# COMMERCIAL REAL ESTATE ROUNDTABLE

## PANELISTS


**T. BRIAN BROCKHOFF**
CFBANK


**JEFF EICHHORN**
SCHUELER GROUP


**JANIE EVANS**
CASSADY SCHILLER CPA'S & ADVISORS


**BEAR TULLIS**
KEATING MUETHING & KLEKAMP PLL



STEVE LANIER | AMERICAN CITY BUSINESS JOURNALS; GETTY IMAGES

# THE STATE OF COMMERCIAL REAL ESTATE

*The* Cincinnati Business Courier *recently sat down with four of Cincinnati's top commercial real estate experts to talk about the trends and what's happening in the market. Editor Rob Daumeyer moderated the panel, and the discussion covered a variety of topics including growth in the market, the hottest development areas, opportunity zones, retail and more. Read on as we hear from Brian Brockhoff of CFBank, Janie Evans of Cassady Schiller CPA's & Advisors, Barrett Tullis from Keating Muething & Klekamp PLL and Jeff Eichhorn with Schueler Group.*

**COURIER: We'll start with Jeff. Let's get started by saying who you are, where you work, and a little bit about what you do for your company.**

**JEFF EICHHORN**: My name is Jeff Eichhorn, I'm executive vice president of The Schueler Group. I manage our brokerage arm, Henkle Schueler & Associates. We are a full-service real estate firm. We have construction and development divisions, Bunnell Hill Construction and Bunnell Hill Development, property management and an investment division. We're a diversified commercial real estate firm, based in Lebanon, Ohio.

**COURIER: Great, thank you. Brian, tell us about yourself.**

**BRIAN BROCKHOFF**: I'm Brian Brockhoff. I'm the president of CFBank, here for Greater Cincinnati. We're a newer bank. We opened up our commercial banking in December of 2018. The bank was started 129 years ago, and the whole focus was on commercial clients, including middle-market, family-owned businesses and commercial real estate. It's a smaller, nimble, more of a boutique-type relationship than maybe clients have with some of the other, larger banks. We're very excited to be in Cincinnati. Bob Hoeweler, our chairman is from Cincinnati, so he's always had a focus on coming to Cincinnati. We are headquartered out of Columbus, Ohio.

**COURIER: Alright. Thank you. Janie, how about you?**

**JANIE EVANS**: My name is Janie Evans. I'm a tax partner with Cassady Schiller CPA's & Advisors and Wealth Management. We're located in Blue Ash, comprised of over 80 team members and offer a full range of tax, accounting, consulting, and business advisory services. The firm is celebrating our 30th anniversary later this year. I run the real estate practice in our tax department.

**COURIER: Thank you. Bear tell us about who you are and what you do?**

**BEAR TULLIS**: Good morning. My name is Bear Tullis. I'm a commercial real estate attorney and partner at Keating Muething & Klekamp PLL. I've been practicing law for 14 years. We are located one block away at One East Fourth Street. KMK's real estate group is pretty broad in scope. We touch everything from the environmental practice to the incentive practice to tax credits, and the like, to what I do, which is the day-to-day development-type work. The bulk of my practice is focused on development, opportunities with development clients. I also do a lot in the multi-family sector, and I enjoy working with all of our clients.

**COURIER: Fantastic. We do this commercial real estate roundtable, pretty much every year, so we want to focus on 2020, because next year's conversation could be wildly different, and last year's could be wildly different than what we are going to talk about this morning. So, I want to get a state from all of you, from your angles, as to where you see the local commercial real estate market right now. Is it as healthy as it was last year? Are you seeing any signs of trouble? Set the conversation up for us.**

**EICHHORN**: Specific to 2020, our first half is exciting, because we're having our busiest first six months. The first two quarters are the strongest in our company's history. Traditionally, with a national election, there's always a little bit of uncertainty, so we're anticipating a bit of a slowdown, maybe the second half of 2020, but it's all a green light right now for the first half.

**BROCKHOFF**: What markets are you in? Are you still a little more up north?

**EICHHORN**: We have a several divisions. Number one is industrial. FedEx is one of our national clients. We own one terminal today in Texas that we lease to them. Another national client is PetSuites, which is a growing company. The pet resorts they're building are incredible. We also like buying land to develop long-term. With that we have a number of closings. Our construction company just finished a cutting-edge, zero-energy Melink building. The facility uses geothermal, wind and with solar capabilities and actually gives back to the electric grid. It was really fun to partner with an entrepreneur and visionary like Steve Melink. We first partnered with him in 2005-2006 when his goal was to build the first LEED

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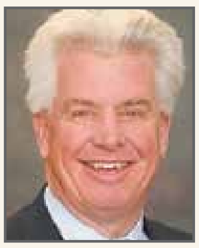


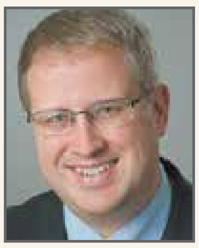
**T. Brian Brockhoff**

**President of Greater Cincinnati, CF Bank**

T. Brian Brockhoff is the President of Greater Cincinnati for CFBank. He is responsible for the bank's continued growth and development of the Greater Cincinnati region. In addition, Brian also manages the Commercial Banking businesses for CFBank and provides Bank-wide leadership for these businesses. Brockhoff is a native Cincinnatian and graduated from Summit Country Day School. He has enjoyed a career in Corporate Banking and Commercial Real Estate since graduating from Miami University with degrees in Accounting and Finance.

