

Issue K022916

The Real Estate Industry In 2025 100 Bankable Predictions You Need To Know Part II (Predictions #34 through #66)

Friends & Colleagues:

I'd like to begin this issue of Strategic Advantage with one of my favorite quotes..."I don't regret the things I have done. I just regret the things I didn't do when I had the chance." Last week's issue contained 33 Predictions of what will likely happen within the real estate industry over the next 10 years as a result of these "bankable" predictions. If I have heard this once, I've heard it thousands of times over the past 30 years, "I just don't want to miss the next opportunity because we waited too long."

Predictions #34 through #66 highlight many emerging trends that will likely be the beginning of future success. Now is the time to ask, "What are we and our organization doing to position ourselves for prosperity?" These next 33 predictions, like those published in Part I, are core to the New Normal in 2025. As Tom Peters says, "If a window of opportunity appears, don't pull down the shade."

Our analysis and predictive analytics continue to be a work in process. I expect to elaborate on many of these predictions over the next weeks, months and years in our upcoming *weekly* newsletter, *Leadership Conversation*. This 2-page weekly publication will be launched in March. We will continue to publish *Strategic Advantage* as a quarterly newsletter as it tends to cover broad sectors of emerging trends and newsworthy developments within the real estate industry, therefore mandating a much lengthier format.

*James Hayes, former President of American Management Association, repeats this quote often...
"Leaders live in the present – but concentrate on the future."*

Note: Our previous issue of *Strategic Advantage* [K021416] highlighted Predictions #1 through #33. This is the second of a three-part newsletter and continues with Predictions #34 through #66. If you missed our last issue, you are invited to www.celassociates.com, click on "Newsletter" and "Recent Issues" to get a copy. There is also a link to that publication on the last page here.

Now...on to predictions #34 through #66 regarding the Real Estate Industry in 2025. We hope you enjoy the surprises in store.

34. By 2025, **at least 50% of U.S. businesses** (the office, industrial and retail tenant base of the real estate industry) **will change their services and/or goods delivery systems**. Subscription-based revenue models, online sales, pay-per-use and content portals will redesign building and floor plans, operating models and need for-the-moment physical space options. Watch for concierge services to dominate the tenant experience. Citigroup's new minimalist building in New York City (Tribeca) may be a harbinger of designs to come. Adjacent warehousing, hot-desking and "instant" offices will be popular. **By 2025, the role and title of the Property Manager will be changing rapidly**, and some office buildings will have been built and maintained by robots. Welcome to the world of sensors and Enterprise Directors!
35. **Data breaches and cyber crime will increase dramatically**. Real estate firms and asset owners will need to install devices, systems and firewalls to protect data and prevent elevators from free fall, HVAC systems from shutting down, safety and security systems from being

rendered useless and tenant/resident from data being stolen. The average cost per U.S. data breach, per a Ponemon Institute report issued in 2015, was \$6.5 million, or approximately \$217 per record lost. Data breach losses in the healthcare industry were \$398 per record. Cyber attacks are rising, and the real estate industry is ill-prepared for this onslaught. **Watch for two to five major successful cyber attacks on leading multifamily firms and select REITs over the next decade.** Cyber-defense and cyber insurance will be mandatory for every real estate firm in the next 10 years. **Watch for the formation of one or more solely High Security Industrial REITs by 2025.**

36. By 2025, Millennials and Gen Z will account for more than 50% of the U.S. workforce. **Expect the total office space square footage per employee to decline to around 100 sf within 10 years.** Collaborative workspace, mobile offices, increasing numbers of employees who work remotely, greater autonomy and work-style flexibility will drive this change. **Office buildings will become network orchestrators, not employee domiciles.** Google, Facebook, Twitter and many others have rendered traditional office and retail space irrelevant as users/consumers want the freedom to choose how they work and shop. The accelerated immersion (video, messaging and conferencing) curve of adaptability is altering how people interact. **By 2025, people will not want computers to work...they will want environments (real and Internet-based) in which they can relate, share, communicate, learn, discover, analyze, collide, create and enjoy.**

