

# COMMERCIAL CONNECTIONS

A PUBLICATION BY THE NATIONAL ASSOCIATION OF REALTORS®



## HARVESTING SUCCESS

GATHERING PAST LESSONS — PREPARING FOR THE FUTURE

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COMMERCIAL  
Real Estate



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# COMMERCIAL CONNECTIONS

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# THE LATEST

## *Happy Holidays!*

The holiday season is a time for celebrating friends and family at work and at home. All of us at NAR are grateful to have spent the past year working together to grow our REALTOR® community. We are honored to serve you and hope you will find time to reflect on your own successes while enjoying the company of visiting relatives, friends, and loved ones. We wish you all the best that 2018 can bring!

## *Look For: Q4 Commercial Real Estate Outlook*

NAR Research releases the Q4 outlook in late-November, highlighting changes in Q3 and exploring how 2017 economic activity will impact commercial real estate in 2018 and beyond.

<https://www.nar.realtor/research>

## *Join NAR's Exclusive Commercial LinkedIn Group*

Take advantage of this forum to network with other REALTORS®, share property haves & wants, and engage in discussions on industry trends. The National Association of REALTORS® Commercial Real Estate Members group is comprised of 4000+ NAR members involved in the commercial real estate industry. Join them and grow your network of thought leaders, subject matter experts, and potential business partners by posting, commenting, connecting, and making this group your own.

<https://www.linkedin.com/groups/1811792>

## *Attend MIPIM in France with NAR & Grow Your Business*

With over 20,000 attendees from roughly 100 countries, MIPIM is one of the largest international commercial real estate events. NAR will once again host a growing NAR-USA Pavilion at MIPIM in 2018 with markets from around the country as partners. Whether you attend on your own or as part of a market partner delegation, MIPIM offers you the opportunity to grow your business on a global scale. No other event gives you access to such high-level investors and developers. As a benefit to NAR members, you save hundreds of euros by registering before March 6, 2018.

[www.nar.realtor/mipim](http://www.nar.realtor/mipim)

## *Save the Date for NAR's Legislative Meetings in DC*

Mark your calendar for May 14-19, 2018 and plan to be in the REALTORS® Legislative Meetings & Trade Expo in Washington, D.C. Attend governance meetings, leadership forums, and visit Capitol Hill. Experience firsthand how NAR is the voice for real estate.

[www.nar.realtor/midyear](http://www.nar.realtor/midyear)

# THANK YOU & FAREWELL

A FINAL NOTE FROM 2017 NAR PRESIDENT, BILL BROWN



BILL BROWN

Since I first entered this profession, over 35 years ago, the National Association of REALTORS® has been my rock, providing the foundation needed to help build and maintain a successful commercial real estate practice. Serving as the 2017 NAR President has been the highlight of my career. To be able to give back to a community that has provided me with so much has been a labor of love; the years of hard work it took to reach this pinnacle was well worth the effort.

I am reminded of lyrics from the John Lennon song, "Beautiful Boy:" "Life is what happens to you while you are busy making other plans." With legislative, MLS, technology, and market forces advancing with wild abandon, when I began my term at the end of last year, I knew 2017 would be an unpredictable year for REALTORS®. What I did not anticipate was that the changes ahead would also include a personal revolution.

As you may know, I recently developed severe pulmonary issues after receiving a strong antibiotic that knocked down my immune system. As the symptoms worsened throughout this spring, it became clear that an organ transplant was necessary. In August, I underwent a double lung transplant, and, as I pen this column – my last while serving as NAR President – I am making progress on the journey to healing.

This has been a challenging road to navigate, but gratitude overshadows all other emotions. I never could have envisioned the course of events that have paralleled my term; however, I am filled with tremendous pride in all that we accomplished. There is a lot to be proud of – the Sustainable Property Ownership Conferences, a successful Call for Action to extend the National Flood Insurance Program, the REALTORS® Relief Foundation and REALTORS® rapid response to the many natural disasters of 2017, the appointment of the new NAR CEO Bob Goldberg – just to name a few.

From the bottom of my heart, I want to thank you, the REALTOR® community. With your support, service and contributions, working together we have made great strides to ensure sound success for REALTORS® and for our industry.

As I prepare to pass the gavel to 2018 President Elizabeth Mendenhall, I feel good about the direction our Association and our members are moving. As a commercial practitioner, it's heartening to see strong markets and a bright commercial outlook projected. However, if there is one thing that I learned this year, it's that life happens. Our industry is still in the midst of a revolution, and while REALTORS® are positioned at the frontline, it important that we remain vigilant to lead our industry into the future. We've come a long way; let's keep up the good fight!

*William S. Brown*



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### REAL ESTATE ASSET MANAGEMENT

#### A PROCESS AND A PROFESSION

By Dustin Read, PhD/JD

 IREM Institute of Real Estate Management

Asset management is critically important to the success of many large real estate investors, yet it is often poorly understood by those working outside the field. This new report from IREM® addresses existing knowledge gaps by summarizing the results of more than 90 interviews conducted with real estate practitioners familiar with asset management as both a process and as a profession.

This report offers new insights into the roles, responsibilities, and requirements of asset managers working in different types of real estate companies. The analysis is intended to serve as a means of stimulating conversation about the relationship between asset and property management, as well as the steps that can be taken to support the ongoing growth and development of asset management as an attractive and rewarding career option.

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**IREM** Institute of Real Estate Management

# THREE KEY ISSUES TO MONITOR THROUGH WINTER 2017

By Erin Stackley, Senior Commercial Legislative Policy Representative, NAR & Stephanie Spear, Commercial Regulatory Policy Representative, NAR

## 1 National Flood Insurance Program Reauthorization

The National Flood Insurance Program (NFIP), which provides flood insurance to 22,000+ communities in the United States, expires on December 8, 2017. This follows a three-month extension of the program, originally set to expire at the end of September, as part of the \$15BB Hurricane Harvey relief package Congress passed. Following the devastation of first Harvey, and then Irma, the importance of this program and the insurance coverage it provides to those communities cannot be stressed enough.

NAR has been working with Congress throughout the year to craft a reauthorization bill that ensures the continued existence of the NFIP, while making common-sense improvements to it. First on that list is an extension, preferably long-term, to provide stability to the insurance markets. In the case of commercial properties, many owners purchase additional flood insurance coverage, and whether the NFIP exists in three-months or three years from now impacts the cost and availability of those options.

Along with ensuring the program's existence, Congress should consider improvements to it. Flood mapping by the Federal Emergency Management Agency (FEMA) needs to be more accurate and easier for property owners to understand, or to challenge if they believe that their property has been incorrectly mapped into a higher flood risk zone. Mitigation options should be explored and expanded to include non-traditional options that are better fits for commercial spaces.

