

# COMMERCIAL CONNECTIONS

NAR.REALTOR/COMMERCIAL-CONNECTIONS

## SOCIAL SAVVY

POSTS FROM  
THE EDGE

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BROKER CHRIS BORNHOFT OF SPOKANE, WASH.

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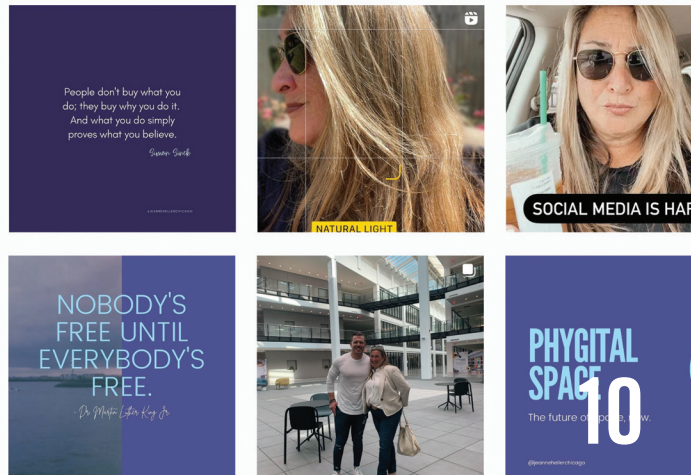
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# COMMERCIAL CONNECTIONS

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# UNCERTAINTY'S SILVER LINING

**COMMERCIAL REAL ESTATE IS OFTEN AN ACT OF REINVENTION; GET IDEAS FLOWING FOR YOUR BUSINESS AT C5 SUMMIT, AUG. 15–17.**

“It's a whole new world in commercial.”

That's what REALTOR® Carmen Bauman said recently about the exciting opportunities available in commercial real estate. Bauman, who works with investment clients for RM Friedland Commercial Real Estate Services in Westchester County, N.Y., attended last year's C5 Summit, an NAR conference dedicated exclusively to the commercial industry. The summit motivated her to transition her business from primarily residential to 100% commercial.

“People are repurposing things. It's up to the broker to identify opportunities,” Bauman told Commercial Connections recently. “This is the time to get in, [when] everything is on the brink of change.”

It is indeed an exciting time to be in commercial real estate. Although some sectors took a hit during the COVID-19 pandemic, commercial has proved very resilient. As I write this, I'm seeing sales up across multifamily, industrial, retail, and office. In the retail property market, net absorption helped push down the vacancy rate to 4.4% and prop up rent growth to 3.9%, according to NAR's April 2022 *Commercial Market Insights Report*. Land sales were up 6% on average in 2021, the best performance since 2014, according to the latest Land Market Survey conducted by the National Association of REALTORS® and the REALTORS® Land Institute. *(For more insights from the survey, see p. 18.)*

Bauman will be back at C5 Summit this summer, and I hope you'll consider joining her there, Aug. 15–17 in New York City. It's a great place to trade success stories and forge new partnerships. We collected valuable insights from first-year attendees in hallway conversations, focus groups, and conference surveys, and this year's program reflects what we heard. For example, you'll be able to choose your own C5 adventure by exploring a particular track of interest. In addition, you'll find opportunities to interact with others from the broader commercial ecosystem—economic development officials, brokers, investors, REIT managers,



LESLIE ROUDA SMITH, 2022 PRESIDENT  
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developers, and associations—so you can start the conversations that ultimately expand your portfolio and stimulate growth.

Finally, you asked for a more interactive expo. At this year's summit, you'll be able to try technology solutions that promise to make your job more efficient, hear from speakers in different disciplines at the expo theater, and take advantage of dedicated meeting and networking space. If the high cost of New York City lodging is an impediment, you'll be happy to know that NAR has secured hotel rates \$100 to \$120 below those for 2021. Learn more about C5 Summit and register at [c5summit.realestate](https://c5summit.realestate).

Your time is valuable. That's why we started C5 Summit, bringing together the players in the commercial value chain so you can connect with all the right people, all in one place. I can't wait to join you at this dynamic event.

COVID-19 was a big topic at last year's summit, but it's hardly the only outside force affecting our industry. One of the most talked about and least understood is the growing fervor around cryptocurrency. Just as we proactively pivoted during the pandemic, we'll need to get in front of the blockchain technology that allows cryptocurrency-based transactions. Blockchain promises to change not only how we pay for transactions but also how we store and share transaction records.

I'm excited to tell you that I've appointed a presidential advisory group on cryptocurrency—a member-driven group of issue experts who will explore in detail the expected impact on consumers and on our profession. The group will make recommendations to me later this year as to how we move forward.

And move forward we will, as we always do. There's a great quote from chemist and Nobel laureate winner Ilya Prigogine that sums up our strength of spirit: “*The future is uncertain. But this uncertainty is at the very heart of human creativity.*”

# WHAT'S DRIVING COWORKING DEMAND?

THE NEED FOR INTERIM SOLUTIONS MAY PLAY A ROLE IN THE COMEBACK.

By Beth Mattson-Teig, freelance business writer based in Minneapolis

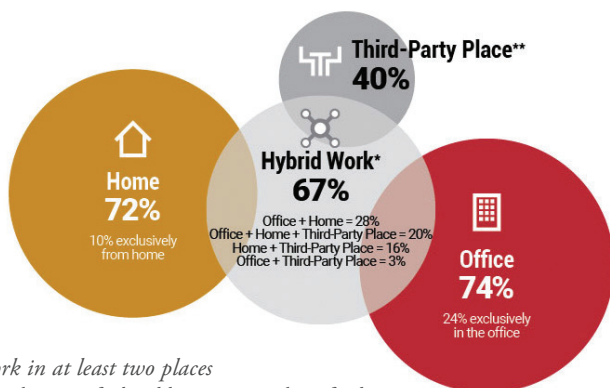
It was tough to ignore the rapid growth of the flexible office market—aka coworking—before the pandemic. Flexibility was a key selling point back then, and it's more in demand than ever. These four needs are also helping to fuel coworking demand:

- 1. Interim solutions:** “Coworking spaces will flourish for the next couple of years, and the reason is that companies are still trying to assess what just happened, how much space they really need, and where they need it,” says Soozie Jones Walker, CCIM, president of Commercial Executives Real Estate Services in Las Vegas. Some businesses are apt to turn to coworking space as an interim solution while they figure out space needs.
- 2. Third-party workspaces:** Demand also is coming from people who want or need to get out of their homes for various reasons, such as a lack of adequate workspace, poor internet connectivity, noise and distractions, or the desire for more interaction with others. According to JLL's 2021 *Shaping Human Experience* report, 40% of respondents would like the option to work from a third-party place, such as a coffee shop or a coworking space.

