

Issue K021416

The Real Estate Industry In 2025 100 Bankable Predictions You Need To Know Part I (Predictions #1 through #33)

Friends & Colleagues:

Pericles, the “first citizen” of democratic Athens said, “It is not our task to predict the future, but to be well prepared for it.” Commenting about the future, Danish philosopher Søren Kierkegaard said, “Life can only be understood backwards; but it must be lived forwards.” Since we cannot rewind the past or stop the passing of time, tomorrow depends on what you do today. In the real estate industry, the future is always uncertain...but the journey is exciting, rewarding and, for many, an opportunity to make a difference.

Narrowing a list of “bankable predictions” from 200 or so to 100 was an intriguing and provocative challenge...less about identifying trends and more about opening one’s eyes to multiple possibilities. It is clear from these 100 predictions that **we are currently and will continue to see the transformation from the Internet of Things to the Internet of Everyone.** The seamless blending and linking of people, products, services, opportunities and knowledge will make the single biggest impact on the real estate industry. **The ability to see, interpret and predict the future is the attribute separating winners from losers over the next decade.**

Some who read these predictions may assume that the inevitable change will not impact them or will not occur. One purpose of this prediction newsletter is to describe the spectrum of possibilities. Just as importantly, it is to engage your organization and the real estate industry in a discussion of the transformative opportunities ahead for those willing to change and lead.

Writing about the future is a compilation of facts, opinions, perspectives and trends. The future is not what we imagine it will be...but it will be an opportunity to shape it the way we may want it to become. No one can see the future, but we can see “possible” futures based on the facts at hand and the tendencies of those who will be the primary drivers of future outcomes. From psychohistory to spectrum analytics, from cliodynamics to demographic trends and from geo-political shifts to the availability of valued resources, the future is often unexpected but always exciting.

*As a few smart folks, from Peter Drucker to Alan Kay, have said...
“The best way to predict the future is to invent it.”*

This predictive study continues to be a work in process. I expect to elaborate on many of these predictions over the next weeks, months and years to come in our new *weekly* newsletter, *Leadership Conversation*. This weekly newsletter will be launched in March 2016 and provide the nearly 14,000 readers of *Strategic Advantage* with timely topics for review and discussion at your leadership meetings. We will continue to publish *Strategic Advantage* as a quarterly newsletter.

Note: Due to the length of this first 2016 issue of *Strategic Advantage* (of 100 predictions), we have decided to distribute it separated into three smaller consecutive weekly issues, making it more reader-friendly. Thus, this issue will feature predictions #1 through #33. We hope you enjoy it.

1. **The U.S. will move ever closer to becoming a cashless society.** Mobile devices, digital jewelry and apparel, and payment technologies (e.g., Apple Pay, Google Wallet, Square, Venmo, bitcoin and others with biometric technologies) will reduce the need for cash. The release of Zcash (untraceable Bitcoin alternative) could be a transformative event. (Nearly \$1.0 billion in capital funding has flowed into bitcoin companies.) The adoption of EMV chip card technology will accelerate this conversion. In

A New Currency Is Emerging

- ❑ Nearly \$50 billion in reward points are distributed annually.
- ❑ The average U.S. household holds membership in 29 loyalty programs.
- ❑ U.S. consumers hold \$3.3 billion in customer loyalty programs.
- ❑ The U.S. now has a \$2.0 trillion underground economy.
- ❑ Nearly \$12 billion in goods and services are bartered annually.
- ❑ There is approximately \$500 million in unreported income in the U.S. each year.

→ The Likely Outcome ←

“Electronic Commerce...the shift to a cashless society.”

Source: CEL & Associates, Inc.

Sweden, for example, four out of five purchases are made electronically, and 95% of all sales at retail stores are handled electronically. Say “goodbye” to the underground economy (around \$2 trillion today) and say “hello” to a national sales tax, bartering and electronic wallets.

