



AUGUST 2021

COMMENTS FROM  
**JEANNE**

**WELCOME  
NEW MEMBERS**

**ONE MEMBER  
AT A TIME**

**AREA GATHERING  
INVITATION**

**SPOTLIGHT:**  
**CAPE COD and the  
ISLANDS**

**THE FORUM**

ON THE LIGHTER SIDE  
**TRINKIE WATSON**

DOUBLING DOWN WITH  
**DENNIS AND DIANA**

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*"All the news that fits."*

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*Our members are 110% committed to excellence in our real estate profession. Our mission encompasses: Sharing BEST Practices with our colleagues; treating all referrals with the utmost of care, honesty and integrity; and being involved in organized real estate for the betterment of our profession."*

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## Jeanne Radsick

Dear Fellow AREA Members,

It is apparent that having the likes of Dennis and Diana as members is worth its weight in gold. Their clear and detailed discussion of the legal issues, during or monthly ZOOM call, facing the NAR and, thus, each of our businesses was wonderfully done and so very much appreciated. Our next ZOOM call will be on Tuesday, September 7 beginning at 4:00 Eastern. Watch for your invitation and then try and join us.

Our next big family gathering (it promises to be the largest gathering of AREA members in our 15-year history) will be on November 9th in San Diego as we enjoy an evening dinner cruise loading from the docks at the Marriott Marquis Hotel at 5:45. Due to the demand, we have been able to move the venue to a much larger boat than originally planned; thus, there is room for all who wish to join us. So please, if you are able, make your reservations and do so ASAP. (Refer to the information later in this Newsletter.)

I am truly enjoying the Olympics which are featuring some wonderful performances by our Canadian, US (including Puerto Rico and the US Virgin Islands) and Mexican athletes. Thanks to all the wonderful participants from all over the world!

If you have something to say, please remember that this newsletter has a section labeled "The Forum". Just send your copy to [Carl@areamericas.com](mailto:Carl@areamericas.com) and we will work with you to get it published.



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# Welcome **NEW MEMBERS**



**Drew Streett**  
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## **DREW STREETT**

Drew is a graduate of The Citadel, The Military College of South Carolina, and a third-generation REALTOR. When not in the office, Drew enjoys hunting, fishing, and boating on the inlet. Drew is the chairman of the Garden City Beach Community Association and has served as president of the Murrells Inlet Rotary Club; he was recognized by the Rotary International Paul Harris Fellow. He is currently President of the Waccamaw Youth Baseball Association and a member of the Georgetown County Tourism Committee. GRI - REALTOR designation, 2019 South Carolina REALTORS® President; Regional vice-president of the South Carolina Association of REALTORS; Member of the South Carolina Association of REALTORS executive committee; Member of the South Carolina Association of REALTORS board of directors; Coastal Carolinas Association of REALTORS 2010 Realtor of the year; 2009 president of the Coastal Carolinas Association of REALTORS; Past chairman of Coastal Carolinas Association of REALTORS legislative committee; Graduate of the Coastal Carolinas Association of REALTORS leadership program; Graduate of South Carolina Association of REALTORS leadership program; REALTOR Image Award recipient - April 2004; Guy Kates Rotarian of the Year award – 2006.



**Vincent Ferrero**  
*Los Cabos, MX*  
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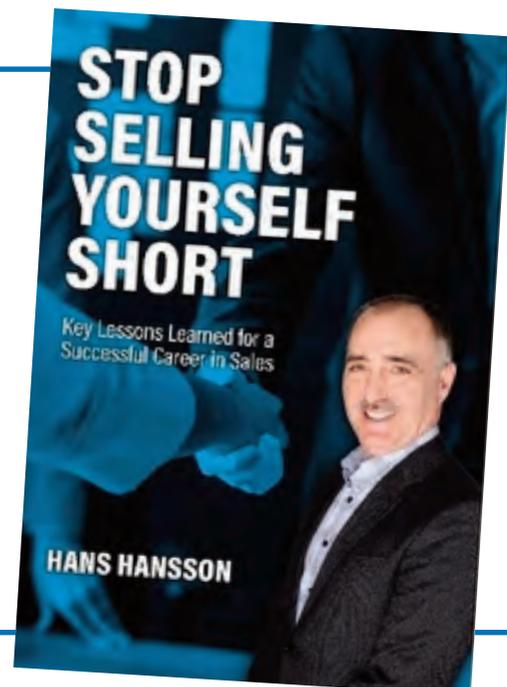
## **VINCENT FERRERO**

Certified International Real Estate Independent Entrepreneur in Los Cabos - Baja California Sur - Mexico. AMPI Los Cabos member since 2009. FIABCI - Mexico Member since 2013. International Director of AMPI National 2014. Vice-President of Communication of AMPI National 2015. Mexican National Certificador of CONOCER - Aseroria en Comercializacion de Bienes Inmuebles en Zonas Turisticas. More than 25 years of experience in International Real Estate in France and Mexico. French and Mexican Realtor certified in USA, Mexico and France. Multicultural (languages : French, Spanish, English, German). French national swimming Champion in 1987 with the team of Canet Natation 66. Conservationist. President of AMPI Los Cabos 2013 - International Director of AMPI 2014 – 2015; Certification of the members of AMPI Los Cabos. Promotion of the AMPI Los Cabos Section in the NAR Convention in San Francisco in November 2013; Organisation of the Tourism Symposium of Real Estate of AMPI in Los Cabos in June 2013. Workshops about the State Real Estate Law in Southern California in 2013.