**Bottom Line:** Recent disasters have laid bare the importance of extending and improving the NFIP to ensure stability for commercial real estate markets and protection for investors and owners.

## 2 Hurricane Season 2017: Test Case for UAS

This fall's active hurricane season caused millions of dollars in damages for property owners across the Southeast. The widespread destruction created a perfect opportunity for unmanned aerial systems (UAS) to be put to use by search-and-rescue teams, state and local law enforcement, safety inspectors, and insurance adjusters.

The Federal Aviation Administration (FAA) coordinated an expedited approval of airspace authorizations to permit recovery operations. Given the complicated nature of managing air traffic during a disaster such as Hurricane Irma, the FAA worked quickly with state and local authorities to permit these operations.

While the initial efforts focused on emergency responses, later flights were performed by insurance inspectors to assess total damage to properties. The data will help insurance companies work with claims faster, and with more information.

**Bottom Line:** UAS proved to be invaluable in coordination of search-and-rescue and assessment of damage to commercial properties following recent disasters and the FAA should continue to pursue expanded permits for their use.

## 3 Americans with Disabilities Act Reform

Title III of the Americans with Disabilities Act (ADA) requires public accommodations and commercial spaces to be accessible to disabled persons but lacks a "notice" requirement before a suit can be filed against a business. This leaves commercial property owners, who may in good faith believe that their businesses and buildings are in compliance with the law, vulnerable to lawsuits. Once a suit is filed, there is no opportunity to cure the infraction,

...CONTINUED

# THREE KEY ISSUES TO MONITOR THROUGH WINTER 2017

*CONTINUED*



so property owners spend time and money on attorneys and paying fees which could instead have gone towards fixing the issue. The ADA does not allow victims to collect damages, but their attorneys may collect fees – and as a result, these “drive-by” lawsuits have been on the rise.

Representative Poe (R-TX) has introduced H.R. 620, the ADA Education and Reform Act of 2017, to fix this issue by adding a notice requirement to the ADA, giving businesses an opportunity to cure alleged infractions before spending money and resources on attorneys and court costs. It also creates an education program between the Department of Justice, States, and businesses to raise understanding and awareness of the ADA.

In September 2017, the bill was marked up by the House Judiciary Committee and approved; it now awaits a floor vote in the full House. NAR supports H.R. 620 and continues to push for its passage into law.

**Bottom Line:** NAR is working closely with a coalition of commercial real estate groups to advocate for H.R. 620 and with the Senate on drafting companion legislation.

## **What to look out for in the Republican Tax Reform plan:**

### **Changes to Section 1031 Like-Kind Exchanges**

Section 1031 was not mentioned in the June 2016 Republican Blueprint for Tax Reform (the Blueprint), but that does not mean it is safe. “Revenue neutral” tax reform requires tax cuts be matched by raising revenue elsewhere, and Section 1031 is vulnerable. NAR’s message to Congress has been steady: the like-kind exchange provision in current law is vital to a well-functioning real estate sector and a strong economy, and must be preserved in tax reform. The like-kind exchange is a basic tool that helps to prevent a “lockup” of the real estate market. Allowing capital to flow more freely among investments facilitates commerce and supports economic growth and job creation. Real estate owners use the provision to efficiently allocate capital to its most productive uses. Bottom line: 1031 is at risk in tax reform, and we must

educate Members of Congress on its importance to the economy and the need to preserve it.

### **Business Interest Deduction**

Another recent tax reform idea with the potential to cause very serious disruption to the real estate sector is the proposal included in the Blueprint to eliminate the deduction for net investment expense. Financing productive investment and entrepreneurial activity with borrowed capital has driven economic growth and job creation in the United States for generations, and our tax system has appropriately allowed business interest expense to be deducted as an ordinary and necessary business expense. Repealing or imposing limits on the deductibility of business interest would fundamentally change the underlying economics of business activity, including commercial real estate transactions. This could lead to fewer loans being refinanced, fewer new projects being developed, and fewer jobs being created.

**Bottom line:** Business interest deduction is vital to economic growth and real estate, and should be preserved in tax reform.

### **Depreciation Rules**

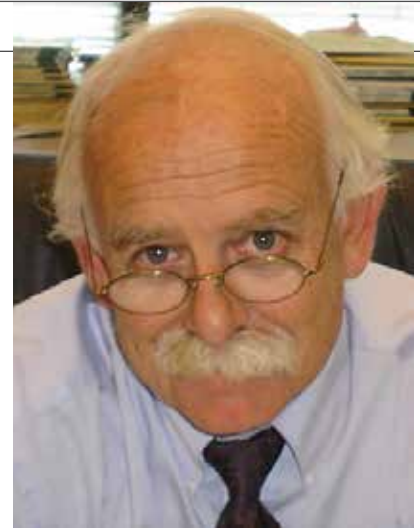
The current law depreciation rules are out of date and do not reflect the actual economic life of structures. The 27.5- and 39-year cost recovery periods should be shortened to a depreciable life for real estate that more accurately reflects the economic life of the property. Independent studies indicate that the economic life of real property ranges between 18 and 30 years, reflecting not just wear and tear but also adjustments to the value of real property based on trends and obsolescence. NAR and several other real estate-related trade associations funded academic research on the actual rate of economic depreciation of commercial and investment real property. The study results, released in early 2016, showed that the economic depreciation of real property is much shorter than the current tax rules provide, and is evidence that depreciable lives should not be extended in tax reform.

**Bottom line:** Tax reform should address depreciation rules and shorten them to more accurately reflect the economic life of commercial properties.

## CRE TOP TEN ISSUES AFFECTING REAL ESTATE

# 2017 8

By Peter C. Burley, CRE



PETER C. BURLEY

Global uncertainty and political polarization top the list of issues expected to have the most significant impact on real estate throughout 2017- 2018, according to The Counselors of Real Estate®, the invitation-only professional association for the industry’s leading real estate advisors. The Counselors’ 1,100 global members undertake extensive collaborative dialogue on issues and trends to finalize the annual list.

### 1. POLITICAL POLARIZATION AND GLOBAL UNCERTAINTY

Political Polarization and Global Uncertainty are impacting decision-making at every level of government and the business community. Recent elections in the U.S. and other countries point to resurging nationalism and test relationships around the globe. Potential military conflicts seem more likely. Negative implications on real estate are immediate. Uncertainty about trade, travel and immigration threaten cross-border investing, infrastructure, affordable housing, local and state pension liabilities, and education.

### 2. THE TECHNOLOGY BOOM

Technology is revolutionizing real estate as it changes the way real estate is bought, sold, and managed. Commercial real estate tech start-ups have grown exponentially over the past 5 years. Robotic learning has accelerated automation in the workplace; as many as 47% of today’s jobs could be replaced by automation. Big Data supports real estate planning, investment, and space planning decisions. Online consumption drives warehouse demand up and retail space down.

