

**Positive Impact Academy
Presents
How to TEE UP Your Commercial
Practice**

***What Every Licensee Should Know About Commercial
Real Estate***



Student Manual

North Carolina Real Estate Commission

Continuing Education

Student Information Sheet

READ IMMEDIATELY UPON CHECKING IN

Basic CE Requirement (21 NCAC 58A.1702)

21 NCAC 58A .1702 CONTINUING EDUCATION REQUIREMENT (a) Except as provided in Rules .1708 and .1711 of this Section, a broker shall complete eight credit hours of real estate continuing education courses approved pursuant to 21 NCAC 58H within one year prior to the expiration of the license as follows: (1) four credit hours of elective courses; and (2) four hours of either: (A) the "General Update Course;" or (B) for a broker with BIC Eligible status, the "Broker-In-Charge Update Course" in lieu of the "General Update Course." The content of the Update course changes each year.

Important Points to Note

- Newly licensed licensees do NOT need to take any CE prior to their **first license renewal**, but must satisfy the CE requirement prior to their **second license renewal**.
- A course may not be taken for CE credit twice in the same license period. Make sure you have not already taken this course during the current license period.
- If your license is **inactive**, you should check with the Commission to ascertain the amount of CE you need to activate your license.

Attendance Requirement

In order to receive CE credit for a course, students must attend the entire scheduled class session. Education Provider and instructors may, on an individual basis, excuse a student for good reason for up to 10% of the scheduled class session (20 minutes for a 4 hours class session); however, a student must attend a minimum of 90% of the scheduled class session in order to receive a course completion certificate and CE credit. No exceptions to the 90% attendance requirement are permitted for any reason.

Student Participation Requirement

To help assure that the mandatory continuing education program will be one of high quality, the Commission requires that students comply with the following student participation standards:

A student shall direct his active attention to the instruction being provided and refrain from engaging in activities unrelated to the instruction which are distracting to other students or the instructor, or which otherwise disrupt the orderly conduct of a class. **Examples of Prohibited Conduct:** Sleeping; reading a newspaper or book; performing office work; carrying on a conversation with another student; making or receiving a phone call on a cellular phone; receiving a page on a pager that makes a noise; loudly rattling or shifting papers; or repeatedly interrupting and/or challenging the instructor in a manner that disrupts the teaching of the course.

Education Provider and instructors are required to enforce the student participation standards. Education Provider have been directed to NOT issue a course completion certificate to a licensee who violates the standards and Education Provider must report inappropriate behavior to the Commission.

Course Completion Reporting

Education Provider are responsible for reporting course completion information to the Commission via the Internet within **7 days of course completion**. Licensees are responsible for assuring that the real estate license number that they provide to the Education Provider is correct.

Licensees may address comments/complaints about courses, instructors, and/or Education Provider to:

North Carolina Real Estate Commission
P.O. Box 17100
Raleigh, North Carolina 27619-7100

Certificates of Course Completion

Course Education Provider will provide each licensee who satisfactorily completes an approved CE course a Certificate of Completion on a form prescribed by the Commission within 15 calendar days following a course. The certificate should be retained as the licensee's personal record of course completion. **It should not be submitted to the Commission unless the Commission specifically requests it.**

You may also check your **current year's** CE credits online at the Commission's website: www.ncrec.gov You will need to log in under Licensee Login using your license number and pin number. If you are unsure of your pin number, please follow the instructions on our website.

Please avoid calling the Commission office to verify the crediting of continuing education credit hours to your license record unless you believe that an error has been made. Please use NCREC.gov website to verify that your credit hours have been reported.

Instructional Aids:

1. Visual Aids – Power Point Slides
2. Audio Aids – Instructor Stories per Instructor Manual
3. Student Notebook
4. Class Participation – Interaction Slides per Instructor Manual

A description of the method by which student attendance will be verified and recorded (IP/SYN)

- IN-PERSON
 - Student attendance will be verified by the instructor or moderator at the beginning and middle of each class day.
- SYNCHRONOUS
 - Student attendance will be verified by the instructor or moderator at the beginning and middle of each class day.
 - This is accomplished by students having a video camera on and the student appearing in front of the their camera.
 - If a student does not appear in front of their working camera, they will be asked to appear.
 - If there is a complication or lack of cooperation student will be removed from class.

A description of the synchronous platform to be utilized for instruction (SYN)

- School will use a video conferencing platform that allows for sharing of the slides and student interaction.

Student orientation and course/platform tutorial information (SYN)

- Instructor will spend the appropriate amount of time explaining
 - school and course expectations
 - how to utilize the platform for interaction

Description of the process for verifying that students possess required course materials (IP/SYN)

- Instructor will spend the appropriate amount of time verifying
 - Student has received course materials
 - Student knows how to download course materials

Description of technical equipment necessary to access/complete the course (SYN)

- An internet connection – broadband wired or wireless (3G or 4G/LTE)
- Speakers and a microphone – built-in or USB plug-in or wireless Bluetooth
- A webcam or HD webcam - built-in or USB plug-in or an HD camera/camcorder with video capture card

The contact information of technical support service (SYN)

- Instructor will provide online platform tech support hotline phone number and/or any messaging service.



Why This Course Was Written

Many students in both pre-licensing and post licensing express interests in commercial real estate. Most often their questions are:

1. How do I get started in commercial real estate?
2. Do I need a special license or training to be a commercial real estate agent?
3. What kind of options exist for working in commercial real estate?
4. What are the important things that must be evaluated in assisting a client with the sale or purchase of a commercial property?
5. What are the different client needs and expectations?
6. What are some of the hot topics and trends in commercial real estate?

This was course written to address those concerns. This course provides an overview of working in commercial real estate. It will enable a licensee to have a strong understanding and basis for deciding whether or not to practice in the commercial arena.

About the Authors of this Course

Derrin Dunzweiler, Commercial Real Estate Agent



Derrin's extensive real estate experience and professional success as a Broker-in-Charge and a business owner make him a valuable addition to the Positive Impact Academy roster of instructors.

As the Executive Director/BIC for Peters Enterprises, Derrin spent many years managing a diverse multi-million-dollar portfolio of multifamily, office, retail, medical and self-storage facilities located throughout North Carolina's Triad region. Prior to that, he served as vice president for a major real estate company in Ohio, handling the entire property management division in addition to building his expertise in commercial and industrial leasing, real estate development, investment properties and site selection. Derrin also has a business owner's perspective, as he currently owns a real estate consulting company, Dunzweiler consulting, offering his expertise in all facets of real estate. He enjoys sharing his deep knowledge of real estate with Positive Impact Academy students, helping them learn more about the breadth of opportunities available in today's residential and commercial real estate markets.

Spencer Clifford, MDiv, DREI



As professional speaker and trainer, Spencer brings experience and levity to every engagement of teaching and training in which he partakes. He has spoken in churches, on several university campuses and to a full stadium. He delights seeing people experience a breakthrough in understanding and moving to the next level.

Spencer is a broker with Keller Williams of Greensboro specializing in sellers. Where he also serves as a trainer for the market center.

Spencer grew up in Louisiana and graduated from LSU with a business degree. He married Renée in 1992 after meeting her when they each joined the staff of Campus Crusade for Christ. They are a house divided only when Renée's South Carolina Gamecocks compete against the LSU Tigers. Together, they served CRU for 15 years in Kentucky and North Carolina. Spencer helped launch 12 new campus ministries in the NC Triad. In 2006 the Clifford's resigned from CRU so Spencer could pursue a

calling to pastoral ministry. He graduated from Reformed Theological Seminary with a Masters of Divinity in 2009. He was ordained in the Anglican Church in 2010 and helped plant two churches, Christ Church in High Point and Church of the Redeemer in Greensboro. As a licensed real estate agent, Spencer now helps people meet their wealth preservation, selling and buying real estate needs. The Clifford's have three kids they are very proud of Grace, Andrew, and Joy.

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Course Learning Objectives



Course Objectives

By the end of this course you should be able to:

- **Implement**
 - **Implement the process to begin a commercial real estate practice**
- **Define**
 - **Define how to build a commercial real estate foundation**
- **Develop**
 - **Develop an understanding of the most recent commercial trends**
- **Compare and Contrast**
 - **Compare and Contrast different areas of commercial business opportunities**
- **Recognize**
 - **Recognize Commercial Client Opportunities**
- **Apply**
 - **Apply Commercial insights to specific property types**

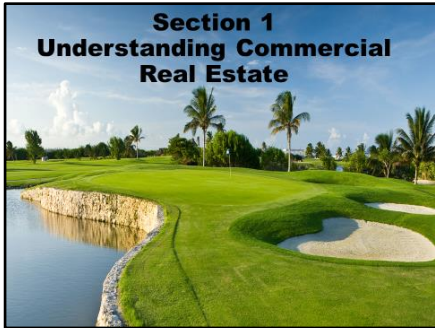


Section 1

Understanding Commercial Real Estate

Learning Objectives:

- **Define**
 - **Define how to build a commercial real estate foundation**
- **Develop**
 - **Develop an understanding of the most recent commercial trends**
- **Compare and Contrast**
 - **Compare and Contrast different areas of commercial opportunities**



Section 1

Understanding Commercial Real Estate

The practice of commercial real estate is much different from the practice of residential sales. There is no universal definition of “commercial real estate.” Most of the time what constitutes commercial real estate is defined in the negative by what it is not. The North Carolina Real Estate Manual defines it as anything that is not residential real estate.

Some of the different types of commercial real estate:

- Retail
- Office
- Industrial
- Multi-family (anything more than 1-4 units)
- Development
- Medical

In addition to the different types of property there are a lot of different roles for licensees to fill. Licensees operating in the world of commercial act as:

- Listing agents for sellers of commercial property
- Buyer agents for buyers of commercial property
- Property managers working for owners of commercial property
- Leasing agents representing either owners or tenants
- Consultants for commercial property



This is typically the hardest part.....the first step.

Mastering the Terminology



Mastering the Terminology

Learning commercial real estate is a bit like trying to master a new language. So that we can communicate effectively throughout this course and to build a better working vocabulary for you as a licensee we should all be familiar with the following terminology.

1. Absorption
2. CFAT (Cash Flow After Taxes)
3. CFBT (Cash Flow Before Taxes)
4. CAM
5. DCR
6. Discount Rate
7. Equity Lease

Absorption- indicates the rate at which available space is leased or sold within a specific market or geographic area during a given time period.

CAM- Common Area Maintenance

DCR-Debt Coverage Ratio

Discount Rate- is a method used by investors to value commercial real estate investment opportunities based on the projected cash flows of the deal.

Equity Lease- a lease for which all annual lease payments are credited against the total lot price until such time as the lot price is paid in full. Tenant receives ownership benefits



Sources of the Terminology

Realtor.Org

Costar.com & Loopnet.com

- National Databases

IREI.com

- Institutional Real Estate Inc

Books

- NAR – Digital Library
- *Commercial RE Investing for Dummies*

Commercial Brokers

Go to Loop Net – see how properties are marketed using NOI and other strategies

FREE!

Property Managers

Real Estate Market Place →



More so than residential real estate, commercial real estate agents gain a lot of “on the job” experience. North Carolina is a single license state. That simply means that everyone is a broker. There is no specialty restriction on using a real estate license in residential, property management or commercial.



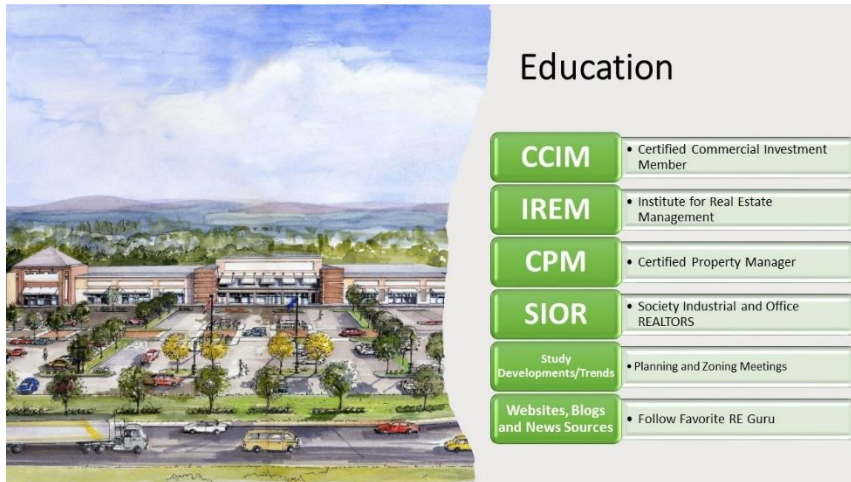
A mentor is someone that not only has commercial real estate expertise but the time and willingness to help you better grasp the business. This process will involve meeting with several commercial agents to find the agent that meets your needs, available time frames and expectations. Choosing the correct mentor for you, may be the most important career decision that you will make.



During the interviewing of a potential mentor, you will want to make sure to ask specific questions. Knowledge of the local and regional commercial markets including a general knowledge of the entire market and an expert knowledge of a certain sector(s) of the market that you are interested in. The commercial practitioner may not want to assist you; they may be concerned that you will take business from them. A stellar reputation is of vital importance because aligning yourself with the wrong agent will not only stigmatize you but limit your ability to learn the business through the proper ethical and legal channels. Make sure that this agent has adequate time available to mentor you. Understanding who this agent works with and how they connect with them will help you understand the importance of a sphere of influence and the importance that technology now plays in commercial real estate.