Top Cities For Apartment Dwellers		
Rank	City	Apartments As A % Of Housing
1.	New York, NY	51%
2.	Washington, DC	42%
3.	Los Angeles, CA	41%
4.	Houston, TX	41%
5.	Dallas, TX	41%
6.	San Francisco, CA	40%
7.	Seattle, WA	38%
8.	Austin, TX	35%
9.	Boston, MA	35%
10.	Denver, CO	33%
11.	Chicago, IL	30%
12.	San Diego, CA	29%
13.	Columbus, OH	28%
14.	Charlotte, NC	27%

Source: NMHC

37. To accommodate high-impact entrepreneurs, owners of office and apartment buildings must create collaborative workplace and networking gathering places for new ideas, new companies and tenant-sharing space. There are now over 6,000 co-working spaces worldwide and over \$1.0 billion has been raised to grow this tenant/user niche. Work and home will blend for these innovators and make-a-difference entrepreneurs. Career paths will be a lattice configuration rather than a ladder to the top. **States that encourage and incentivize creativity and creative class entrepreneurs will prosper. States that are high tax, high regulation and anti-business will struggle and dramatically lose market share by 2025.** Degrees in Entrepreneurship will rival the number of business degrees. States like Illinois, New York, Maryland, California (Silicon Valley and the San Francisco Bay are exceptions) and New Jersey lead the nation as the “worst states” for economic and personal freedom, according to George Mason University. Perhaps that is why most Apple employees do not work in California, and hundreds of companies with tens of thousands of employees have relocated out of the Golden State.

Hall of Fame Modular Building Manufacturers
<ul style="list-style-type: none"> ▪ Pacific Mobile Structures, Inc. ▪ Porta-Kamp, Inc. ▪ Ramtech Building Systems, Inc. ▪ Reliance Asset Management ▪ Satellite Shelters ▪ T.R. Arnold & Associates, Inc. ▪ Whitley Manufacturing Co., Inc.

Source: Modular Building Institute.

38. Crowdfunding for real estate ventures and public stock for individual real estate assets will become more popular. With \$300 billion of real estate loans to be refinanced over the next three years and an estimated 20% of those loans will need more equity, crowdfunding may be a solution. **Crowdfunding in the real estate industry reached nearly \$2.5 billion in 2015**, according to Forbes magazine. Expect this number to grow to \$50 billion - \$75 billion by 2025. Firms like RealCrowd, Prodigy Network, RealtyShares, Fundrise and others will likely dominate this emerging capital raising activity. **I expect private credit to grow significantly. By 2025, it could be of equal prominence with the level of private equity.** Regulations are making it nearly impossible for small- to mid-size banks to lend. In this void, private credit will emerge in a P2P lending platform. Private lenders will be able to offer lower rates and better terms because of their efficiency and absence of high cost facilities and overzealous regulations.

Top Enterprise Cities		
Rank	City	Metro Areas
1.	Austin, TX	Austin, Round Rock, San Marcos
2.	Miami, FL	Miami, Ft. Lauderdale, Pompano Beach
3.	San Jose, CA	San Jose, Sunnyvale, Santa Clara
4.	Los Angeles, CA	Los Angeles, Long Beach, Santa Ana
5.	Denver, CO	Denver, Aurora, Broomfield
6.	San Francisco, CA	San Francisco, Oakland, Fremont
7.	New York, NY	New York, Northern New Jersey, Long Island
8.	Houston, TX	Houston, Sugar Land, Baytown
9.	San Diego, CA	San Diego, Carlsbad, San Marcos
10.	San Antonio, TX	San Antonio, New Braunfels

Source: Kauffman Index.

39. With a population of nearly 80 million, **a growing percentage of Millennials will relocate to and/or continue to live in the suburbs.** Millennials tend to live in areas similar to where they previously lived. In 2014, over 16% of Millennials moved from a city to the suburbs. The likelihood of relocating to the suburbs increases dramatically once a Millennial reaches age 30 or older. By 2025, expect an accelerated percentage of Millennials to move out of the CBD. Over the next decade, Americans will live, work and shop in markets that are considered “cool/hip,” authentic, amenity-rich, transit-oriented and resilient. Seeking lifestyle and “people like them” will be a prime driver of the “Great Shift” among Americans. Whether it is starting a family, settling down or retiring, the attention will be around markets that are inviting, appealing, safe and secure, and progressive. The great suburban to urban (Boomers) and urban to suburban (Millennials) is now underway. That will be a boom to many real estate investors and developers in those select dynamic markets.

