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SIOR NEews

September 2020

PRESIDENT'S LETTER



Well what a wild six months since our last newsletter. Our last chapter newsletter was in March and since that time the stock market crashed from 29,568 to 18,213, there has now been a longer than expected pandemic, the U.S. unemployment rate increased to over 14%, and the retail real estate market accelerated into bankruptcy. To date there have been over 6 million cases and 184,000 deaths in the U.S. Today, the Dow has come roaring back to 28,600 and Nasdaq Composite is almost at 12,000, up from a 52 week low of 6,631. We have had more turmoil since March as well. It is an election year that has stirred the pot. There has been political unrest, the Black Live Matters movement, rioting, downtown cities being destroyed, movement to defund law enforcement, etc. All of these factors have an impact on commercial real estate.

Will downtown residents and businesses decide to vacate urban settings as we experienced in the 1960s? Will commercial rents decline? How many foreclosures will we experience? Will there be a movement to the suburbs? This is all intriguing and complex considering that in the last couple of years, we heard debates about the death of the suburbs in commercial real estate. Now housing inventory is down while demand is up. Housing prices are at its highest in history with over \$300,000 on average for a new home. Ownership is over 67%. June, 2002 housing sales exceeded all monthly numbers since 2011. Some markets have less than three months of inventory. Offices may move or split operations to the suburbs. Industrial demand is high and vacancies are low with e-commerce being the driver. Industrial rents are \$10-15 psf. Some of us are experiencing our own kids going back to college or school, the uncertainty of education work place and the quality of education.

Rent collections have maintained a high percent of 90% in multi-family and investment sales are brisk. Business travel, hospitality and leisure have taken the biggest hit. The Federal Reserve has announced no new hikes for maybe five more years. And they are quietly ramping up purchases of corporate bonds (June'20 over \$1.3 billion) to stabilize the markets.

SIOR designees are in a unique position to help its clients work through this maze. Many members have been working from home but are consistently in touch with clients and attending a multitude of webinars. All this to stay abreast of the unknown future and until a vaccine for CV19 is developed.

The next few months will hopefully settle down a road map for 2021 after the November elections. The market likes certainty and the end of the election campaigns in November should help. In the meantime, interest rates are incredibly low. Investors are borrowing less than 3% interest only loans (2.5-2.8% interest rates). The cheap debt has fueled continued interest to purchase commercial real estate. At SIOR, there has been continued webinars and programming to keep our members in tune to the coming changes. We see a bright future but a different way of conducting work. Many of us are still working from home as are our clients. Showings are still happening and offers are still coming. Business has not stopped but re-ignited. Unfortunately, the SIOR Fall Boston Convention was cancelled. Many of our members had been working hard on the host booth, chapter gift and events. We thank those that were involved.

We hope to have chapter events in the coming months but none planned yet. I can only wish everyone a safe fall.


Mike Giuttari, SIOR NE
Chapter President

CAREER OF TOM SWEENEY, SIOR HIGHLIGHTED AS A RHODE ISLAND LEADER AND ACHIEVER

Thomas O. Sweeney, SIOR and a member of our New England Chapter is principal of Sweeney Real Estate and Appraisal. He was recently highlighted in the Providence Business News, August 2020 edition as a Rhode Island Leader and Achiever. Sweeney grew up in Rhode Island, where he still resides, watching his father run his own real estate firm. Sweeney then joined his father's business in 1983 after graduating from Providence College. Tom then gained experience and developed strong relationships in the region while working for the Henry W. Cooke Co. and Rodman Real Estate before venturing out on his own. Sweeney used his experience working for his father's company as a time to grow connections and expand his knowledge of the real estate industry. In 2010, Sweeney then moved on to establish his own firm, Sweeney Real Estate and Appraisal. Having over 27 years of mentoring, he felt confident that he would be successful.



According to Providence Business News 2020 Book of Lists, his firm is now ranked as the fourth top-producing commercial brokerage firm in Rhode Island. He has heavily invested in his firm by bolstering the marketing and support staff. Recent notable transactions include \$1.35 million sale of a 20,000-square-foot industrial flex building in Woonsocket's Highland Corporate Park, and the \$400,000 sale of a 138,000 square-foot industrial building sitting on 14.65 acres in Coventry.