## WORK SHIFT

### Changing Preferences in the American Workforce

Percentage of employees willing to adopt each work pattern



\*Work in at least two places

\*\*Work in a café, hotel lounge, coworking facility, etc.

SOURCE: JLL



- 3. Satellite locations:** Most members of SharedSpace, a coworking business founded by Daniel Levison, CCIM, are entrepreneurs and small businesses that want professional workspaces and reliable internet. Some businesses are looking for satellite locations to give employees living in the suburbs an alternative workplace or meeting option for teams without having to come to the main office, especially if their main office is in a large urban area. “We are seeing more larger companies taking space, which we think is primarily because of this hub-and-spoke concept,” Levison says.
- 4. Repositioning of space:** In some cases, coworking is still viewed as a viable option to reposition surplus or underutilized space. For example, Hudson Bay Company announced it was partnering with WeWork in the launch of SaksWorks. The new venture will deliver amenities at select department store locations that include work and meeting spaces, café and restaurant space, retail areas, and fitness studios for its members.

To compete with home offices, coworking facilities need to offer great technology capabilities. They also need to provide flexibility, such as the ability to occupy a private office one day and work in a collaborative area another day, Walker says.

The shift to remote and hybrid working is creating challenges and opportunities. And space providers, both landlords and third-party firms, will need to adapt their space, services, and amenities to attract a workforce in flux.

*Editor's note: This article was adapted from “Coworking's Next Act,” which appeared in the Winter 2022 issue of Commercial Investment Real Estate.*

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# BROKERS GET CREATIVE IN ADDING INDUSTRIAL SPACE

RECORD LOW VACANCIES AND SOARING PRICES DEMAND NEW STRATEGIES.

By Michael Hoban, founder of Hoban Communications, Boston

With nationwide vacancy rates for industrial properties registering record lows and pricing for those assets skyrocketing, brokers and developers are devising creative strategies to meet the insatiable appetite for space fueled by the e-commerce boom and supply chain issues.

## RETHINKING EXISTING SPACE

“Every market in the country is critically low on available industrial product right now, so sales and leasing prices have increased dramatically across the board in the last three to four years,” says Richard Sleasman, SIOR, president and managing director with CBRE–Albany in New York. He adds that his industrial team is “trying to find ways to shake the trees to create inventory that might not be on the market but maybe should be.”

For example, the team is identifying owner-occupied industrial buildings that may be underused by their occupants. Investigative work includes reviewing lists of manufacturers at the Chamber of Commerce and making old-fashioned tour rides to industrial parks or individual buildings in core areas. The goal is to evaluate inventory—particularly buildings with businesses that have been operated by families for generations. “Second or third generations in a family business may not have the same strategic thinking for the business as their parents or grandparents did,” Sleasman says.

One such prospect was a family-owned building supply company in a 50,000-square-foot warehouse/flex building with



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a product showroom in a core location. Because most customers now view inventory online, the showroom and much of the building was underutilized. The brokers advised the owners that they could turn the building into an income-generating rental asset in a high-demand market or sell it outright at a greater value than the owners realized possible while operating their business in approximately one-third of the space in another building outside the urban core.

## MODIFYING EXISTING ASSETS

Brokers and developers are also modifying existing industrial properties to create additional space. Arlon Brown, SIOR, senior vice president for SVN Parsons Commercial Group in Boston, says these changes are being made in two principal ways:

1. Removing the second floors of two-story R&D buildings
2. Raising the roofs on single-story warehouse facilities to create high bay space

“Unlike an office building, a lot of these R&D buildings have heavy floor loads, typically six inches of concrete reinforced with rebar, so they’re well-suited for warehouse use,” says Brown.

Greg Hughes, construction manager at the Seyon Group, sums up the situation. “I’ve been in industrial real estate for my entire career. You have to get way more creative now in order to deliver industrial product.”

*Editor’s note: This article was adapted from “Race for Space,” published in the spring 2022 issue of SIOR Report.*

# DRONE TECH GIVES LIFT TO LAND PROJECTS

PLUSES INCLUDE EFFICIENCY AND COST-EFFECTIVENESS.

Drone technology has taken off with commercial and land real estate professionals. Many contractors and developers find it especially valuable when determining the feasibility of a new project. Aerial images deliver a better perspective of the land, and the technology can generate various image types ranging from stills to video to 360-degree panoramic views. Real estate investment firms, commercial real estate agents, land acquisition companies, and developers who've worked with drone technology have realized that these aerial images offer much more insight into a property than ground views and maps with limited details.

For example, the images and video provided by drones can help clients and agents better identify issues and explore dense areas more effectively. These details are vital to anyone seeking to build on a particular location. The technology also enables real estate agents to gather and provide this information more quickly and reliably.



HERTZ

“We work with multiple commercial drone pilots to take a bird’s-eye view of the properties we manage and sell,” says Randy Hertz, ALC, a REALTORS® Land Institute member. “We recently hired a full-time video editor to manage the shooting, editing, and sharing of clips to properties on the market. We do 360-degree aerial video tours of land listings that help to optimize our business.”

## MORE REASONS TO USE DRONES ON LAND PARCELS

Commercial real estate firms that use drone tech can see a significant improvement in listings and closings. The technology attracts prospective clients and serves as an effective marketing tool, changing the way potential land buyers and developers interact with a property listing.

With land surveys and mapping, drone technology is not only more efficient but also more cost-effective. This is especially true when attempting to survey an area with unsafe terrain. Working with professional drone pilots saves money on equipment and helps individuals avoid higher-risk areas. It also streamlines time management



of early-stage development because the data is acquired more quickly.