## **STOP SELLING YOURSELF SHORT**

Hans Hansson's new, highly recommended, book for newcomers and everyone else. "Great read!" "Perfect for new agents!"

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## INTRODUCING: Honoring One Member at Time

A PERSONAL LOOK BY

### Chris McElroy

Since 1973 Teresa has been my partner in life and business. She is creative and the most organized person that I know, plus a fabulous cook! My favorite youngest daughter, Katherine, is a Mobile Presenter for Land Title in Colorado and we “talk shop” about real estate. Favorite oldest daughter, Meg (MS, PA-C, IFM) lives in Austin, TX, is a member of the Parsley Health Functional Medicine telemedicine team based in NYC/LA, and she keeps me healthy. And favorite middle daughter, Kelley (Hannover Reinsurance Company Department Manager), is my sports buddy, conveniently living in downtown Denver with her husband, Troy (Exclusive Resorts) with OUR FIRST GRAND BABY. All of us are passionate about travel, food & drink, and our pet companions.

#### Professional Experience

When I became a REALTOR® in 1976, a friend said that the perceived life of a REALTOR® entailed golfing in the morning, selling houses in the afternoon, and hosting an occasional open house on Sundays. The reality is that a client’s needs and timetable are a priority of Team McElroy (Chris and executive assistant Tina), even if we are at a Denver Broncos game! It is called our “*White Glove Service*”.

*For sellers:* When listing your home, Team McElroy provides peace of mind through the collection of market data, a professional home staging consultation, professionally-created marketing materials, and a 1-year home warranty. *For buyers:* we network with other REALTORS® in locating a perfect match with homes on and off the market. And as in any relationship, we keep in constant communication, being available for all questions you might have

about real estate, particularly during the contract period and beyond closing.

Over the years I have volunteered my time within the real estate industry for the protection of the consumer. From 2011-2017, I served as a **Colorado Real Estate Commissioner**. I literally helped write many of the real estate contracts and documents used in Colorado today.

At the national level, I influenced the creation of a book series (the IDEATOR) for the 1.5-million-member National Association of REALTORS® (NAR), starting with The Little Blue Book: “Rules to Live By for REALTORS®.” Subscribing to a Code of Ethics is the foundation for being a REALTOR®. I am currently working on The Little Yellow Book of Morning Wake-up Routines”.

NAR works tirelessly to protect the private property rights of consumers through advocacy and regulatory monitoring. In 2018 it was my honor to receive the first ever **Career Lifetime Achievement Award from the Fort Collins Board of REALTORS®** for contributions to the real estate industry.

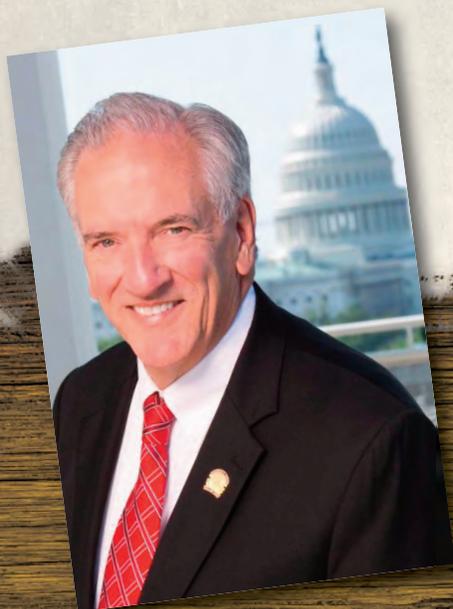
I am also part of the 1.3% of REALTORS® nationwide who has the Diversity and Fair Housing Certification.

#### Community Support

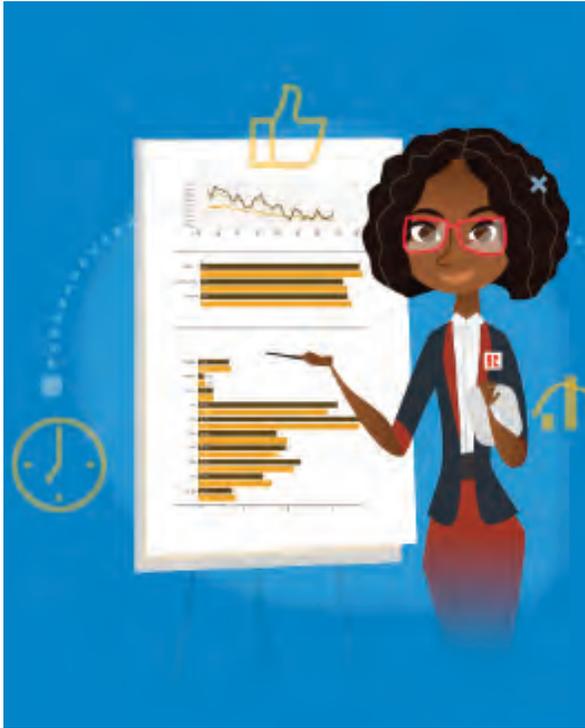
My family is deeply involved with the communities in which we live, giving our time and resources. For decades we have supported United Way, The Rocky Mountain Raptor Program, Respite Care, Food Bank, Alzheimer’s Association, RamStrength, Meals on Wheels, MADD, MS150, and more. In 2003, I received the National Association of REALTORS® Home Town Hero Award for my work with affordable housing.

