

# *National Association of REALTORS® Commercial Member Survey*

## *October-November 2018*

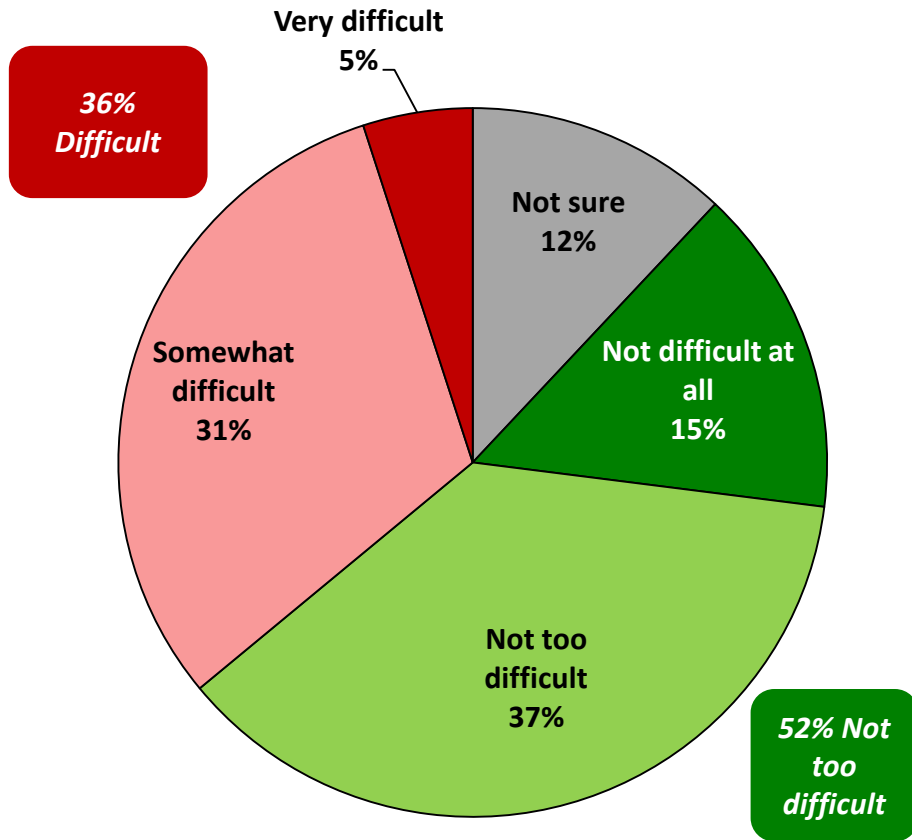
American Strategies designed and administered this online survey. The survey reached 1,625 adults, age 18 or older, who are commercial members of National Association of REALTORS®. The survey was sent to 62,000 active commercial REALTORS®. Each member was invited by e-mail to take the survey online. Two additional reminders were sent to each commercial member.

The survey was conducted from October 22-November 4, 2018. The data were weighted by gender and region by state to ensure an accurate reflection of the population. (Percentage totals may not add up precisely due to rounding.)

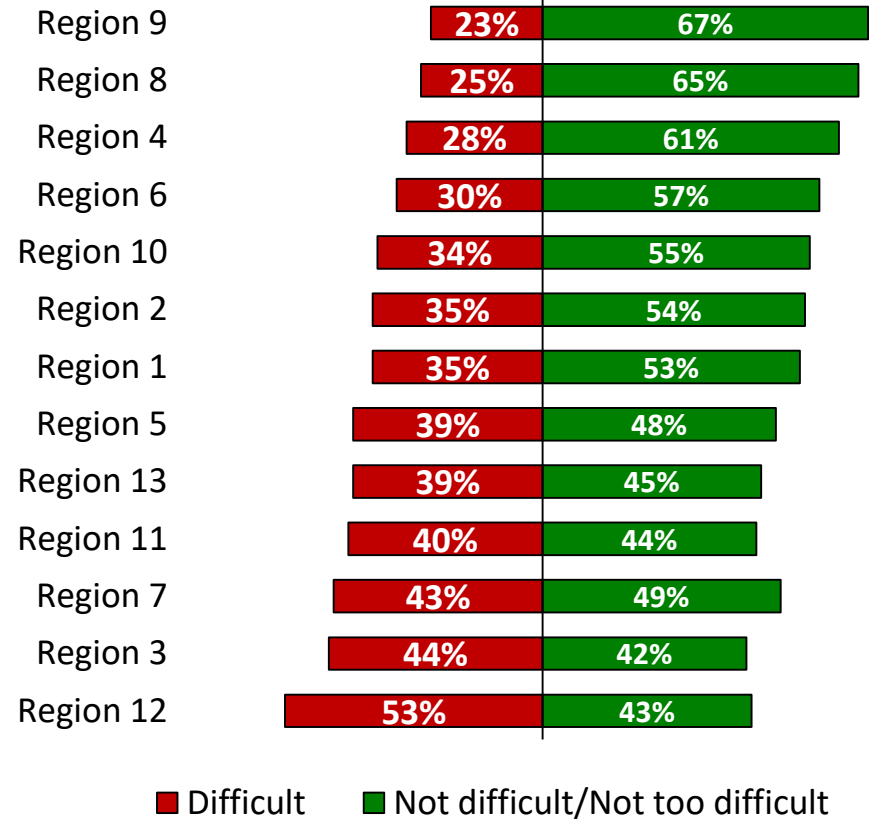
# *FINANCING*

# Majority Say Clients Have Had at Least Some Difficulty Securing Financing for Commercial Real Estate Deals

Difficulty of Securing Financing



Difficulty of Securing Financing by NAR Region

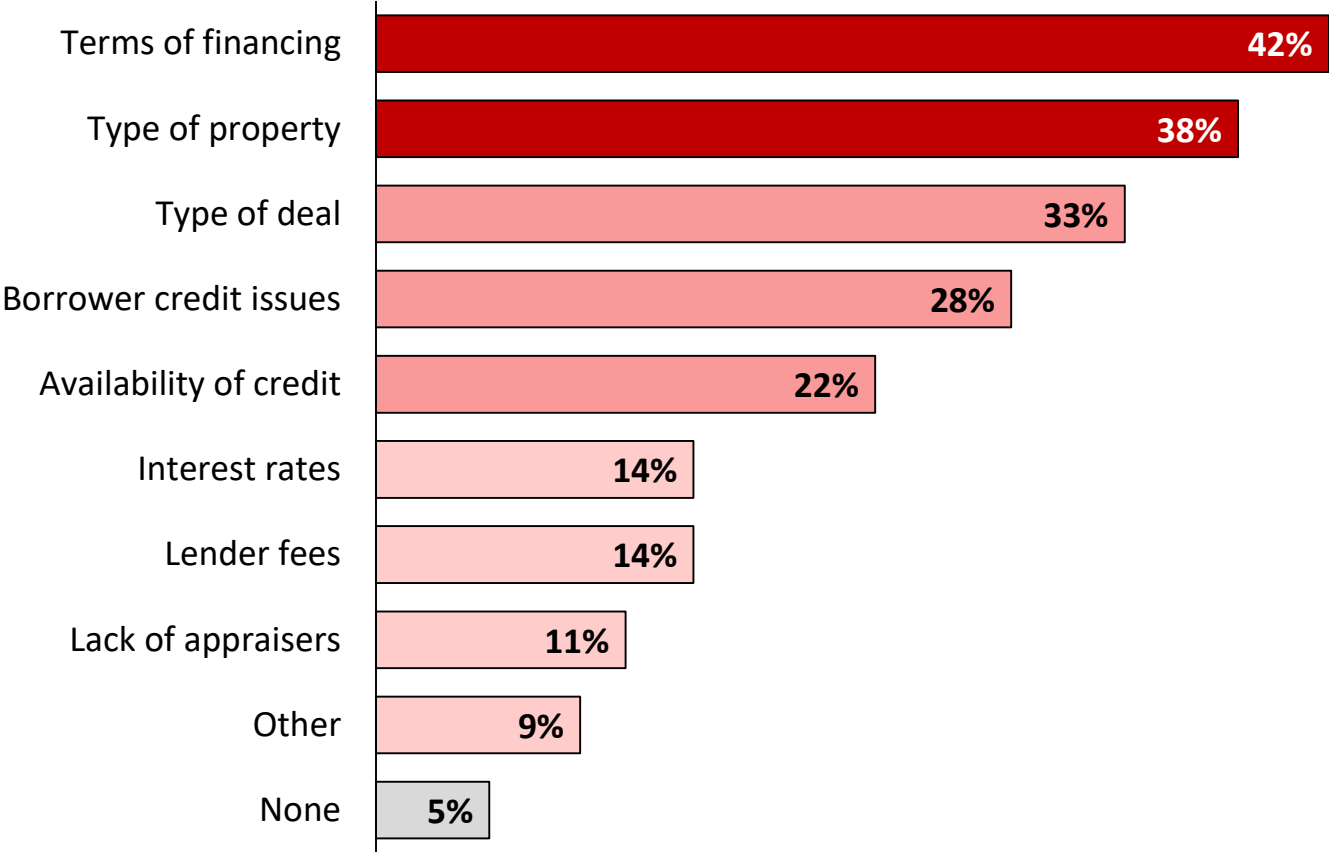


Q.2 Over the last three years, how difficult has it been for your clients to secure financing for commercial real estate deals?

# Terms of Financing and Type of Property Cited as Top Challenges in Securing Financing

## Major Challenges in Securing Financing

N=1,193 Respondents



Q.3 (IF VERY, SOMEWHAT, OR NOT TOO DIFFICULT IN Q.2) Which of the following have been the major challenges for your clients in securing financing? You may choose up to three options.

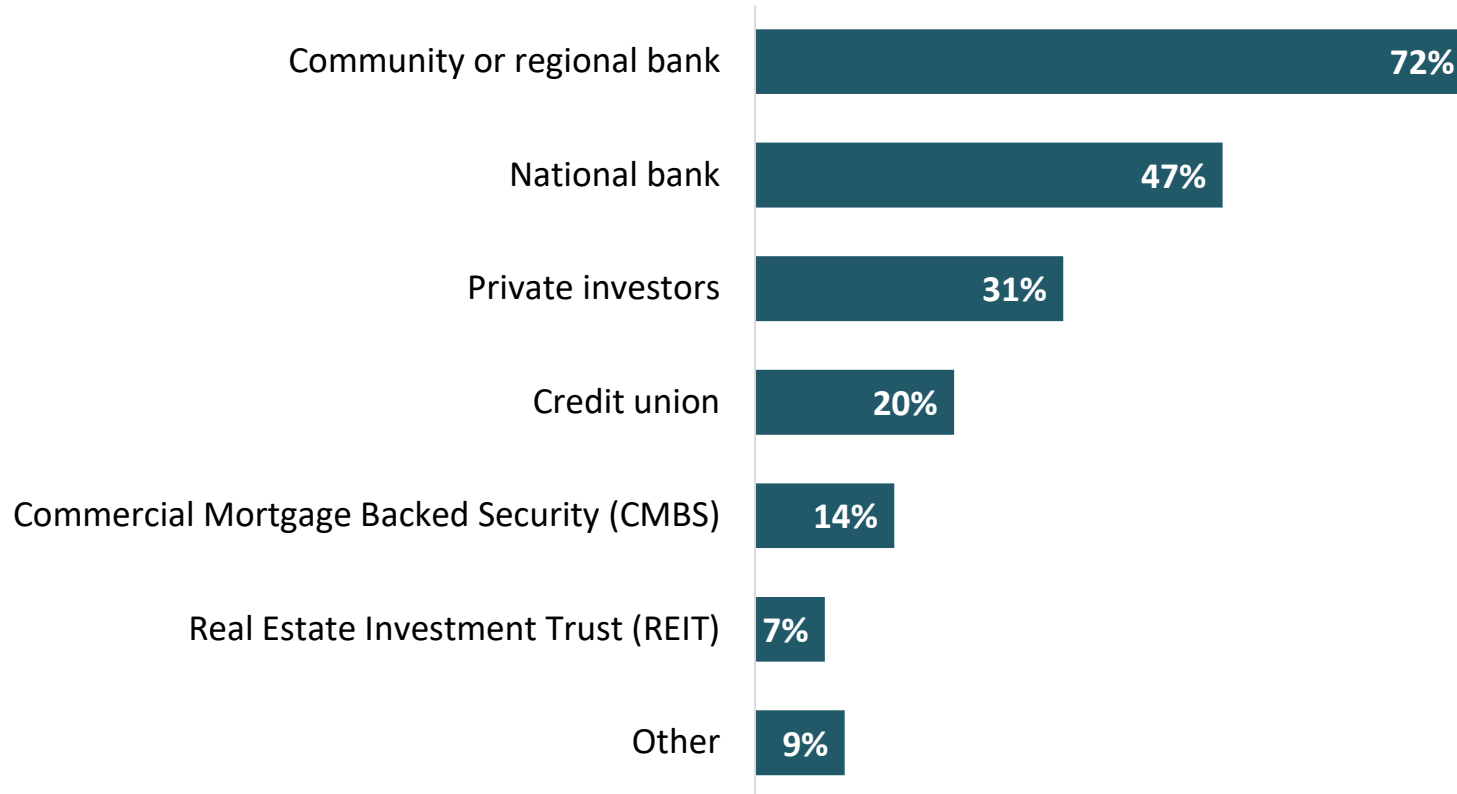
# Terms of Financing and Property Type Pose the Most Challenge, Depending on Region

Financing Challenges by NAR Region (N=1,193)	Terms of financing %	Type of property %	Type of deal %	Borrower credit issues %	Availability of credit %
Total	42	38	33	28	22
Region 1	39	51	35	12	20
Region 2	40	44	36	30	25
Region 3	49	27	36	35	22
Region 4	55	35	35	34	26
Region 5	40	43	35	30	22
Region 6	34	48	44	31	9
Region 7	36	34	30	28	24
Region 8	37	35	24	25	26
Region 9	44	30	34	24	9
Region 10	44	34	29	26	17
Region 11	39	43	34	25	24
Region 12	41	47	35	10	27
Region 13	47	29	27	31	23

Q.3 (IF VERY, SOMEWHAT, OR NOT TOO DIFFICULT IN Q.2) Which of the following have been the major challenges for your clients in securing financing? You may choose up to three options.

