

# Recapping NAI Global Annual Leadership Summit and Global Market Outlook Philadelphia, PA (March 26-28, 2018)

*Words and Photos by Gary Marsh*



Approximately 175 Principals, Directors and Managers from over 70 NAI Global offices worldwide gathered in Philadelphia during the final week of March to network, share best practices, hear from the President of the firm on the company's growth and business plans, and learn from some of the brightest minds in business and real estate over the course of a two-and-one-half day conference. The Summit was held at the Hyatt Bellevue on South Broad in the City of Brother Love's downtown.



Host firms and Principals for the conference included **Dean Geis** with **NAI Geis Realty Inc.** in Wilmington, DE (L), **Carmen Facciolo** with **NAI Emory Hill** in Philadelphia (C-L) and **David Grove**, SIOR with **NAI Mertz** which has offices in southern New Jersey, Bucks County, Philadelphia and Wilkes-Barre (speaking).



After opening remarks from **NAI Global President Jay Olshonsky** (above), FRICS, SIOR, guest speaker **Bill Burns**, (below) Tax Office Managing Partner with **BDO United States**, an accounting, tax, audit and consulting services company with nearly 50 offices throughout the U.S., provided an overview of the recent tax codes in the U.S. and what it means to commercial real estate investors and operators.



The most surprising news that Burns revealed wasn't about the tax code, per se, though there is an impact on implementing the new code because of the Trump administration's mandate to eliminate two regulations for every new regulation that is integrated into U.S. law. That mandate, according to Burns, is delaying the IRS from issuing guidance on the new tax code.

"Essentially, the IRS is working to identify which regulations in the tax code to release as new regulations are added," he said.

Burns noted that this is the biggest tax reform in the U.S. since 1986, and because it was created, vetted and passed in only seven weeks, there is a significant amount of misunderstanding by tax professionals as it relates to congressional intent in some instances.

The main event featured a panel co-moderated by Olshonsky and **Fred Meyer**, SIOR and Executive Vice President and Director of Brokerage and Corporate Services with **NAI Mertz**, based in Wilkes-Barre, PA, with featured keynote speaker **Philip Mintz**, Partner & CIO with **Apollo Global Management US & Asia Real Estate Equity Business**, based in New York.

Mintz wasted little time in getting the attention of the nearly 300 NAI principals, brokers, staff and clients, when he compared the outlook for the U.S. economy with Japan's during that country's dive into deflation. Mintz is an Asia investment expert -- he lived in Japan many years

while working for Asia Pacific Land as the Chief Investment Officer and earlier, when he was a Partner with Warburg Pincus focused on Asian real estate investing and before that as the Chief Executive Officer of General Electric Real Estate Asia.



Mintz (center, with Meyer on left and Olshonsky on the right) predicted a significant correction in U.S. asset prices of both commercial and especially residential real estate prices.

“In all candor, we see more opportunity in Asia for risk-adjusted returns than we do here,” he said. “I just see a correction coming with asset-price deflation as part of that trend in the U.S.”

Some of his bullish position on Asia comes from the fact that there are very few firms in Asia that do the type of business the real estate arm of Apollo does – structured credit with \$275 billion in assets under management.

When one of the moderators stated that there is an abundance of capital on the sideline to be deployed in a variety of asset classes, including commercial real estate, Mintz said “when the markets compress, that dry powder will get scarce.”

One of the issues he sees with the U.S. economy is inequality and how that will affect business in the future.

“The inequality of wealth in the U.S. is going to be destabilizing for a long time,” Mintz said.

While Apollo is currently a net seller of industrial property in the U.S. – the firm recently sold industrial assets in Atlanta and is in the process of doing the same in other markets, Apollo is not sour on all aspects of the global economy, or real estate investing. The firm recently acquired a manufactured home community in Morgantown, West Virginia, and Mintz said that Europe is in the best shape that it has been in years, particularly Germany.

“Money is made in markets where people have extreme informational value and granular expertise,” he said.

**Andy McCulloch**, Managing Partner with Newport Beach, CA-based **Green Street Advisors** was the other keynote speaker during the Global Market Outlook session of the conference. He, too, was a bit bearish and thinks asset values will fall but not by much. He said the growth in jobs has not yet translated into meaningful income growth, but it will, and be fueled by the tax reform, which “is good news for the economy, individuals and real estate.” Approximately 80-90 percent of individuals will get a tax cut, McCulloch (below) predicted.



In terms of asset values, over the last year the winners have been:

- Industrial property +11%
- Manufactured homes +10%
- Apartments + 4%

And the losers were:

- Storage - 1%
- Office -1%
- Strip malls -5%
- Malls -11%

Speaking of malls, McCulloch said that the e-commerce disrupter and its impact on real estate is only in the “3<sup>rd</sup> or 4<sup>th</sup> inning and that we have too much retail real estate, some of which needs to go away,” he said, while predicting that about half of the 1,200 malls in the U.S. will be shuttered or substantially repurposed in the next 20 years.

McCulloch also commented on the supply of commercial property, saying “low supply has been one of the defining positive characteristics of this cycle.” He noted that supply has mostly been concentrated in high-barrier, gateway cities, but is making its way to secondary and tertiary markets. By asset class, new industrial developments tend to be absorbed quickly while

multifamily may have reached a point in which it is getting over-built in select markets, according to Green Street's managing partner.