Benefits Are Expanding	
Benefit	% Real Estate Firms Are Providing
Telecommuting	35%
Flex Time	45%
Free/Subsidized Parking	44%
Business Casual Days	67%
Wellness Programs	49%
Onsite Workout Facility	28%
Paid/Subsidized Professional Dues	47%
Tuition Reimbursement	58%

Source: CEL & Associates, Inc. 2015 Compensation & Benefits Survey

40. **Women could comprise nearly 40% of the C-suite positions within real estate firms by 2025.** The share of women CEOs taking office has risen 71% over the past five years. In 2015, women held 18.8% of board seats. Women currently account for 57% - 62% of all undergraduate degrees earned. Nearly 71% of women high school graduates enrolled in college vs. 61% for men. Women make up 25% of ULI's membership, but account for only 14% of its CEOs. Sixty-two percent of women aspire to attain a C-suite position or start their own company. Real estate firms must become more women-friendly to remain competitive by 2025.

41. **Human Resources Directors increasingly will make or have significant impact on lease negotiations and space design.** Real estate brokerage firms should re-engineer their client service models to appeal to the Talent Managers (Human Resources Directors) rather than focus solely on the Directors of Real Estate, Chief Financial

Shifts In Talent Management		
<i>Old Way</i>		<i>New Way</i>
<input type="checkbox"/> Standardized Policies	→	<input type="checkbox"/> Governing Practices
<input type="checkbox"/> Standardized Training	→	<input type="checkbox"/> Personalized Improvement
<input type="checkbox"/> Check-The-Box Hiring	→	<input type="checkbox"/> Core Competency & Values Hiring
<input type="checkbox"/> One Week Onboarding	→	<input type="checkbox"/> Never-Ending Onboarding
<input type="checkbox"/> Training As A Cost	→	<input type="checkbox"/> Training As An Investment
<input type="checkbox"/> Orchestrated Practices	→	<input type="checkbox"/> Orchestrated People
<input type="checkbox"/> Human Resources	→	<input type="checkbox"/> Talent Management
<input type="checkbox"/> Set Procedures	→	<input type="checkbox"/> Ingrained Behaviors
<input type="checkbox"/> On-High Directives	→	<input type="checkbox"/> Engaged Solutions
<input type="checkbox"/> On-High Decisions	→	<input type="checkbox"/> Collaborative Decisions
<input type="checkbox"/> One Star	→	<input type="checkbox"/> Galaxy Of Stars

Source: CEL & Associates, Inc.

Officer or CEO. There are over 125,000 Human Resource Directors in the U.S. today. According to a recent KPMG study, "59% of HR Directors will grow in strategic importance" within U.S. companies. Increasing worker productivity and employee satisfaction will become one of the top priorities within Corporate America. **Many future leasing decisions will be made by the Director of Human Relations.** Landlords and Brokers be aware!

42. **Customer loyalty programs** (3.3 billion loyalty membership programs in the U.S.) **will move into the real estate industry.** Tenants and residents will earn "points" for rent paid and ancillary services used, tenants will expect loyalty "credits" for tenure and energy conservation, and retailers will want "credit" for foot traffic generated. Because brand loyalty is important, **real estate assets will move from static structures to dynamic destinations.** What would happen if apartment residents' loyalty points could be used to purchase gifts (similar to the FedEx Rewards program) or be used for vacation travel? **Watch for Platinum, Gold, Silver and Bronze property-based service levels in a "you-get-what-you-pay-for" lease structure.** All tenants and residents will not be treated equally.

43. **Watch for an overall building rating system** with a scorecard on such matters as tenant or resident satisfaction, energy efficiency, safety and security, proximity or access to supportive services and amenities, "healthy" environment, parking, etc. Credible green building ratings (e.g., USGBC, Green Globes, ENERGY STAR and others) will be commonplace. However, there is a growing trend away from the very costly USGBC ratings as building owners become more interested in cost-effective rating systems that help them design and operate their properties profitably.

