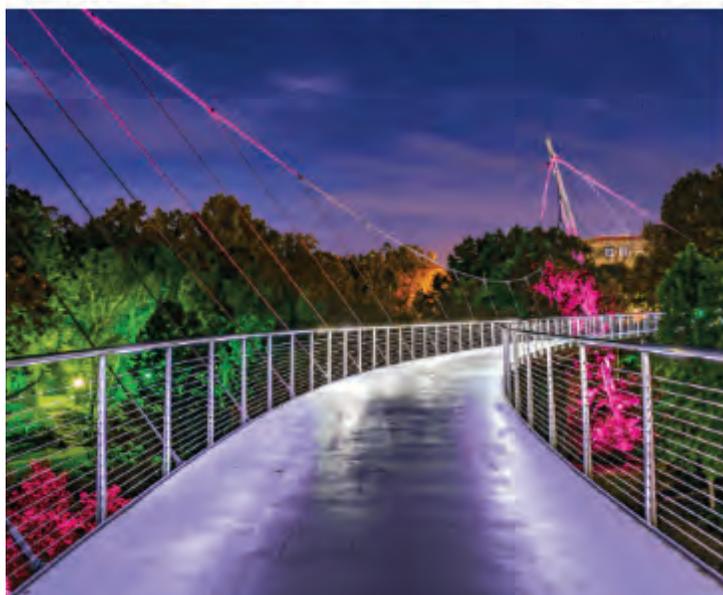




AREA

ASSOCIATED REALTY OF THE AMERICAS



SPOTLIGHT ON

Greenville, South Carolina

In this issue:

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Seth Task

WELCOME
New Members

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Invitation

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Doubling Down with
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ASSOCIATED REALTY OF THE AMERICAS

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A R E A M E R I C A S . C O M



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Thoughts from Seth Task

Dear Fellow AREA Members,

I hope you all had a great St. Patrick's Day celebration with family and friends and had an opportunity to hopefully spread some cheer! I for one am relieved to have gotten my first vaccine shot last Friday and hoping you all get yours too! Which reminds me that you will want to prime your calendars for a special AREA event which is planned to take place on the evening **November 9th in San Diego** during the **2021 NAR Convention and EXPO** scheduled to begin that week. You have already received your invite. Please respond ASAP.

Also, please be sure to pay particular attention to the commentary written by Diana Bull in the "Double Down" section of the newsletter. This is very crucial information.

We would also like to welcome two new sponsors who have recently teamed up with us: **HelmsBriscoe**, represented by *Ali McQueen Cannon, Manager of Global Accounts* who will be personally assisting us as we line up future retreats including our upcoming Retreat in Cleveland in 2022. Also, **CalCap Strategic Opportunities** a private money direct lender, short to mid-term, providing financing for property investors and businesses looking to purchase, refinance, renovate and construct residential or commercial properties, represented by *Tim Landwehr, Executive Vice President*. Please see their ads inside our newsletter.

Finally, we are all so very glad to hear that **Meri Crandall** is doing so well after her surgery. We wish her all the best during her recovery and are looking forward to seeing both she and Russ in San Diego this coming November.

Thanks, Seth



As an independent contractor with HelmsBriscoe, I can help you streamline the meeting planning process by managing the time-consuming task of researching, contracting, and evaluating venues for your organization's events!



Contact me for more information, and let us put our buying power to work for you!

Ali McQueen Cannon
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Welcome **NEW MEMBERS**



Chris Polychron, CRS, GRI, CIPS, ABR
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CHRIS POLYCHRON, CRS, GRI, CIPS, ABR

Chris Polychron, a REALTOR® from Hot Springs, Ark., was the 2015 President of the National Association of REALTORS®. NAR, The Voice for Real Estate®, is America's largest trade association, representing 1 million members involved in all aspects of the residential and commercial real estate industries.

