Technology and commercial real estate have never been more integrated, with the most dynamic advances in tools designed to share knowledge, mine “big data,” and stay competitive.

Digital tools are swiftly changing the industry and the way it works. Mobile apps used for everything from sharing industry knowledge to managing building operations are readily accessible and being put to use across the industry.

Cushman & Wakefield has developed a mobile app to access their industry research reports and information. Readers can simply download reports on an app, just like consumers do for everyday research like finding traffic conditions, restaurant reviews or movie times.

Research into funding, financial stability and company performance is available with a few taps on the smartphone screen or keypad. Five-year-old startup AngelList provides an online forum with information on startups and venture capital funding. Brokers use this as a prospecting tool — it’s much more efficient than cold-calling, and the leads are up-to-date.

An app called Comfy allows employees control of the temperature in their areas of an office in one degree increments. Redwood Systems’ intelligent building-performance lighting gives building managers and data analytics firms the ability to analyze real-time and historic data across multiple locations, resulting in immediate energy savings and improved

Upcoming Research
Look ahead toward reports and white papers published by the Research Foundation.

• Economic Impacts of CRE Development
  June 2015
  Annual study on construction expenditures and their impact on jobs, GDP and salaries/wages on the national and state levels.

• Value Determinants for E-Commerce Fulfillment Centers
  August 2015
  Measures the baseline valuation difference between e-commerce fulfillment centers and non-fulfillment industrial property, using CoStar data.

• The NAIOP Industrial Space Demand Forecast
  September 2015
  Forecasts demand for industrial space eight quarters out, at the national level.

• Creation of a Model to Forecast Demand for Office Space
  November 2015
  Development of a model to forecast office demand (net absorption), eight quarters out.

– continued on page 3
Dear Industry Leader,

This is the second issue of the NAIOP Research Foundation’s newsletter, and I hope that you’ll find it forward-looking and thought-provoking.

The white papers and reports released by the Foundation this year focus on how our businesses, tenants and lifestyles are being revolutionized by technology and the boom of e-commerce. And, of course, the commercial real estate’s growth and economic value is reflected in our annual report on the industry’s impact on national and state economies.

The Foundation’s work is to compel leaders like you to think strategically and envision what lies ahead. It’s an exciting — and complex — time, and I’m eager to see how our industry and the global business community continue to be transformed.

My thanks to all those involved with the Research Foundation. Your dedication and passion for our mission is extraordinary. I’d like to offer a special welcome to the four new Governors (see page 4) who have joined us this year — thank you for your commitment to our work of shaping the future of the industry.

Sincerely,

Lawrence A. Pobuda
Senior Vice President and General Manager
The Opus Group | Phoenix, Arizona
2015 Chairman, NAIOP Research Foundation

The NAIOP Research Foundation fosters building better communities through practical research and education that advances the quality, and makes evident the benefits, of commercial real estate ownership and development. The Foundation’s work empowers developers, owners and investors to make sound decisions informed by cutting-edge data and analysis.

Governors
Governors support the Foundation’s program of work by pledging significant financial resources and by giving their time and sharing their expertise.

National Research Directors
Thought-leadership from industry meetings with national research directors from commercial real estate brokerage and data firms is applied to future research topics.

Industry Trends Task Force
NAIOP leaders and Research Foundation Governors meet annually to identify trends that will impact the industry in the intermediate and long term, often leading to future research.

Distinguished Fellows Program
Engages the nation’s foremost commercial real estate, economic and public policy experts and serves as a bridge between the practicing commercial real estate sector and the academic community.

NAIOP Research Foundation Staff

Wendy Mann, CAE
Executive Director
703-904-7100, ext. 107
mann@naiop.org

Bennett Gray
Senior Director
703-904-7100, ext. 168
gray@naiop.org

Margarita Foster
Vice President, Knowledge and Research
703-904-7100, ext. 117
foster@naiop.org

Susan Bornt
Administrator
703-904-7100, ext. 159
bornt@naiop.org
that allow multiple places to spend their time at work. Workplace location preferences are changing too, as the millennials seek neighborhoods where they can have it all: work, residences and entertainment. As such, updated office environments complement that lifestyle: the employees are working to live, not living to work.