## ALWAYS GO WITH A PRO

Land professionals should be aware of a few important considerations, however. First, drones can be legally operated only by commercially licensed drone pilots who have passed an exam administered by the Federal Aviation Administration.

The pilots need to be aware of local restrictions and ordinances that prohibit flights in certain areas. In addition, special insurance is required, primarily because of the potential for drone crashes, which could damage property or injure people. The National Association of REALTORS® provides information to help agents interested in working with drones.

Given that drones have already been a major game-changer for the land industry, drone tech developments will undoubtedly pave the way for more advancement and wider use.

*Editor’s Note: This article was adapted from “Drone Technology Use in Real Estate,” published as an RLI blog post.*



SOURCE: RANDY HERTZ

# PROPTech INSIGHTS FROM PROPERTY MANAGERS

**MOST RESPONDENTS DESCRIBE THEMSELVES, THEIR COMPANIES AS PROPTech PRAGMATISTS.**

Making sense of all the new technologies available to real estate managers can feel like wading through terminology and promises rather than selecting solutions to problems and boosting operational efficiency.

That's why IREM's Technology Advisory Board conducts an annual survey to learn how real estate managers are selecting and using technology. This year's survey focused on how respondents are using proptech to improve their properties' operations. Most survey respondents were IREM members, with nearly equal numbers managing conventional apartments (24.7%) and office buildings (24.1%).

## TOP CONCERNS AND INSIGHTS

Respondents said automating repetitive tasks is a top reason for adopting proptech. High-priority concerns they cited include tenant-related issues, integration of existing systems, and security.

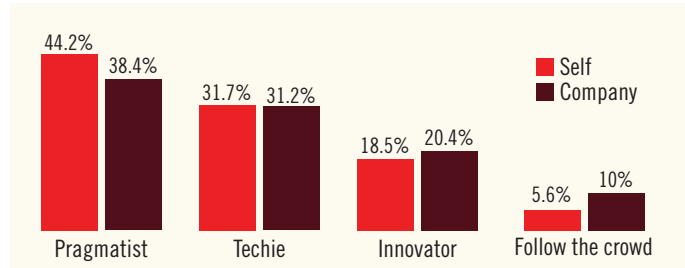
Here are more insights and findings from the survey:

1. Property management teams often make proptech decisions independently, which limits knowledge of risks associated with implementation.
2. Most people and companies are pragmatists, which may hinder adoption. However, many product options are available to solve the problems that respondents' identified.
3. Respondents based the return on implementation for pandemic-driven investments in proptech on nontangible outcomes (tenant satisfaction, increased safety) as opposed to ROI (reduced cost, added value).
4. Respondent familiarity with each proptech in the survey is 3.1 out of 5 or lower, demonstrating the need for broader training and education.
5. Drone/photogrammetry is the most widely used proptech among respondents. Real estate managers are using drones for maintenance inspections,

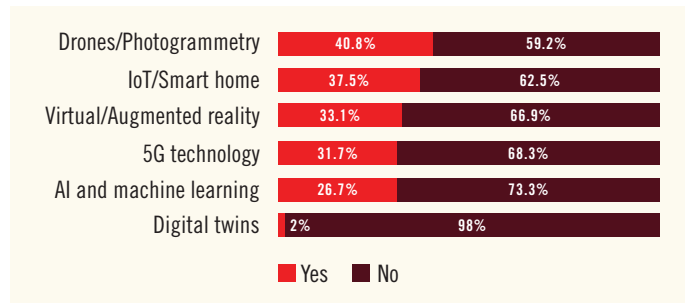


## SELF-REFLECTION

**When it comes to proptech, how do you describe yourself and your company?**



**Has this technology been implemented at your property?**



to analyze prospect traffic at multifamily communities, and as part of property tours.

Proptech decisions should stem from a team analysis of how a tech solution will affect the company from several angles, including how the product will play with existing IT infrastructure and affect property operations and the bottom line.

*Editor's note: This article was adapted from "Putting the tech puzzle together," published in the March/April 2022 issue of the Journal of Property Management.*



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A man with short brown hair, wearing a blue short-sleeved button-down shirt and light grey trousers, is sitting on a wooden desk in an office. He is smiling and holding a smartphone in his right hand. His left hand is resting on his lap. In the background, there are computer monitors displaying a website with the text "Tell Us Your Story". The office has large windows with blinds.

Chris Bornhoft used Facebook and LinkedIn to announce the launch of his new company in March. With paid and organic posts to promote a storage condo project he and wife Marianne are developing, Bornhoft has so far presold more than half the units.

# IS YOUR BUSINESS READY TO GET SOCIAL?

COMMERCIAL REAL ESTATE AND SOCIAL MEDIA DO MIX; HERE'S HOW TO START.

By Carol Weinrich Helsel

Commercial real estate professionals are the first to tell you they've been slow to embrace social media as a marketing strategy. Putting yourself out there can be intimidating, but your competitors may already be in the space. "For brokers age 35 to 55, social media commerce will have the greatest impact on our business success," says Carrie Bobb, founder and CEO of Carrie Bobb & Co. in San Diego. The fact that commercial brokers are late to the social sphere means you can still be among the first in your market to build a strong social presence. Before you jump in, though, learn from pioneers leading the way.

## LEARN AS YOU GO

The pandemic drew many commercial brokers to social media. "I had time and wanted to be a part of social, but I didn't want to look silly doing it," says Cory Zelnik, founder and CEO of Zelnik & Co. in New York City.

This is a common fear, especially among established brokers. "It's OK if [a social media post] isn't perfect right out of the gate," says Jeanne Heller, director of marketing for The Feil Organization, North Riverside Park Mall, in Chicagoland. "We all fumble through it at first."

After Zelnik saw some friends (and competitors) in the space, he strategized with his marketing specialist and started posting on several platforms. "We got the most traction on Instagram and LinkedIn, so that's where we focus," he says. "At the beginning, I had about 50 followers—mostly friends. Now it's 900 on my personal account and north of 2,000 on our company account."