Sweeney says he finds satisfaction in serving his own community in Rhode Island and is thrilled when he sees new businesses flourish and evolve. He also said that there is a great deal of satisfaction in helping businesses, whether local or national, find their place within Rhode Island. He feels that people who live and do business in Rhode Island make it a great place to live. He has been a long-time SIOR member and been active with the SIOR Chapter. He is also the incoming President of RICABR and was helpful in contributing to the recent September CE commercial courses that will be delivered by the Rhode Island Association of Realtors. He was also President of the Rhode Island Alliance of the Boys and Girls Club and on the Board for the Warwick Boys and Girls Club. Congratulations to Tom.

SIOR FALL BOSTON CONVENTION CANCELLED: CREATE 360 WILL BE VIRTUAL

Create360 is a virtual event that will take place on October 21-23 of 2020. This event will bring together CRE professionals from all levels for a high-level view of the industrial and office real estate landscape. The convention was to take place in Boston but was cancelled due to CV19. The conference will now be virtual. The New England Chapter had organized a convention committee to assist with the Boston Convention. The members included: Jim Boudrot, Tim Brodigan, Arlon Brown, Bob Cleary, John Connor, Tom Farrelly, Jeremy Freid, Mike Giancola, David Gilkie, Mike Giuttari, Garry Holmes, Katherine Kane, Greg Klemmer, Justin Lamontagne, Loreen Liberty, Don Mancini, Rob Nahigian, George Paskalis, Chris Paszyc, Chuck Reilly, Drew Sigfridson, and Austin Smith. Since March, the convention committee has been on hold and now cancelled.



With a virtual convention, there are a number of high level speakers.

High-profile speakers will be attending to provide strategic discussions of current challenges in today's market. These discussions will also provide techniques and solutions to deal with these challenges as produced as a product of COVID-19.

The main speakers planned for Boston included:

Opening General Session Featuring Alan Mulally



Renowned for his strategic and operational leadership and working together, Alan Mulally transformed a struggling Ford Motor Company into one of the world's leading automobile companies and the #1 automobile brand in the United States. Mulally led the transformation of Boeing into the #1 commercial airplane company and aerospace company in the world.

Named #3 on FORTUNE's list of "World's Greatest Leaders," and one of "The World's Most Influential People" by TIME magazine, Alan Mulally's leadership as president and CEO of The Ford Motor Company has been hailed by consumers and industry experts alike. In 2006, Ford suffered a 12.7 billion dollar loss and a significant degradation in their stock-value. With Mulally's leadership to formulate a compelling vision, comprehensive strategy, and a relentless implementation plan, Ford was able to develop a world class product line of cars and trucks with ever increasing productivity, and to deliver profitable growth for all the company's stakeholders.

SIOR FALL BOSTON CONVENTION CANCELLED: CREATE 360 WILL BE VIRTUAL (Continued)

Today, Ford is one of the world's leading automobile companies and the #1 automobile brand in the United States. Mulally examines strategic and operational leadership and "working together" teamwork principles, practices and management system. Mulally encourages them to explore their own set of working together skills as applicable to their industry and particular organization. Prior to joining Ford, Mulally served as executive president of The Boeing Company, president and CEO of Boeing Commercial Airplanes and of Boeing Information, Space, and Defense Systems. He has additionally been named one of the 30 "World's Best CEO's" by Barrons' magazine, and "Chief Executive of the Year" by Chief Executive magazine. Mulally has been honored with the American Society for Quality's medal for executive leadership, the "Automotive Executive of the Year", and the "Thomas Edison Achievement Award". In 2016, Mulally was inducted into The Automotive Hall of Fame. Mulally previously served on President Obama's United States Export Council.

General Session: Prologis Speaker Series; Condoleezza Rice



As secretary of state and national security advisor, Condoleezza Rice pioneered a policy of transformational diplomacy and heralded the formation of new global governments based on democratic principles. Rice has proven to be a significant leader during a time of unprecedented and tumultuous world affairs, recognized for her courageous efforts to foster worldwide freedoms for all people. Her great love of America and her faith in its core values are the foundational strength of her presentations regarding foreign policy, education and the empowerment of women. Rice is the author of three New York Times best-sellers, *Extraordinary, Ordinary People: A Memoir of Family* (2010), *No Higher Honor: A Memoir of My Years in Washington* (2011), and *Democracy: Stories from the Long Road* (2017). Her newest book, *To Build a Better World: Choices to End the Cold War and Create a Global Commonwealth* was released in 2019. Rice is also a contributor to CBS News. Condoleezza Rice is the Denning Professor in Global Business and the Economy at the Stanford Graduate School of Business, the Thomas and Barbara Stephenson Senior Fellow on Public Policy at the Hoover Institution, and Professor of Political Science at Stanford University.