2. **Medical care will be driven by health monitoring via bio-connective data and advancements in nano-technology and DNA mapping.** Most people will have three to four medical devices or bio-chips inserted under their skin, in their clothing, adhering to their skin as a BioStamp, or embedded within their mobile phones, computers, watches and in-home appliances, entertainment devices and cars. By 2025, electronic patient portals via a robust Medical Body Area Network (MBAN) will be commonplace. Within a decade, as many as 35% - 40% of Americans will be linked and/or remotely monitored by healthcare professionals. Think a more robust strava.com. (For those not on FitBit or familiar with Strava, it is a website that tracks and analyzes your exercise and/or training efforts.) By 2025, the U.S. will likely face a shortage of up to 90,000 doctors, which will mandate **residential and office building owners to become the earlier adopters of the new healthcare linking technologies.** The evolution of M-Health is underway.
3. **Regenerative and alternative energy will be readily available, storable and reusable.** By 2025, up to 25% of the U.S. energy supply will come from renewable energy sources. Solar photovoltaic panels, wind turbines, “sea snakes,” mechanical ocean carpets, special buoys and wave energy will transform the way real estate assets are located, designed, engineered, constructed and operated. And don’t forget the benefits of rooftop and exterior wall landscaping. According to recent studies, a “living wall” can increase the value of a commercial building by 20%. A new home or business goes solar every 2.5 minutes. Within a decade, every best-in-class developer will employ a Director of Sustainability. Check out Ambius (ambius.com) for a peek at living walls and how they could look when used in the real estate industry.
4. **By 2025, 25% - 30% of real estate firms in existence in 2015 will be gone** via merger, acquisition, bankruptcy, retirement or inability to compete. This “exiting” transformation will result in the emergence of the “Big Three” within each asset class and service sector. In the services sector, for example, CBRE and JLL have locked up two of the three spots. The battle over the next decade for the third spot will be among Cushman & Wakefield, Colliers International and, depending upon the strategies deployed, Newmark Grubb Knight Frank. Watch for Internet firms such as Google or Amazon to explore and perhaps acquire an ownership position in one or more major real estate services providers...changing the competitive landscape dramatically. Furthermore, the battle for who controls big data in the real estate industry will intensify over the next decade.

5. By 2025, due to healthcare and medical advances, biometric sensing, better eating and dietary practices, lifestyle changes and other longevity advancements, some families in **the U.S. will have four living generations**. The first person to live beyond age 125 is alive today. In 2015, the number of Millennials surpassed Baby Boomers (75.3 million vs. 74.9 million). By 2025, as many as 25% of the U.S. population will be in multi-generational households. The demand for a different kind of residential rental properties (single-family and apartments) will accelerate over the next decade to meet the needs and expectations of each generation. **Forget the “Granny Flat,” and embrace the “Grandparents’ Wing,” and the “Boomerang Hub.”**

6. **The concept of everyone getting a college degree will be coming to an end.** Just-in-time knowledge specialists and crowd sourcing will be commonplace, and the balance between college and trade degrees is shifting. The future of higher level education will be in the “University of Everywhere.” By 2025, up to 10 million college students will be taking at least one online course (up from 1.6 million in 2002). Approximately 85% of U.S. colleges will be offering online courses (currently 62%). Within a decade, **60% - 70% of training**

The Changing Business Paradigm	
Old School	New School
Fine-tune existing practices	→ Re-invent existing practices
Manage opportunities	→ Create opportunities
Focus on competitors	→ Focus on customers
Legacy systems and policies	→ Value-creating systems and processes
Connected by employment	→ Connected by a motivating vision
Success as a goal	→ Success as a recurring outcome
Individual aspirations	→ Collective purpose and alignment
Keeping score	→ Shaping a future
Trying to change how people think	→ Trying to get people to think differently
Process and procedures	→ Flexibility and customization

Source: CEL & Associates, Inc.

for real estate professionals will be online or led remotely. Training will be more “on-demand” and based on gamesmanship, one-upmanship and brinkmanship platforms. The opportunity impact of student housing location and structure of real estate talent management departments (e.g. the need for training) will be significant.

7. **By 2025, domain names as we know them may end**, as Americans purchase individual light spectrums for business or personal use. Visual and virtual worlds, personal information data banks and inter-connected knowledge will be individually controlled and populated.

8. **Global online retail sales could reach \$4.3 trillion by 2025.** Within the next decade, total online retail sales could be 19% of all retail sales (currently around 7%). In the U.S. online retail sales could increase from \$334 billion in 2015 to \$750 billion by 2025 rendering many retail centers irrelevant or in need of dramatic transformation. FMCGs (fast-moving consumer goods) could be as much as \$130 billion within 10 years. By 2025, nearly 100% of music and 75% of all books will be purchased digitally. By 2025, online retail stores in the U.S. could number over 300,000. Only six new malls have opened since 2006. **Owners of retail real estate should reinvent and/or repurpose their product, business and service models to survive this Internet juggernaut.** Smaller malls outside major cities will be the first to go. Larger malls must reinvent and re-energize their locations or they, too, will disappear. The distinction between online and offline is merging rapidly.