Jayson Siano, founder and CEO of Sabre Real Estate Advisors in New York City, believes commercial pros should be using social media no matter their age. He started vlogging, or video blogging, heavily in 2016. "In the beginning, people in the industry made fun of me." Using the camera like a fly on the wall, Siano let people see what his team did day-to-day. "I used it to grow Sabre from a regional to a national business," he says. "In 2016, we did deals in three states. In 2021, we did deals in 42 states."

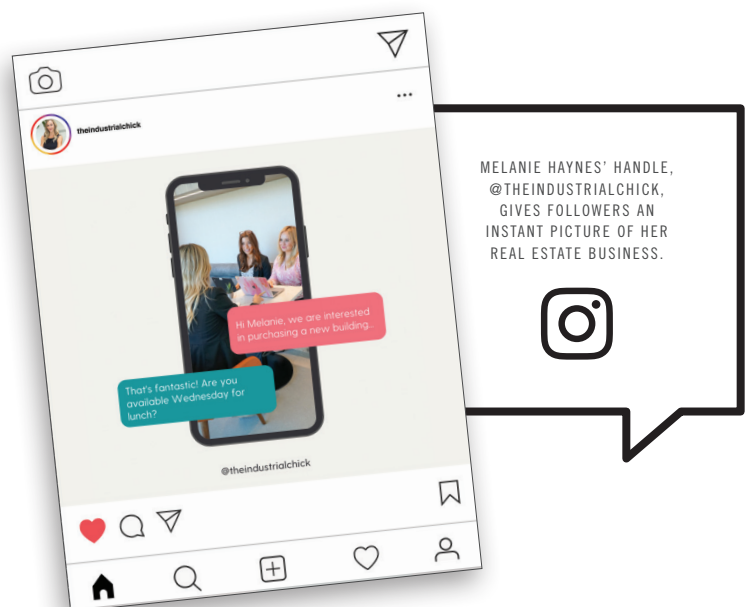
## CHOOSE A PLATFORM

Social media can help you establish and build your brand, differentiate yourself, and engage with your target audience to generate interest in a property or project. Popular platforms include LinkedIn, Instagram, Twitter, TikTok, YouTube, and Facebook. Each offers a different value. Siano's experience is that very senior people pay attention to Instagram, while younger ones are on TikTok.

Heller encourages brokers to be wherever their audience is. "Instagram is where many brokers live, but it varies by region and sector."

LinkedIn is regaining popularity, notes Sabrina Bier, director of digital media and education for Proper Title in Chicago. "It was a 'set it and forget it' platform, but as other social platforms got more personal with posts about family and food, people wanted a place to get and give business information."

Social media helped Melanie Haynes gain credibility as a new broker. "I'm competing with many brokers who have longstanding relationships, but I'm doing something different to stand out," says Haynes, a director



# TIPS FOR A SOCIAL STRATEGY

Your social strategy should be unique, but consider these best practices from the field:

- Be authentic and talk directly to your audience.
- Maintain a balance between personal and business, and don't make it all about you.
- Post regularly using themes, such as "Fun Fridays," and adhere to your brand.
- Use video but don't feel pressured to create sophisticated production.
- Engage with followers—and on others' posts.
- Focus on meaningful metrics to evaluate impact.

with Cushman & Wakefield in Carlsbad, Calif. "There's something to be said for walking into a room and someone saying they saw your post."

Market size is a factor for Chris Bornhoft, CCIM, founder of Bornhoft Real Estate in Spokane, Wash. "Spokane is a small city. If I let my network know and they let their network know, the word is out." Bornhoft relies primarily on LinkedIn for business. "I believe in telling people what we're doing. People are smart; they know what to do with the information."

If you're worried about the time you'd need to create content, an off-the-cuff approach helps. Consider these tips to generate posts quickly but still stick to a strategy:

- Bier: Don't overthink content.
- Bobb: Train your brain to create content on the go.
- Haynes: Don't get hung up on one post. "The algorithm is unpredictable; you never know what will hit."
- Siano: Don't target too wide an audience. "Create unique content for a specific person or company and focus on getting their eyeballs on it."

## AIM FOR THE 'KARDASHIAN EFFECT'

Regardless of the platform, the most successful posts tell a story. People don't want to see posts about sold properties, says Bobb. "That's boring and makes you look out of touch." Instead, concentrate on building relationships through awareness and engagement.

Siano calls it the "Kardashian effect." "I use video to help them get to know, like, and trust me," he says.

Posting thought leadership and helpful resources also engages people. "Educational posts work best for us," says Heller. "We give ideas for how to solve a problem, like [finding] financing sources."

But often it's human interest that sparks interest. Bornhoft had high engagement from a video of a fallen tree. "There was real-time excitement to this post," he says. "No selling, just 'Hey, that great project you've been following? Well, a tree just fell on it.'"

Heller suggests taking a cue from residential counterparts. "They know how to highlight a noteworthy property feature, like an inside look at an amazing pantry."

Sharing personal interests is crucial to any social strategy. Kyle Inserra, associate director with Sabre Real Estate Advisors in New York City, got a listing from a restaurant owner he connected with over a mutual love of French bulldogs. "A year later, he asked me to sell his business."

You need to be authentic to build trust, Inserra says. "That's how you get traction and leads." Authenticity can come at a price, though. "You're not going to be a fit for every client," says Haynes, "but you'll attract more customers that are drawn to you."

Authenticity is also important because you may eventually meet your followers in person. Brokers who outsource their social media management stress the need to be involved. "When you meet followers face to face, they feel they know you," says Heller. "If you're starkly different than your online brand, it's as if you lied."



## TAKING SOCIAL RELATIONSHIPS OFFLINE

Social media is powerful, but it isn't guaranteed to produce business. Some brokers create great content but don't necessarily convert the attention into business. "Set goals and reverse engineer to get there," recommends Siano. "If you're spending too much time creating content but not doing deals, you need to rethink your strategy."

Bier recommends doing an online "audit" of your target audience. "Learn what's important to them and talk about those things in your posts." Then invite them to a local industry event, she says.

Zelnik finds that social engagement warms up cold calls. "Having a social connection takes the edge off what you're trying to do businesswise." It also opens doors. "My digital resume enables me to get directly to the decision-maker," says Siano.