### 3. GENERATIONAL DISRUPTION

Boomers’ and Millennials’ divergent views of where to live, work, and play impact the property markets. The generations cross paths everywhere and share space, despite disparate demands on the built environment. Real estate professionals need to understand not only the location preferences of each generation, but the design and amenity features, whether rental or owner occupied. One size will not fit all.

### 4. RETAIL DISRUPTION

We are not, by any stretch, facing a “Retail Apocalypse.” Restaurants are booming. Grocery-anchored malls remain steady. The trend toward transforming retail into “experiences” continues to drive customer traffic to an environment targeted to a variety of age groups and interests. “Omni Channel” platforms encompass e-commerce and a host of spaces, physical and virtual. And, as retailers refine inventories, distribution methods, and fulfillment models, the retail market will survive-- even prosper – in fresh, new ways.

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# THE CRE® TOP TEN ISSUES AFFECTING REAL ESTATE 2017-2018

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## 5. INFRASTRUCTURE INVESTMENT

The movement of goods is strained, aging, and highly vulnerable. In all forms (roads, bridges, pipelines, etc.) infrastructure needs have become more pronounced. Trump administration proposals suggest limited Federal Government investment, placing heavy reliance on local and state governments and public-private enterprises. This presents important opportunities for the private sector to direct significant funds to infrastructure projects, recognizing the need for infrastructure investment.



## 6. HOUSING: THE BIG MISMATCH

A confounding supply-demand mismatch continues to impact markets worldwide. Lack of inventory has generated price spikes, fueling a growing affordability gap, particularly in coastal regions, where highly paid workers monopolize new, resale, and rental product, raising prices on once-affordable housing -- creating a crisis for lower paid workers. Insufficient investment in, and government limitations on, creative housing solutions could lead to an affordability crisis.

## 7. LOST DECADES OF THE MIDDLE CLASS

Middle class incomes hover below inflation-adjusted levels from almost two decades ago. Middle class jobs remain under pressure, and disenchantment has influenced the rise of populist candidates in many countries. Middle market retail properties bear the brunt of store closures. Rising costs and debt are delaying home purchase decisions. Rentals do not necessarily benefit in the most expensive urban locations, where supply in multifamily housing lags demand, pushing rents higher.

## 8. REAL ESTATE'S EMERGING ROLE IN HEALTH CARE

The real estate industry has emerged as a major player in improving health. Medical services are delivered in clinics, urgent care facilities, and ambulatory surgery centers, reducing hospital visits. In addition, beyond care facilities, building occupants increasingly demand that the space they occupy be designed, constructed, and operated in ways that improve health outcomes. Buildings designed to address health behaviors (i.e., the WELL Building Standard) are a growing trend.

## 9. IMMIGRATION

More restrictive immigration laws appeal to voters concerned about jobs and security. At the same time, many companies bemoan the lack of qualified workers. Development projects stall from labor shortages. New immigrants also tend to rent, boosting demand for multifamily housing, and they aspire to own homes. Labor mobility and homeownership are constrained by limiting immigration, and economic growth is curtailed, with a smaller labor force to support an aging population.

## 10. CLIMATE CHANGE

The National Oceanic and Atmospheric Administration (NOAA) released a new report doubling forecasts of potential sea level rise by 2100. Most coastal areas are exposed to risk, while Miami, New York, New Orleans, Tampa, and Boston are projected to have the greatest problems. Commercial properties in coastal regions will suffer if tenants go elsewhere. Residential properties are vulnerable, with those counting on the equity from their home likely to sell before value declines.

*Explore this topic further: <https://www.cre.org/external-affairs/alert-the-cre-2017-18-top-ten-issues-affecting-real-estate/>*



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# COMMERCIAL REAL ESTATE DISPLAYS SIGNS OF A MATURING CYCLE



By George Ratiu, Managing Director of Housing & Commercial Research, NAR

What an eventful year 2017 has been! We weathered winter snowstorms, summer record heat, strong hurricanes and 500-year floods. We watched as campaign promises have gotten mired in legislative tall grass. We cheered as consumers found more jobs and higher wages, only to see those wages outpaced by steeper housing costs. We listened intently as the Federal Reserve announced its plan to unwind its monetary easing by shrinking the assets on its balance sheets. We watched as equity markets met these and other events with optimism by hitting new highs. And the year is not over yet.

## Commercial Investments Remain Bifurcated

For commercial real estate, the year witnessed evolving fundamentals. Demand for space remained solid across the core property types, leading to continued declines in

vacancies. Even as new supply picked up the pace, rent growth advanced. However, markets are displaying signs of a maturing real estate cycle.

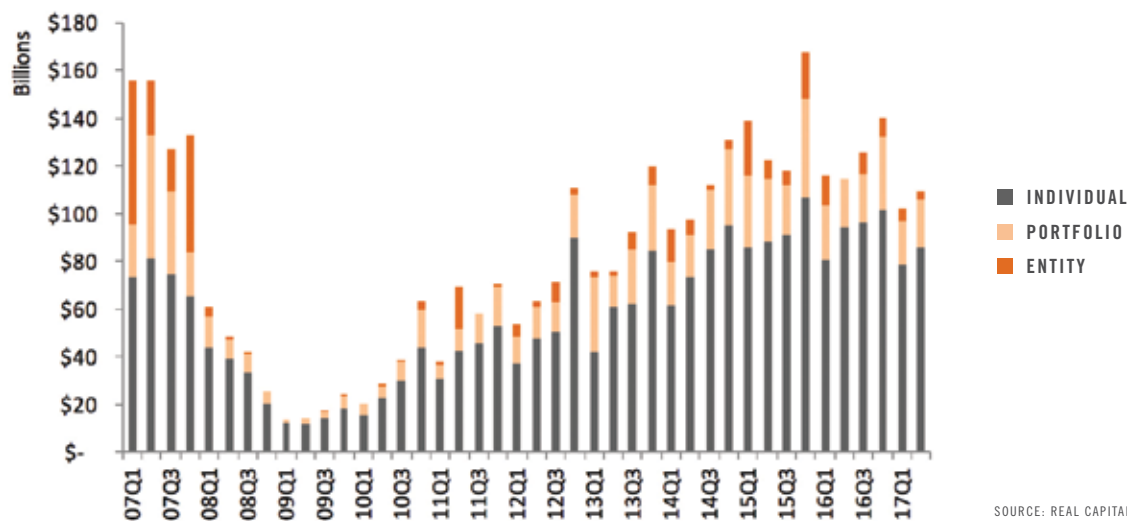
Despite rising cash flows, investors have taken a significantly more cautious approach to commercial acquisitions. On one hand, with the Fed tapering its quantitative easing, investors expect interest rates to rise over the medium term. On the other hand, the gap between what sellers expect to receive and what buyers are willing to pay has grown wider.