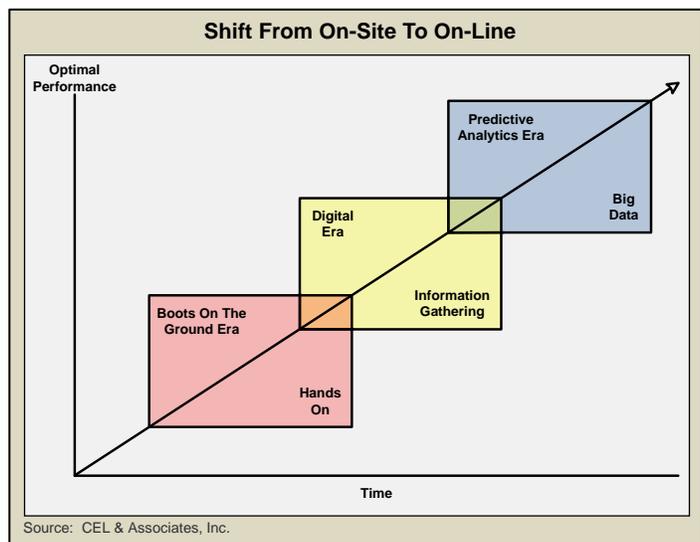
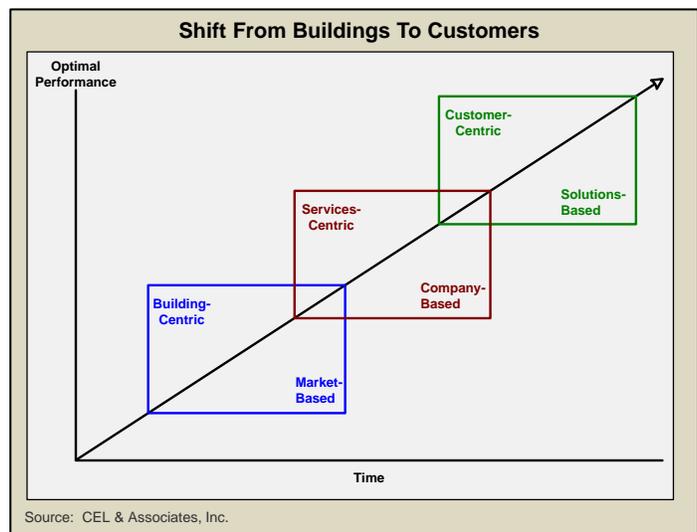
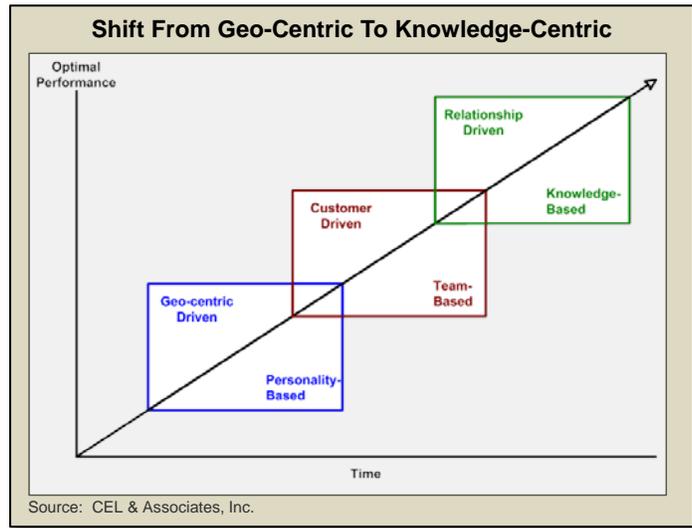
9. **The real estate industry will enter a new growth cycle between 2023 - 2028 (the “Age of Globalization & Knowledge”)** after the downturn preceding 2020. This new cycle will flourish and peak around 2028 (assuming the Federal government or Federal Reserve doesn’t tinker with the inevitable). The primary drivers of this new growth cycle will be activities directly and indirectly related to life sciences, bio- and nano-technology, generational shifts, relocation to urban and urban-adjacent markets, growth in artificial intelligence, robotics, micro-farming, alternative energy, STEM research, global unrest, cyber security and technology innovations. Not all markets will benefit from these transformative trends. **The unfolding “Game of Gigabits” will change many MSAs, creating distinct winners and losers.** Watch for the

emergence of “cloud immigrants” appearing as holograms to become an employment norm. Location may not be as important as connectivity. Access will trump ownership. Will you be ready for this new cycle?