In addition, he has focused much of his philanthropic efforts on improving inner-city education and youth opportunities in Greater Cincinnati and Northern Kentucky. He has Chaired the boards for the Boys & Girls Clubs of Greater Cincinnati, Catholic Inner-City Schools Education Fund ("CISE"), The CISE Foundation as well as serving on the Sisters of Notre Dame de Namur, Economic Center @ UC, Commercial Real Estate-BEARE Roundtable @ UC, Miami University Athletics, the Business Advisor Council at Xavier University, Alpha Mark Advisors and The Catalytic Fund boards of Northern Kentucky.

Brockhoff is a valuable member of CFBank's Senior Leadership Committee and a great example of CFBank's relationship-focused approach to Commercial Banking.



**Jeff Eichhorn**

**Executive Vice President, Schueler Group**

Jeff joined the Schueler Group in 2006 in the commercial sales team. Prior to the Schueler Group, Jeff worked in local and state governments.

As Executive Vice President, Jeff's responsibilities include managing the commercial real estate team, growing sales, and working with local governments and businesses to develop new projects for the Schueler Group. Jeff is honored to be part of an organization that has been engaged in commercial real estate for 85 years and excited about leading it into the future.

Honored by the Cincinnati Area Board of Realtors as a Commercial Top Producer from 2011-2019. He has been recognized for superior performance in commercial real estate sales by the Cincinnati Business Courier. Jeff is also a real estate investor.

Jeff is a graduate of the University of Cincinnati with a degree in Political Science. He is a licensed Broker in Ohio and a licensed Agent in Kentucky. Jeff is married to Jill and has two teenage children – Jakob and Caroline.

**Janie Evans**

**Tax Partner, Cassady Schiller CPA's & Advisors and Wealth Management**

Janie Evans joined Cassady Schiller in June 2007. Janie specializes in serving and facilitating the business, tax and estate planning needs of the real estate and construction industry and high net worth individuals. She uses a team approach and works closely with attorneys, financial advisors, insurance agents and actuaries.

Janie has nearly 25 years of combined experience in public and industry accounting, working in tax, accounting, audit, and consulting services in Ohio and Kentucky.

Janie has developed a hands-on approach and works diligently to nurture client relationships. She believes that trust and respect are the most basic elements in a successful partnership.

Her experience varies widely, but at Cassady Schiller she specializes in the real estate and construction industry operating in family and closely held businesses; and in the tax planning and compliance needs to high net worth individuals, including various entity structures and trusts to accomplish estate, retirement, charitable and generational planning.

Janie holds a Bachelor of Science in Accounting from the University of Kentucky.

**Bear Tullis**

**Partner, Keating Muething & Klekamp PLL**

Bear Tullis practices in the firm's Real Estate Group. His practice is focused on providing practical advice to real estate developers in all facets of real estate development. Bear understands the role of legal counsel in the real estate development world and strives to provide legal assistance in the most efficient and cost effective manner. Bear has represented landlords and tenants on a wide array of lease transactions including commercial, retail, industrial, and office properties. Bear has significant experience with land-use and zoning matters and has represented clients throughout Southwest Ohio. Additionally, he has experience with public finance law and has represented clients in obtaining TIF financing. Bear has successfully represented numerous clients in seeking real property tax valuation reductions as well as tax abatements and exemptions.

Bear earned his J.D. from the University of Dayton School of Law, summa cum laude, while serving as the Editor-in-Chief of the *University of Dayton Law Review.* Bear earned his B.A. from Furman University in 2004.

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gold-certified building in the state of Ohio. That's the exciting thing about our business, collaborating with people who are smarter than you, that have an idea. Then, you just take it and run with their vision and their ideas.

**BROCKHOFF**: And, then leverage your strengths.

**COURIER: Brian, what are you seeing in the market right now?**

**BROCKHOFF**: Rob, we're still seeing pretty good stability. You look at all the asset classes from multi-family to industrial to retail to office A and B, senior housing and hospitality, probably the only asset class that we're a little cautious on is the hospitality. As a 900 million dollar bank, we've got to really watch our capital, and what we've been doing is preserving the capital for our existing, stronger relationships. There's a lot of opportunities for hospitality, not that it's not a good business model, it's just we're preserving that component of our capital for more existing clients versus looking at newer ground up. But, then with the other areas, multi-family is still very good, obviously the retail is having some challenges on the larger scale. The senior housing is still very, very stable. The industrial, again, it seems like people are trying to take older assets and reposition them, and I think that's a really good opportunity, but besides the hospitality, we're still supportive of all the other asset classes.

