



NAI Global Convention 2023 Highlights

Las Vegas, Nevada

Earlier this month, about 600 NAI Global professionals and sponsors gathered at The Cosmopolitan Las Vegas for three days of motivating keynote talks, insightful breakout sessions, fabulous networking and more than a few (fun!) parties and special dinners.

There were NAI Global members from more than 25 U.S. states and a dozen international countries, plus over 40 sponsoring companies that serve the CRE community. This represented 103 NAI member firms in attendance. The latter data point, in our view, is telling about the value of the NAI Global brand, as the company continues to attract as many as or more sponsors to our events than most of the national brands and CRE organizations.

The convention agenda was packed, including:

Leadership board meeting and an NAI University '3rd level selling workshop' led by **Bob Potter**, What is Outdoor Hospitality led by **Bob Kaplan** (NAI Outdoor Hospitality Brokers), Overview of the Office Market by Trepp's **Lonnie Hendry**, Syndication – Getting in the Game, and a Young Professionals Networking event geared toward bringing together young brokers striving to become the next generation of top producers.

Breakout sessions for the Elite Corporate Services group, the Women's Alliance, How to Incorporate Diversity, Equity and Inclusion (DEI) into Your Workplace (led by **Toni Navy**), Back Office Best Practices led by NAI Global's **Betty Bonner**, The Psychology behind Marketing led by ATYPICAL's **Demi Holmwood**, The Top 2 Challenges for NAI Marketers, and more.

There was a Capital Markets and Multifamily workshop, and two industrial events—an Industrial Best Practices session moderated by **Steve Pastor** (NAI James E. Hanson) and a presentation by **Michael Brennan** of Brennan Investment Group, called How to Prospect for Value-Add Opportunities in Industrial Properties. One of the days featured a well-attended session on National Property Management Services and NAI Global's move toward a more formalized practice offering.

Jay Olshonsky, SIOR, FRICS, CCIM, NAI Global's President and CEO, delivered his most energized State of the Union address in memory at the Opening General Session, and he later moderated the Wednesday General Session before lunch with a Q&A with The Reshoring Initiative's Founder and CEO, **Harry Moser**, and they discussed Reshoring and Foreign Direct Investment (FI) trends and how to benefit by them (for the brokerage community).



The Closing Session just before company awards were recognized featured a Keynote Speech from **Coach Carter**. Wow! His personal story is amazing and what he did coaching young people from marginalized communities on the game and sport of life, as realized on a basketball court, is nothing short of phenomenal. Born in a small Mississippi town, Ken Carter moved to Richmond, California, where he at first coached a young girls' basketball team which, by his own account, he was well-qualified to do because he grew up with seven sisters. He later switched to coaching the boys' team at Richmond High School and made national headlines in 1999 for suspending his entire undefeated basketball team from competing due to poor academic results. Hollywood noticed, and in 2005 the movie, *Coach Carter*, was released by Paramount Pictures with Samuel L. Jackson playing the Coach. As for Coach Carter's presentation to NAI Global, he was at times poignant, funny, entertaining and certainly memorable. Rather than conveying 'you should have been there,' let's just say in order to get a photo with Coach Carter after his talk, guests had to wait in the longest line we've ever had at a national convention.

What They Said

The following recaps some of the breakout sessions, general sessions and keynote addresses.

During the Women's Alliance breakout session on Monday afternoon, there were two major announcements. The first – that **Amber Brandhagen** with NAI Global Wireless, received the very first **Women's Alliance Champion Award**, while on the flip side, it was announced that **Kim Kocur**, a 33-year veteran on NAI Global's Corporate Services team, had retired. Metaphorically speaking and unofficially, one could say that a baton was passed from one super achiever in Kim Kocur (among other career accomplishments, she had the PepsiCo account for many years) to the up-and-coming principal and operations manager (Amber) of a unique vertical in the commercial real estate industry – selling cellular tower sites and negotiating service agreements with the biggest cell-service providers in the U.S.