General Session - Failing Up: How to Take Risks, Aim Higher, and Never Stop Learning: Leslie Odom, Jr.



Leslie Odom Jr. is a multifaceted Tony and Grammy Award-winning performer, best known for his breakout role as Aaron Burr in the Broadway phenomenon *Hamilton*. Odom's self-titled debut album charted at #1 on the Billboard Jazz chart and in winter 2017, he topped the charts again with the re-release of *Simply Christmas* as a deluxe edition with new arrangements and new songs. His extensive acting career includes film and television roles including *Murder on the Orient Express*, *Red Tails* and *Smash*. In 2018, he added author to his resume with the release of his book, *Failing Up: How to Rise Above, Do Better, and Never Stop Learning*. This November, he will star alongside Cynthia Erivo and Janelle Monae in *Harriet*, a biopic about the extraordinary life of Harriet Tubman and he will be in next year's highly anticipated film *The Many Saints of Newark*. Odom recently released his third full-length album and first of original material, entitled *Mr* in November 2019.

Next Spring the convention is to take place in Montreal and was rebranded as TransACT 360. TransACT 360 has been renamed from the Spring World Conference to more clearly articulate the value of the event and reflect what SIORs accomplish—it's the place to conduct business and acquire tactical intelligence that can be put to use right away. Attend TransACT 360 to be surrounded by deal-making from every angle.

Stay tuned for more information on registration and hotel.

SIOR HOLDS ITS NATIONAL DESIGNATION COURSES ON ZOOM FOR SEPTEMBER AND NOVEMBER



The SIOR Broker Bootcamp Series is the industry's best training program to learn the fundamentals of commercial real estate and enhance professional skills from the seasoned practitioners. This year's course offerings are the electives and core courses needed to fulfill the education requirements for SIOR designation.

All SIOR Applicants must complete the education requirement as part of the overall admissions requirement. The class offered at the SIOR Course Core Components of Commercial Brokerage fulfill this requirement. SIOR courses provide the industry's best training programs to learn the fundamentals of commercial real estate brokerage from seasoned practitioners.

The September courses from September 14-24 was sold out. The topics and instructors included:

- Construction with Don Ossey
- Understanding the Commercial Lease Agreement with Bob Percival and Jim Hochman
- Negotiating Skills with Rob Nahigian and;
- Building a Commercial Real Estate Business with Paul Kluck

The November courses have not been confirmed as yet. This past June, SIOR also delivered its courses on Zoom that was successful.

<https://www.sior.com/education-and-insights/education/broker-bootcamps/courses>

BOSTON UNIVERSITY HIGHLIGHTS SIOR AND CRE MEMBERS IN 9 WEEKS OF WEBINARS

The Boston University Program for Real Estate studies ran a nine-part webinar series on the possible future states of commercial real estate after the current virus is tamed. The webinars took place from April 16 to June 24. This time around, the commercial real estate industry, perhaps more than any other, is at the center of the speculations. Who will be the winners and the losers, and for how long? The program was co-moderated by Jon Keefe, the BU Director and New England Chapter member, Rob Nahigian, SIOR, CRE, FRICS, MCR, a 26 year faculty member.



The webinars included distinguished faculty and featured guests to discuss how the real estate industry will face the current environment. The webinars discussed the different ways in which COVID-19 may affect the industry in both the near and distant future.

Topics included: The Built Environment Post CV-19, The Future Workplace after CV-19, Physical Spaces and Social distancing, and Future Facilities Design and Operations, Ethics, Moral and Good Business Practices in Commercial Real Estate. These topics covered questions such as how will physical distancing work in enclosed spaces? How can lenders and investors make decisions when rental estimates and values have become so uncertain? Will real estate be a part of their solution to rebalance government budgets? These topics allowed an open discussion of both the knowns and the many unknowns of COVID-19 and its effects on the Commercial Real Estate Industry.

