October 15-16

TORONTO 2017

CCIM GLOBAL CONFERENCE

Featured Speakers

Keynote Address
Steve Forbes
Forbes Media

The Upside of Global Upheaval
Kenneth Gronbach
KGC Direct LLC

Mark Rose
Avison Young

Lindsay Baker
Comfy

Susie Algard
OfficeSpace.com

Jay Olshonsky
NAI Global

Mike Reagan
RE/MAX Commercial

Jeremy Wedgbury
First National

Brian Stoffers
CBRE

Naveen Jaggi
JLL

Poonam Mathis
StealthForce

Julia Davis
WeWork

Roy Abrams
RealConnex

Grant Murray
Concord Pacific Developments, Inc.

More speakers to be announced

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September | October 2017

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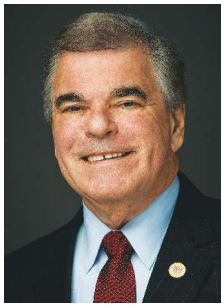
Moving Global

Global capital markets, industry revolution, and dramatic shifts in demographics are transforming the commercial real estate profession. These industrywide changes are happening locally, nationally, and globally.

Distilling the best practices for success, the CCIM Global Conference, Oct. 15–16, 2017, is being held in Toronto. Join us to learn how to adapt successfully to these rapid changes and to meet international industry leaders face-to-face.



A respected editor of *Forbes* and savvy politician, Steve Forbes will be this year's keynote speaker. He embraces the worlds of economics, finance, and corporate leadership. Other stellar industry experts will serve as the moderators and panelists.

Top industry leaders — Jay Olshonsky of NAI Global, Naveen Jaggi of JLL, and Mark Rose of Avison Young — will reflect on how brokerage is being transformed by transparency, and ways in which brokers can adapt and thrive.

Giants in the capital markets, such as Brian Bailey, CCIM, of the Federal Reserve, Brian Stoffers of CBRE, and Jeremy Wedgbury of First National Bank, will discuss how regulations, economic cycles, and interest rate hikes will affect commercial real estate financing in 2018 and beyond.

The second keynote presenter, futurist Kenneth W. Gronbach, will share his views about how the demographic revolution is changing commercial real estate, and the many ways in which professionals can successfully adapt. The internationally acclaimed demographer combines a flair for marketing with extensive demographic analysis.

Among the industrywide changes, increasing numbers of women and minorities are entering commercial real estate. C-Suite executives — Poonam Mathis of StealthForce, Lindsay Baker of Comfy, and Susie Algard of OfficeSpace.com — will show attendees the power of positive disruption.

CCIM Global Conference topics include keepers of the capital, the upside of global upheaval, disruptive forces, and transforming brokerage.

I have already registered for the 2017 CCIM Global Conference and expect to see you there for this unparalleled experience. Register now at conference.ccim.com.

Robin L. Webb, CCIM
2017 CCIM Institute President
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COMMERCIAL INVESTMENT Real Estate

Commercial Investment Real Estate, the magazine of CCIM Institute, reports on market trends and analysis, current developments in the field, and successful business strategies.

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"We have been spoiled for so long by low interest rates in commercial real estate. Currently, we have to reset expectations for target returns, but there's still **lots of capital out there, both domestic and abroad, that appreciates the value and stability of U.S. commercial real estate.** It remains to be seen, but concerns over volatility in the public REIT market may turn out to be more perception than reality."

— Elizabeth Braman, CCIM, Senior Managing Director at Realty Mogul

2017 Self-Storage Continues Sunny Forecast

= 0 basis points change in vacancy

Vacancy: Nationwide self-storage vacancy remains at a historic low of 10.2 percent during 2017, due to continued household growth and rising incomes.

+ 2.7% increase in climate-controlled rents

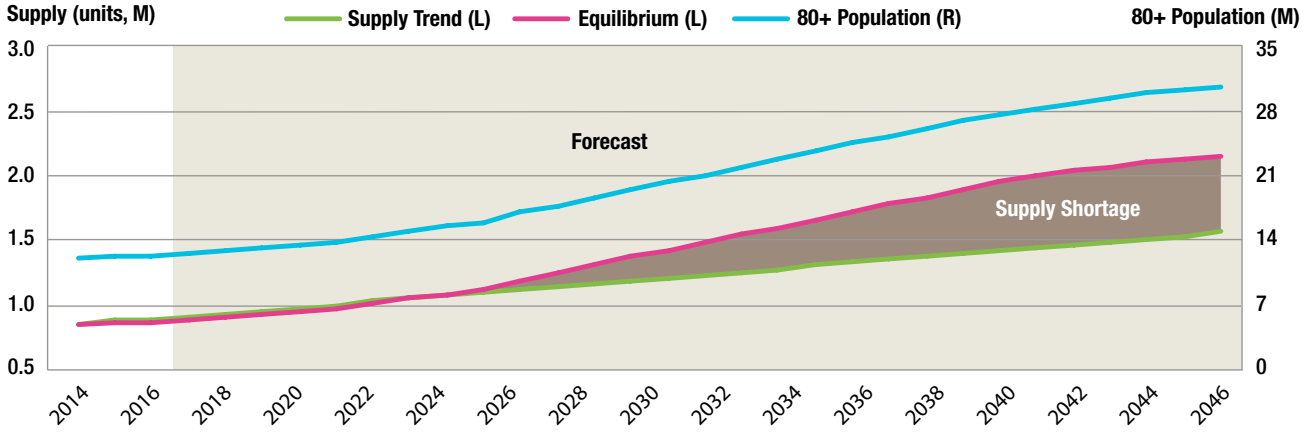
Climate-Controlled Rents: Healthy underlying demand for storage space continues to boost cost for rentals. The average rental rate for climate-controlled space will rise 2.7 percent to $1.63 psf, building on a 1.6 percent increase in 2016.

+ 3% increase in nonclimate-controlled rents

Nonclimate-Controlled Rents: Tight market conditions are driving another year of steady rent growth in 2017. The average asking rent is expected to climb 3 percent for nonclimate-controlled units to $1.31 psf.

Source: Marcus & Millichap

Senior Housing Equilibrium Projects Shortage by 2026



Source: National Investment Center for Seniors Housing and Care, U.S. Census Bureau, Q1 2017, from CBRE Research

George Doyle/Getty Images

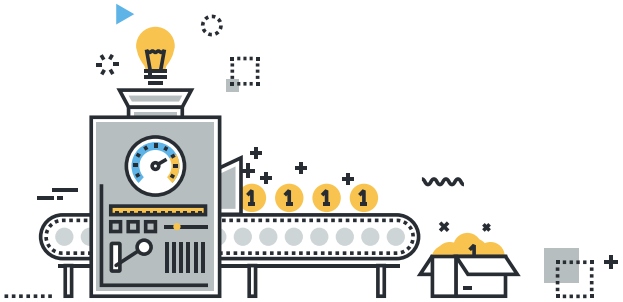
Sigrid Gombert/Getty Images

Skilled Labor Needed to Boost Manufacturing

The No. 1 priority for companies seeking to locate manufacturing operations is access to skilled labor. "The biggest trend is having the workforce to meet the needs of the company in the short-term, mid-term, and long-term over the next 25 years," says Del Boyette, president and CEO of Boyette Strategic Advisors. "You can have all the infrastructure in place, the perfect building, and the perfect site. But if you don't have the workforce to support that business unit long-term, then the investment cannot be made at that site."

Corporate real estate professionals play a key supporting role in the site selection process, which usually involves a large team of real estate, human resources, legal, government, IT, and tax professionals. Corporate real estate professionals usually manage the process and input from different stakeholders.

Source: CoreNet Global



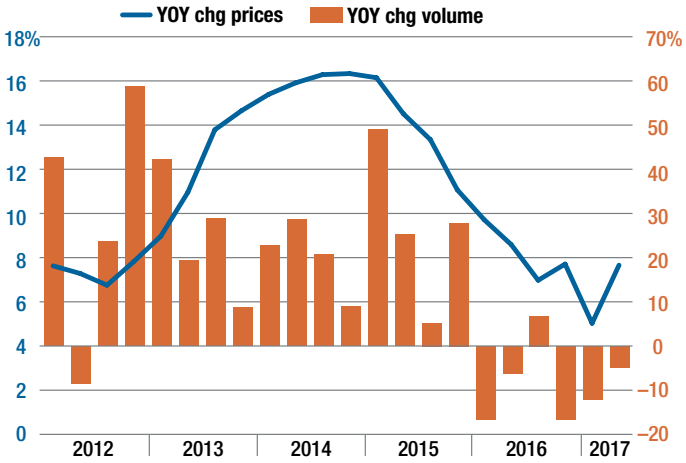
Top 10 Large Cities to Start a Business

1. Oklahoma City, Okla.
2. Salt Lake City
3. Charlotte, N.C.
4. Tulsa, Okla.
5. Grand Rapids, Mich.
6. Durham, N.C.
7. St. Louis
8. Austin, Texas
9. Amarillo, Texas
10. Sioux Falls, S.D.

Source: WalletHub

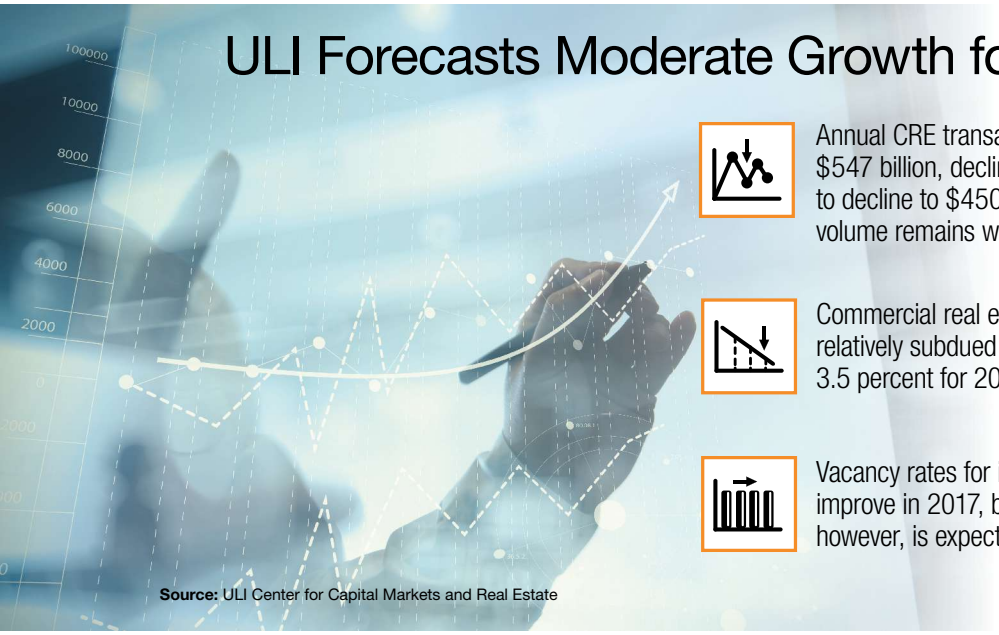
Disconnect Between Pricing and Volume for Commercial Properties

Multifamily shows volumes declined by 30%, but property prices were up 7.5% YOY through May 2017.



Moody's/RCA CPRI national all-property composite (office, industrial, retail, and multifamily)
Volume: office, industrial, retail, multifamily, hotel, and development
Sources: Real Capital Analytics, Moody's

ULI Forecasts Moderate Growth for CRE Industry



Annual CRE transaction sales volume peaked in 2015 at $547 billion, declined to $489 billion in 2016, and is expected to decline to $450 billion in 2017 and 2018. However, that volume remains well above the long-term average.

Commercial real estate prices are projected to grow at relatively subdued and slowing rates: 5 percent for 2017; 3.5 percent for 2018; and 3 percent for 2019.

Vacancy rates for industrial, office, and retail are expected to improve in 2017, but stay flat for 2018 and 2019. Multifamily, however, is expected to rise to a 5.2 percent vacancy in 2017.

Source: ULI Center for Capital Markets and Real Estate

Briefly *Noted*

Hospitality — Despite the forecasts to the contrary, demand for hotel rooms grew by 2.8 percent YOY in Q1 2017 compared to Q1 2016, according to CBRE. Accelerating growth nationwide pushed up occupancy to 61.1 percent in Q1 2017, the highest level since STR began tracking this data in 1987. Some 53 of 60 markets had positive growth for hotel rooms. The top three growth markets were the geographically widespread Albany, N.Y., New Orleans, and Salt Lake City. Demand was highest among upscale hotels, with 5.8 percent growth.

Industrial — Absorption of 53.8 million sf in Q1 2017 lifted the industrial market to the highest rate in this economic cycle and much higher than 40.6 msf during the last two economic cycles, according to Cushman & Wakefield. The vacancy rate for industrial continued its fall by 20 basis points from Q4 2016 to 5.3 percent. "Online sales continue to drive significant requirements for new industrial space across the country," says John Morris, executive managing director of logistics and industrial services for the Americas at C&W.

Multifamily — While rents ticked up in May 2017, the rate of growth in multifamily continued its slide, according to the Yardi Matrix. The average U.S. monthly rent was up $4 to $1,316, based on data from 121 markets. An oversupply of apartments nationwide is lowering demand. The difference in growth between lifestyle renters and renters-by-necessity continued. Nationally, lifestyle rents are flat YOY, while RBN rents have increased by 2.6 percent. Yardi Matrix expects multifamily to peak in 2017, although it will remain relatively robust in 2018 and 2019.

Office — While absorption in office is cooling off, the record streak of positive occupancy continues across the nation, according to Cushman & Wakefield. "The economy continues to add jobs, and most U.S. markets remain fundamentally healthy," says Kevin Thorpe, global chief economist at C&W. "But the combined pressures of slower job creation and rising office construction is beginning to place upward pressures on vacancy rates, particularly for larger U.S. cities."

Retail — Value brands continue to outpace big-box stores, driven primarily by a fundamental shift among consumers toward lower prices, according to CBRE. Brands like TJ Maxx, Ross, and Stein Mart are relatively insulated from e-commerce growth compared to mid-range brands because consumers enjoy the bargain-hunting factor in retail shopping. Overall, many experts are seeing effective adaptation from many retailers to meet shifts in consumer demand.

everythingpossible/Getty Images

Late-Stage Cycle

More investors than investment opportunities exist, but the up cycle is nearing its end.

by Marty Caverly

While core market pricing has held steady since 2015, for the past 18 months a softening in secondary markets has occurred. This slump may preview what will happen in all markets. For example, higher yields are available in suburban office parks, although the flight to the urban center to attract millennial talent may start to shift this dynamic.

Overall, multiple metrics and indicators suggest that commercial real estate properties are in or nearing a late stable stage of the market cycle for most property types in nearly every local market. Many property types in markets such as Washington, D.C., and Houston appear to have surpassed peak conditions at this point, though there is no obvious reason to expect a significant downturn.

After a sharp rise in yield on the benchmark 10-year Treasury bond, interest rates have stabilized and, in fact, come down this year on both an absolute and effective basis as spreads have tightened. The economy continues to plod along at a 2 percent estimated annual gross domestic product growth rate.

