NAR S2E5 Final Transcript

***Intro****: You're listening to “Drive with NAR” powered by REALTOR® Magazine. Listen in as real estate pros talk tools of the trade and share stories of inspiration. Get ready to step up your business. This episode is sponsored by get.realtor.*

**Marki**: What's going on world? I'm your girl Marki Lemons-Ryhal, the host of “Drive with NAR” and a REALTOR®. We're talking today about something each and every one of you has been feeling for a long time: the historic inventory shortage. We've seen a modest increase in listings recently, but our clients still don't have enough housing options to choose from. You might be feeling frustrated and stuck, wondering what can you do to make this experience less painful for your buyers? Well, we're going to come at this from the commercial and residential perspectives. We have two knowledgeable pros on the real estate business with me today to talk about the issues the inventory crisis is creating for them and how they're overcoming barriers to solutions like converting commercial property to residential. Welcome, Kevin Rocio, a commercial real estate agent with @properties Christie's International Real Estate in Chicago, and Bernice Hellman, regional vice president of Coldwell Banker Real Estate Group based in Terre Haute, Indiana, who is also the 2023 Chair of NAR’s public policy coordinating committee. The committee has made several recommendations to develop NAR’s policies that support greater creation of housing inventory. Thank you both so much for being here with me.

**Bernice**: Thanks, Marki. It's great to be here.

**Kevin**: Thank you for having me.

**Marki**: Inventory has been stubbornly low for a long time, which means many homebuyers can’t find housing options to meet their needs. I'd like to know what's happening in both the residential and commercial side of the real estate business. Can each of you speak to what you're saying in your markets?

**Kevin**: Let me start with commercials. So inventory continues to be, I won't say limited, but I would say tough in the sense that people that bought multifamily or refinance multifamily properties in 2017, those more, or 2018, typically they take out a five year mortgage, back then we can imagine where rates were. And so now when they're starting to be renewed this year or reevaluated, sellers have a choice, they either have to bite the bullet and pay the higher interest rate, that may or may not affect the cap rate, which means that the value has to be adjusted, which means they may have to bring money to the table just to do a refi. I'm evaluating a building for longtime family, longtime owners, and the issue that they have is they can't afford the payment on the property at today's rates. So they want to get an opinion of value so that we can make a decision as to whether or not it would be best to recapitalize the property or sell the property. That's one of the things that are hitting commercial real estate building this year.

**Bernice**: Yeah. Thanks, Kevin. Sadly, there's not one thing that's going to be a quick fix for this, I think we have to remind ourselves that, you know, over the last 15 years, we've significantly under-built. So that demand is incredibly strong right now. And we're just not replacing that inventory at a fast enough pace. So I think it's going to take a collaboration, the collaboration of investment through public-private partnerships. What we at NAR can be doing, I think is a multifaceted approach. So in working with clients, it's of course incredibly frustrating right now, because there's not enough supply to meet that demand. I think we have to continue to be experts in our field and make sure we have our finger on the pulse on what's going on. You know, there will continue to be a shortage of housing on the market for the next several years. I think what that will provide some opportunity, I think that's where we get creative in that space and come up with solutions of ways to put some inventory on the books. But right now, I'd say it's just incredibly important for agents to be educated on topics like zoning changes and ordinances and how we can be that voice at the local grassroots level and work with all those that are community stakeholders and our housing partners to find and highlight success stories on ways to get inventory on the books.

**Marki**: What stood out to me was the fact that, Bernice, you stated we have to get creative. And then, Kevin, I had no idea that in the commercial real estate market that every five years they need to come back and look at those properties. And so with interest rates increasing, I'm clear that I understand the bigger impact that we aren't discussing. And that's the fact of affordability. And how can we now look at these properties every five years and reassess their value to the community? That and how do they serve the highest and best use into that community? Unfortunately, there isn't a quick fix to the inventory problem. It requires many moving pieces to affect inventory, and individual agents and brokers may wonder what their role is in helping to bring more properties to the market. This is where advocating for real estate comes into play. Can you talk about what NAR or your local association is doing to improve the inventory? And what role do each of you play in this realm? Bernice, we'll start with you.