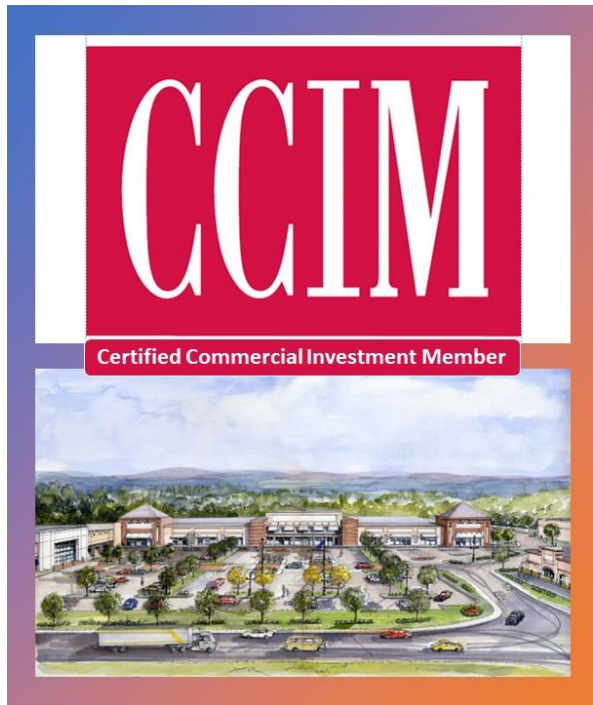


A slide to emphasize the importance of a mentor



There are numerous sources for a commercial real estate agent to increase their knowledge regarding commercial transactions. Most of these sources will provide a designation upon the completion of their course load. These designations may lead to credibility in you as a commercial agent. There are also other sources of education including well respected individuals, magazines, blogs, websites, real estate associations, etc.

By staying in the know, you will remain relevant and potentially the go-to source for commercial real estate. This involves not only reading and studying the information but understanding this information and knowing how to apply it to the trade. You will encounter numerous individuals and companies that, at varying times, will require this expertise and could mean the difference between you meeting the client's needs and/or earning a commission regarding a transaction.



Earning the CCIM Designation

Education Component

- Ethics Course
- Negotiation Training
- Elective Courses
- Gold Standard for Commercial Real Estate Partitioners

Qualifying Experience

- Qualifying Activities
- Transactions
- Projects

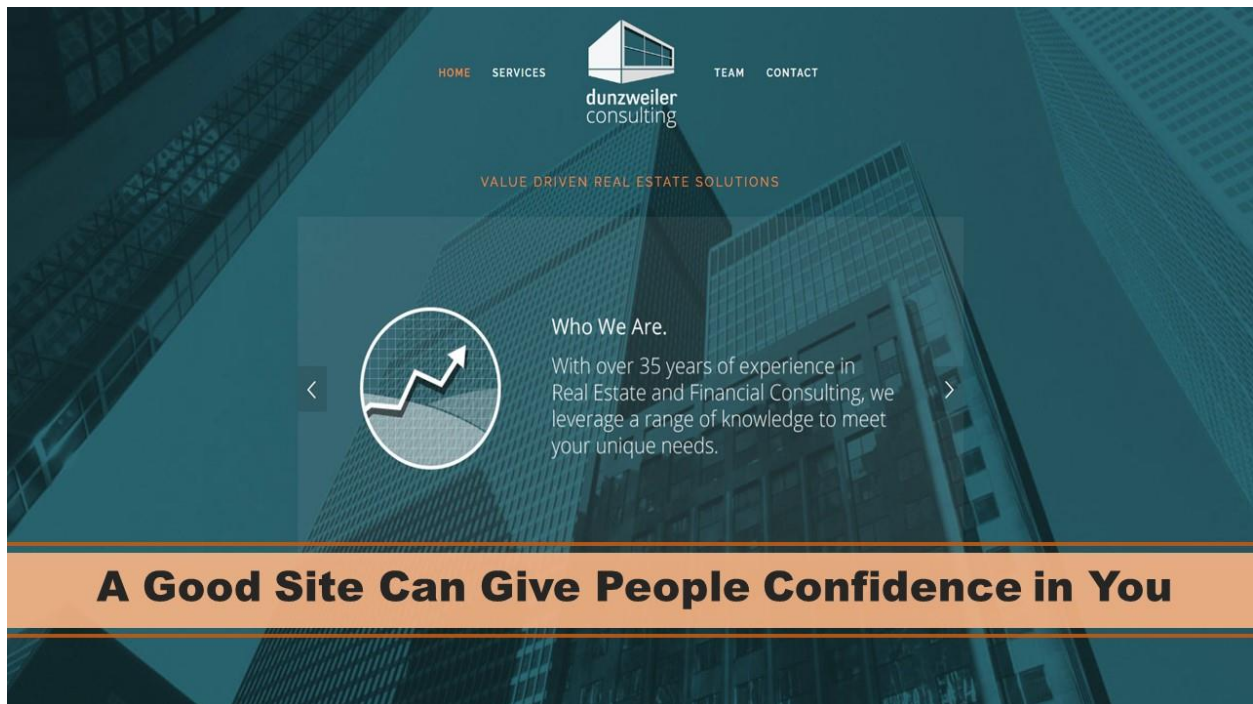
Comprehensive Exam

- Full-day Exam Testing Your Mastery Of The Concepts

The CCIM is the ultimate commercial real estate designation. The requirements include classroom hours, documented sales/leasing and final exam completion.



In what ways do you need to change or update your website?



A quick discussion on websites with the students can be taken at this time.



Trends to Consider

- **18 Hour Cities**
- **Millennials Renting Longer**
- **Technology changing the game**
- **Hard Infrastructure Erosion**
- **Soft Infrastructure Importance**
- **Condo Development Fades**
- **Seller's Market**
- **Re-urbanization?**
- **Crowd Funding**

Being aware of the trends in commercial real estate locally, regionally and nationally add to one's expertise and ability to coordinate transactions. These are a few of the current trends that are driving commercial real estate users, owners and licensees. These trends will not only add to one's vernacular but elevate the agent in terms of ability to meet client's needs. From longer hours of operation for retail, renting becoming the new norm for the millennials, technological advances, location not being driven by the existing infrastructure, loss/lack of condominium development, seller's dictating pricing, timing and terms and conditions, the congregating and gentrification of the downtowns to alternative financing methods of commercial real estate.

Mastering Marketing Expertise



Understanding the difference in advertising and marketing. Knowing the mediums that are relevant and effective and being able to tailor this knowledge into productive responses that aid in the sale/lease of commercial real estate.

Municipality Master Plan

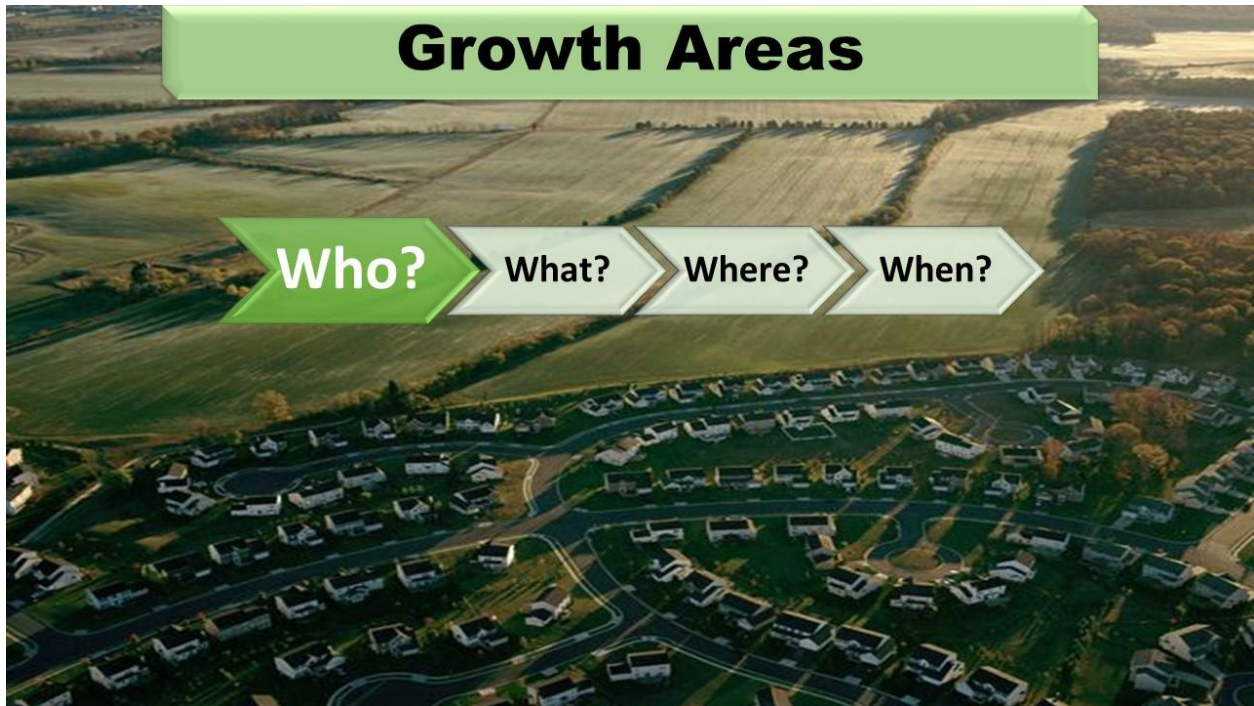
- Comprehensive Long Term Plan

Who is the Municipality?

- Zoning
- Public Facilities
- Transportation
- Conservation



Utilizing the municipality master plan takes an understanding of what it is meant to provide. This is the framework for the growth of the area and is subject to some change based on the people that are in charge. One should pay special attention to the shorter-term plans, like 5 years or less, as trends and innovations will direct future events. Understanding the objectives of the community will allow the agents to align themselves with the municipality and the users in a productive and rewarding way.



Understanding opportunities in commercial real estate is vital today. The power of creative observation is best utilized when analyzing property. Having the ability to recognize opportunity where others may not is a developable skill. Who would use this site? What are the options for users for this site? Where are the current and future opportunities for different commercial sectors? When is the time to act upon these forecast opportunities?



Some of the "who" questions that a real estate practitioner should ask themselves are related to numerous potential users. Understanding what developers, businesses, builders, individuals, and investors are seeking with regard to their particular specifics will enhance both the client and agent's experience. By having the ability to see things that are readily apparent, the agent can create opportunities that even the user didn't see or anticipate.

WESTOVER GALLERY OF SHOPS
 WESTOVER TERRACE, GREENSBORO, NC 27409
 36.091367, 79.8129600

KOTIS

- Kotis Properties' Westover Gallery of Shops
- 7-phase, 160,000 SF Specialty Center
- Architecturally superior structure & site-scale design
- Large display windows & illuminated, covered walkways

• Located at intersection of Westover Blvd (34,000 AFD) & Weaver Ave. (31,000 AFD), with easy access to the bypassed road (40,000 AFD)

• Adjacent to Green Valley Office Park (1.5 million sq ft high-rented mixed-use)

• Close to development of 2.8 Mile Hospital & IMC-G (23,000 sq ft)

• Home to such national food & nationally recognized retailers, such as Petaluma's Bakery, Saks of Trail, Stone, Mattress Warehouse, Best Buy, Chipotle, & Yobani, among others

PO BOX 2226, GREENSBORO, NC 27409
 336.674.2000 • www.kotis.com

Walgreens



WEAVERCOOKE



Some of the local/regional users are providing opportunities to the commercial agents simply by their actions and current uses. Capitalizing on this power of observation will create numerous opportunities and relationships that will enrich agents.



What are the different sectors in commercial real estate doing? What are their needs and desires? What are "chain" operations doing with regard to product, location, timing, etc? What are the newest business models that are sculpting the local, regional, and national markets? What are the latest products being introduced and how does that affect what the users/customers will want? How can the commercial real estate agent capitalize on this?