#### Gratitude.

Above all else, I am GRATEFUL for my family, I am GRATEFUL to live in this beautiful area, I am GRATEFUL for good health, and Team McElroy@ The Group, Inc. Real Estate Company is GRATEFUL to help you and your family with your real estate questions and needs.



Chris McElroy  
Fort Collins, CO  
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907-377-4927



## It's finally here!

RPR has launched a completely revamped website, with easier access to an array of data, tools and reports. The new RPR is cleaner, simpler, and offers users a more overall intuitive experience. It's also been reorganized to help you find your most-used features and saved items.

We hope you love it! And as you get familiar with it, we want you to know that you have access to various types of learning resources:

Want to sign up for a live class to strengthen your knowledge of the new RPR? Check out our new set of webinars.

Is an at your-own-pace, video tutorial more your speed? We've got those, too: for Residential and for Commercial.

RPR's Printable Guides are laser-focused, step-by-step walkthroughs to a specific subject. They're easy to follow and apply.

A "refreshed" RPR blog with articles, announcements, and news you can use.

Have a question or need quick help? The Knowledge Base area of our blog is a great resource for FAQs, popular articles, product release updates and more.

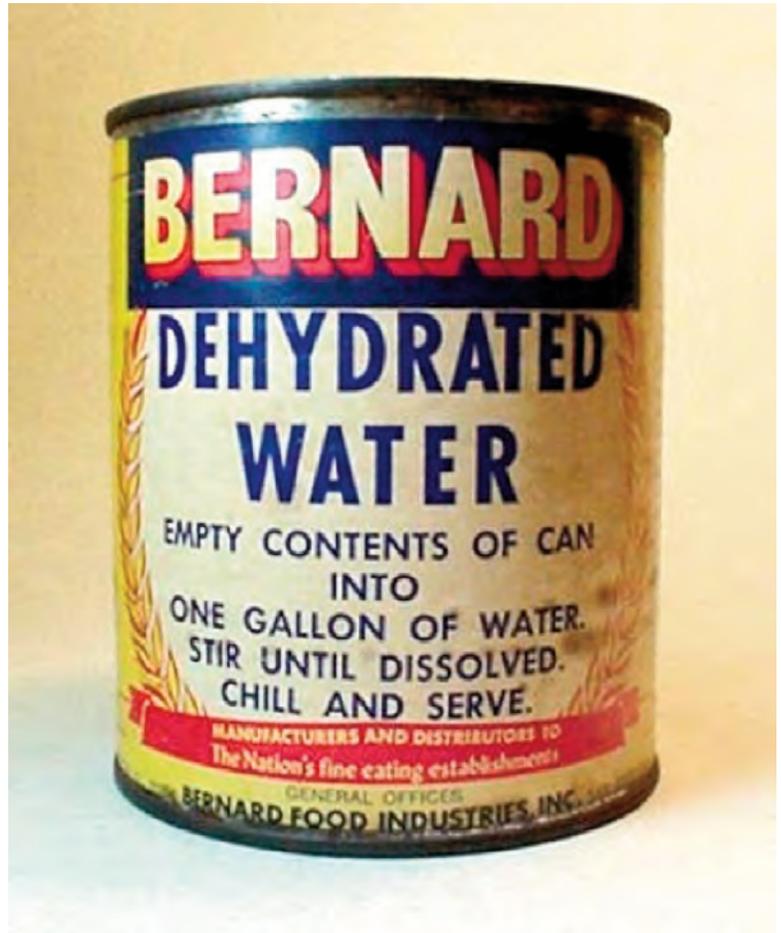
Go to our website for Featured Webinars – It's very good for business!

NARRPR.com



A LITTLE HUMOR,  
COURTESY OF JOHN GLAAB

## Ads We'd Love to Can!



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Ali McQueen Cannon  
Manager, Global Accounts  
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acannon@helmsbriscoe.com

The AREA Retreat  
will not be virtual  
this coming  
July 2022!

.....  
instead  
.....

We're gonna be live in Cleveland!  
Seth Task will be pulling out  
all of the stops!

STAYED TUNED...

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SURPRISE,  
SURPRISE!"



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And now, we can accommodate everyone!!!!

And, This Time IN PERSON

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TUESDAY NOVEMBER 9th 2021 San Diego

For ...



**DINNER CRUISE: AREA MEMBERS ONLY PLUS GUESTS**

Blue Seas, Succulent Dinner, Music, Cash Bar and US!!!!

\$130 Per Person

5:45/9:00 p.m.