**EICHHORN**: Is hospitality defined as just an overbuild of hotels right now, and too much inventory coming online?

**BROCKHOFF**: You know, Jeff, I think it's more of with us having a smaller balance sheet, we're also more geographic, where for our three markets Cleveland, Columbus and Cincinnati, we'll support those clients. We just financed a project for Corporex, because of a long-term, existing relationship, but I think it's more of us trying to be a little more prudent, and a little wiser with our capital, staying with people that we know and people that we've had history and relationships with.

**COURIER: Sure. Janie, what are you seeing in your practice? What areas of commercial real estate are the hottest right now?**

**EVANS**: We have a pretty big concentration in multi-family, because it's been a part of our client base from inception, and they're strong. They're really strong. The rent growth has not been flat in years. It's staying steady. It's not out of hand, it's backed down a little bit over the last few years, but it's definitely strong, and you made the comment about older assets being repositioned, there's a lot of value-add going on, which in-turn, allows the rent growth. There's a lot of older assets, where there's still work to be done, so there's a lot of opportunities out there. And, who knew it, but Cincinnati is apparently a destination for vacationers, and they use Airbnb. People are buying small, maybe two, three, four unit properties and using them for Airbnb's. That's pretty interesting.

**BROCKHOFF**: How about the student housing? Are you seeing much?

**EVANS**: Sure. Obviously, the stuff that's going up around UC, and there's even some activity around Xavier. I know opportunity zones are a topic here, later, but Xavier is surrounded by opportunity zones. There's still a lot of opportunity, and the CAP rates are low. On the one hand, you have a lot of people selling, and it creates a little bit of a challenge to find properties that the math is going to work right, but they're still out there.

**EICHHORN**: Do you see opportunity near NKU, in Campbell County and Wilder?

**EVANS**: That's an interesting question. I really haven't had anyone working down around there.

**BROCKHOFF**: NKU and Thomas More are both studying that right now. Again, there's 15,000 students at NKU, and I don't think there's been much new stock, and I think Thomas More is studying that as well. It's more mixed-use to complement the area, similar to what they've done at Xavier and UC. Shrinking that Short Vine up at UC has been so healthy and productive.

**COURIER: Right. Yeah, that's a good point.**

**BROCKHOFF**: Janie, to your point, you probably saw that piece they did about a month ago, where they featured the 100 highest growth markets for rental rates in the United States. I was surprised, Cincinnati was at like 46, I think, and at a 52 percent increase over that 10-year period, and I think that one market in California was at 98 percent, and Denver, but it was encouraging to see Cincinnati included there.

**COURIER: I thought the same thing. Bear, what are you seeing at KMK as far as the market goes?**

**TULLIS**: As a whole, our real estate group is as busy now as it's ever been. And again, that touches almost every sector of the commercial real estate world from our folks that represent lenders, from the folks that do the development work, to the opportunity zones, we've got a niche practice group of four or five attorneys , who really specialize in that, to the tax credit practice. It's across the board. People are developing more and more assets, and the busier our clients are, the busier we stay, and that's sort of our indication of the health of the economy. We like to be steady. We don't want people who are busy for three months and then have noth-

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*DISCUSSION, FROM PAGE 3B*

ing to do, and we are seeing clients steadily have projects, and new deals, and they are acquiring new assets. In the multi-family, as Janie mentioned, we see a lot of folks out there trying to find the right property to repurpose. It's challenging, because the pricing has gotten pretty competitive and pretty high, but we're seeing more and more of those opportunities, so we are confident that it's not slowing down anytime soon. We'll see what happens with the election and how that impacts it. Politics always has a function in real estate, particularly when you start getting into incentives and large-scale developments that involve displacing people, or big zone changes, but for now, we're confident and optimistic.

**COURIER: So, my next question was going to be, "How long is this going to last?" I think politics is obviously going to play a part. Maybe you guys can talk about, without getting political, what are you prepared for? What does this industry need to be prepared for? We're right in the thick of the primary season, we've got a couple of candidates, who are at the polar opposites of everything that I can imagine, who might be facing off, we'll see, but how much will it have an impact? Or maybe it's just the fact that there is an election, and that causes some activity within commercial real estate?**

MARK BEALER FOR ACBJ

*"You probably saw that piece they did about a month ago, where they featured the 100 highest growth markets for rental rates in the United States. Cincinnati was at like 46, and at a 52% increase over that 10-year period... It was encouraging to see Cincinnati included there."*

*– Brian Brockhoff, CFBank*

**TULLIS**: Most of the politics when it concerns real estate are going to be local. Other than the impact the national election has on people's general economic outlook or if candidate A wins, we think there's going to be more restrictive policies, and if candidate B wins, we think there will be less restrictive policies. That certainly impacts everything on a macro level, but real estate is local. When you go to do a big project here in Cincinnati, you're not dealing with Washington, you're dealing whatever city council in whatever city you are in. Whether that's the City of Cincinnati, or Mason, you pick it. So, what I sense in my clients is everybody knows there's a national election coming, nobody is changing their business plans today, based on it. Both sides make a lot of promises, and most don't end up coming true, so we'll see. But my view is that politics are all local when it comes to real estate, and I think most people just accept that and work to leverage their relationships with local politicians. They are more interested in economics.