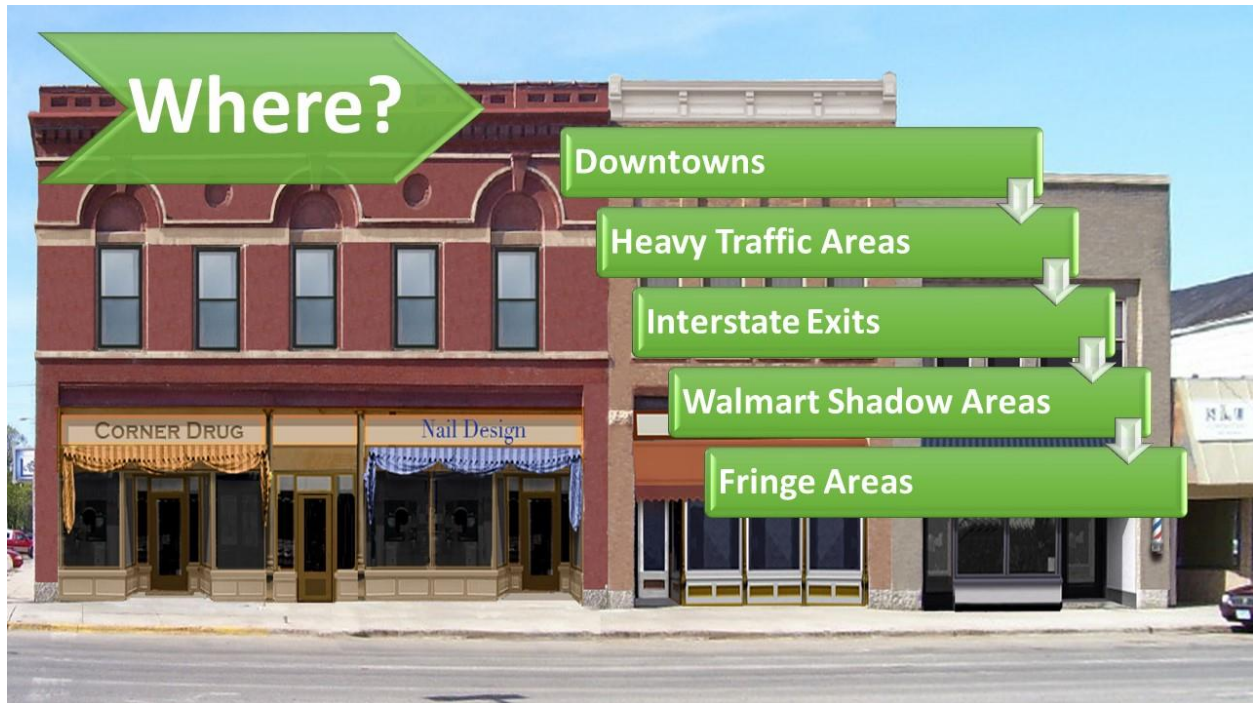


Emerging Trends
in Real Estate®



Examples of the evolutions of the consumer's needs/wishes and how are the vendors/developers meeting these needs:

- Urgent Care facilities replacing the traditional hospital emergency dept.
- The grocery store is becoming massive in size and a one stop shopping center.
- Walmart has changed the way that consumers shop and the way that commercial real estate is utilized.
- Open areas are replacing cubicles for employees with the emphasis on natural light, green products, and open spaces.



Knowing where to look for opportunities is a result of a discerning eye, a clear understanding of commercial user needs and the diligence to pursue both. Different users require many of the same elements but also specific characteristics only applicable to them. So varying locations offer different opportunities for different users. Downtowns, high traffic count areas, interstate visibility, fringe areas to existing big box retailers, periphery to existing developed sites and proximity to new residential developments.

WEALTH OPPORTUNITIES
IN
COMMERCIAL REAL ESTATE
MANAGEMENT, FINANCING, AND
MARKETING OF INVESTMENT PROPERTIES
GARY GRABEL

Commercial Banking
GBC INTERNATIONAL BANK
Commercial Real Estate Financing Opportunities
ARE YOU CURRENTLY LOOKING TO PURCHASE OR REFINANCE COMMERCIAL REAL ESTATE???

GBC International Bank offers quick turnaround time and excellent services in every part of the loan process. We offer financing for the following types of properties:

- Multi-family residential building (5 units or above)
- Retail Strip/Shopping Center
- Office Building
- Warehouse/Light Industrial Building

Contact us for a Preliminary Approval Today!

Please Contact:
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University Blvd
US Hwy 1
VALENCIA COLLEGE LN
US Hwy 1

Examples of ways to capitalize on the "where" for commercial real estate. Reading books on how to look for these opportunities, understanding how to and what type of financing is available for commercial real estate and knowing how to read site, location, and zoning maps. This skill and expertise come from experience, but the process can be expedited by utilizing the aforementioned tools.



The when is just as important as any of the other factors for utilizing commercial real estate expertise. All real estate goes through periods of growth, stability, decline and revitalization and a commercial practitioner's ability to recognize the phase that a particular property or site is in. Understanding the cycle can be the difference between putting a deal together or missing an opportunity. As a commercial real estate agent, understanding where, in this economic cycle, the specific location is must be determined to; price, develop, sell/lease or offer expertise to user(s). After coming to a determination of the economic condition of the site, the commercial agent then can contact specific users based on their needs relative to this.

Crystal Coast Real Estate Market Report

Q3 TRENDS & ANALYSIS

Apartment Market

Year	Qtr	Asking Rent	Vacancy Rate
2011	3	\$10.80	5.6%
2011	4	\$10.84	5.2%
2012	1	\$10.70	4.9%
2012	2	\$10.82	4.7%
2012	3	\$10.91	4.6%

The national vacancy rate inched downward by 10 basis points to end the third quarter at 4.6%. This is the slowest rate of improvement since the recovery began in early 2010.

Asking and effective rent growth were moderately healthy in the third quarter, coming in at 0.8% and 0.5%, respectively. This is a slight decline versus second quarter's figures of 1.1% and 1.3%, but still represents a faster rate of rent growth than recent quarterly averages.

Office Market

Year	Qtr	Asking Rent	Vacancy Rate
2011	3	\$27.84	17.4%
2011	4	\$27.97	17.3%
2012	1	\$28.01	17.2%
2012	2	\$28.17	17.2%
2012	3	\$28.24	17.1%

Vacancy declined by a scant 10 basis points, from 17.2% to 17.1%. This is a slight improvement from the second quarter when the vacancy rate was unchanged.

Asking and effective rents both grew by 0.2 percent during the quarter. This is the eighth consecutive quarter that asking and effective rents have increased. However, rent growth appears to have slowed over the last couple of quarters, on a year-over-year basis, rent growth is clearly decelerating.

Retail Market

Year	Qtr	Asking Rent	Vacancy Rate
2011	3	\$8.97	10.0%
2011	4	\$8.98	10.0%
2012	1	\$9.00	10.9%
2012	2	\$9.03	10.8%
2012	3	\$9.05	10.8%

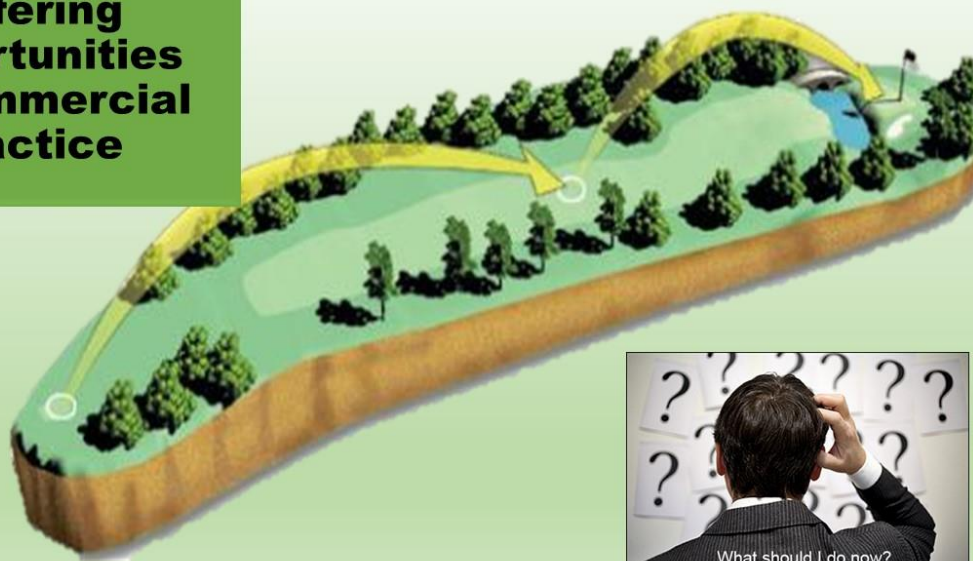
Vacancy for neighborhood and community shopping centers was unchanged during the third quarter at 10.8%. On a year-over-year basis, the vacancy rate declined by a scant 20 basis points.

Asking and effective rents for neighborhood and community centers both grew by 0.1 percent during the quarter. It was the fourth consecutive quarter that asking and effective rents have increased. Although positive, rent growth remains at very low levels.

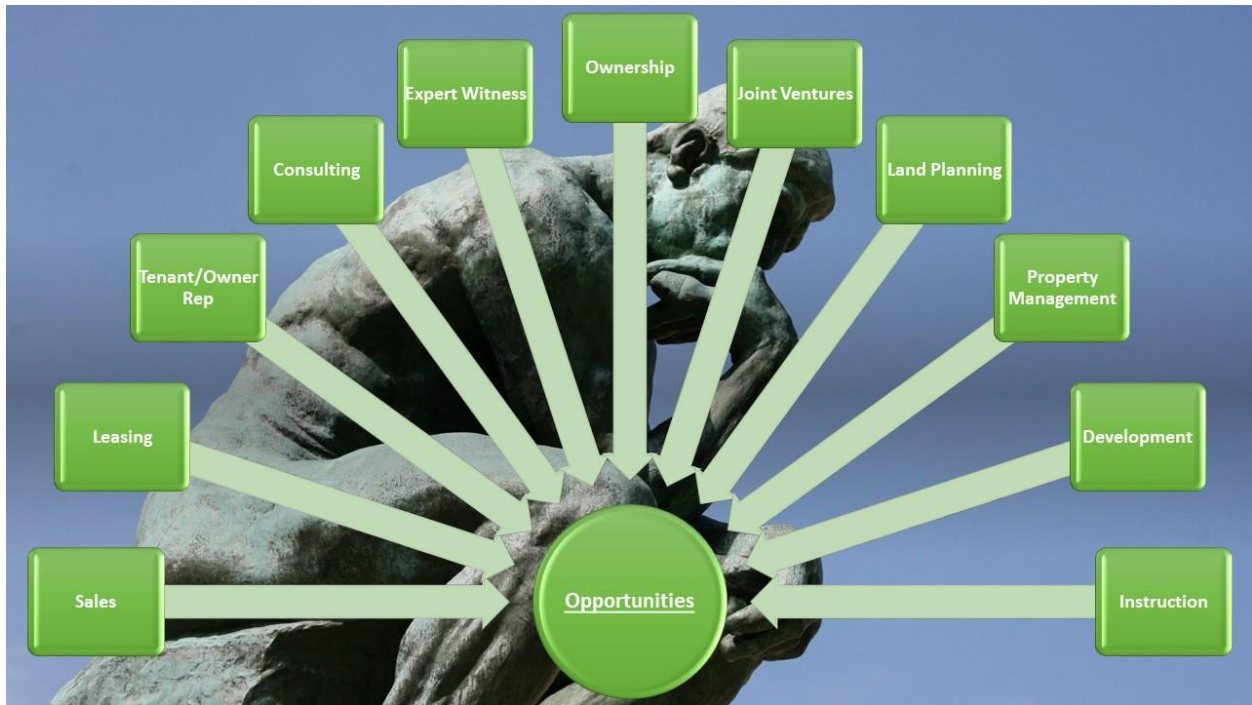


There are numerous analysis tools available to the agent for the segmented markets of commercial real estate.

Differing Opportunities in Commercial Practice



Because of the vast and varied nature of commercial real estate, there are infinite opportunities available to promote, secure and initiate commercial real estate. We will explore several of the ways that commercial agents can maximize on these through awareness and knowledge of the opportunities.



The available options for the commercial real estate agent are numerous and we will explore these individually. Agents can perform one, some or all of these types of business in their career. Careers can be lucrative and rewarding by utilizing only one of these types of practice or by utilizing several combinations of them.

Sales Opportunities

BUILD TO SUIT

COMMERCIAL PROPERTY FOR SALE FINANCING AVAILABLE

1031 Exchange

SALE LEASEBACK

CITY OF MARIETTA
ZONING NOTICE
APPLICATION HAS BEEN MADE TO
REZONE THIS PROPERTY
FROM R-4 TO OLT
PUBLIC HEARING 4-14-14
PLANNING COMMISSION 4-9-14
CITY COUNCIL 4-9-14
MARIETTA CITY HALL - 200 CAMDEN

The savvy commercial agent takes advantage of every opportunity to meet a need with a sale. Working with lending institutions to understand lending requirements and the latest commercial financing products that are available. Working with investors and clients to structure build-to-suit deals, 1031 tax deferred exchanges and/or sale leasebacks are a few of the ways to put sales transactions together without being an "order taker".

Leasing Opportunities

Medical Suite Available For Lease

 **UBAY** INVESTMENTS AND PROPERTY MANAGEMENT LLC

FOR LEASE

818.658.5720

Alex Hertz | Alex@UbayInvestments.com



BUILD TO SUIT

The same savvy commercial agent shouldn't overlook leasing opportunities with or without the possibility of a sale. Being involved in the transaction however possible is the sign of a strong and knowledgeable licensee.

Owner/Tenant Representation

Tenant

Both



Both sides of a transaction will want and almost always require representation. Understanding this provides a window of opportunity to participate in transactions by an agent. Build to suit deals involve lots of negotiation and detailed coordination to put this type of transaction together. A commercial agent's expertise can be essential to make this happen. Both sides to the deal will expect and require a commercial real estate sophistication to meet all party's needs.



The licensee's knowledge, expertise, experience, and reputation can make available income streams that are outside the realm of leasing or sales. Many players in today's real estate world have some knowledge and/or experience but not the know-how to put a deal together, how to maximize an existing investment, how to structure the asset to meet their current and future needs. Time constraints on people also allow for the commercial licensee's expertise to be invaluable. The above slide discusses several ways for the licensee to provide assistance to owners/developers/managers/investors with real estate assets.

