

# SIOR-NAR Synergies—

## A Case Study in Renting Space in NAR’s Chicago Headquarters Building

By Geoffrey M. Kasselmann, SIOR



*Geoffrey Kasselmann, SIOR is the Past President of the Chicago Chapter and a former speaker of COPS. He has also been a member of the Audit Committee, the Nominating Committee and the Budget & Finance Committee among others. Geoff founded and runs Op2mize, LLC, a Chicago-based real estate services firm based on “Sustainable Intelligence™”.*

The location was world-class—on The Magnificent Mile™—just north of the Wrigley Building, across the street from the Tribune Tower. The available space was exceptional—extensive street-level frontage, private entry, 50’ high foyer connecting to a dedicated, open-plan mezzanine served by internal escalators and elevators, and accentuated by a two-story wrap-around window line.

The resulting deal was notable—nearly 15,000 square feet of prime Michigan Avenue retail space leased for more than 11 years to Charles Schwab & Company, Inc. However, the real story is not about the location, the space, nor the deal. It’s about the how the relationship between the NATIONAL ASSOCIATION OF REALTORS® (NAR) and SIOR has blossomed in recent times, leading to such results and other mutual synergies as well.

### Selecting an SIOR

When NAR set out to hire a commercial broker to exclusively market and lease the vacancies in their world headquarters building in Chicago, NAR’s Real Property Operating Committee (RPOC)—a committee of REALTORS® charged with handling real estate projects on NAR’s behalf, sent promotions to many local, regional, and national commercial real estate practitioners. They solicited Letters of Interest from qualified brokers, including those brokers within the NAR family. The RPOC, which includes several active SIOR members, fielded dozens of initial Letters of Interest including one from Op2mize. Among my firm’s other qualifications, my status as an SIOR, a REALTOR®, and a member of NICAR® (a local overlay board serving commercial brokers) were clearly identified. We made the first cut, and along with 12 other candidates, and soon received a request from RPOC to submit a detailed RFP.



### Creative Marketing

When completing the RFP, my firm stressed our professional qualifications and our marketing approach which included high-end creativity, significant attention to detail, and repositioning the property to highlight nearby activity to the south including Millennium Park, the new Trump Tower development, and extensive hotel and condo activity—making the NAR location the “*The Center of it All.*”

### Presentation is Key

To illustrate our approach, we hand-delivered our RFP response along with a *single shoe* in a fancy designer box with note that read in part: “On behalf of the Op2mize team we are most pleased to have our ‘foot in the door’ with regards to this exciting project. More importantly, we are anxious to ‘put our best foot forward’ on December 11<sup>th</sup> (at the in-person interview), and we look forward to ‘kicking off’ a mutually successful relationship with NAR in the coming weeks.”



Four firms were selected for interviews with the full RPOC, and, having made the cut we arrived at NAR headquarters with the *other shoe* and our PowerPoint presentation. We closed by reinforcing the implied ‘insurance policy’ NAR would have by selecting an SIOR for this assignment—that in addition to the pre-qualified excellence, experience, and sophistication of an SIOR Member, an SIOR could not afford to fail in front of all of our REALTOR<sup>®</sup> and SIOR peers. **James A. Dunham, CCIM, SIOR**, the 2008 RPOC Chair notes: “The competition for our business was intense. When we analyzed our choices, we realized our best bet was a fellow REALTOR<sup>®</sup> who had aligned interests and had ‘skin in the game.’ The fact that our choice was an accomplished SIOR member made a difference to us.”

## Working Together

We put our marketing plan to work immediately and the plan netted us almost instant results in the form of a solid offer from one of America’s oldest and most recognized steak house operators. While negotiations ensued with the restaurant, other qualified space users—including several other high-end restaurants, fashion apparel and electronics retailers, financial institutions, art galleries, concept stores, private clubs, and a food court expressed an interest in the space. Each use group had its pros and cons.



Since this space is located at the street level of NAR’s headquarters (known as “The REALTOR<sup>®</sup> Building”) and NAR occupies the vast majority of the property, the RPOC had concerns for exactly what type of use would settle into the space, knowing that the public’s first impressions of NAR—rightfully or wrongfully—might be influenced by what they saw when they walked or drove by the building. Thus, the analysis of which user under what set of terms and conditions had to be tempered against what NAR considered to be the “*window to their sole*”. **Joseph Ditchman Jr., CRE, SIOR**, another member of the RPOC, observed: “The perplexing question for NAR was what type of user would be the most logical user of the two floors facing Michigan Avenue. Restaurants, retailers, banks, and others were all considered. Geoff’s analysis of the user market persuaded the RPOC to select the financial market. Geoff did a fantastic job of discerning the logical users. His focus evolved from maximizing revenue with creative deal structures, to the consideration of brand identity and longevity—especially in light of a declining economy.”