**BROCKHOFF**: I think it's also interesting, Rob, we ask our clients all the time about cycles, and about bubbles and so forth, and when you talk to the general contractors, and you speak with the subs, they're busy. Just yesterday, we were with one of the larger general contractors here in Cincinnati. They're mainly doing a lot in Over the Rhine, and up in East Walnut Hills, and he shared that they're bullish through 2021. Jeff, you could probably speak to this better in the construction, but you can't find people that aren't just crazy busy. Plus, you can't find good labor, and that surprised me. I agree with Bear. It's city by city and it also takes time for those national or federal scenarios to work through the system per se. You get a little bit of a delay with that.

**EICHHORN**: Again, I agree with Bear and Brian. We're bullish. Again, there may be a little bit of a slowdown in the second half, but

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looking at 2021 and 2022, there's still a strong demand. There's a lot of investment opportunities, and a lot of people looking to invest. The stock market uncertainty is going to lead to more opportunities in real estate, which we are really excited about. To the point about labor, you're exactly right. Trying to find subs and masons, everyone is booked, and it's more expensive. I'm fascinated with the excavating trade. In 2008, a lot of the excavators went out of business. Now, the excavators that are still in business, they do a lot of great work, but their prices have gone up, dramatically.

**COURIER: Interesting.**

**BROCKHOFF**: If you're a senior in high school, or maybe in the first year of college, why not think about trade school, why not think about Cincinnati State, why not think about looking at the trades as an option? There's just a shrinkage. When I say shrinkage, there's such a demand, but not as many younger workers are entering into the trade. Their father's, uncles, and other family members have been in that business, and it wouldn't be a bad option for those entering the workforce to consider. College isn't always for everybody.

**TULLIS**: Brian, I even hear that from residential, homebuilder-developer clients. They can't find people. Projects take longer, and there's just not the people out there. You even hear it on the soft costs, the architecture fees and the engineering fees, they are all skyrocketing, more than, sometimes, even the hard costs. And, all of those project costs that are baked into a deal, it just becomes more expensive, because there's not enough labor out there to satisfy everyone.

**EVANS**: The life cycle of the laborers are a lot shorter, too. There's a lot of physical demands.

**EICHHORN**: One asset that Cincinnati has is that we have access to great universities. The University of Cincinnati has a fantastic co-op program for engineering that we try to tap into. Miami University, Xavier University, NKU, University of Dayton, University of Kentucky and Ohio State University, we're within 100 miles of some world-class universities that we can tap into.

**COURIER: I think we've talked about the greatest areas of growth. Does anybody want to talk any more about that. Is there anything you haven't mentioned as far as where you're companies are looking, not necessarily what you're doing now, but what you're looking at, and what part of the market you might be looking down the line at as something that would provide growth opportunities, or is it full steam ahead on what you guys are doing now?**

**EVANS**: I think for us, it's full steam ahead. Going back to the election this year, there's a lot of tax policies, obviously being thrown around, and a lot of it's noise, but the question is "How can you help clients position themselves as they move forward?" The election happens in November. They take office in 2021. How long does it take for new legislation to go through? But as that's happening, that is when you have time to plan and position for what's coming ahead. There's been a lot more activity in 1031's, deferring gains. On the other hand, if something happens where the rates seem to be going up, some people will be positioned where they could trigger some gains just to go ahead and take them off the table.

MARK BEALER FOR ACBJ

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*– Jeff Eichhorn, Schueler Group*

**TULLIS**: I have a client who routinely tells me there are worse things in the world than having income to pay tax on.

**BROCKHOFF**: Absolutely.

**TULLIS**: It was funny. When I started in 2007, practicing full time, I don't think I saw a 1031 transaction until 2011 or 2012, because no one had any money to reinvest, and if they did, the didn't want to reinvest. Now, we see them all the time. It seems like two out of every three deals a client sells are to a 1031 buyer. People forget that a 1031 is simply a deferral mechanism, it's not an avoidance mechanism. At some point, you're going to pay the tax, and if somebody's hedging because the taxes are going to go up, it might make sense to cash out that income now.

**COURIER: A couple parts of town were mentioned earlier like Over the Rhine and Northern Kentucky. Are there specific parts of town that you guys see yourselves working in more frequently than other places? If somebody outside the industry was trying to peek in, and find out, what parts of town are the hottest?**

**TULLIS**: It depends on the type of asset you're talking about. Retail, obviously, you have the Kenwood area, where most retailers want to be now. You've seen the retailers leave downtown and head up in that direction. In Over the Rhine, you have a ton of multi-family developments, and some hotels coming in. I think it depends on what type of asset you are looking for.

**BROCKHOFF**: I think you could continue that over on the West End, too, with FC Cincinnati, and the investment that's being made. That's what $250 million, and you see the prices of those shells, and the inventory over there is done. And, again, that's mainly multi-family, retail, restaurant, entertainment type, but just look at the growth of 3CDC, Fountain Square now, and it's going up into Clifton, it's going west over into Northside, and up into east in Walnut Hills, and that's fabulous for the city as a whole.

