Plaza** is an office version of the at-home kitchen, combining social interaction and food. Instead of the multiple small lunchrooms that have been the norm, one large gathering place attracts people from different teams to mingle and grab a coffee or lunch. “You actually want those social zones to be a little bit inconvenient. It really forces people to come together who normally would never interact,” Wernick told *Fast Company*.

**3. The Avenue** reimagines the typical office hallway as a “place for interaction, with touchdown tables and stools, and maybe there are booths located off of them,” explained Wernick. “When you leave a meeting, you can have a conversation with coworkers instead of immediately having to go back to your neighborhood.”

Wernick said being away from the office during the pandemic helped people imagine what the office could be and accelerated readiness for change.



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# SELF-STORAGE FACILITIES GO UPSCALE

**STORE-TO-STORAGE CONVERSIONS IN UNDERUSED MALLS HAVE A WIDE FAN BASE INCLUDING CONSUMERS, BROKERS, DEVELOPERS, AND INVESTORS, BUT ZONING CAN BE AN ISSUE.**

By Carol Weinrich Helsel, contributing writer

Department stores' financial woes have led to the nationwide shuttering of large anchor retail outlets such as Sears, Bon-Ton, and Macy's. Coresight Research estimates that roughly 25% of American malls will close in the next three to five years, and Moody's Analytics expects some 135 million square feet of mall space to become available during that period. Because of their convenient locations and high visibility, anchor retail structures have attracted adaptive reuse projects including gyms, entertainment venues, li-

braries, college satellite campuses, and even churches. Joining this list are self-storage facilities.

"Several factors make the timing right for the conversion of mall retail to self-storage," says Blaze Cambuzzi, partner with TRUE Commercial Real Estate in Lancaster, Pa. "There's a lot of aggregated capital seeking placement in underutilized value-add assets. Properties can be purchased below replacement costs, and most retail centers

include parking ratios that, when converted to storage ratios, yield excess land and additional opportunity. Add to this the growing consumer demand for storage and increasing supply of large vacant retail space, and you can see opportunity.”

More than one in 10 U.S. households (an estimated 13.5 million) rent a self-storage unit, according to the Self Storage Association. Demand stems from the high cost of housing, which is driving new homeowners to buy smaller homes, and from baby boomers who are downsizing but having trouble parting with possessions. Also, the nature of storage has changed. People used to store things they *might* need someday. Now, people use self-storage as an extension of their home space, routinely accessing their units once a month, according to Cambruzzi. “Retail locations work well for storage because they are oriented toward recurring trips.” Aside from ease of access, repurposed retail space is attractive as self-storage because it provides a clean, secure, climate-controlled environment—a must-have for today’s consumers.

### **COST OF RETAIL CONVERSIONS ATTRACTS DEVELOPERS**

The floor plan and ceiling height of mall anchor stores are well-suited to self-storage conversion, according to Barry Johnson, vice president of investments for Fairway America, a private equity and advisory firm specializing in commercial real estate asset-based investments. “They can accommodate a mezzanine and two levels of units, and most include a loading dock.” Johnson cited a project in Michigan that offers a “drive-thru” option, allowing users to unload their car in a warm and dry environment.

“Buying at \$60 per square foot and retrofitting at \$20 is cheaper than building from the ground up—especially given the rising cost of construction, which has doubled in some markets since 2018,” says Johnson. The lower cost of conversion has increased competition for use of the space. “Brokers have become much savvier about potential uses. They no longer market vacant retail as ‘distressed’ but instead as ‘opportunity development.’ We’ve lost deals to buyers who put in offices, health care facilities, and a tram-poline park,” says Johnson.

### **OVERCOMING CONVERSION CHALLENGES**

While a vacant Macy’s may be ideal for a self-storage conversion, it’s often a hard sell to local municipalities. Self-storage as an asset class is not covered in all zoning codes. If covered, retail locations are typically not zoned

for self-storage, requiring a text amendment. “For some of the deals we’ve structured, we brought in existing owners with the buyer, and even former listing brokers, to advocate for a zoning change, because there has been zero interest in the property,” says Johnson. “Still, just one council member objection can kill a deal. Of the 30-plus deals we have underwritten over the past year, only one moved forward—all because of zoning issues.”