Charles Schwab and Company, Inc. (Schwab) was contacted as prospective ‘best match’, and they quickly toured the space and presented a Letter of Intent. The firm, founded in 1973, is a publicly traded firm with annual net revenues exceeding \$5 billion and a market cap of roughly \$30 billion. Its total client assets exceed \$1.4 trillion. One of three tenant finalists, Schwab indicated that they intended to make this location their “Chicago flagship,” and agreed to NAR’s Green Building Guidelines (which mirrored Schwab’s own sustainability initiative), catapulting them into first place. Based on our analyses, the RPOC, and ultimately NAR, concluded that Schwab was indeed the right tenant for NAR’s national headquarters building. A long-term lease through 2019 was finalized, including above-market rents, escalations, and tenant improvements, and at long last, NAR had found their soul mate!



Other SIOR’s who were involved as RPOC members included **Patricia A. Nooney, CCIM, CPM, SIOR**, and **Nestor R. Weigand, Jr. CCIM, CIPS, CRB, CRE, SIOR**. Patricia was instrumental in the selection process and negotiating the terms of the Exclusive Listing Agreement. In her experience “dealing with a fellow SIOR made that process smooth and timely without

pretension or posturing.” Nestor was often called upon as the tenured voice of reason during the periodic meetings and tenant deliberations. He commented: “The multi-party collaboration worked to perfection in this instance. It was great to see all those initials working together including those from SIOR.”

## Other Synergies



**James L. Helsel Jr., CCIM, CPM, CRE, SIOR**, is also an RPOC member, and is the 2008-2009 NAR Treasurer. Jim became involved in the NAR Headquarters project when the tenant’s creditworthiness and intended rent payments were analyzed relative to future NAR budgets. Jim noted: “As the Treasurer of NAR and a fellow SIOR, I found working with another SIOR such as Geoff to be a great experience. When NAR hired our representative we did so desiring an expert in office leasing and critical thinking. We definitely got what we needed, and the marketing and reporting efforts were also top-notch.

Working within the family helped NAR exceed our anticipated results.”

Based upon the rapport that has developed with Jim Helsel, SIOR’s Budget and Finance Committee has been able to tap Jim as a key source of information as the committee works to establish a current, comprehensive Investment Policy to guide the investment of SIOR’s growing endowment funds. Another leverage point in this process has been seeking and receiving counsel from Jim in identifying qualified recipients of the SIOR’s RFP for third-party investment advisor services based on NAR’s recent experience. Jim added: “We are thrilled that the relationship between NAR and SIOR has risen to the point where issues like this can be mutually discussed and considered. Why should members of the NAR family have to reinvent every wheel from scratch? Simply put, NAR is a massive database of experience and resources—there is nothing more NAR would like than to share these resources with its affiliates.”



Yet another SIOR, **David C. Lockwood III, CCIM, SIOR**, echoed the positive mutual sentiments that now exist between NAR and SIOR: “SIOR’s relationship with NAR has never been stronger than it is at this time. With more than 1.3 million REALTOR® members, SIOR benefits proportionately far more than the residential population in NAR. The open lines of communication with the leadership of NAR and SIOR have enabled SIOR’s voice to be heard clearly on those matters that directly impact the SIOR member and their clients. SIOR is a highly respected member of the NAR family. The positive impact of the

NAR and SIOR relationship should continue to expand in the years ahead as more SIOR’s take a leadership role within NAR.” David should know—he has been the SIOR representative to the NAR Executive Committee for the past few years, and for 2009 his role has been elevated to that as a member of the NAR Leadership Team. In this prestigious and significant role, David will serve as a liaison to all of the Commercial and Business Specialties groups in the NAR family. Essentially, David will be the interface and key connection point between the various commercial organizations including SIOR.



It should be noted that much of this synergy between SIOR and NAR was made possible in part by **Richard Hollander**, SIOR’s Executive Vice President. Richard tackled many notable and pivotal issues when he took over as SIOR’s top executive several years ago, but none may be as fortuitous as his proactive outreach to NAR. Over a period of time and through countless meetings and conversations with various NAR and SIOR leaders—elected volunteers as well as executive staff members—Richard has helped to forge a foundation of cooperation and respect, support, and communication.

## Future Opportunities

SIOR at large will continue to foster the highest level of dialogue and cooperation with NAR in almost every conceivable way with the intent that more opportunities, such as those identified here, accrue to

SIOR members. As Jim Helsel concluded, “NAR is pleased that SIOR played a significant role in our leasing efforts and the use of a NAR affiliate was the best choice we could have made.”