In most markets, supply appears to be met with commensurate demand, although a few markets such as multifamily in Los Angeles and office in San Francisco are exceptions. Finally hobbled by regulation, the banks continue to prune their portfolios and to be tentative about approving new loans, particularly construction loans.

Even on relatively stable assets, bank lenders rarely offer more than 60 percent financing, so mezzanine players and alternative lenders have had to fill the gap. This situation differs from 2006, when anybody who could fog a mirror got a loan, often at 85 percent loan-to-cost, for the senior tranche.

Unbalanced Retail

Retail is the notable exception to this relative stability. Almost every day, headlines of store closings and national retailers filing

3DSculptor/Getty Images

for bankruptcy fill national news outlets and real estate publications. Certainly not every retail sector is performing poorly, but there are headwinds across the sector. It looks likely the retail market will get worse before it gets better.

In addition to the apparently adverse impact of internet retailing, the overall retail sector finally is facing up to years of significant overbuilding. In part this comes from municipalities' willingness to greenlight projects with the expectation of filling their sales tax coffers, regardless of the economic demand.

Overall, however, economic and demographic drivers are still propelling increased demand, though construction activity is catching up in some instances. And as inventory nears equilibrium, operating fundamentals are positive but moderating.

Overall Stability

On the capital markets side, conditions seem relatively unchanged since the end of 2016. Though still above long-term averages, transaction volume was down in Q1 2017 and looks to decrease more in Q2 2017.

Anecdotal evidence suggests that brokers' opinion of value requests is increasing, and that more commercial properties will be offered to the market in the second half of 2017. But market uncertainties remain, such as interest rate hikes and global politics and policy, which could affect local markets.

The amount of capital available and seeking investments continues to exceed the opportunities. Moderating fundamentals, however, appear to be neutralizing the impact on pricing, in addition to significantly smaller bid pools than those that existed in 2015 and early 2016.

On the debt side, demand likely exceeds what lenders are willing to commit, particularly for noncore investments, and lenders' cost of capital will likely increase this year along with the federal funds rate.

While it is unclear whether the commercial real estate industry will experience further rate hikes this year, long-term upward momentum is exerting pressure on rates, which in turn leads to downward pressure on pricing. Of course, if the increase in interest rates is due to real growth of higher than 3 percent rise in GDP, most of this downward impact on pricing should be offset by increases in income.

Marty Caverly is senior vice president of the resource income and opportunity REIT at Resource Real Estate in Philadelphia. Contact him at mcaverly@resourcerei.com.

Transit **Guru**

by Sarah Hoban

With urban living booming, new and improved rapid transit has become critical nationwide. In cities such as Atlanta, more residents want to ride trains to the office.

"When you talk about mass transit — here in Atlanta and worldwide — we're really starting to realize the importance that it plays," says Richard Slaton, CCIM, director of real estate for the Metropolitan Atlanta Rapid Transit Authority. "Not only from a quality of life or an environmental standpoint, but also from a real estate value standpoint."

Richard Slaton

Slaton oversees all aspects of the transit agency's real estate functions, such as managing the agency's real estate portfolio; handling land-use issues; and managing compliance with federal, state, local, and MARTA regulations.

Also, Slaton plays a key role in planning and executing transit-oriented development on MARTA-owned properties. "With the strong population growth and clogged traffic, developments with access to public transportation add tremendous value to the real estate, but they also open up different opportunities for development that surrounds mass transit," he says. "So I think mass transit is becoming an integral part in development models, now and going forward."

Slaton talks about his experiences with MARTA and TOD in Atlanta, as well as sharing insights with *Commercial Investment Real Estate*.

CIRE: What role does a transit agency, such as MARTA, play in transit-oriented development?

Slaton: The agency often has excess property or underutilized property that's adjacent to transit facilities. What we're looking to do is re-adapt those assets to higher and better uses. We typically enter into a joint venture agreement with developers, and they'll put a mix of uses on a property.

One example is Lindbergh Center, where our office headquarters are located, and there's also other office space, retail, apartment, and structured parking. This is the first TOD that MARTA undertook, and we looked at this as a model and are implementing this strategy with other transit stations, which have excess or underutilized real estate next to them.

Typically, MARTA owns the land, and we'll enter into long-term ground leases with the developers. They're usually 99-year ground leases where we get a coupon payment and appraisal resets. As a result, we can capture some of the upside in the increase in the property value after it's developed.

CIRE: How did you get into mass transit real estate?

Slaton: I've been in commercial real estate for roughly 20 years.

Waring Abbott/Getty Images

My career started as a commercial real estate lender at Wachovia Bank, and I quickly learned that commercial real estate is all about relationship building. As a lender, I interacted with many local municipalities, especially Fulton County government. So when an opportunity came up, I went to work for Fulton County [as a real estate manager], and was there from 1998 to 2002.

All of the skill sets I use in my current position, I learned at Fulton County. I learned real estate engineering, appraisals, how to value an easement, and how to acquire and dispose of right-of-way. After that, I went to work for a developer as a development manager and built projects from the ground up — a lot of mixed-use residential over retail, shopping centers, and townhouse developments. From 2004 to 2015, I worked for Bank of America, advising high net worth individuals on how to invest in commercial real estate. The MARTA opportunity came up in 2015. The skill set that MARTA sought were the skills I had acquired, so everything that I did prepared me for this role.

***CIRE:* If a commercial real estate professional is interested in working in mass transit real estate, what would you suggest?**

Slaton: Build relationships and get involved with the local municipalities. So much collaboration occurs between the transit authorities, city and county governments, and businesses within each city or county. Experience in areas such as asset management, appraisal, acquisition, relocation, demolition, disposition, right-of-way, and retail and concessions will allow a commercial real estate professional to make the transition and be successful in mass transit real estate.

***CIRE:* How has the CCIM designation helped you?**

Slaton: The designation has equipped me with the skills necessary to make informed investment decisions that pertain to lease negotiations, market analysis, and financial analysis. Since CCIMs are recognized as leading experts in commercial investment real estate, it adds a level of credibility when speaking with various stakeholders in my market about mass transit real estate. Now I'm in the process of becoming a CCIM instructor, which I'm excited about.

Sarah Hoban is a freelance writer based in the Chicago metro area.

Rising Tide

For REITs, rising interest rates may mean a bumpy ride ahead.

by Stuart Eisenberg

The Federal Reserve has a clear message for the market: Buckle up, we're hitting the gas. The Fed's latest rate hike in June 2017 was its third since December 2016, with the goal being to raise the Federal funds rate to 3 percent by 2019. An additional increase is anticipated before the year ends. Currently at 1.25 percent, interest rates today may not be sky high, but they are a far cry from their seven-year stint at 0.25 percent — a rate of effectively zero.

After the prolonged stasis period, the market must now adjust to the changing rate of Federal funds. Real Estate Investment Trusts are among those evaluating the impact of rate increases to their profit margins — with the largest players in the sector factoring in rising interest rates as a risk in the year ahead.

According to the 2017 BDO Risk Factor Report for REITs, 98 percent of REITs cite interest rate increases and their ability to hedge against them as risks to their business. Published in June by BDO USA's Real Estate and Construction Practice, the report examines the risk factors in the most recent 10-K filings of the largest 100 publicly traded U.S. REITs.

Over the course of the study's history, the percentage of REITs referencing interest rate increases as a concern has steadily risen, registering a 10-percent jump to 98 percent in 2017 compared to 2013 at 88 percent. REITs rely heavily on debt to finance their investments, and even a marginal increase in interest rates raises borrowing costs.

Interest Rate Repercussions

Beyond the direct impact to REITs, higher costs of debt and equity could strain tenants that have benefited from the low-interest rate environment and the availability of cheaper debt. In anticipation of these changing market dynamics, another risk for REITS also has seen a steady increase. The top 100 REITs unanimously cite access to capital, financing, and liquidity as a risk to their business, up from 96 percent in 2016 and 93 percent in 2014.

While REITs may experience a negative impact to their operations in the short term, the Fed's decision to implement gradual rate increases suggests renewed economic confidence, which

hedgehog94/Getty Images

should benefit REITs in the long term. Strong economic fundamentals historically trigger a positive chain of events for REITs — leading to increased rents and occupancy rates — which could offset the steeper price tag for debt.

A positive impact for REITs is predicated upon whether the forecasted economic recovery is realized, however, and all eyes are on inflation, which is a key economic indicator. The U.S. core inflation rate increased to 1.7 percent this May, but remains at its lowest rate since mid-2015.

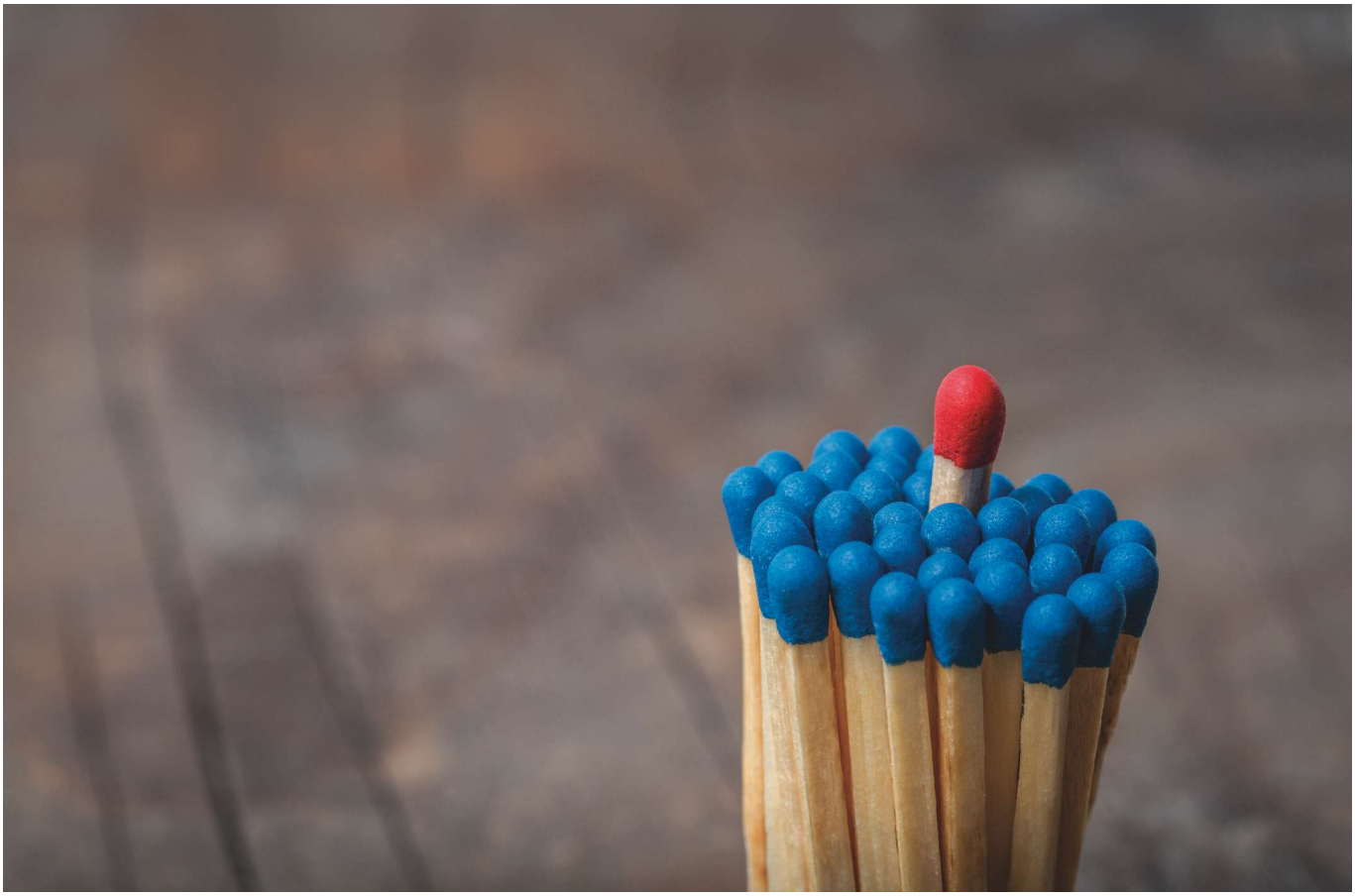
As CNBC reported ahead of the most recent rate hike, how inflation evolves will be the X-factor for the market moving forward. Risks related to inflation increased among REITs this year as well, with 52 percent of REITs listing inflation as a concern, up from 42 percent in 2016. The combination of low inflation rates and rising interest rates is likely contributing to widespread uncertainty for REITs.

Tightening capital markets could pose challenges for REITs this year. A silver lining exists for them; the sector has a large pool of capital stored away. In the first quarter of 2017, publicly listed REITs raised more than $23.1 billion in equity and debt. This was the most capital raised in any quarter since the second quarter of 2014, according to NAREIT.

REITs rely heavily on debt to finance their investments, and even a marginal increase in interest rates raises borrowing costs.

Once REITs adjust to the uptick in interest rates, competition for assets at lucrative prices is likely to eclipse interest rates on REITs' risk radar. The Fed might be hitting the gas on rate increases right now, but its goal is to cruise in neutral.

Stuart Eisenberg is an assurance partner and the national leader of BDO's Real Estate and Construction Practice. Contact him at seisenberg@bdo.com.



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Game Changer

Crowdfunding disrupts traditional investment models.

by Allen Shayanfekr

The biggest companies in the world appear untouchable. However, ample evidence shows an extensive list of household names such as Kodak, Blockbuster Video, and Pan Am disappeared overnight after failing to adapt to a new era.

It's also easy to forget how behemoth billion-dollar companies such as Facebook, Netflix, Uber, and Airbnb are mere babies in business longevity. Likewise, real estate crowdfunding platforms were not available five years ago. Today, Bloomberg estimates more than 125 sites exist in the U.S. alone.

Rampant Disruption

Welcome to the age of disruption. The world of simplified and personalized experiences is delivered within a few swipes. Unsurprisingly, little room for archaic processes and meaningless red tape exists from the old way of doing things and the analogue past.

The use of advancements in technology is allowing young and agile start-ups to remove any pain points. By offering greater transparency, speed, and efficiency, as well as real-time data, the commercial real estate industry is embracing the digital transformation.

Crowdfunding is proving to be the new best friend of real estate. Tech-savvy investors have discovered that this relatively new model allows them to pool their resources. By reducing risk, ultimately, they are opening an affordable opportunity to invest in commercial real estate and boost returns.

This year's Crowd Invest Summit, Sept. 6–7 in Los Angeles, targeted the real estate marketplace lending sector. Once again,

technology is changing the game for commercial real estate, and crowdfunding is navigating a new way forward.

Egalitarian Lending

The evolving world of real estate marketplace lending continued to grow at a phenomenal rate to $3.5 billion in 2016. The real estate crowdfunding sector is providing investors with both higher returns and lower fees, which makes it incredibly attractive.

The opportunity to partially fund loans without the risks associated will only help increase adoption and the speed of acceptance. The first rule of any investment is that a diverse portfolio will dilute the risk. The combination of lower risk and the ability to enter commercial real estate investment for as little as $1,000 to $5,000 offers many opportunities to unlock the potential for greater returns.