Later, **Pam Bautista**, a Leadership Coach & Business Strategist delivered a presentation on the **Power of Emotional Intelligence** and the benefits of 'EI,' namely, having better quality relationships and better quality of life, greater levels of personal happiness and more successful and influential careers. Ms. Bautista said there were five primary components to emotional intelligence. They are:

- Self Awareness
- Self-Regulation (managing stress in healthy ways and being mindful)
- Self-Motivation
- Social Awareness (empathy and the ability to understand the emotional makeup of others)
- Social Skills



She also said the people that have core belief systems – with the primary drivers of beliefs, thoughts, feelings, actions and results – typically have higher levels of emotional intelligence.

One of the late Tuesday morning breakout sessions was **The Psychology Behind Marketing** led by ATYPICAL's Demi Holmwood. Living in what she called the 'creator economy,' marketing content must be relatable and authentic, especially given the incredible competition for attention on social media. The 7 Principles to appeal to people are 1. The "Heart" Affect 2. The "Core" Effect 3. The "Anticipation" Effect 4. The "Unexpected" Effect 5. The "Influencer" Effect 6. The "Undercover" Effect and 7. The "Island" Effect. In short, good marketing appeals to one's emotions and core beliefs, creates some anticipation and delivers some surprises along the way. Marketing can be a bit sneaky and when done well, leaves the targeted audience feeling like they own the message.

In an adjacent room, meanwhile, the NAI Global panel, **Keeping Your Team Engaged and Productive During Sales Meetings**, offered a variety of good ideas and one especially insightful comment, when one of the panelists said that "good sales meetings translate into culture, and healthy corporate cultures have happier people and produce better results." Some of the tactical elements of good sales meetings included:

- Tell a story behind how a deal was done, not just the transactional elements to the deal.
- Once a month invite guest speakers – from local Chambers of Commerce, industrial alliance partners (general contractors, for example), or an educational speaker (on finances, or changes to property tax laws, for example).
- Create incentive packages for off-site and weekend getaways – and they are best done when the administration staff and spouse/partner also get the same trip that top producers or winning teams do.
- Periodically produce a special, all-hands events, such as chili cookoffs and BBQs, bring in food trucks or do something with a local philanthropy provider.

Welcome by NAI Vegas & State of the Union by NAI Global

After **Todd Manning** (NAI Vegas and NAI Excel) welcomed the audience (Tuesday morning) and gave a brief overview of the astounding growth in Las Vegas the past two decades, Jay Olshonsky presented the NAI Global 'State of the Union' and summarized where the company has been since his 10 years on the job, where it is, and where it is going.

When Island Capital acquired NAI Global, nearly half the membership was out of contract and the economy was still struggling from the GFC of 2008-2009. Membership agreements were updated and as CMBS debt was unraveled, NAI Global, often with local assistance by member-firms, sold over 350 distressed properties in one year.



In the past 10 years, NAI Global has created consistent training programs, frequently led by experts such as Jeff Beals, Mike Lipsey and Bob Potter. During that time the company's social media presence has exploded, including ranking in the top 5 most recognized brands in commercial real estate (the annual Lipsey survey).

Five years ago and as part of a new strategic plan, the Elite Corporate Services Group (led by Fred Meyer, SIOR, NAI James E. Hanson and Mike Arnold, NAI Capital) and the Industrial/Logistics Group (led by Steve Pastor, NAI James E. Hanson) were launched and have since generated hundreds of leads, closed dozens of transactions and built a stronger platform for doing business globally.

During the same period, 95% of the members have renewed, and some have multiple times.

More recently, NAI Global has created a DEI program (diversity, equity, and inclusion) so that first and foremost we work as a network to create a more inclusive environment not only within NAI but within the CRE industry as a whole. This program also acts as an asset when NAI Offices have new business opportunities that require a DEI component in the RFPs, members can easily respond and pitch that business.

In the past year, NAI Global closed \$19.67 million in joint transactions and the year before it was over \$18 million.

Jay expressed a high degree of confidence in NAI Global's future, citing the fact that many of the NAI Offices are family-owned businesses and most have solid succession plans in place. Further, at the 2023 Convention, more than 250 of the registered professionals were under the age of 40. And in terms of ongoing initiatives, the company will continue to grow its specialized businesses, such as the new NAI Global Wireless and NAI Outdoor Hospitality Brokers entities, as well as the emerging practice of serving the property requirement of colleges and universities.