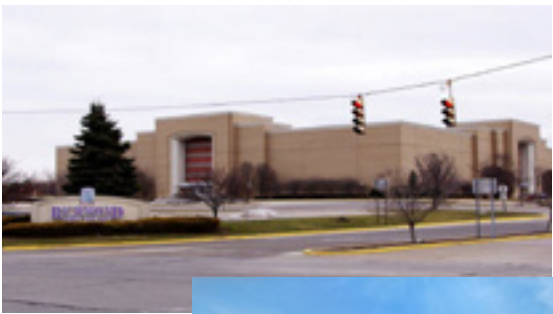
Municipality objections are largely twofold. First is concern about lost tax revenue. A self-storage facility typically employs just a few people and produces no sales tax revenue. City councils are reluctant to let go of possible future revenue associated with retail. Secondly, for many, self-storage evokes images of metal garage doors opening to the exterior—a far cry from today’s modern facilities. “Most self-storage conversions are as nice as or nicer than any other similar-sized construction today,” says Johnson.

Adjoining tenant leases also complicate mall store conversion. Some have exclusions regarding the type of business that can occupy an adjacent space—for example, restaurants—but few retailers had the foresight to name self-storage. Like city councils, neighboring tenants may object based on outdated perceptions. “Most will be happy if the repurposed space doesn’t bring in a competitor,” says Cambruzzi. “If you have a Walmart at one end and bring in a grocery store to occupy a former Sears at the other, you’ve introduced competition. Self-storage won’t be a competitor to existing retail.”

Brokers can overcome conversion objections by helping municipalities see storage as complementary to a growing community and responsive to residents’ needs. Cambruzzi says people will solve their storage problems one way or another. Lacking good self-storage options, communities risk unsightly storage on residential properties and increased safety hazards from overfilled basements, blocked hallway doors, and so on.

### **INVESTOR INTEREST REMAINS STRONG**

Inside Self Storage, a self-storage industry group, reports continuing acquisitions and strong investor interest. Despite last year’s economic disruptions, self-storage sales totaled \$7.7 billion in 2020, up a third from 2019 levels, according to Real Capital Analytics. Large self-storage REITs, such as Public Storage and CubeSmart, account for only about 20% of the market. The other 80% of facilities are owned and operated by individual investors, including mom-and-pop owners.



SOURCE: FAIRWAY AMERICA

A FORMER MACY'S DEPARTMENT STORE IN OHIO WAS CONVERTED INTO A CUBESMART FACILITY WITH 1,100-PLUS UNITS. DEVELOPER DEALPOINT MERRILL LEFT ABOUT A FIFTH OF THE 162,000-SQUARE-FOOT SPACE FOR RETAIL.



SOURCE: FAIRWAY AMERICA



SOURCE: TRUE COMMERCIAL REAL ESTATE LLC

ONE ADVANTAGE TO LOCATING SELF-STORAGE FACILITIES IN EMPTY MALL SPACES IS THE PLENTIFUL ADJACENT PARKING. SOME SELF-STORAGE BUSINESSES EVEN RENT OUT PARKING SPACES TO OWNERS OF BOATS, CAMPERS, AND OTHER LARGE VEHICLES.

Johnson says a conversion strategy is best suited to a local buyer. For brokers willing to work with the owner to address zoning challenges, conversions can deliver high returns because the properties can typically be converted for a fraction of new ground-up construction costs. “Once there is a clear path for redevelopment, you’ll see that reflected in the price,” says Johnson. Regardless, projects already zoned for self-storage are attractive to buyers. Such is the case with a Bon-Ton conversion Cambruzzi settled in April. “Once the zoning text amendment was in place, we received seven letters of intent within 60 days, adding to a buyer already at the table.”

For the investor-owner, the self-storage sector is strong. Yardi Matrix reports that 2021 is off to a good start with street-rate rental performance positive in 87% of the markets tracked. Top markets include San Francisco and the East Bay; the Inland Empire of California; Washington, D.C.; San Jose, Calif.; Phoenix; and Miami. Some of the growth is attributed to the pandemic—for example, college students returning home and needing to clear out dorms, workers carving out space for home offices, and restaurants storing unused tables and chairs to accommodate social distancing—but the American appetite for acquiring “stuff,” combined with smaller homes, suggests this sector will continue to perform well.

Further contributing to the strength of the self-storage sector is consumers’ tolerance for rent increases. “Owners can increase rents as much as 10% to 15%, often multiple times a year, and receive limited pushback from renters,” says Johnson. “Rates will be comparable elsewhere, so there’s no incentive to move, especially given the time and effort involved.” Cambruzzi agrees:

“Self-storage provides a level of inflation protection other commercial real estate investments lack.”