The World Bank crowdfunding report also revealed that this relatively new way of raising funding is rapidly becoming a disruptive global influence. Asia raised $3.4 billion in 2016, which shows 320 percent growth in the sector. By crowdfunding volume, Europe ranks No. 3, with $3.26 billion. However, North America leads the charge by raising $9.46 billion annually.

If these current trends continue, the World Bank predicted that the crowdfunding industry could raise between $90 billion and $96 billion by 2025. For comparison, this would be 1.8 times the size of the global venture capital industry today.

Investing in commercial real estate typically has been out of reach for the average person. However, even cash-strapped millennials are using crowdfunding to add property to a new portfolio that can build a path to property investments.

Minimizing any risk with a relatively low entry point and the lure of making bigger returns is an attractive proposition. These are among the reasons why marketplace lending is proving to be the next big thing for commercial real estate, and why investors of all ages from every corner of the globe are embracing the opportunities it offers.

Technology is a double-edged sword. In the case of crowdfunding, however, it's breaking down geographical barriers and expensive entry points to allow many more individuals a seat at the table. As marketplace lending continues to change the way business is conducted, traditional banking should wake up and take notice.

Allen Shayanfekr is CEO and co-founder of Sharestates.com, a real estate investment marketplace. Contact him at allen@sharestates.com.

Peace 2.0

Preserve the harmony between owners sharing a party wall.

by Barbara Anne Spignardo

In a recent transaction for a lender financing the acquisition and operation of a commercial real estate property, an unusual exception to title appeared, which is called a Party Wall Agreement. A review of the title insurance and property survey indicated that the acquisition property shares a wall with the immediately adjacent property.

Party walls often are seen and taken for granted. Picture row houses and commercial structures sharing walls. Which owner or owners can claim those walls? Although party walls may be quite common, Party Wall Agreements are unusual.

Often owners do not consider the party wall until a problem occurs. When an issue with a shared wall arises, the result suddenly becomes complicated, without an agreement outlining the responsibilities and obligations of the two owners.

Clarifying Responsibilities

A Party Wall Agreement provides clarification about the ownership and maintenance obligations for the shared wall. The focus is to prevent and avoid disputes before a problem with a party wall, which affects the adjacent owners.

In addition to shared walls, party walls also include those attached and adjacent to the property, walls belonging to a single building structure, dividing walls between adjoining units, and those standing on the land of two or more owners. Traditional party wall principle dictates that each owner possesses as much of a party wall as is located on their land. Essentially, each owner acquires title to one-half of the wall, and each owner also secures an easement for the support of the party wall.

A Party Wall Agreement between adjacent owners is a useful, effective tool in understanding the agreements and restrictions relating to the common wall. These agreements define which party bears the obligation for the cost of maintaining the common wall, as well as the repercussions if the wall is not maintained.

Typically, a Party Wall Aagreement requires the owners to maintain their portion of the wall consistently and harmoniously.

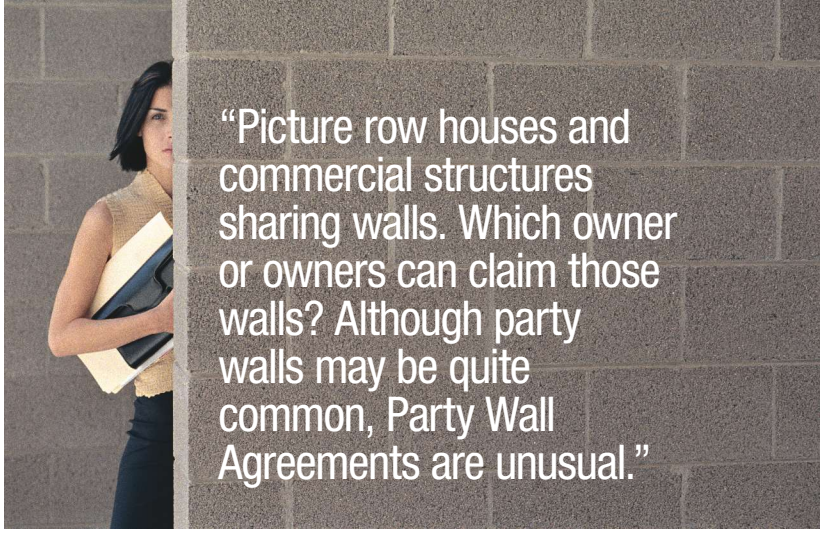
Stephen Swintek/Getty Images

Such agreements delineate the process for making changes to the party wall, requiring agreement and consent from the adjacent owner. For example, a Party Wall Agreement will not inhibit an owner from nailing a picture to his internal portion of the shared wall or the other owner hanging a painting on the opposite side of the wall. However, a Party Wall Agreement will address structural changes and alterations to the party wall, which require the consent from the adjacent owner.

Once owners legally consent to the terms, Party Wall Agreements should be recorded in the applicable land records. By including the Party Wall Agreement in the applicable land records, potential purchasers know about it and understand their rights and obligations.

Establishing Ground Rules

This was the scenario for the recent transaction described above. Through a title search and receipt of a commitment for title insurance and the underlying exception documents, the buyers and consulting attorney could review and understand the Party Wall Agreement prior to closing. This group then could determine the best way to address the Party Wall Agreement, so the lender was comfortable with the borrower and acquiring owner taking on those rights and obligations.



Consenting to a Party Wall Agreement prior to possible disputes benefits the owners. In this recent transaction, the attorneys requested an estoppel certificate by the adjacent owner that confirmed no known defaults under the Party Wall Agreement or possible claims relating to it at the time of closing.

Those involved in the deal understood the rights, the obligations, and the validity of the Party Wall Agreement.

Barbara Anne "B.A." Spignardo is a member of Shapiro, Lifschitz & Schram, P.C.'s Real Estate and Business groups. Contact her at spignardo@slslaw.com.

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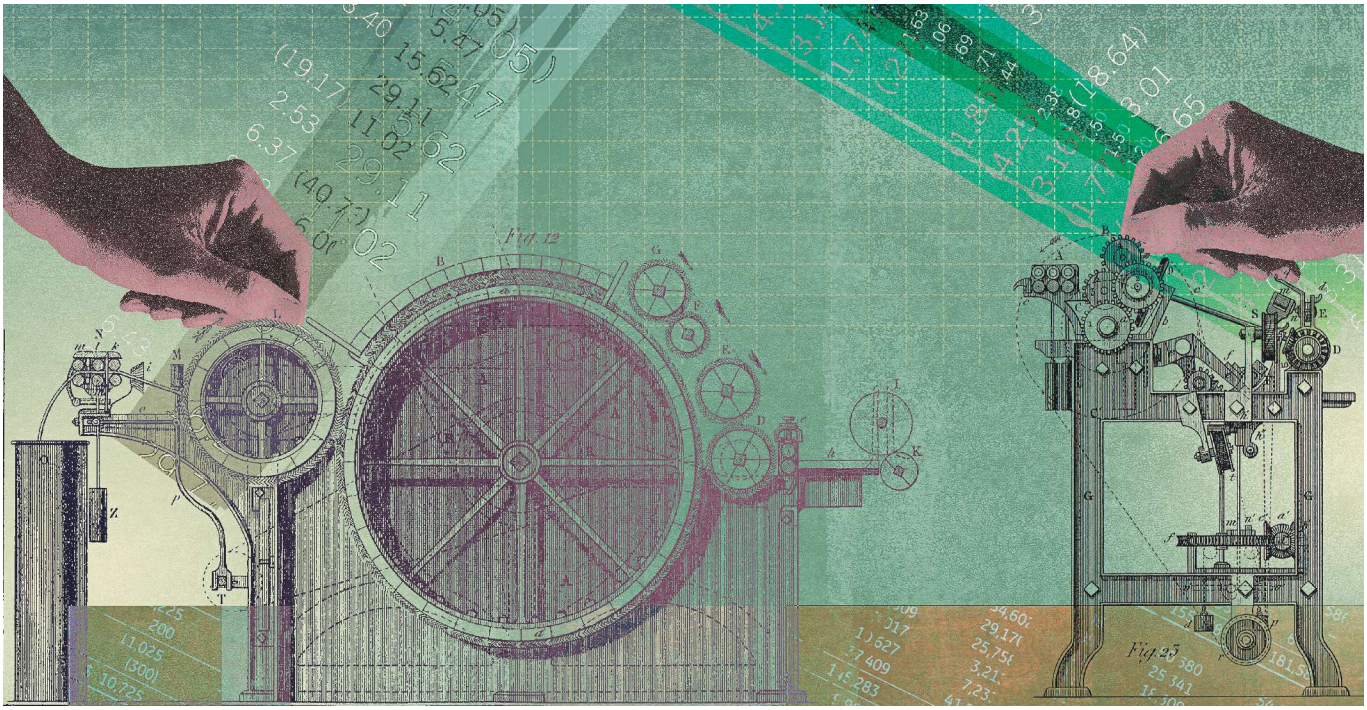

Powerful **Tools**

Great tools for analyzing local markets are free and easy-to-use.

by Gary Ralston, CCIM, CPM, SIOR

Commercial real estate is space for people to work in, live in, shop in, and store things in. As a result, competent commercial real estate professionals rely on a basic understanding of the demographics and economics associated with their local market. The typical high-level definition of a market is a county or a metropolitan statistical area.

Analyzing Demographics

The first step is to create a benchmark demographics style report using Census QuickFacts, which starts with the U.S. at **https://www.census.gov/quickfacts/**. Take Lakeland, Fla., in Polk County as an example. Enter the formal geographies in descending order — state, county, and city.

The resulting report provides 72 lines of data and 13 categories in a contextual setting, increasing the meaning of individual data points by comparison to increasingly larger units of formal geography. As an example, the population of Polk County rose by 10.6 percent from April 2010 to July 2016, compared to 4.7 percent for the U.S. overall. Also, Polk County is growing about 10 percent faster than the state of Florida.

In addition to data about housing and households, median household income, mean travel time to work, and data about the economy and businesses is included. Finally, the U.S. Census has information about the size and density of the geography.

Evaluating Employment

It also is important to understand employment in the MSA. The Bureau of Labor Statistics Economy at a Glance report provides an excellent overview at the North American Industry Classification System Super Sector level at **https://www.bls.gov/eag/**. Again use Florida and Polk County as the case study and look at the report for Florida at **https://www.bls.gov/regions/southeast/florida.htm#eag**.

Employment on line 2 is household survey employment, which is the number of people who live in the geography and have a job. Refer to **https://www.bls.gov/bls/empsitquickguide.htm#household**.

Total nonfarm is listed as payroll or establishment survey employment, which refers to the number of people who work at businesses that are in Florida at **https://www.bls.gov/bls/**

Roy Scott/Getty Images

empsitquickguide.htm#payroll. The report provides jobs at the NAICS super-sector level, which is a grouping of the NAICS sector codes.

Take a look at Polk County, also the Lakeland-Winter Haven MSA at **https://www.bls.gov/regions/southeast/fl_lakeland_msa.htm**. In conjunction with the Census QuickFacts report, this study allows the commercial real estate expert to articulate clearly and quickly the basic drivers of demand for real estate in the targeted geographic area.

Looking In-Depth

The BLS Quarterly Census of Employment and Wages has a new tool called the QCEW Data Viewer, listing county, MSA, state, and national data by industry at **https://data.bls.gov/cew/apps/data_views/data_views.htm#tab=Tables**.

This data provides a closer look at employment in the geographic area, and it may be an alternative way to look at the BLS data for the county level since the Economy at a Glance focuses on MSAs.

To continue the example, select different employment categories for the NAICS subsectors in Polk County at **https://data.bls.gov/cew/apps/table_maker/v4/table_maker.htm#type=7&year=2016&qtr=4&own=5&area=12105&supp=0**. This report delves more in-depth about employment and adds the location quotient tool. By arranging the data in descending order for the location quotient column, this reveals that warehousing employment in Polk County is almost five times the national average. For more information about location quotient, refer to **https://data.bls.gov/cew/doc/info/location_quotients.htm**.

Clearly in this market, industrial real estate is robust. Location quotient also can provide indications of other opportunities. For example, NAICS 713: Amusements employment is 50 percent higher than the U.S. average. This is attributable to the Legoland Theme Park in Winter Haven at www.legoland.com.

To summarize, the commercial real estate professional can use these three tools to quickly understand and articulate the high-level demographic and economic attributes of the local U.S. market they are analyzing.

- Census QuickFacts at **https://www.census.gov/quickfacts/**
- Economy at a Glance at **https://www.bls.gov/eag/**
- Quarterly Census of Employment and Wages Data Viewer: county, MSA, state, and national data by industry at **https://data.bls.gov/cew/apps/data_views/data_views.htm#tab=Tables**

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THE FIFTH OF SIX STORIES ON THE 50TH ANNIVERSARY OF CCIM INSTITUTE

Covering **More Bases**

CCIM Institute branched out to recruit new designees beyond brokers during the 1980s and 1990s.

by Sara S. Patterson

The 1980s and 1990s were decades of growth and expansion for CCIM designees and members. Through the years, this second generation of CCIM designees has molded the Institute, but also focused on mentoring the next generations for leadership positions.

"I have a passion for my pin — giving back but also for learning," says Barbara Ann Monahan, CCIM, who has served on the Board of Directors and many national committees since 1989. "CCIMs understand that it is more than a pin and more than a designation. It's a people network for building relationships."

Through these two pivotal decades, CCIM Institute attracted members such as Byron Smith Sr., CCIM, who had trained as an attorney and attended business school in finance; Joseph Fisher, CCIM, who owned a securities company and began selling real estate; and Ron Myles, CCIM, who had been an accountant for Arthur Andersen. Smith, Fisher, and Myles not only earned their designations, all three became CCIM instructors. Myles and Fisher also became presidents of the Institute.

"Bob Ward was my mentor — working with him deepened my curiosity," says Fisher, owner and president of Fisher Investment Real Estate in Indianapolis. "I admired and have tried to emulate his ability to engage students in the classroom and bring them along in their knowledge of the curriculum."

CCIMs were impressive, well-trained, sharp commercial real estate professionals, with a streetwise approach, according to Smith. "CCIM training showed me different ways to look at problems,"

"I didn't consciously set out to break the glass ceiling. But I never thought that I couldn't do it either. I had my boxing gloves on that whole set of meetings in 1993 when I was a candidate for the first vice president, and I was there with all my plans spelled out."
— BK Allen

says Smith, owner of Metropolitan Realty Group in Vienna, Va.

On the other hand, Myles left accounting and went to work in 1972 for a family business in the commercial real estate industry. Over five years, he took five CCIM courses once a year in Denver. "I had an 18-month stint without income," says Myles, owner and broker of Myles Enterprises in Denver. "Finally, my practice came together. Later, I was part of a consortium that owned and developed the Copper Mountain Ski Resort."

Smashing the Ceiling

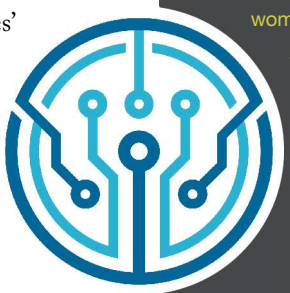
As CCIM Institute worked to broaden its membership base, more women became involved. An attorney recommended BK Allen, CCIM, take CCIM courses in the late 1970s, because she was relatively new to the industry. She took all the CCIM courses in a year and earned the designation in 18 months. "I owed the designation qualifying deals to what the courses taught me," says Allen, who earned the pin in 1980.