## See Figure One

Investment sales in large cap markets declined in the first half of 2017 (H1.2017). The volume of commercial sales

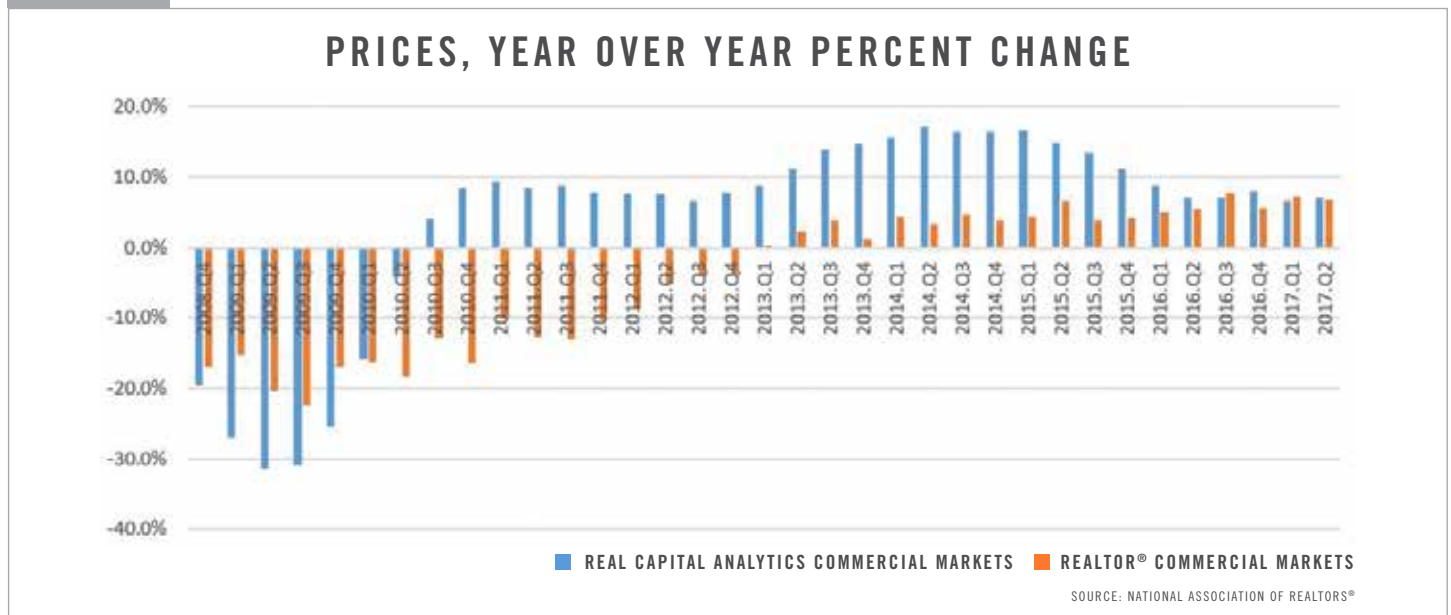
FIGURE 1

## CRE SALES VOLUME (\$2.5M+)



SOURCE: REAL CAPITAL ANALYTICS

FIGURE 2



at the upper end totaled \$211.1 billion in H1.2017, a 9.3 percent year-over-year decline, according to Real Capital Analytics (RCA). The yearly investment volume declines were sharper for portfolio and entity transactions, which declined 12.5 percent and 55.1 percent, respectively. Individual transactions slid by 6.3 percent from the first half of 2016. Mirroring underlying shifts in market trends, sales of apartment and retail properties posted double-digit declines during the first six months, while office transactions inched down a slight two percent. Riding favorable trade activity and robust e-commerce demand, industrial properties proved highly attractive for investors, with sales posting a 10.0 percent year-over-year gain.

In contrast to the sales declines in large cap markets, commercial real estate investment in small cap markets—where a majority of REALTORS® is active—regained its upward momentum by the midpoint of the year. Sales volume in REALTOR® markets returned to an upward trend after the first quarter's slide, advancing 4.4 percent in the second quarter, based on data from the National Association of REALTORS®. In addition, a larger percentage of REALTORS® reported closing transactions—75.4 percent, compared with 61.0 percent in the first quarter—a sign of growing activity.

#### Pricing Flattens

While investment trends bifurcated along deal values, pricing trends moved in concert in both large and small

cap markets during the first half of the year. Cap rates have been at historic low levels, with those in markets tracked by RCA averaging 6.9 percent during the period. Cap rates in large cap markets have flattened over the past few months, and are unlikely to contract further given the tightening monetary policy. Pricing data from RCA's Commercial Property Price Index registered a 6.0 percent gain in the first six months, with most of that driven by advances in office and apartment properties.

Other commercial real estate price indices offered similar trends. The Green Street Advisors Commercial Property Price Index—focused on large cap properties—was flat, with a 0.1 percent gain on a yearly basis during the second quarter, at a value of 125.8. The National Council of Real Estate Investment Fiduciaries (NCREIF) Price Index increased 6.3 percent year-over-year in the same period, to a value of 270.7.