**Bernice**: Yeah, thanks, Marki, I was vice chair of the Housing Supply and Affordability PAP last year, we came up with eight recommendations for NAR and for our committee leaders to really do a deeper dive in to try and come up with solutions. And to not just focus on what the problems are, but to actually highlight successes and communities that we are seeing that have had some success in getting some additional inventory on the books that there were, we could talk for an hour just on those recommendations. But you know, much of our conversation centered around the internal engagement and external engagement. And by that we mean, you know, internally, NAR has a lot of resources available that we want our members to be familiar with what's out there. And just taking advantage of things. I think there are a lot of tools and resources on an NAR.realtor that you can familiarize yourself with things. We're also working on developing a toolkit that our members can take out to their local planning development meetings to discuss the importance of zoning issues. I think many of us are intimidated by that topic, but we've got to be there, we've got to have a seat at that table. Housing tomorrow is probably going to look different than housing today looks like and that will require zoning ordinances to support those changes. That's a really a topic we need to study very carefully to make sure we don't impact unintended consequences with that. So it's important that we be there and that we show up at those meetings as the resident expert that knows the markets and understands the appropriate changes that we need to get behind that will help to open up housing. That's a couple of ideas of things that we're working on. But a lot of really great things came out of that PAG.

**Marki**: Wow. Kevin, what are you seeing?

**Kevin**: So that is something that we're seeing a lot of here in the city of Chicago, whether it's obsolete office buildings on LaSalle Street, whether it's churches, industrial buildings, we are seeing that and you know, here locally, we have a great website called Cityscape Chicago, where basically you can parcel over a plot of land and then you can super-parcel meaning you can add the adjoining lot and it tells you all the zoning that's there what the possibility of zoning rezoning is, who the aldermen, what city programs, what federal programs are built to help a developer it's a great website. The building I'm looking at sits on three lots. And so while it's eight units, and this is where, where a broker needs to be educated. Right now sits units if you tear the building down and build from lot to lot, you can put up 40 units, so we talk about increasing housing and adaptive reuse. This is a perfect case where an eight-unit building may not serve the neighborhood like it did back in the ‘20s when it was originally built.

**Marki**: Okay, so we're gonna go from eight units to 40 units. But if my math serves me right, that's a five time increase, right? I love it. Sit tight we'll be right back after a word with our sponsor.

***Mid-Reel Ad Spot:***

***Marki****: I'm excited to be joined today by Elizabeth Koneru, NAR’s marketing Engagement Manager for NAR’s top-level domains, dot realtor and dot real estate. It's great to have you here, Elizabeth. I love how the dot realtor website helps REALTORS® get instant recognition and credibility online. And does it actually come with a free website design? I've heard anyone could edit and personalize their website without having any technical skills. Can you share more about how NAR's members can benefit from a dot realtor website?*

***Elizabeth****: Absolutely, Marki. With a dot realtor website, REALTORS® can stand out from their competition online, just by replacing the common dot com with a new web address ending in dot realtor. It establishes instant recognition, credibility and it's a consistent place where they can always be found. What's the best of all is that members get their dot realtor web address free for one year.*

***Marki****: That's amazing, Elizabeth. Now tell us more about the free website and what it offers.*

***Elizabeth****: Sure. The free professional website is a modern design that was tailored exclusively for our members’ professional needs. And it's customized to each user, so it's ready to go in just minutes. There are multiple design options to choose from, and they all contain a lead generator, social media buttons, client testimonials and are all optimized for top Google search results. We've taken the work out of building websites so that REALTORS® can focus on selling. Setting it up is easy, fun and fast.*

***Marki****: And what if someone already has a website?*

***Elizabeth****: They can simply forward their new dot realtor web address to their existing website and still enjoy all the benefits a dot realtor web address has. It's a strategic and affordable way to leverage the REALTOR® brand and get found online faster.*

***Marki****: These all sound like great ways for REALTORS® to improve their online brand, their marketing and be found online faster. Thank you, Elizabeth, for sharing these great member benefits. For more information and to secure your free website ending in dot realtor, visit* [*www.get.realtor*](https://www.get.realtor/)*. Let's dive back into our conversation about inventory.*

**Marki**: A major trend right now is converting commercial property to residential in hopes of bringing more housing to the market. But this can be a complicated process with a lot of roadblocks. What are some of the complications you've seen with these types of transactions? And what can we do as REALTORS® to make it easier?

