

HANNA COMMERCIAL NEWSLETTER

2nd Quarter 2016

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Hanna's Diana Golob

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AUCTIONS • BROKERAGE • CORPORATE SERVICES • PROPERTY MANAGEMENT

INVESTMENT 101: NORTHEAST OHIO COMMERCIAL REAL ESTATE

BY: JULIE SABROFF, VICE PRESIDENT

Even with the recent hand wringing over energy, the economic and political impact from the migration of immigrants to Europe, and economic weakness in China, the local and national economy has come a long way from the dark days of the Great Recession. With the exception of the energy sector, which for Ohio has been an engine of economic growth, indicators are positive, albeit shy of everyone's expectations.

For Northeast Ohio and the region, consumer spending, auto sales and housing sales are all up from the same time last year. And despite global concerns and the rumblings in the high-yield bond market, corporate lenders are still doing deals and mortgage lending continues at a decent pace.

The bottom line: Northeast Ohio remains an attractive market for real estate investors seeking a low volatility market and one that can deliver solid returns over the long haul.

When investing in commercial real estate an investor should be prepared that wealth creation is achieved over a longer period of time. However, if the investor has bought correctly, he can reap the benefits of annuity stream income, without the volatility associated with stock and bond investments.

Further, real estate is a hedge for other investments, particularly in an inflationary environment. Yes, arguments abound as to whether we will ever see inflation again and there are prognosticators out there suggesting the U.S. may be on the path of Japan and Northern Europe toward deflation. Let's hope this is not the case.

So let's assume, for those who are old enough to remember, that inflation does indeed exist and we will begin witnessing meaningful pricing pressures outside of energy and food prices. What happens?

The real estate investor who is not just acquiring a building, but the income tied to rents paid by tenants, should theoretically -- in an inflationary environment -- be able to push through rent increases, especially for those leases

of shorter duration. Of course, the ability to push through higher rents hinges on demand. In addition, inflation can result in a de facto decrease in the value of future dollars for debt service, assuming you have locked in a fixed rate.

Over the past decade, the overall Northeast Ohio market has demonstrated moderate demand and whether it was imposed or not, developers have brought on new projects at a very measured pace. So the good news is that, unlike other parts of the country, we do not have dramatic overhang of supply.

As a result, an investor can view Northeast Ohio as a lower volatility market and one in which oversupply is not a contributing factor to economic downturns as characterized by the coastal markets and Southwest.

According to CoStar research, in Northeast Ohio, vacancy rates for the major asset classes of office, retail and industrial continued to decline in the fourth quarter of 2015 on a year-over-year basis to 11.6%, 6.6% and 5.4%, respectively. Looking to the property types of multifamily and hospitality, we see multifamily vacancy rates for the region at a 15-year low of 4%, with renter demand continuing to outstrip supply.

In downtown Cleveland, vacancy rates are reported below 3%! While one may take a wait-and-see approach concerning the long-term impact of nearly 2,000 rooms coming online in the Cleveland central business district, hotel occupancy is still trending up to 63%.

Northeast Ohio, while slower growing, is not as susceptible to booms and busts. Despite concerns over economic growth, on the whole, the commercial real estate sector remains stable and our region warrants serious consideration from investors seeking stable returns in a stable and diversified market.



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HANNA COMMERCIAL PROUDLY CONGRATULATES DIANA GOLOB, SIOR

BY: YULU LI, SENIOR ACCOUNT ANALYST

Hanna Commercial would like to congratulate Diana Golob, Managing Director of Corporate Services Group, who recently became a member of Midwest Real Estate News Commercial Real Estate Hall of Fame. She is joining a select group of real estate professionals who have made a true difference in their industry and communities. Diana specializes in commercial real estate transaction management and tenant representation for Fortune 1000 and middle market global corporate clients. Her team provides strategic consulting, site selection, property acquisition and disposition services, portfolio management and administration services. Diana also works as a commercial real estate agent in Northeast Ohio, providing services in investment, tenant representation, property sales and leasing, acquisitions, consulting, site assembly, and sourcing local economic incentives.

“Real estate professionals who have made a true difference in their industry and communities.”