## MEASURE SUCCESS

Some brokers track metrics to measure success, while others use a more intuitive approach. "I know when a post falls flat," says Bornhoft. Regardless of your method, focus on actual interaction—not just likes. A few comments or DMs have more business potential than lots of likes. And don't just respond to comments on your posts; engage with decision-makers you want to connect with, and take the time to thoughtfully comment on their social media.

Be patient about seeing results. Regardless of the medium, relationship building takes time. "A client told me he'd seen one of my posts on LinkedIn and later on Facebook," says Bornhoft. "But it wasn't until months later, when he saw an article about me in a local business journal, that he reached out."

For those who remain consistent and deliver value, the potential is huge. Inserra says 100% of his current business comes from social—mostly through referrals. "I do no prospecting, just content creation," he says.

## DIVE IN

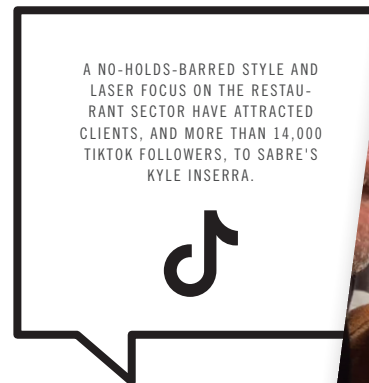
The first step can be the hardest for commercial brokers. Early adopters say just dive in. "Don't be afraid to mess up," says Haynes, who suggests lining up a month of content so you can post consistently.

"There is so much opportunity in the social space," Haynes adds. "So few commercial brokers are doing it, but you'll be shocked at how much you can gain."

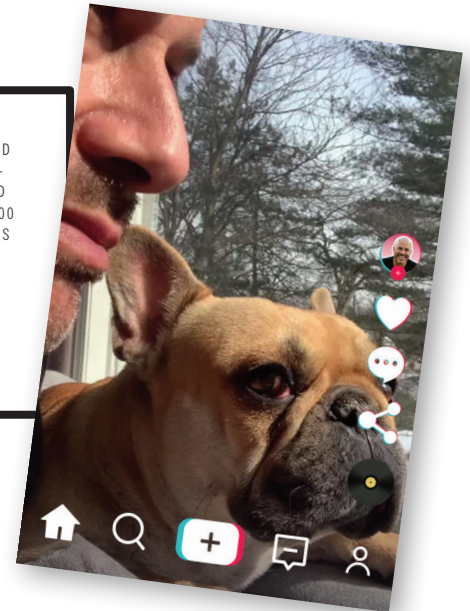
*Helsel is principal of Pastiche Communications.*



POSITIONING HIMSELF AT THE INTERSECTION OF COMMERCIAL REAL ESTATE AND DIGITAL MEDIA, JAYSON SIANO USES VLOGGING AND STRAIGHT TALK TO DRAW NATIONAL ATTENTION TO THE REAL ESTATE COMPANY HE FOUNDED IN 2010.



A NO-HOLDS-BARRED STYLE AND LASER FOCUS ON THE RESTAURANT SECTOR HAVE ATTRACTED CLIENTS, AND MORE THAN 14,000 TIKTOK FOLLOWERS, TO SABRE'S KYLE INSERRA.



## WHERE TO FOLLOW

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- Chris Bornhoft - @chrisbornhoft on LinkedIn
- Melanie Haynes - @theindustrialchick on Instagram
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# CREATIVE SOLUTIONS TO SUPPLY CHAIN PROBLEMS

EVEN SECTORS WITH SURGING DEMAND FACE SHORTAGES THAT CALL FOR INNOVATION.

By Catherine Mesick

Just like people with great potential, promising commercial real estate projects can face impediments to success. Even though demand for commercial space has been surging across certain sectors, especially industrial and multifamily, roadblocks are compromising building projects. Industrial projects are stagnating—either stalling or not starting at all—partly because of supply chain constraints. The key to pushing through and building new commercial stock lies in creativity, flexibility, and boldness, say industry experts.

## GET CREATIVE WITH MATERIALS DELAYS

Industrial real estate is in an enviable position. For the first quarter of 2022, industrial absorption was at a 10-year high, industrial supply and availability were at 10-year lows, and industrial asking rents had risen a record-high 10.6% year over year, former National Association of REALTORS® economist Brandon Hardin said at the association's Real Estate Forecast Summit in late March.



SILVERSTEIN

Yet, industrial building projects are facing significant issues with materials, says Gabriel Silverstein, SIOR, managing director of SVN Angelic in Austin, Texas. When a project has to wait 56 weeks for roof trusses, the delay profoundly affects the construction of an industrial facility that usually builds in 40 weeks, he explains. “You can’t build 90% of a building; you need walls, electrical, nails, bolts.”

When essential materials are missing, it’s time to investigate alternatives, Silverstein adds. For example, glulam beams—layers of wood laminations bonded together with industrial adhesives—can replace steel or solid sawn lumber in some circumstances. The material can work in large, flat roof systems and complex arches, and is also faster and cheaper to produce. “You have to challenge yourself by asking, ‘How can I create the same result with different techniques?’” he says.

## NETWORK FOR INNOVATIVE IDEAS

New contractors and suppliers—and even competitors—can be another source of ideas to work around supply issues. Silverstein recommends networking to find out what’s working and who’s innovating. Recently, a client of Silverstein’s faced a major materials problem on an office project: a lack of floor trusses. So, Silverstein reached out to Prologis, a REIT company and developer in Dallas. Prologis referred him to a mid-sized contractor who had found high-quality floor trusses manufactured in less time than usual from a new source in Mexico.

The contractor went to Mexico to check the quality, X-rayed every truss for the project, and didn’t discover any issues. Silverstein’s client was delighted with the result. “The client in this case had a structural steel problem and didn’t know how to fix it. [The contractor] came up with a brilliant solution.”

New ideas don’t always come from new sources. Problem solving with an established team of colleagues and collaborators is a source of innovation you may overlook. Current employees, vendors, suppliers, contractors, and development partners can offer ingenuity. “Go back to the team and challenge them,” advises Silverstein. “Say, ‘Somebody moved the ball on us. Let’s figure out a way to do something differently.’”