44. **The talent shortage will continue in the real estate industry through 2025** due to a shift from a supplier of services to a provider of knowledge and a workplace lifestyle solution for tenants. Technology advancements; use of temporary, contingent or contract workers; modernization; accelerated retirement of many C-suite Baby Boomers; and a lack of job-ready college graduates will contribute to this shortage. Identifying and retaining "high potential" and "next-generation leaders" will be a priority for all real estate firms seeking success. **Beginning in**

2015, the real estate industry could be faced with a potential shortage of 15,000 – 25,000 qualified workers per year through 2025. Watch for the emergence of “brain training” (e.g., Luminosity) platforms to facilitate bringing and keeping all employees “up-to-speed.” **Training within real estate firms by 2025 will become more social and game-based.**

45. **The aging and retiring Baby Boomers will accelerate the process of downsizing homes and lifestyles.** Many will relocate and rent near colleges and universities, walkable urban areas, zones near retail, healthcare and entertainment facilities and in or adjacent to places where “second careers” can be started or fostered. Living longer will mean an encore career for some, an entrepreneurial start for others, and a volunteer path for those so inclined. Watch for many municipalities to rethink how they serve this burgeoning population of active adults. It is no longer about golf and tennis, but it is all about “staying relevant.”

46. **As much as 35% to 45% of current office work will be conducted away from the office.** Home offices, co-working facilities, shared offices, shared desks, and workspace by demand will flourish. Watch for firms like Marriott, Starwood, Hyatt and Hilton to create “pop-up offices.” Mobile/web apps like WebEx, LiquidSpace, GoToMeeting, AnyMeeting, meetingBurner, CliqMeet, Join.me and Twiddla, among others, will create point-and-click ways for

Major Office Shifts Are Underway	
From...	To...
<input type="checkbox"/> Managing Four Walls	<input type="checkbox"/> Managing Inside The Four Walls
<input type="checkbox"/> Dedicated Offices	<input type="checkbox"/> Unassigned Work Space
<input type="checkbox"/> Locked Doors	<input type="checkbox"/> Collaborative Space Designs
<input type="checkbox"/> Work From Offices	<input type="checkbox"/> Work Remotely
<input type="checkbox"/> Face-To-Face Meetings	<input type="checkbox"/> Virtual, Skype, GoToMeeting
<input type="checkbox"/> Fixed Walls	<input type="checkbox"/> Movable Walls
<input type="checkbox"/> Attached Workforce	<input type="checkbox"/> Untethered Workers
<input type="checkbox"/> Controlling Boomers	<input type="checkbox"/> Collaborative Millennials
<input type="checkbox"/> Office Buildings	<input type="checkbox"/> Workplace Environments
<input type="checkbox"/> Old Technologies	<input type="checkbox"/> New Technologies
<input type="checkbox"/> 9:00 to 5:00 Office Day	<input type="checkbox"/> 24/7 Workplace

Source: CEL & Associates, Inc.

people to work and meet...outside of a dedicated office. **As many as 35% to 40% of today’s workforce could be “freelancers” by 2025.** Telecommuting will create a generation of nomadic offices. Expect a dramatic increase in tenant improvement costs over the next 10 years to accommodate the “office of the future.”

47. **Real estate firms hiring Millennial and Generation Z talent must dramatically restructure their talent management plan and strategy to attract and retain these professionals.** Real estate organizations, by 2025, must demonstrate diversity, entrepreneurial operating procedures, empowered organizational architecture, collaborative workplace policies and practices and encouragement of innovative thinking. In a recent study conducted by Connect EDU, 60% of college graduates plan to search for jobs on the websites of companies they want to work for, 45% plan to attend recruiting events and 42% plan to work with their college’s career services department. A little over 25% intend to use LinkedIn, and Millennials are far more likely to search for jobs on their mobile devices. Watch for 75% to 80% of real estate firms to be active in civic, social and environmental charities/initiatives. Making a difference in society will be as important as executing business strategies that create Stakeholder value. Over the next decade, real estate firms will need to restructure their recruitment efforts dramatically to attract, retain and motivate the best and the brightest.