Always an advocate for moving faster and becoming nimbler, Allen shattered the Institute's glass ceiling in 1996, becoming the first woman president of the Institute. "I didn't consciously set out to break the glass ceiling," she says. "But I never thought that I couldn't do it either. I had my boxing gloves on that whole set of meetings in 1993 when I was a candidate for the first vice president, and I was there with all my plans spelled out."

Her candidacy initially provoked backlash from the Institute's old guard. But Allen had strong supporters, too, such as D. Jeffrey Lenn, Ph.D, CCIM, Robert Behrens, CCIM, and Bob Rosenberg, CCIM, who helped her prevail. Her presidency led to more women becoming designated and moving up the ranks of CCIM leadership.

"I continue to encourage more women to get into the commercial real estate industry and earn the designation; commercial real estate is a good profession for women," says Allen, owner and president of BK Allen Real Estate LLC in Potomac Falls, Va.

The 1980s and 1990s broadened the range of commercial real estate professionals who earned the pin. Through the decades' turbulence and prosperity, CCIM Institute grew and embraced more diverse members, including women.



Sara S. Patterson is executive editor of *Commercial Investment Real Estate*.

Opposite: Caiaimage/Andy Roberts; drogatnev; serkorkin; Brickclay; Blankstock

Pivotal Events in Commercial Real Estate During the 1980s and 1990s

Quick Facts About CCIM Institute

Historical Milestones

1980s:

Commercial real estate was becoming out-of-control from the savings and loan crisis and debt from junk bonds. It was a decade of excess. Analysis and careful deal writing were not in vogue. CCIMs were an exception and were calling and conducting careful scrutiny of transactions to help minimize the risk.

- The community lending market contracted from $150 billion to $1 billion.
- 85% loan to value was not backed by real dollars.
- In the midst of bad practices, CCIMs yelled stop at the irrational exuberance.
- High leverage and bad analyses of demand were rampant.

According to the Urban Land Institute, the office market doubled, and shopping centers were up 50%.

1991 — What is now CCIM Institute was renamed the Commercial Investment Real Estate Institute and became independent of RNMI and a direct institute affiliate of NAR.

1995 — The Institute reached a record high number of 7,703 students.

1996 — BK Allen, CCIM, was the first woman elected Institute president.

1999 — Establishment of Site To Do Business, which uses multiple technology tools to prepare CCIMs to be competitive in the digital space of commercial real estate.

1980

1980 — Introduction of computers into the CCIM courses

1981

1981 — D. Jeffrey Lenn, Ph.D, CCIM, hired as a consultant for strategic planning and faculty management.

1982

1982 — Debut of the *Commercial Investment Journal*, which became *Commercial Investment Real Estate*

1983

1984

1986 — CCIM courses first licensed to be delivered in Canada by the Canadian Real Estate Association.

1985

1987 — Expanded CCIM curriculum to include user brokerage for designation courses

1986

1988 — First CCIM conference was held in San Francisco with 600 attendees.

1987

1988

1989

1990s:

The beginning of the decade was a reckoning for the excesses of the 1980s. CCIMs were a stabilizing presence in the industry. U.S. government formed the Resolution Trust Corporation to handle the assets of the failed savings and loans that the FDIC could not manage on its own. These failed savings and loans had commercial properties on their books.

1990

- RTC sold $456 billion of property — the most in history. Organized vulture funds and Sam Zell's Equity Partners picked up the pieces. It was a huge hit to U.S. taxpayers.
- From the ashes of the RTC, the modern REIT industry was born.
- Big companies were Kimco and Crescent Real Estate Equity.
- Wall Street demanded new accountability and rigor from the commercial real estate industry.
- The first clearinghouse for data opened.
- After the party of the 1980s, CCIMs added a new layer of analysis to commercial real estate deals.

1991

1992

1993

1994

1995

1996

1997

1998

1999

INDUSTRIAL *RIDES* HIGH

E-commerce leads a roster of supporting players, contributing to its sustained growth.

by Beth Mattson-Teig

Credit

The industrial market is riding the coattails of explosive growth occurring in the e-commerce sector. But while e-commerce may be grabbing the spotlight and stealing the show, a much bigger supporting cast of industries is helping to power this expansion.

E-commerce certainly deserves top billing for its role in not only fueling demand for space, but for spurring transformative change across the entire supply chain of modern distribution and fulfillment centers. This includes central hub locations that are within easy reach of both workers and the last mile of customer delivery.

"The primary driver of industrial development has been the e-commerce sector in the Cincinnati and Columbus [Ohio] markets," says Loren M. DeFilippo, CCIM, director of research | Ohio for Colliers International in Cincinnati. "Demand for modern Class A logistics facilities has driven vacancy rates to historically low levels."

The Cincinnati metro area reported an overall industrial vacancy rate of 3.5 percent in first quarter 2017, with more strong demand ahead. Earlier this year, Amazon announced that it had signed an agreement with the Cincinnati/Northern Kentucky International Airport, and the online behemoth plans to invest $1.5 billion to create a Prime Air cargo hub that will include a 3 million-square-foot distribution facility and 350,000-sf loading wing, as well as creating 2,000 jobs. That hub is expected to attract more online retailers to the region, DeFilippo adds.

E-commerce, distribution, and third-party logistics continue to dominate the national industrial market, accounting for about 25 percent of all leasing activity, according to JLL. However, the lion's share of activity — the other 75 percent — is widespread across many sectors from medical device manufacturing to food processing.

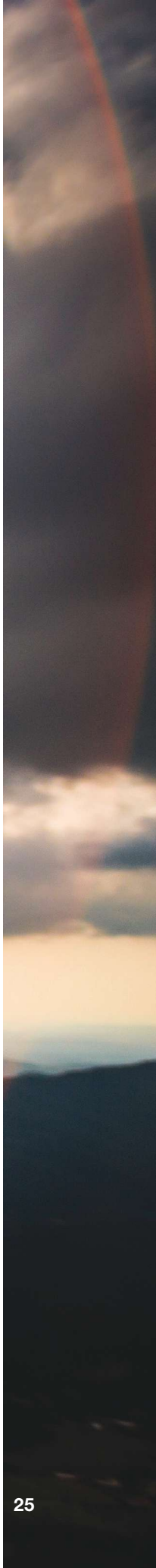
"As a general take on things, the economy tends to be in a pretty good place, and a lot of businesses are benefiting from that," says Ryan Severino, chief economist at JLL. GDP has been growing at a rate of 1.5 to 2 percent, and consumer spending remains healthy.

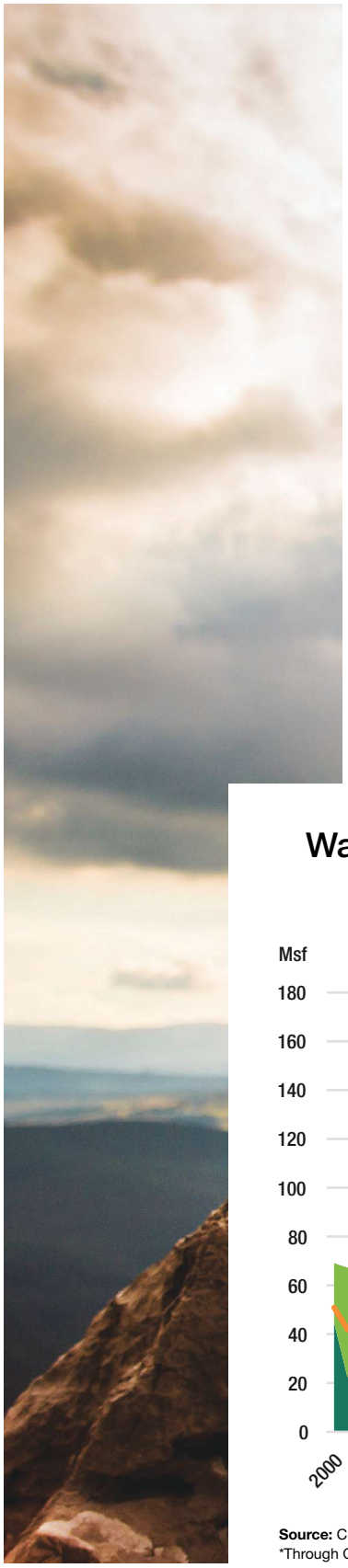
"I usually take the temperature of the confidence level of the principals of the company, and people are more optimistic," adds Arnold Ng, CCIM, president of Apex Commercial Real Estate in Torrance, Calif. "They are not as resistant to expanding. They are willing to take on more risk, and people are being a little more aggressive in making moves."

Industrial is outperforming other property types for vacancies and rent growth, and the latest forecast from the Spring 2017 ULI Consensus Forecast remains positive. Industrial vacancies are expected to improve 20 basis points to reach 8 percent by year-end, where it will hold steady in 2018 before climbing slightly to 8.4 percent by the end of 2019. Rent growth for industrial is expected to slow after peaking at 6.6 percent in 2016, but remain above the expected rate of inflation at 4.6 percent in 2017, 3.8 percent in 2018, and 3 percent in 2019, according to the ULI report.

Solid Foundation

Consumer spending is a big piece of the U.S. economy — a lynchpin in the demand for industrial space. It is important to note that despite the explosive growth of e-commerce, nearly 90 percent of all sales are still occurring within brick-and-mortar stores, according to Severino. Regardless of whether consumers are shopping online or in stores, that spending is fueling activity all through the supply chain from manufacturing and imports through distribution and logistics.





"While consumers spend money, there is going to be demand on a whole bunch of different industries," he adds.

Users looking for industrial space run the gamut from traditional manufacturers to nontraditional players, such as marijuana growers, churches, and trampoline parks. The nontraditional participants often seek to occupy industrial space, which is less expensive than retail, as long as they can pass the conditional use permit hurdles, according to Ng. "In our market, we have seen indoor sports facilities create demand for industrial as well," he says.

Advanced manufacturing continues to be an important staple for the industrial market. For example, Ohio is home to operations for GE Aviation and auto manufacturers, such as Toyota and Honda. Those manufacturers attract demand from suppliers locating near their big clients.

"Automotive is stable right now, but we have to see what happens to the whole automobile industry during the next 10 years with the self-driving cars movement," DeFilippo says.

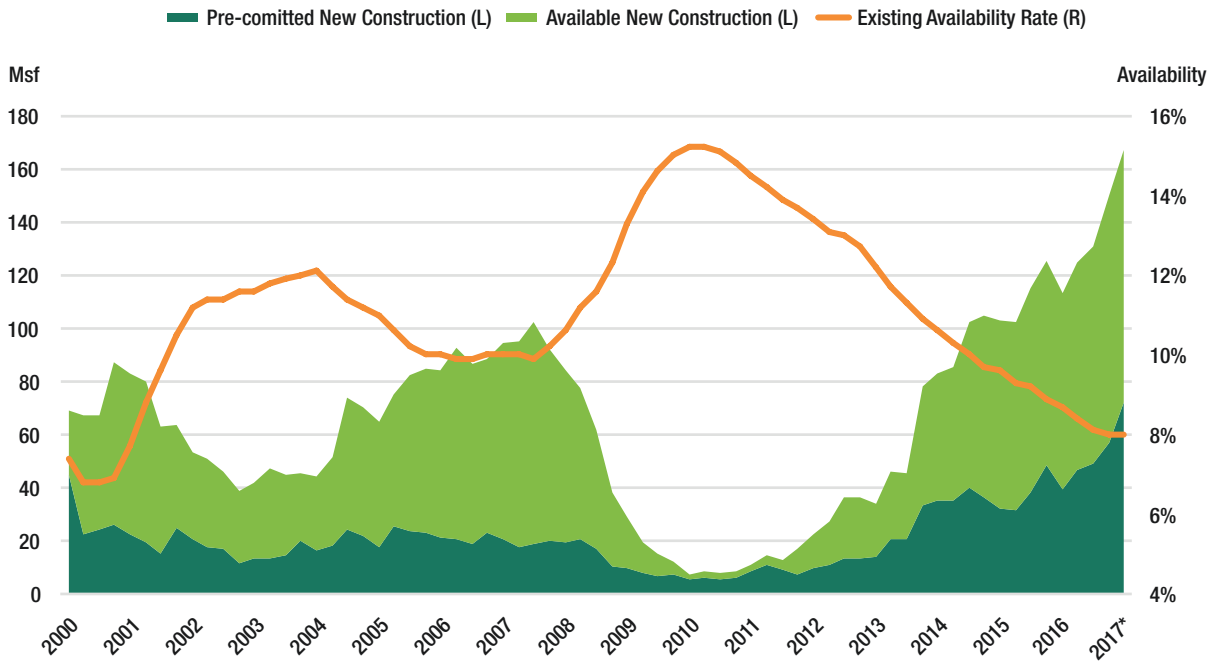
Spurring Growth

Edmonton, Alberta, has a robust industrial market with demand ranging from pet food to pot. Champion Petfoods recently announced a new 400,000-sf facility planned for the western part of Edmonton that will open in 2019.

Ford Canada also announced plans for a new 400,000-sf auto parts distribution center south of Edmonton in 2018, notes Carla M. Voss, CCIM, an associate at RE/MAX Commercial Capital in Edmonton. "As the economy in Alberta has been profoundly affected with the downturn in oil prices in the last three years, this has opened up different opportunities, such as the legalization of marijuana in 2016," Voss says.

The marijuana industry is igniting demand for space near the Edmonton International Airport. For example, Aurora Sky is building an 800,000-sf owner/user distribution facility to be completed during fourth quarter 2017. The facility is expected to be one of the most advanced production facilities in the world, according to Voss.

Warehouse Space Under Construction and Amount Precommitted



Source: CBRE Research, 2017
*Through Q1 2017

The legalization of marijuana is taking off in the U.S. with 26 states that currently have laws broadly legalizing cannabis in some form. Three other states will soon join them after recently passing measures permitting use of medical marijuana. Seven states and the District of Columbia have adopted the most expansive laws, legalizing marijuana for recreational use.

The marijuana companies typically are looking for large industrial warehouses for growing facilities, as well as processing, storage, and distribution. Companies are going into both new and existing facilities, as long as they have the correct zoning and are located the appropriate distance away from schools.

Certain cities are more friendly toward the emerging marijuana industry, and those cities and landlords that are more receptive to its use will attract demand and higher rents from these types of users as early adopters, Ng notes.

New Supply

Construction ramped up during the last few years, and steady demand for development continues in the pipeline, especially from e-commerce, third-party logistics, and retail users. Almost half of the 167 msf of U.S. warehouse space under construction in the first quarter — 72 msf — is already precommitted to tenants, according to a CBRE report.

The top three markets for warehouse space under construction include:

- Inland Empire, Calif., at 24.4 msf
- Dallas/Fort Worth at 14.7 msf
- Atlanta at 14.2 msf

Construction of speculative distribution facilities in Ohio markets has increased in each of the past three years and will approach record levels in 2017. "Spec development has increased exponentially just trying to keep up with the demand," DeFilippo says.

Cincinnati has close to 2.5 msf of new space coming online in the second and third quarters, with no preleasing. However, demand is still outpacing supply and continuing to push rental rates higher.