The webinars included phenomenal speakers, including: Doug Poutasse, CRE, Head of Strategy & Research at BentallGreen Oak Group; Jim Martin, Director, Duffs and Phelps and Instructor, Boston University; Sarah Abrams, Senior Vice President of Real Estate at Iron Mountain; Gary Hofstetter, Senior Vice President, Asset Management, of The Davis Companies; Tom Pereira, Senior Vice President and Director of Sales and Structured Finance, Boston Capital and BU instructor; Mike Price, President of Legacy Real Estate and BU Instructor; Marc Margulies, Principal of Margulies Peruzzi Architects; Greg Vasil, Executive Director of GBREB and BU Instructor; Darryl Fess, President of Brookline Bank and a BU guest speaker; Suzanne LeBlanc, Director of Real Estate and Facilities, Mercury Systems; Brian Golden, Director of BRA; Richard Henderson, Chief Real Estate Officer, MBTA; Jim Terrell, formerly with Sears Holdings in 2015 as Vice President and Chief Operating Office of the Seas Holdings Real Estate business and a guest speaker at BU; Lizzy Lokken, SIOR VP of Programs, and Jay Halfond former Dean and current Professor at BU.



**BOSTON
UNIVERSITY**

Many New England Chapter SIOR members attended these complimentary events Bob Cleary, SIOR was also instrumental in obtaining Brian Golden of BRA as a guest speaker. Lizzy Lokken of SIOR National served as a panelist. Lizzy spoke to the effects of CV-19 on national conventions and programming and the impact on commercial real estate. Alexis Fermanis of SIOR then published a summary on the SIOR national blog.

Lizzy Lokken, SIOR VP delivers to Boston University Webinar on Professional Development

May 25, 2020-Boston

As businesses around the globe begin slowly re-opening their doors, patrons and employees alike are anxiously awaiting to see the conditions of their favorite establishments. Just as individuals are dependent on their local shops opening, so too are local economies desperate for a return to normalcy.

The commercial real estate industry—office and retail/hospitality markets in particular—have surely been hit the hardest, but another area greatly impacted by this pandemic is the education industry.

Just how have educational institutions and professional associations been providing educational services, and how will they manage and deliver their future symposia and programming? Furthermore, how is that impacting the CRE industry and what are the lasting effects of any consequential changes to programs and services? How has education also impacted the use, value, and future of real estate and the economy? For some answers, Boston University reached out to SIOR to discuss this topic.

Boston University's Program for Real Estate Studies was offering a complimentary, nine part webinar series on how the future of commercial real estate industry could unfold after COVID-19. The fourth session discussed the future real estate impacts in education, how institutions and associations are coping and how real estate could be impacted or for colleges to be forced to monetize real estate holdings. Jay Halfond, Professor of the Practice and the former Dean of BU's Metropolitan College; Lizzy Lokken, Vice President of SIOR Programs; Robert Nahigian, SIOR, Principal at Auburndale Realty Company in Boston and a commercial instructor at Boston University; and Jonathan Keefe, Program Director for the Real Estate Studies Program at BU, sat down—via ZOOM, of course—with over hundred fifty in attendance to address the future of professional association education including designations, conventions, and chapter programming.



Impacts to Educational Facilities



To consider the short- and long-term impacts on commercial real estate for educational facilities, as well as how any changes to the education industry will affect the CRE industry, we must first look at the types of challenges and changes the education industry is experiencing.

Even before the pandemic, a shift to distance learning had begun. “One out of six students is exclusively online learning,” said Halfond. “American education has already had more capacity than it could fill. We came into the pandemic with overcapacity... many schools were already in trouble.”

According to Halfond, colleges and universities are now issuing refunds for the remainder of the current school year, and are also considering refunds and modified options for the fall. And even if schools open their doors, students may not return. Will they or their parents be able to afford school now? Is room and board considered logical if half the time they are remote learning? And if students no longer secure housing for the fall, how will that impact building leases, especially to universities that own their buildings?

Some colleges have already not made it through this pandemic—especially those suffering prior to the outbreak. Communities that rely on schools as their economic anchor may suffer the most. According to Keefe, the design of college campuses may have to be rethought to improve social distancing requirements. And fewer seats in each class may impact enrollment and revenue, so alternate solutions may need to be considered.