**Kevin**: In terms of roadblocks, I'm going to use the LaSalle street example. The, you know, it was a grand idea that we would take older buildings and convert them to have housing to meet the demand. One of the problems is the automobile that households have. These buildings don't have parking in them, they were typically you know, you park at the building down or in a lot down the street. So that's one of the roadblocks that we don't discuss. So when you're doing it, you also got to look at the impact on transportation, whether it's bus, rail or train, because there's going to be an impact there. The second roadblock is, as we were planning housing, we have to also incentivize small businesses to come into the area to serve that need of housing.

**Bernice**: Yeah. So I think that we'll see a lot of that in the coming years, we've all driven through downtown's that have a significant amount of empty office space. Another recommendation from the PAG is that for our advocacy team to be constantly aware of any tax incentives that we can give these investors to help turn that empty space into housing units for folks. And the example that Kevin gave just a minute ago is really a great example of ways that we can just get creative with taking existing space that’s available and repurposing that are expanding that or, as I said that housing looks a little bit different from what we have traditionally seen. You know, the other thing is at NAR, we want to be that trusted advisor, we want to be the one that's on the edge there. So another thing that came as a recommendation of our PAG was that NAR do research just to take a look at the impact that our large institutional investors have on housing, and just be that trusted resource so that we can work with our other housing partners to address the issues and whether or not that is a positive area of our marketplace or something that we need to give some closer look at. However, it was quickly brought to our attention that we needed to be careful because the last time when the housing bubble burst, those same institutional investors were the ones that came to the table and helped us. you know, again, I think we need to be cautious of creating unintended consequences to help navigate this. I guess my point is that we want to roll our sleeves up and be in there and do some meaningful research that gives us some teeth to stand behind what we want to advocate for and truly just to educate all of us on what we're up against.

**Marki**: Now, I know that we all believe in education, designations and certifications and we've all racked up quite a few. Kevin, I want you to talk about the class which you do, I saw you made a post on Facebook that you go around to offices to educate them and a lot of people send you a lot of referral business from the residential side of the business. So can you talk about what you're doing to pass on, essentially, knowledge obtained from the CCIM to help other real estate professionals?

**Kevin**: Absolutely. So, I've always been a big believer that we as brokers should stay in our lanes. Meaning as a residential broker, you should only look at residential deals, as a commercial broker, I will never sell you a condo, OK? So part of the frustration that I had over the last 10 years was that clients would come to me looking for properties, I would find properties in the MLS that have expired or have been cancelled. And then I reached out to that owner, he or she, and they think I do not know what I'm talking about because the broker that came before me, you know, said it was worth $500,000 more than it was, which is why it never sold. So rather than be reactive, I decided to be proactive. So I said, I'm going to make it a point to teach residential brokers how to properly price two to four units, and small apartment buildings.

**Marki**: I love it. Each everybody teach one person, but what I've realized too, education, the more we share, the better we are as an industry, and it makes the next transaction easier. Growing up, I attended greater metropolitan Missionary Baptist Church. And I remember there was a time that there was a church on every corner, especially on the south and west side of the city of Chicago. Now, what I'm seeing is a lot of these properties have either been torn down or they're vacant. When you look at converting properties, when we think about churches and taking churches or tearing them down or converting them, can you share with me some of the benefits of taking vacant property or underutilized properties or properties that aren't on the tax roll and doing something with them?