### CONVERSIONS NOT RIGHT FOR EVERY MARKET

Cambruzzi warns against being the broker with no experience in these conversions who sees an empty retail store and tags it “perfect” for self-storage. There are many considerations, including the local housing market. “If there’s not a lot of growth, it may not make sense,” says Cambruzzi, who had discussed multiple scenarios with the Bon-Ton property owner before hitting on the idea of self-storage. It was only after extensive market research that self-storage was deemed right for the two-story space, located in an operational mall. The storage conversion joins a casino and a gym (formerly a Sears and JCPenney, respectively).

The exact location of the anchor store is also a factor, especially in a dying mall. Successful conversions rely on drive-by traffic for marketing. “Stores located on the backside of a mall, or too far off the street due to parking areas, will not be as successful,” says Johnson.

Brokers can counter inexperience by doing their homework. Cambruzzi suggests going to the investor relations sections at websites of publicly traded firms such as Amerco (U-Haul) to track the self-storage sector. “Download reports, listen in on earnings calls, and educate yourself.”

Given the growing supply of vacant retail, including department store anchors, adding self-storage to the list of possible adaptive reuses is good for local commercial markets. And while nothing lasts forever, industry experts and investors view self-storage as a stable sector that will continue to provide high yields with low declines and default ratios compared to other asset classes.

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# INFRASTRUCTURE'S TIME?

**THE WHITE HOUSE'S MASSIVE FEDERAL INFRASTRUCTURE PROPOSAL, THE AMERICAN JOBS PLAN, INCLUDES BOTH BENEFITS AND CONCERNS FOR THE COMMERCIAL SECTOR.**

By Catherine Mesick, NAR coordinator of advocacy operations

Few dispute that the nation's infrastructure is in need of repair. The American Society of Civil Engineers famously gives U.S. infrastructure a grade of C-. Individual sectors fare better—or worse. The ASCE also contends that if needed investment isn't made throughout all infrastructure sectors, the economy could lose more than \$10.3 trillion in gross domestic product. Losses are expected to include \$2.4 trillion in exports, while imports into the U.S. economy will decrease by about \$1.8 trillion.

President Joe Biden's \$2.3 trillion American Jobs Plan, unveiled on March 31, proposes a nearly \$1.3 trillion investment in transportation and community infrastructure. Critics say the plan is overreaching in scope and cost. Republicans have proposed a more targeted approach.

Although the National Association of REALTORS® has not taken a position on these plans, elements of both proposals address infrastructure issues that the association has weighed in on for years. Here we look at three major

infrastructure areas in the Biden plan and their potential impact on the commercial real estate sector.



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## ROADS AND BRIDGES

AJP recommendation: \$115 billion  
ASCE grade: D (roads); C (bridges)

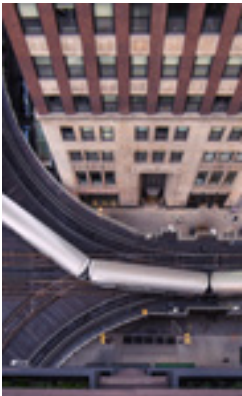
There are 4 million miles of public roadways in the U.S. and over 617,000 bridges, and vehicle miles traveled on them were 2.83 trillion in 2020. That's a lot of people and goods being transported.

The ASCE estimates the U.S. system of roads and bridges currently needs \$786 billion in repairs and improvements. Repairs for existing roads account for \$435 billion, while \$125 billion is needed for bridge repair, \$120 billion for expansion, and \$105 billion for safety upgrades.

Without repairs, delays and bottlenecks could grow.



“Investment in roads and bridges is vital,” says Don Davis, vice president of advocacy and codes for Building Owners and Managers Association International. “They’re important as a conduit for getting people to commercial real estate.”



© STEPHANIE HOHMANN / EYEEM / GETTY IMAGES

## PUBLIC TRANSIT

AJP recommendation: \$85 billion

ASCE grade: D–

There are 6,800 public transit organizations across the U.S., providing access to the jobs, schools, shopping, health care, and other services that fuel the commercial real estate sector. Much of the current system is aging. The ASCE estimates that over the next 10 years, costs to

procure new vehicles are likely to grow to \$770 million, while those for vehicle maintenance could reach \$7.3 billion. Service interruptions are predicted to cost passengers nearly \$1.2 billion.

COVID-19 has only exacerbated the woes of systems that already lacked sufficient funds to keep their assets in good working order. In a post-pandemic world, infrastructure investment for transit will likely need to focus on more than just repairs to keep many systems running.