A REALTOR® for 28+ years, Chris is an executive broker with 1st Choice Realty in Hot Springs specializing in residential and commercial brokerage. He holds the professional designations of Accredited Buyer's Representative (ABR®), Graduate, REALTOR® Institute (GRI), Certified Residential Specialist® (CRS®), and Certified International Property Specialist (CIPS).

Chris has served on NAR's Board of Directors since 2002. He was 2005 Regional Vice President for Region IX. He has served on numerous national committees, including the REALTOR Party Coordinating Committee from 2006 to 2011, and the REALTOR Political Involvement Committee from 2005 to 2008, which he chaired in 2007. He served as the first Member Mobilization Chair in 2008 and as liaison in 2011. He was the State and Political Issues Liaison in 2009 and the RPAC Fundraising Liaison in 2010. Chris currently serves on the Strategic Planning Committee.

Chris was president of the Arkansas REALTORS® Association in 2003, where he earlier served as president-elect and secretary-treasurer. He is an RPAC Trustee and served as its chairman in 1999 and 2000. He was also Arkansas' REALTOR® of the Year in 1996.

At the local level, Chris was president of the Hot Springs Board of REALTORS® in 1996. His daughter, Nikki, was the 2012 President of the HSBOR.



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CARL TACKETT

Entered the real estate industry in 1989, attained GRI, CRS, AHWD designations, works with homeowners, developers, builders, farmland, lot sales. Past president Lexington Bluegrass Association of Realtors, past president Kentucky Association of Realtors, graduate of National Association of Realtors Leadership Academy. Member of the Georgetown Scott County Chamber of Commerce, graduate of Leadership Scott County, lifelong resident Georgetown, KY, married to Susan. Four children and four grandchildren. Served in the US Army, rank Sp4. Graduate Harrison Co. High School, attended Kentucky Wesleyan College and Georgetown College.



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BEAU ZEBLEY

Beau has spent entire life in the service of others. First as a Soldier in the US ARMY and for the last 18 years as a REALTOR®. He was named Kent County Association of REALTOR® of the Year in 2018 and. He is the current President of the Kent County Association and serves as Director of the Delaware Association of REALTORS®. His mother owned her own real estate company and, after his service in the military, he decided to become part of that community. Strongly recommended by Deborah Baisden, he is our sole representative in the great state of Delaware. In her letter to Beau, she wrote:

Beau:

I cannot be more enthusiastic about this group and what it has done for me both personally and professionally.

Please reach out to me if you would like to talk about the group and benefits.

I put your name forward because I have seen you in a leadership role with Delaware Association of Realtors and interacting with your members and have so much respect for your personal commitment to our profession.

Warmly,

Deborah A Baisden CRS GRI

Welcome **NEW MEMBERS**



Matt Difanis
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MATT DIFANIS

Matt is Broker-Owner of RE/MAX Realty Associates with offices in Champaign, Mahomet, and Monticello, Illinois. Matt earned his B.S. in psychology from the University of Illinois and Juris Doctor from the University of Illinois College of Law. Matt also holds several professional designations including Graduate REALTOR® Institute (GRI), Accredited Buyer Representative (ABR), Certified International Property Specialist (CIPS), and At Home with Diversity (AHWD). He is a member of the REALTORS® Political Action Committee (RPAC) Hall of Fame.: 2020 Chair of the National Association of REALTORS® Professional Standards Committee 2016-2020 member of the National Association of REALTORS® Board of Directors 2018 President of 50,000 member Illinois REALTORS®—the first local REALTOR® ever to become a state president 2015 Central Illinois Business Magazine 40 Under 40 Man of the Year 2013 Champaign County Association of REALTORS® REALTOR® of the Year 2012 President of the Champaign County Association of REALTORS® 2004 REALTOR® Magazine "30 Under 30"



Shannon Williams King
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SHANNON WILLIAMS KING

She is a Broker Associate in Hawaii with Coldwell Banker Pacific Properties in Kailua with The Buy Sell Live Team. As a socialpreneur, King co-founded Schoolhouse Realty, a community-based company in CA that gives 10% of its proceeds to schools. They have given over \$160,000 to schools! King continues the tradition of donating to schools in Hawaii. Prior to that, she owned Tribella Realty in Texas. King still holds her Texas Brokers license.