Departing Marina at the Marriott

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Watch for Details

NON- REFUNDABLE TICKETS STILL AVAILABLE



**Trinkie Watson**

*Lake Tahoe, CA*

[twatson@chaseinternational.com](mailto:twatson@chaseinternational.com)

530-582-0722

On the **Lighter Side** with **Trinkie**

Featuring Tahoe's Trinkie Watson and her wit and wisdom.

*Church People with Typewriters – Bulletins or announcements:*

*Low Self Esteem Support Group will meet Thursday at 7 PM. Please use the back door.*

# SPOTLIGHT: History of Cape Cod and the Islands



Cape Cod has long been a sought-after vacation destination. Just mention the name, and it brings to mind images of long stretches of beach, lobster rolls, and local ice cream shops.

But, that's not all there is to know about the region. Cape Cod history is a cornerstone of the birth of modern-day America, beginning centuries ago with the arrival of the first European immigrants.

## The First Settlers

Many don't know that the northern tip of present-day Cape Cod was



the first landing place of the Pilgrims. They arrived in present-day Provincetown about a month before they landed at Plymouth Rock, the first permanent European settlement in America.

*Upon the completion of the canal separating the Cape from mainland Massachusetts in 1916, Cape Cod was officially declared an island, not a peninsula.* Access is now possible via bridges and ferries. The collection of islands was a hub for whaling, fishing, and trade for many years, and the history of the area is still very much a part of the region's culture.

Today, the region is both a year-round home to many, and a summertime vacation spot to many more. In fact, the off-season population can double or triple in the summer, with vacation home rentals in Cape Cod at full capacity.

## Cape Cod and Surrounding Islands

Cape Cod consists of a singular "main island" and smaller islands that surround it. Nantucket and Martha's Vineyard are the most well-known, but Monomoy, Monomoscoy, Popponeset, and Seconsett Islands are also close by.

The Elizabeth Islands, most of which are privately-owned, are also part of the region. The most famous of these is likely Naushon Island, which is owned by the Forbes family.

## Mapping the Island

To grasp Cape Cod history, you need to understand references to “up” and “down” the Cape.

If you hear the locals talk about going “down” the Cape to Provincetown, the northern tip of the island, they’re talking about going east. Going west on the island toward the mainland is considered going “up” the Cape.

Confused? Blame our seafaring ancestors. One of the theories about the seemingly contradictory distinction is that traveling east goes down the longitudinal scale toward zero, which is Greenwich, UK. So, if you’re on Martha’s Vineyard, remember that west is Up Island, and east is Down Island. You’re sure to impress the locals.

## Fun Facts About Cape Cod History

Whether it’s your first time on the Cape or you’re a regular visitor, it’s always fun to learn things about the area. Here are a few fun facts about the Cape and its impressive history:

1. Cape Cod was named by English explorer Bartholomew Gosnold in 1602. The name, as you might suspect, comes from the abundance of codfish in the area.
2. Contrary to popular belief, the European Pilgrims first landed in present-day Provincetown, not Plymouth Harbor.
3. There are claims that Vikings, including Leif Eriksson and his brother Thorvald, visited Cape Cod around 1000 A.D.
4. In 1524, Martha’s Vineyard was named Claudia by the explorer Giovanni da Verrazzano in honor of the wife of King Francis I of France. On year later, Estevao Gomes, a Portuguese explorer for Spain, landed on its shores, dubbing it Cabo de la Arenas.
5. Cape Cod used to be a peninsula connected to the state of Massachusetts. With the construction of the Cape Cod Canal in 1916, it technically became an island.



6. The peninsula was initially home to the Wampanoag Indians who eventually lost the land through purchase and expansion by English settlers.

If you haven’t been to Cape Cod and the Islands, make plans to go. Its rich heritage, warm weather, excellent food, and variety of activities make it the perfect vacation destination. Get in touch with me for more information on vacation rentals on Cape Cod.

Enjoy the beautiful coastline and rich history of the region – But, not until 2022, because we are already fully booked for this season.

Thanks, hope to see you here one day soon and am looking forward to our cruise this November 9, 2021 in San Diego.

Annie Blatz



**Annie Blatz**  
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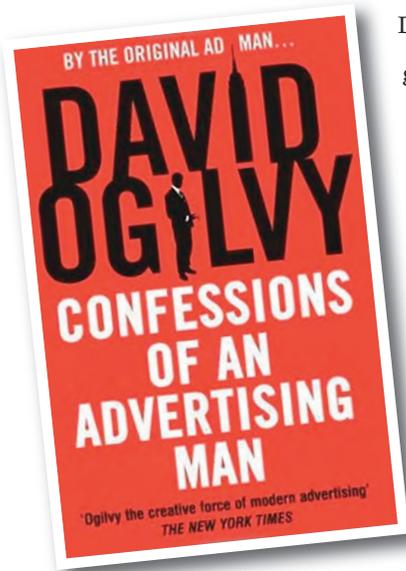
This is a place to share your thoughts and ideas. Please feel free to send a commentary to THE FORUM to Carl at [carl@areamericas.com](mailto:carl@areamericas.com) to published exactly as received. This is the first installment.

# THE FORUM

BY CARL BOSSE

Since its depth of the summer, and we all enjoying a respite, just a thought about the two books I most enjoyed while in college. Their messages resonate with me, even after 61 years.