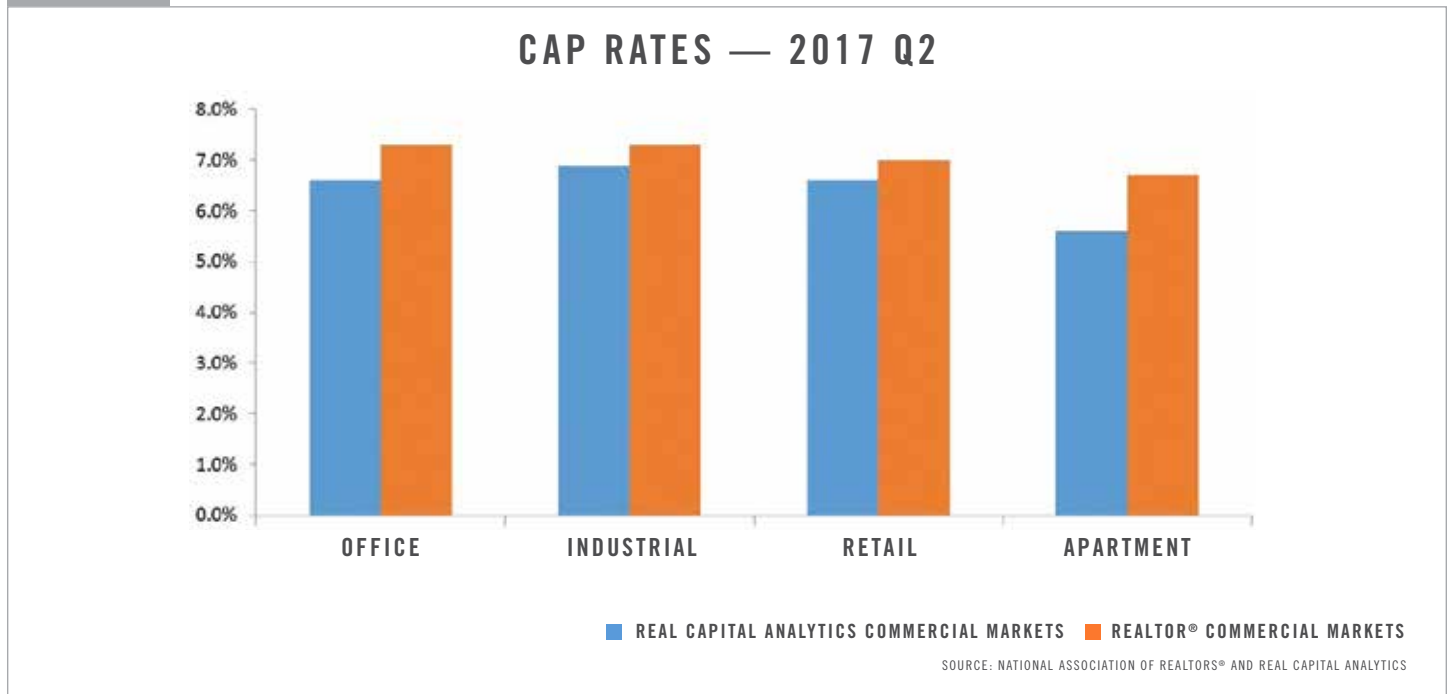
*See Figure Two above & Three (Pictured on the following page)*

In small cap commercial markets, REALTORS® reported that the shortage of available inventory remained the number one concern, and counted as the main driver of price movement. Prices for commercial properties increased 6.7 percent by the midpoint of the year compared with the second quarter of 2016. However, capitalization rates changes mirrored broader trends, rising 30 basis

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# COMMERCIAL REAL ESTATE DISPLAYS SIGNS OF A MATURING CYCLE CONTINUED

FIGURE 3



points to an average of 7.3 percent in the second quarter of the year. Not surprisingly, due to the tight inventory, the gap in pricing between buyers and sellers weighed on REALTORS® markets, ranking at number two of top concerns.

## Outlook

As the economic underpinnings advance at a moderate pace, commercial fundamentals are expected to maintain an upward trajectory. With employment in business and professional services still driving growth, demand for offices should remain solid. The industrial sector continues to ride the tail winds of trade and e-commerce. Even as store closures have dampened the outlook for the retail sector, demand for space is likely to continue, driven by consumer spending and changing shopping patterns. Multifamily properties benefit from a double-dose of

boost—rising household formation and a shortage of residential housing—which will keep vacancies in check, even with rising new supply.

On the investment side, the slowdown in sales volume in large cap markets during the past year and a half points to stabilization and a maturing of the current cycle. Price growth in large cap markets is slowing down and likely to flatten over the coming months. While small cap market lag their larger counterparts by about three years, the general trends are likely to trickle down over the medium term.

*For additional insights, access the Commercial Real Estate Outlook: 2017.Q3 report at <https://www.nar.realtor/reports/commercial-real-estate-outlook>.*



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# TIPS FOR DOING BUSINESS OVERSEAS



## Expanding your Business at International Real Estate Events

*A longer, original version of this article first appeared in a recent issue of Global Perspectives, the exclusive newsletter for CIPS designees. The CIPS education courses provide a wealth of knowledge about working with international clients, cultures and customs of foreign countries, and information on how real estate is conducted in other countries. Also, important guidelines and legal information about working with foreigners investing in property in the U.S.*

[www.nar.realtor/CIPS](http://www.nar.realtor/CIPS).

For the uninitiated, real estate events overseas may seem confusing, or perhaps even intimidating. Each event is unique, although many share common qualities. Understanding how to plan your time and leverage your opportunities is essential.



**What is the focus or objective for the event?** Some are primarily geared toward networking and may encourage this by offering an online system for attendees to arrange, in advance, networking appointments at the meeting. At other events, networking occurs more casually at social functions or over meals. In these cases, attendees who want to establish contact with certain people will need to be even more proactive about reaching out. Education is another common component. In addition to offering valuable insights, speakers and panelists may provide more networking opportunities.



**Who attends?** Generally speaking, most international events will have real estate brokers, developers, investors, and industry vendors present. Additionally, many are well attended by real estate association executives, government or regulatory authorities. Geography also plays a role in attendance. Major events, like MIPIM or EXPO REAL will have attendees from all over the world, while a large concentration will be from Europe. U.S. real estate professionals have a real opportunity to stand out.



**What role will you be playing?** Most likely you will be networking with people who are unfamiliar with your market, so your primary role is to serve as an ambassador for your city, and to associate your name with that market. Marketing your inventory typically occurs later, unless the meeting includes a deal-making component.

## Doing Your Homework

Contact NAR staff for information and other resources on the country or event where you are going. Both the Commercial and Global teams can be of help in providing suggestions or giving you additional background on the event.

[NARCommercial@realtors.org](mailto:NARCommercial@realtors.org) and [NARGlobal@realtors.org](mailto:NARGlobal@realtors.org)



## MAKING 2018 PLANS?

### JOIN NAR'S PRESENCE AT THESE EVENTS



#### MARCH 13-16, CANNES, FRANCE.

With more than 24,000 attendees from all over the world, including nearly 5,000 investors – you can find business here. Register using NAR's discount and save hundreds of euros on the registration fee alone. Plus, NAR has a large pavilion you can use for meetings and as a home base while there.

[www.nar.realtor/MIPIM](http://www.nar.realtor/MIPIM)



#### MAY 20-23, LAS VEGAS, NEVADA

This massive retail focused property event draws approximately 35,000 attendees with a growing list of foreigners, truly making it an international event. NAR provides meeting table space in its exhibit exclusively as a member benefit for you to use for client meetings.

[www.nar.realtor/ICSC](http://www.nar.realtor/ICSC)



#### OCTOBER 8-10, MUNICH, GERMANY

This past October, more than 40,000 made their way through over 2,000 property exhibits, looking for opportunity and the right connections. NAR has a space within the IVD organization space, our Global Alliance partner in Germany.

# 5

# INTERNATIONAL NETWORKING TIPS

1

## PREPARE MATERIALS

Consider what type of information would be helpful to have on hand to share with other attendees. Background on your local market (both general information and housing data) is usually helpful.