King is known as the "Real Estate Road Warrior", because her Naval Officer husband's job requires, they relocate often. Their frequent relocation and purchasing of properties when they move, helps her uniquely understand the transaction from a buyer's and seller's perspective. They have lived in TX, CA, DC, Italy and HI and own homes in most of these places.

When she's an international speaker for companies and associations about her first-hand experience of moving into new markets, creating a unique brand, building a client base from scratch and utilizing mobile technology to create a streamlined process.

King is an active voice for the real estate industry, serving NAR as 2017 Chair for Member Communications. Some past appointments include the extended leadership team, executive committee, finance committee, Chair for Strategic Planning and YPN. King was in REALTOR® Magazine's "30 Under 30." She has appeared on HGTV's "House Hunters," and has a book: "Real Estate Road Warrior: 101 Technology Tools for Business on the Go."

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

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

Out-take from Hollywood Squares:

Q. According to Cosmopolitan, if you meet a stranger at a party and you think that he is attractive, is it okay to come out and ask him if he's married?

A. Rose Marie: No wait until morning!

Q. When you pat a dog on its head, he will wag his tail. What will a goose do?

A. Paul Lynde: Make him bark?



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ASBESTOS: SHOULD YOUR CLIENTS WORRY?

Many homeowners are concerned about the possibility of asbestos in the home and the health hazards associated with it. And that's with good reason---breathing asbestos fibers over a long period of time can lead to asbestosis, lung cancer and mesothelioma.

For years, asbestos was widely used in various building materials such as wall and ceiling insulation, vinyl flooring, insulation for heating ducts, pipe wrap for water heating systems, roof tiles, acoustic ceiling tiles and much more. While the use of asbestos in these products has been dramatically reduced, these materials are still present in thousands of homes, especially those built before 1980. If asbestos is suspected, homeowners will need to contact a qualified expert to sample and confirm its presence and condition. A visual assessment, such as during a home inspection, cannot determine whether a given material contains asbestos.

Is it always a problem? It's important to know that asbestos poses a health risk when the fibers become airborne, which can occur if materials are crumbling or damaged. Fibers can also be released when sanding, drilling, cutting or sawing materials containing asbestos. If there is minor localized damage, it can be professionally repaired by encapsulating the asbestos fibers with a specialized sealant. If the asbestos-containing materials are in good condition, the best course of action may be to leave them alone. Newer materials that contain asbestos are designed to encapsulate the fibers, preventing them from being released into the environment.

The biggest risk is for homeowners or other non-professionals to attempt asbestos removal themselves. Disturbing asbestos usually



makes it dangerous; if it must be removed, it's a job for a qualified expert who has the proper training, equipment and disposal mechanisms. In some cases, such as during a home renovation where demolition is part of the project, asbestos removal is the only option.

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

A background image showing several hands of different skin tones stacked together in a circle, symbolizing teamwork and support. The hands are positioned in a way that they appear to be holding each other up.

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SPOTLIGHT: Greenville, South Carolina

Welcome to the Greenville Everyone is Talking About: Yeah, THAT Greenville!

How did we become that Greenville, you ask? People came, enjoyed and started to talk about us. They talked about our delicious food and drink, quaint Main Street, bustling art scene, bike-friendly attitude, girlfriend getaways and mancations, picturesque parks, fun-filled festivals and our sweet Southern hospitality. And the more they talked, the more people wanted to come experience it all for themselves. Which brings us to you. As nice as it is to hear other folks say nice things, it's you we want to impress. So come on—give us a try! You'll find your own favorite place, tastes and ways to enjoy!



Paris Mountain State Park

Paris Mountain is only about 15 minutes from downtown, but feels like you've escaped to the mountain. It's a monadnock (like Stone Mountain or Arabia Mountain here in Atlanta) with plenty of activities to enjoy.