Highlights of her career include representing The Goodyear Tire & Rubber Company to help them centralize their real estate portfolio and transactions at a corporate level. Through this process, she was involved in multiple surplus land sales in the Asia Pacific region, one of which sold for \$34 million USD in Taiwan (\$3.4m USD/acre). This experience also helped her become adept at international business by traveling to over thirty countries to gain an understanding of the culture and market dynamics of each. Diana has served CREW Cleveland as Programs Director, the Chapter Liaison to CREW Network, and as CREW Cleveland President in 2014. Diana has presented at the CREW Network Convention in Chicago, and served on the nominating committee to select the slate for the 2015 CREW Network Board of Directors.

Diana's professional awards include Crain's Cleveland Business 40 under 40, three-time winner of the NAIOP Traveling Gun Industrial Broker award, and seven-time winner of the NAIOP Traveling Gun Deal of the Year in Industrial and Office. She also received the CREW Cleveland Member of the Year Award in 2014. She is a consistent Top

Ten Producer at Hanna Commercial, and was admitted into the Society of Industrial and Office Realtors (SIOR) association in 2015. Diana has also completed all of the Certified Commercial Investment Member (CCIM) courses, and will take the comprehensive exam to become a CCIM Designated Member.

Diana is a member and past-president of the Mid-Day Toastmasters group. Their mission is to empower individuals to become more effective communicators and leaders. The role of president afforded her the opportunity to be a guest on the local NPR radio station's live broadcast entitled "The Gift of Gab". She was also sought out to present to fifty regional Marriott Hotel managers on effective communication tactics to persuade and inspire.



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HANNA COMMERCIAL GLOBAL CORPORATE SERVICES

Established in the 1980s, Hanna Commercial Real Estate's Global Corporate Services Team partners with multi-national corporations to asset manage commercial real estate portfolios of occupied and investment property. Whether your company requires a full industrial, retail or office property outsourcing or a complementary real estate firm, we are able to provide individualized services and flexibility to match your company's objectives. With over 30 years in commercial real estate practice, our Corporate Services platform has been designed and proven to increase efficiency, reduce costs and extract value from your existing real estate assets.

Please contact our Cleveland based Corporate Services Team with questions or to set up an introductory meeting to better understand how we can assist your company.

For further information, please call: 216.861.5612



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SIMULTANEOUS SALE OF 97 COMMERCIAL ASSETS IN 27 INDIVIDUAL STATES

CLEVELAND, OHIO. Working together, the Cleveland, Ohio, and the Charlotte, North Carolina, offices of Hanna Commercial Real Estate Brokers have orchestrated the simultaneous sale and escrow closing of 97 Net-Leased U.S. Post Offices Properties for Chicago-based Seller, Nationwide Real Estate Inc. Gordon Greene, CCIM, head of the Charlotte Hanna Real Estate Brokerage Office stated, "We expected this type of portfolio to appeal to investors needing to complete a 1031 Tax-Free Real Estate Exchange to defer capital gains taxes and maximize returns. Often well-leased real estate in the value range of \$5 million to \$10 million is difficult for private real estate investors to locate. Also, the investment risk of a single net-leased property in one location can be significant when the property holding period could be ten to twenty years or more. In the case of the Post Office Properties, the successful purchaser could anticipate spreading their investment risk over locations in 27 states and 97 real estate sites."

Michael Berland, Principal with the Cleveland office of Hanna Commercial, indicated that the sellers had originally positioned the properties at a pricing level approaching \$8.2 million, but they had found limited interest trying to market the assets as a 'For Sale by Owner'. Berland said, "We positioned the entire

portfolio as a geographically diverse investment and exchange opportunity and marketed the properties widely through the Wall Street Journal, Investor's Business Daily, New York Real Estate Journal, and other publications to insure maximum exposure. We also located a Premier Title & Escrow Service that had the ability to operate in all 27 states from California to New York in which the assets were located."

The Irvine, Texas, office of Kensington Vanguard National Land Services ("KV") was able to accommodate the need for title insurance and multi-state escrow closings. Working with Jennifer Maxwell, Senior Escrow Officer of KV, all transactions were consummated in the manner needed to insure tax-free exchange investment status."

Gordon Greene, noted, "Because of the multiple-state locations of Hanna Commercial and their affiliation with TCN Worldwide Commercial Brokerage, Hanna Commercial was able to insure the needed brokerage representation for the Seller. Many brokers can state they have successfully sold properties in five or perhaps ten states in the U.S. Not too many can state they have successfully sold properties in 27 states simultaneously."

*For further information about this sale, please call: Gordon J. Greene, CCIM
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