**TULLIS**: I think one area that tends to get overlooked a little bit, but there's a ton of growth right now is in the Madisonville area. You can't drive down Madison Road without seeing 10 different cranes. Then, there's the Medpace project, which is obviously a game changer for that area, and the recent apartments that were just completed. There are big projects going on and that's going to bring a lot of other property redevelopment to that area.

**COURIER: I drive through there every day. It's astounding.**

**TULLIS**: It's really amazing. Even if you look at what that area was just two years ago. It seemed to happen overnight. You notice it once the buildings get torn down, and that's such a good area, geographically. It's close to everything, and there's great access to the interstate.

**BROCKHOFF**: What's also cool about it is it creates opportunities for the millennials, for younger folks, so they stay in Cincinnati. If you look at the great work the Lindner's have done with the Lindner programs at UC, the whole thought there is for those students to stay and live in Cincinnati, after receiving a great education. But you tend to get youth who leave after graduating. They move to another city, and they come back when it's time to start a family. Now, some of them don't leave, and come back, they stay. Take Medpace, for example, there are 2,200 associates on that campus, and I think 65 percent of them are females. So, you want all of those nice amenities, and you want all of the different aspects that those folks are looking for.

**EICHHORN**: It really is an exciting time, and I think Barrett mentioned the various segments for multi-family. I'm bullish in Northern Kentucky. I think the best views of Cincinnati are from the banks of Northern Kentucky, and there's opportunities in Newport, and Covington with some outstanding river views. There's a definite demand for assisted living based on the demographic trends, and areas that are going to capitalize on the well-to-do suburbs like Mason, Springboro and Kenwood. Locally, we do a lot of industrial development, and Warren County is really a hotbed for interest in industrial development right now. You're close to Interstate 75 and Interstate 71, so logistically, you can get freight back and forth pretty quickly.

**TULLIS**: Jeff, how do you see the Amazon Airport Project impacting that market?

**EICHHORN**: It's transformed Northern Kentucky. It's amazing, these big boxes going up everywhere in Northern Kentucky. There's a little bit of a backlash in Boone County. The residents are pushing back on these big boxes, urging them to slow down. But, there's a tremendous need, and there's a tremendous development. Every time I drive through Northern Kentucky, it's like "Oh, what's that?" There's another building going up, so people are trying to get ahead of the Amazon curve.

**BROCKHOFF**: And, there's still land out there, too.

**EICHHORN**: There is. We just partnered with IDI (Intercultural Development Inventory). IDI has a lot of presence in Northern Kentucky, so they are going to build another 330,000 sq. ft. building. It's kind of a tweener. So, you have million sq. ft. buildings, and then you have some smaller buildings, so they are building a mid-sized product on a pure spec (speculative) basis right by the airport. The challenge to develop in Northern Kentucky is vast. The land price is probably the cheapest part of the deal, because in Northern Kentucky, you have creeks and streams, hills and hollers, and rolling elevation. When I talk to excavators, the costs are incredible. There's so much demand, it's pushing projects forward, where a couple of years ago, the site costs would scare developers away, because of the overwhelming cost.

**BROCKHOFF**: Are you folks familiar with the Catalytic Fund in Northern Kentucky? Have you heard of it Bear? It was started about six years ago. Jeanne Schroer started it with Bill Butler and St. E's, and the whole impetus is to grow the Newport's, the Bellevue's and the Covington's from all asset classes, and the bulk of it has been multi-family housing, and then, retail, but now, what's starting to occur is your starting to get some flex office. I don't know if you saw the article that DBL Law is going to move their headquarters down on the river to downtown Covington, because of the office asset that's being developed. That's one of the first office assets in any of those neighborhoods, but the Catalytic Fund is there to spur, to help with incentives, to help with the financial modeling, and to help with connections. Really, they're just a resource for folks looking to invest in those areas in Northern Kentucky, and Jeanne has done a great job with all of that.

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*DISCUSSION, FROM PAGE 5B*

**COURIER: Yeah. Well, talking about Amazon, is brick and mortar dead in your practices?**

**TULLIS**: So, as somebody who works a lot with developers in the retail sector, I certainly hope the answer to that question is no, and I tend to think it is not dead. I was at a presentation a couple of years ago, and I looked up some of those stats for today's meeting. In 2019, 11 percent of retail sales were online, which means 89 percent were still in the store. When you hear those numbers, when asked on the street what percent of retail is on the Internet, I think people would guess a much higher number, and of that, Amazon is about half of that, so as much as we think Amazon is going to dominate the world, and there's no question that it's going to influence it, people still want to congregate. And, you're seeing more and more companies now invest in both the brick and mortar and the online presence, and everything you read about it says if you don't do both, you're not going to survive. My feeling is a lot of retail that's gone away wasn't necessarily because of Amazon. I think that was a big part of it, but it was also bad retail. Take Toys R Us for an example. The store that they had in Kenwood that closed was a bad store, and I have two little kids, who love toys, but you go in there, it was a bad experience, the store was disorganized, and it was dirty. It wasn't a good experience, but you go across from there, to the new Dick's that opened up and it's a wonderful store. It's a great experience. And, I have clients who were just originally online retail sales, and now they're investing heavily into brick and mortar, so my feeling is "no," it's not dead. I think it's changing how retailers decide to invest. I think they might go smaller, have more of an interaction with their online presence. You can order online and pick up in the store, but I sure hope it's not dead. I don't think it is.