Nahigian is noticing some schools getting creative to help address this problem. Many are looking to real estate to help offset their budgets, and they are doing so with caution. “If they repurpose [buildings] and if there is then a vaccine and the demand comes back, do the colleges keep these buildings or try to buy them back? It's not easy.” Nahigian is seeing colleges transacting sale leasebacks as schools are trying to monetize their campuses as much as possible, but he cautions that a quick reaction to the current pandemic may be difficult to recover from, should things get back to normal.

Continuing Education

As the designs of campuses change and technology becomes more prevalent, professional associations are also considering the impacts to their roles. Membership associations are often networking driven, and just like the commercial real estate industry, they thrive on face-to-face relationship building. Many host large events—often educational in nature—that are held in partnership with colleges and universities or that use their facilities. These associations are thus faced with rethinking their events and designation courses, conducting virtual events when possible, and finding new ways to keep their members connected online.



COVID-19 Has Manufacturers Wanting to Bring Operations Back Home. What Could Stand in the Way?

We are several months into the COVID-19 pandemic and many of the same questions are being posed in the commercial real estate industry: How do landlords safely reopen office buildings? Will increased e-commerce use continue to drive warehouse demand? How will tenants and landlords negotiate rent? But another question we should consider has also been the topic of debate for decades: should we bring U.S. manufacturing back home? Due to the current crisis, this question, along with other changes that many never thought possible, could be on the horizon.



A Pending Shift in Shipping

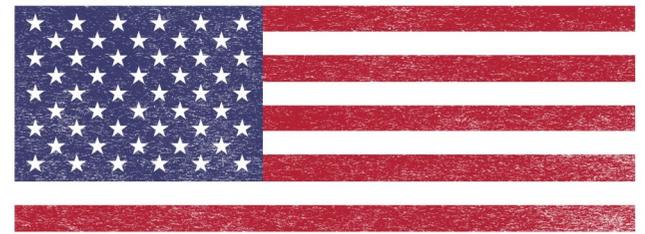
First, let's look at how current shipping and imports into the U.S. are changing. On a recent earnings call, Maersk shipping predicted that Q2 2020 will experience a 25% decline in Twenty-foot Equivalent Units (TEUs) and a 5% drop in exports. Globally, TEU volume is down 8-10% to date and Asian exports are down 20%. New tariffs on Chinese goods were already causing a decrease, but the global lockdowns made the problem exponentially worse. Combine this with several Chinese factories shuttered due to rising infections and receiving goods from China becomes a challenge. While stay-at-home orders have decreased demand for some products, many others are incredibly hard to find, especially for some critical items like prescription drugs and personal protective equipment (PPE).



The Cost of Doing Business

As the coronavirus looms large, many companies have realized that having all or most of their products produced and shipped from one country or region carries significant consequences. But while the nation groans at long wait times for online products or stares at empty shelves, North American manufacturing is poised for a rebirth, ready to become a potential savior in this supply chain challenge.

In the last five years, U.S. suppliers have been balking at China's habit of stealing and reproducing patented and licensed items. And while they illegally reproduce goods to sell on their own, the delivery of ordered items to U.S. clients are often delayed, causing contract penalties to U.S. suppliers. The cost of not being able to deliver promised goods to the consumer has become a major pain point for many companies. Even before the pandemic caused so much disruption, U.S. companies were thinking of ways they could bring manufacturing back to the U.S. (commonly known as reshoring). Now, COVID-19 has substantially accelerated this idea. A new survey of North American manufacturers found that 64% want to bring all or some of their operations back to the continent. And this is not just a North American trend. A recent [SIOR blog about the U.K. industrial sector](#) discussed the desire to bring manufacturing onshore.



Made in the USA? Not so Easy.