## CONFESSIONS OF AN ADVERTISING MAN



David Ogilvy was an advertising genius. At the age of 37, in the 50's, he founded the New York-based agency that later merged to form the international company known as Ogilvy & Mather. Regarded as the father of modern advertising, Ogilvy was responsible for some of the most memorable advertising campaigns ever

created. A genius at getting his point across in the fewest possible words but with huge impact. An example of this, is the story he relates about the Midwestern Farmer who entered a Carnation Milk, nation-wide jingle contest "He should have won but for obvious reasons couldn't." It went:

"Carnation Milk is the best in the land.

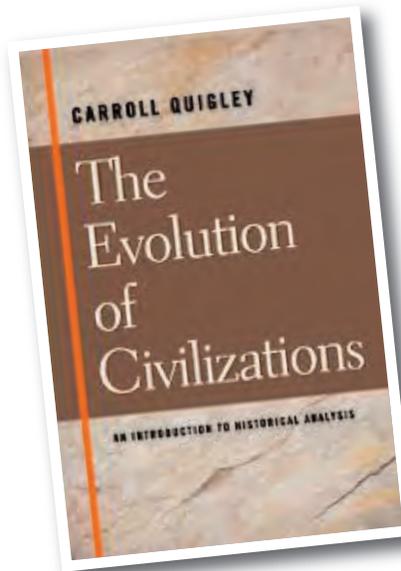
Here, I stand with a can in my hand.

No tits to pull, no hay to pitch,

Just punch a hole in the son of a bitch."

Yes, indeed. Simple, straight forward and totally truthful.

## THE EVOLUTION OF CIVILIZATIONS



Carroll Quigley, PhD. Was professor Emeritus at Georgetown University, 1961, with whom I took and flunked the only class I ever did; the one that he taught my freshman year. I studied very hard and knew every detail about world history except I was unable to successfully handle this question worth 80% on

the first semester final exam: "Trace the development of food since the beginning of recorded history." When I faced off with him in house after receiving my grade of 63, he thoughtfully told me: "Mr. Bosse, you knew the answer. However, you forgot how to think."

As example of things that continue to resonate with me because of what I learned from Dr, Quigley (there are so many), one comes to mind even now as I try to achieve understanding of issues of importance. He once asked: "I would like for someone to point out the exact location on rainbow when yellow turns to green." Try it. You can't. The point! Not everything is black and white. There are shades that exist that one may never see to achieve a complete understanding. Could the reason for this be defined as poor eyesight? Maybe, ignorance? Perhaps, arrogance? Or, there may be no satisfactory answer except: it is what it is." He asked us to decide. If you have an answer, please share it.



## Hot Markets: Do Pre-listing Home Inspections Still Make Sense?

***A pre-listing inspection can get you to closing faster.***

With inventory at or near all-time lows, many homes are selling “as is” and transactions are moving quickly. In this seller’s market, is a pre-listing home inspection a good idea? The short answer is “Yes.” Homes that have had a pre-listing inspection sell for more. It’s to the seller’s advantage to fully understand the home before listing, and it’s also the perfect opportunity to make recommended repairs should they choose to. Another advantage is that having a detailed understanding of their home’s condition will help sellers feel confident that they’re getting the best price for their home, which of course reflects well on you. And by having an up-to-date pre-listing inspection in hand to share with potential buyers, you can keep the transaction moving and get to closing faster.

A pre-listing inspection can also create buyer trust through transparency about the home’s condition, avoiding surprises down the

road. This information is invaluable when it comes to putting together an offer. Simply put, a buyer who’s confident about the home will feel more comfortable offering more money.

Markets like this create real challenges and opportunities on both sides of the transaction. A pre-listing inspection can help you and your clients make it a win-win all around.

*Stephanie Bowling*  
*Director of Marketing, Pillar To Post Home Inspectors Inc.*



# Bears repeating: This article first appeared 6 months ago. Take a look at how Tom's predictions then, fit in today's world!



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*Tom specializes in hotel acquisition and disposition service including single asset and portfolio sales. A CCIM, he is graduate of Michigan State University. He is on the board of several non-profits and an avid lifetime supporter of the Boy Scouts. A vociferous reader, Tom, the father of six, enjoys hiking and backpacking and whitewater rafting.*

Coronavirus was the economic story of 2020 and continues to be in 2021. Companies cut budgets, conserving cash, while the U.S. economy was flooded with all types

of stimulus money. Toilet paper manufacturers, convenience stores, outdoor suppliers, and others had their best year of revenues on record; many restaurants and bars went on life support and struggled to stay alive through delivery services and outdoor seating, and many have failed. Kudos to Chick-fil-A, Zaxby's and Starbucks for figuring out the how to increase revenues and profits with just running drive-thru operations. Zoom and remote technologies surged with adoption. CRE investors raced to buy Net Lease properties with essential tenants, compressing cap rates and driving transaction volume across that sector. And the stock market remains just smoking hot. In short, the year was not the dire Black Swan feared by many, but it was not fun and most commercial agents have the scars and bruises to prove it.

Presently, the general U.S. public is beginning to receive the vaccine, do not know how long antibodies last, but are certain the virus mutates as quickly as stories about their golf game.