## OVERCOMING LAND AND ZONING ISSUES



KASRAEI

Geographic and zoning issues make new industrial construction challenging, says Baktash Kasraei, SIOR, vice president of JLL Industrial in Vancouver, British Columbia. He notes that with a vacancy rate of 0.5% in his market, stock is essentially sold out. “What is available is either obsolete or bought quickly. New-gen buildings are typically leased before completion.”

Although not every region has Vancouver’s geographic issues with mountains and coastline, many struggle with restrictive zoning.

One way to maximize site usage is to build higher. “Developers are now offering 40-foot clear heights on spec, when 32 was the norm,” says Kasraei. Design and layout can also be altered to accommodate automated conveyor and stock management systems and driverless vehicles. With less human intervention necessary, more stock can be stored vertically.

Kasraei also recommends casting a wider net when searching for space to build. Recently, developers have begun constructing new satellite distribution facilities in areas like Kansas City, St. Louis, and Nashville rather than in traditional hubs like Chicago, Dallas-Fort Worth, New Jersey, and Southern California. Box trucks and commercial vans, rather than tractor trailers, are used to transport goods the “last mile” to stores and customers.

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**“The client had a structural steel problem and didn’t know how to fix it. [The contractor] came up with a brilliant solution.”**

**— Gabriel Silverstein, SIOR**

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Kasraei notes that this “new” model was once known as “hub and spoke” and used to be the rule rather than the exception—a testament to the cyclical nature of commercial trends. But he also points out that this approach can become a balancing act. “When you use smaller vehicles, it drives labor costs up,” he says. “One driver can become three or four. It’s an approach that won’t work for all.”

High demand for warehouse space is likely to continue, as e-commerce remains strong and traditional retailers move to stockpile wares. “Retailers are looking to build up safety stock,” says NAR’s Hardin. “They’re moving from ‘just in time’ to ‘just in case.’”

Kasraei advises clients looking to lease space in this environment to be flexible—and aggressive. Multiple offers

are typical, and clients need to move quickly on desirable properties. In addition, Kasraei recommends clients make thoughtful decisions about space. “Before, people would routinely take extra space. Now you have to maximize and fully utilize space so there’s no wastage.”

For buyers, Kasraei recommends the same—flexibility and boldness in decision-making—and doing your homework. “You have to have financing and do your due diligence up front, because the market is just so competitive.”

### **REPURPOSING FOR MULTIFAMILY, INDUSTRIAL**

Demand in the apartment sector is also accelerating. NAR Chief Economist Lawrence Yun reports that as of March, net absorption was up, vacancy rates had declined to a 10-year low of 5%, and rental asking rates were up 11.1% year over year, an industry high. With the median sales price of an existing home rising to an all-time high of \$375,000 in March, consumers are clamoring for affordable multifamily housing.

One way to meet the demand, despite supply chain issues, is to repurpose existing vacant buildings. “Malls, hotels, even unused schools can potentially be converted to housing,” said Bryan Greene, NAR vice president of policy advocacy, at a webinar hosted by national think tank Third Way. He added that NAR supports federal tax credits to attract investment in conversions.

Kasraei notes a recent trend toward converting suburban office parks to industrial space, adding that this too is cyclical. Many current suburban office sites used to be industrial, he says.

Vacant office space is certainly available for conversion. NAR research shows that as of February 2022, 21% of managers and professional workers continued to work from home, much higher than the 9% who did so before the pandemic. And that percent doesn’t factor in workers following a hybrid model. Office vacancy rates as of March 2022 remained at an industry high of 12.3%.

So, what does this mean for the hard-pressed office sector? Is there still room for creativity and development? Silverstein remains optimistic. “Nothing can replace the spontaneity and creativity of the unstructured interactions you have over time in an office.” For those with vision, he adds, “this is a time that creates opportunity.”

*Mesick is frequent contributor and coordinator of advocacy operations for the National Association of REALTORS®.*



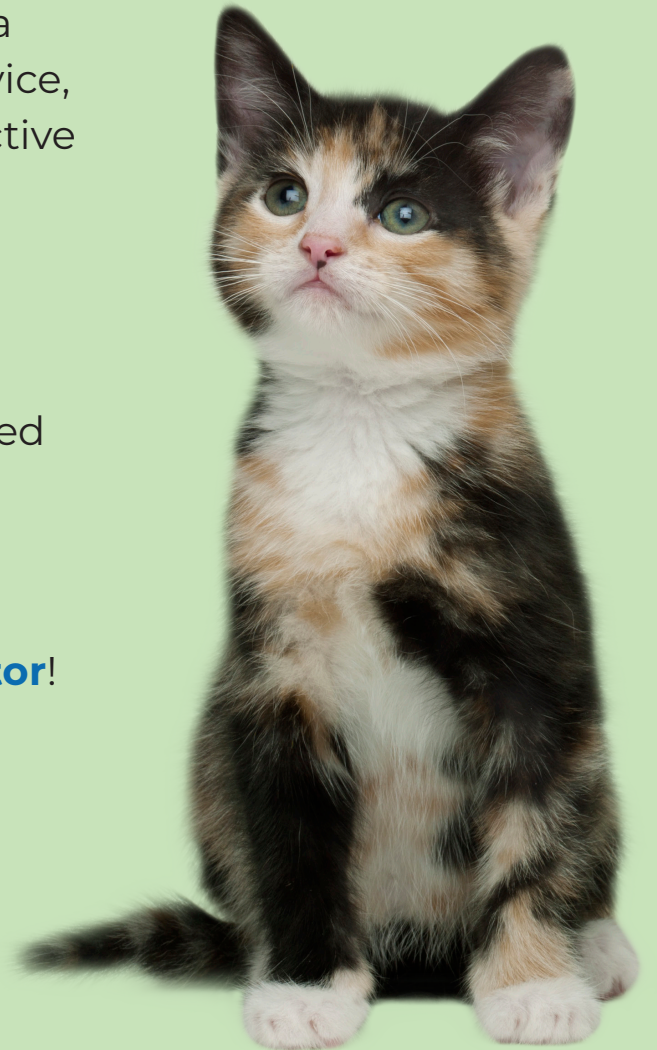
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# BEST LAND MARKET IN NAR-RLI SURVEY HISTORY

## HOTTEST USES WERE RESIDENTIAL, INDUSTRIAL, AND RECREATIONAL.

By Scholastica (Gay) Cororaton, director of housing and commercial research, National Association of REALTORS®

The land market had a great year in 2021, with sales up nearly 6% and outperforming the pace of acquisitions of other commercial real estate types. The *2021 Land Market Survey* revealed this good news based on research from the REALTORS® Land Institute and the National Association of REALTORS®.