**BROCKHOFF**: I think it's more based on location.

**TULLIS**: Yeah, I think retailers are more careful where they go now. I think they are more careful about what their store looks like, and who is around them.

**BROCKHOFF**: Look at Tiffany's moving from downtown to Kenwood.

**TULLIS**: That's a perfect example. People still say it's amazing that Saks Fifth Avenue is located downtown.

**BROCKHOFF**: Well, Brooks Brother's moved three years ago, based on the same rationale.

**TULLIS**: Drive over to Kenwood Mall and try to park there. It's always busy. People still want to congregate. They want to go places, and they want to have something today. So, there's a lot of investment right now in the Kenwood area, and I don't see that going away anytime soon.

**EICHHORN**: Grade A locations will always survive in Kenwood. It's fantastic. Hyde Park and Rookwood, those are all Grade A locations. There's always a need.

MARK BEALER FOR ACBJ

*"Cincinnati is apparently a destination for vacationers, and Airbnb. People are buying small, maybe two, three, four unit properties and using them for Airbnb's. That's pretty interesting."*

*– Janie Evans, Cassady Schiller CPAs & Advisors*

**BROCKHOFF**: Montgomery.

**TULLIS**: The contrast of that is the old Forest Fair Mall.

**BROCKHOFF**: Or Tri-County Mall.

**EICHHORN**: They are trying to reposition some of the older product, specifically by Tri-County Mall with some churches and other things. If you look at what is needed, it's different than the traditional retail.

**TULLIS**: I was at a seminar a year or two ago and an economist was speaking. He took a headline from a newspaper, and it basically said the internet was going to kill all retail. Then he showed what the headline really was, and it was from a 1960 newspaper, which said, "The catalog is going to kill all retail." There was the same concern when mail-order catalogs became a thing. It was Sears is going to kill everything else. You can order from their catalog, and in a week, you're going to get your product, but it was such a good point. People still want to congregate. They want to be together and go places.

**EICHHORN**: It is interesting, because 70 years ago, Sears was the Amazon before Amazon existed. I could buy my suit. I could buy my house from Sears. Sears was my one-stop shop. It moved a lot slower than things move today, but it's amazing how things change.

**TULLIS**: To that point, if you look at the department stores, they aren't what they used to be. You used to go to Sears to buy everything. Now, you've got a specialty retailer for everything. So, if you want a suit, you go to Brooks Brothers. You want jewelry, you go to Tiffany's. If you want pots and pans, you go to Williams Sonoma. Now, you see differing retailers doing more specific items. So, the idea of going to Macy's for everything isn't really the case anymore.

**EICHHORN**: Kenwood is always interesting. Every time I drive by Trader Joe's, it's fascinating. I laugh every time I drive by, because it's such a phenomenon. There's no place to park. It's always busy.

**BROCKHOFF**: You can get in and out of there in 15 minutes, and you get everything you need. You can get flowers, and a whole variety of items.

**EICHHORN**: Once you get in, it's a fun experience.

**COURIER: I always want to go, it's just hard to get in. They are wonderful. It's just the parking lot is daunting.**

**BROCKHOFF**: Whole Foods still has the best samples.

**COURIER: Janie, you mentioned your firm is involved with multi-family. With more apartment developments being announced, are there any concerns from you or your firm about over saturation?**

**EVANS**: Actually, no. I was at a presentation just this past month, and the rate that these apartments are being leased up, or the absorption rate, continues to be really high. As soon as they become available, they get snapped up. Now, granted, that actually is leaving opportunities for other places to be turned over, rehabbed and renovated, but there's a lot of new units downtown, and they are being leased up pretty quickly. They still say there's a pent up demand for people graduating from school, or who are still living with their parents. So, I don't see it slowing down, and really the rate that the units are coming on the market has been steady. Even when they show the permits of what's going to be coming online, over the next three years, it's a steady rate, not a flood. There seems to be no downside at this point.

**COURIER: Okay. We are preparing to work on a cover story for our weekly edition in a couple of weeks about out-of-town buyers coming in, specifically for apartments. Have you guys seen that? And, if so, what does that mean?**

**EVANS**: Obviously, we're in 2020. This has been happening over at least the last two years. But again, you look at the money that's coming in. A lot of times, it's institutional money that they've got to place. So, they are out-bidding, or they are throwing numbers at operators that weren't even necessarily looking to sell, and the operators are cashing out. Usually, these are really big products, because they are placing big dollars, but again, I've seen some cases where it wasn't even on the market, and they went ahead and took the money and ran.