10. **By 2025, nearly every human on Earth will be hyper-connected**, creating a sea of new consumers shopping online for goods and services. By 2020, 34 billion devices will be connected to the Internet. The movement of goods and the accessibility to services will create incredible demand for new forms of warehousing and distribution. **Watch for demand for 50,000 sf or less warehouse/distribution** (filling gaps between the omega facilities). Around 75% of distribution centers are approximately 200,000 sf or larger, but by 2025, that percentage could drop to 63% - 68%.

11. **Watch for the acceptance of Blockchain (or something similar) to allow digital transfer of value and assets without a middleman** (Brokerage firms take note). With the probable emergence of the “Certified Underwriter” over the next decade, the ability to acquire, dispose or lease space in commercial assets no longer will need an intermediary. Accounting and law firms, along with financial advisory companies, are likely to become these Certified Underwriters by 2025. The role of a real estate Broker will shift from “selling” to “connecting and advising.” **Within a decade, 50% of today’s real estate Brokers will be gone**, replaced by technology-savvy, financially astute, transaction-based, relationship Advisors/Advocates.

12. Individuals will “meet, gather and get together” in cyberspace with no travel or meeting space required. **In an “always-on” environment, knowledge and skills follow the individual...physical space is less relevant and seldom necessary.** Think **NeueHouse** (neuehouse.com). By 2025, virtual space, holography and other Internet-based technologies will render many of today’s meetings outdated and ineffective.



Office buildings, apartments and retail centers will have dedicated areas for virtual meetings. Watch for anthropomorphic human-machine interfaces to make meetings relevant and productive. Wireless charging points will proliferate with **Qi and PMA technology present in every real estate building.**

13. Driverless cars (Level 4 automation) will be a real and an accelerating trend (no pun intended). **Autonomous cars will be commonplace by 2025, and by 2035 will have a near monopoly on auto sales.** (Today cars sit idle about 95% of the time, and 17% of household budgets go to transportation). The number of miles traveled by car for those 34 years and younger is down 39%. Those that stand to lose are the automobile insurance industry (\$100 billion), automobile finance market (\$98 billion), the parking industry (\$100 billion) and the \$300 billion automotive aftermarket. A vehicle-to-grid distribution system will be a reality. Say “hello” to a driverless Uber, and say “goodbye” to taxis and aftermarket retailers. **By 2025, some invaluable real estate opportunities will occur involving the adaptive reuse of parking lots and garages.** Expect proposed legislation on limiting the number of cars a household can own; watch for significant taxes on new car sales; do not be surprised to see the banning of cars during certain hours in the CBD; and expect to see less street parking and more light rail systems. Use of America’s roadways will be charged to users on a per mile basis.

In the United States, the National Highway Traffic Safety Administration (NHTSA) has proposed a formal classification system for *autonomous* vehicles.

- *Level 0:* The driver completely controls the vehicle at all times.
- *Level 1:* Individual vehicle controls are automated, such as electronic stability control or automatic braking.
- *Level 2:* At least two controls can be automated in unison, such as adaptive cruise control in combination with lane keeping.
- *Level 3:* The driver can fully cede control of all safety-critical functions in certain conditions. The car senses when conditions require the driver to retake control and provides a "sufficiently comfortable transition time" for the driver to do so.
- *Level 4:* The vehicle performs all safety-critical functions for the entire trip, with the driver not expected to control the vehicle at any time. As this vehicle would control all functions from start to stop, including all parking functions, it could include unoccupied cars.

14. Artificial intelligence, multi-sensory communication and robotics will render many jobs obsolete, creating a new wave of employment opportunities and requiring the commercial real estate sector to reinvest in progressive building designs, operating systems and tenant interface. **By 2025, 10 million or more jobs will be lost to robotics.** Over the next decade, many jobs will be “taskified” as the U.S. economy shifts to an uberization of human capital thus changing the nature and role of real estate service providers. Real estate companies must prepare today for a tomorrow when a “Property” Manager’s role shifts to “Relationship,” “Business” or “Enterprise” Director or perhaps “Asset Navigator” and away from the current asset-centric titles such as Property or Facilities Manager. **It would not be surprising to see many office buildings less than 250,000 sf in size being managed remotely.** The first of many self-cleaning buildings will be a reality.

15. According to our friends at Stratfor, the Middle East will continue to be chaotic at best and catastrophic at worst. China will struggle with slowing economic growth, an emerging middle class that wants more, remnants of the Red Guard still holding power and worsening pollution. Russia will be or on the verge of collapse (increasing world tension), **Europe will split into two to four factions**, and Muslim extremists will struggle with unsustainable social/entitlement programs and disenfranchised followers. A growing immigrant population will besiege Europe. “Trade scapegoating” is likely to rise resulting in protectionist measures and increases in political conflicts.