Investors also have an appetite to redevelop or repurpose obsolete buildings to create industrial facilities that are closer to the population for last-mile fulfillment. Much discussion has centered on whether vacant big-box retail stores, such as a Kmart or Sears, could be repurposed as industrial distribution and fulfillment centers.

U.S. Industrial Volume & Pricing

All closed U.S. sales; cap rates augmented by refinance data.
2017 YTD data through May 2017

Year	# Props	$ Volume	Avg Cap Rates	Avg PPSF
2001	1,659	16,354,332,714	9.1%	$53
2002	1,634	13,398,166,970	8.8%	$48
2003	1,801	15,995,405,859	8.6%	$49
2004	2,631	25,214,317,846	8.0%	$56
2005	5,285	49,754,205,198	7.6%	$60
2006	5,564	52,457,053,562	7.1%	$67
2007	5,757	60,881,884,484	6.8%	$70
2008	3,112	26,222,292,662	7.5%	$66
2009	1,376	10,324,862,181	8.2%	$55
2010	2,382	21,222,639,760	8.3%	$53
2011	4,123	35,251,524,420	7.8%	$55
2012	4,142	37,466,592,214	7.5%	$59
2013	4,564	46,690,966,912	7.5%	$63
2014	5,587	50,534,342,898	7.1%	$68
2015	7,544	78,301,973,152	6.8%	$74
2016	5,823	60,064,781,120	6.8%	$78
2017 (thru May)	2,175	22,527,963,315	6.9%	$83

Source: Real Capital Analytics, 2017

Top 10 Markets for Warehouse Space Under Construction

Market	Under Construction Space (sf)	Under Construction Precommitted	Existing Space Availability Rate
Inland Empire, Calif.	24,442,934	27.0%	6.8%
Dallas/Ft. Worth	14,687,355	21.5%	9.1%
Atlanta	14,174,507	39.4%	8.8%
Pennsylvania I-78/I-81 Corridor	13,482,425	32.8%	8.7%
Chicago	10,393,149	51.3%	8.4%
New Jersey	9,169,747	43.3%	6.4%
Kansas City, Mo.	7,183,755	54.0%	9.4%
Los Angeles	5,796,992	26.9%	3.7%
Indianapolis	4,168,823	50.6%	8.5%
Denver	3,233,676	70.3%	9.3%
Total	106,733,363	36.4%	–

Source: CBRE Research, 2017

Investors Strongly Support Industrial Assets

by Beth Mattson-Teig

Data that shows a decline in industrial property sales may not be an accurate barometer for the still-strong demand that exists in the marketplace.

After reaching a high of $78.3 billion in sales in 2015, sales dropped to $60 billion in 2016, and appear to have slowed further this year with year-to-date sales through May at $22.5 billion, according to Real Capital Analytics.

However, the 2015 sales volume was boosted by a few large portfolio deals. There weren't as many of those portfolio sales in 2016, which makes it appear — artificially — that demand has dropped off, according to Ryan Severino, chief economist at JLL. In 2015, 45 percent of sales were fueled by large-scale transactions greater than $150 million as compared to 15 percent in 2016, according to JLL.

"There is still a lot of money that is interested in industrial, particularly in individual deals," Severino says.

Investors like the fundamentals, and the forecast is for strong occupancies and rent growth to continue, even if there are some signs of slowing. Also, buyer demand is broad-based — coming from institutional and international capital — as well as owner-occupants and value-add investors that are looking to acquire and upgrade older assets.

Although single-asset deals represent the bulk of sales so far this year, some bigger portfolio deals have transpired. Recent notable sales included TA Realty's sale of a 45-property portfolio of office and industrial properties for a reported $854.5 million. The Hampshire Companies also sold a 1.2-msf, six-building portfolio in New Jersey for $146.9 million.

Despite concerns about rising interest rates, investors are still willing to pay top dollar for industrial properties. Cap rates held firm at 6.8 percent in 2015 and 2016. Rates have inched nominally higher to 6.9 percent in 2017. However, price per square foot has been climbing since 2011. Year-to-date sale prices through May were averaging $83 psf compared to $79 in 2016, according to Real Capital Analytics.

Cap rates are getting close to the peak, but some industry experts believe there is still room for compression in many markets nationwide.

"Quality industrial assets are trading at increasing price levels," says Loren M. DeFilippo, CCIM, director of research | Ohio for Colliers International in Cincinnati. Pricing also is motivating investors to expand strategies to consider new geographic markets.

As markets move closer to the peak, it is typical for investors on both the East and West Coasts to start looking in the Midwest and smaller secondary and tertiary markets where cap rates are higher, according to DeFilippo. That has certainly been the case in Cincinnati and Columbus, Ohio. "There are a lot of quality assets here and a lot of interest from investors," he adds.

Zoning and land costs are two potential stumbling blocks. However, there are cases where those conversions are moving forward successfully. For example, a shuttered Kmart was demolished in Cincinnati and replaced by a build-to-suit industrial building for a local supplier to the trucking industry.

In Cleveland, an Atlanta-based developer is looking at a vacant regional mall site on which to construct a 600,000- to 700,000-sf distribution facility for an undisclosed national company, DeFilippo notes.

Infill locations are attractive due to the high demand and barriers to entry for new competition. Historically, very few people worked in industrial warehouse facilities. Today, many individuals operate in these fulfillment and distribution centers, and they want to work in facilities that are close to amenities and are not parked out in a greenfield in the middle of nowhere.

"The employers, including Amazon, are going to look at space much the way an office employer does," says Scott Crowe, chief investment strategist and portfolio manager at CenterSquare Investment Management in New York City. "How is this space going to help me attract employees, hire people, and keep them happy?"

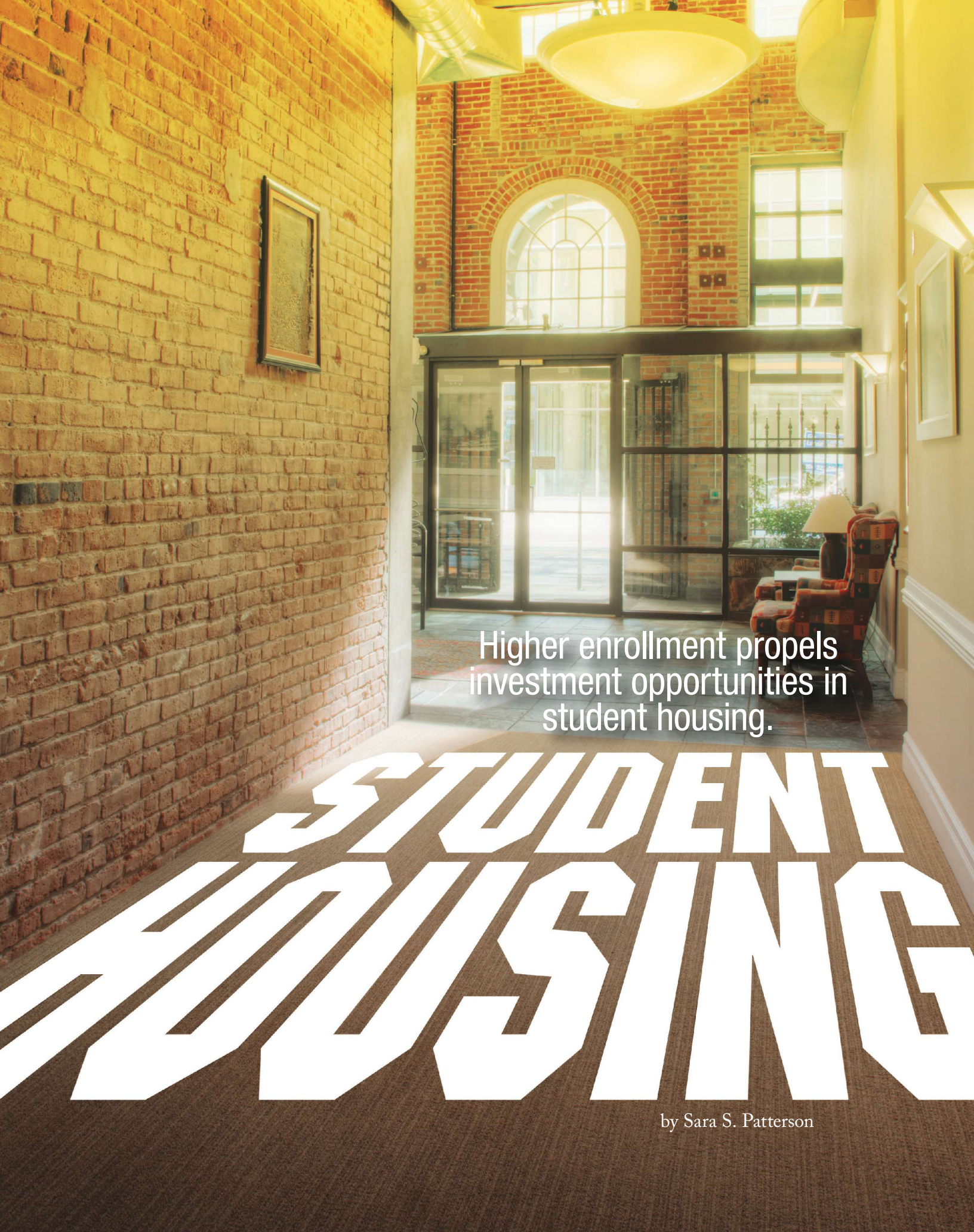
For example, CenterSquare recently acquired a former Quaker Oats facility just outside of Harrisburg, Pa. The Class A industrial market is situated on all of the major road arteries, which make it very easy to reach the entire northeast within a one-day drive, Crowe notes. CenterSquare plans to completely gut the facility and raise ceiling heights.

"The way to avoid competition is to add value by accessing assets that need some form of transformation, active management, and capital investment," Crowe says.

Although the pace of growth may be slowing, it appears that the stage is set for more expansion ahead, with developers, investors, and space users all remaining relatively active.

"I think we are years away from the end of the cycle," Crowe adds. "And I think we are going to be surprised about how long the cycle lasts, because it has been a very muted recovery, and risk aversion due to the global financial crisis has forced a lot of discipline into markets in general, including commercial real estate."

Beth Mattson-Teig is a business writer based in Minneapolis.



Higher enrollment propels investment opportunities in student housing.

STUDENT HOUSING

by Sara S. Patterson

Big investors continue to find higher return on investment in student housing than multifamily or office properties. For example, Singapore's sovereign wealth fund recorded $16.2 billion of student housing purchases in 2016 and an additional $3.3 billion of transactions in Q1 2017, according to Real Capital Analytics.

"Student housing is a whole different world than residences for families or seniors," says Will Baker, senior vice president and managing director at Walker & Dunlop in Birmingham, Ala. "We look at each college campus individually and evaluate the trends, such as enrollment growth, competition for student housing on- and off-campus, and which students are required to live on campus."

Currently, Baker foresees favorable conditions for financing student housing. In 2016, Walker & Dunlop lent $1.6 billion for student housing developments.

However, he expects a decrease in supply after 2017, based on more restrictive construction financing terms. While Baker doesn't believe student housing is recession-proof, he calls it "recession resistant."

Attracted by student housing's stability, other top global investors in student housing include GIC, Canada Pension, Scion Group, and Campus Advantage. Nationally, higher numbers of international students flowing into U.S. colleges continue to fuel optimism. Students from China and India top the list, according to Oxford Economics.

Sunbelt Rising

Nationally, most new units are springing up off-campus, in mixed-use development high rises with retail on the ground level. The most desirable locations are close enough for students to walk to campus or commute quickly by light rail.

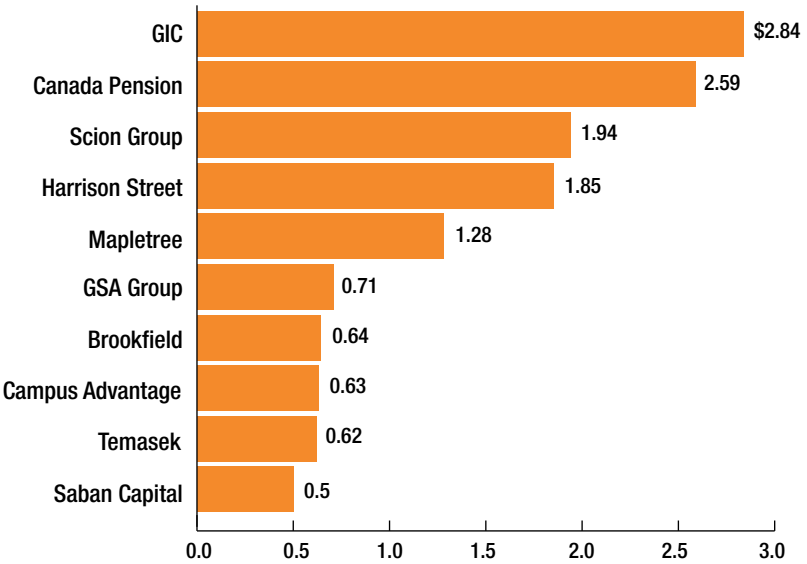
Boosts in student enrollment drive student housing, with the heaviest activity in the Sunbelt states, according to Scott Streiff, executive vice president at JLL Capital Markets in St. Paul, Minn. "During the last 20 years, the Sunbelt states have built triple the number of new student housing units compared to the rest of the U.S.," says Streiff, who specializes in multifamily and student housing.

Streiff points to data from AxioMetrics that show about 450,000 student housing units have been constructed in the south and southeastern U.S. during the past two decades. Securing second place, the Midwest boasts 150,000 new student housing units.

While most construction has been in high-amenity student housing during the past five years, the next level of growth will be for more moderately priced student housing, according to Sonny Ginsberg, co-founder of Ginsberg Jacobs LLC in Chicago. "There's room for growth in next 20 percent of student housing," he says. "The saturation level differs in this space for students with more limited housing budgets."

Top Global Investors

$ billions



Source: Real Capital Analytics investment data from January 2016 to March 2017

The cycle for high-amenity student housing has been hot for several years. Signaling a slight slowdown, underwriting for loans is getting tighter, and new construction requires more equity now than a few years ago, says Ginsberg, who represents lenders in student housing and also conducts retail leasing for CA Ventures.

Small Investors Beware

While cities like Boston and Chicago are home to multiple universities, secondary and tertiary markets serve as hubs for most campuses and experience higher demand for student housing.

"College towns have become tech centers and have turned into year-round communities in smaller markets, especially in the Midwest," Ginsberg says.

While student housing holds continued luster for investors, it is not easy money, according to Jim Tansey, CCIM, managing broker of Lockard Commercial in Coralville, Iowa. Currently,

Spaces Images

Tier One 2016 Year-End Report

20K+ Enrollment

▲ 37.3% Total Transactions	232 2015 | 169
▲ 39.0% Total Units Sold	41,509 2015 | 29,870
▲ 47.4% Total Beds Sold	107,175 2015 | 72,693
▲ 46.4% Total Sales Volume	$4.685M 2015 | $3.2M
▲ 0.81% Average Price per Unit	$200,915 2015 | $199,298
▼ -7.72% Average Price per Bed	$67,769 2015 | $73,439

Source: Real Capital Analytics published by Colliers International Student Housing Group

Tansey brokers transactions and develops retail opportunities for the University of Iowa campus in Iowa City, Iowa. Previously, he was an owner of student housing properties.