Developers and real estate professionals have to be ready to renovate older spaces to remain competitive in attracting a workforce seeking these amenities. Owners and property managers have to accommodate the design and the workout, and brokers have to find that space for clients.

Moving forward, the industry will continue to be shaped by innovation. What’s changed already will continue to be influenced by more advanced technologies, and the next generation of successful real estate professionals are entering the industry with a unique mix of business and technology aptitudes.

Joshua A. Harris, Ph.D., CAIA
NAIOP Research Foundation Distinguished Fellow Director, Dr. P. Phillips Institute for Research and Education in Real Estate University of Central Florida

Beyond Technology

Technology’s surge, along with the dominant millennial workforce and their preferred work styles, has been transformative. In response, commercial real estate is incorporating more open-floor space and collaborative environments that allow multiple places to spend their time at work. Workplace location preferences are changing too, as the millennials seek neighborhoods where they can have it all: work, residences and entertainment. As such, updated office environments complement that lifestyle: the employees are working to live, not living to work.

Companies exclusively focused on data are developing algorithms by combining distinct data sources — both public and proprietary — into master databases to forecast what will be the next leading-edge company. Predicting that next star, next frontrunner or hot market is often based on reductive analytics by writing algorithms around big data.

Operational efficiency around building performance.

Interactive mapping tools produce thematic and heat maps that spatially represent data important to both developers and tenants: demographics, potential workforce, competitors, amenities and transportation hubs. As part of a project Cushman & Wakefield is developing for a global client, they want to see incredible amounts of data mapped to facilitate location decisions.

Companies exclusively focused on data are developing algorithms by combining distinct data sources — both public and proprietary — into master databases to forecast what will be the next leading-edge company. Predicting that next star, next frontrunner or hot market is often based on reductive analytics by writing algorithms around big data.

Beyond Technology

Technology’s surge, along with the dominant millennial workforce and their preferred work styles, has been transformative. In response, commercial real estate is incorporating more open-floor space and collaborative environments that allow multiple places to spend their time at work. Workplace location preferences are changing too, as the millennials seek neighborhoods where they can have it all: work, residences and entertainment. As such, updated office environments complement that lifestyle: the employees are working to live, not living to work.

Developers and real estate professionals have to be ready to renovate older spaces to remain competitive in attracting a workforce seeking these amenities. Owners and property managers have to accommodate the design and the workout, and brokers have to find that space for clients.

Moving forward, the industry will continue to be shaped by innovation. What’s changed already will continue to be influenced by more advanced technologies, and the next generation of successful real estate professionals are entering the industry with a unique mix of business and technology aptitudes.

Maria Sicola is Head of Research for the Americas with Cushman & Wakefield.
Q: Why did you become a NAIOP Research Foundation Governor?
A. Becoming a Governor is an opportunity to spend time with the brightest and best in our business, and expand relationships that I have developed over the years on the board of directors. I consider joining the Governors a great honor and am delighted to do so.

Q: How does the work of the NAIOP Research Foundation benefit the industry?
A. The research the Foundation provides shapes the industry going forward and keeps NAIOP members up to date on trends and best practices.

Q. What’s next for our industry?
A. I wish I had a crystal ball, but what I would like to see is the continued revitalization of inner cities and for the suburbs to continue to develop communities that enable families to live and work close to their homes. Urbanize our suburbs! As that doesn’t always work for everyone, we need to continue to improve our infrastructure in order to ease transportation issues and enhance leisure time.

Q. What specific reports have been valuable to you?
A. I can’t single one out! They have all provided valuable information on growth opportunities and how to manage the peaks and valleys of our industry. We are a cyclical business and the Foundation’s focus continues to be looking ahead … and staying ahead.

Q. What’s been the most significant advantage in being a Research Foundation Governor?
A. As a new Governor, my desire is to deepen relationships within the group of Governors. A bonus is the education gained through our meetings via expert presentations and robust conversations of trends affecting each Governor’s market.