2

## ARRANGE APPOINTMENTS IN ADVANCE.

Most meetings distribute lists of attendees and exhibitors ahead of the event. Some (like MIPIM and EXPO REAL) have online directories, where attendees can post personal profiles, indicate primary interests, and schedule appointments. Regardless, advance planning makes your networking time at the event exponentially more productive.

3

## UNDERSTAND CULTURAL PREFERENCES.

While networking in the U.S. usually involves a straight-forward, get-down-to-business approach, the rest of the world tends to prefer a softer marketing style that emphasizes relationships before business. Specific protocols may also dictate the exchanging of business cards, gifts, seating arrangements, etc. Upfront research is the best way to prevent embarrassing faux pas.

4

## ADOPT A POSITIVE MINDSET.

“Meeting clients face-to-face is crucial to the success of my business, but whenever I have the opportunity to meet clients from overseas, it excites me even more.” says David Wilson, CCIM & 2018 CCIM Institute President. “I get a chance to learn new things that can help me become more knowledgeable in my market, and for that I am extremely appreciative.”

5

## FOLLOW UP.

Don't let the end of an event also signal the end of new relationships. Enter every business card into your contact database, send brief post-meeting messages, and plan for future follow-up.



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Contact us at [NARcommercial@realtors.org](mailto:NARcommercial@realtors.org) with your thoughts.

# 2017 NATIONAL COMMERCIAL AWARDS

Congratulations to these REALTORS® for excellence in commercial real estate this past year.

## ALABAMA



**Timothy Blair, CCIM**  
Shannon Waltchack, LLC  
Birmingham Area Association  
of REALTORS®  
*2017 Commercial Advocate  
of the Year*

## CONNECTICUT



**Frank Amodio, GRI**  
Amodio & Co. Real Estate  
Greater Hartford Association  
of REALTORS®  
*2016 CCIM-Connecticut  
Chapter Dealmaker  
Industrial Lease and  
Multifamily Sale*

## FLORIDA



**Scott Clendening**  
Commercial Partners Realty  
Florida Gulfcoast Commercial  
Association of REALTORS®  
*2016 Henry H. Blanton  
Award*

## FLORIDA CONTINUED

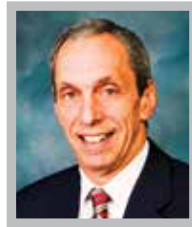


**Jose Serrano, CCIM**  
New Miami Realty Corp  
Miami Association  
of REALTORS®  
*2017 Commercial  
Achievement Award*

## CALIFORNIA



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Coldwell Banker  
Beverly Hills Greater LA  
Association of REALTORS®  
*2016 REALTOR® of the Year –  
Commercial*



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GRI, SIOR**  
Pearce Real Estate/  
George J Smith REALTORS®  
New Haven Middlesex  
Association of REALTORS®  
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Investment Division  
Community Service Award*



**Robert Goldstein**  
Hospitality Consultants  
Realty  
REALTORS® Association  
of the Palm Beaches, Inc.  
*2016 REALTORS®  
Commercial Alliance  
REALTOR® of the Year*

## GEORGIA



**Mitt Conerly, Sr.**  
Metro West Realty  
West Metro Board  
of REALTORS®  
*Verizon Award October  
2017*





**ILLINOIS**



**Alex Ruggieri, CCIM, CIPS, CRE, GRI**  
Ramshaw Real Estate  
Champaign County  
Association of REALTORS®  
*2017 REALTOR® of the Year*



**Dan Wagner**  
The Inland Real Estate Group  
of Companies, Inc.  
Chicago Association of  
REALTORS®  
*2017 REALTOR® of the Year*

**INDIANA**



**Steven Zacher, CCIM, SIOR**  
The Zacher Company  
Indiana Commercial Board  
of REALTORS®  
*2017 REALTOR® of the Year*

**LOUISIANA**



**James Creswell Gardner III, CCIM, SIOR**  
Beau Box New Orleans  
New Orleans  
Metropolitan Association  
of REALTORS®  
*Overall Top Producer of  
2016 and the F. Poche  
Waguespack Award*

**MAINE**



**Katie Millett, Esq.**  
NAI The Dunham Group  
Maine Commercial  
Association of  
REALTORS®  
*2017 REALTOR® of the Year*

**MARYLAND**



**Brent Miller, CCIM, CPM**  
SVN-Miller Commercial  
Real Estate  
Coastal Association  
of REALTORS®  
*2017 Outstanding  
REALTOR® Award –  
Commercial*

**MASSACHUSETTS**



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Barb Hassan Realty, Inc.  
REALTORS® Commercial  
Alliance of Massachusetts  
of REALTORS®  
*2017 Massachusetts  
REALTOR® of the Year*

**MICHIGAN**



**Dave Denton, CCIM**  
DAR Development  
Commercial Alliance  
of REALTORS®  
*2017 REALTOR® of the Year*

**MISSOURI**



**Paul Land, SIOR**  
Plaza Commercial Realty  
Columbia Board  
of REALTORS®  
*2017 Columbia Chamber  
of Commerce Outstanding  
Citizen of the Year Award &  
2016 Columbia REALTOR®  
of the Year*



**Thomas Palitzsch**  
Thomas Realty Group  
St. Charles County  
Association  
of REALTORS®  
*2016 REALTOR®  
Commercial Award*

**NEW HAMPSHIRE**



**Robert Marchewka**  
One Commercial  
Real Estate  
New Hampshire  
Commercial Investment  
Board of REALTORS®  
*2017 REALTOR® of  
the Year*



**NEW MEXICO**

**James Smith, CCIM, SIOR**  
 CBRE, Inc.  
 Commercial Association of REALTORS® New Mexico  
*2016 REALTOR® of the Year Award*

**N. CAROLINA** CONTINUED

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 Leading Edge Commercial Realty Group  
 Winston-Salem Regional Association of REALTORS®  
*Elder Statesman Award December 2016*

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 Kevin W. Anderson & Associates  
 Greater Tulsa Association of REALTORS®  
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 Peter M. Scotti and Associates  
 Rhode Island Commercial and Appraisal Board of REALTORS®  
*2017 REALTOR® of the Year*

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 Edward J. Gallacher  
 New York State Commercial Association of REALTORS®  
*2016 REALTOR® of the Year*



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 Colliers International  
 Charlotte Region Commercial Board of REALTORS®  
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**James Lyons, CCIM, SIOR**



**Erich Schultz, SIOR**

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 Cardinal Commercial Properties  
 Greater Greenville Association of REALTORS®  
*2016 Caine Halter REALTOR® of the Year – Commercial*

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 Compass Commercial  
 Central Oregon Association of REALTORS®  
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**E. David Grubbs, Jr.**  
 NAI Avant  
 Charleston, LLC  
 Charleston Trident Association of REALTORS®  
*2016 REALTOR® of the Year – Commercial*