The question posed is how will real estate fundamentals evolve to give us back a sense of normalcy in 2021?

How will we, as users, change?

What do we recommend to our clients?

I tried to return my crystal ball because it was not working well, and I was told my warranty expired as it was overused.

## **Economic predictions:**

**Stock market stays frothy and then slumps in the fall.** While this will frighten many investors, this divestment from the stock market into other asset types will really be a positive sign, a signal of our renewed confidence in other investment vehicles. A slug of this capital will move into Net Lease investments.

**Mortgage rates remain astoundingly LOW.** "While mortgage rates are expected to increase modestly in 2021, they will remain inarguably low,

supporting home buyer demand and leading to continued refinance activity," wrote Freddie Mac's Sam Khater in a release. Freddie Mac expects the 30-year fixed mortgage rate to average 2.9% in 2021 and 3.2% in 2022, according to the organization's quarterly forecast.

**The labor market remains terrible until the vaccine fully rolls out.** The U.S. lost 150,000 more jobs in January 2021, a total of -10.1 million jobs since February 2020 (Source: Bureau of Labor Statistics). This will continue to impact how we utilize office, industrial, and retail real estate.

**Federal Reserve not raising rates anytime soon.** In the Fed's December Summary of Economic Projections, no FOMC participant expects a rate hike in 2021. Only one out of the 17 expects a 25-bp rate hike by the end of 2022. Five expect at least one rate hike by the end of 2023. So, in this best-case scenario, the Fed will start hiking rates by either the end of 2022 or 2023. Last week Fed Chairman Janet Yellen stressed the Fed's new approach to inflation, in which it will not raise rates even if unemployment falls below levels that historically would have been considered a warning sign for pricing pressures ahead.

**Industrial was 2020's top performer.** And it will remain that way for years to come. In fact, Industrial is now the largest asset class in Net Lease real estate, accounting for nearly 45% of the trades, while Retail accounts for less than 20% of the transactions last year. Logistics will lead the way.

**Movie theaters and event spaces will be back open by 4th Quarter, says Dr. Anthony Fauci.** A German study has shown that powerful ventilation systems, much like those used in commercial kitchens, coupled with relative herd immunity, can allow dense crowds to return to theaters sooner than expected (source: NYTimes 01/09/21).

**Retail bankruptcies reached 12-year high amid pandemic — but most were not single tenant Net Lease tenants.** There have been 244 filings from energy, retail, and consumer services companies (source: Bloomberg). Stein Mart, JCPenney, Brooks Brothers, and Neiman Marcus all fell into court protection, not a surprise given pre-COVID e-commerce trends. 24-Hour Fitness, Guitar Center, and VIP Cinema Holdings were among the few NNN tenants to fall.

**1031 Tax Exchanges will not be disrupted by the new Congress.** In short, this Congress has a healthcare mandate, and that is all. Neither party has the votes for real change. Expect no 1031 exchange reform in the coming two years or more. But the fear of a change will generate a ton of Net Lease trades/portfolio redistribution in 2021.

**Foreign investors want U.S. Net Lease real estate.** This is not a new trend as foreign investment in U.S. Net Lease has increased by \$8 billion annually for the last five years, and in 2019, it increased by roughly \$9 billion, the second-largest year-over-year growth on record (Source: RCA). U.S. Net Lease Industrial properties, especially those with international brand name tenants, will be a safe harbor in this storm. Canada is likely, once again, to be the segment's largest source of foreign capital, followed by Switzerland, South Korea, Saudi Arabia, and China.

**Stay-at-Home Economy is here to stay.** "We're not going back to the same economy — we're recovering, but to a different economy," said Fed. Chairman Yellen. While this trend started well before COVID hit, the trend has been accelerated and will continue to drive innovators like DoorDash, Peloton, Zoom, Slack, Microsoft, Instacart, Yeti, Seedlip, Spotify, Roku, Etsy, and, of course, Amazon. And cap rates for these tenants — no matter the property type — will continue to compress.

**Whoever has the best new technology tools wins.** 2021 will see Edge A.I. within construction tools, 5G manufacturing applications, and new workforce management technologies cross-correlate and create big shifts for key cold storage players like Preferred Freezer. Digital-only restaurants with ghost kitchens will allow concepts, like Chipotle, to enter more urban areas that will not support a full-size restaurant. User-friendly platforms will allow investors to quickly explore the entire U.S. Net Lease marketplace in real-time, leveraging A.I. and big data, and make investment decisions faster.

**The Drones are here.** On March 1, 2021, the new FAA-approved rules go into effect, allowing small drone flight for commercial delivery at night (Reuters 12/29/20). UPS and CVS have been beta-testers in The Villages, FL, delivering prescriptions to the elderly since May 2020. The drone race is happening while we are both distracted by the pandemic and in need of clean delivery of goods. In the coming 5 years, Retail and Industrial property uses will blur, altering the current supply chain model.