Rent a kayak, canoe, or paddle boat, hike or bike along the trail, cast a line, spot local birds through your binoculars, or let the kids take a dip in the swimming hole under the watchful eye of a lifeguard (seasonal).



Passerelle Bistro

The perfect combination of al fresco dining, Reedy River views, and French-inspired cuisine can be found at Passerelle Bistro. We recommend it for a great weekend brunch with the family (like we enjoyed) ... try lunch... or go in the evening for a romantic experience.

Passerelle means gateway, which truly captures its presence since it sits at the entrance of the Liberty Bridge suspension bridge. In fact, this restaurant is so committed to its location in Falls Park along the Reedy, that proceeds from its operations go to support the park's Arts Crossing sits along the Reedy River, right off South Main at RiverPlace. We loved visiting the galleries and seeing artistry of all mediums. Painters, sculptors, jewelers, textile artists...and so much more.

Heritage Green is an urban arts and cultural campus, and home to Upcountry History Museum, The Children's Museum of the Upstate, and the Greenville County Museum of Art which features the largest Andrew Wyeth exhibit in the country.



The Peace Center is a beautiful performing arts center in downtown Greenville, and home to five local companies: the Carolina Ballet Theatre, the International Ballet, the Greenville Symphony, the Greenville Chorale, and the South Carolina Children's Theater. Catching a performance here is guaranteed to be an unforgettable experience.

Though the Greenville Zoo is modest in size, you can see lions, ocelot, lemurs, apes, exotic birds, amphibians and reptiles, all in about 90 minutes. The zoo also offers covered picnic areas and allows guests to bring in outside food and drink, making this a pretty ideal lunch safari adventure. It is part of the 120+ acre Cleveland Park, also worth exploring.

The Children's Museum of the Upstate is devoted to young ones and experiential learning through play. This library-turned-museum is filled with hands-on activities and exhibits that will teach them about bodies, biology, banking and more. An ideal kid-friendly stop no matter what time of year you visit, and it's a great rainy-day choice too.

Along the Reedy River north of Liberty Bridge in Downtown Greenville, this charming children's garden is comprised of a variety of themed gardens, including geology, the five senses, and storybook characters. This FREE outdoor attraction will invite your kiddos to explore, see, touch, smell and savor some fresh air activity in the heart of the city.

Cantina 76 was first founded in Columbia, and can now be found in a number of South Carolina cities including Downtown Greenville. It's a Mexican-inspired casual restaurant with a really upbeat vibe (and fantastic music) that works for drinks with friends, a relaxed date night, or the family. And speaking of drinks with friends...the margaritas here are the bomb!

LTO Burger Bar is our only Greenville restaurant recommendation that is not in the Downtown area BUT it's the perfect stop after your hike at Paris Mountain State Park. And honestly, the burgers here are so delicious, I recommend jumping in the car to visit even if you're skipping the mountain.

Here you will find killer burgers in unique combinations that will keep you coming back again and again.

Before we go there, though...let's talk about adult drinks. Pick from 25 beers on tap, select something from the cocktail menu...or do what I did and have some "Capri-Fun".

Pick from one of four different flavors of pre-batched slushie "mommy drink" alcoholic awesomeness, served in a pouch with a straw, a al CapriSun. So fun!

Now, let's talk burgers. While I did consider the King of Memphis (think peanut butter and bananas) I opted for one of their most popular choices...Smokey & The Bandit – a perfectly cooked beef patty with white cheddar, molasses BBQ and bacon!



Smokey & The Bandit Burger, and a Capri-Fun pouch from LTO

Grab a Snack at Poppington's Gourmet Popcorn If you ask me, there is always room for a chocolate break. With Kilwin's in the Downtown district (and the same building as our recommended hotel!) you have no excuse!

Talking to the team there, they told me that the ice cream was a pretty popular selection, but the most popular treat Greenville picks in the FUDGE.