16. **The U.S. will shift to a renter-based society as homeownership shifts to “homerentership.”** Watch for overall homeownership percentage to drop to the high 50s (currently around 63%). This will be great for the apartment sector, and bad for Boomers hoping to retire on proceeds from selling their home. (What Gen Xers or Millennials have the financial resources to buy those homes?) Watch for an increasing number of Baby Boomers, however, to downsize, move to walkable and transit-friendly communities, relocate to vibrant urban markets, incorporate ancillary income opportunities such as **Airbnb, HomeAway** and **Onefinestay** into their financial planning, and move to areas near college/university campuses, healthcare facilities and transit centers. Today, only 10% of Baby Boomers want to move to a retirement or age-restricted community. By 2025, that percentage could double. In addition, in 2014 **only 14% of children under the age of 18 were living with parents in their first marriage, with a father who worked and a stay-at-home mother.** In the 1960s, 50% of children lived in that family environment, according to Pew Research Center. Pew also noted that children “living with cohabitating parents or single-parent families were 2-3 times more likely to be living in poverty than children in married parent homes.” First-time marriages are being delayed and the age of a woman having her first child is now 2 years later than in the past. Did you know that **one-third of today’s marriages (35%) start online and that over 42 million adults have been married more than once?** This has significant long-term impacts on rental and affordable rental housing over the next decade. Furthermore, the marriage apocalypse appears to be accelerating. “Second Career” Boomers will be attracted to dynamic markets and affordability and rent control will be a front and center issue.

17. Digital connectivity...everything...everywhere. Wireless communications and accessibility will make the world and real estate industry far more connected. In this ultra-digitally responsive world, more “things” will be connected to the Internet than people.

Every operational aspect in property and community management will be driven by and connected to the Internet and each other. Watch for the emergence of the “Digital Manager” and “Digital Leasing

Representative” in apartment communities. Within a decade, touch-screen technology will be in every apartment unit for such services/features as repair requests, rent payments, connectivity to personalized healthcare services, security, digital pet services, entertainment, smart unit controls, concierge-like services, drone delivery areas, package arrival notifications, etc. Leasing representatives will be deploying predictive analytics to increase the probability of a lease. **The biggest technology concerns for apartment owners and operators in 2025 will be cell phone bars (no dead spaces), bandwidth and a team that can keep all technology up and moving 24/7.**

Real Estate Cycles Have Names	
<i>Time Period</i>	<i>Cycle</i>
1983 - 1988	Age of Awakening Boomers & Entrepreneurism
1993 - 1998	Age of Technology & Start-Ups
2003 - 2008	Age of Exuberance & Debt
2013 - 2018	Age of Capital, Asset & Entity Rebalancing
2023 - 2028	Age of Globalization & Knowledge
2033 - 2038	Age of Technology & Non-Land-Based Environments

Source: CEL & Associates., Inc.

The Brick-And-Mortar Struggle

Why Brick & Mortar Stores Lose

- Can't Compete With Online Pricing
- Too Much Floor Space For Category Killers
- Lower Inventory Turns
- High TI Investment
- Higher Rent
- No Answer To "Why Shop Here?"
- Negative Online Reviews
- Not Data-Miners
- Not Able To Connect 24/7

Why Brick & Mortar Stores Win

- Convenience
- Sensory Interaction
- Personalized Selling
- Knowledgeable Sales Personnel
- Try-It-First
- Overall In-Store Experience
- Loyalty Programs
- Ability To Implement NBO Strategy
- Can Offer Both Online & In-Store

Source: CEL & Associates, Inc.