“Not only do we need to improve the physical condition of transit,” says Davis, “but we also need to invest in and improve the way transit is used so that health and safety are addressed going forward.”



© JOHN LAMB / GETTY IMAGES

## BROADBAND

AJP recommendation: \$100 billion

ASCE grade: No grade (new category)

Broadband is increasingly important for the commercial sector. It allows businesses to reach customers and workers and provides access to health care and job openings. It can also be an important factor in where companies choose to locate. However, 65% of U.S. counties have average connection speeds

lower than the Federal Communications Commission’s definition of broadband.

Increasing access to broadband could bring big benefits. “Communities prosper when they gain access to high-speed internet—property values increase, businesses grow, and jobs are created,” says Sarah Young, director of real estate services and policy oversight at NAR.

One area of concern: The Biden administration has signaled an interest in developing broadband as a utility, and neighborhood broadband hubs are sometimes located in commercial buildings. “We are concerned about private property potentially becoming a foundation for a utility,” says Davis.

## CUTTING REGULATORY RED TAPE

While investments in transportation and community infrastructure are clearly needed, questions remain about how the \$2.3 trillion price tag of the overall American Jobs Plan will be paid for. The Biden administration proposes raising the necessary funds through an increase in corporate taxes over the next 15 years, which is controversial for many members of Congress. Republicans’ smaller \$568 billion infrastructure package includes just \$189 billion in new spending, according to a *Washington Post* report. How all this plays out remains to be seen, but House Speaker Nancy Pelosi said in April she expects some form of infrastructure bill to reach the chamber’s floor by July 4.

In the meantime, the association will be working to ensure that the interests of commercial members are protected—not just in pending legislation but in proactively cutting through government red tape. “We’re pressing ahead on these infrastructure issues on behalf of our commercial members,” says Russell Riggs, senior policy analyst at NAR. “In addition, we will continue to identify regulatory barriers to commercial development and explore ways to mitigate regulatory burdens and incentivize innovative deregulatory efforts.”

# SIGNS OF RECOVERY

## FIRST-QUARTER TRANSACTION AND MARKET DATA SHOW COMMERCIAL REAL ESTATE IS DIGGING OUT OF ITS PANDEMIC SLUMP—BUT IT HASN'T BOUNCED BACK TO PRE-PANDEMIC LEVELS.

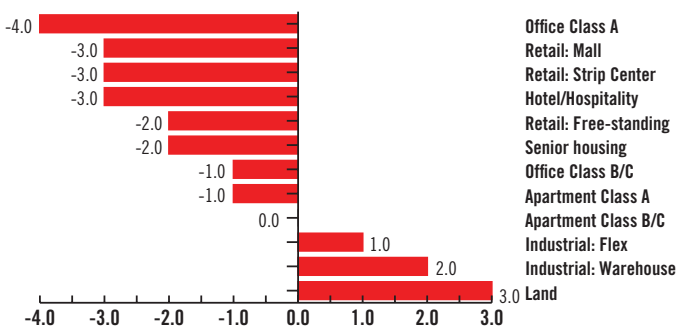
By Gay Cororaton, senior economist and director of housing and commercial research for NAR

The commercial real estate market is recovering, according to the National Association of REALTORS® quarterly market survey of commercial members and other industry data, but it remains weak compared to conditions before the COVID-19 pandemic.

Acquisitions for large commercial real estate—properties or portfolios of at least \$2.5 million—fell 28% year over year in the first quarter of 2021, with transactions declining across all property types, except for hotel acquisitions. Investors could be acquiring hotels to convert into other uses such as multifamily housing. *(NAR recently released a report detailing five case studies of hotels and motels repurposed as multifamily housing. Find it at nar.realtor.)*

By contrast, in smaller markets where transactions are less than \$2.5 million, NAR commercial members who participated in the survey reported that their sales transactions volume in the first quarter of 2021 contracted by just 1% compared to the level one year ago. Respondents reported an increase in acquisitions for industrial properties and all types of land, with strong growth in sales of residential and industrial land.