Ownership/Joint Ventures



Joint Venture

- A business arrangement in which two or more parties agree to pool their resources for the purpose of accomplishing a specific task. This task can be a new project or any other business activity. In a joint venture (JV), each of the participants is responsible for profits, losses and costs associated with it. However, the venture is its own entity, separate and apart from the participants' other business interests.

An agent also has the potential to become personally involved in a commercial real estate venture. By partnering, preferably in a legal entity, with another person, entity or group of people, the commercial licensee can benefit from their expertise both as an investment and potentially be receiving a commission. The agent may also benefit by coordinating a joint venture with other groups/entities without his/her inclusion.



By understanding and being involved with municipalities regarding the latest issues affecting commercial real estate, one can become an integral part of many sides to the development, sale, lease, consulting of varying parcels and tracts of land. Including but not limited to the following issues; zoning, swim, ingress/egress, land planning, feasibility and development plans. These issues are almost always treated differently in each municipality and therefore regional expertise is required to maximize in this manner.

Property Management



Understanding the very nature of property management will benefit the commercial licensee as they take advantage of the numerous opportunities that the nature of this business provide. From owner needs and wants to specific site management issues to tenant concerns to adjacent property opportunities.



Instructor Extraordinaire

Instruction via real estate schools, seminars, office training or class writing can provide leads for future business. While numerous people are experts in commercial real estate, very few have the knowledge base provided by instructing and knowing the real estate commissions' rules and regulations. Every deal would benefit from understanding the nuances of NCREC compliance.

Section 2 Learning Objectives



Section 2

Learning Objectives:

- **Recognize**
 - **Recognize Commercial Client Opportunities**
- **Identify**
 - **Commercial real estate niches**
- **Implement**
 - **Tips and tricks to cross over from residential to commercial real estate**

Section 2

Building A Commercial Real Estate Business



This section will focus on the different ways that agents can find business opportunities. Many are often overlooked or not fostered. But to secure a successful business, as well as, meet people's varying needs and desires, one must have the knowledge to know where to look and how to offer solutions to questions that many have not even been asked.

Building any business and doing so successfully always depends on assessing the needs of your potential customers and then meeting them.



Finding & Recognizing Client Needs

We, as agents, repeatedly miss out on business opportunities because we fail to recognize them when they present themselves. We will explore ways to look for and find these opportunities and how to potentially utilize them.



- **Residential agents**
- **City official networks**
- **Broadening referrals in niche specialties**
- **Creating business in social spheres – Local, State and National**
- **Visualizing Needs**
- **REO's/Banks**
- **Lenders**
- **Attorneys**
- **Business brokers**



We will delve into each of these varying sources of leads. Notice that many of them are not specific to commercial real estate but ultimately can prove to lead to commercial real estate business. These are developable skills for the commercial licensee and with practice will become second hand.

Residential Agents

Sellers

Buyers

Neighbors

Relatives

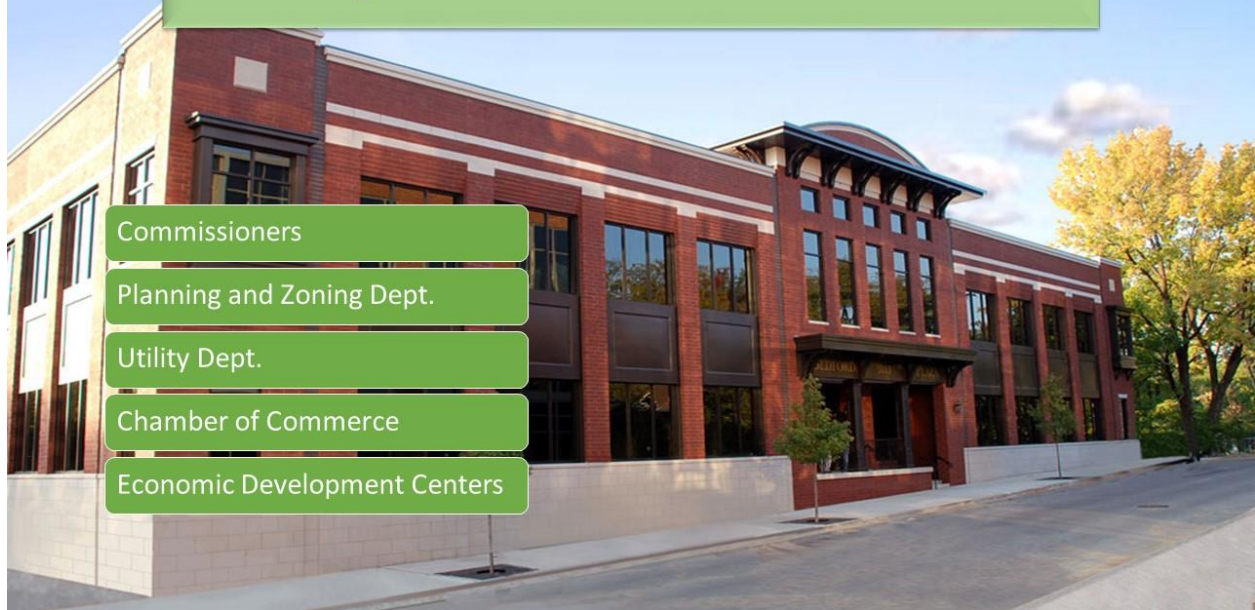
Vendors

Other residential agents can be an excellent source of referrals. Teach your fellow agents how to extract commercial leads from customers and/or clients. Residential sellers and buyers should be questioned about commercial real estate needs with specific topics. By asking the right questions, commercial opportunities will emerge. This will be lucrative for both agents.



Discuss questions that the residential agent can ask that can lead to some commercial leads.

City Official Networks



Other locations that the prudent commercial agent can lay the groundwork for leads are often where they are educating themselves on the local markets. Planning and zoning departments and utility departments are typically one of the first stops for a developer/owner/investor and the prudent commercial agent can build relationships with these office employees that may lead to business. If nothing else, they have the potential to be in the know for the area and may be able to utilize this information for further business. Regularly meeting with commissioners, the chamber of commerce and/or economic development centers will provide the same return for the licensee.



This slide gives some specific ideas on how to interact with the aforementioned municipalities and their employees.

Niche Specialties

Convenience Stores

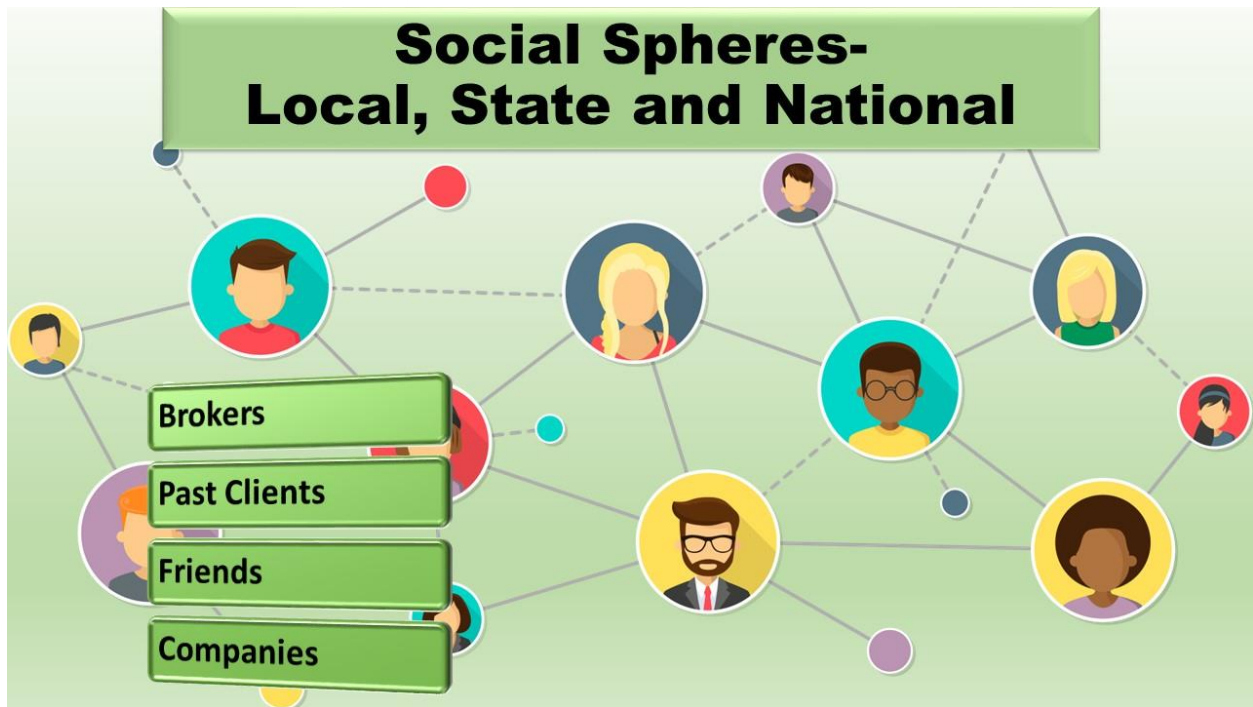
Infill Projects

Wal-Mart Shadow Centers

Golf Courses

Resort Properties

Another source of business is identifying a niche market and then becoming an expert on it. While the agent's pool of clients is smaller, their expertise may lead to more business than trying to specialize in all facets of commercial real estate. Here we give 5 examples of markets or arenas that are niches with the potential for income. These properties are sold and purchased, and the commercial agent's expertise is needed but these products are typically not sold as frequently as others as there is a smaller inventory of them.



Social spheres are very instrumental in locating business regarding commercial real estate. The licensee needs to realize that a large portion of the commercial real estate business is conducted by companies and commercial agents that have strong local, regional, state, and national presence. By understanding this the agent can build relationships with these brokers, companies, clients and friends that will lead to future business and more expansion of their business.

Visualization



Rarely mastered, is the ability to visualize the POTENTIAL for existing properties. Who would want this, how to make it work, what is needed to maximize the site, etc. This is the reason that most developers have an artistic rendering of the finished product during the construction phase. Be the reason for the business not just the recipient of business as it happens.

**Look at things differently.
Opportunities are all around.**



These visualization opportunities are everywhere but one must train them self to recognize them. All facets of commercial real estate offer opportunities through this skill.



**It isn't
always this
easy to see
the big
picture!**

This slide is self explanatory. Anyone can identify the potential for this site.

REO Properties



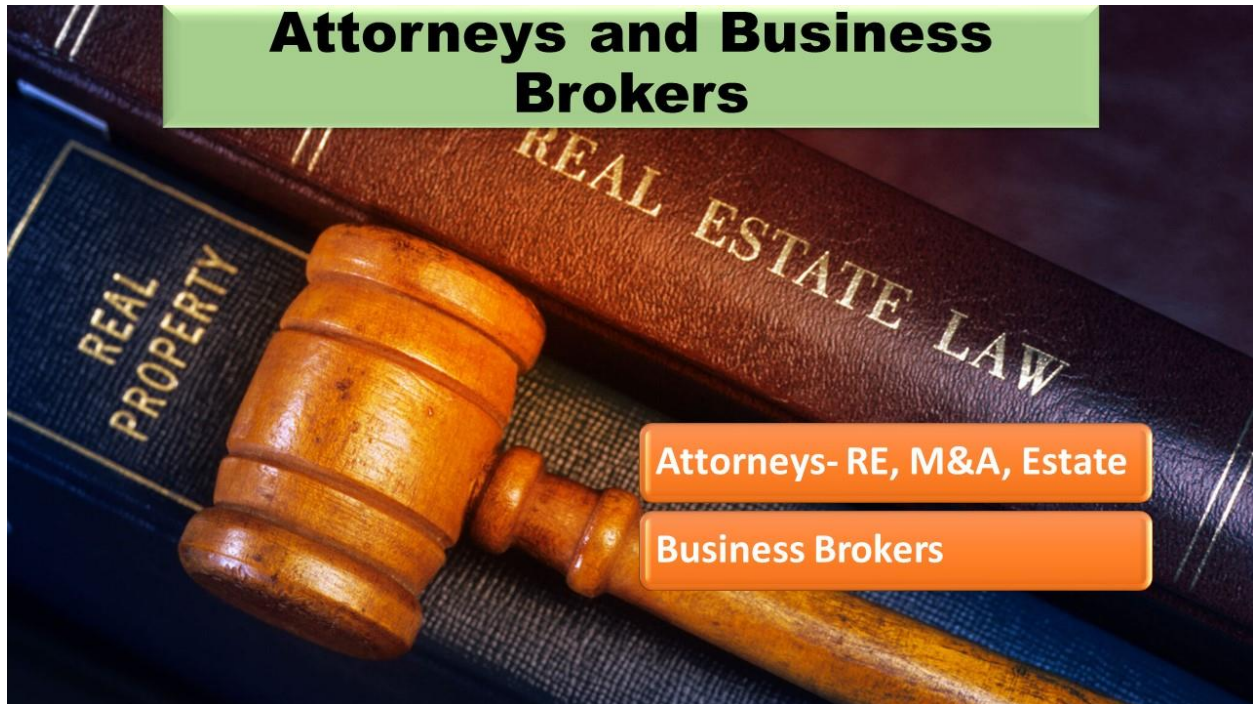
By having a good relationship with lending institutions, the licensee may find new business. There is a huge inventory of real estate assets that these institutions possess and by understanding what the lending institution is trying to accomplish in the disposition of these assets, new business can emerge. Consulting, management, leasing, and sales of these assets are all viable opportunities.