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 Century 21 Sweyer & Associates  
 Cape Fear REALTORS®  
*Commercial Lifetime Achievement Award*

TENNESSEE



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Blue Ridge Realty, Inc.  
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*Graduate of Leadership  
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**John Lamberson, Jr.**  
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TEXAS



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William C. Jennings  
Management Company  
Greater Fort Worth  
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REALTORS®  
*2016 Charles D. Tandy  
Award*



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**CCIM, CIPS**  
AAA Real Estate  
and Investment  
Greater McAllen  
Association of  
REALTORS®  
*Texas REALTORS® 2016  
Strike Force Award*



TEXAS CONTINUED



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Coy E. Garrett  
and Associates  
Texas Association  
of REALTORS®  
*2016 William C Jennings  
Award for Outstanding  
Commercial Transaction of  
the Year*

VIRGINIA



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RE/MAX Alliance  
Commercial Properties  
Hampton Roads  
REALTORS® Association  
*2016 Sales & Leasing  
Achievement Silver Award*

WISCONSIN



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The Boerke Company  
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Oh Crystal Ball: What can we expect for 2018

Michael Stoler | Managing Director, Madison Realty Capital  
President, New York Real Estate TV LLC, television host and radio commentator.

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# RPR<sup>®</sup> USER SPOTLIGHT



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**GREG HRABCAK, CCIM, BROKER, HER COMMERCIAL REAL ESTATE SERVICES, COLUMBUS, OH**

by Emily Line, Vice President of Commercial Services, Realtors Property Resource<sup>®</sup>



GREG HRABCAK

Greg Hrabcak, CCIM, started his real estate career directly after graduating from The Ohio State University 33 years ago. He's been involved in the sale and leasing of Industrial, Investment, Retail, and Office properties, as well as Business Brokerage sales throughout Central Ohio. Greg's clients include Kroger Company, Inland Real Estate Growth Fund, Textron Financial Services, United Parcel Services, and Five Guys, and he has received awards from the Columbus Board of REALTORS<sup>®</sup>, Ohio Association of REALTORS<sup>®</sup> and the National Association of REALTORS<sup>®</sup>.

**Emily Line (EL):** You've held several volunteer leadership roles including serving as President of the Ohio Association of REALTORS<sup>®</sup> and have maintained a highly-successful business resulting in the Columbus Board of REALTORS<sup>®</sup> "Largest Multi-Family Transaction Award." How do you balance work and volunteering?

**Greg Hrabcak (GH):** I'm a passionate guy who believes in the power of a network and knowledge. In order to have a strong network, you have to be willing to fully invest in people. We stress communication and collaboration with our clients to ensure that we have a true partnership which in most cases results in a straightforward game plan. I take that teamwork approach very seriously not only with my clients but also with my fellow REALTORS<sup>®</sup> so I remain dialed-in about state and federal issues and trends that could impact my clients' success.

**EL:** HER Commercial is a nationally-recognized brand but has maintained the company's 30-year commitment to being locally operated. What unique services do you offer clients to stay competitive with large national firms?

**GH:** Our staff is committed to delivering the most cost-efficient services to maximize the client's returns. We

have knowledgeable leasing and sales agents, as well as bonded property managers, accounting specialists, and mechanically certified technicians. And one of my favorite support pieces that contributes to our rockstar staff hand-down is RPR<sup>®</sup> data! Another reason I commit to leadership roles is not just to access data but also to have my voice heard on what type of data is needed to better support the REALTOR<sup>®</sup> edge in the commercial real estate space.

**EL:** You've been a huge advocate for partner integrations. How has collaboration between RPR<sup>®</sup> Commercial and Xceligent<sup>™</sup>'s CommercialSearch.com strengthened your value proposition for your clients?

**GH:** That integration allows REALTORS<sup>®</sup> a single point of entry to collect detailed property data, along with analytics to support business sustainability. This is a huge benefit! The collaboration shifts my focus so I can draw insights for my clients more effectively and efficiently through an easier access and process for aggregating data.

**EL:** How easy is the process? Will you walk me through your approach?

**GH:** It's very easy and I have heaps of data at my fingertips! I can start by searching listings within CommercialSearch.com and take a deeper dive from there into RPR<sup>®</sup> for property and owner facts, mortgage and tax info, and transaction history. With all the talk about generational shifts and consumer interests changing, it's more important than ever to gain insight into the 'who,' 'what,' and 'where' related to commercial property investment. I can collect the demographic and economic stats and tell a visual story with heat maps down to the census block level with 25+ variables including traffic counts and more than 20 million business points of interest around the country. Impactful data + ease of use + no subscription fee = WIN!

# GIVING DEVELOPMENT A KICKSTART

## LOCAL ASSOCIATIONS USING NAR GRANTS TO INNOVATE

By Tara C. Perkins, Contributing Writer

This is last installment in our year-long look at how local REALTOR® associations are using NAR's grant funding to influence community development and enhance commercial services for members. In the following, Commercial Innovation Grants (CIG) provided "kickstarter" funds for some unique projects - a statewide networking caravan, an economic development expo, and an education & business conference. These projects aimed to strengthen relationships and provide a setting to generate business; while results may take time to cultivate, these efforts proved worthwhile and may inspire other similar endeavors around the country.

### PROJECT SPOTLIGHT: BIRMINGHAM, AL

The commercial council of the Birmingham Association of REALTORS® (BAR) received a grant to support its first Alabama City Tour and Advocacy project. BAR believes funding will allow commercial membership expertise to be spotlighted, establishing REALTORS® as go-to resources in Birmingham's commercial real estate community, fueling internal excitement and drawing non-members to the association. The first of several tours, which took place in April, hosted Birmingham-area REALTORS® in Montgomery. Members met with local and state representatives in the House who conveyed a congressional perspective on the state-level impact of the Historic Tax Credits and 1031 Exchange on Alabama's commercial properties. The program afforded members opportunities to market and network with commercial practitioners with the ultimate goal of connecting REALTORS® and influencers in order to grow commercial business, position commercial members as experts, expand impact on the economic development of Birmingham and Alabama,

and gain a centralized voice for commercial real estate in Alabama.

"Our City Tours have been beneficial in heightening our profile with elected officials and media, allowing for future opportunities to engage business in the area," said Josh Harris, Commercial Services Director. "It is an excellent recruiting tool for non-members and allowed REALTORS® to learn about current projects happening in major Alabama cities which they can implement in Birmingham. Witnessing the impact of lobbying efforts provided specific examples for lobbying representatives in Montgomery, ultimately leading to passage of the Alabama Historic Tax Credits. Overall, we were able to explain to other local commercial real estate communities the impact that a singular voice of a commercial real estate association can have on the local and state community."