"We work to educate small investors about student housing, which is not a quick-profit investment," he says. "Cap rates are below market, and undergraduate students are not good caretakers of properties."

Likening student housing to an arms race, he says as an owner it's tough to keep up with needed renovations and desirable new amenities. As an alternative, Tansey finds the student-specific retail market is a good niche for investment.

While Iowa City is a tertiary market, Tansey is working with more big players because "lots of opportunities in the primary and secondary markets are picked over."

On the upside for investment, "student housing does well when the economy is strong and is stable in down cycles," Tansey says.

Building Reputation

Establishing and maintaining a good reputation at universities is a top priority. Those colleges attract high-quality students, drawing from greater numbers of applicants.

"Due to the substantial capital investment required to develop and establish real estate investments, it is risky for an investor to be the first to move into areas where a particular university has not established its gravitational pull for attracting other viable commercial endeavors," says Mario Guevara, CCIM, real estate project manager at Silver City Partners Ltd. in Winter Park, Fla.

The management of student housing investments requires providing capital management, overseeing the property, and keeping up with the local economic pulse. "Due to constantly evolving tastes, student housing assets have to comply and conform to market trends, which usually means large capital infusions," he says.

In Guevara's market, the University of Central Florida hit its stride in the 1990s and has been strengthening its undergraduate and graduate programs ever since. Through its 54 years of operations, increasing numbers of its graduates have found good jobs locally.

For instance, UCF provides many engineers to nearby Cape Canaveral. Specialized positions in the military, Walt Disney World, and other entertainment businesses are other good employers for UCF graduates.

Describing the Orlando metro area as "bursting at the seams," Guevara sees UCF spurring multiple offshoots, which create opportunities for other businesses to flourish. In turn, this propels demand for more commercial property development.

Midwest Hub

College towns like Columbus, Ohio, often have more than one major university to support the expansion of student housing, as well as other commercial property development. Yet even with 20 universities and colleges in the Columbus metro area, The Ohio State University stands out for its consistently robust enrollment growth — between 5 and 10 percent annually. During the past five years, higher numbers of students have fueled nearly $2 billion in construction.

Of that budget, 25 percent was invested in renovations and newly built on-campus dorms to support Ohio State's mandate in 2016 for sophomores to live in on-campus university housing. Previously, only freshmen had to live on-campus.

Despite the loss of sophomores to on-campus housing, Steve Reynolds, CCIM, predicts 10,000 more residential units will be added to the core urban center of Columbus. "I don't see any reason for student housing to slow down here," says Reynolds, owner of Pinnacle Associates in Grandview Heights, Ohio. "If the economy tanks, Ohio State enrollment will not decrease from 66,000 students to 33,000."

As an investor in student housing, he advises buyers "to buy right, sell right, and know what you're buying into, such as student housing built close to campus."

Retail Gems

In the past decade, some large universities show significant shifts in students living on campus versus

commuting students. For example, the University of Minnesota in Minneapolis traditionally had 80 percent commuter students, and now it has a 50/50 split between commuters and on-site dwellers.

As a result, student housing has expanded by 5,000 units in the last five years. Along with additional housing has come the need for more retail, which is targeted for students' tastes and budgets.

On the retail side of student housing, Barry Brottlund, CCIM, has seen mixed-use projects change the commercial property dynamic near the University of Minnesota's campus. "The merchandise mix for students has to be determined carefully," says Brottlund, principal at InSite Commercial Real Estate in Vadnais Heights, Minn.

For example, near the University of Minnesota campus, Target has plenty of bedding, potato chips, nuts, and beef jerky, with a smorgasbord of sandwiches and highly caffeinated drinks. Students gravitate toward local ethnic restaurants, mobile phone service providers, fitness centers, and coffee shops like Starbucks, according to Brottlund.

With their busy schedules, students want retail shopping close by — saving them time, money, and resources, he says. "What doesn't sell well are soft goods, especially fashionable clothing," Brottlund says.

While student housing continues its solid performance for multiple investors, caution is creeping into some local markets for U.S. universities. Investors have to evaluate each market individually and look closely at trends for each college.

Sara S. Patterson is executive editor of *Commercial Investment Real Estate.*

Tier Two and Tier Three 2016 Year-End Report

0–10K and 10K–20K Enrollment

▲ 88.5%	Total Transactions	98 2015 | 52
▲ 108.2%	Total Units Sold	14,665 2015 | 7,045
▲ 109.3%	Total Beds Sold	32,968 2015 | 15,753
▲ 145.3%	Total Sales Volume	$1.962M 2015 | $880K
▼ -8.57%	Average Price per Unit	$149,879 2015 | $163,931
▲ 0.21%	Average Price per Bed	$54,863 2015 | $54,748

Source: Real Capital Analytics published by Colliers International Student Housing Group

Boon for Canadian Universities

by Sara S. Patterson

Student enrollment at all Canadian colleges in the province of Ontario — including University of Waterloo and Wilfrid Laurier, two world-class universities in Waterloo, Ontario — was supposed to decline from 2017 to 2021. Instead, the two Canadian universities will be at maximum capacity in September 2017, with a combined total of more than 55,000 students in a city of 120,000 people.

International student applications increased by 48.3 percent at Wilfrid Laurier, and 27 percent for undergraduates and 31 percent for graduate students at the University of Waterloo. A weak Canadian dollar explains some of the surge, while immigration concerns about attending universities in the U.S. and U.K. are another factor.

"Due to immigration changes in other countries and the ensuing visa concerns, increasing numbers of international students are coming to Canadian universities," says Mike Milovick, CCIM, BBA, broker at Royal LePage Grand Valley Realty in Waterloo. "I see both universities poised for tremendous short- to medium-term growth during the next four years."

Both the surprise boost in student enrollments and recent changes in local zoning laws allowing for mixed-use developments contribute to a surge in constructing high-rise student housing with ground-level retail space. The tallest buildings — up to 25 stories — are being built closest to the universities' campuses.

While increasing enrollments and mixed-use property zoning compel new construction and renovation of older residences for students, securing financing for these projects can be challenging, according to Milovick. Unlike in the U.S., Canadian banks are national and implement financing programs to lend nationwide. Since Waterloo contains about 50 percent of the off-campus student housing in the country, it defies national trends.

To overcome this barrier, developers often turn to local Canadian credit unions, which have a better understanding of differences among specific markets, according to Milovick. Also, Canadian financial institutions are wary of investing in mixed-use properties, but retail space is being absorbed by the likes of health food stores, ethnic restaurants, and smoking apparel shops.

He expects amenities-driven student housing to continue its momentum for the next five years in Canada.

Negotiating Difficult Deals

CCIMs use radical empathy to achieve positive outcomes.

by Rich Rosfelder

Based in New York City, Paul Waters, CCIM, is chief operating officer for Integra Realty Resources, one of the largest independent appraisal firms in the country. His company deals mostly with lenders. And lenders don't have time for heart-to-hearts.

"Our clients want hard data, not empathy," he says.

This sentiment will sound familiar to commercial real estate advisers with large firms in primary markets. Participants in sophisticated, institutional-level transactions often pride themselves on using only cold, calculated analyses of the facts to arrive at a go or no-go decision. In the era of big data and online sales platforms, this approach is easier than ever.

But for advisers to less experienced investors, the commercial real estate transaction remains all too human. It's their job to navigate through the emotions, the competing interests, and the miscommunication to get to that closing.

"You can't prevent conflict," says Byron Smith Sr., CCIM, president of Metropolitan Realty Group in Vienna, Va., and a CCIM instructor. "But you can try to reduce it as much as possible."

Challenging Deals

The problem isn't always as simple as disagreement over price.

"The underlying factors are always fear and greed," says James A. Palmer, CCIM, broker with RE/MAX Hallmark Realty Group in Ottawa, Ontario. "They're always there subconsciously, in our clients, other brokers, and ourselves."

When faced with such challenges, the commercial real estate adviser has the opportunity to step into the role of psychologist. "Like a therapist, the adviser is there to probe and examine to get to the solution," Smith says.

Lydia Bennett, CCIM, CPM, owner of CRE West Coast in Bellingham, Wash., sees fear among an increasing segment of novice transaction parties: the families of aging owners and investors who have input on financial decisions. "This situation is probably becoming more common as commercial real estate continues to be owned by investors from afar, as well as family investment trusts," Bennett says.


DNY59

In a recent transaction, she represented the buyer of an 18,000-sf medical office building near Seattle. One of the elderly owners was involved, but some decisions fell to a real estate holdings trust, which was controlled by other family members.

"They were very suspicious that we were taking advantage of the family in this deal, for no other reason than we did not offer full price," Bennett says. "They were emotionally invested."

In other transactions, the factors that create challenges seem to be more straightforward. When identifying issues that generate conflicts, Ankur Patel, CCIM, vice president with Old Second National Bank in Chicago, mentions third-party appraisal or environmental reports with unexpected results; tenant lease clauses; and buyers' inability to qualify for financing.

But these factors alone often don't derail deals. Brian Elrod, CCIM, associate broker with Coldwell Banker Commercial Upchurch Realty in Athens, Ga., sees a lack of effective communication as the source of many of these challenges.

"It's possible for someone to be talking a lot but not really saying much," he says. "Brokers who merely parrot what their client says are not servicing their client; they're just repeating."

Facing the Fear

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."

Larkin, who also teaches CCIM Institute's Commercial Real Estate Negotiations course, recommends starting with a mnemonic device to develop open-ended questions: NUMERAL — needs, urgency, motivation, expectations, resources, authority, and loyalty.

"Once all of the stakeholders' interests have been uncovered, we then construct a stakeholders' chart and plan the negotiations," Larkin explains. "A good transaction manager gets as much information as needed to solve the problem."

He adds that the prisoner's dilemma — the choice of whether to cooperate or compete — can cause conflict. "To have a win-win transaction, you need to make the pie bigger with the sharing of information," Larkin says.

And what of the calculations that illustrate value and opportunity, such as internal rate of return? Through its designation program, CCIM Institute equips commercial real estate professionals to analyze and interpret complex financial and market data. But when the fear is palpable, this probably isn't the best place to start.

"While we often say commercial real estate is all about the numbers, there is always more than the numbers," says Edward Craine, CCIM, CEO of Smith-Craine Real Estate Financing in San Francisco.

He often works with individual and small-group investors whose decisions may be affected by multiple nonanalytical factors, including risk tolerance, desire for security, holding strategy, estate planning, or even pride and other emotions.

Once a commercial real estate adviser has identified the needs and interests of the stakeholders, the pathway to empathy is open.

Overcoming the Fear

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," according to Smith.

So what tactics can commercial real estate advisers employ to increase empathy and move the transaction to a more rational place?

Perhaps the best way to empathize with those involved in transactions is to become actively engaged in the buying and selling of commercial real estate.

"We should all go through the buy side or the sell side ourselves to experience firsthand what our clients go through," says Linda Gerchick, CCIM, designated broker with Gerchick Real Estate in Scottsdale, Ariz. "As an active investor myself, I know the frustrations that can come."

Now, Gerchick approaches every deal as if she were the buyer.

In some cases, empathy may show advisers that their own biases could be hindering a deal. Patel suggests bringing in neutral third parties, such as CPAs, attorneys, or other consultants, who specialize in an area that's presenting a challenge.

Bennett used this tactic in her difficult medical office building deal. "We had the escrow company sit down with the family and explain every cost and why these costs were typical," she says. "The sellers came away feeling much better, and they were grateful to us for taking that extra step."

Clear and effective communication also is key.

"It's all about full disclosure, including the data," says Waters, who spent 26 years on the transaction side, including stints at CBRE and Cushman & Wakefield. "You're best served by an educated consumer, and full transparency provides both sides with the same information to interpret."

After in-person negotiations, this could take the form of a follow-up email or a formal documentation of the process to create a paper trail.

Context may contribute to effective communications as well. "It sounds crazy, but sometimes things change for the good when people talk to each other face-to-face, without text, email, or Skype," Elrod says.

This idea isn't crazy. In a 2014 paper, researchers from the University of Chicago and Harvard Business School found that handshaking promotes more cooperation and influences negotia-

tion outcomes. Other studies indicate that in-person meetings can have similarly positive effects.

Palmer strongly believes in not only meeting face-to-face, but also meeting at the property in question. "Issues are physical and can be brought to the fore," he explains.

Additionally, Palmer provides micro-solutions that can help to build trust with prospective clients. "During the first meeting or telephone call, I always give them something," he says. For example, if they're looking for office space, he'll direct them to the space calculator on his website, so they can determine roughly how much space they'll need.

It can also be useful for advisers to create guidelines to keep themselves focused.

"I don't calculate my commission until after the deal is done," says Terri Dean, CCIM, broker and owner of Dean Commercial Real Estate in Huntsville, Ala. "Money can't be my top priority when negotiating for my client. I ensure that my commission is there if I have the buyer or lessor, and then I work on a win-win situation for the parties involved."

Some combination of the tactics above, along with plenty of patience, should help to keep difficult, emotionally fraught deals on track.

No matter how prepared they might be, advisers can't always make a deal work. As Bennett notes, however, "they can always try to make it work with respect and empathy for everybody involved."

Rich Rosfelder is strategic communications director at CCIM Institute.

Conflict and Personal Brand

by Tom Silva

The concept of a personal brand is still emerging within the commercial real estate industry, but it has enormous implications for dealing with conflict during the transaction process.

Why Brand?

As a concept, branding is fairly new. It really only took hold in the late 1980s when companies like Kraft and Rowntree were sold for upwards of 500 percent of their book value — causing Wall Street analysts to realize that the strength of a brand had real financial value.

In the same way, a strong personal brand has cash value because it allows commercial real estate professionals to do three things: command a premium in the marketplace; raise the barrier of entry to new competitors; and innovate new services and products. During the commercial real estate transaction process, this translates into better client service.

A personal brand engenders fiduciary-level trust in commercial real estate professionals' counsel, resulting in confidence in their products and services.

Defining Personal Brand

Simply put, defining a personal brand reformulates your resume from a static laundry list of roles and responsibilities and projects into a narrative informed by the commercial real estate professional's vision, mission, values, and promise, delivered through an authentic voice. That personal brand is then radiated through a suite of touchpoints, such as a LinkedIn profile, a company website, correspondence, feature stories in the media, and speaking engagements. Even small interactions are touchpoints, and every touchpoint authenticates the meaning of a commercial real estate professional's personal brand.

In moments of conflict, this personal brand becomes activated in powerful ways. Whether it's a tense lease negotiation around early-exit provisions, arguing basis points in a disposition, or even a legal challenge because of a zoning variance, it is incumbent on commercial real estate professionals to move up the value chain. They need to listen deeply and counsel customers, seeing the process through their clients' eyes.

This encompasses understanding the equities that exist in a commercial real estate professional's personal brand, so he can grasp what's expected of him during times of conflict. If commercial real estate professionals are tenant reps, for example, their clients trust them for advice on a buy/hold decision or a sale/leaseback, which may have enormous implications for their financial ratios and even the viability of their business going forward.