### REALTORS®' COMMERCIAL SALES VOLUME YEAR-OVER-YEAR CHANGE IN 2021 Q1



SOURCE: NAR

### PRICES BEGIN TO RECOVER

Commercial real estate prices continue to firm up, but the value of commercial real estate is still broadly down by nearly 6% compared to one year ago, based on the Green Street Commercial Price Index, an appraisal-based index of the properties held by REITs. The decline has tapered off from the 10% decline in the second

quarter of 2020. Among closed transactions valued at \$2.5 million or more, sales prices rose 6.7% from one year ago, according to Real Capital Analytics. Among closed transactions of NAR commercial members (typically below \$2.5 million), sales prices rose by 2% on average year over year. NAR members reported particularly strong price gains for land (+6%), industrial warehouses (+5%), class B/C apartments (+5%). Residential land prices were up 9%.

### CAP RATES ON THE DECLINE

While prices are showing some firming, cap rates have been on the decline. Risk spreads (cap rate less 10-year T-note) for the office, retail, industrial, and hotel sectors have also trended downward. First-quarter cap rates were at about the same level as those of one year ago. However, the market is still thin, so first-quarter rates likely reflect transactions of prime properties or properties expected to yield good cash flows when redeveloped or put to uses other than the existing use.

#### CAP RATES FOR 2021 Q1

The rates are based on responses to NAR's first-quarter survey and apply to properties typically valued at less than \$2.5 million.

Office: Class A	6.5
Office: Class B/C	7.2
Industrial: Warehouse	6.8
Industrial: Flex	6.8
Retail: Strip center	7.1
Retail: Mall	8.1
Retail: Free-standing	6.8
Apartment: Class A	5.7
Apartment: Class B/C	6.4
Hotel/hospitality	8.2
Senior housing	7.5
Land	6.0

For \$2.5 million or less properties

SOURCE: NAR

### THE CHANGING DEMAND

Predicted effects of COVID-19 on demand for office space are starting to materialize. A sizable majority of NAR commercial members who responded to the Q1

survey—70%—reported that companies are reducing their square footage needs due to more employees working from home. In addition, more than half of respondents—57%—reported that they are seeing shorter-term leases compared with before the pandemic. Despite these troubling indicators, there are pockets of opportunities, particularly in secondary and tertiary markets. (See “Smaller Cities Buck Office Trends” below.)

Respondents to the Q1 survey anticipate a modest increase in sales of land (5%), industrial warehouses (3%), and class B/C apartments (1%) in the next 12 months. Respondents anticipate a decline in sales transactions for retail, office, and hotel and hospitality properties.

*NAR now produces a monthly Commercial Market Insights Report. Bookmark it: [nar.realtor/commercial-market-insights](http://nar.realtor/commercial-market-insights).*

# SMALLER CITIES BUCK OFFICE TRENDS

According to the Bureau of Labor Statistics, 21% of the workforce was still working from home as of March 2021, up from 6% before the pandemic. Not surprisingly, the national office vacancy rate continued to tick up in the first quarter of 2021, to 16.4%, from 13% one year ago. Vacancy rates have increased as occupiers shed 138.4 million square feet of office space. That’s the equivalent of 2,403 football fields, or 48 football fields per state.

In some cities, a large part of the available office space is for sublet. Direct tenants are still leasing the space, but with workers working at home, they’re subletting unused space. Available office space from flexible operators like WeWork is also part of this subleased vacancy. Tech workers and startup companies have been the largest occupiers of flexible office space.

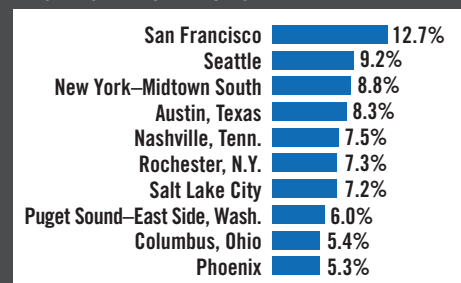
The largest increases have occurred in big cities where finance and tech companies are headquartered. San Francisco’s overall vacancy rate—direct and available via sublet—increased by 12.7 percentage points compared with one year ago, jumping from 6% to 18.7%, as 9.7 million square feet became unoccupied, according to Cushman and Wakefield. In Seattle, the vacancy rate rose from 8% to 17.2%, as 4.3 million square feet of office space became unoccupied. The New York–Midtown South market shed the most office space, 10.7 million square feet, leading to a vacancy rate of 17%, up from 8.2%. Other metro areas with a relatively large tech workforce, such as Austin, Texas; Nashville, Tenn.; Rochester, N.Y.; and Salt Lake City, also saw a surge in overall vacancy rates.