18. **Advancements in lighting, genetic crop modification, energy and water recycling will make year-round growing of food within commercial buildings commonplace.** Watch for the proliferation of high-rise farms in and around CBDs and alternative "growing" uses for large warehouse space. Adaptive reuse of commercial buildings into "farms" will accelerate. These high-rise farms could reach up to 60 stories, but **a 12-story mixed-use farm with residences would be a more popular option by 2025.** In Japan, a former Sony semiconductor factory now harvests 10,000 heads of lettuce *per day*. In New Jersey, a run-down steel factory (69,000 sf) soon will be producing 2 million pounds of produce per year using 95% less water than a field farm. MIT's City Farm claims to be 70%- 90% more efficient than traditional watering. Do not be surprised to see several biophilic cites emerge over the next ten years. Chicago's O'Hare aeroponic garden is another example of urban indoor farming. Today every calorie Americans consume costs approximately 10 fuel calories to produce and ship. **Watch for 5% - 7% or more of existing urban aging, non-competitive and inefficient office and industrial space to be converted to urban farms.** In Pueblo, Colorado, today there are 3 million sf of indoor marijuana cultivation and another 2 million – 3 million sf of indoor farms area slated to be constructed. Freight Farms may be a precursor of urban farming. Indoor farming will increase dramatically over the next decade. There are 700,000 unused shipping containers in the U.S. Start-ups like Growtainer or CropBox may be the norm within a decade. **Do not be surprised to see a Commercial Farm REIT by 2025, or sooner.**
19. Big Data, when combined with health monitoring, will make **apartment units and personal computers the gateway to preventive and ongoing medical diagnoses.** Smart grids, walls in apartment buildings and cube workplace dividers will be connected to local hospitals and medical personnel...providing 24/7 healthcare via "living connectivity." Big data within real estate firms will be used for such innovations as intelligent transportation, market insights, product development, consumer empowerment, improved collaboration, efficiency, rapid experimentation, and customized marketing and business development activities. By 2025, all newborns will have their own DNA map. New residents in apartment buildings will be able to "plug in" digitally upon arrival. Privacy concerns will abound in this "new normal."
20. Battery power will be 10 times stronger than today, creating a wave of lightweight cars and aircraft. Getting from point A to point B will be quicker and more efficient. **Think micro cars, micro airplanes, micro drones and micro delivery vehicles.** Do not be surprised to see super-fast charging in 30 seconds or less, and satellite-to-device automatic charging. A few innovations in the next decade include laser-made micro-supercapacitors, 3D copper foam



batteries, solid state batteries, aluminum graphite batteries and skin/body electricity harnessing. Commercial office buildings will look and feel more like FedEx as people, products and activities work in a seamless system of just-in-time interactions. Parking structures will become accessibility terminals and moment-in-time docking stations. Building designs must be “future-proofed.”

21. By 2025, the process and method of determining asset value will be dramatically different. **Do not be surprised to see buildings with five – eight different valuation points (asset value, tenant value, connective value, energy conservation/generator value, ancillary income value, performance value and potential value).** Further, it is very likely that national tenants will lease space by **units of consumption** from national building owners. Watch for the rapid adoption of taxes and fines for all commercial and residential buildings unable to meet energy efficiency standards.
22. Most rooftops on any commercial, industrial, retail or apartment building will have some form of solar and/or wind power generation. Improvements in photovoltaic technology, chemical bonding and energy storage will make today’s buildings an energy resource. **Watch for energy to be derived from windows, exterior walls and rooftops via new film covered materials.** Do not be surprised to see an energy Airbnb-like grid to emerge and add significant cash flow and value to commercial and residential buildings. In Milan, Italy, the Palazzo Italia office building “eats smog” (an “osmotic organism”) while consuming 40% less energy.
23. Think small! **Homes, apartments, work stations and workplace environments will become smaller.** Families will have fewer children, urban dwelling will become popular, multi-generational households will be commonplace and shopping will mean “home delivery” or 3-D manufacturing. The 3D global market is expected to grow to \$21.1 billion by 2020. Personalization and diversity of choice will make the U.S. a quilt of residents who think big but live small. Check out meetup.com for a glimpse of this new sharing economy amid smaller living spaces. Think 300 sf – 400 sf micro units, shared kitchen and entertainment common areas, 25 sf – 75 sf of “personal” storage lockers and just-in-time deliveries of “for-the-moment” recreational equipment (owned or rental) and seasonal possessions. Apartment unit design and operational policies will place greater emphasis on creating more with less. Office workspaces will reflect this trend, as well. Watch for 3D food and clothing printers and iPad or iPhone remote food preparation and cooking technologies. Yes...**the real estate industry is about to experience a tsunami of change.** Real estate companies cannot be passive spectators in the emerging innovation economy.
24. **Watch for more single adults as a percentage of the U.S. population.** This rapidly growing segment will consist of widows, widowers, divorcees, Millennials and Gen Zs who delay marriage and alternative lifestyles. Watch for “limited-term” marriages (five, 10, 15 years). The nuclear family may be nearing its end. Family diversity will be the norm, and in its wake, the social impact will be significant. The apartment industry will be a beneficiary of this long-term trend. **Over the next decade, there will be no such thing as a “typical family.”** American families will be configurations of relationships. Today, less than 50% of U.S. children live in a traditional home vs. 80% in the 1960s.
25. **Independent Consultants will flourish. Working from home and working independently will reduce real estate company payrolls and demand for “dedicated” office space.** Between 2005 and 2015, telecommuting in the U.S. increased 102%. Sixty percent (60%) of today’s co-working offices are expected to grow. It would not be surprising to see, within a decade, 20% - 30% “core” employees (excluding on-site personnel) in every real estate organization supported by 70% - 80% self-employed, temporary, IC or for-rent employees who are highly specialized and utilized based only on need. On-boarding will be a daily event. Corporate culture will be the emotional tie-in. **Training and shared work (think Dropbox or GoToMeeting on steroids) will redefine the 2025 operating structure of many real estate firms.**