**\$15 Hourly Minimum Wage.** While the right and left disagree about the impact such a provision will have on unemployment and other aspects of the economy, a major minimum wage hike will cause QSR and other Net Lease tenants to accelerate the adoption of automation, pass along the cost to customers, and/or shut their doors, as current store sales cannot support this increase in labor costs. The U.S. Senate is fairly conservative overall, so while the Biden administration will make that proposal, expect minimal changes to federal law in the coming two years. That said, invest with tenants who are ahead of these trends and are automating low skill work.

**Industrial Sale-Leaseback will be HOT as Manufacturing companies have suffered.** Expect significant SLB in this category by midyear as manufacturers seek to infuse their balance sheets with fresh capital, absorb competitors, and evolve business lines.

**Shift to Green.** Climate change, regulatory policy, and new technologies are impacting investor requirements as they demand lower costs

and fewer environmental threats. Increasingly, institutions require sustainable real estate property in their portfolios that measures and manages its ESG (Environmental, Social, and Governance) performance. Expect accelerated investor demand for properties with green profiles, both for social and economic reasons.

**Winners win big.** Within each segment, the companies with the strongest balance sheets will generally win. Larger fitness companies will buy weak competitors and densify their credit. Car wash operators are consolidating. Big QSR franchisees are absorbing smaller QSR franchisees. The winners are the tenants to watch.

**The Tenant Experience is imperative.** Office will be used less densely. Coworking will become popular again but with fewer common areas and larger single offices. Industrial lease rates increased nearly 6% in 2020 and will go up further due to shrinking supply; office rents will go down (source: CoStar). Industrial will cannibalize retail properties as the need for last-mile distribution eclipses supply. Flexible site and floor plans are essential; more mature CRE companies will capture IoT (Internet of Things) data to create a meaningful tenant experience, predict lease renewals, and learn retention strategies.

**Net Lease real estate is in very high demand.** As most CRE transactions halted in 2020, Net Lease investment volume only fell from \$78B to an estimated \$62B YOY. The Net Lease sector's share of total CRE investment volume doubled between 2007 and 2009, demonstrating a similar flight to quality by investors. In recent years, Net Lease is increasingly seen by investors as resilient and less cyclical, driving capital into the segment during a period with few strong investment alternatives.

**SPACs are hovering in the wings.** The turkey vultures are perched and ready to pounce, however, they will most likely feel hunger pangs waiting for the feast they are drooling over in the retail and hospitality sectors that are going belly up in the CMBS market. Lenders are kicking the can down the road while the Regulators figure what to do in order to avoid another S&L/Thrift debacle. Bank and Credit Union foreclosures and note sales will increase through 2021 with the bulk of the CMBS defaulted product not showing up for the next 18 to 24 months.

**The Hospitality Market** – Dorothy we aren't in Kansas anymore. This is the commercial sector I work in and what do you say? It has the highest loan default rate, highest business failure rate, highest unemployment, slowest projected recovery rate, highest percent of minimum wage workers, largest COVID restriction impact, and in many cases the oldest and most outdated product of any sector. Owners are not feeling overly hospitable these days and lenders have no sense of humor NOR do they know how to help or want to take your property back. This sector will survive as good operators have become stronger and smarter and poor operators are falling by the wayside. Before it is over it could look like the Zombie Apocalypse. Stay tuned.

A Memo From David White & Associates

## How do you help a landlord that wants to retire and get that listing that may not have happened?

Whether or not you are aware, you probably know clients or prospective clients looking for a way out of being a landlord, but do not want the tax burden of capital gains and depreciation recapture that comes with a sale.

Maybe they have reached retirement age, want to travel, are tired of managing properties, and would like a passive income while deferring capital gains tax.

Sure, a traditional 1031 will get them out of their current property but puts them back into the landlord role on the new property. There are many property owners doing nothing to change their circumstances for that very reason, and they have no interest in selling.

If you could show them an option that fits their needs, they may be inclined to list that property!

Delaware Statutory Trusts (DST) investments are recognized by the IRS as like/kind real estate investments for 1031 and 1033 exchanges. They are similar in nature to T.I.C. investments but provide more investor protection including non-recourse financing.

The properties are operating and leased prior to client investment. Income starts on the close date. The same rules apply as conventional exchanges regarding use of an intermediary and 45/180-day exchange rules. DST shares offer easy division to heirs and retain step-up in basis at death. DSTs can be used as the only exchange property or as a filler for unspent "boot."

Exchanging a property with debt is an option. Many DSTs include leverage that is passed to the buyer without qualification or loan application. Unlike a T.I.C., the investor

does not need to form an LLC or provide their own financing or cash to replace relinquished debt. The process is much simpler and affords additional consumer protections. Additionally, if the internal leverage in a DST purchase exceeds their debt requirement, the buyer obtains additional real estate creating a new depreciation schedule.

An investor can sell one property and purchase several DSTs to gain further industry and geographic diversification.