**TULLIS**: I've seen local clients bidding on projects, really throughout the Midwest, not just in Cincinnati, and they routinely come back and say somebody from one of the coasts paid stupid money for this project, and they couldn't compete with it. I had somebody call me just last week, an apartment investment company based out of New York City. They had started on the coast, they were slowly moving west, and they were starting to target the Ohio market, and we're seeing more and more of that. But I think it's stable and reliable, and we're not subject to some of the swings that some of the coastal cities are and people see that.

**BROCKHOFF**: I think the ownership structure of those assets also influences the potential sale. In Cincinnati, there's such old-line German families that have done well in multi-family, and they don't tend to sell. But it's those assets where the LLC is comprised of investors, or it's got institutional capital in it, and they want those returns. Think about Harry Fath, I don't think he sold an asset for 25 years. And, look at Uptown Rental Properties in North America. Again, those families just continue to reinvest, because they understand it, they know it, they like it, and they've now got other family members getting involved in the business. It's their business. But if it's an asset that has outside capital that might tend to motivate a sale.

**COURIER: Opportunity zones are something that has come up over the last couple of years at these roundtables. They are still fairly new, and still kind of confusing for a lot of our readers, but what have you guys seen, if anything. You mentioned that there are a lot of opportunity zones around Xavier, but what have you seen, locally?**

**EVANS**: It goes back to Amazon, and the Hebron area. To me, it's crazy that it's an opportunity zone, and there are stimulants to buy there, and why wouldn't you? But the rules are pretty confusing. I've had a lot of questions around what can be invested and who is going to get those benefits, and we've already seen one time frame close. The largest benefit that you could get closed at the end of 2019. So, there's two on the table, but one has already been taken away, and that was very confusing for a lot of people, because the regulations didn't even come out as to how to do it until the middle to late 2019.

**BROCKHOFF**: Janie, would a change in administration impact that first one, where it could come back?

**EVANS**: Absolutely. Anything could happen. I don't see that happening if it's a change in administration to the other party, because I think they said it was a little too generous.

# THE STATE OF COMMERCIAL REAL ESTATE

**EICHHORN**: Has anyone done an opportunity zone deal? I've had a lot of clients interested, but so far, we haven't done a deal, so I'm curious in terms of real-life experience and what happened.

**EVANS**: I've got one in development. I know there was another one in our office in Over the Rhine that was smaller scale, and it was subscribed very quickly, as far as investors.

**EICHHORN**: I'm seeing some on a smaller scale. Like in Covington, there's an opportunity zone, we have an associate, Lisa Dressman, who has purchased property through the opportunity zone process. You're right, there's an opportunity zone by the airport. Right by the Amazon Prime site is an opportunity zone. And, a good chunk of Fairfield is an opportunity zone, which is a surprise.

**BROCKHOFF**: How those were selected is a mystery, right?

**EICHHORN**: Part of the Napa Valley in California is an opportunity zone. It's because at the time, there were the wildfires in California, so I believe a good chunk of the Napa Valley is an opportunity zone. But for large scale developments so far, we have not put together an opportunity zone deal. I've seen it on a smaller scale, but we're waiting for the big ones to come through.

**COURIER: Bear, how do clients deal with credit risks and tenant bankruptcies?**

**TULLIS**: Look, it's a challenge. It's a real challenge. The best way to deal with it is some front end due diligence, and you try to structure a deal from the legal side as best as you possibly can. Every deal has a cost to it. So, when you're looking at a tenant going into your building, the big issue is how much is the landlord putting into the deal. With tenants that have credit risks, the less money, the less capital you put into the deal, the better. The rents on these deals is always a structure of the cost, so to the extent the landlord can put in less money; the deal is going to cost less. For tenants, that's one way. Obviously, from the legal side, the more you can get from a guarantee or through security deposits, letters of credit, etc., the better. Those are great, but the reality is if you don't do it on the front end, it's too late, and the bankruptcy tool for a tenant who is suffering is a powerful tool. We saw it on a large scale when Mattress Firm filed bankruptcy, and they closed 700 stores in the matter of a year. And, the company, otherwise, was doing fine, they just overextended on the real estate side. So, there are some tools that are helpful, like front end due diligence and trying to document the deal the best you can, is the best way to do it, but it's a real risk.

**COURIER: Janie, what is workforce housing? Explain that and tell us why there's a shortage?**

**EVANS**: I think that term has been in the news media more frequently. First of all, it's not subsidized at all. They define it as 60 to 120 percent of the median income in an area, and again, some of the apartment products that have come online are luxury, or even when they are doing the value-adds, they are sometimes pricing out the tenants that are in those buildings. So, workforce housing is more along the lines of those that are in between. They are not going to get any subsidies from the government, but they are not able to afford that new product. So, I think there's been some development, maybe in the West End. They're looking at around the Amazon area too, because if you think about the number of employees that they plan to add in those areas, it becomes a matter of trying to get the labor closer to where they will be working.