# Community and Regional Banks are Most Common Type of Lending Institution Used by Clients

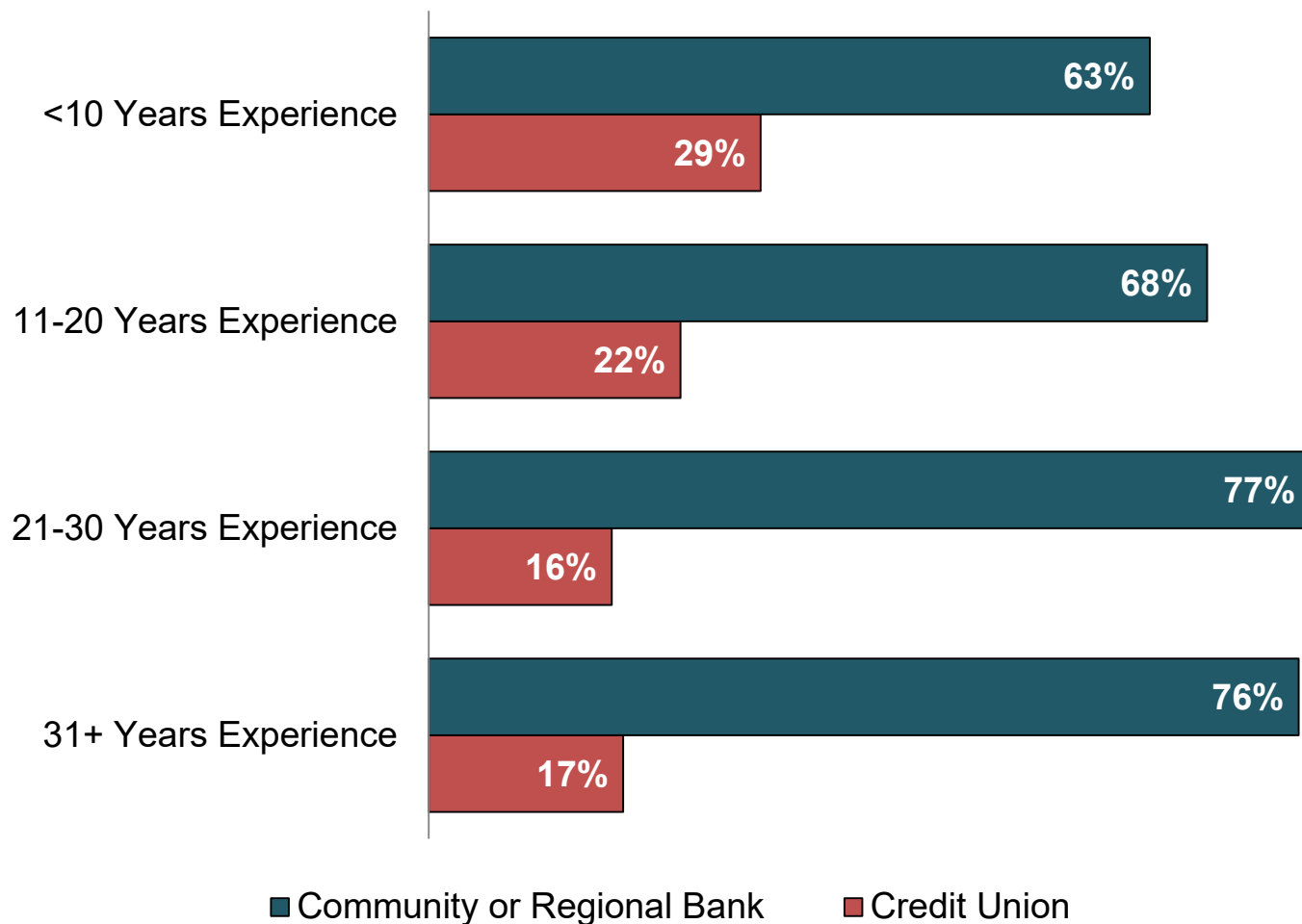
Type of Lending Institutions Used by Clients



Q.4 What type of lending institutions do your clients use most frequently? You may choose up to three options.

# Use of Community or Regional Banks Increases with Experience, While Credit Union Use Drops Off

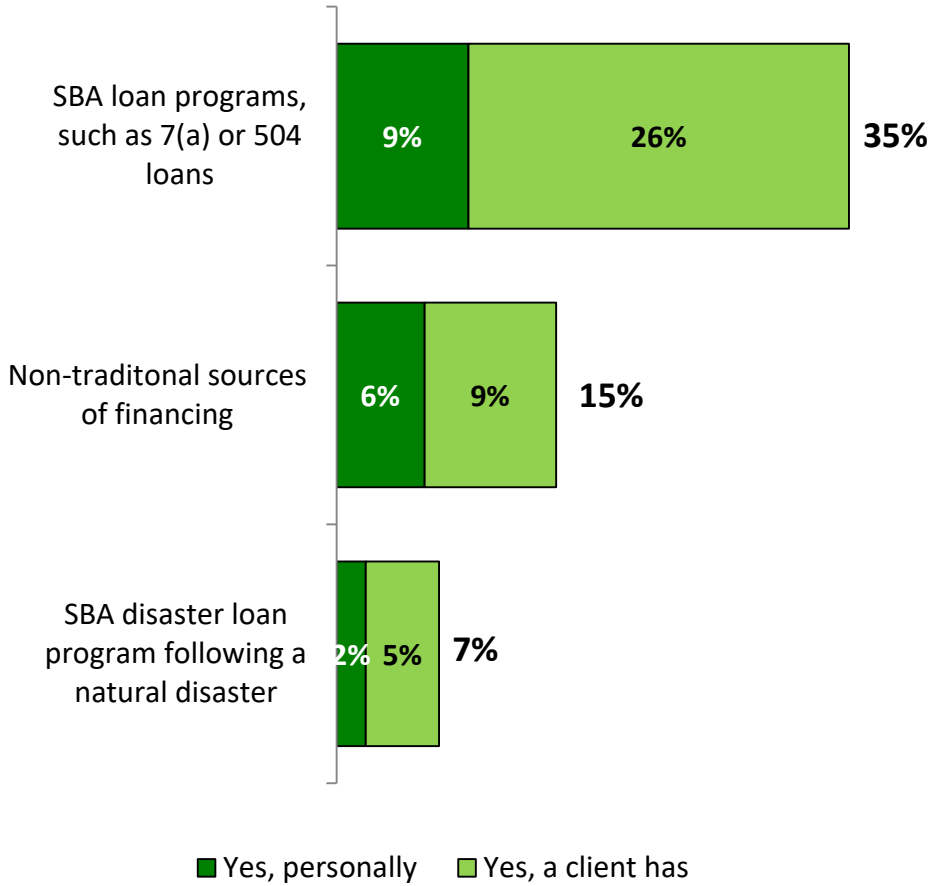
Type of Lending Institutions by Tenure



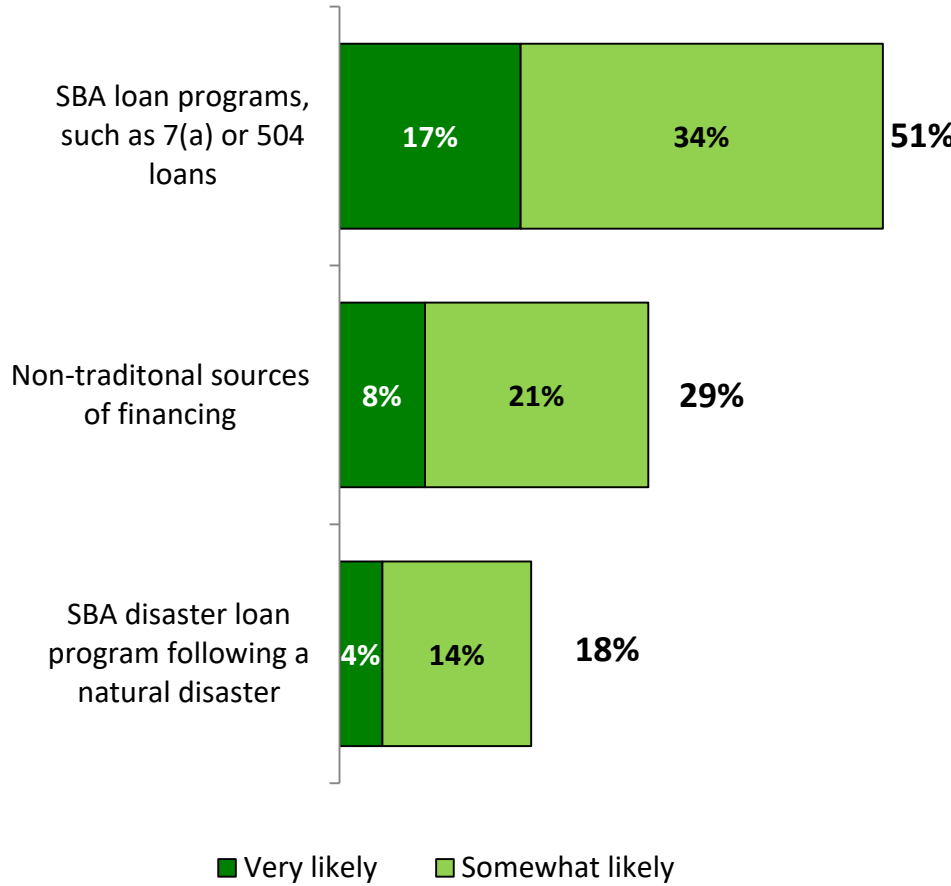
Q.4 What type of lending institutions do your clients use most frequently? You may choose up to three options.

# SBA Loan Program and Non-Traditional Financing Relatively Uncommon, But Use Predicted to Increase

**Non-Traditional and SBA Financing Use**



**Likelihood of Future Financing Option Use**



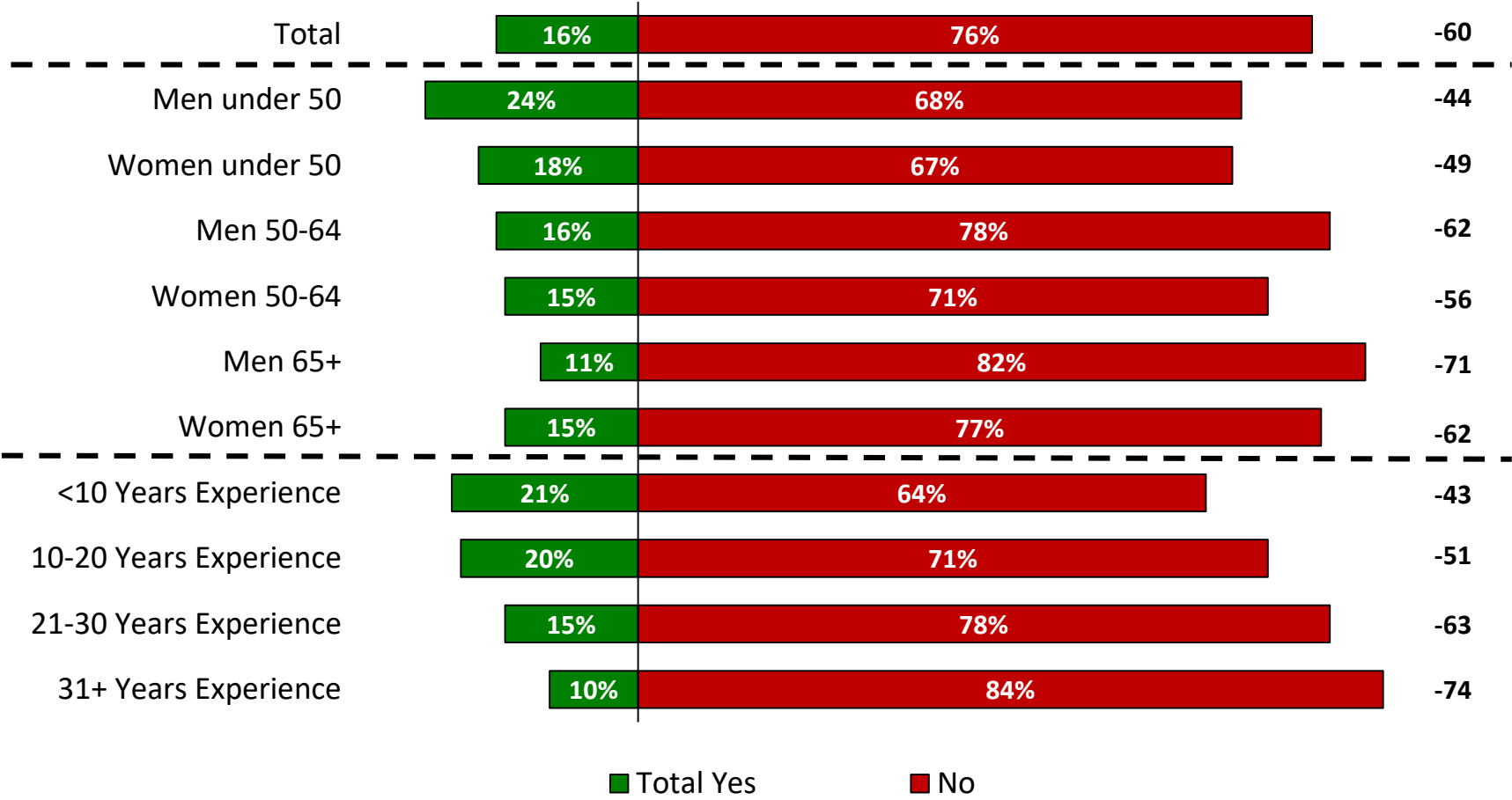
Q.5 In the last three years, have you or a client utilized any of the following financing options?

Q.6 Thinking ahead, how likely do you think it is that you or a client will utilize any of these financing options?