Lenders



Because of the Dodd-Frank act, lending institutions have very strict restrictions placed upon them and knowing this will assist the licensee in acquiring this business. Again, knowing the lending products and approval process will benefit the licensee, customers, and clients alike.

Attorneys and Business Brokers



Attorneys that specialize in real estate, acquisitions, and mergers and/or estates are tremendous opportunities. While attorneys have a vital and specialized knowledge, we as commercial agents should as well. The benefits to a client and the attorney can be numerous with the assistance of a commercial real estate agent. Consulting, sales, and leasing opportunities are constantly presenting themselves for the licensee if they can partner with an attorney to provide services to the client/customer. Also, the niche profession of a business broker will very frequently require the services of a knowledgeable and experienced real estate agent.

Business Brokers



Virtually every business needs a physical presence.

Get in on the ground floor!

Reinforcing the opportunities that aligning with a business broker can provide. But also paying attention to deals that occur that you were not involved in may lead to additional business. Make it a point to review your market areas on a regular basis.



Slide to emphasize the meanings of the previous information. Don't be deterred by your own inhibitions.

Working With Commercial Clients



When you have a commercial client, there are many different things that the agent must deal with compared to dealing with a residential client. We will explore some of the major concerns for the commercial licensee. Having the knowledge of what to expect may be the difference in getting the client to work with you versus another agent.



The different paperwork requirements for commercial real estate are numerous. There are also countless other deal specific issues that the prudent commercial licensee will have to explore. Like a boy scout, be prepared.

Employment Agreements & Fee Agreements

Unlike with the MLS, we must negotiate a commission agreement for virtually every deal that we do!

There can be many different brokers involved in any specific deal.

Levels and Degrees of Involvement

There is NO standard commission

Rarely are their standard forms or organized associations that provide all the necessary paperwork. Almost every deal will involve varying forms, or at a minimum, the forms will be altered to suit the situation. The first form a commercial agent will fill in is the commission agreement. The commission is decided by negotiation. Along with this, there can be numerous agents involved in one transaction and each must have a separately negotiated commission agreement.

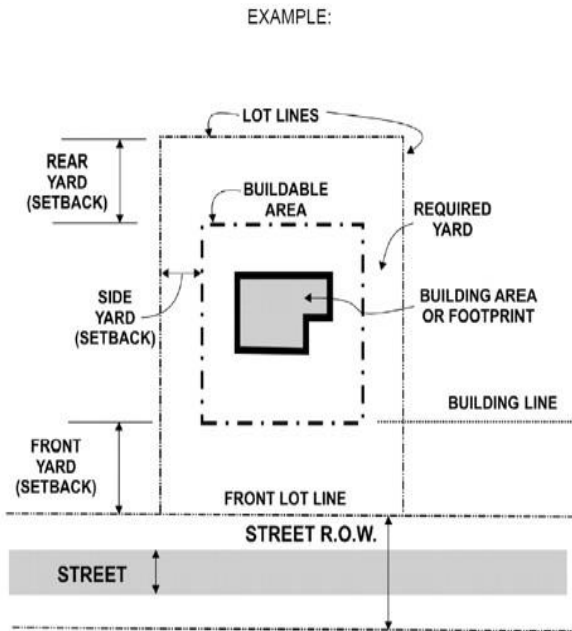
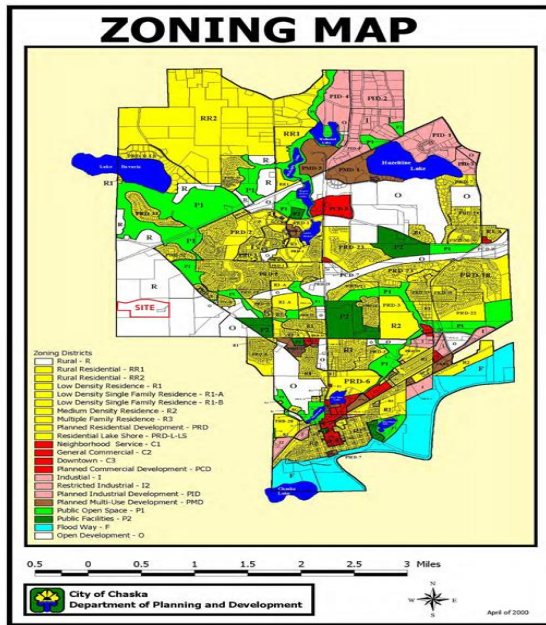


The commissions splits for commercial deals vary greatly. Lease, sale, listing and other forms of commercial real estate participation in a deal will require a written commission agreement.

Zoning and Restrictions



Zoning may very well be the most important component of successfully completing a commercial transaction. While the current zoning may allow for a certain user; this does not always mean that the user will ultimately be approved. Based on the type of use, the municipality's tolerance level, the surrounding neighbors and the community pushback, available utilities, etc; any deal can potentially go forward or be rejected. The agent's ability to navigate this often-political landscape will define their commercial real estate successes.



Up zoning/Down zoning

The licensee's ability to understand a zoning map, understand the municipality's current and future concerns and understand the client's needs are essential. Up zoning is making the zoning more impactful while down zoning will be theoretically less impactful. Utilizing this knowledge may be the difference between putting a deal together or walking away empty.



Infrastructure and Tradeoffs



Infrastructure is discussed in greater detail later on in the course but is vital to any commercial deal. Infrastructure is basic physical facilities needed by the user. Infrastructure and zoning can, on many occasions, lead to tradeoffs with the municipality to make a deal happen.

LOI's

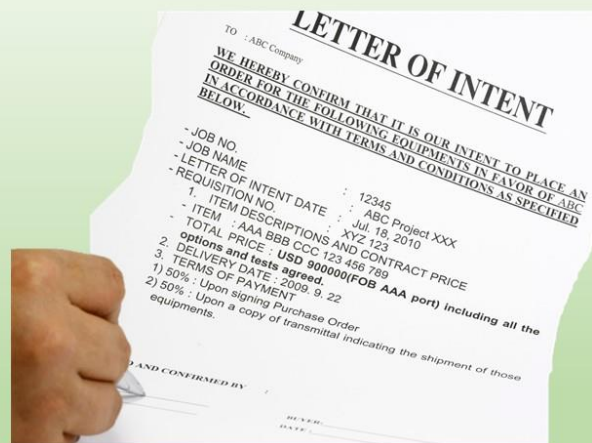
Commission

Inspection Period Items


- Leases
- Contour of Land
- Feasibility Study
- Land Plan
- Existing Docs

Options

Option Period Length



Letters of Intent are used frequently when someone is purchasing or leasing commercial real estate. The LOI outlines the terms of the potential agreement but is a nonbinding agreement until a purchase contract is signed and communicated. The commission is stated in this document along with the numerous other deal specific terms and conditions.

Example		
Total Building SF	10,000	
Common Area SF	1,000	
Load Factor	10% (1,000 / 10,000)	
Suite A Useable SF	3,000	
Suite A Rentable SF	3,300 (3,000 x 1.10)	

This is an example of lease space details, and the commercial agent must be able to understand this. Lease spaces can have Core Area- the dimensions of the entire building or floor, Load Factor- the percentage of the core area that is common to all tenants, Useable Area- the size of the actual space that the tenant will utilize exclusive of anyone else and the Rentable Area- the useable area plus the load factor. Prices for leases are typically stated in rentable area terms based on a price per square foot per year.

Contracts and Documents

- Deed Type
- Repairs
- Time Lines
- Conditions
- Financing
- Closing
- Escrows
- Allowances with regard to commencement
- Buyer Specific Items
- Seller Specific Items
- Property Specific Items



The formation of a contract, after acceptance of the LOI, will include details specific to both sides of the deal. This process of taking the LOI and turning it into a contract specific enough for both parties to feel comfortable is not to be taken lightly. Again, the input of a knowledgeable commercial agent will help not only the attorney preparing the contract but can ease clients and customers regarding their specific concerns being met. Examples of Concerns: Type of deed, repairs, and allowances (leases), timelines for both parties to complete necessary actions like closing, financing approval and inspections, etc.



This slide reinforces visually some of the issues that we discussed in the previous slide.

Buyer Specific Items

- Monthly Lease Abatement
- Road Expansion Completed/Exit from Highway
- Occupancy Percentage of Neighboring Building(s)
- Annexation into Municipality
- Fill Dirt and Compaction Levels



Buyer specific items to the contract (lease) can run the gamut. From simply the date of occupancy or purchase to annexation of the site, by the municipality, into the city or county and to everything in between. A few examples are lease abatements, completion of roads, percentage occupancy of a building or site and compaction levels of vacant land. Discussion: For what other things might a commercial Buyer have concerns?

Seller Specific Items

Time of Closing

Signage
Location/Size

Exclusivity of Use

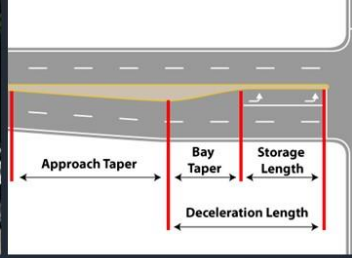
Location/Size of
Trash Receptacle

Parking



Similar to the buyer specific items, the seller/landlord will also have concerns, depending upon the user, for their building and/or site. A few of these examples are parking, signage, exclusivity of use, location of refuse containers.

Property Specific Items



Aesthetics

- Signs/Colors/Lighting

Hours of Operation

Deceleration Lane

Rules and Regulations

BUSINESS HOURS

MON	8:00	TO	10:00
TUE	8:00	TO	10:00
WED	8:00	TO	10:00
THU	8:00	TO	10:00
FRI	8:00	TO	10:00
SAT	9:00	TO	6:00
SUN	CLOSED	TO	CLOSED

There will almost always be property specific concerns for both parties to negotiate over or make adjustments to their envisioned ideas. A few of these are aesthetics, hours of operation, DOT requirements and/or needs and rules and regulations of the location.

Prototypes and Client Specifics



Other concerns that are to be explored by the commercial real estate agent are the needs of specific buyers/lessee and the concerns for the seller/landlord regarding these needs. Chain businesses come with their own set of predetermined requirements that the seller/landlord is expected to meet. This slide addresses these and they will be different for each of these chains. The slide is using Sheetz as an example of these types of concerns.

Chains

- Typically require the site to meet their needs; not the other way around

Medical offices require more parking spaces per square foot than other office types

With the truck trailer increase from 48' to 53'; Convenience stores need more room to allow for truck ingress and egress

S

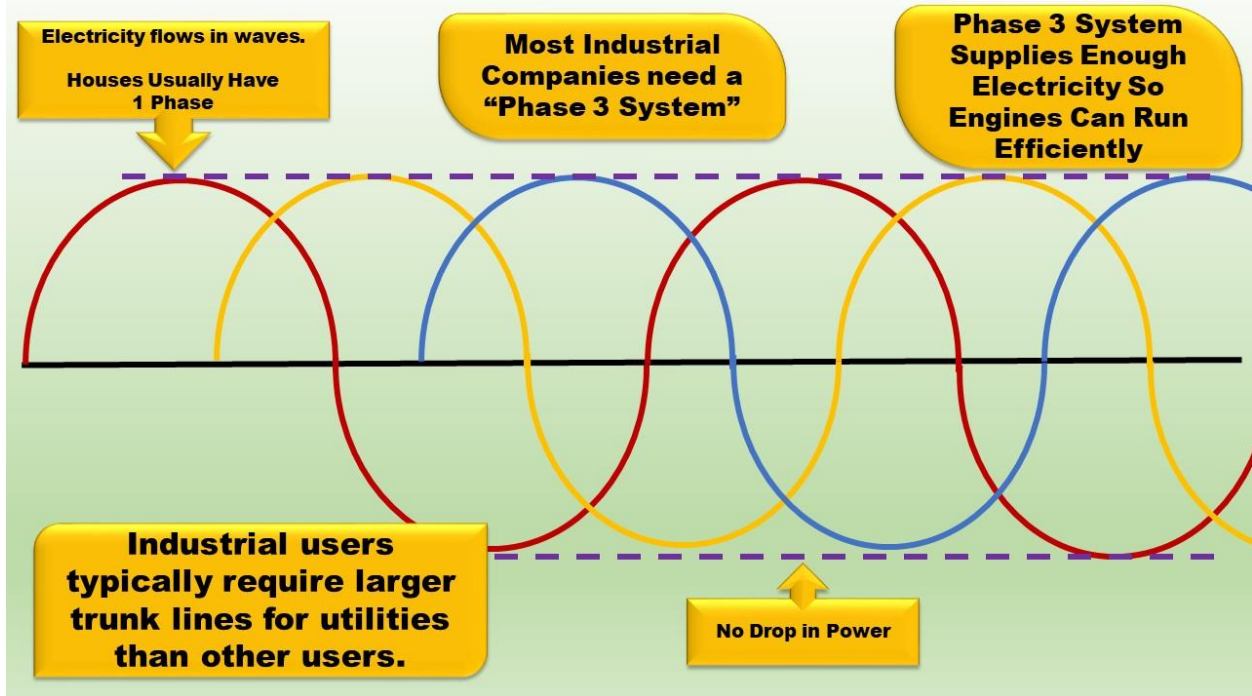
These slides are meant to give the students a general overview of some commercial situations that they may encounter. Chains, medical offices, and convenience stores have certain specific issues that an agent would be prudent to recognize regarding sale or lease.