Mackinac Island Fudge comes from the original recipes developed by Don & Katy Kilwin – one they've been making since 1948. And even better? At Kilwins Greenville, when you buy two slices of fudge, you get one slice free!

Come! Visit! Play! or best yet, Stay. Greenville, South Carolina, We'd love to have you.!



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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 to be published exactly as received. This is the first installment.

Bears Repeating: A Short Treatise by Tom French



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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 voracious 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.



What Lies Ahead?

CARL BOSSE

We do not know what lies ahead but only can guess by what preceded. So, here are some guesses for us, as real estate professionals, to ponder as we plan for the future.

1. **Interest Rates:** A reasonable guess: Because they are at all-time lows. That will reverse itself to the degree of which depends on the rate of inflation in the market place.
2. **Rate of Inflation:** A reasonable guess is that with the influx of \$1.9 billion in cash into the economy over a relatively short period of time, monetary pressures will force interest rates higher in order to stem the effects of inflation. How high? Depends what is needed to check it.
3. **Markets:** No one would have guessed that when the pandemic hit, interest rates would fall to historic lows, creating a demand for housing unlike we have ever seen. Late this year that phenomena will reverse itself. And, as rates go higher, owners will begin to find market demand dropping. So, although there will be inflation in many segments of the economy, prices for housing will begin to fall. A paradox but inevitable.
4. **Commercial:** Office space occupancy levels will soar because the pandemic has shown companies that they really don't need large offices to be productive and efficient, as working from home has become quite acceptable and more agreeable to the bottom line.

So, what happens to those empty spaces? Smart developers will gobble them up and convert prime downtown locations into affordable housing for young families and others who provide labor for the commercial and retail operations left behind. These will be small apartments but supported by special in project facilities such as day care, dental, primary physician, health and fitness, ethnic eateries and special attractions (mainly for children) in a central setting on the main floor.

In summary, as we've all experienced in our careers, economic vagaries are cyclical, and while we know that the current demand climate is likely to soften in 2021, we can see several steps ahead that there will be great opportunities as commercial real estate pivots and transforms itself. As leaders in our profession, it's important to reflect on how these cycles have become more volatile; manifested by greed, corruption, and/or short-term thinking with no regard for longer term sustainability (think the mortgage-backed securities implosion a mere 14 years ago.) Something which escapes us all, periodically, is the real threat that climate change represents to our business. It's something not to ignore and bears much more time for discussion.

Your thoughts would be appreciated. "The Open Forum."



Carl Bosse, who resides in Green Valley, Arizona, is the founder and President of Associated Realty of Americas. A graduate of Georgetown's School of Foreign Service his experience in real estate includes commercial developments management in Arizona and Mexico and residential developments and management in Arizona. AREA was begun in 2006 and currently has 178 members throughout North America involved in all facets of real estate. He has been a member of the National Association of REALTORS® since the early 1970's.



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Legal Update

with Dennis and Diana

Diana Bull advised members to please view the Legal Video by NAR on the HUB about the Department of Justice vs NAR settlement - which will be confirmed by the NAR Directors in May 2021. It is an excellent, short video by Lesley Muchow, Deputy General Counsel & VP of Legal Affairs & Antitrust Compliance.

The proposed Settlement includes: No filtering by commissions; No advertising "free" services; Must disclose commission to the buyer; and non-MLS brokers shall have access to lockboxes with seller's permission and for a fee, if applicable.

Once the Settlement is accepted by all parties, who must comply? Answer: All NAR Directors, officers, managers, agents and employees. Plus, Local & State Associations, MLSs owned by or affiliated with Member Boards and all MLS Participants and subscribers of those MLSs.

Also, once the Settlement is accepted by all parties, the Model MLS Rules and Code of Ethics will be amended to comply. Many forms will also need to be revised.

Diana also said that all other NAR suits are vigorously being defended. They are the Moehler, Sawbill Strategic, Stitzer, Bauman (seller class action) and the Leeder (buyer class action).

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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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