During the Tuesday General Session (Dealmaking Case Studies) moderated by NAI Global Executive Vice President **Cliff Moskovitz**, a panel comprised of **Doug Sharpe** (NAI Northern California), **Matt Swash** (NAI UK) and **Ray Cho** (NAI Korea), talked about international referrals. On the subject of fees and commissions, Matt said that it varies country-by-country when it comes to determining who pays the commissions and build outs (tenant improvements), while Doug offered that in Australia, there are no brokerage commissions – rather, brokers work on a professional hourly fee, just as lawyers do. Matt added that his firm targets UK companies with fewer than 100 property locations and sometimes even fewer than 50 locations. In some instances, NAI UK subsequently works as an outsourced real estate department for its clients. There was considerable conversation between Ray and Doug on the collaborative deals they have done together in Korea for one of Doug's clients – a very well-known electric vehicle



company. Specifically, NAI Korea did the groundwork to establish a headquarters facility for the car company in Seoul, an industrial service facility in the country, and two showroom locations for marketing and selling the high-end sedans.

Also on Tuesday, **Lonnie Hendry** from Trepp presented a data-loaded **Overview of the Office Market**, among which was a slide of the top 10 office markets to watch for (trouble) in the coming years. Literally called The Top 10 Office Watchlist because of the number of office properties that are threatened by default or potentially going into special servicing due to loan maturities in 2023 and 2024, the list included Phoenix, Kansas City, Detroit, Stanford and Bridgeport, and others. Hendry said being on the list doesn't mean the owners have missed payments, but rather, there is something the lender doesn't like regarding market conditions. Foremost among the warning signs are:

- High levels of sublease space
- Lease rates trending lower, in some cases substantially
- Falling occupancy
- Capitalization rates doubling

"We've had 12 years of what should have been a 7-year cycle, and subsequently experienced a deep dive in valuations from 2016 to the present," Hendry said.

Concerning cities with the greatest levels of sublease space – the twin poster children of San Francisco and Chicago – Hendry conveyed long-term confidence in those markets, despite current market trends.

The combination of factors is changing the ballgame for investors.

"Over the last 20-25 years institutional investors had a model that worked. They took out 10-year, interest-only loans and at maturity, would either sell the property for hefty capital gains or refinance the loan and take equity out from a decade of appreciation," he said.

Now, investors are facing capital calls when loan maturities come due, and he provided an example of an asset that peaked in value in 2017 at \$485 million in which the owners had a very low interest rate on the building. With new rates floating between 6.75% and 7.25%, the owners have to contribute \$160 million to maintain current net operating income. Ominously, Hendry predicted that office distress starts in 2024.

Wednesday

Brennan Investment Group Co-Founder, Chairman and Managing Principal **Mike Brennan** led a session **specifically to help NAI Global industrial brokers improve and enhance their prospecting**. The former 1994 co-founder, President and Chief Executive Officer of First



Industrial Realty Trust (NYSE: FR) called corporate real estate “the goldmine” of the industrial property market, because real estate is secondary to large companies while operations are the primary focus of the big corporations. Think Proctor & Gamble and like-minded companies. They make and assemble stuff, distribute it and sell it. The real estate is a cost of doing business, and often they have owned it for a long time, and effectively have a zero-cost basis. Some of the characteristics Brennan cited were:

- Corporations are ‘non-professional’ property owners
- Generally, they will not allocate capital to real estate, as a real estate investment
- Their “bread is not buttered” at the gain of sale table
- They value speed, certainty and simplicity over price in deal making
- Real estate decisions are subordinate to operational decisions
- Corporate real estate managers’ report to operations managers

On why these corporations are excellent prospects to sell property:

- Corporations own over 50% of the nation’s industrial property stock
- Their holdings are everywhere (and to this point, Brennan Investment Group recently emailed a marketing flyer seeking industrial assets in secondary and tertiary markets throughout the U.S.)
- Generally, they over-improve their real estate and maintain it very well
- They wish to be “asset light” though that was never really possible, given operational demands
- Supply chains will undergo significant changes, namely by introducing greater levels of robotics and automation, enhancing pandemic preparedness, geopolitical conflicts (primarily with China) and demographic transformations

For the brokerage community, this presents tremendous opportunity, according to Brennan, who even called it “The Dream.” Brokers can fashion the solutions for these seemingly unintentional owners of real estate by identifying surplus real estate, execute sale-leasebacks or outright sell properties. He also said that capital markets are ‘ready, willing and able’ to finance these types of transactions.