...CONTINUED

# GIVING DEVELOPMENT A KICKSTART CONTINUED



## PROJECT SPOTLIGHT: EASTERN CONNECTICUT

The Eastern Connecticut Association of REALTORS® (ECAR) based in North Franklin, CT, hosted a commercial education and business strategies conference in June. ECAR intends to take a proactive role in nursing a struggling region back to health and using grant money to place REALTORS® at the heart of that recovery by connecting them with job creators. The objectives of the conference were to feature the two top employers of eastern CT to inject and renew hope regarding a bleak outlook for commercial real estate in the eastern part of the state. The day offered valuable networking opportunities to help strengthen the relationship between the association, local business supporters, and commercial members. ECAR's "Improving the Economic Outlook in Eastern CT" provided a one-day event with presentations by local business leaders, economists, and legislators, as well as a networking lunch and continuing education to inform commercial members about economic developments, industry tools, and legislation. Presentation topics

included an economic outlook by the Connecticut Business & Industry Association, Mohegan Sun and Electric Boat expansion plans, and tax-saving strategies for commercial properties.

"Despite stagnant commercial market conditions spanning nearly a decade and an uncertain business climate across the state, eastern CT is seeing plans for economic development in the region, particularly with employers like Electric Boat and Mohegan Sun," said Suzy Hurlbert, Chief Executive Officer, ECAR. "This offers hope in a state that is teetering on the edge of a fiscal crisis. The project was successful in delivering the message that this part of the state is poised for growth and job expansion. The attendees took first-hand information back to their clients, agencies, and communities. With NAR's help, we were able to forge relationships toward building a stable future."

## PROJECT SPOTLIGHT: FORT WORTH, TX

The Greater Fort Worth Association of REALTORS® (GFWAR) used CIG funding to help organize an Economic Development Expo at the Cendera Center, in Fort Worth, Texas. GFWAR strategized that by creating this first of its kind event with content and opportunities previously unavailable in the region, it would expose the value of membership in NAR and provide commercial members an inside track on valuable relationships with area EDCs. The Expo provided a clear value to commercial practitioners through the dissemination of information, maps and planning data from economic development councils (EDC), major developers, and municipal staff. REALTORS® were able to save the time and resources required to contact people individually, providing a venue for networking and deal-making. Along with many exhibitors and non-member commercial practitioners, the Mayor of Fort Worth attended and met with commercial members. Select EDCs invited elected officials from their municipality—all allowing for a positive advocacy impact for the REALTOR® association.

GFWAR is the chief source for commercial information and networking," said Robert Gleason, Chief Executive Officer, GFWAR. "Additionally, we brought in several major developers with 'hot' projects in the area and provided an opportunity for commercial deal making on a larger scale. Working on a CIG helped our association focus discussion on ways to better serve commercial members. Organizing and funding an innovative project like ours shows that an association is interested in supporting business of our members and the community."

### Commercial Innovation at your Association

Discuss ideas with your commercial peers about how to reinforce and grow the services offered by your local REALTOR® Association. Speak to your Association Executive about applying for NAR's Commercial Innovation Grant. Spark your imagination and get started today.

*For more information on this program including previously funded projects, visit [www.nar.realtor/grants/commercial-innovation-grants](http://www.nar.realtor/grants/commercial-innovation-grants) or contact NAR's Commercial Development & Outreach Manager Shara Varner at 312-329-8282 or [svarner@realtors.org](mailto:svarner@realtors.org).*

"The Expo raised the profile of the REALTOR® organization and commercial members by showing EDCs, municipalities, developers, and non-REALTOR® commercial brokers that





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# NEGOTIATING WITH EMPATHY



## LEARN HOW CCIMS NAVIGATE DIFFICULT COMMERCIAL REAL ESTATE DEALS

By Rich Rosfelder, Strategic Communications Director, CCIM Institute

When working with less experienced investors, owners, and users, the job of the commercial real estate professional changes. They must guide the deal through all of the messy humanness – the emotions, the competing interests, and the miscommunication – in order to close. The process requires a healthy dose of empathy.

In a commercial real estate deal, empathy means “making every effort to truly understand the goals, objectives, interests, and perhaps even the passions of the parties to the transaction,” says Byron Smith, CCIM, president of Metropolitan Realty Group in Vienna, Va., and a CCIM instructor.

But when time is money, it can be difficult to make the necessary effort. The first mistake that transaction parties make is failing to recognize that each commercial real estate deal has its own set of challenges. “Never trust your assumptions,” says Joseph Larkin, CCIM, SIOR, CEO of First Realty in Denver. “Treat every transaction as new, even if you’re negotiating with someone you’ve negotiated with before.”

Testing your assumptions involves asking a lot of questions – and the right ones. Larkin teaches CCIM Institute’s Commercial Real Estate Negotiations course and recommends using the NUMERAL tactic to develop open-ended questions.

## NEEDS

Determine the nature of each transaction party’s needs and wants. Is it more space? A new workplace strategy? A green and natural buffer from retail/commercial uses? The satisfaction of having the city recognize community needs? To clean up an eyesore? Identify the most important needs.

## URGENCY

Identify the timing issues, if any, and what’s driving the urgency of the negotiations. Allot time to prepare. Uncover the pressures and deadlines, real or imposed. Remember that time is money, but beware of the quick deal.

## MOTIVATION

This question answers all of the “why” questions and gets at the “hidden” agenda. Why do the parties have the needs they have? Why is time so important? Why negotiate this deal? Uncover the true interests of everyone involved.

## EXPECTATIONS

Discover what all parties expect to obtain. What is your aspiration level? Those who expect more get more. Aim high, but weigh the risks. Always justify and determine your holdout time, and always be able to justify your offer.

...CONTINUED



## NEGOTIATING WITH EMPATHY CONTINUED

### RESOURCES

What resources do you have in the negotiation process? This is primarily a financial concern. Ideally, you can increase the size of the pie and share that value. But it pays to evaluate your BATNA (best alternative to a negotiated agreement) throughout the process.

### AUTHORITY

All parties should understand the process of getting the transaction approved. Does it require a higher authority? Who are the invisible players? Could an outside force affect the deal later on?

### LOYALTY

Are all parties committed to a fair and transparent negotiation process? Be ready to agree to disagree, and act in a professional manner. Demonstrate your commitment to the process.

In the era of big data and online transactions, your ability to understand the needs of all transaction parties and zero-in on solutions will set you apart from the competition. NUMERAL is just one of the tools that CCIMs employ to create value and foster long-term business relationships.



Visit the **CCIM Institute** website to learn more about the all-new enhanced commercial real estate negotiations seminar, and watch for the advanced negotiations workshop in 2018.

For a full list of upcoming courses, visit [www.ccim.com/education](http://www.ccim.com/education)



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NAR appreciates those of you who have volunteered your time and expertise to serve in a national leadership and governance role during the past year.

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