MARK BEALER FOR ACBJ

*"People are developing more and more assets, and the busier our clients are, the busier we stay, and that's sort of our indication of the health of the economy."*

*– Bear Tullis, Keating Muething & Klekamp PLL*

**COURIER: Thank you. Jeff, you said it's the busiest six months that you guys have had. What did that look like? Are you hiring? Or how has it impacted your business?**

**EICHHORN**: We are planning to expand. One challenge in our industry is we want to retain who we have and expand. We are "The little engine that could" up in Warren County. It was a lot of hard work in 2019, planting the seeds for development. Again, on the retail side, we have a national client in PetSuites that wants to expand, but they are expanding down south, primarily, like in Texas and Orlando. We are very active in the Houston market. It's fun and exciting. Our company has been around for 85 years, so we are planning the next round of growth, and really, our secret sauce, just like all of these successful companies is our diversity. We have national clients like FedEx, Tractor Supply and PetSuites. Our core customers, that partner with Bunnell Hill Construction are the local entrepreneurs that have an idea that you think to yourself, "Why didn't I think of that?" What a great idea, and you partner with them to build a building, or help them expand. One of our core business models has been, if in doubt, buy land. So, today, we own about 3,000 acres of land, from as far south as the Kentucky Speedway. We have about 300 acres right off of exit 55, and we're bullish on that. When people see the land prices in Northern Kentucky, they will see that they can move their product 40 minutes south, and can still access the expressway.

**BROCKHOFF**: There's a lot of growth in Louisville.

**EICHHORN**: When we think of Amazon in Cincinnati, UPS in Louisville is every bit as big. From our land holdings that we manage, we're as far south as Kentucky Speedway and as far north as the Dayton Airport. And, we do believe Cincinnati and Dayton are going to be one metro area from an industrial standpoint as far as movement. The Interstate 75/Interstate 70 corridor in the Dayton area is also booming right now. It's a good time to be in commercial real estate.

**COURIER: Brian, what for you and your bank has been the most effective way for you to grow? Your business is newer here in the Cincinnati area. What are you bringing to the party do you think that has been the most effective way for you to gain business?**

**BROCKHOFF**: It's really been two components, Rob. First, is just ease of business. We've heard from our attorneys, our friends at KMK, Cassady Schiller, the CPA Firm, that we're just easier to work with. We have local decision-making here. Our bank is 110 percent focused on commercial business, you know, family-owned, closely-held businesses and commercial real estate. Members of our senior management team have all been commercial bankers over the course of their careers, so when it comes to understanding a project, understanding a distribution company, or a manufacturer, we understand it. We've had experience banking them for 128 years. So, I'll say from a nimbleness and simplicity perspective, it's been humbling how much growth we've experienced. We tripled our growth goals for 2019, because of good families and good relationships here in Cincinnati last year. Then, the second component is the hardest part that we talked about 45 minutes ago, which is the human capital. Since January of this year, we've invested in four new leaders, including a relationship manager, a senior credit officer, and now the head of our treasury management group, because, again, the growth is here, and what we need now is we need more resources to support it. So, we started very nimble from December of 2018 through May of 2019. We were the L in our monthly P&L, but we turned a profit in May, and since then, we've been profitable. We are very proud the "L" is gone, but now what we want to do is invest further. As a matter of fact, we are going to do an ad as part of this insert, where we are going to show the growth of our team from 2018 to where we are in January of 2019, and it's something we're very, very proud of.

**COURIER: We are out of time, but there are a couple of questions I didn't get to, so I wanted to make sure that if there's something I didn't a chance to ask you, now is the time to point it out.**

**TULLIS**: One of the things that I had a note on was there's pending legislation, what we call the Membership Interest Drop and Swap loophole, or whatever you want to call it. In short, it's a way to structure a real estate transaction where the sale price doesn't get disclosed, which has two practical effects. The smaller effect is there is no transfer tax paid. The bigger effect is the auditor and the challenging school districts don't get to see what the purchase price of the property was. As we've seen valuations increase in the last 10 years, we've seen school districts be very aggressive in filing tax complaints to raise the value of properties for tax reasons, for obvious motivations. Part of the challenge in the development world is you often sell an asset, where the sale price has nothing to do with the real estate. That the person simply bought the credit of the tenant, and the Ohio law says that – that isn't necessarily indicative of the properties value because of all of these varying factors, but the way around that was to structure these sales as a membership interest acquisition, so that you didn't have a public sale price. There's pending legislation right now that's working its way through the State of Ohio Legislature to effectively get rid of that. This isn't the first time it's happened. It will be interesting to see how this plays out, but I think that will have a big impact, particularly in the multi-family sector, where the landlords are paying the taxes. It's not like they can just pass it through their tenant. It seems like almost every deal I do is a membership deal, and we're structuring it this way to avoid the price, and that's a big deal. As these prices have gotten so high, it's had a big impact, so it's interesting to track that.

**COURIER: That's interesting.**

**BROCKHOFF**: What do you think the probability will be?

**TULLIS**: I don't know. I get asked that question all of the time, and we're tracking it, almost daily. We've got the different list-serve's that we subscribe to. Last I heard, it was moving its way through the various committees that will touch it. I don't know. The County Auditors are pushing this.

**COURIER: Thank you to all of you. We had a great discussion today. We appreciate your input and expertise.**