A personal brand should demonstrate creativity, deep sector knowledge, and respect for all parties. Throughout, a commercial real estate professional's brand should be positive and angled toward the future, as well as on a quest toward progress.

The brand also has a halo effect on the people that commercial real estate professionals recommend — value-added partners such as lenders, CPAs, attorneys, or environmental consultants. This is why a practitioner with a strong personal brand is a source of comfort and security to customers during contentious times. It removes risk and minimizes the contingencies of the commercial real estate process.

Tom Silva is founder of Silva Brand, a brand consultancy and marketing agency focused on the commercial real estate industry. Visit www.silvabrand.com.

BUSINESS AVIATION

Flying to meet prospective clients face-to-face spurs business expansion.

by Angelo Fiataruolo

Time is one of the most valuable resources commercial real estate professionals possess. From impressing clients to growing and managing real estate portfolios, bandwidth remains limited. With only 24 hours in a day, investing time wisely is critical to success.

For individuals looking to maximize their time while growing their business, private aviation serves as one of the best tools. Those in the business refer to private aviation as business aviation. By flying private, either on a company-owned aircraft or through charter services, commercial real estate professionals can simplify

the travel process, use their time efficiently, and experience increased business growth.

Achieve Business Growth

According to the National Association of Realtors' 2016 Q4 Commercial Real Estate Market Survey, the volume of investment sales has accelerated, with 69 percent of Realtors reporting closed transactions. As the economy remains on the upswing and the real estate market capitalizes, finding new ways to extend commercial real estate professionals' reach to out-of-market areas becomes a critical strategy for building business.

It's no coincidence 88 percent of the top 50 companies in the *Forbes* Global 2000 are business aircraft users, according to a study by NEXA Advisors LLC. Business growth is the No. 1 reason companies invest in business aviation. Their employees can arrive where and when they need to be. They also recognize the immeasurable value of a face-to-face meeting.

Relationships drive business in the commercial real estate industry. While technology has opened the lines of communication, nothing can replace personal contact.

Increase Access

Not all business occurs in Los Angeles, Chicago, or New York City. Often, clients are based in smaller markets, such as Eden Prairie, Minn. Private aviation provides increased access to secondary and tertiary areas. In fact, commercial flights can only access roughly 500 airports, while private flights have access to more than 5,000 airports.

When time and business are on the line, the ability to arrive at the desired location quickly is desirable. Often what spurs companies to first use business aviation, specifically charter, is an issue professionals didn't anticipate, such as taking a last-minute trip to survey a new job or visit a client during a crisis.

When examining the cost of a charter service, it's surprisingly close to the cost of flying commercial. Last-minute commercial flights can range from $600 to $1,200, round-trip. By using a charter option to go the same distance, the total cost of this flight for up to six people comes to about $6,500 or $1,083 each.

Boost Talent Acquisition

According to ManpowerGroup, 40 percent of all global employers report talent shortages. As these workforce shortages continue to expand and affect the industry, companies must have initiatives in place to attract and retain top talent.

The opportunity to travel is an effective recruitment tool. However, relentless business travel can wear down even the most dedicated employee and contribute to the turnover of talented individuals.

Business aviation gives employees the ability to take a business trip and return in time for dinner. They will experience less burnout.

If a business isn't looking to hire, but instead wants to capitalize on the time and bandwidth of its current team members, business aviation can allow these employees to use their time to build business and create winning strategies.

According to a National Business Aviation Association survey, passengers are 20 percent more productive on board a company aircraft than in the office. This is particularly important as the use of laptops, iPads, and other business tools on commercial flights comes under scrutiny for safety reasons. When commercial real estate professionals fly private, they can work on any device of their choosing.

Helping employees create true work and life balance leads to continuous growth for businesses by creating a happier, more productive workforce.

Maximize Efficiencies

Whether looking for efficiencies in time or budget, business aviation helps commercial real estate professionals do more with less. For example, once last-minute pricing, rental cars, and hotels are accounted for, making the jump to flying private is often a cost-effective alternative to the commercial route. And while the value of being there can't be directly quantified, it is worthwhile when cultivating relationships and often can result in increased revenue opportunities through deals that may not close without travel.

Business aviation allows commercial real estate professionals to wisely invest their time, capital, and people. Whether through the purchase of an aircraft or reservations on a charter, employees go places quickly and effectively, while growing the business.

Angelo Fiataruolo is general manager of KCAC Aviation in Olathe, Kan. Contact him at angelo@kcac.com.

EXTREME-PHOTOGRAPHER

Santa Clara CVB

{WEST}

Silicon Valley's **Biggest Deal**

Digital Bridge Holdings LLC and its consortium partners, including TIAA Investments and Public Sector Pension Investment Board, purchased Vantage Data Centers in Santa Clara, Calif., for $1 billion from Silver Lakes Partners. The demand for data center facilities is high because of ever-stronger mobile devices and the proliferation of more streaming content. Hyperscale facilities such as Vantage use virtual servers to accommodate increasing computer demands without needing more physical space, cooling, or electrical power. "An enormous amount of [construction] activity continues to occur as preleasing in future projects," says Jeff West, CBRE director of data center research. "More than 111 megawatts of preleased space are under construction and are indicative of the sheer magnitude of leasing being driven by cloud service providers over the past several quarters."

{WEST}

Cannabis Rocks in Denver Industrial Market

Marijuana growers continue to expand in Denver's industrial market. Currently, they lease 4.2 msf and have expanded 14 percent since Q4 2015, according to CBRE. Cannabis operations are concentrated solely in Class B and C industrial space, with 63.4 percent in warehouse space. The average lease rate for marijuana growers was $14.19 psf triple net, which is two to three times higher than the average warehouse lease rates in the four top cultivation submarkets. Consolidation continues in the marijuana industry, with well-established operators buying smaller mom-and-pop growers.

{SOUTHWEST}

Panama Canal Boosts New Development in Houston

Last year's expansion of the Panama Canal has resulted in a new 500,000-sf industrial development in Houston. Avera Cos. will build a railcar storage and expansion distribution facility, which includes 10,000 feet of rail, for Vinmar International, a Houston-based petrochemical marketer and distributor, and a major user of the Panama Canal.

gelpilot/Getty Images

teresachicago/Getty Images

{MIDWEST}

Transforming Chicago's Southwest Loop

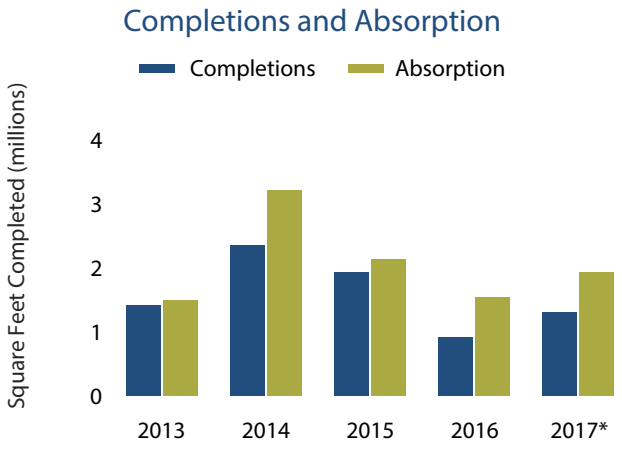
- **Blackstone** has started a **$500 million renovation** of the 3.9-msf **Willis Tower** (built as Sears Tower in 1970), which is the **most the company has ever invested in a single building**. Renovations encompass replacing the existing plaza with a glass wrap-around structure at the base of the tower; expanding the Skydeck for tourists; and adding amenities for office tenants.
- **Union Station** also is getting a **makeover in three phases**. The first phase includes **renovation of Union Station's historic rail house,** a new 110,000-sf **food hall,** 100,000 sf of offices and hotel rooms, and two 12-story residential structures. Phases two and three will add more office and residential buildings.
- Vacant since 1997, **Chicago's Old Main Post Office** will undergo a **massive interior and exterior renovation** by 601W Companies, a New York-based developer. The **historic art deco building** will be turned into an **office development** with a large **public riverfront plaza** with a **boat launch and outdoor seating for restaurants** and other amenities for office tenants.

Source: MB Real Estate

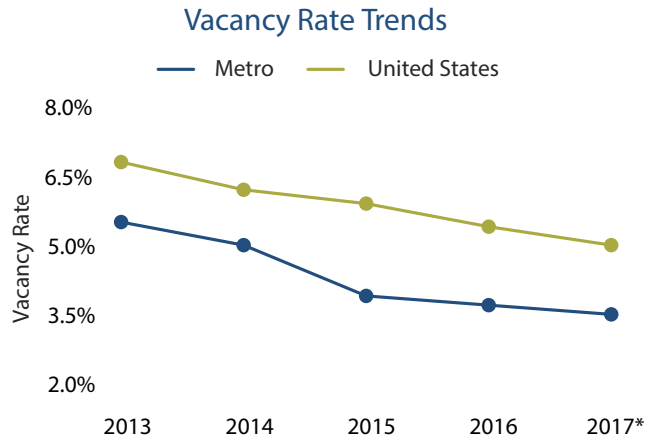
{NORTHEAST}

Boston Is Beacon for Retail

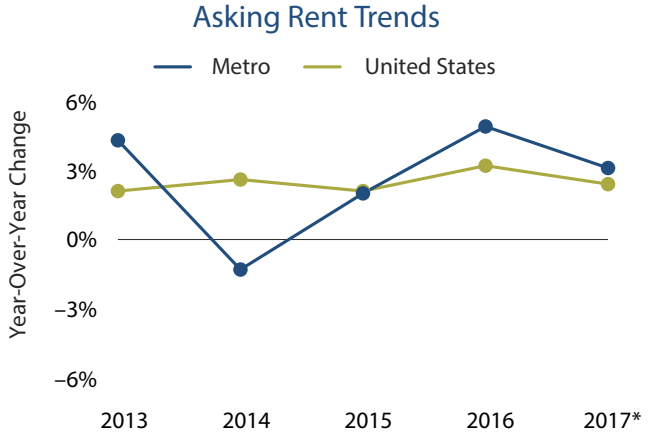
Construction: 700,000 sf completed YOY



Vacancy: 50-basis-point decrease in vacancy YOY



Retail Rents: 4 percent increase in the asking rent for retail YOY

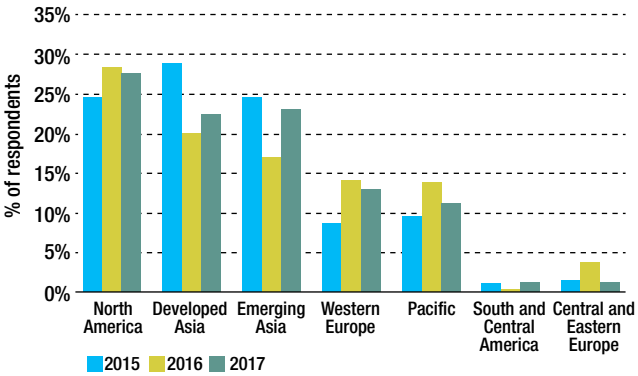


* Forecast
Source: Marcus & Millichap

London's Big Deal

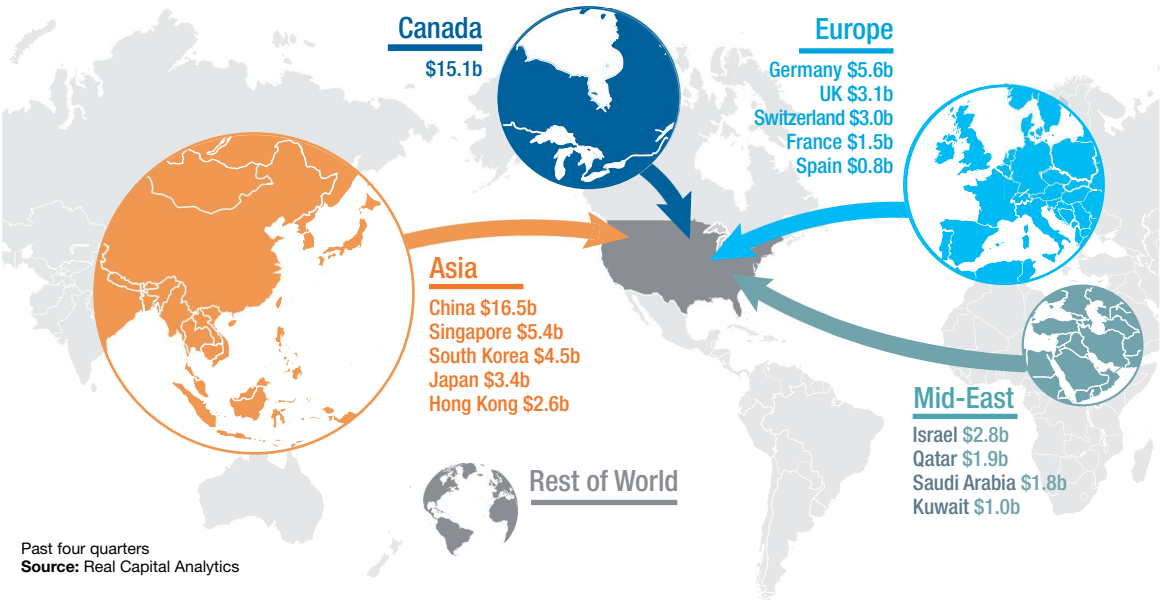
A European office REIT and a Chinese property developer joined forces to buy a trophy office building in London for approximately $391 million. NorthStar Realty Europe Corp. and China Resources Land Limited acquired 20 Gresham Street from AXA Investment Managers. This investment is the first commercial real estate investment in Europe for CRL. Located in London's largest business district, the 242,807-sf property is close to St. Paul's Cathedral and the Bank of England. The building is fully leased with blue-chip financial service firms, which include ICBC Standard Bank Plc, TSB Bank plc, Sacker & Partners LLP, and TLT LLP.

Comparative Shopping for Asia-Pacific Investors



Source: CBRE Asia Pacific Investor Inventions Survey 2017

U.S. Cross-Border Flow Slows Down



Past four quarters
Source: Real Capital Analytics

Global Markets to Watch

Rents in Grade A office buildings in Beijing's CBD are expected to decline 15 percent by 2021 as supply continues to rise in 2017, according to the *China Daily*. The vacancy rate for premium office buildings in Beijing rose to 6.1 percent in Q1 2017, up 0.5 percent from Q4 2016, leading to a 0.2 percent decrease in the average monthly rent, according to Savills in London. High-end leasable office space has grown to 10.08 million square meters in Beijing.

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THE **BIGGEST** DEAL

Norm Khoury, CCIM, and a partner of Colliers International | Greater Cincinnati in Cincinnati represented VanTrust Real Estate LLC in the $33.8 million sale of the 674,500-sf Park 536 industrial building to Kroger Co.

Industrial

1 BIGDEAL **Arie Salomon,** CCIM, **2** **Jeff Forsberg,** CCIM, and a partner of NAI Puget Sound Properties in Bellevue, Wash., negotiated the $23.3 million lease of the 220,800-sf CenterPoint Kent 167 located at 26600 72nd Avenue S. in Kent, Wash., between CenterPoint Properties and an undisclosed tenant.