The annual survey looks at land transactions of members of RLI and NAR. Respondents to the latest survey reported the best land sales performance since the organizations began recording the numbers in 2014. Driving the demand for land were historically low mortgage rates, which drove home sales, the historic net absorption of multifamily and industrial commercial space, and the resiliency of the retail property market.

Other property types saw sales growth in 2021—single-family rental sales were up 5%; industrial property sales were up 4%, sales of Class A apartment buildings were up 2%, and sales of Class B/C apartment buildings were up 3%—but none matched the growth of land sales.

### RESIDENTIAL, INDUSTRIAL, RECREATIONAL SALES UP 5% TO 7%

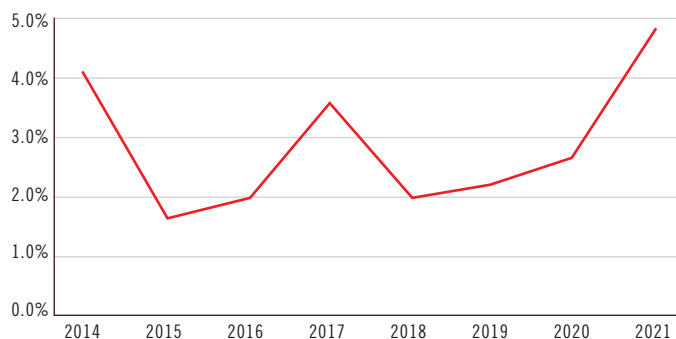
Residential, industrial, and recreational were the hottest categories of land sales, with REALTORS® reporting an average sales increase of 5% to 7% in those categories. Land sales for office and retail use also rose about 3% in 2021 after staying flat in 2020. Residential land sales accounted for 59% of all land sales by NAR and RLI members.

Residential land sales accounted for nearly 4% of the combined sales of residential properties (single-family homes, condominiums, manufactured homes, residential land), up from about 3% in 2020, according to NAR's REALTORS® Confidence Index Survey, a monthly survey of transactions of members engaged in residential real estate.

As of the fourth quarter of 2021, the underlying value of the land of real estate owned by households totaled \$15 trillion, up from \$13 trillion the previous year, according to Federal Reserve Board data. NAR estimates that land is 40% of the total value of household real estate assets after

## EIGHT-YEAR HIGH

### Year-over-year percent change in dollar land sales\*



SOURCE: AMONG MEMBERS OF THE REALTORS® LAND INSTITUTE AND THE NATIONAL ASSOCIATION OF REALTORS® BASED ON VARIOUS SURVEYS

deducting the value of the structure, based on replacement value, from the total value of the real estate assets held.

The states with the largest shares of land sales were:

- Texas (15%)
- Florida (13%)
- California (6%)
- Georgia (5%)
- Arizona (5%)

Together, they garnered 44% of land sales in 2021.

### LAND MARKET OUTLOOK FOR 2022

NAR Chief Economist Lawrence Yun noted in the survey report that he expects 2022 to remain a strong year for the land market. “Even with rising interest rates, I expect sustained growth in land sales and prices this year, driven particularly by the demand for multifamily and single-family housing. The shift from just-in-time to just-in-case inventory management ... will continue to drive the demand for land for new warehouses. Moreover, agricultural grain prices will remain elevated due to the war in Ukraine and thereby boost demand for farmland.”

As for challenges, 50% of respondents said zoning regulations continue to hamper development. With a shortfall of 6.8 million units since 2000, development of residential lots is essential to addressing the housing shortage.

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# OFFICE LIFE, IMPROVED

APPS ENCOURAGE RETURN TO THE OFFICE BY TAKING THE TENANT EXPERIENCE UP A NOTCH.

By Leah Zitter

There are spaces—and then there are places. Lifestyle apps aim to help building owners convert functional commercial spaces into healthy, purposeful places where tenants and employees can look forward to living and working. That elevated experience with tangible benefits is what apps like Lulafit, JLL Jet, and New Stand aim to help landlords accomplish.

## HEALTHY PLACES

Lulafit, a wellness company headquartered in Chicago, launched its virtual amenities service platform just ahead of the pandemic. The app focuses on delivering a holistic wellness approach to office workers. "The Lulafit digital solution can serve a population on its own but is most effective when paired with our onsite amenity experiences, says Colleen Werner, Lulafit founder and CEO. "Our mobile platform truly enhances the in-person experience to help landlords and companies build a culture of well-being. We have five key areas we focus on," she says, "movement (fitness and ergonomics), nourishment (food), empowerment (personal and professional development), restoration (mindfulness and mental health), and connection (social health and events)."

Werner estimates that only about 20% to 25% of tenants typically use their building's fitness center. Lulafit focuses on diverse and inclusive programming, such as live and on-demand fitness classes, meditation, and nutrition guidance, so 100% of a building's population can find something they love.

Lulafit users can also schedule customized wellness sessions with personal coaches who specialize in mental health coaching, personal training, and nutritional counseling. The company even curates social events, such as game nights and interactive experiences.

"For example," Werner says, "we recently hosted an event called 'Plant and Sip.' Participants created living art through a hands-on experience with their building community. We provided all of the materials they needed to create a lovely plant display including air frame boxes, air plants, and preserved mosses. Tenants enjoyed cocktails while mingling and creating something that is not only fun to look at but good for their well-being."

## PURPOSEFUL PLACES

San Francisco-based JLL Technology, a division of real estate giant JLL, is focused on helping tenants of office spaces "create an environment where [employees] wake up and say, 'Wow, I really want to work in a place like this,'" says Mihir Shah, co-CEO of JLL Technologies.