Self explanatory



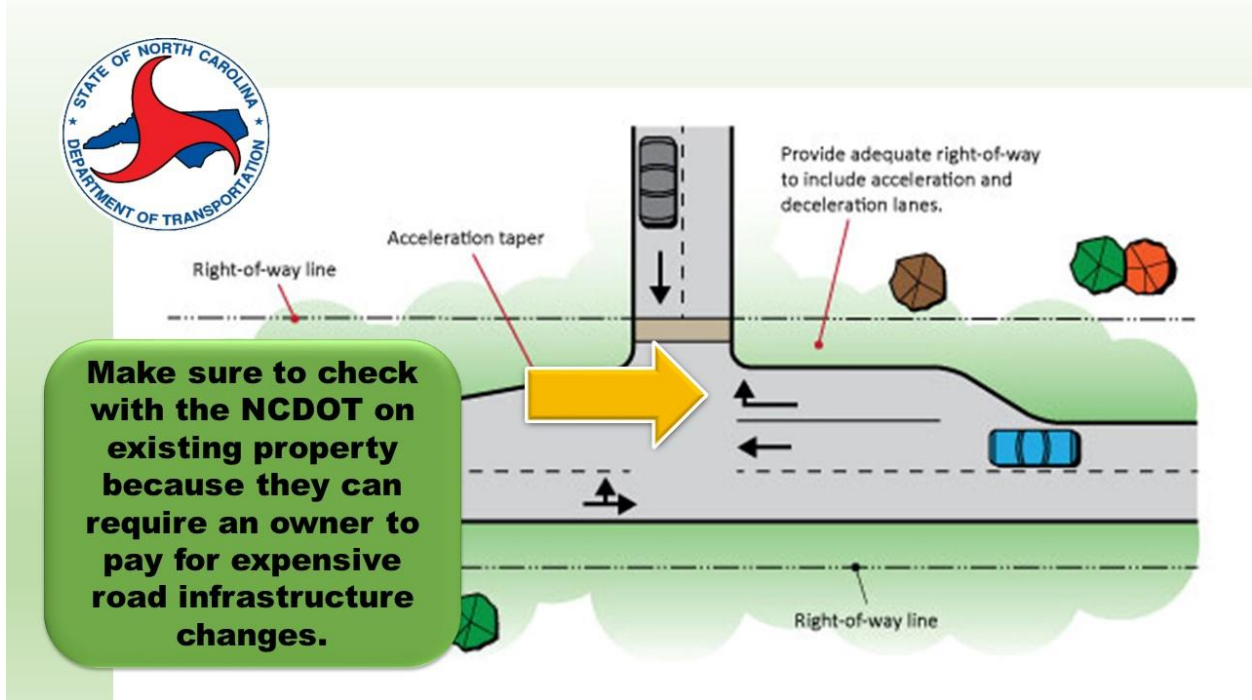
Self explanatory



Another general overview of a slide for the students and these deal with restaurants, medical/retail users, and industrial users. Should prompt interaction from the students.



Retention vs Detention Ponds. Retention ponds require much more maintenance and environmental regulations and potentially liability issues. Detention ponds are more sightly and less maintenance but can be significantly more expensive.



The costs required by NCDOT may make a property's infrastructure costs exorbitant or other NCDOT requirements could make the site unusable.



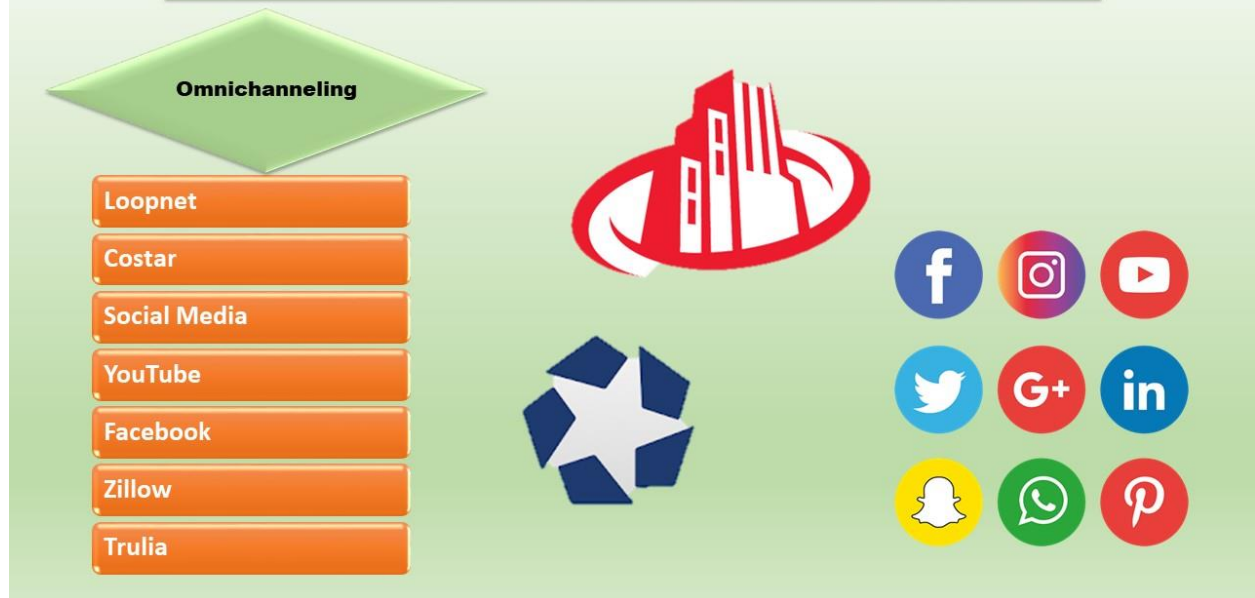
Other slides that provide general overviews with regard to commercial real estate scenarios. SWIM or retention ponds, NCDOT and neighbors are often nearly uncontrollable deal makers or breakers.

Using Technology To Serve Commercial Clients



We now explore some ways that the licensee can utilize technology to benefit themselves, their business and clients and customers.

Using Technology To Serve Commercial Clients



Available sources of commercial real estate information start with Loopnet and Costar. These are the two preeminent sites to obtain current listings, sales and stats. Other social media sites can be used to promote business, as well as educate the public on your commercial real estate expertise. Utilizing testimonials, videos, informational brochures, etc. are excellent ways to promote your commercial business.

You Tube

Create and Bank Videos to drive business to you

Pull from Internet and Bank Videos that drive interest to you

Understand the Client's concerns and address videos in this manner

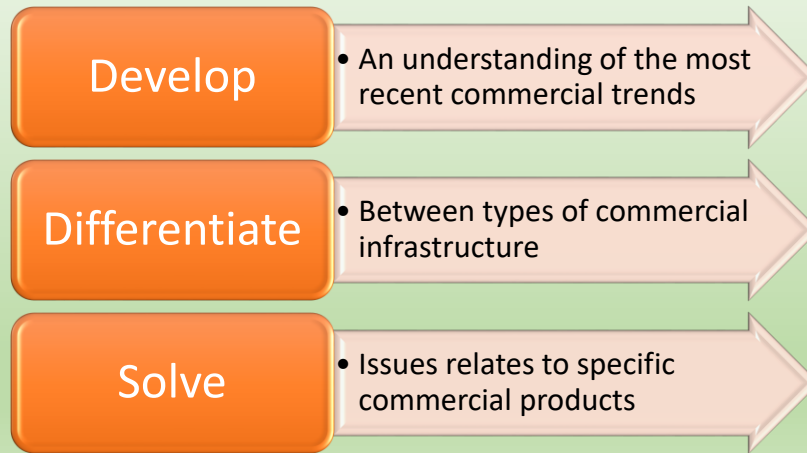
Link to Website and other Social Media Sites



Examples of how to effectively use YOUTUBE are given on this slide.

Section 3

Learning Objectives



Section 3

Learning Objectives:

- **Develop**
 - **An understanding of the most recent commercial trends**
- **Differentiate**
 - **Between types of commercial infrastructure**
- **Solve**
 - **Issues relates to specific commercial products**



Section 3

Hot Topics & Trends in Commercial Real Estate



"Success usually comes to those who are too busy to be looking for it."

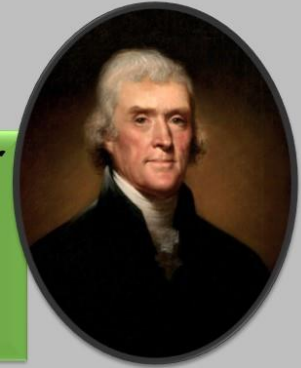
-- Henry David Thoreau

"Opportunities don't happen. You create them."

-- Chris Grosser

"I find that the harder I work, the more luck I seem to have."

-- Thomas Jefferson

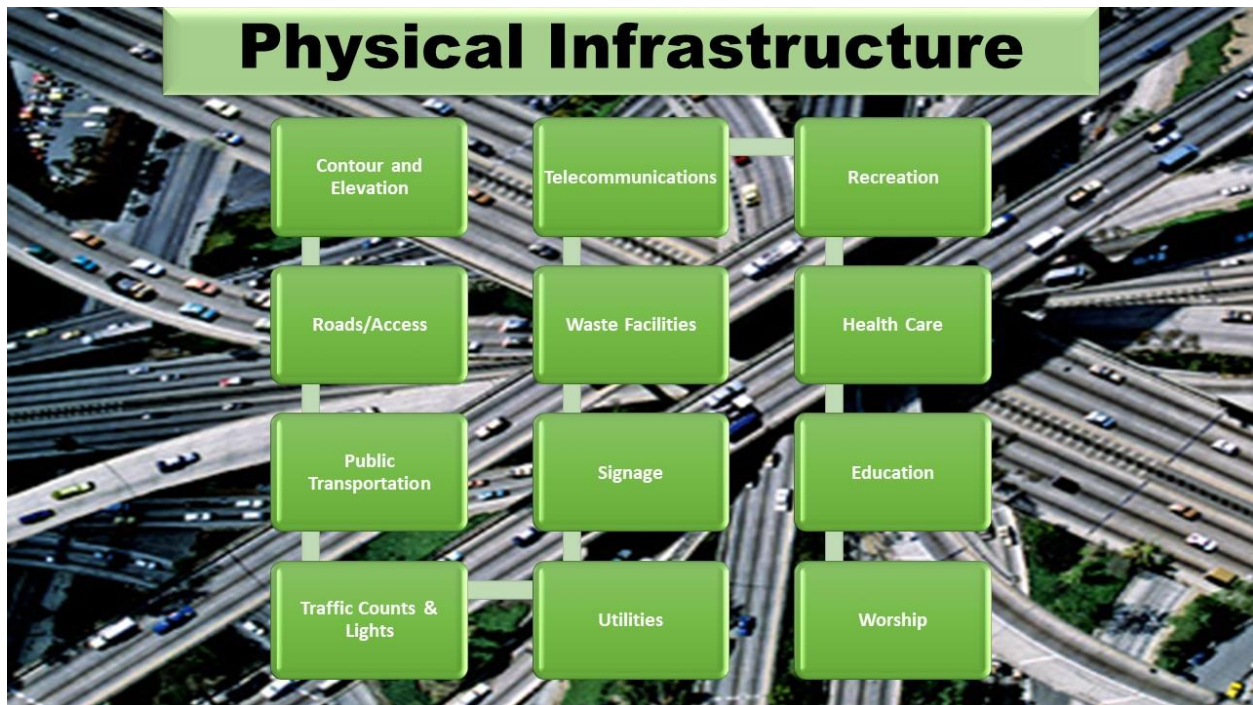


Slide is meant to inspire the students.

The Infrastructure Mandates



This section will go into great detail with regard to the necessary infrastructure components that commercial agents will encounter as they address Sellers and Buyers needs.



The physical infrastructure will include all of the following but not all of these components will always be of concern to a client. Depending on the client's needs and type of business, the agent will be required to address a varying number of these issues. Understanding that how the land lays, access by roads and what type of roads and whether public transportation is available are vital issues to deal with. Additional physical infrastructure items that are of major concern to users are traffic counts, traffic light access, utility sizes and availability, signage location, size and type, allowable location and availability of waste facilities and the size and availability of telecommunications. Also, while not tied directly to the site, location, type and availability of recreation, health care, education and worship are also vital concerns for numerous users.



**Retail doesn't
like below grade
sites.**

**A good land
planner can
make or break
the site.**

Another general overview slide for a couple of insights regarding infrastructure concerns. Getting the "right" land planner may save or initiate a deal that may otherwise not have happened.



Quality and Potential for upgrades determine viability of locations.

The Master Plan along with the officials implementing it can alter the viability of different locations.