Principals from NAI firms traveled to Philadelphia from across the U.S., Canada, Mexico, South America, Europe and Asia to attend the conference.



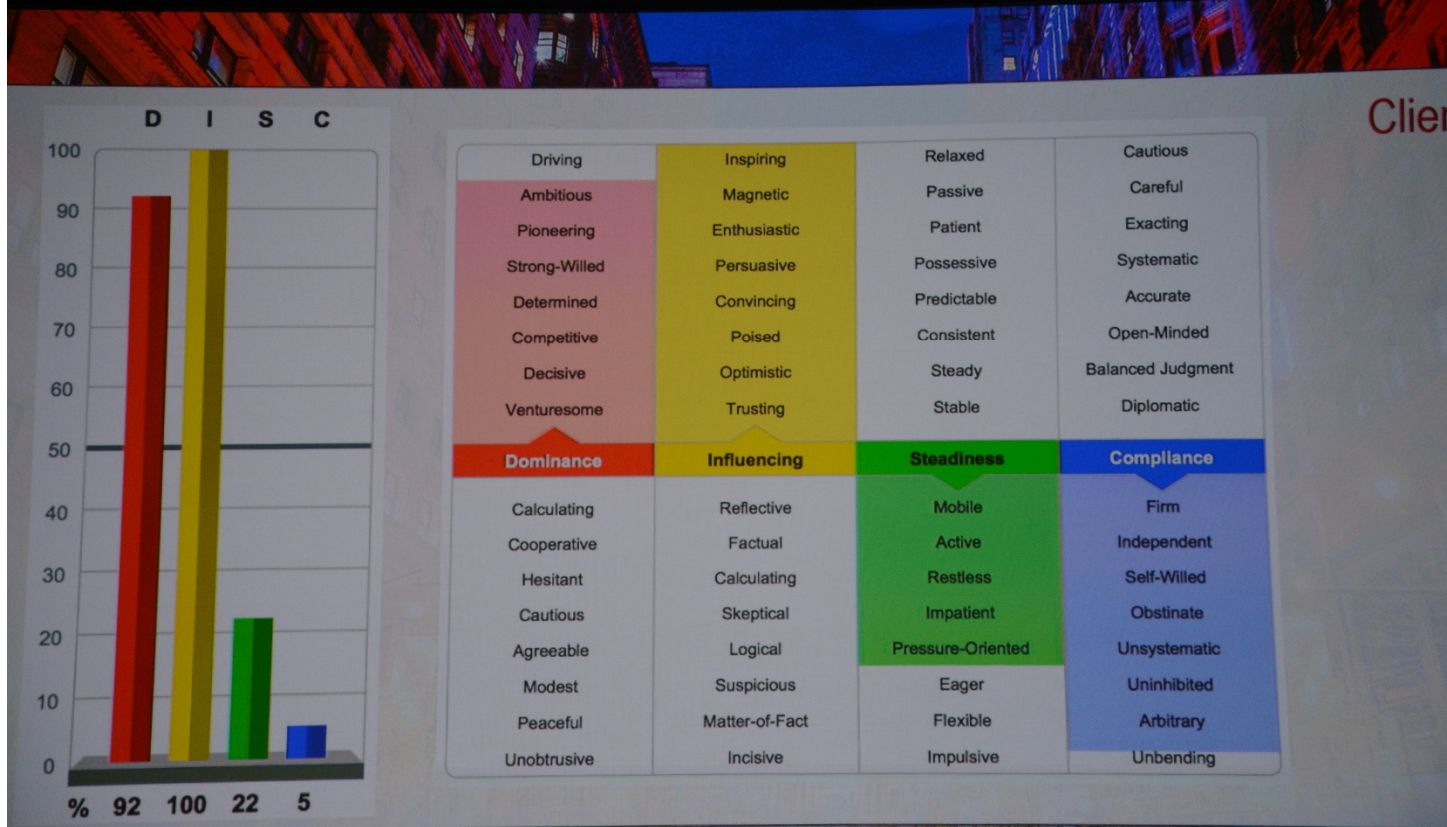


Professional speaker and International Sales Trainer/Consultant **Jeff Beals** (below), based in Omaha, NE, led a three-hour workshop for NAI's Mastermind Group, which meets several times each year to learn best practices for running brokerage and property management firms. The classes feature peer-to-peer mentoring and are interactive between participants. Over 60 professionals attended the workshop in Philadelphia.



**Elke S. Laughlin** (below) of **Laughlin Consulting Group**, based in Houston, TX, presented a general session called *Gaining Greater Profitable Advantage Through Behavioral Intelligence*. In short, she discussed the “DISC” method for understanding people’s core personalities and how to enhance communication with colleagues, clients and prospects. DISC is an acronym from the words Dominance, Influencing, Steadiness and Compliance. DISC is comparable to the Myers & Briggs Type Indicator work that was developed in the early 20<sup>th</sup> Century.





*Notes: There were also an industrial panel and an investment panel, the latter of which focused on doing business with NAI Global's parent company, **C-III Capital Partners LLC**. The Wednesday morning General Session featuring Futurist **Jack Uldrich** was also not covered by this report and there is no intentional omission of Uldrich's presentation, which was reportedly insightful and excellent.*