Hal Johnson, SIOR, with NAI Earle Furman, delivered an outline of **NAI READY** to a packed room, as attendees were eager to learn how they can get involved in some of the biggest transactions in real estate – those that involve extensive site selection processes and competitive economic incentives by state, municipal and federal government agencies. Prior to joining NAI Earle Furman, Hal had a career in economic development, the last job of which was CEO of the Upstate South Carolina Alliance – a position he held for almost a decade before switching to brokerage.



NAI READY is the site selection and incentive negotiating arm of NAI Global. NAI READY specializes in working with both elements to develop product—as defined by leadership, sites, business parks and locations, and also works with companies to evaluate growth, expansion or consolidation by identifying the most competitive locations globally.

Hal and his team recently closed a \$104 million EV manufacturing facility deal in Kentucky. He said that all 50 states have business incentive packages, with over 4,000 different economic development professionals and practice groups (with government agencies). After going through a comprehensive set of slides on how to execute in the site selection and incentive negotiation business, Hal talked about his team of consultants and staff, fee structures and even said that the niche sector of the real estate business could be called “Site Elimination” because that is essentially what happens during the comparison process when all the main ingredients are ranked and rated, such as labor pools, local business costs and regulations, risk mitigation, property availability and pricing, and of course, the financial incentives on the table.

Hal’s expertise in site selection and incentives was most evident from something he said, rather than what he presented on screen, and that was when he described the softer side of site selection. “When it’s all said and done, it is critically important for the spouses on the senior management teams that will be living in the places where we put their plants and facilities – they have to like the communities, or it can literally kill the deal,” he said.

The Wednesday General Session: Reshoring and Foreign Direct Investment (FDI), featured a Q&A with Jay Olshonsky and guest **Harry Moser**, the founder and CEO of The Reshoring Initiative, an advocacy and lobbying group whose mission is to bring back manufacturing jobs to the U.S. In 2022, U.S. companies created 350,000 new manufacturing jobs – the most since Moser and his group have been tracking this specific data point. For comparison, in 2010 – the first year Moser started The Reshoring Initiative – there were 6,000 new manufacturing jobs. The new manufacturing jobs added in the last 12 years represents approximately 7% of the total manufacturing jobs in the U.S., Moser said. Manufacturing employment constitutes almost 10% of total U.S. labor, and Moser thinks it should be closer to 15% in order for America’s economy to be balanced and make the country safer and less reliant on foreign-made goods. For perspective, Germany’s jobs market is comprised of nearly 20% of its citizens in a manufacturing-related capacity.

Reshoring is on the minds of the people in C-Suites. Moser said that in last year’s earnings calls, CEOs, CFOs and COOs mentioned reshoring in their conversations with analysts and financial journalists more than any other topic.

Moser called for the U.S. to bring back more training and apprentice programs. He also cited the strength of the U.S. dollar in terms of creating a more competitive labor economy, saying that it is 20% to 30% overpriced. Moser called for the government to not raise corporate income taxes



and extend the “immediate expensing” of capital investments according to GAAP standards. At the moment, companies can expense 100% of capital improvements in the first year but that goes to 80% in 2024 and 60% in 2025.

Despite these issues, the U.S. is gaining on China in terms of actual labor cost-parity. Long-called “the world’s factory,” Chinese labor costs have increased nearly 10% annually for the past 20 years.

The Reshoring Initiative produces a “TCO Estimator,” or the total cost of ownership for manufacturing plants, and when energy, power, water, transportation and distribution are factored in, in most cases the U.S. is on par with China for operating manufacturing facilities on U.S. soil.

As for his projected impact on commercial real estate, Moser believes there will be greater demand for trucking services than rail service – as more and more goods are made in the U.S., and demand will increase for manufacturing facilities, while it will decline for warehouse and distribution centers. He also believes we need to invest in greater automation, and that automation doesn’t necessarily equate to taking jobs away. To the contrary, more automation will create greater demand for technically skilled workers, who will earn living wages, while at the same time, making manufacturing more efficient and therefore, more affordable to do so in the U.S.