# Members Under 50 and Members with Less Experience More Likely to Use Non-Traditional Sources of Financing

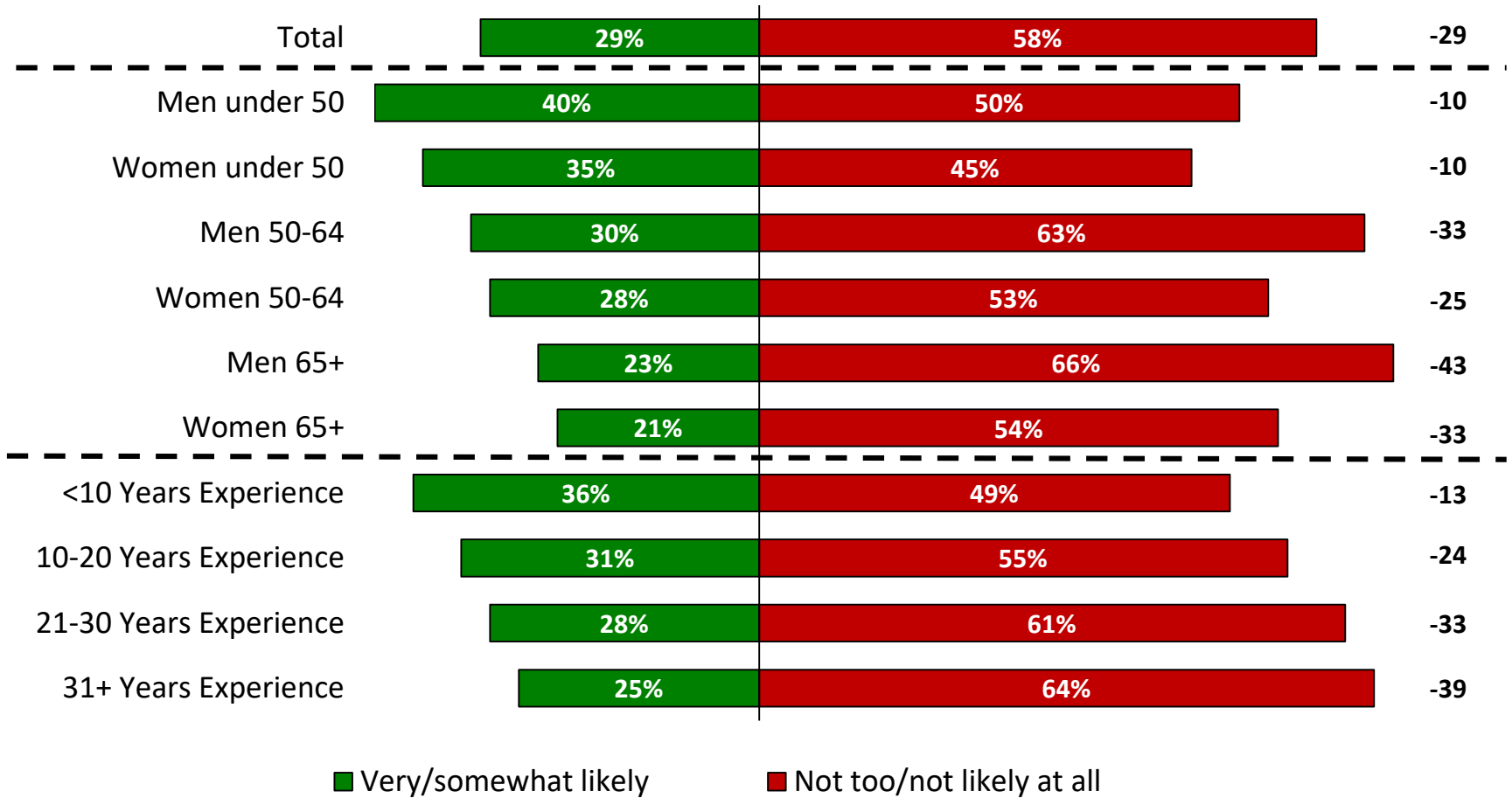
Utilized Non-Traditional Sources of Financing by Gender/Age, Tenure



Q.5 In the last three years, have you or a client utilized any of the following financing options?  
 A. Non-traditional sources of financing - e.g. crowdfunding, non-bank online lending, cryptocurrency

# Younger Members and Those With Less Experience also Predict More Non-Traditional Funding Moving Forward

Likely to Utilize Non-Traditional Sources of Financing in the Future  
by Gender/Age, Tenure

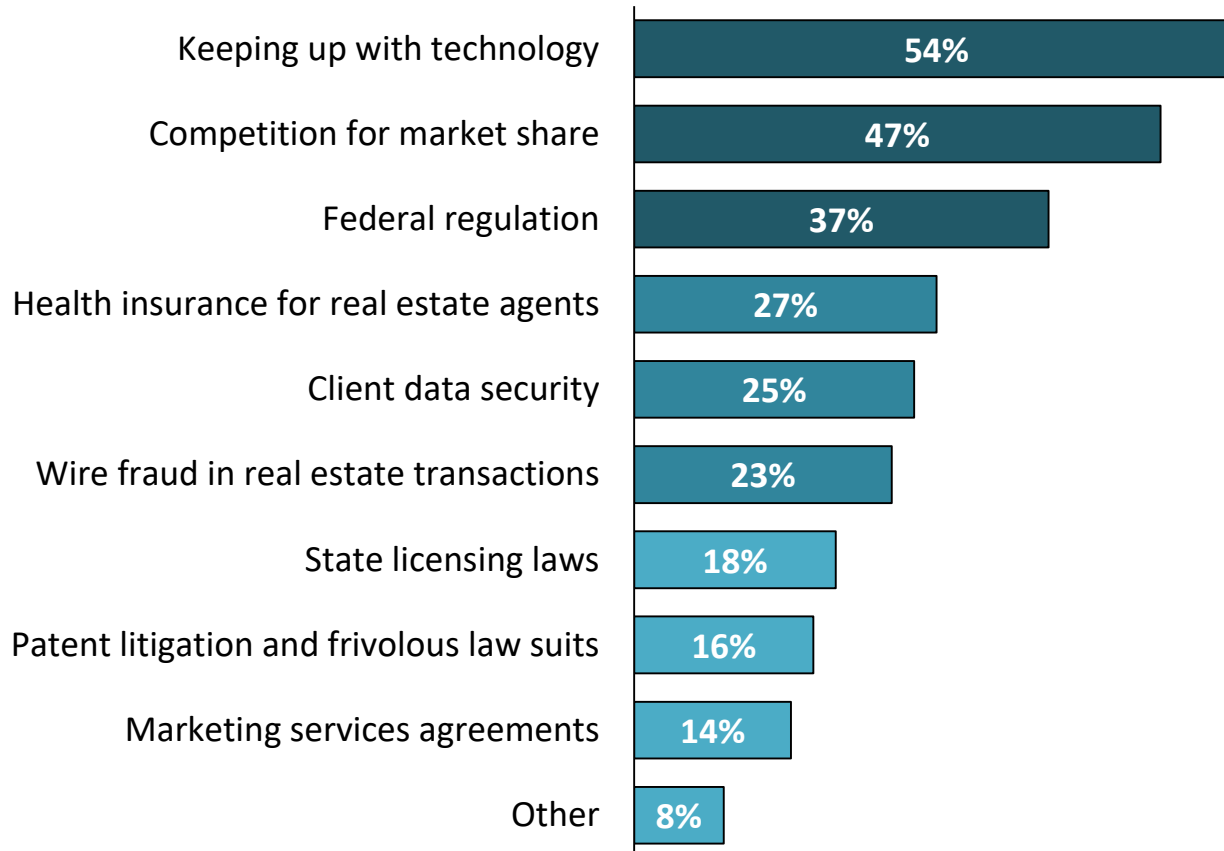


Q.6 Thinking ahead, how likely do you think it is that you or a client will utilize any of these financing options?  
A. Non-traditional sources of financing - e.g. crowdfunding, non-bank online lending, cryptocurrency

# ***BUSINESS CONCERNS***

# Keeping Up with Technology and Competing for Market Share are Members' Top Operational Concerns

## Biggest Business Operational Concerns



Q.7 And thinking more broadly about the current commercial real estate market and your business, which THREE of the following are your biggest business operational concerns?

# Experienced Members Most Concerned About Technology, While Newcomers' Top Focus is Competition

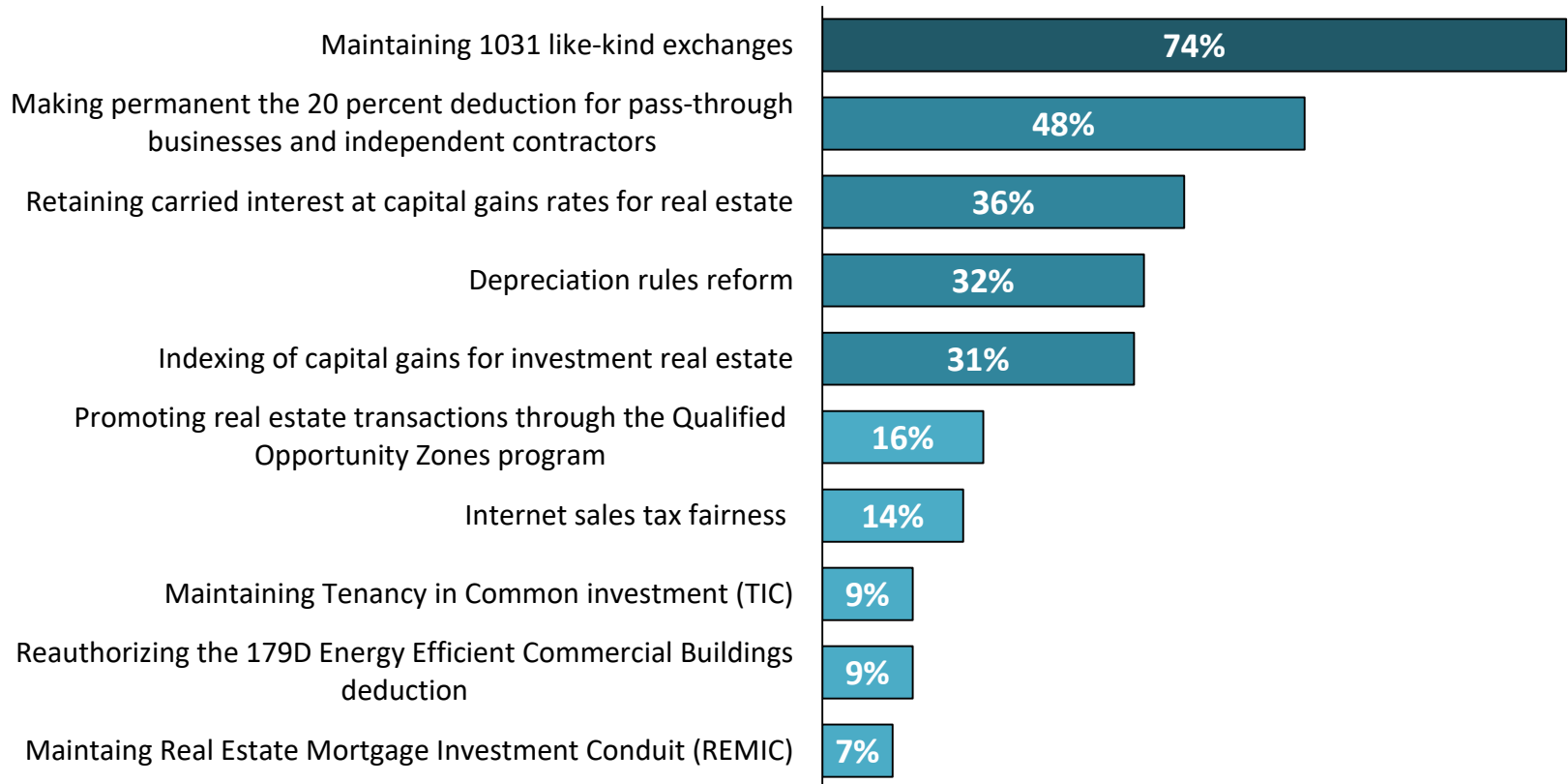
Commercial Real Estate Operational Concerns by Experience	<10 Years %	11 to 20 Years %	21 to 30 Years %	31+ Years %
Keeping up with technology	46	51	57	57
Competition for market share	53	46	45	47
Federal regulation	32	33	35	43
Health insurance for real estate agents	30	31	30	20
Client data security	25	25	26	24

Q.7 And thinking more broadly about the current commercial real estate market and your business, which THREE of the following are your biggest business operational concerns?

***FEDERAL ISSUES:  
TAX POLICY & INFRASTRUCTURE***

# Maintaining 1031 Like-Kind Exchanges is By Far Members' Top Priority; Pass-Through Deduction Ranks Second

## Federal Tax Policy Priorities

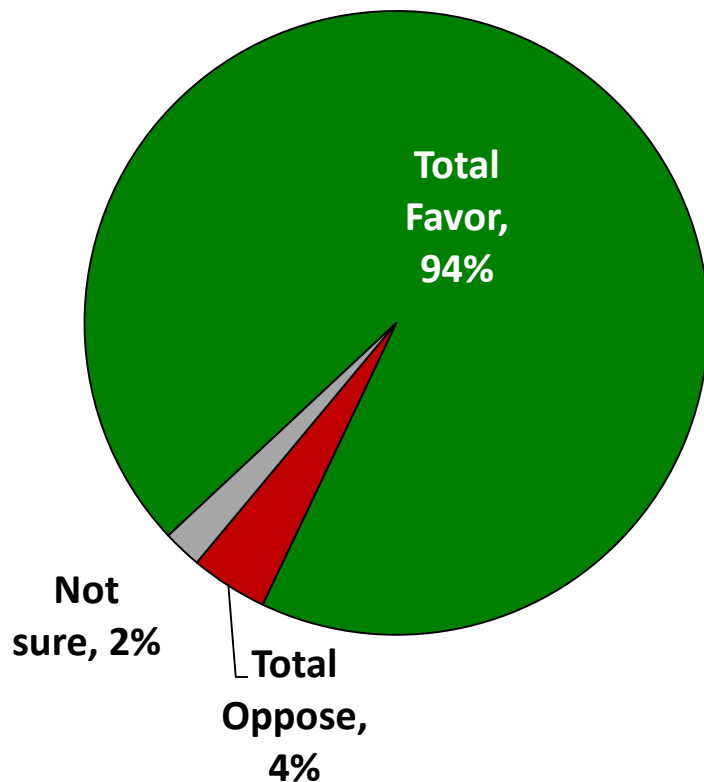


Q.8 These next questions have to do with federal policy issues and priorities that affect you as a member of the National Association of REALTORS®. Please keep in mind that we are asking for your views on each issue at the FEDERAL level, even though some states and localities may be addressing similar policy issues. When it comes to federal tax policy and your job in real estate, which THREE of the following do you think should be the highest priorities for the National Association of REALTORS®?