Complicating the desire to make products domestically is a shortage of available physical manufacturing space, as many facilities have been redeveloped or retrofitted into a higher and better use in the past 30-40 years as U.S. manufacturing declined precipitously. For all the dormant factories put on hold because of the pandemic, there will be a backlog of demand for existing products once manufacturing resumes, at least in the short term. America's manufacturing industry has been a hot button issue for years and a major political chess piece for candidates trying to woo voters in regions hit hardest by its demise. But restarting the engine will not be like flipping a switch. For instance, many pharmaceutical companies may want to stop making drugs overseas, after seeing how supply chain issues from China have created a massive shortage in North America. But how long will that transition take? Some experts predict the process of finding, outfitting, manning and developing enough domestic factories to produce just 50% of current U.S. demand could be as much as two years. A long time to wait for a product that could save someone's life. However, 3D printing has become popular over the last five years and may be able to pick up the slack.

MADE IN USA

U.S. Manufacturing's Long Journey Home

Where there is demand and interest, there's opportunity and investment to be found. There is a renewed focus and a surge of investment attraction into building new facilities or revamping existing ones. Investor demand for industrial (especially warehousing) and manufacturing property has been steady and should only get stronger. As a sector, industrial CRE is in far better shape than other areas. As of May 8, 2020, the YTD NAREIT U.S. industrial real estate index showed a value decrease of just 2.6%, versus the 43.9% decrease in retail.

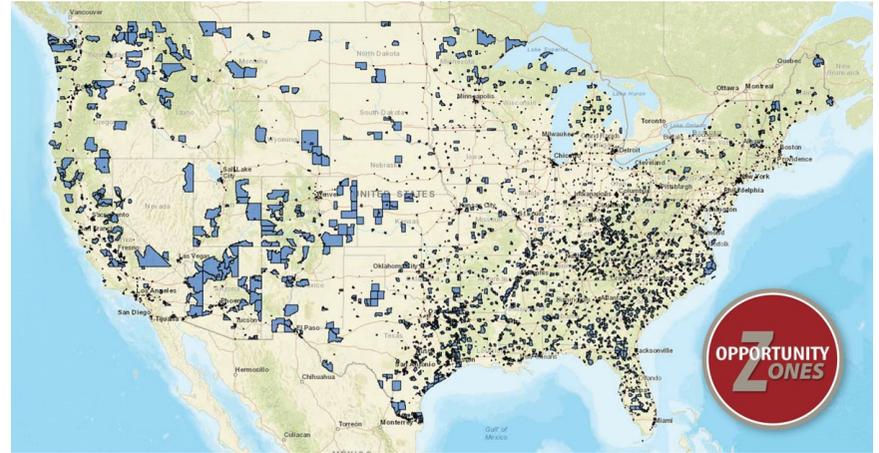
COVID-19 Has Manufacturers Wanting to Bring Operations Back Home. What Could Stand in the Way?

To offset the lack of manufacturing spaces in urban areas, Congress introduced Opportunity Zones, offering significant tax benefits for industrial developers. Unfortunately, the plan expires in 2027 and legislators will need to extend the plan to encourage manufacturing growth here at home as a long-term strategy. Otherwise, one of the biggest motivating factors for companies to restart their production in urban areas could go away.

In the Boston market, I have seen manufacturing rents in the last 35 years go from \$3.00 psf NNN to \$15.00 psf NNN, highlighting both a lack of inventory, higher demand, and repurposing land use. For savvy CRE professionals and developers, there will likely be significant opportunities to get on the ground floor of a major market shift and in the process, make “Made in the USA” a common sight on the products we use every day. As for storing and distributing those products, finding appropriate warehouse space is equally challenging. If your company only needs 16-18’ clear for manufacturing and storage, where are you going to find buildings that meet that need? Most facilities have 18-30’ clear with higher rents and occupancy costs. Back in the ‘80s manufacturing sites typically only needed 14-16’ clear ceilings. Buildings today are made for high bay storage at heights that are not needed by low-bay manufacturing. As with manufacturing facilities, the creation of warehouse space presents outstanding opportunities for growth, especially in areas that could use a surge of economic energy.

Will we make the move to be less dependent on supplies of critical items from China? Or is manufacturing at home too costly to make the shift? This pandemic has many people, in many countries, asking the same question. Hopefully, we’ll soon have an answer.

Reprinted from SIOR and authored by Rob Nahigian, FRICS, SIOR, CRE, MCR is Principal of Auburndale Realty Co., Newton, Mass. and served as the New England SIOR Chapter President and National Ed Chair. He conducts a program on Logistics and Supply Chain real estate decisions for SIOR Chapters.



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and pumpkin
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