Barbara Schaefer McDuffie is Managing Director of Business Development for Baker Tilly Virchow Krause, LLP’s Washington, D.C., office located in Tysons Corner, Virginia. Baker Tilly is a nationally recognized, full-service accounting and advisory firm and is ranked as one of the 12 largest in the country. McDuffie has been a NAIOP member since 1990.

She is a current member of the Membership and Chapter Relations committee, the Industry Trends Task Force, Editorial Board for Development Magazine, and the Trends in Real Estate Development I Forum.
A Foundation Report

Research Captures E-commerce Challenges and Opportunities for CRE

E-commerce has picked up speed at a dizzying pace, with retailers continually striving to shorten the time frame between the “click” of the customer’s online order and the “knock” on their door announcing its delivery. As e-commerce sales continue their robust growth, manufacturers, transportation providers, distribution and fulfillment center operators and retailers are responding by changing the retail logistics chain.

The NAIOP Research Foundation’s white paper, “The Promise of E-commerce: Impacts on Retail and Industrial Real Estate,” addresses the growth and evolution of e-commerce, as well as how the new promises being made by retailers to their customers will continue to impact retail and industrial real estate investment and development going forward.

Two key areas of focus are:

• The evolution of e-commerce logistics: how retailers are adopting new strategies to deliver goods to customers from a variety of locations.

• The global growth of e-commerce: how retailers will continue to refine their inventory and real estate strategies by expanding virtual and brick-and-mortar store locations to reach a global audience of new customers.

Both of these areas have important implications for the types of retail and industrial real estate that will be in demand in the future as well as the optimal sizes and locations of those properties.

“The [industrial] market expansion has been driven, in part, by the ongoing evolution of supply chains, as businesses seek to distribute goods across the country more quickly and efficiently and e-commerce is having the greatest impact on the industrial real estate industry,” reports JLL’s Q1 2015 United States Construction Perspective. “Net demand remained strong at the start of the year with 50.2 million square feet (msf) of occupancy gains reported in the first three months of 2015.”

“The continuing economic recovery, the continued growth of e-commerce and a steady housing market all contributed to the lowest vacancy rates in more than a decade for the U.S. industrial market during the first quarter of 2015,” according to Cushman & Wakefield’s “Marketbeat United States Industrial Snapshot – Q1 2015.” The report states that the U.S. industrial market experienced the lowest vacancy rates in more than a decade during the first quarter of 2015 with an overall vacancy rate of 6.9 percent.

The NAIOP white paper reports that the boom in e-commerce has created significant demand for new industrial space with facilities built specifically to support high-volume package throughput. They require higher ceilings, more parking, additional dock doors, restrooms and mezzanines with greater density of floor space for picking.

As one example, Prologis Inc.’s latest project, a one million square foot warehouse in Tracy, California, will feature a 40-foot-high ceiling, 25 percent taller than the typical 32 feet, reports The Wall Street Journal in “Raising the Roof Making All the Difference in Warehouses.” The additional ceiling height would allow a distributor to build three levels above the ground floor instead of two, which can increase the room available to stock, sort and pack shipments to fulfill e-commerce orders.

Global e-commerce sales through 2017 are projected to reach $2.357 trillion by 2017, according to the NAIOP white paper, so commercial real estate professionals can anticipate that e-commerce promises additional challenges and opportunities for retail and industrial real estate in the years ahead.

“The Promise of E-commerce: Impacts on Retail and Industrial Real Estate” was authored by Curtis D. Spencer, President, IMS Worldwide, and Steve Schellenberg, Vice President, IMS Worldwide. It was published by the NAIOP Research Foundation in March 2015. naiop.org/promisefofcommerce.
The NAIOP Research Foundation invites individuals who have demonstrated considerable dedication to guiding the future of the commercial real estate industry through their financial support, time, talent and expertise to accept the lifetime distinction of Governor.

Governors help shape the Foundation’s research agenda by serving on committees and giving direction to research projects undertaken. They enjoy exclusive networking and invitations to special events throughout the year.

Governors take pride in knowing that their contributions are building the capacity of the Foundation to develop and disseminate best industry practices that advance the profession and make our communities better places to live and work.

To become a Research Foundation partner, contact Bennett Gray at gray@naiop.org or 703-904-7100.