Highlights from Marketing Track—the Top 2 Challengers for NAI Marketers

A panel comprised of marketing professionals **Savannah DeGraaf** from NAI Wisinski of West Michigan, **Rammy Bassett** from NAI Miami Fort Lauderdale, and **Amy Karnes** from NAI Ohio Equities, as well as **Genieve Posen**, who was NAI SunVista’s marketing director for several years before getting her license, agreed that the top two challenges for their offices were recruiting top talent and community engagement. One strategy they shared was that increased Google reviews combined with enhanced website SEO (search engine optimization) could be converted to testimonials. In terms of recruiting, they see potential in focusing on the pipeline from college. A principal from one of their offices has taken the lead and after attending a recent college recruiting fair, was able to hire a recent graduate.

National Property Management Services

There is an ongoing effort to create a more collaborative and national property management presence and platform at NAI Global. At present, NAI Global Offices manage in excess of 1.1 billion square feet of commercial and industrial property worldwide, and a number of firms manage multifamily communities. The Las Vegas Convention breakout session was a larger follow up to a workshop last December in Cincinnati that was attended by over a dozen NAI Offices and moderated by **Elke Laughlin**, a long-time advisor to NAI Global. More than 25



people attended the meeting in Las Vegas and did a “roll call” of their respective markets and shared the volume of square footage each office managed (from 1.5 million square feet to about 8 msf) –not counting the property management group affiliated with NAI Hiffman. The group discussed investing more in infrastructure and the opportunity to win national accounts.

Uncomfortable Conversation in the Workplace and in Your CRE Business

NAI Global’s DEI consultant **Toni Navy** moderated a panel (comprised of **Marcus Daniel** and **Jonathan Reneau**, SIOR, both with NAI Michael, and **Jordan Elliott** and **Ash Mitchell** with NAI Elliott) that addressed modern workplace challenges that in part are driven by subtle and not-so-subtle biases many of us possess when working with people from different ethnic, religious and socio-economic backgrounds, as well as across generations. Add to the mix the contemporary movement to acknowledge gender identities beyond that of birth gender and things can get both complicated and sensitive for people.

The panel shared thoughtful examples and responses to how challenging our professional conversations can be as we further define what is appropriate or inappropriate in creating an inclusive environment in our CRE offices. Navy touched on some of the best practices to put in place right away. Navy also coached the audience on foundational principles of communication in a diverse workplace, including one of the hot topics for many offices, which is respectful usage of pronouns (such as they/them, he/him, and she/her). Navy led the panel through a conversation in which they shared experiences from the workplace that touched on these issues.

Some of the anecdotes were poignant, and in one case, deeply offensive. Jordan Elliott shared that at the conclusion of an otherwise innocuous meeting, a client made casual and yet intentional use of a racial slur. The next day, Elliott terminated the company’s assignment with the client. More importantly, the company utilized its ongoing efforts on equity and inclusion to use the situation as an opportunity to deepen the discussion on race, power, privilege, and related topics with all staff. The story didn’t end there, however, and had an unexpected twist at the end. The ownership group called Jordan a few days later, asking, if the particular client in question was removed from all interactions with NAI Elliott, would they take them back? After pointed follow up conversations on lessons learned, support from staff, and embracing the opportunity for reconciliation, he agreed.

Among the final breakout sessions on Wednesday afternoon was the **Capital Markets Council and Top 10 Trends in the Multifamily Space**, with panelists **Arthur Milson** and **Alex Waddey** – both of whom are Co-Heads of the NAI Global Capital Markets group, and **Tina Lichens** from Lightbox (formerly RCM).

Highlights:



- Overall multifamily fundamentals remain strong, although not as heated as 21/22.
- Transaction activity has been declining since late third Qtr. 2022 and there is a disconnect between buyers and sellers over pricing that will likely take another 1-2 Qtrs. to resolve itself
- Cap rates have moved 50-150 basis points upward depending on market and type of transaction (i.e., value add versus stabilized)
- Big area of concern is increasing expenses as these costs do not get passed through to tenants as in other asset classes
- Expect some issues in absorption in areas where there has been significant construction over the past 3 years, such as Austin, Nashville, Phoenix, but the overall market remains healthy on underlying fundamentals
- Many deals are getting delayed due to cost of materials and labor which will lead to more constrained markets a few years out