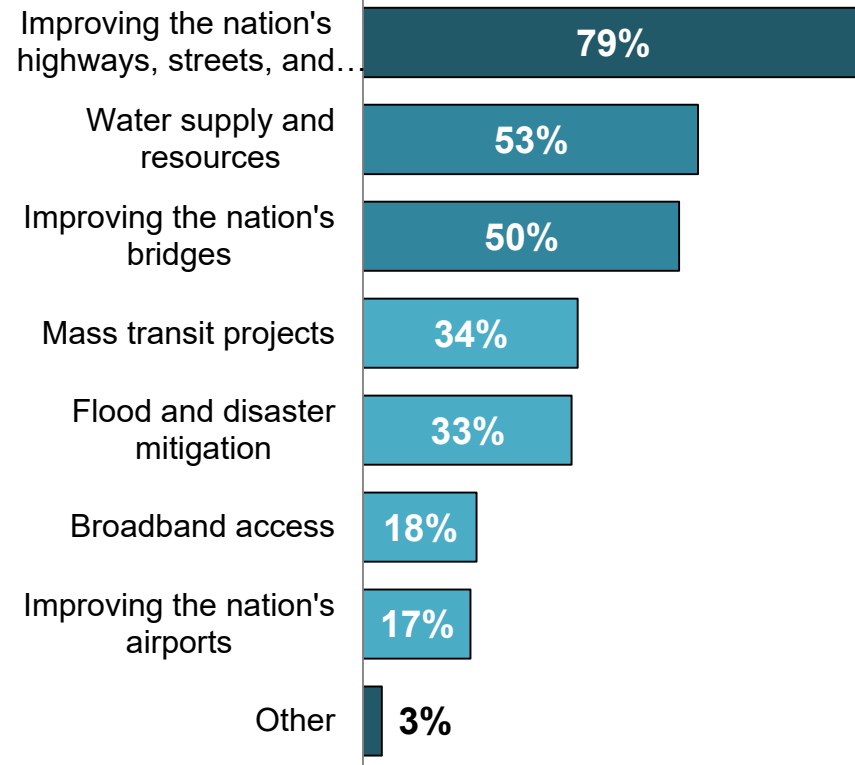
# Almost Unanimous Support for Federal Government Investing More in Public Infrastructure

*Improving highways, streets, and roads is the top infrastructure priority*

## Federal Government Investment in Public Infrastructure



## Infrastructure Investment Priorities



Q.9 Do you favor or oppose the federal government investing more money in public infrastructure, like roads, highways, bridges, and public transit?

Q.10 When it comes to investment in infrastructure, which THREE of the following do you think should be the highest priorities for the federal government?



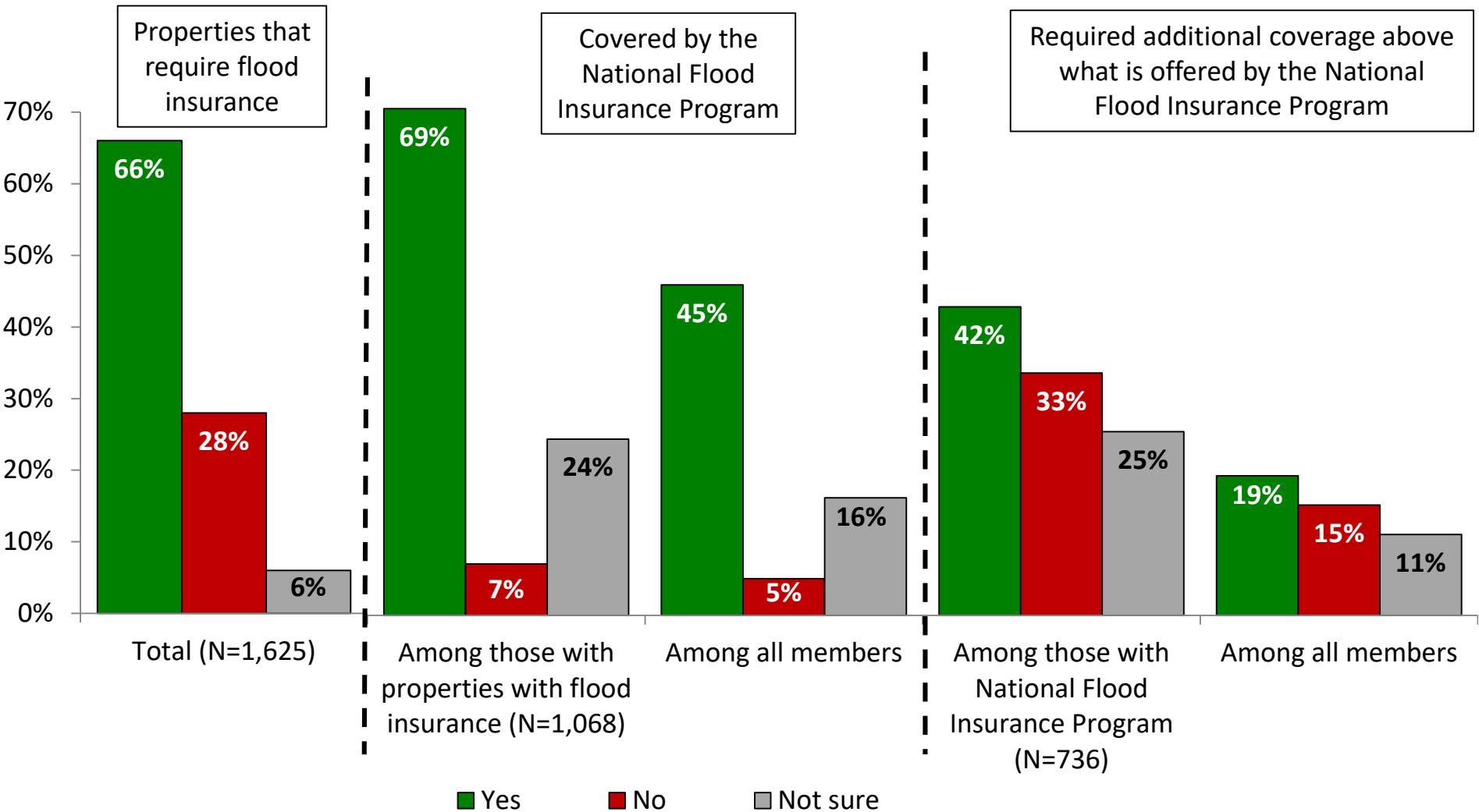
# Highways a Top Priority Across the Nation, With Water Supply and Bridges Swapping Second Place Among Regions

Infrastructure Priorities by NAR Region	Improving the nation's highways, streets, and roads	Water supply and resources	Improving the nation's bridges	Mass transit projects	Flood and disaster mitigation
<b>Total</b>	<b>79</b>	<b>53</b>	<b>50</b>	<b>34</b>	<b>33</b>
Region 1	79	37	62	38	15
Region 2	80	48	55	40	30
Region 3	77	36	48	41	34
Region 4	81	51	48	38	35
Region 5	76	47	50	39	36
Region 6	87	61	60	30	17
Region 7	80	51	56	39	27
Region 8	84	40	58	21	35
Region 9	78	46	57	23	31
Region 10	78	56	49	28	51
Region 11	83	66	41	29	27
Region 12	77	62	57	28	21
Region 13	77	68	37	37	34

Q.10 When it comes to investment in infrastructure, which THREE of the following do you think should be the highest priorities for the federal government?

# *FLOOD INSURANCE*

# Most Members Have Properties That Require Flood Insurance



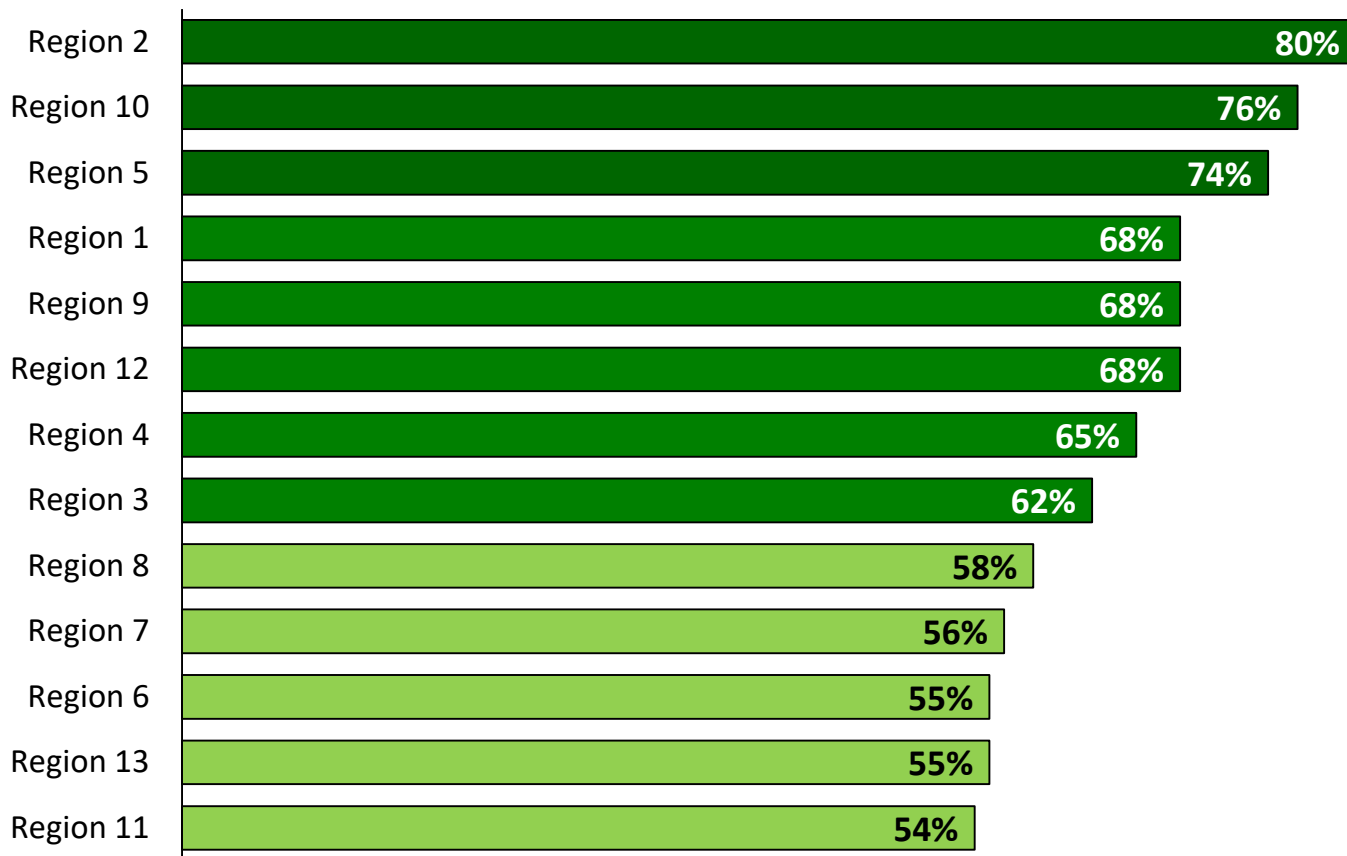
Q.13 Do you have properties or clients with properties that require flood insurance?

Q.14 (IF YES IN Q.13) And have the properties that have required flood insurance been covered by the National Flood Insurance Program?

Q.15 (IF YES IN Q.14) And have the properties that required flood insurance required additional coverage above what is offered by the National Flood Insurance Program?

# Majority Have Property or Clients with Flood Insurance, Especially in Regions Recently Impacted by Hurricanes

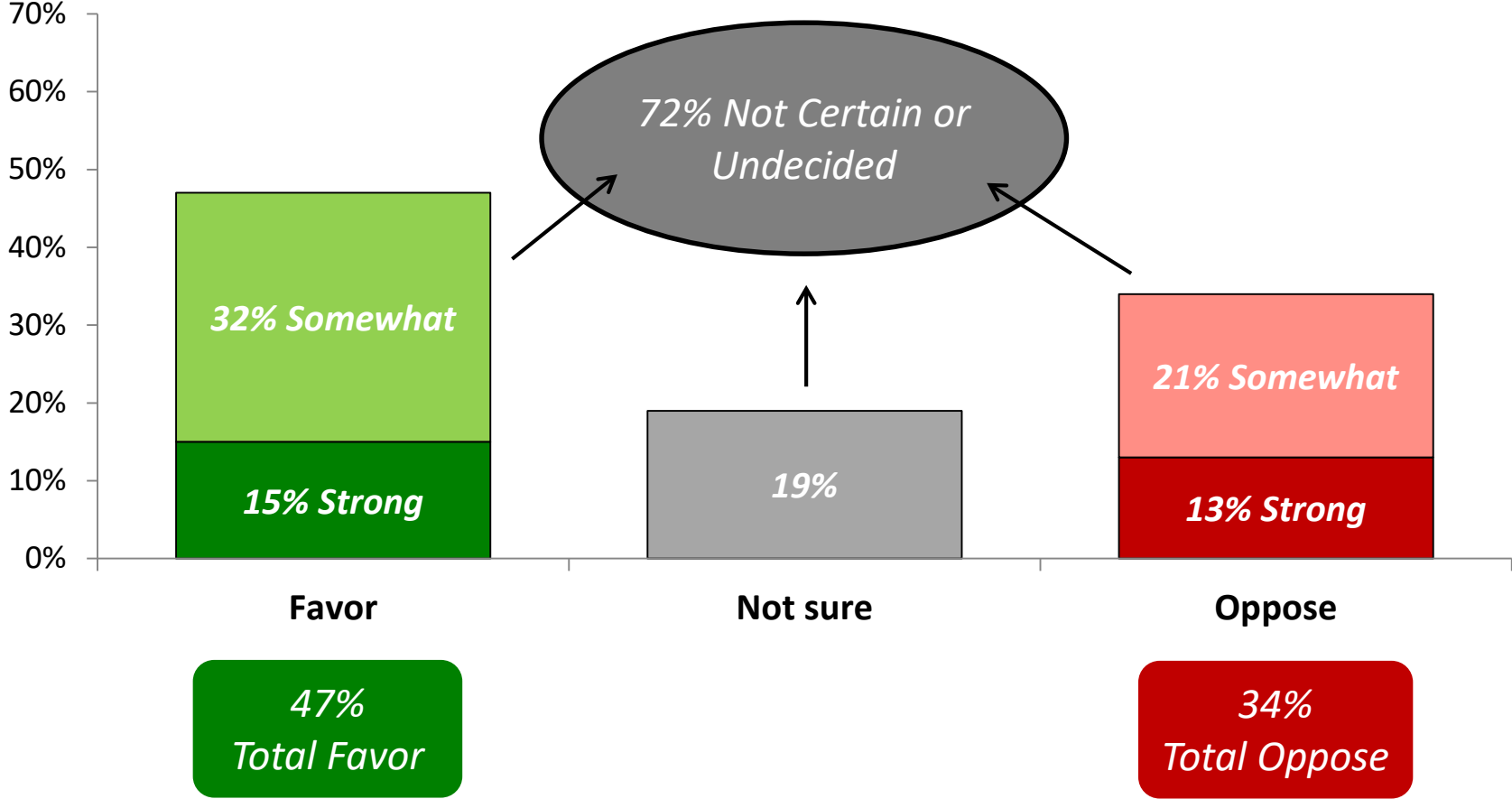
## Have Properties or Clients with Flood Insurance by NAR Region



Q.13 Do you have properties or clients with properties that require flood insurance?