26. **The proliferation of robotics could assume up to 70% of assembly line work and a significant percentage of fast food, medical and construction jobs by 2025.** The commercial segment of the robotics industry could reach \$17 billion in sales by 2025...the personal segment could add another \$9 billion. From cleaning office buildings to modular construction and from warehouse storage to manufacturing, **robotics will reshape the “functional footprint” of 60% or more of today’s commercial buildings.** The world’s first robot-managed farm (spread) just opened in Japan. Nanobots will be capable of performing medical procedures inside our bodies. Robots will take care of our elderly, engage in personal (limited) conversations, and perform many of our personal chores. Jibo, the world’s first social robot, will debut in April/May 2016 (think Siri with far more interaction). In addition, it can remember faces, tell stories and politely remind you of important tasks and events. **This shift to robotics (business or personal) could be the economic engine that drives the revitalization of many former midwest and northeast “manufacturing” states.**

Rank	City	% Population 25 – 34
1.	Cambridge, MA	27.7%
2.	Alexandria, VA	24.4%
3.	Jersey City, NJ	22.8%
4.	Manhattan, NY	22.1%
5.	San Francisco, CA	21.5%
6.	Washington, D.C.	21.5%
7.	Boston, MA	21.5%
8.	Seattle, WA	21.4%
9.	Minneapolis, MN	21.3%
10.	Denver, CO	21.2%
11.	Austin, TX	21.2%
12.	Sunnyvale, CA	20.4%
13.	New York City, NY	17.3%
14.	Brooklyn, NY	17.3%
15.	Ann Arbor, MI	17.2%
16.	Berkeley, CA	17.0%

Source: Forbes 2015

27. **Watch for more edge cities to develop around major CBD as virtual communities begin to replace the need to “be there.”** Aging Boomers will slowly move into walkable urban areas, while working Gen Xs, Millennials and Gen Zs will use robust transit systems, shared bicycles, electric transport buses and work-from-home options from edge cities and transit-connected suburbs for their commerce and their lifestyle. Watch for 18-hour markets to emerge as the U.S. development patterns become more in balance. **The American Dream of the ‘50s and ‘60s has been replaced by a spider-like web of American Dreams.**

28. **Journalism, as we have known it, will substantially be gone,** replaced by on-the-spot tweets, photos, videos and real-time reporting by citizens and self-interest advocates. Newspapers will be in rapid decline and **the Internet will become the main source of information.** Millennials get their news from a woven fabric of information, peer recommendations, tweets, shared videos, texts, social media and word-of-mouth (think a proliferation of BuzzFeed.com). News and information will be a salad bowl of problem solving, entertainment, social action, news, connectivity and sharing. Public relations within real estate firms will shift to robust web optimization strategies, predictive analytics, “instant” client/customer connectivity and knowledge-based content. Gone are generic ads...welcome to a world of personalized messaging, advertisements based on human needs, “step into” brand experiences and messaging directed to “who you are.” **Retail and apartment owners and operators will need to embrace Oculus Rift-like technologies to compete for the discerning consumer.**

29. **By 2025, there will be many biosphere office buildings.** Similar to Amazon’s 65,000 sf biosphere facility in Seattle, other tech and tech-related companies will embrace owning or leasing in buildings with botanical zones modeled on montane ecologies with serendipitous encounter designs. Google, Facebook, Apple and others are adopting this trend. Within a decade, office buildings will be places to assemble teams. **Office buildings in the future will look like a concierge hotel, operate like a spaceship, function as a teleport and be secured like the Pentagon.**