JLL Jet is a workplace mobile app that personalizes the employee experience in hybrid working environment, "simplifying everyday tasks like scheduling in-person collaboration, accessing corporate information, and submitting requests for services including IT and facilities," says Scott Jones, vice president of marketing at JLL Technologies.

If workers want to schedule meetings, Jet's artificial intelligence finds the right time and place based on participants' availability and locations. If staff members want to book desks and rooms, Jet's in-app floor plans help them navigate and reserve amenities in seconds. The same for broadcasting alerts and messages, registering and tracking guest registrations, or reserving dining options. Users can do that and more from Jet's intuitive, mobile app.

## INTERESTING PLACES

New York-based New Stand offers a smart take on the newsstand concept. The app points users to a rotating array of needs: from gourmet snacks to umbrellas to cell phone chargers. It also comes with access to playlists, local media, and amusing GIFs. And landlords can customize New Stand to feed their employees company news.

The app helps create a tenant community in which users can cash in on weekly deals and collect loyalty points to spend in store.

"What New Stand really is building," co-founder and CEO Andrew Deitchman said in an interview with TechCrunch last year, "is a media and technology company, using convenience points as a means of accessing people's lives and making their days a little bit better."

With apps like Lulafit, JLL Jet, and New Stand, employers are promoting wellness and encouraging a safe return to the office, turning functional spaces into meaningful places where tenants and employees can thrive.

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# HEADLINE-WORTHY CONVERSION

**FORMER CHICAGO TRIBUNE BUILDING BRINGS CENTURY-OLD GLAMOUR TO DOWNTOWN LIVING.**

By Jeffrey Steele

When Tribune Co. launched a competition to design its new headquarters in Chicago in 1922, the contest attracted rapt attention from the international architectural and business communities. The stated aim was nothing short of creating Earth's "most beautiful and distinctive office building." On its completion in 1925, the Howells and Hood–designed neo-Gothic Tribune Tower embarked on its nearly century-long reign as one of the Windy City's most beloved architectural jewels.

After the tower's 2016 purchase by CIM Group and Golub & Co., a joint venture was launched to convert the structure, the former home of the *Chicago Tribune* editorial offices, to residential. The result: Tribune Tower Residences, a collection of 162 one- to four-bedroom homes offering owners the enviable boast of possessing a piece of Chicago's magnificent architectural legacy.

"As our guests walk through our amenities and models, they're amazed at the beautiful transformation," says Jeanne Martini, Tribune Tower Residences sales director. "From the building, you feel a part of the city as you take in views of the city's architectural beauty, the Chicago River, and [Lake Michigan]," she says. "Yet, because of the stone facade and new windows, as people walk through the building, they say, 'I can't believe how quiet it is.'"

## UNIQUE SPACES DESIGNED TO APPEAL TO A 'DISCERNING AUDIENCE'

The residences' ceiling details and state-of-the-art windows, distinctive floor plans, and heart-of-home gourmet kitchens are designed to leave purchasers awestruck. Design of the models was trusted to Mary Cook, president of Chicago's Mary Cook Associates, who confronted multiple challenges.

"In many situations, you had very unique floor plans ... atypical configurations where no two were identical," Cook says. Of the 162 units, there are 56 distinct floor plans ranging from 1,100 square feet to more than 4,300 square feet. "You also had a discerning audience passionate about Chicago, committed to city life ... and still looking for a plan reflecting their lifestyle."



Cook crafted models reflecting specific personality types, such as the retired executive couple, the working executive couple, the single professional female, and the same-sex couple. "We had to take spaces that were unconventionally configured and find function," she says. "In the single professional's unit, we



designed pocket doors she could open up if she was working or close off if she was entertaining. It looks beautiful.”

The retired couple’s model, among the larger units, features an extra-large foyer that Cook’s team named “the gallery.” “This was designed for someone who had ... traveled the world and collected art and artifacts from the travels over the years that could be displayed in that space,” she says.

Many would-be buyers were initially on the fence. “But when the model units opened, that turbocharged sales,” Cook says. “Once they saw them, hesitations evaporated.” More than 60% of the units are now sold.

## HOME EXTENSIONS

The building’s 55,000 square feet of amenities were designed, Martini says, to create “fantastic places that were literally extensions of our residents’ homes.” A third-floor space includes a nearly three-acre park, gaming areas, lounge, catering kitchen, board rooms, work tables, and alcoves. The fireplace and wood panel surround of legendary *Tribune* publisher Robert R. “Colonel” McCormick was relocated from its 24th-floor lair to the third floor “so all the residents could enjoy that cozy ambience,” Martini says.

The second floor offers a fitness center, spa treatment rooms, steam rooms, sauna, and golf room with a putting green and sports simulator. The seventh floor boasts a 75-foot indoor pool with east views to the lake. Gaze south and the *Chicago Tribune* sign is visible through the pool’s glass doors, which are portals to outdoor grilling kitchens and lounging areas.

The 25th floor’s outdoor Crown Terrace features 360-degree city views, grilling stations, an herb garden, and elegant seating and dining areas, circled by the tower’s famed flying buttresses. Inside, the Crown Lounge offers a chef’s kitchen, lounge, and dining space.

**“They didn’t just purchase the historic building, which gives the overall project a great glow, but also the ability to build another significant building on the site.”**

For the ground-level retail space, two tenants have been announced: Museum of Ice Cream and Foxtrot, an upscale convenience store and café.

## ADDED DENSITY

The \$500 million project led CIM Group to secure a \$328 million construction loan from JPMorgan Chase in 2018. According to David Wasserman, senior advisor at New York-based Solomon Partners, CIM is a “very sophisticated development company” that relishes tackling unusual projects. “They control capital with a blend of short- and long-term investment views of the world, and a get-it-done attitude toward difficult development,” Wasserman says, “They didn’t just purchase the historic building, which gives the overall project a great glow, but also the ability to build another significant building on the site. That averages out the land cost and dramatically reduces the per-foot cost basis, the floor-area ratio that is achievable on the property as a whole.”

Whatever the economics, the Tribune Tower Residences’ sales team is counting on the storied Michigan Avenue address, steps from the riverfront and a 15-minute walk to the lake, to excite buyers and tenants. “You’ve got to fall in love with Chicago when you visit this site,” Cook says. “It’s breathtaking.”

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