# Just Under Half of Members Favor a Commercial Real Estate Exemption to Federally Mandated Flood Insurance

Exemption to Federally Mandated Flood Insurance



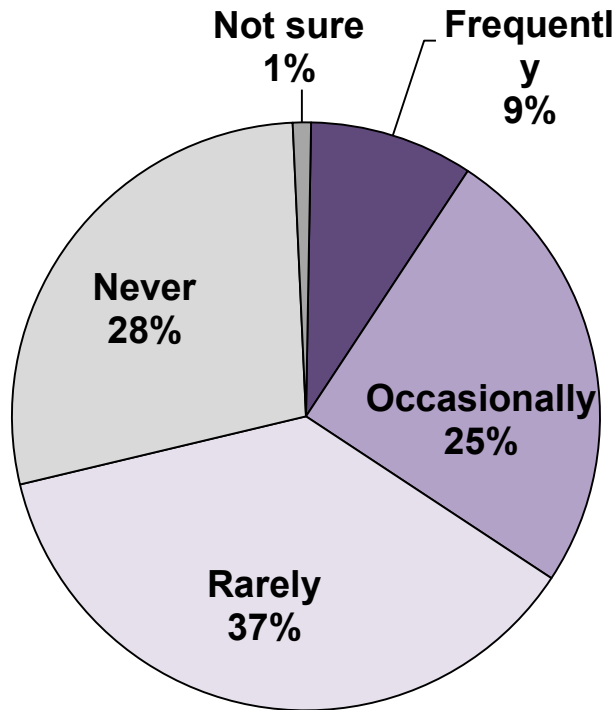
Q. 18 Would you favor or oppose a commercial real estate exemption to federally mandated National Flood Insurance Program coverage for commercial properties within flood zones?

# *FOREIGN INVESTORS*

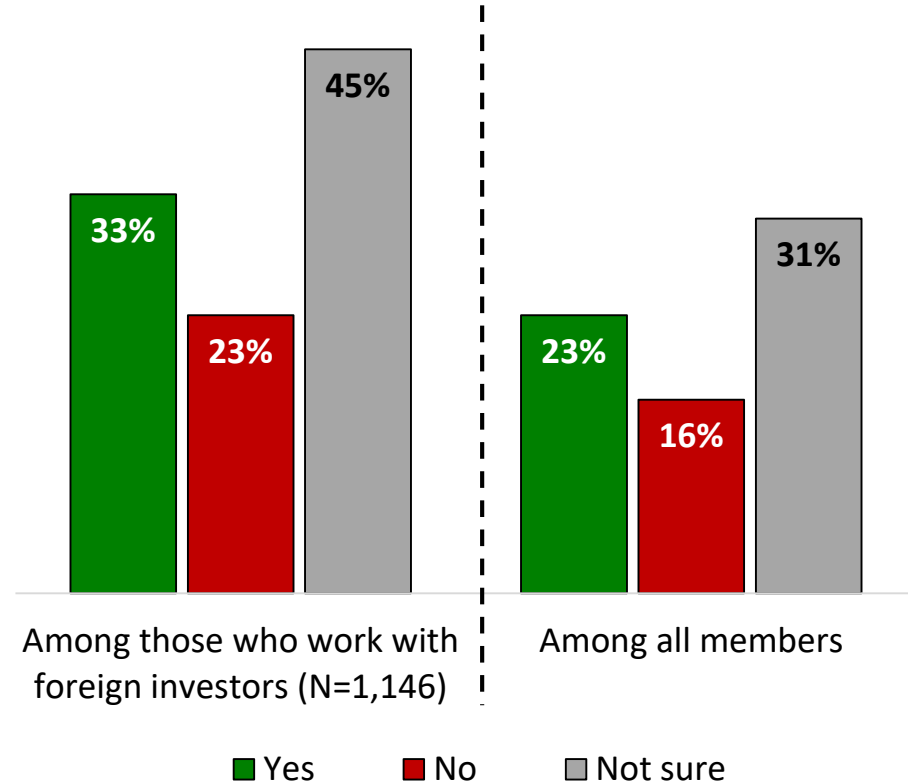
# Most Members Work Only Occasionally or Rarely With Foreign Investors

*Most do not use or are unsure about use of EB-5 program or FIRPTA deduction*

**Work with Foreign Investors**



**Utilize Foreign Investment Programs/Deductions**

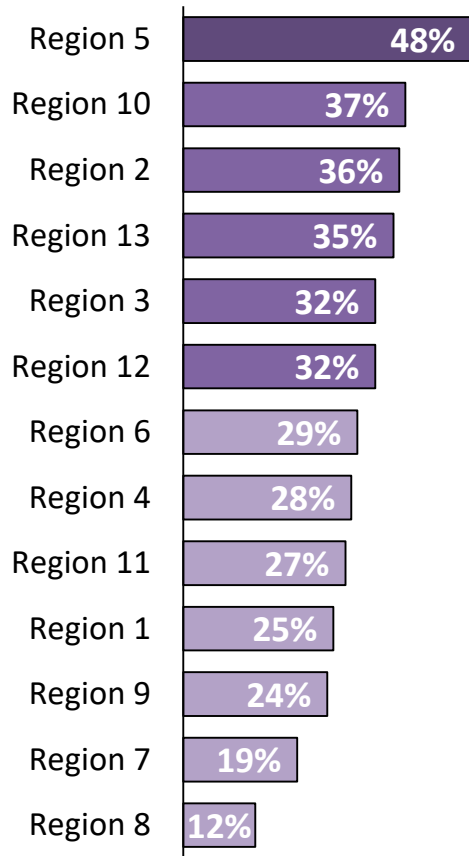


Q.19 How often do you work with foreign investors?

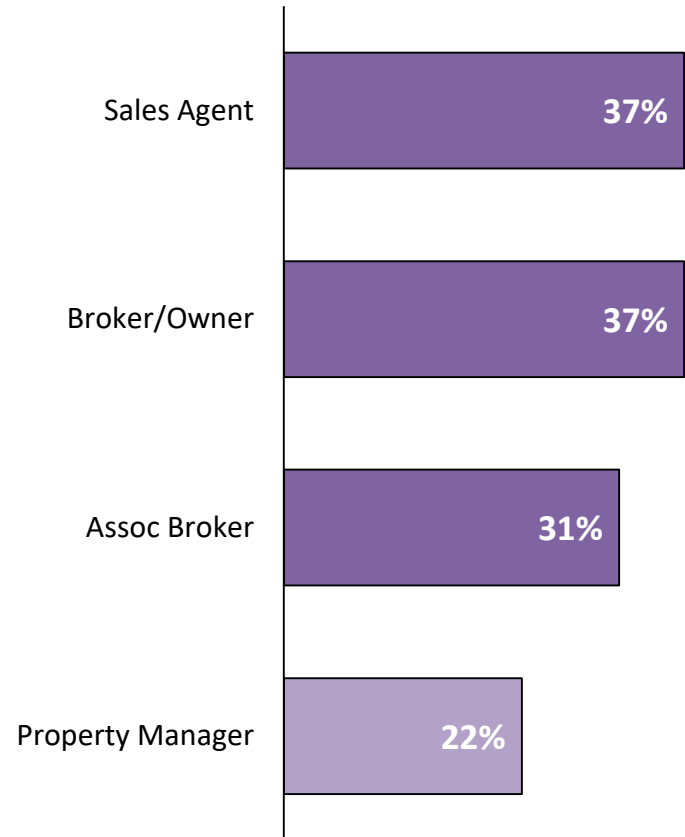
Q.20 (IF FREQUENTLY, OCCASIONALLY OR RARELY IN Q.19) Do the foreign investors you work with utilize the EB-5 Investor Visa program or the Foreign Investment in Real Property Tax Act (FIRPTA) deduction?

# Members in Region 5 Most Likely to Work with Foreign Investors, Property Managers Least Likely

## Work With Foreign Investors Frequently/Occasionally by NAR Region



## Work With Foreign Investors Frequently/Occasionally by Function





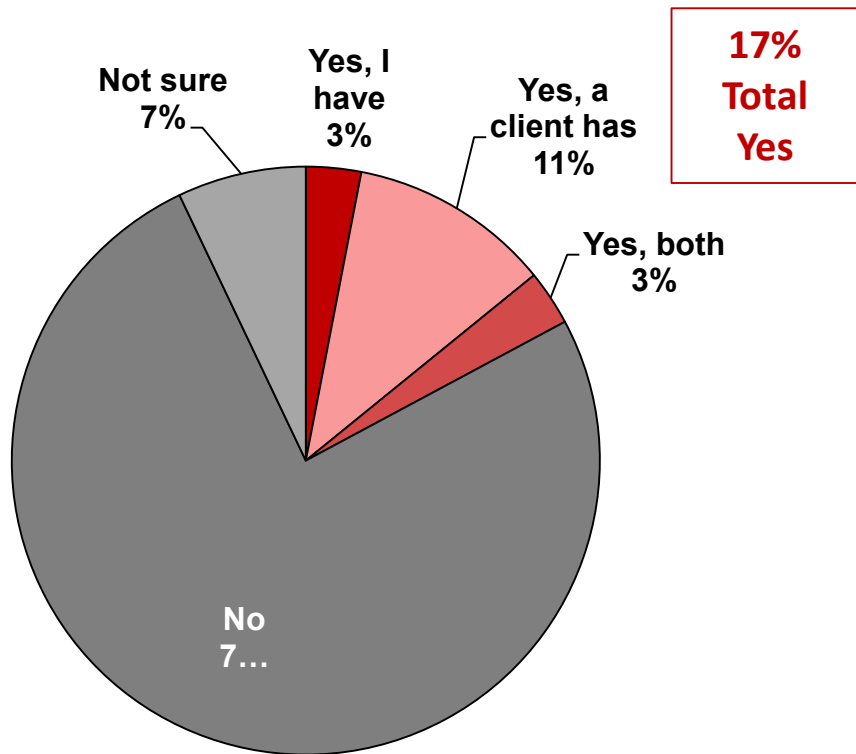
# *ADA & COMPANION ANIMALS*

# Three Quarters of Members Have Not Been Challenged

## on the Americans with Disabilities Act

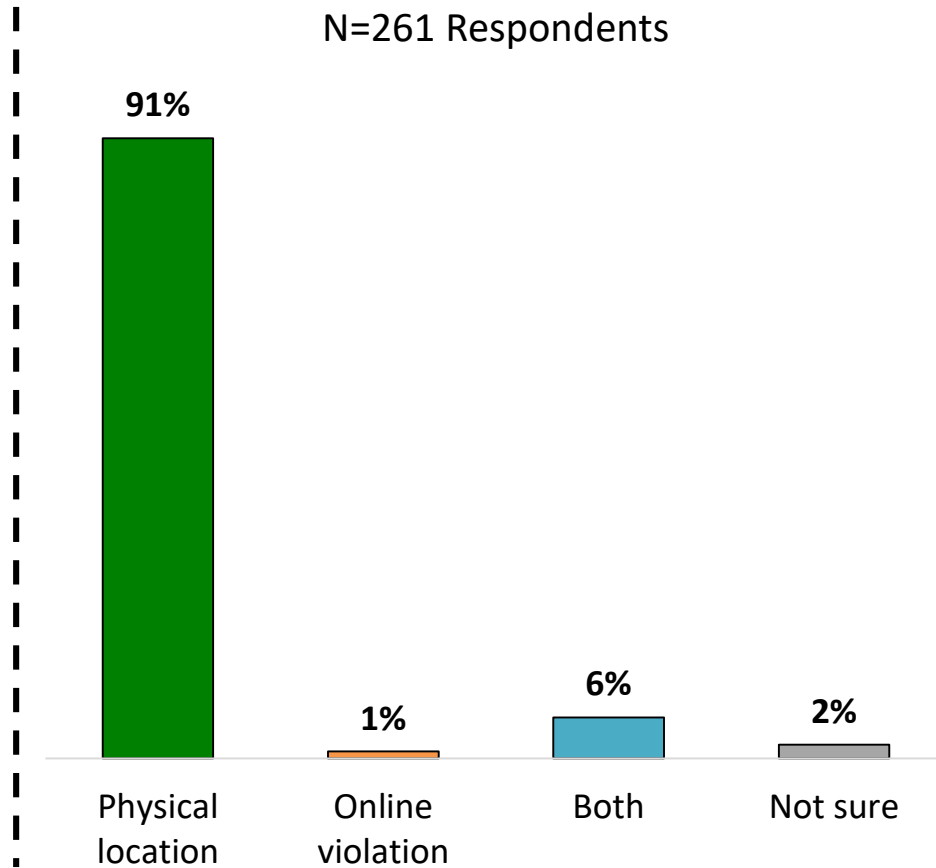
*Among alleged violations, most relate to physical locations*

ADA Violation



Alleged ADA Violation Type

N=261 Respondents

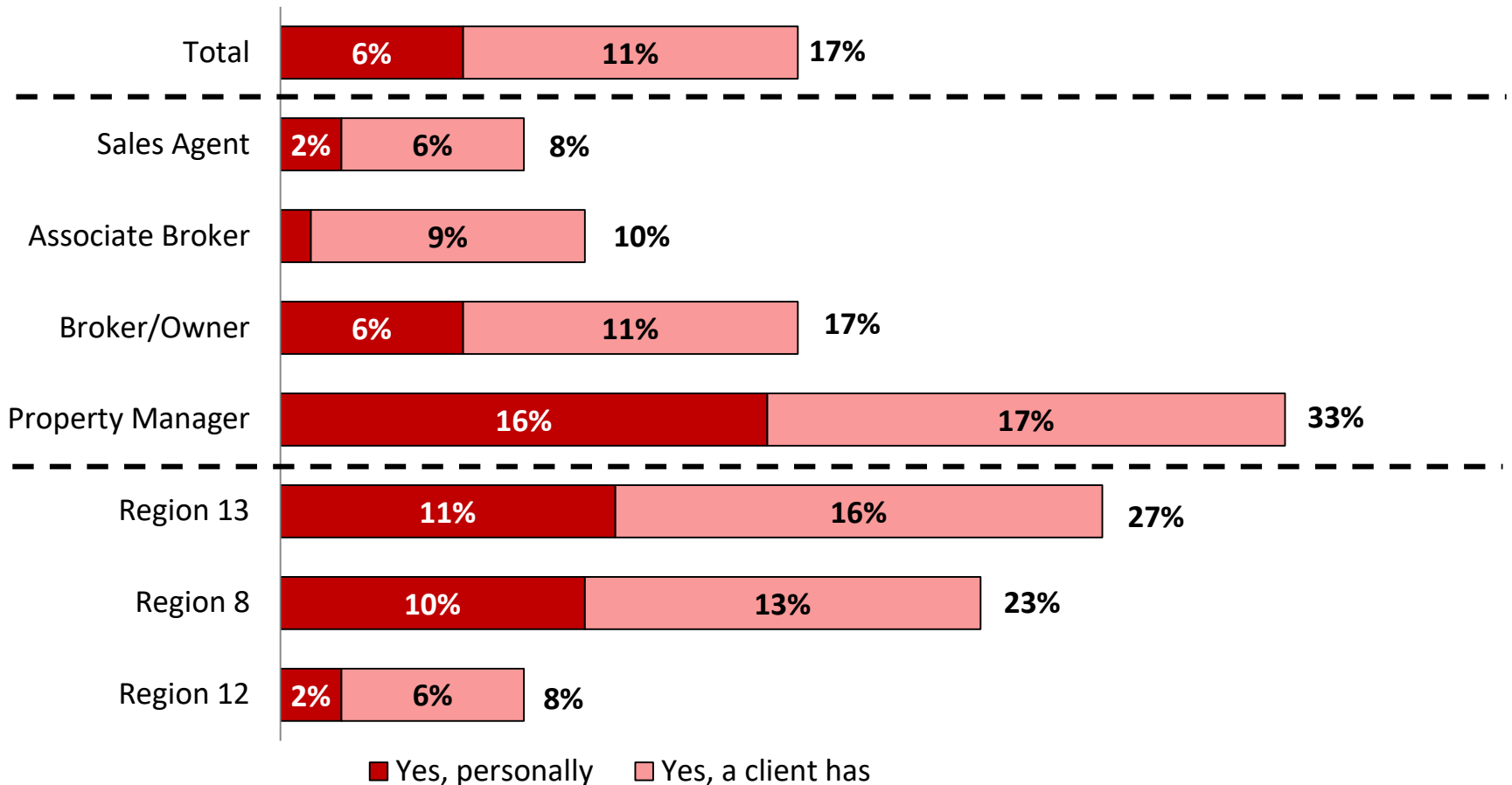


Q.21 Have you or your clients ever been sued or received a demand letter regarding an alleged Americans with Disabilities Act (ADA) violation?