30. Watch for several major multifamily firms (REITs and privately-held entities) to merge with or be acquired by hospitality firms. Imagine the potential enterprise value (for Shareholders) created by, say, Hyatt's acquisition of AvalonBay Communities or if Marriott acquired Greystar. The blending of hospitality with for-rent residential assets is accelerating. A new lexicon of brands, service offerings and design options will emerge over the next decade. Will "resitality," created by Waterton (waterton.com/careers#resitality), become the new lexicon for apartment owners and operators?
31. **Many American cities will struggle to support and accommodate aging citizens, arriving immigrants, multiculturalism, ill-equipped public transportation systems and outdated infrastructure.** The gap between the haves and have-nots will grow and result in massive deficit spending by the Federal and several state governments, anemic increases in household incomes, poor job-growth policies, increasing entitlement programs, declining workforce participation levels and higher taxes (with, unfortunately, fewer and/or inferior services provided). The U.S. consumer will have less to spend, and the U.S. will literally be a less prosperous nation. During the 2016 – 2025 period, the direction, values, identity and prosperity of Americans will be defined. The choice between big government and individual achievement and entrepreneurship will be tested, **and the real estate industry will be asked to "build to" the values, culture and sense of community needed to prosper in the years and decades to come.** In the next decade, over \$1 trillion will be invested in the creation of "Smart Cities." Remember, **the real estate industry for the past 2,000 years has been the unfinished business of society.**
32. Between 2015 and 2025, the U.S. will add 23.3 million residents, increasing to around 345 million residents. **These additional people will be mostly minorities (Hispanic and Asian).** By 2025, there will be nearly 76 million Hispanics (up from 51 million in 2010), and they will account for nearly 57% of the U.S. population growth. By 2025, Asian and Hispanic populations will be 24% of the U.S. population. **California, Texas and Florida are expected to account for 45% of the nation's population growth for 1995 to 2025.** New York will be the biggest population loser from 1995 – 2025 (net loss of 5 million residents). Twenty-seven states will have 20% or greater of their population categorized as "elderly" (California and Texas are not in the top 27). Real estate investment, development, management and service opportunities will follow those demographics.

Generational Shifts In Retail Shopping			
View Of...	Baby Boomers	Xers	Millennials
Retailers	Trust the brand.	Trust the connectivity.	Trust the experience.
Groceries	Food as a necessity.	Food as a connector.	Food as a nutrient.
Frequency Of Shopping	Structured and consistent.	Based on time availability.	As needed...24/7.
Retail Motivation	Advertisements.	Ratings.	Word-of-mouth/Twitter.
Shopping	One stop.	Digital retailing.	Unlimited stops.
Physical Plant	Mega centers.	Smaller stores.	Omni-channel.
Restaurants	Place to eat.	Place to socialize.	Place to connect.
Stores	Place to see products.	Place to interact with products.	Place to experience products.
Display Space	Floor space.	Display space.	Mental space.

"Technology has changed the definition of retail real estate."

"When online sales reach 15% – 20%, the current retail model begins to fail."

Source: CEL & Associates, Inc.

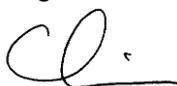
33. **Online grocery sales could account for 1% or more of all grocery purchases by 2025** (each 1% of grocery Internet sales equals \$76 billion). More grocers will go out of business or consolidate to survive by 2025. Albertson's acquisition of Safeway (2,200 stores under 18 different banners); Ahold's \$29.5 billion acquisition of Belgium's Delhaize (6,500 stores); and Kroger's \$2.5 billion acquisition of Harris Teeter, among other acquisitions, are creating a handful of middlemen between the 2 million farmers and the American consumers. Owners of grocery-anchored retail centers, beware. Remember, around 40% of food is consumed away from home. In addition, **do not be surprised if Amazon controls 15% - 20% of grocery sales** (Amazon Prime Pantry, Amazon Dash and Amazon Food).

Closing Comments

I hope you enjoyed these first 33 predictions. Next week we will issue the next set of predictions. The "prerequisite for motivation and success" is that anything you do mandates a vision of possibilities. What you do with these predictions could have a dramatic impact on future success.

I welcome your comments, feedback, insights and perspectives.

Regards,



Christopher Lee

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<http://www.celassociates.com/onlinenewsletter/MillennialsImpactOnRealEstate-SA-K091215.pdf>

The 6 Ps For Success

<http://www.celassociates.com/onlinenewsletter/The6PsForSuccess-SA-K042615.pdf>

It's All About Jobs

<http://www.celassociates.com/onlinenewsletter/ItsAllAboutJobs-SA-K111214.pdf>

The Future Of Retail Real Estate...A Tsunami Of Change Is Underway

<http://www.celassociates.com/onlinenewsletter/FutureOfRetail-SA-K051914.pdf>

Succession Planning Must Begin...Now!

<http://www.celassociates.com/onlinenewsletter/SuccessionPlanning-SA-K041114.pdf>

The Future Of The Office Sector

<http://www.celassociates.com/onlinenewsletter/TheFutureOfTheOfficeSector-SA-K062013.pdf>

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<http://www.celassociates.com/onlinenewsletter/BecomingACustomer-CentricCompany-SA-K040212.pdf>

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