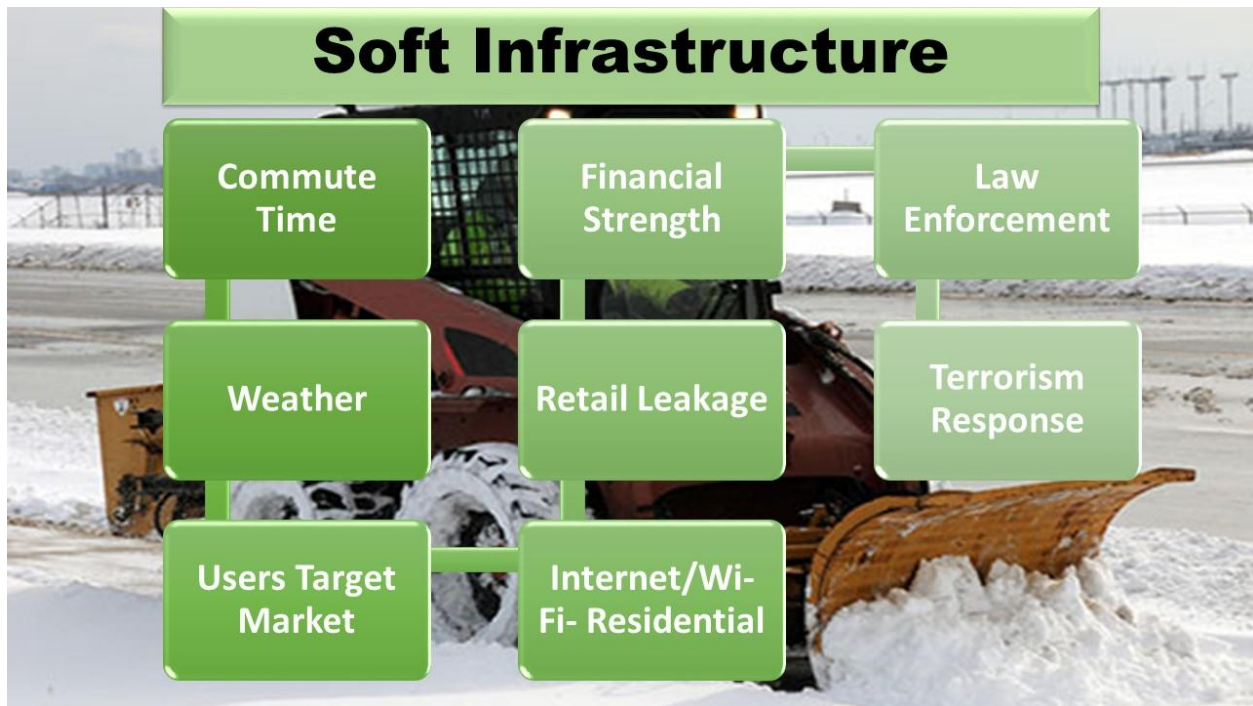
Sites are not necessarily good or bad as is; but depending on their potential, the site may be worth more than an existing site that appears to be better. Based on the municipality officials willingness and ability to enhance a site's infrastructure are possibly the most important aspects of a tract.



The types of signage along with the number of locations available can secure or forfeit tenants.

Speed/Size and Quality of telecommunications is probably the MOST important infrastructure issue in today's market.

This slide addresses two vital issues that the good commercial agent will have advance knowledge of and therefore should be able to tailor a specific user for the site.



Soft infrastructure is becoming as important if not more important than physical infrastructure as we evolve in commercial real estate. The importance of a quality workforce and being able to meet their needs are now the norm. Variables like commute time, weather, retail leakage, community financial strength, law enforcement, Wi-Fi capabilities and locations of the targeted users are changing the commercial real estate business.



How many people want to drive to work in this kind of traffic?

How many people want to live in an area with this kind of weather?



This slide visualizes common concerns for employees today. Addressing the employees' concerns are a top priority for most retail establishments today.



Quality of the workforce
Adequate consumers for the product being offered
School Work, Home Business and Family Life are dependent on high-speed internet

The quality of the home life of consumers and employees alike are major concerns for developers and commercial real estate users. Being able to provide the essentials (high speed internet) for people to educate, work and play from their homes and surrounding areas are becoming the deal breakers in the industry.



Business financial strength is of vital concern to business owners, corporate managers, investors and lenders. Efficiency and cost control are keys to success in many companies throughout the United States and the world. Business owners can no longer afford to manage by gut feel. Business owners need to monitor the financial strength of their companies relative to their marketplace on an on-going basis.

The financial strength of the community, the ability for lending institutions to meet the user's financial needs and the overall financial environment are major factors for locations these days. The agent that knows this information and can have verifiable information available to the potential user regarding a municipality's monetary status has created a value for the clients and customers alike.



Understanding the dynamics of the consumer's spending habits for targeted areas will enhance a commercial licensee's usefulness and importance. Will the local consumer utilize other locations to spend their money? Why are they doing this? Is this trend reversible? Is there something that a new user in this location can do to minimize this?

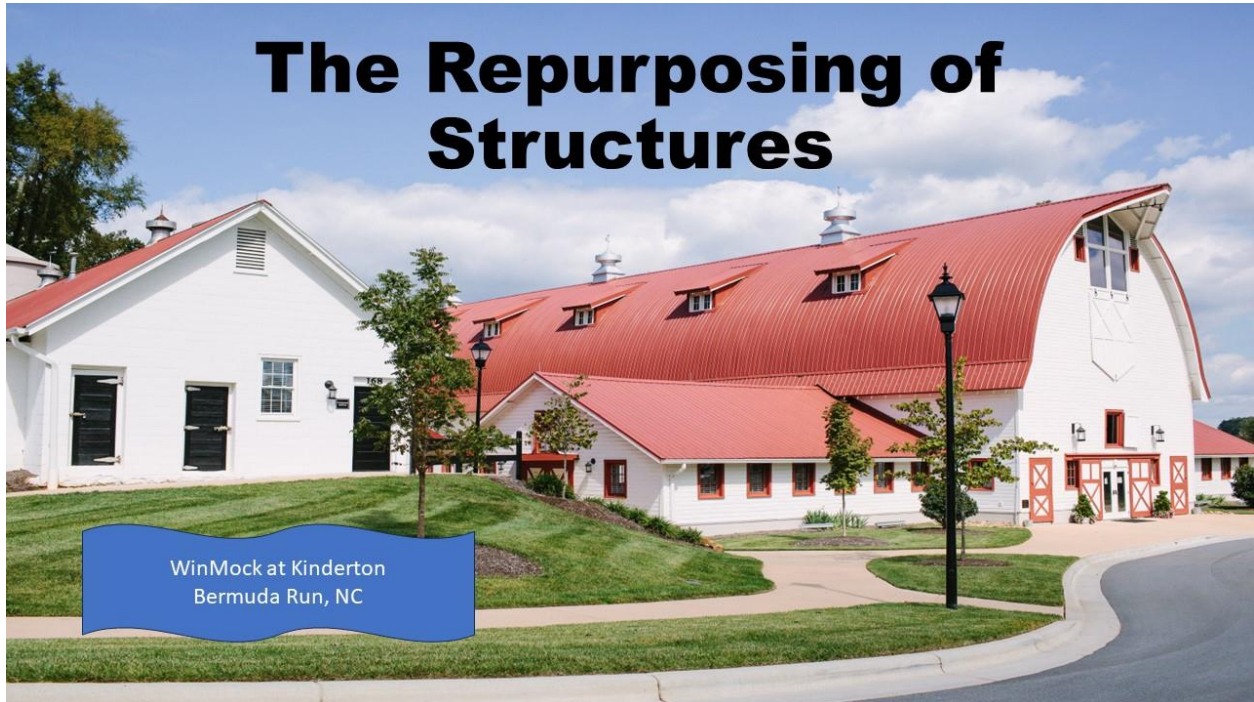


In today's world, feeling safe and knowing that the community is working hard to ensure that feeling; is a major component of the consumer and business alike.



Because of the current state of unrest in society and the constant concern for safety, users and consumers alike will want to be assured (as best as they can be) that they are safe and that police response time is minimal, if needed. Having an assessment of this available for the user is becoming a necessity in the market.

The Repurposing of Structures



WinMock at Kinderton
Bermuda Run, NC

We will now take a look at utilizing an existing structure for a different purpose. Zoning changes, historic preservation, stigma, change in need, community change or growth/decline are examples of reasons that users will consider using an existing structure for their business. Will we look at the concerns and issues when facing this type of transaction.

The Repurposing of Structures



When repurposing a building there are numerous concerns. We will look at several of the most important ones including building codes, structural issues, environmental concerns, zoning, overlay districts, functional obsolescence, insurability, landscaping, and the ability to convert the existing structure to meet the current user's needs.

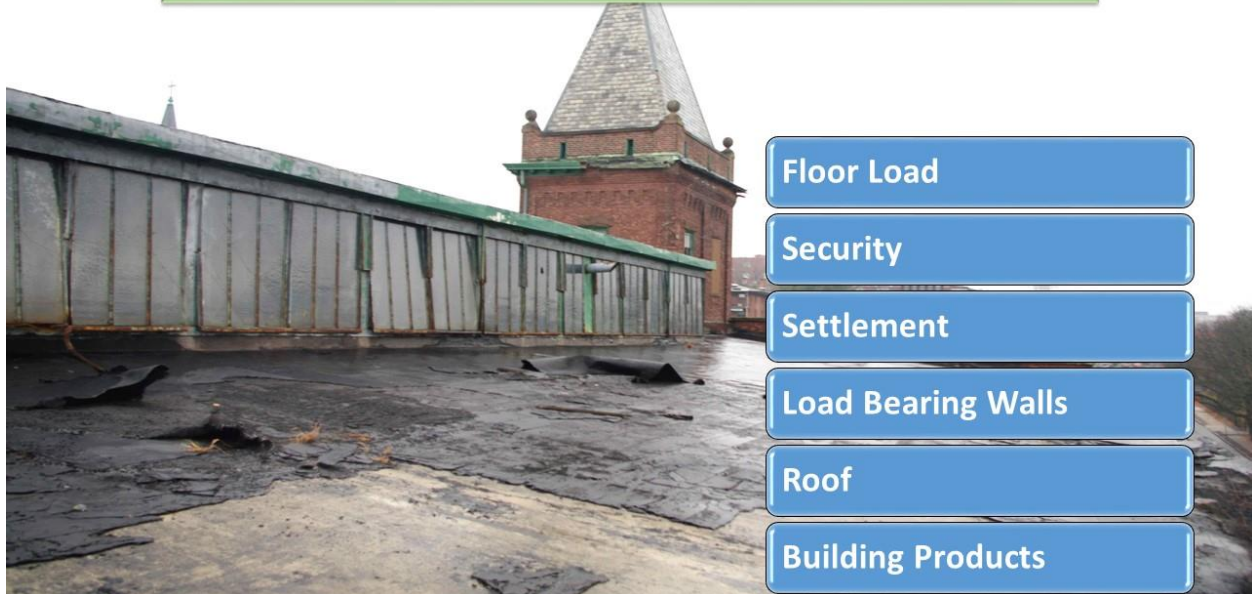
Building Codes

- Fire Walls
- Sprinkler System
- Height
- Plumbing
- Electric
- ADA Compliance



Building codes have changed and become much more demanding over the years. Fire walls must now have a higher fire rating (time) than ever before. Sprinkler systems are required almost always now and can be three different types (wet, dry and gas). The height of all or portions of the building may or may not be conducive to the type of environment that the user is looking for and may not be economically viable. The standards for plumbing and electricity, like fire walls, are much higher and typically in older buildings must be totally redone. Since 1990, the new building must be ADA compliant while a building built prior to that date must meet certain minimum standards and will require expenses to update the structure to meet these standards.

Structural Issues



Depending on the type of business that will occupy the older structure, there will be specific structural concerns. Floor load or the ability for the floor to support the weight of the machinery or equipment that the occupant will be using. Security and settlement are concerns if the building has not been maintained well or age has not treated it well. Newer architectural designs have allowed for clear span spaces or the ability to add and remove walls without the concern for load bearing. A roof is typically a very expensive item for a commercial building and the viability of utilizing the existing roof in some facet can be a deal maker or breaker. Obviously, building materials have changed and their durability and lack of toxic materials have made these products environmentally and ecologically acceptable. Many older buildings have issues with their existing building products. Depending on the user, tradeoffs and concessions can be made with the local municipality to repurpose certain buildings.

Environmental Concerns



Repurposing of a structure includes understanding responsibilities regarding hazardous materials. CERCLA states that anyone in the chain of ownership is liable for the cleanup of toxic waste. While very few types of molds are dangerous, mold is a prevalent problem in our area. Another lesser but important concern is the perception that there was hazardous material in the structure or that if there was, that the facility is "never" going to be safe.