Q.22 (IF YES IN Q.21) And did the alleged violation(s) occur in a physical location (for example, a commercial property) or was it related to website accessibility or other online activity?

# Property Managers and Region 13 Members Most Likely to Have Dealt With an Americans With Disabilities Act Violation Allegation

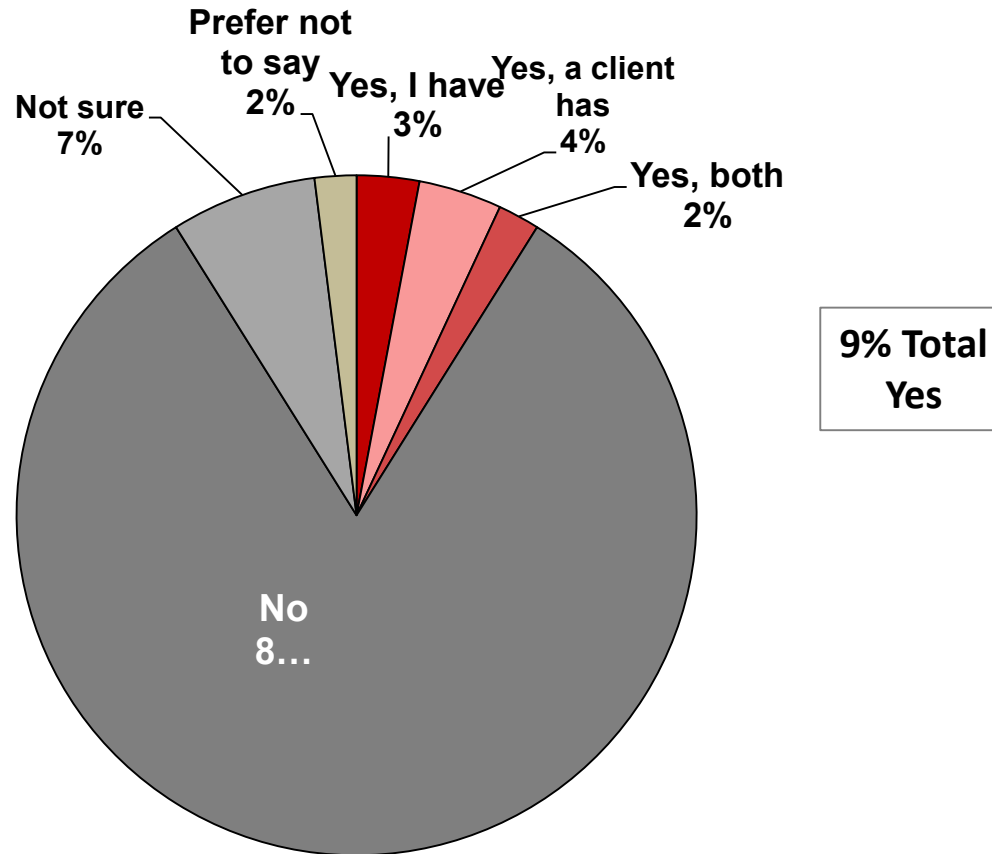
ADA Violation by Function and Region



Q.21 Have you or your clients ever been sued or received a demand letter regarding an alleged Americans with Disabilities Act (ADA) violation?

# Fewer than One-In-Ten Have Faced a Problem Related to Companion Animal Access

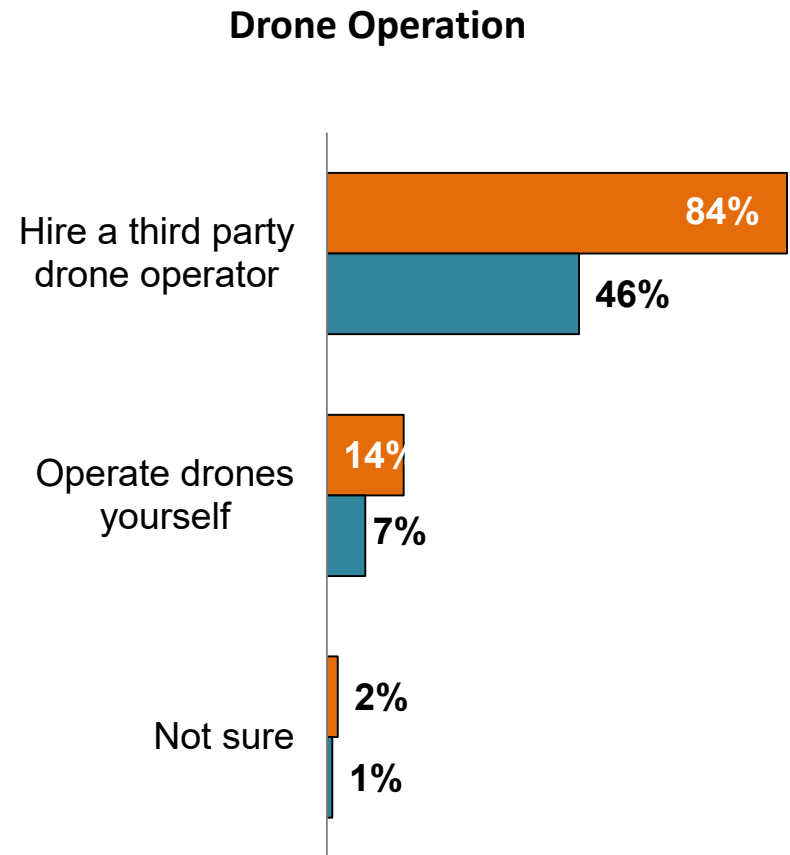
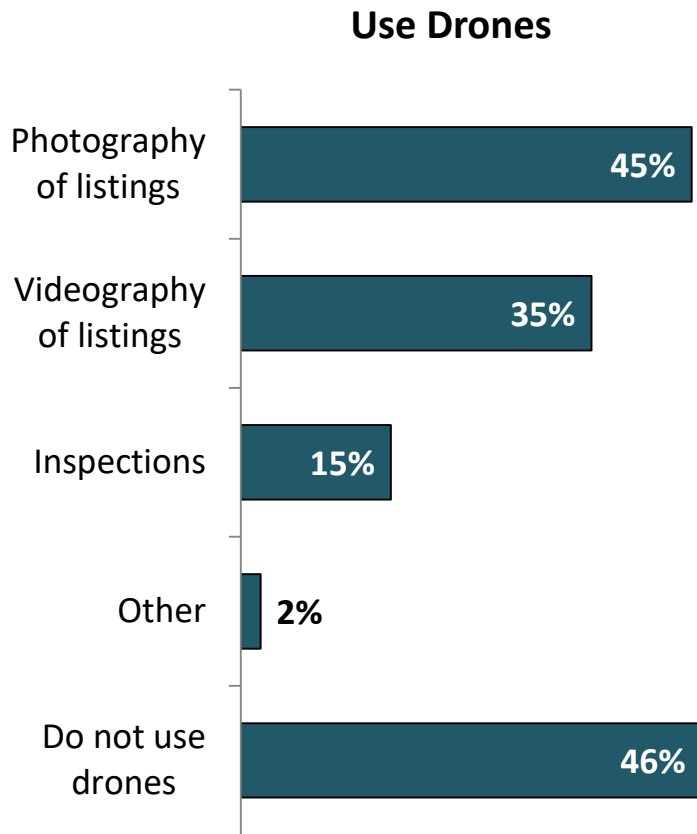
Problem with Companion Animal Access



Q.25 Have you or your clients ever faced a problem with or been sued regarding companion animal access to a property?

# ***DRONE USAGE***

# Over Half of Members Use Drones, Most Hire Third-Party Operators



■ Among those who use drones (N=882) ■ Total

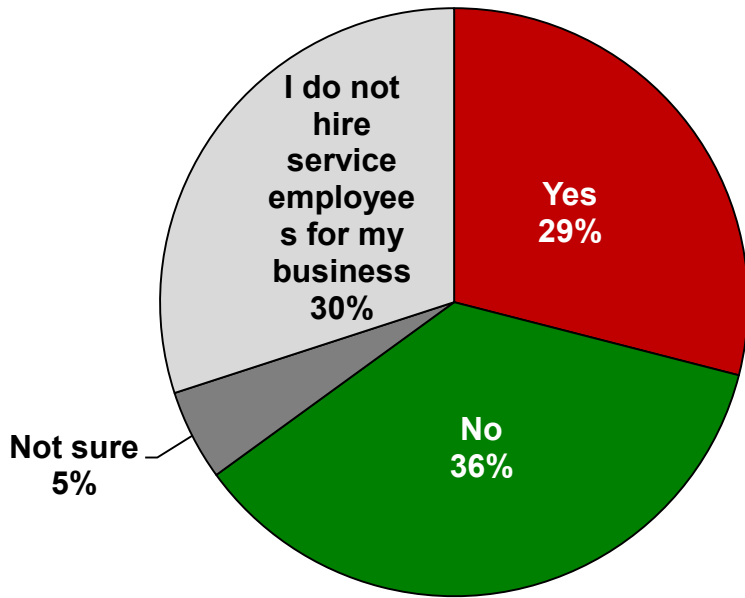
Q.26 Do you use drones, or any other unmanned aerial vehicle, in your business for any of the following? Please select any of the below that you use drones or unmanned aerial vehicles for.

Q.27 (IF USE DRONES IN Q.26) And do you operate the drones yourself or hire a third-party drone operator?