3 **Lindsay Himelright**, CCIM, of Harvey Lindsay Commercial Real Estate in Norfolk, Va., represented General Foam Plastics Corp. in the $8.5 million sale of a 400,000-sf industrial property located at 1440 London Bridge Rd. in Virginia Beach, Va., to an undisclosed seller.

4 **Michael Yurocko**, CCIM, of SLC Commercial in Vero Beach, Fla., negotiated the $4 million sale of the 52,000-sf Oslo Road Storage located in Vero Beach from Oslo Road Storage to StoreRight.

5 **Peter Messina**, CCIM, of Brenner Real Estate Group in Fort Lauderdale, Fla., represented Raychel Industries in the $3.6 million sale of a 15,245-sf industrial property located at 21005 Taft St. in Pembroke Pines, Fla., to Edmil Investments Corp.

Office

6 BIGDEAL **Heath D. Bullock,** CCIM, of JLL in Des Moines, Iowa, represented the Federal Home Bank of Des Moines in the $20.5 million purchase of a 225,000-sf office building at 909 Locust St. in Des Moines from an undisclosed seller.

7 **John K. Crotty,** CCIM, and a partner of Avison Young in Coral Gables, Fla., represented LNR Partners and John Mitchell in the $18.6 million sale of the 245,550-sf Professional Centre at the Gardens located at 11601-11641 Kew Gardens Ave. in Palm Beach Gardens, Fla., to 11601-11641 Kew Gardens LLC.

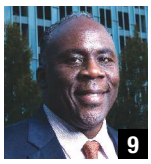
8 **Jill Rasmussen**, CCIM, of Davis Real Estate in Minneapolis negotiated the more than $9.9 million lease of a 20,700 rentable square feet medical office building located at 1973 Sloan Place in St. Paul, Minn., between an undisclosed lessor and an undisclosed lessee. Rasmussen also negotiated the more than $7.8 million lease of a 10,500-rsf office building from an undisclosed lessor to Centrasota Oral Surgeons and Central Minnesota Orthodontics.

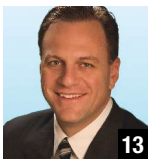
9 **Alfonso Holloman**, CCIM, of Lee & Associates in New York City represented Colonade Commons LLC in the $9.3 million purchase of a 73,000-sf office building in New York City from Seagis Property Group.

10 **Pete Brett**, CCIM, and **11** **David Sigmon**, CCIM, of Coldwell Banker Commercial Caine in Greenville, S.C., represented Medical Center Realty LLC, North Medical Building Corp., and EMCD Properties LLC in the more than $7.3 million purchase of a 20,900-sf medical office building located at 2400 Boiling Springs Road in Boiling Springs, S.C., from Upstate Affiliate Organization dba Greenville Health System.

12 **Gary Lyons**, CCIM, of Avison Young in Raleigh, N.C., and **13** **John K. Crotty**, CCIM, of Avison Young in Coral Gables, Fla., represented Savitar Companies LLC in the more than $7.3 million sale of the 146,850-sf Eastport office building located in Greensboro, N.C., to Eastport Ventures LLC.

14 **T.C. Macker**, CCIM, of Coldwell Banker Commercial WESTMAC in Los Angeles represented a private seller in the $7.2 million sale of a 14,000-sf medical building located at 2216 Santa Monica Blvd. in Los Angeles to an undisclosed buyer.





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CCIM Institute delivers the finest practical commercial real estate education in investment strategy, financial analysis, and market analysis, allowing members to reach their highest potential as real estate practitioners.

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Sep 25 - 28	Dallas	TX
Sep 25 - Nov 1	Online	
Sep 26 - 29	King of Prussia	PA
Oct 2 - 5	Grand Rapids	MI
Oct 3 - 6	Winnipeg	MB
Oct 9 - 12	Louisville	KY
Oct 10 - 13	Nashville	TN
Oct 23 - 26	Denver	CO
Oct 23 - 26	Fort Myers	FL
Oct. 30 - Nov 2	Fairfax	VA
Nov 6 - 9	Raleigh	NC
Nov 6 - 9	St. Louis	MO
Nov 6 - 9	New Orleans	LA
Nov 6 - 9	Austin	TX
Nov 13 - 16	San Francisco	CA
Nov 14 - 17	Costa Mesa	CA
Nov 14 - Dec 19	Online	
Dec 4 - 7	Houston	TX

CI 102: MARKET ANALYSIS FOR COMMERCIAL INVESTMENT REAL ESTATE

Sep 12 - Oct 11	Online/Austin*	TX
Sep 18 - 21	Medford	MA
Sep 25 - 28	Bentonville	AR
Oct 2 - 5	Honolulu	HI
Oct 30 - Nov 2	Las Vegas	NV
Oct 30 - Nov 2	East Hartford	CT
Nov 6 - 9	Iowa City	IA
Nov 6 - Dec 11	Online	
Nov 6 - 9	Orlando	FL

CI 103: USER DECISION ANALYSIS FOR COMMERCIAL INVESTMENT REAL ESTATE

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Oct 2 - 5	El Paso	TX
Oct 3 - 6	Chicago	IL
Oct 3 - Nov 9	Online	
Oct 10 - 13	Salt Lake City	UT
Oct 23 - 26	King of Prussia	PA
Nov 6 - 9	Atlanta	GA
Nov 6 - 10	Miami	FL
Nov 13 - 16	Minneapolis	MN

CI 104: INVESTMENT ANALYSIS FOR COMMERCIAL INVESTMENT REAL ESTATE

Sep 18 - Oct 25	Online	
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Sep 26 - 29	Houston	TX
Oct 10 - 13	Tulsa	OK
Oct 30 - Nov 2	San Francisco	CA
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Advanced Market Analysis for Commercial Real Estate	Oct 2 - 11
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Controlling the Deal	Oct 11
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Fundamentals of Real Estate Auctions	Oct 23
Financial Analysis Tools for Commercial Real Estate	Oct 24 & 26
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15 Gibson Kerr, CCIM, of Cushman & Wakefield in Kansas City, Mo., and three partners represented Orix in the $5.5 million sale of a 146,000-sf office building located at 1414 Genessee in Kansas City to an undisclosed buyer.

16 Dave Wallace, CCIM, and a partner of CRE Consultants in Fort Myers, Fla., negotiated the more than $4.3 million sale of the 25,000-sf Royal Palm Professional Center in Marco Island, Fla., from HHL Properties to 997 Collier Properties LLC.

17 Enn Luthringer, CCIM, of CRE Consultants in Fort Myers, Fla., represented National Bank of Commerce in the more than $3.5 million sale of a 31,424-sf medical office building in Punta Gorda, Fla., to Cypress Professional Building.

Retail

18 BIGDEAL Jim Dahlem, CCIM, of Dahlem Realty Company in Louisville, Ky., in partnership with Berkeley Capital Advisors represented Homer and Mary Short Estate in the $30.3 million sale of the 600,000-sf Mayo Plaza Shopping Center in Paintsville, Ky., to an undisclosed buyer.

19 Ted Lyerly, CCIM, and a partner of NAI Earle Furman in Greenville, S.C., represented MPG Two Notch LLC in the $14.2 million sale of a 37,300-sf shopping center in South Carolina to an undisclosed buyer.

20 Ken Bailey, CCIM, of NAI TALCOR in Dothan, Ala., represented a private investment group in the $13.4 million purchase of the 135,000-sf Athens Promenade located at 3640 Atlanta Highway in Athens, Ga., from an undisclosed seller.

21 Ryan Imbrie, CCIM, of SVN-Imbrie Realty in Portland, Ore., represented LS Capital in the $8.15 million sale of the 45,495-sf Orchards Retail Center located at 11505 NE Fourth Plain Rd. in Vancouver, Wash., to a local buyer.

22 Sandy Shindleman, CCIM, of Shindico Realty in Winnipeg, Manitoba, represented the Furniture Investment Group in the more than $3.7 million lease of a 30,323-sf retail space located at 3050 Davidson Court in Burlington, Ontario, from an undisclosed lessor. Shindleman also represented Furniture Investment Group in the more than $6.8 million lease of a 105,968-sf retail space located at 333 Mathewson Blvd. W. in Mississauga, Ontario, from an undisclosed lessor.

23 Troy Morgan, CCIM, and a partner of Structure Commercial in Dallas represented Kakatiya Holding LLC in the more than $5.3 million purchase of the 10,619-sf Stella Court Shopping Center in Frisco, Texas, from an undisclosed seller.

24 Carmen Austin, CCIM, of Saurage Rotenberg Commercial Real Estate in Baton Rouge, La., represented an undisclosed buyer in the $5 million purchase of the 37,500-sf Inland Port Shopping Center in Bainbridge, Ga., from PCD of Bainbridge LLC.

25 Peter Messina, CCIM, and **26 Brian DePotter**, CCIM, of Brenner Real Estate Group in Fort Lauderdale, Fla., represented 225 N. Federal Highway LLC in the $4 million sale of a 4,500-sf bank branch located at 301 N. Federal Highway in Pompano Beach, Fla., to Acacia Investments Corp.

27 J. Max Hamidi, CCIM, of Kaizen Realty in Germantown, Tenn., represented Mike Jaber in the $3.3 million purchase of the 21,000-sf Shops of Woodland Hills shopping center located in Cordova, Tenn., from Swiss Capital.

Multifamily

28 BIGDEAL Reid Bennett, CCIM, of SVN | Chicago Commercial represented Indian Trails LLC in the more than $25.7 million sale of a 312-unit affordable housing portfolio located at 221 E. 21st Place in Chicago and 10040 S. Sayre Ave. in Chicago Ridge, Ill., to The Sausage King of Chicago LLC.

29 Edward Jordan, CCIM, and a partner of Northeast Private Client Group in Shelton, Conn., represented Brook Edge LLC in the more than $6.3 million sale of the 82-unit Brook Edge Apartments located in Chicopee, Mass., to Naviah Investments LLC.

Land

30 BIGDEAL David J. Stevens, CCIM, and **31 Clint L. Sherwood,** CCIM, of Investment Properties Corporation in


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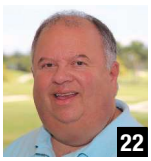
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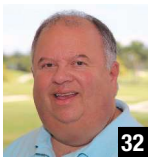
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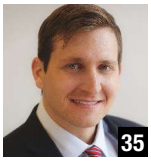
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Naples, Fla., represented Airport Pulling Orange Blossom LLC in the more than $10 million sale of 22 acres of vacant land located at 7501 Airport Road N. in Naples to Pulte Home Corporation and Pulte Home Company LLC.

32 **Sandy Shindleman**, CCIM, of Shindico Realty in Winnipeg, Manitoba, represented 964125 Alberta Ltd. in the more than $3.6 million purchase of 36.85 acres of land located at 53 & 111 Nicola Drive in Headingley, Manitoba, from an undisclosed seller.

Specialty

33 BIGDEAL **Ben Cherry,** CCIM, of Manor Real Estate in St. Louis represented Schoolhouse Finance LLC in the $3.1 million sale of a 107,000-sf school building located at 706 N. Jefferson Ave. in St. Louis to KIPP St. Louis Public Schools.

Financing

34 BIGDEAL **Larry Harwood,** CCIM, of Q10 | Lutz Financial Services in Birmingham, Mich., arranged a $13.9 million refinancing of a CVS located in Coon Rapids, Minn., a Walgreens in Norton, Mass., and a Walgreens in Rochester Hills, Mich., for a private borrower.

35 **Adam Gregory,** CCIM, of CommCap Advisors in Las Vegas negotiated the more than $12.6 million financing of the 85,000-sf 1 East Liberty office space located in Reno, Nev., for One Liberty C2K LLC.

Mixed-Use

36 BIGDEAL **Phillip Dunning,** CCIM, and **37** **Tom Naseef,** CCIM, of Colliers International in Las Vegas represented CML NV-CSPRINGS LLC in the $6.7 million sale of the 45,000-sf Villages of Centennial Springs located in Las Vegas to an undisclosed buyer.

Submit transactions to dealmakers@ccim.com.

Include a digital color head shot.

CCIM **ROI**

"There is a professionalism that often goes with the CCIM designation," says **Ember Grummons** (left), CCIM, of Investors Realty in Omaha, Neb. "Because you understand those who have earned the CCIM designation are serious, qualified, and have an edge of credibility." Grummons recently represented Jasper Stone Stateline Station LLC in the $11.6 million sale of the 162,000-sf Stateline Point Shopping Center in Kansas City, Mo., to Jared Properties LLC represented by **David Havens**, CCIM, of Jared Commercial in Springfield, Mo.

When Havens approached Grummons with an offer, Grummons was already in the process of working with a buyer. After Havens and his client worked through a single weekend on the analysis of the property, however, Grummons ultimately decided Havens's client would be the best option for this transaction.

Havens credits his designation as a factor in the completion of this transaction. "Deals of this size don't get done unless you have two professionals on both sides working hard, communicating quickly and efficiently with each other," Havens says. "Both brokers need to have the same goal of working for their client and making the deal be successful."

While the two CCIM designees had never met prior to this transaction, Grummons and Havens have developed mutual respect for one another. "David was very reliable, professional, and upfront," Grummons says. "We have become friends, grown our professional relationship, and I am confident we will do other deals in the future."

Recently, Grummons and Havens met face-to-face at CCIM Institute's ICSC exhibit booth, where they discussed future deals. "It is pretty easy to build trust with a professional with a CCIM designation, and Ember was a great example of that," Havens says.

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Lending Outside the Box


Evan Gentry

by Sarah Hoban

The marketplace lending industry is poised for exponential growth, according to Evan Gentry. "While banks and the CMBS market are pulling back, there are a lot of bridge loan needs out there," he says. "That gap can be filled, in a large part, by marketplace or other nonbank lenders."

Gentry is founder and CEO of Money360, a commercial real estate marketplace lending platform based in Ladera Ranch, Calif. His background in banking, mortgage technology, and startups propelled Money360's launch in 2014. In June, the company averaged about $50 million in loans per month; Gentry anticipates the average jumping to $100 million per month by year's end.

"I saw the opportunity to be a commercial real estate bridge lender," he says. "The bridge market has just gotten better and better, because more and more loans don't fit bank lending standards. We're making loans to borrowers who don't meet the requirements of bankers or the CMBS market, but they're still high-quality borrowers that are just outside those boxes."

Investors can participate in Money360's platform in several ways. Those looking for a diversified return can invest in a $200 million internally managed fund. But the company also works with whole-loan buyers, "where we'll originate a loan, fund it, and then sell it to a buyer who's looking for products," Gentry says.

Many of Money360's borrowers "are coming out of a bank or CMBS loan maturity and although they qualified for that loan earlier, they no longer do because the standards have changed," he says. He estimates that 75 percent of borrowers are refinance loans; 25 percent are purchase loans. And they're drawn to Money360 for speed.

"We close loans quickly," Gentry says. "We can close in as quick as 10 days, although the average time frame is about 30 days." He credits his 30-member team's experience, along with efficient use of technology, with speeding up the underwriting process.

"I think marketplace lending is here to stay," Gentry says. "Whether the market is up or down, there are always commercial real estate loans maturing that need to get new financing. We feel like it's a very stable market."

Sarah Hoban is a freelance writer based in the Chicago metro area.

October 15-16

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