Zoning

Use

NCDOT/Municipality Requirements

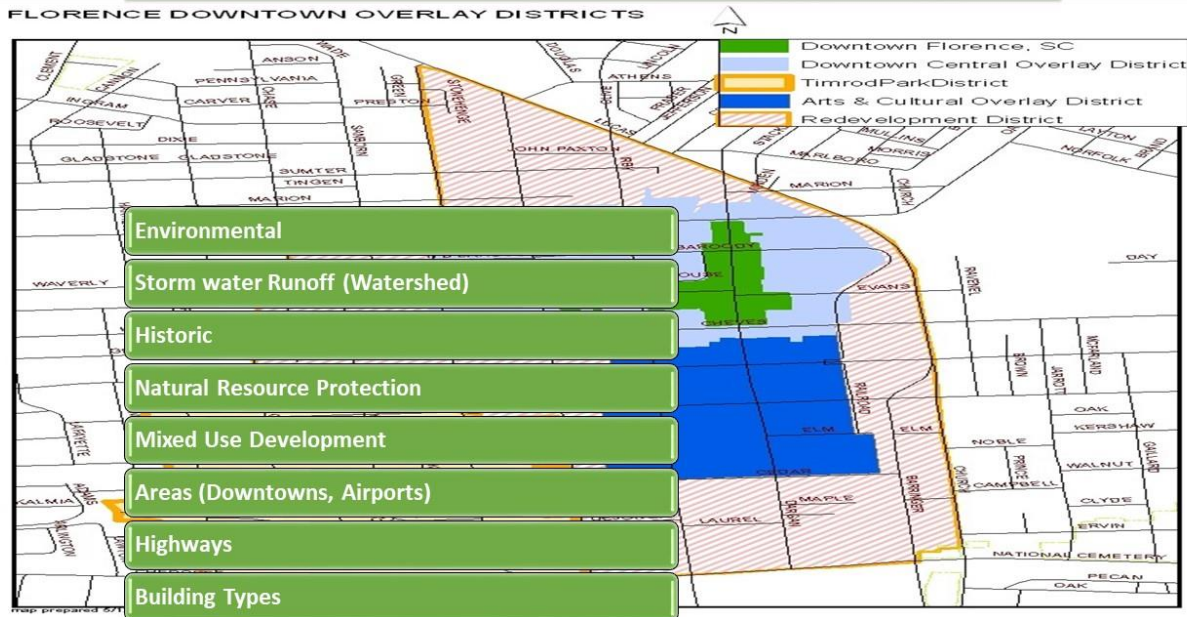
Neighboring Properties

Board of Adjustment/Planning Commission




Zoning issues vary per type of user and cooperation by the NCDOT and/or the municipality are essential to making a deal happen. Neighbors and Boards of Adjustment are never guaranteed to comply with the user's needs and/or the municipality's suggestions. Working closely with all these variables will make the commercial real estate agent more essential and valuable to the deal and most likely will be the difference on whether or not the transaction goes through.

Overlay Districts



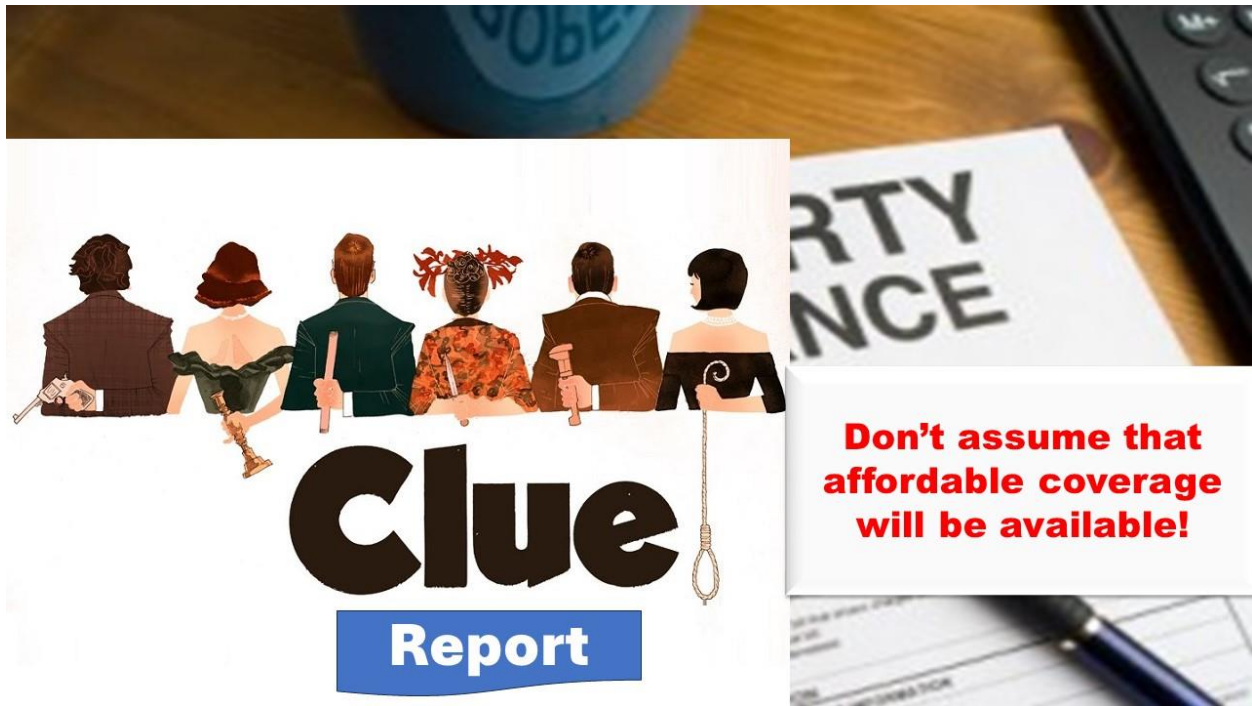
Overlay districts are additional restrictions within zoned districts. The overlays can be one or many and most are very restrictive. Working within these restrictions can be very difficult but the user can be rewarded with tax incentives and/or abatements that make them viable for business.

Functional Obsolescence



HVAC
Number of Exits
Floor Plan
Lack of Elevator
Windows
Columns/Free Span

Functional obsolescence is the loss of value due to lack of or inability to meet a current business' operation needs. While some of these issues can be resolved, some are not resolvable. The ability to work around these problems is vital in the repurposing of an existing structure. HVAC, windows, exits and, most times, a floor plan can be altered or replaced to meet the user's needs. But columns and/or a lack of an elevator typically cannot or is too costly to be functional.



The insurability of a property is sometimes very hard to predict. Insurance companies are becoming ever more restrictive and costly regarding insuring properties, especially when an existing building is being repurposed. Comprehensive Liability Underwriter's Exchange has changed how insurance is written or if it is even written.



Low height, slow growth and low maintenance vegetation are extremely important considerations!

Most municipalities require an approved landscape plan for any new business. The commercial agent can be very helpful to a client by understanding what the officials are looking for and understanding that low maintenance and low growth vegetation are important to the user. Finding a suitable landscape plan with these factors taken into account will create a more harmonious relationship between all parties including the public.

Flexibility and Adaptability for future buildings

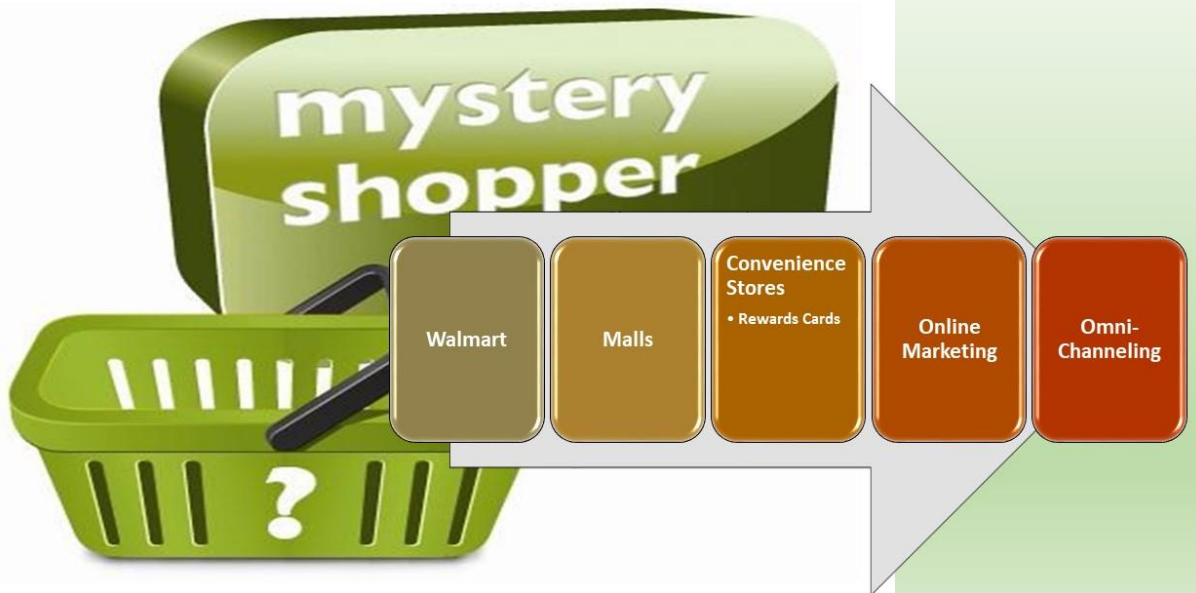


When someone is building a structure or repurposing it, they should understand the need for flexibility and adaptability for future use. This will help the user maintain value and marketability. Today's work force is driven by open spaces, natural light, greater ceiling height and aesthetics more than ever before.



Discussion: How do business lure in customers?

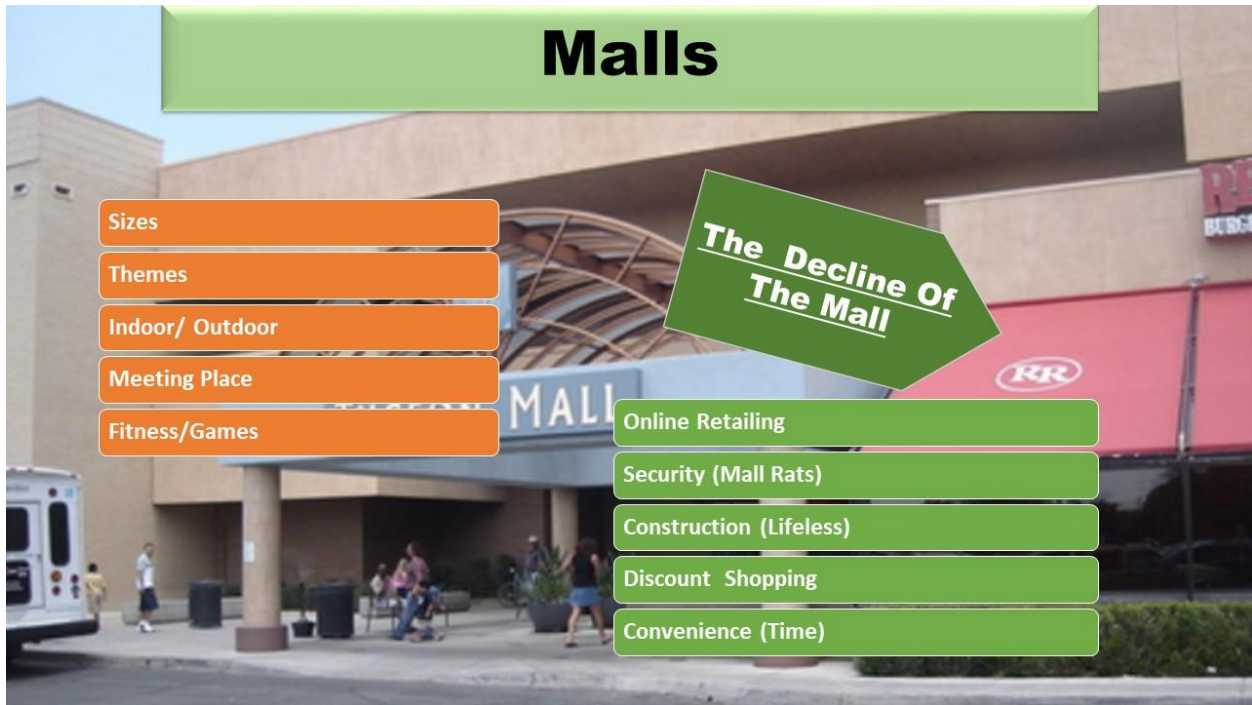
The Evolution of Retail



Walmart's philosophy has changed the way retailers do business. The retailer dictates all aspects of the vendor's product from delivery to presentation. The size of the store offering groceries in the same store are other ways that Walmart has changed the industry. From the location of their stores to the varying sizes of their stores are once again changing the industry. The rise and decline of malls are another interesting aspect of the retail business. Rewards cards, online marketing and Omni-channeling are other ways in which the retail markets are being affected.



Walmart's ability to make vendors give up control of how they did business displays the strength that Walmart has in the retail market. By becoming a mass retailer (volumes and types of products) and changing how they dealt with their real estate sites, ownership, types of stores and in-store usages has forever altered the commercial real estate landscape.



Malls were a result of downtown shopping not providing inexpensive and close proximity parking, climate-controlled corridors, and easy access to numerous options regarding shopping. As the retail business evolves, malls are struggling to maintain relevancy. Several factors have led to this decline which include security concerns, the rise of online shopping, outlet shopping centers and convenience issues. We will also touch on some ways that some malls are extending or trying to extend their useful life.

Convenience Stores



C-stores, as they are called in the business, have changed dramatically over the years. Whether or not there is gasoline for sale, the ability to get "groceries" versus snack items, co-branding, brand recognition, dining in or not, car wash availability and the size of the store are some of the many variations in this business.

Reward Cards



- Tracking and Personalizing Your Shopping Experience
- Product/Inventory Management
- Sales Management

The rewards card is the latest in customer target marketing. By understanding the current customers' buying habits, the retailer is able to incentivize and target the customer's coupons, manage inventory better based on the customer's buying habits and potentially enhance the buyer's in-store shopping experience.

Online Retailing



The brick-and-mortar stores are changing, shrinking, and even disappearing because of online retailing. The ability for the customer to save money, see the product and enjoy the convenience of not fighting the crowds has also changed retailing forever.

Omni-Channeling



The ability of the retailer to coordinate the online experience with the in-store experience across different technology devices is the latest trend in retailing. The ability to recognize a customer through any of their tech devices is the next step for most retailers.