In most secondary or tertiary cities, vacancy rates have increased only modestly. One factor could be the Paycheck Protection Program, which has helped small businesses stay afloat and continue to pay rent throughout the pandemic. The U.S. Census Bureau’s Business Pulse Survey, launched in April 2020, shows less than 2% of small businesses have closed permanently. Lower asking rents may also be a factor. For example, Boise, Idaho, saw just a 1.7% increase in office vacancy rates compared with a year ago. The asking office rent in Boise is just \$21.50 per square foot, compared with \$40 in San Francisco.

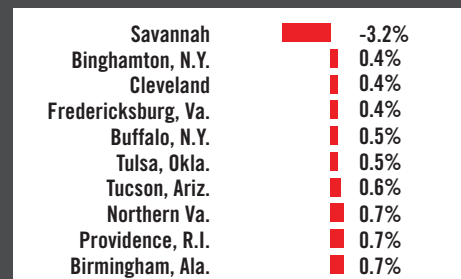
## HIGHEST, LOWEST VACANCY INCREASES YEAR OVER YEAR, 2021 Q1

Metro areas heavy in tech employment have experienced significant year-over-year increases in office vacancies; many smaller markets fared better.

### HIGHEST INCREASES



### LOWEST INCREASES



SOURCE: CUSHMAN AND WAKEFIELD

# VENTURE FIRM SIGNS NINE NEW INNOVATORS

EXPLORE A WIDE-RANGING SET OF NEW BUSINESS SOLUTIONS THROUGH THE NEW REACH COMPANIES.



A platform that promises to speed development time.

A user-friendly software solution for commercial appraisers.

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These are among the nine innovations spotlighted through the 2021 REACH Commercial program. The REACH program identifies technology companies in commercial and residential real estate with high growth potential. Through education, mentorship, and market exposure, the program helps those companies launch their products into real estate and adjacent industries. By investing in new and emerging companies through REACH, Second Century Ventures—the National Association of REALTORS®’ strategic investment arm—helps technology companies access the industry in a way that is beneficial, rather than disruptive, to REALTORS®.

SCV founded REACH in 2013 and branched out with REACH Commercial in 2019. REACH Commercial advances technologies that impact all aspects of commercial real estate and gives REALTORS® the opportunity to get in on the ground floor with platforms that could radically change how companies and investors buy, lease, work, and live in commercial properties. Announcing the nine REACH Commercial companies in April, SCV President and NAR CEO Bob Goldberg called REACH Commercial

a “critical step in our work to ensure commercial real estate can adapt to and flourish in the markets of the future.”

Collectively, the companies selected for the 2021 REACH Commercial program have raised over \$34 million in capital, employ more than 400 people worldwide, and represent a valuation of \$200 million. The companies are:

- **Valcre**, an end-to-end appraisal software solution
- **Remarkably**, a marketing business intelligence platform for multifamily housing owners and operators
- **Lex Markets**, a first-of-its-kind securities market for commercial real estate
- **Parafin**, on-demand generative design for optimized designs, budgets, and investment models
- **ProDeal**, award-winning closing software platform
- **Land Intelligence**, actionable intelligence for new land development deals
- **Otso**, innovative commercial lease securitization for tenants, landlords, and brokers
- **Groundbreaker**, an all-in-one investment management software for small to medium-sized commercial real estate investment firms
- **Cove**, a modern technology service platform to transform the way people engage with their physical environments

“These nine companies have been selected from an impressive list of highly qualified candidates,” says Tyler Thompson, managing partner of SCV. “We are confident the nine technologies, and the founders who lead them, will not only help the market navigate post-pandemic challenges but will revolutionize the future of real estate.” Since 2019, 23 companies have participated in REACH Commercial. Learn more about the REACH Commercial companies at [nar-reach.com/portfolio-types/commercial-portfolio](https://nar-reach.com/portfolio-types/commercial-portfolio).

## GET INVOLVED

Join the REACH Insight Panel to test, use, and provide feedback on the products and services offered by REACH Commercial companies. Visit [nar-reach.com/realtors](https://nar-reach.com/realtors).

# HUMANIZING THE HOUSING MESSAGE

**REALTORS® WORKING TO BRING AFFORDABLE FOR SALE AND RENTAL HOUSING TO THEIR AREA CAN WIN SUPPORT BY BECOMING STORYTELLERS ON BEHALF OF THE WORKERS IN THEIR COMMUNITY.**

By Anne Segrest McCulloch, president and CEO, Housing Partnership Equity Trust



I am the CEO of a REIT that invests to create social equity. In partnership with strong nonprofit housing providers, we invest to acquire and maintain affordable rental apartments that serve families of modest means.