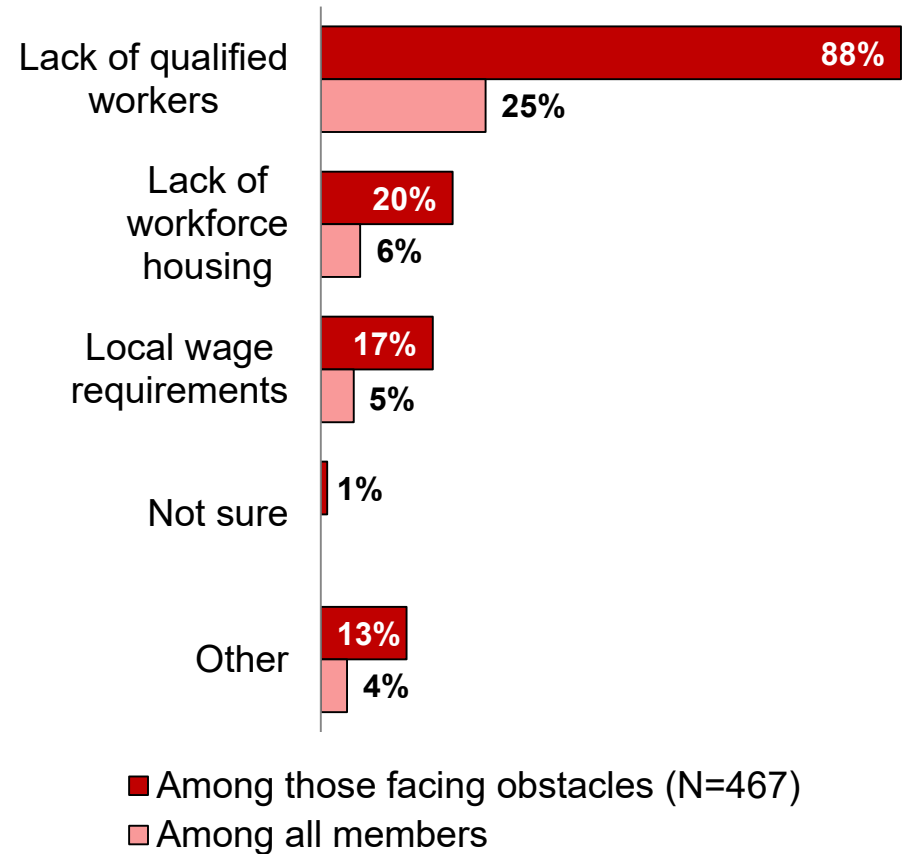
# *OBSTACLES IN COMMERCIAL REAL ESTATE*

# Three-in-Ten Members Have Trouble Hiring Service Employees, Cite a Lack of Qualified Workers

## Obstacles to Hiring Service Employees



## Factors that Affect Hiring Service Employees



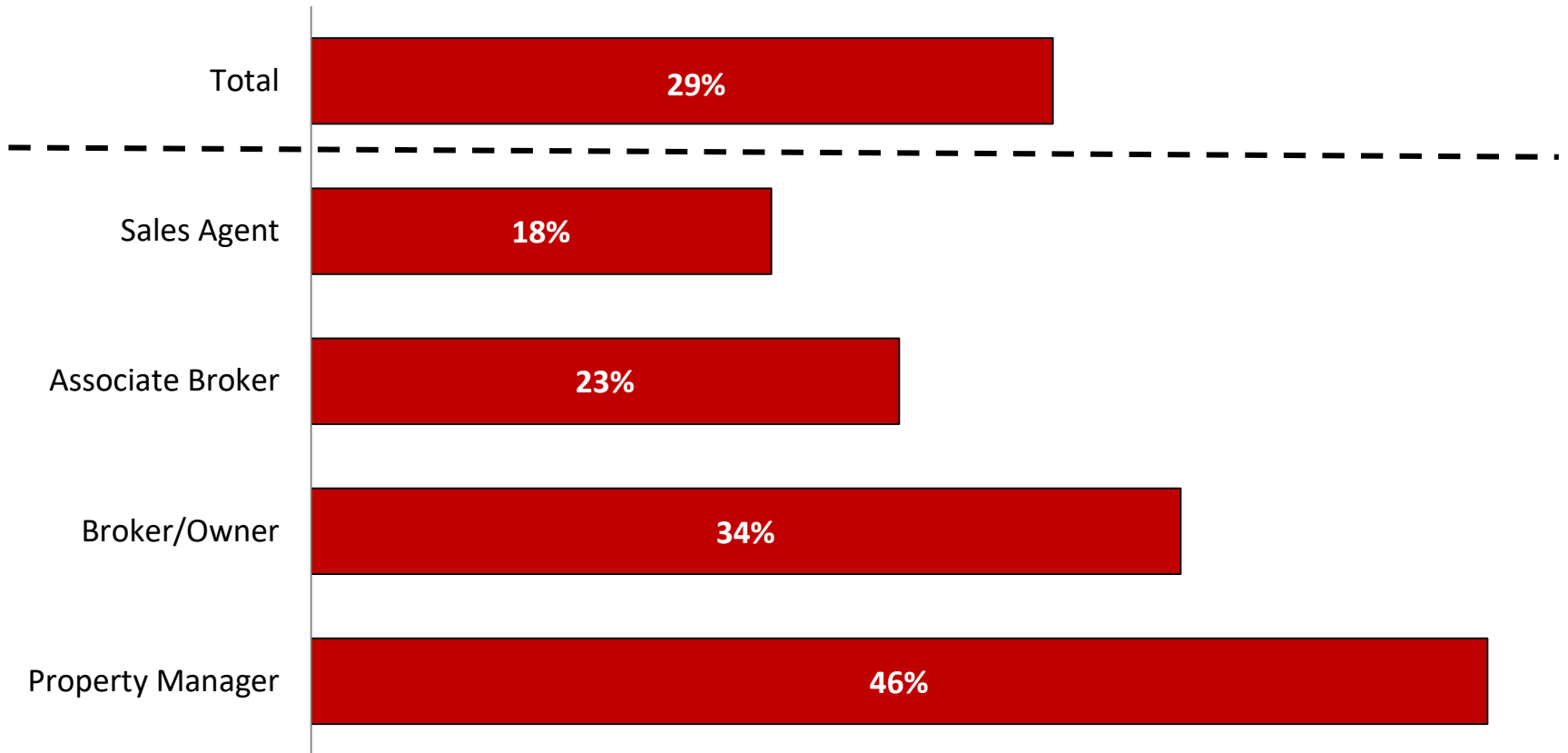
Q.28 Thinking again about your business and the local commercial real estate market. Are there any factors or obstacles affecting your ability to hire service employees for your business, including building maintenance, operation or contractors?

Q.29 (IF YES IN Q.28) What are the factors affecting your ability to hire service employees?



# Property Managers Most Likely to Report Obstacles to Hiring Service Employees

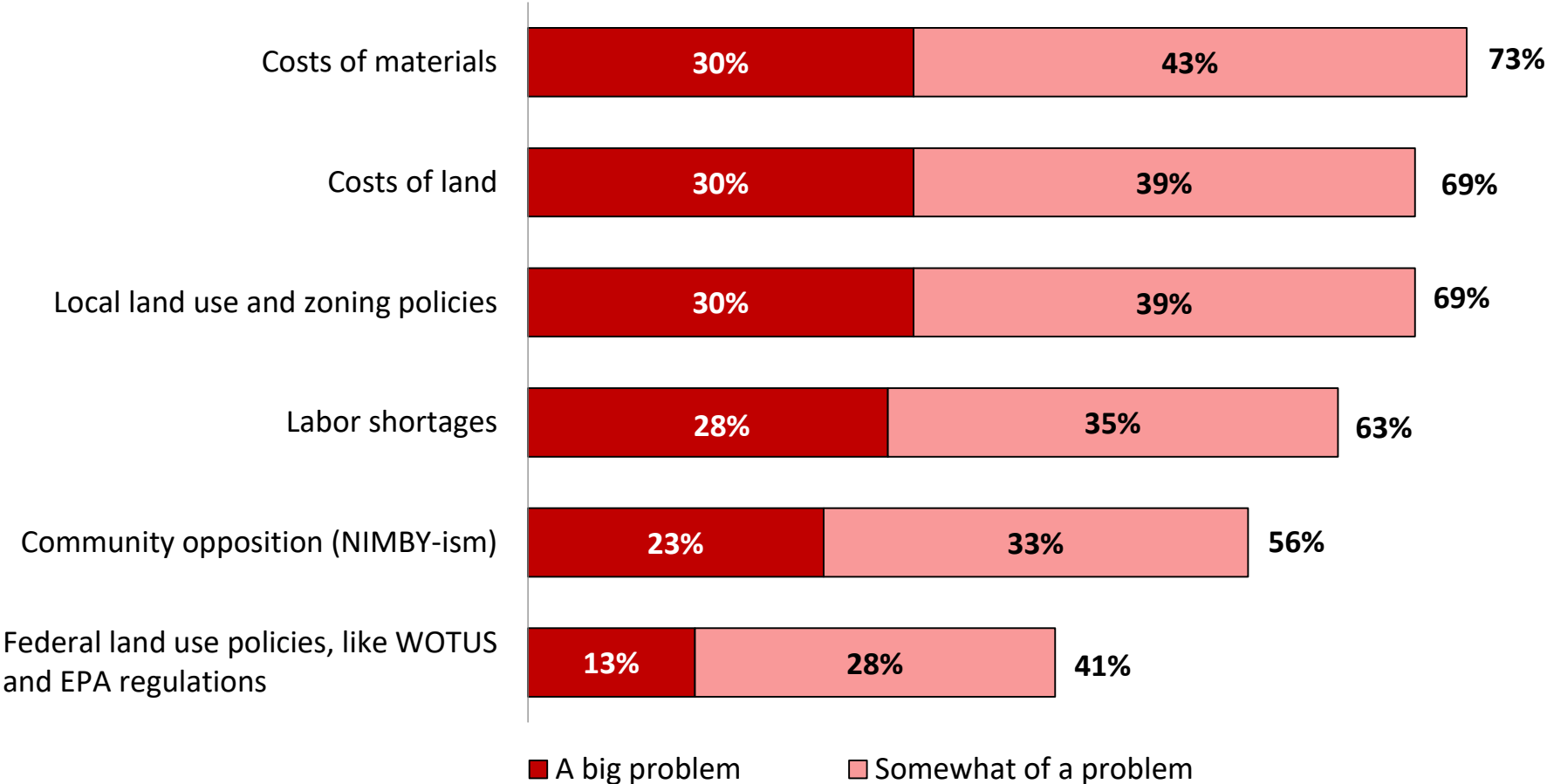
Obstacles to Hiring Service Employees by Function



Q.28 Thinking again about your business and the local commercial real estate market. Are there any factors or obstacles affecting your ability to hire service employees for your business, including building maintenance, operation or contractors?

# Costs of Land and Materials, Zoning Policies are Biggest Problems in the Construction of New Commercial Properties

### Obstacles to the Construction of New Commercial Development



Q.30 Below is a list of obstacles to the construction of new commercial development. How much of a problem is each one in your area when it comes to the construction of new commercial properties?

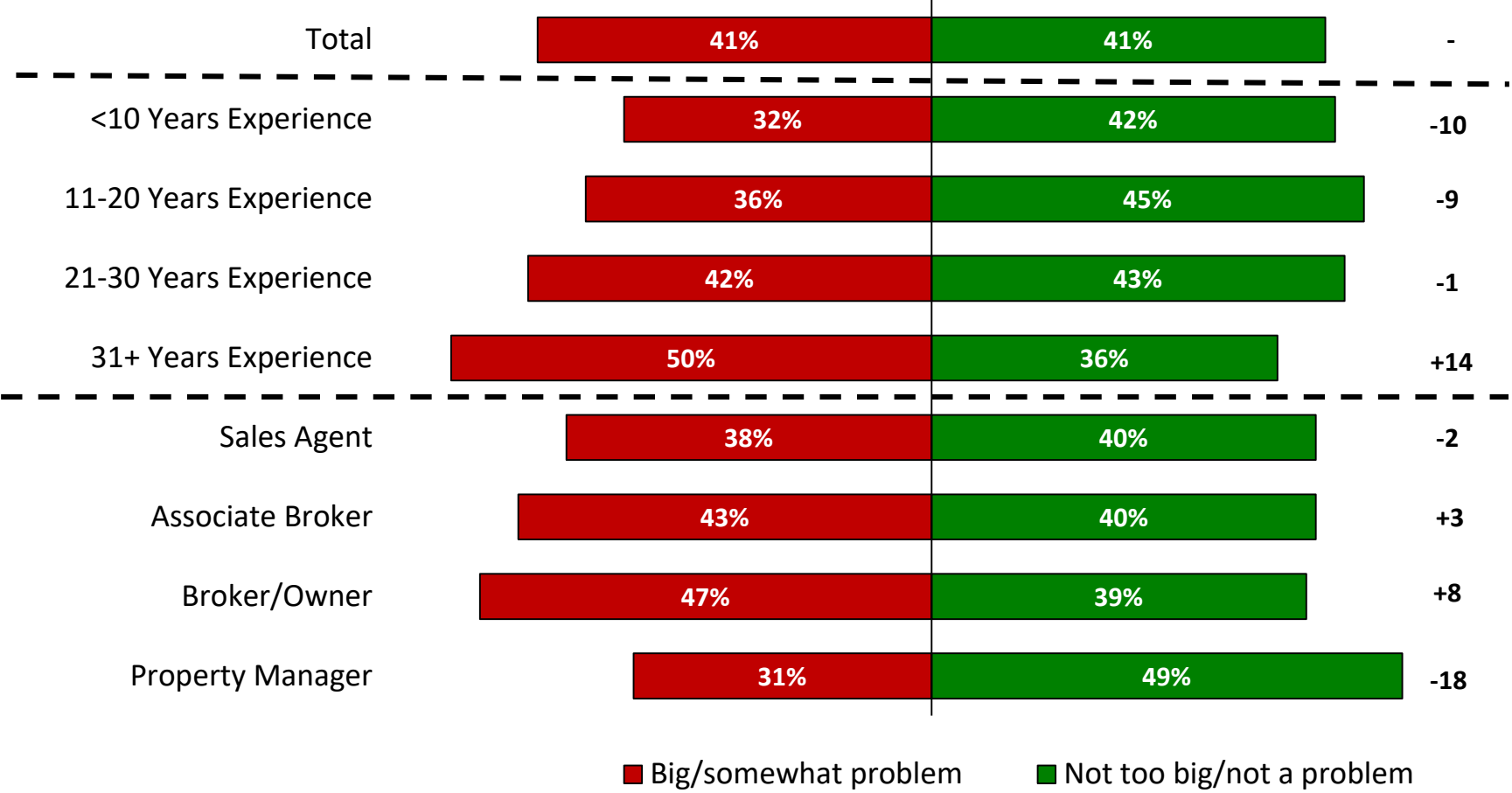
# Costs of Land and Materials, Zoning Policies are Biggest Problems in the Construction of New Commercial Properties

Big/Somewhat of a Problem in New Commercial Development by NAR Region	Costs of materials %	Local land use and zoning policies %	Costs of land %	Labor shortages %
<b>Total</b>	<b>73</b>	<b>70</b>	<b>69</b>	<b>63</b>
Region 1	78	79	75	68
Region 2	59	79	58	45
Region 3	75	73	76	54
Region 4	75	78	72	68
Region 5	66	67	70	64
Region 6	76	70	54	74
Region 7	74	68	63	59
Region 8	83	59	65	78
Region 9	69	67	53	54
Region 10	75	64	72	68
Region 11	80	59	65	70
Region 12	91	86	76	80
Region 13	74	72	78	52

Q.30 Below is a list of obstacles to the construction of new commercial development. How much of a problem is each one in your area when it comes to the construction of new commercial properties?