**Kevin**: Yeah, what I do on a personal level, even for my own family's portfolio, we will go block by block. And we will say OK, this used to be an auto mechanic store, and the alderman doesn't want that there anymore. So we'll go to all of them and ask the question, what would you like to see? And then because I may have one idea, and he's gonna have a different one. And I can use Walter Burnett as a good example. A couple years ago, I sold 1433 West Randolph, and the buyer wanted to put up a high rise. And we went and sat in Walter Burnett’s office. And he said, I would prefer not to see a high-rise there, I would prefer to see a mid-rise. And also by only doing a mid-rise, you do not have to take it before all the public groups, we can sign off on it, planning can sign off on it. I think one of the first things that you always do is go sit with your aldermen and ask them what their master plan is and how they how we can help, you will find that from their doors get opened that you never knew existed.

**Marki**: Now, Bernice, I know that you network at a very high level. How are your networking skills when we think about Kevin's example, aiding you? And who are the key stakeholders when we think about converting these properties?

**Bernice**: Well, I think just as housing has changed and will continue to change, and we have to constantly pivot, our houses of worship and the way we connect within our faith has changed as well. And I think it's important that we, you know, step back and take a look at all of that. First of all, it is an opportunity to help fix the housing issue. And it is a way to get empty buildings back on our tax rolls. So I think there is a lot that can be gained from that. But at the same time, I think we need to go into these communities and make sure we are fulfilling the needs of the members of those communities as well. And again, that's just where if we can show up at those community meetings and be involved with the conversation to be sure we're checking all of those boxes, it could truly be a win-win for everyone involved.

**Marki**: Many real estate pros are considering diversifying their business and a down market. Some may choose to add property management or mortgage services to their business to weather a drop in the market. Do you think that's an effective business strategy, Bernice?

Bernice: I think it can be an effective strategy. I think you need to know all those lines of businesses before you step into it. It's not a, you know, if you decide you're gonna go in the mortgage business, you're tampering with people's lives and it's important that you are the expert. So I think you partner with the right people that can be a plus in a down market. I want to go back though and expand on what Kevin mentioned earlier for those that look to add in commercial as a way to build their business. If you think you have any desire or any expertise to go into commercial, take CCIM 101, that's a great way to figure out if you are cut out for that, because it's not as easy as it seems, you know, when we're selling homes, it we're selling that brick and mortar home, we're not analyzing a business, or what the future income of that business can be your getting in tax returns. And, you know, we owe those things to our clients. So if we truly believe that we're stronger together, and I do believe that, we want to attract commercial practitioners to our membership, and if we're going to do that we need to be clear about staying in our lanes and respectful of their lanes. And let's not forget, we've all made a commitment not to practice outside of our field of competency.

**Marki**: Oh, yes, article 11, competency. Kevin?

**Kevin**: Just as a plastic surgeon, if my business is not doing that well, I'm not going to jump over and become an eye doctor. You know, I would say this: Focus, be the best at what you do. Whether it's first-time homebuyer, military veterans or senior citizens, you know, luxury, just be the best. Be the specialist, make sure everyone in your sphere knows what you do and refer everything as out. And as you will learn in the in the world of abundance, the more you give, the more you get.

**Bernice**: The law of attraction. And I will say Kevin and I both were in residential lending at the same time. And we both did very well in residential lending. And I think I don't know which one of us pivoted to the real estate side first, but I believe that you will earn substantially more money when you are laser beam focused on one thing. I'm laser beam focused on social media and technology for REALTORS®, I own that space. When I made a decision, I read the book *The One Thing*, which stated, be like a postage stamp and stick to one thing until you get there. Those top producing agents in every single market, they dominate one thing. I want all of my fellow REALTORS® to be like a postage stamp and stick to one thing until you get there. Thank you. That's a wrap.

***Outro****: Thanks for joining us on this episode of “Drive With NAR.” Tune in every month on* [*Magazine.realtor/drive*](https://magazine.realtor/drive) *or subscribe wherever you get your podcasts. Find more tips to boost your business at* [*Magazine.Realtor*](https://magazine.realtor/)*.*