In April, I was the featured speaker at the Ackman Lecture in Real Estate Ethics and Leadership, a program founded by the Schack Institute and hosted by New York University. The semiannual program focuses on leadership in service to underserved communities. My presentation was to an audience of real estate and finance professionals, academics, and students on why the nation continues to face a housing affordability crisis and what we can do about it.

I presented every relevant statistic and data point: The number of Americans who live paycheck to paycheck. The shortage of housing, particularly affordable housing. The stagnation and decline in incomes. The cost of construction materials and regulatory barriers. The shortage of skilled labor in the construction trades. Housing's effect on the health and prospects of families and children. The speech was a compilation of talking points that would be handy for any of us to use in our advocacy.

The group was eager to hear the case for affordable housing. I did as the old show-business axiom says, "Give 'em what they want." But it wasn't enough. I needed to talk about the human element of housing policy that has become even more evident in the pandemic.

I'm a houser, but I'm also trained as a lawyer and come from generations of progressive Southern lawyers, teachers, ministers, and politicians. What people like us do is tell stories in hopes of helping the people around us better understand this complex world we live in. Speaking to an audience of academics and investors, I felt I had to go beyond abstract numbers. All of us in the housing ecosystem struggle to do that. Our advocacy can sometimes be too abstract to move those whom we need to affect the most.

With that in mind, I asked the group to think about the people in their own lives they rely on. The people that so many of us needed—or suddenly missed—once the pandemic took hold. The grocery, restaurant, and hospitality workers. The staff at the county parks. The trainers at the neighborhood YMCA gym. The guys at the local hardware store who could help you figure out how to fix anything.

I asked the group, "Who have you been particularly grateful for during the pandemic?" The answer was obvious. The nurses, lab techs, and orderlies who kept the hospitals and health clinics going. The delivery drivers who delivered essential items so you could stay safe at home. The teachers who figured out how to juggle in-person and remote learning. The folks at the delis and barbecue joints who figured out the logistics of interrupted supply chains, varying staff needs, and outdoor pickup windows.

Finally, I asked, "In the case of any major emergency or natural disaster, who will you need first?" Emergency workers, public safety officers, transportation workers, construction workers, and sanitation workers.

These are the folks who worry that they won't be able to remain in the communities they love and serve because they can't afford it anymore. These are the folks who are forced to double and triple up in apartments because there aren't any affordable options in their areas. If we are going to have communities filled with the vital things we all want and need, we must have housing that meets the needs of all these essential workers. We must recruit influencers who can see the human side of affordable housing. Our job is to win hearts, not just minds. The better we are at doing that, the more effective we will be at showing why the need for affordable housing is real and urgent.

*The essay, adapted for print, was originally published in the Our American Home Blog, published by the National Housing Conference, [nhc.org](https://www.nhc.org).*

# KEEPING SCORE

## PERFORMANCE METRIC SOLUTION AIMS FOR TRANSPARENCY BETWEEN LENDERS, OWNERS, AND RETAIL TENANTS

Whether you own or manage commercial properties—or work with investors looking for healthy returns—you understand the need for an open, transparent relationship with tenants. Data from the U.S. Bureau of Labor Statistics, going back more than 25 years, shows that only about 45–50 percent of private-sector businesses survive their first five years of operation, regardless of the economy. Business closures and changing consumer behavior during the pandemic magnified the need for owners to understand their tenants' performance and even take an active role in tenants' success. Now, a New York-based startup company has devised a solution that gives owners something akin to a tenant scorecard. We asked the company founder and CEO to share the story behind the platform and what he aims to achieve.



**Jay Norris, a former real estate broker specializing in tenant representation, is co-founder and CEO of Guesst. Through integrations with retail and restaurant point-of-sale systems, Guesst offers all parties—brokers, property owners, lenders, and tenants—a window into real-time consumer spending patterns.**

When I worked as a tenant rep in New York City, I would get a client into a property and then I'd get questions like, "Do you have any insight on how I should market in this neighborhood?" I felt as though I needed to become more of an adviser than a broker at that point, and I didn't have the tools to do that. That's what inspired me to solve commercial real estate challenges with software solutions.