# Federal Land Use Policies are Seen as Bigger Obstacle Among Broker/Owners and Those with 31+ Year Tenures

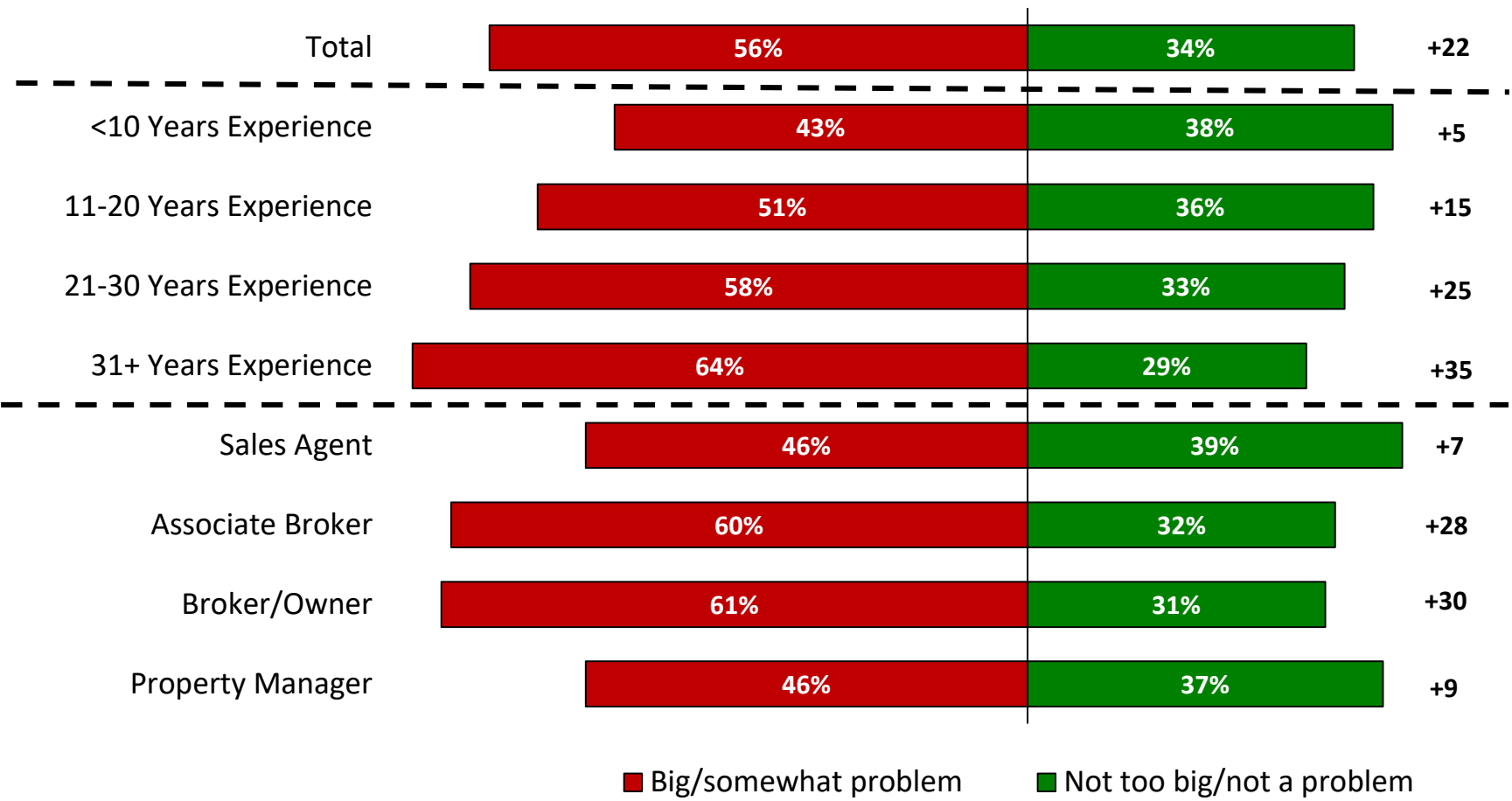
Problem of Federal Land Use Policies by Tenure and Function



Q.30 Below is a list of obstacles to the construction of new commercial development. How much of a problem is each one in your area when it comes to the construction of new commercial properties?  
 E. Federal land use policies, like WOTUS and EPA regulations

# Community Opposition Seen as Bigger Obstacle Among Broker/Owners, Associate Brokers, and Increases with Experience

**Problem of Community Opposition by Tenure and Function**

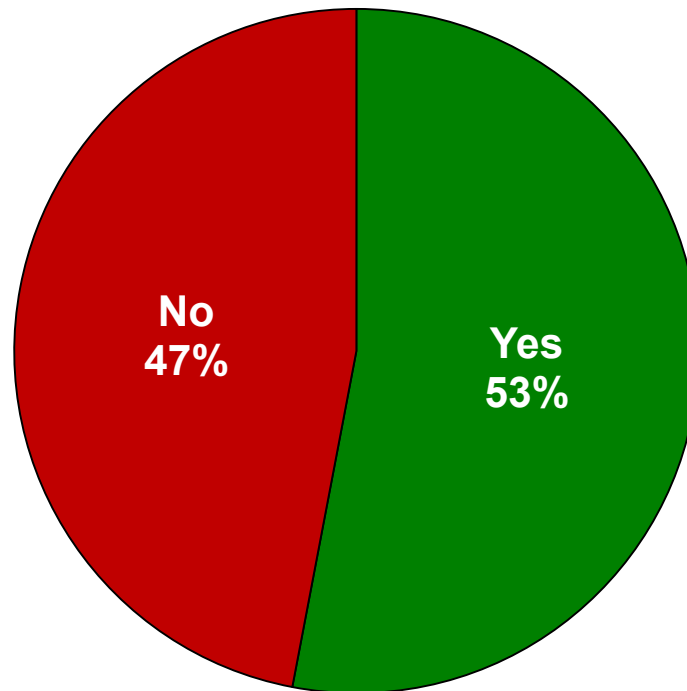


Q.30 Below is a list of obstacles to the construction of new commercial development. How much of a problem is each one in your area when it comes to the construction of new commercial properties?  
 F. Community opposition (NIMBY-ism)

# *PROPERTY MANAGEMENT & ENERGY CERTIFICATION*

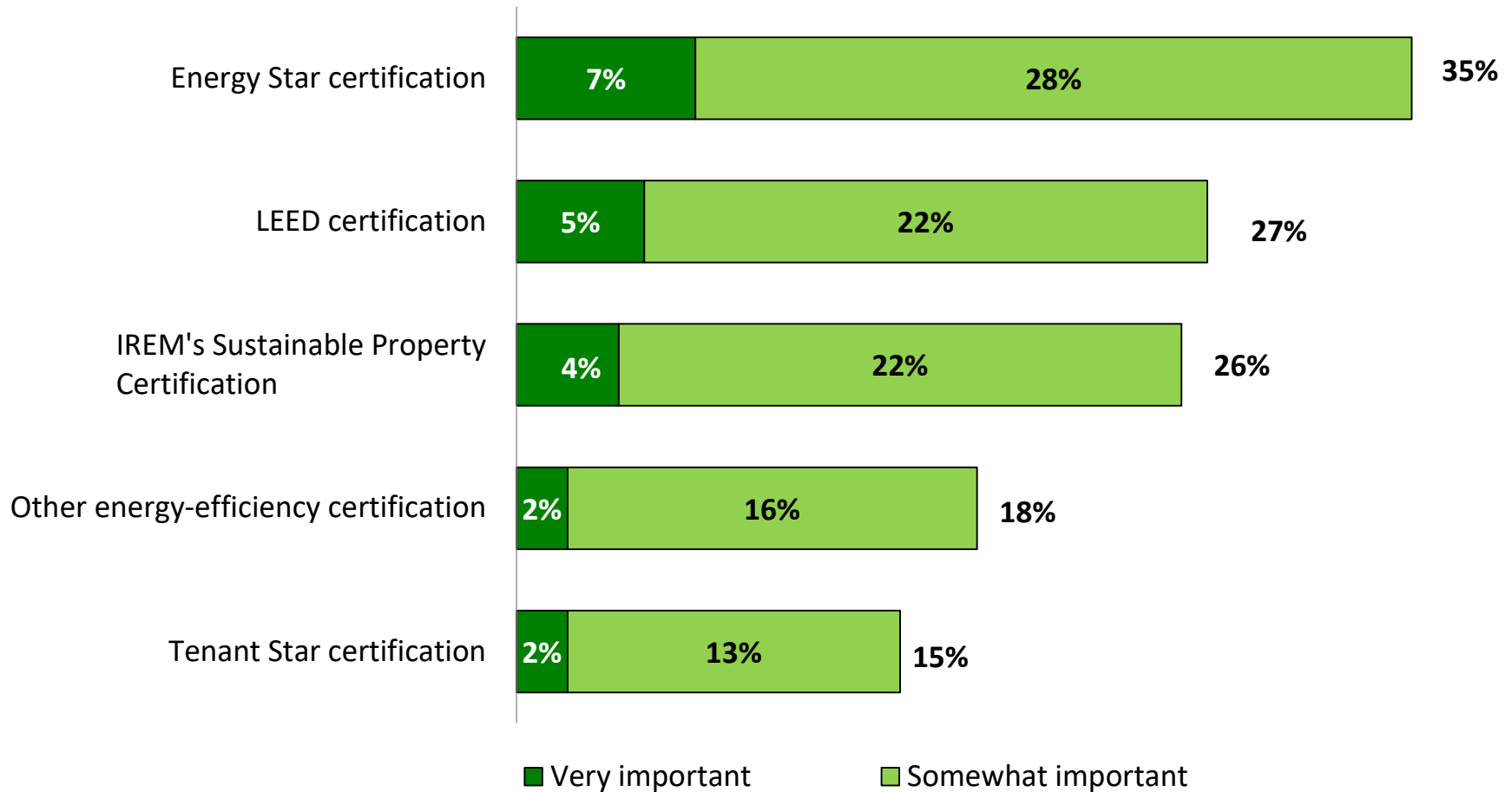
# Just Over Half of Commercial Members Manage Properties

Manage Properties



# Property Managers Do Not See Certifications as Important to Clients, but Energy Star Certification Leads the Pack

Importance of Certifications to Tenants  
N=865 Respondents (Property Managers)

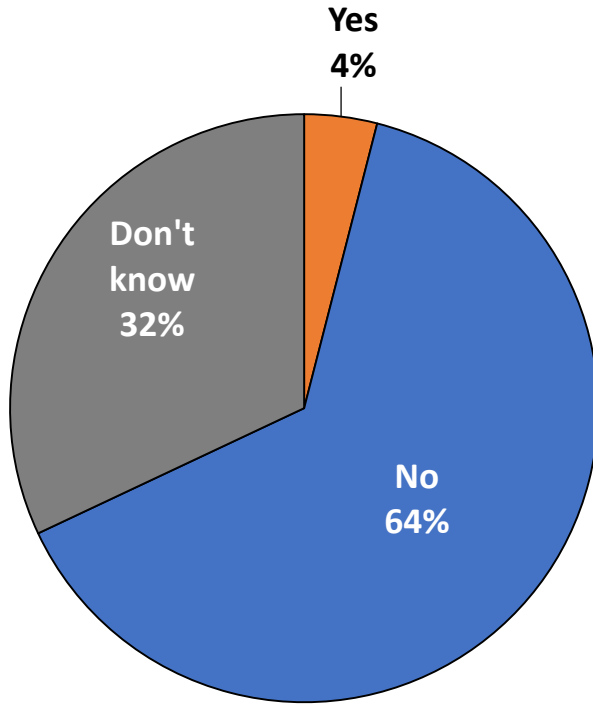




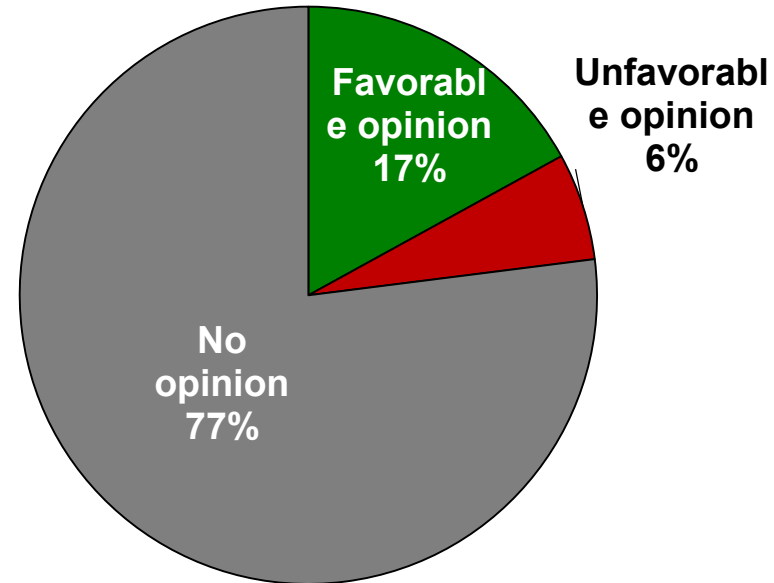
# *BLOCKCHAIN TECHNOLOGY*

# Majority Do Not Use Blockchain Technology and Have No Opinion About It

## Utilize Blockchain Technology



## Opinion on Blockchain Technology



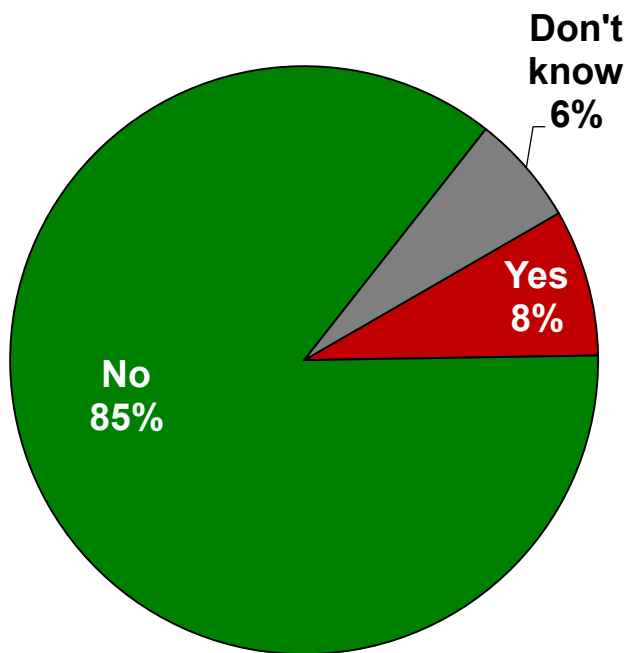
Q.37 Does your company utilize blockchain technology?

Q.38 Do you have a favorable opinion, an unfavorable opinion, or do you have no opinion on the use of blockchain technology to secure the validity of real estate and financial transactions online?

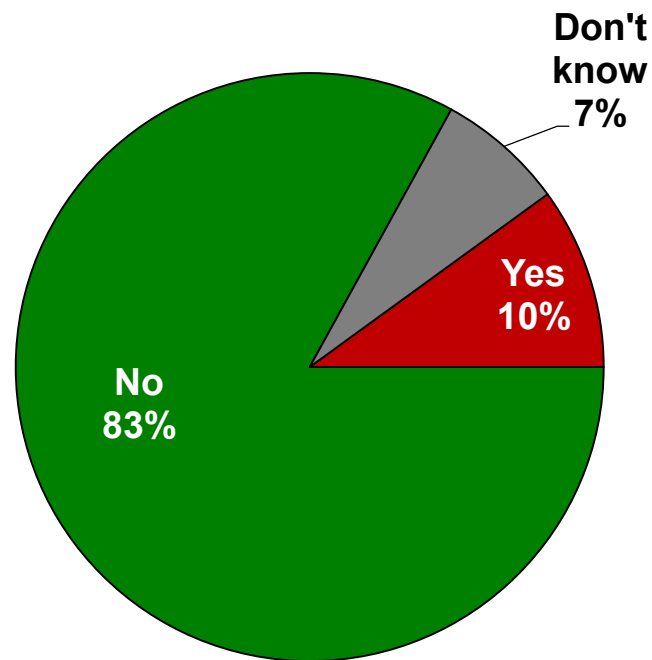
# *WIRE FRAUD*

# Broad Majority Have Not Been Impacted By Wire Fraud

Closing Impacted by Wire Fraud



Closing Attorney Has Not Allowed for Wire Transfer



Q.39 In the last three years, have you or any of your clients been impacted by wire fraud on a closing?

Q.40 In the last three years, have you been involved in a transaction where a closing attorney has not allowed for wire transfers in order to avoid wire fraud?