### A Summary of DST Features and Risks:

- Defer taxes on rental or investment property sale
- Provide steady monthly income from professionally managed properties
- Avoid the need to add cash or qualify for debt to meet exchange numbers. Leveraged DSTs can solve financing problems
- Identify a back-up property in case a 1031 purchase fails
- Provide a "filler" to complete an exchange and avoid boot.
- Eliminate day to day management of rental properties
- Help solve reduced income problems due to vacancy, high tenant turnover, rent control and increasing expenses.
- Provides simple estate planning. Shares are divided among beneficiaries while retaining step up in basis.
- For those retiring and selling their business

*Kirk Dobson and Chris Riel offer products and services using the following business names: David White & Associates – insurance and financial services | Ameritas Investment Company, LLC (AIC), Member FINRA/SIPC – securities and investments | Ameritas Advisory Services (AAS) – investment advisory services. AIC and AAS are not affiliated with David White & Associates. Representatives of AIC and AAS do not provide tax or legal advice and should not be construed as a recommendation. Investors should consult their tax advisor or attorney regarding their situation.*

property, they provide tax deferral and income.

- For 1033 involuntary transfers sales via imminent domain
- Sell a single property and diversify into multiple real estate sectors and locations, all while deferring taxes and retaining step-up in basis at death
- DSTs are securitized investments. Investors must meet Accredited Investor Requirements as defined by the SEC: In the United States, to be considered an accredited investor, one must have a net worth of at least \$1,000,000, excluding the value of one's primary residence, or have income at least \$200,000 each year for the last two years (or \$300,000 combined income if married) and have the expectation to make the same amount this year. The term "accredited investor" is defined in Rule 501 of Regulation D of the U.S. Securities and Exchange Commission (SEC).
- An investment in the Interests of the Trust involves significant risk and is suitable only for Investors who have adequate financial means, desire a relatively long-term investment and who will not need immediate liquidity for their investment and can afford to lose their entire investment.

- The Interests are subject to legal restrictions on transfer and resale and Investors should not assume they will be able to resell their interests.
- There is no public market for the Interests.
- Investors may not realize a return on their investment for years, if at all.
- There are various tax risks, including the risk that an acquisition of an Interest may not qualify as a Section 1031 Exchange.

David White & Associates can help. Contact Chris Riel or Kirk Dobson for more information.



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# Legal Update

by Double Aces Dennis and Diana



## DOJ vs NAR

According to the Wall Street Journal, Brent Kendall here is the current state of the Antitrust Settlement:

WASHINGTON—The Justice Department on Thursday said it is withdrawing from an antitrust settlement it reached last year with the real-estate industry's largest trade group over brokers' commissions.

The move marks a change in position by the Biden administration after Trump-era antitrust enforcers reached the agreement. It also signals the department is poised to return to its prior investigation in order to take a broader look at practices in the real-estate market.

The department sued the National Association of Realtors on antitrust grounds—and filed a concurrent settlement—in November. The lawsuit accused the group of maintaining anticompetitive rules that created an environment in which there was little visibility for home buyers about the commissions a buyer's agent would earn.

The department said Thursday it has since determined that the settlement doesn't adequately protect its right to investigate other conduct by the trade group that could impact competition and harm home buyers and sellers.

"Real estate is central to the American economy, and consumers pay billions of dollars in real estate commissions every year," said Richard A. Powers, the acting head of the Justice Department's antitrust division. "We cannot be bound by a settlement that prevents our ability to protect competition in a market that profoundly affects Americans' financial well-being."

The trade association said it had already fulfilled its obligations under the settlement and called the department's move an unprecedented breach of the agreement.

## CDC Eviction Ban

The Trump White House directed the CDC to act during the pandemic and halt all evictions.

Many people saw this as an unlawful taking of property by the government without compensation.

In May a Federal Judge struck down the ban as unlawful.

The Supreme Court agreed and struck down the CDC ban and agreed with the Federal Judge.

NAR helped various States with the legal action.

Biden said he would not reimpose the ban (which is illegal).

After getting pressure from the far left, Biden changed his mind and reinstated the ban for a limited time.

Legal action was immediately filed and the matter is again before the courts.

## REX Lawsuits

Refreshing previously reported:

It has been reported that Jack Ryan, the CEO and co-founder of REX, which employs salaried agents, supposedly charges sellers a 2% listing fee, and supposedly has a policy of never paying outside brokers – has been working directly with the DOJ to share recordings and other evidence that there are "many ways that the NAR and MLSs set their practices to extract money from buyers and sellers."

Where REX is an MLS member, it is reported that they "offer \$1 to a buyer's broker as commission." Or, they hire other brokerages to expose their listings to the market. Yet, their business model is NOT to use the MLS.

REX sued NAR and Zillow alleging antitrust violations for NAR rules that require Zillow to segregate non-MLS listings from MLS listings. Now, that Zillow has joined many MLSs, Zillow is using a different platform to comply with IDX rules. REX's marketing exposure supposedly has been impaired.

In December, REX sued the State of Oregon for its law prohibiting brokerages from offering consumers rebates. REX supposedly plans to sue at least 10 more States with similar laws. REX's business model offers one-half of the buyer broker's commission for cooperation to their buyers as a "rebate."

Recently, Michael Toth, General Counsel for REX, based in Austin, Texas, worked with the DOJ in encouraging them to rescind their "Settlement" with NAR. Articles he has written express "the bizarre way" that commissions are paid. He calls NAR – a real estate cartel.

## Other Matters

The Supreme Court extended the privacy rights to conservative charities and ruled the names of donors do not have to be revealed. The ruling applies to donations from many sources including the NAR's political arm.