I put together a team of property owners, retailers, restaurateurs, and technologists. My partners Xan Goldberg and Debbie Reich are property owners and co-founders of the product, along with our tech guru Alex Libkind. Our team sat back and asked, what's driving this industry? The answer is consumer spending. Transactions are the performance

analytics for retailers and restaurants. With Guesst, lenders, landlords, and tenants can all see what the consumer is spending—online, in store, and BOPUS [buy online, pick up in store]—in real time. The overarching mission is to foster trust and transparency between property owners and their tenants, with the ultimate goal of helping small to medium-sized businesses thrive. Currently, we're privately funded. Building owners pay a monthly subscription fee of \$150 per tenant. If you have a property with 10 tenants or more, we give you a customized rate.

### AGNOSTIC PLATFORM

We work with multiple point-of-sale systems—Shopify, Square, Clover, Toast, Lightspeed, and so on. Our job is to integrate with the ones that we feel have the most adoption with small to medium-sized businesses nationally. We also integrate with the third-party delivery services, like GrubHub and DoorDash. We're not exclusive to any one of them. That's why our customers like our platform. The delivery services all work in different silos, and a restaurant could be using one or three or 12 of them. And we're getting granular with the data—not only which delivery service picked up the goods but what percentage did they charge? If all the stakeholders have access to this data, they can make better decisions going forward.

Everybody needs performance analytics. My wife and I track our steps. People track their stock portfolios daily. We envision a world where property owners will be able to track the performance of their tenants—and not just track it but move from being reactive to being proactive so they can help tenants succeed.

On the owner side, we're working with retail REITs and also street retail. Our goal is to work with property owners that have 1 million to 20 million square feet of retail. That way we're able to aggregate and anonymize that data and share it with the right players, as long as they have the right permissions in place. Building owners can track the daily



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sales performance of all their tenants on a single dashboard. Our newest feature, Daily Auto Debit, allows tenants to automatically transfer funds directly to the property owner based on their individual lease arrangement. The feature converts long-term monthly payment obligations into current daily cash flows.

For brokers, the platform is not only a tenant retention tool but a way to court new business, because now a new business can test a certain area for a short time, and the property owner can see what sales are. Then they can land on a fixed rent. Brokers, owners, and tenants can collaborate for success. Our goal, over the next two to five years, is to scale across the United States, maybe even North America, and then make our way of abroad.

### **SMALL-BUSINESS DREAMS**

We're in a period where brick-and-mortar businesses need more attention. I feel property owners could become a little more like community managers, where they're looking at the data, leaning in, and helping tenants see how to turn fixed costs into variable costs and save money—not 90 days from now, not a year from now, but in real time. Ultimately, I want to help small and medium-sized business keep dreaming. I feel like that's why I was put on this planet.

Earlier in my career, I worked in marketing for Arista Records. I used to do tours, what I call cultural currency events, for artists like Biggie, Whitney Houston, Celine

Dion. My job was to cultivate a new audience, to get people off their couch to come see an artist—like Alicia Keys, who, at that time, nobody had heard of. That's where I learned to tell compelling stories.

Today, the retailers and restaurants that are going to rise and stay current and relevant and meaningful have to tell compelling stories to get people off the couch. We weathered the storm, and we're here to make sure that we see a harvest, and the harvest is getting back to some normalcy in our neighborhoods. We are moving into the world of localization times 10, and I see a lot of optimism in small to medium-sized businesses. Some are scared. Some are on the fence. But I'm talking to people who have got their second round of PPP loans, and they're looking for creative lease terms.

To me, it's kind of like a blank canvas, and we can create a masterpiece. If we don't, someone else will do it for us. At Arista, I remember someone dropping a compact disc on my desk and saying, "Hear that? You won't hear that sound next year." He was talking about the impact Napster and other music-sharing platforms would have, and he was right. I made a promise to myself back then that if I could either buy technology or partner with technology to stay relevant on the job, I would do it. Yesterday it was digital music. Today, we hear about bitcoin and NFTs. It's not going to stop. As I like to say, some people's imaginations are life's coming attractions. I'm pleased to say, I'm all in with a technology solution for the retail real estate industry.



# How's that retirement kitty looking?

## We can help at the 2021 Retirement Summit!

**Proactive planning is the first step towards bringing your unique vision for retirement to life.** NAR's Center for REALTOR® Financial Wellness translates money management into simple, straightforward steps to help you easily conquer your financial planning fears and feel secure as you prepare for retirement.

Register for the 2021 Retirement Summit featuring experts from Morgan Stanley. This four-part virtual series beginning July 7 will help ensure your finances are set for the long-term.

See full event details and register at [NAR.realtor/CFFW/Live](https://NAR.realtor/CFFW/Live).