48. **The average number of square feet per employee in office buildings will shrink to less than 100 sf.** The cubicle and collaborative workspace in 2025 will feature adjustable desks; personalized temperature control; noise-cancelling speakers; privacy shields; media walls; electronic smart glass windows; transparent holographic project screens; Google glass (3D); and personal connectivity stations. **This “democratizing access” trend will continue through 2025.** The accelerating use of Instagram, Twitter, LinkedIn, Facebook, Google, YouTube, Pinterest, Yelp, Foursquare and others will reshape the need for and use of fixed office space.

Interior designs and common areas must create opportunities to maximize chance encounters and unplanned interactions. Seeking ways to create sparks when people and ideas collide will become the design mantra of office building developers and owners. **Watch for a new metric to emerge that focuses on worker productivity, not number of workers per square foot.** Removing “wasted square feet” to create “peak day performance” will be a challenge for many owners and operators of office buildings. **Office space must become a tool for growth, not a place to occupy.**

49. The consolidation of real estate will continue as technology, client demands/expectations and governmental regulations, standardized operating procedures, reporting and documentation practices, building standards and energy conservation requirements will create a more uniform real estate industry. **Expect investors and lenders to demand “approved” succession plans** for key leaders. In addition, do not be surprised to see mandated annual appraisals for buildings over a certain value. In addition, **watch for legislation requiring all Property and Community Managers to be “licensed and certified.”**
50. **The real estate industry slowly will become America’s Energy Czar.** The nearly 14 billion sf of LEED-certified building space could double by 2025. The number of ENERGY STAR certified buildings could increase to nearly 50,000. Watch for the Federal government to issue its own “Green Standard” (beyond ENERGY STAR) as minimal criteria for obtaining a FDIC-bank loan. **It would not be surprising to see the U.S. Department of Energy require all buildings sold in America to set aside an escrow account to bring the to-be-sold building up to minimal “Green” standard. Furthermore, an increasing number of states and cities will, by 2025, impose “energy inefficiency taxes.”**

What Do Millennials Want In Office Space?

- Work-Life balance
- Flexible schedules
- Collaborative workplace
- Open work stations
- Small lounge areas
- Informal conference space
- Many places to plug-in
- Relaxation areas
- Places for unexpected collisions
- Natural lighting
- Use of recycled materials
- Carbon neutral
- Re-configurable format
- Functionality
- Storage lockers
- Scribble walls
- Informal seating areas
- Pet friendly

Millennials do not like the lack of sound privacy.

81% of Millennials want to choose their own work hours.

Source: CEL & Associates, Inc.

51. Office buildings in 2025 will function like the Ritz Carlton or Marriott, operate like a timeshare and appear and function like TSA’s airport security. Office space will be modular with “walls on wheels,” wellness features, natural features (indoor streams, forests, plants and lighting, and robust air filtration systems). **Office buildings will shift from 8 a.m. – 6 p.m. to 24/7 activity centers.** Tenants will create two or three workforce shifts to maximize dedicated space. Watch for an increase in “immersion suites” and tele-presence meeting platforms. **The rise of “Any Time/Any Place” office space will be very active by 2025.**
52. **Watch for companies like Starbucks, Marriott and others to create dedicated meeting and networking space.** Flexible meeting space will have food service and technology amenities that feel more residential. Imagine what would happen if only 20% of the over 11,000 Starbucks or

90,000 hotels in the U.S. became an extension of one's office. **Office connectivity will be wherever and whenever you want it.**

53. **By 2025, there will be a flood of new titles within the real estate industry.** Titles such as Enterprise Director (replacing Property Manager), Alternative Currency Banker, Locationists, Business Colony Manager, Competition Producers, Octogenarian Service Providers, Workplace Environmentalists, Urban Agriculturalists, Talent Management Director, Alternative Energy Coordinator, Cyber Security, Director of Sponsorship, Innovations Director, Lifestyle Consultant (formerly residential leasing representatives), etc., will flourish.

54. **Watch for the issuance of the “digital tenant chip” to all tenants and residents,** granting access to elevators, office space, parking facilities, common space, restrooms, dining areas, secured trash and recycling areas, and recreational facilities. Each chip will activate access, lighting, signage (personalized), communications, facilities access and safety/security oversight. Heat mapping will be commonplace in retail, office and multifamily properties. Expect **many retail real estate companies to create Asset Behavioral Specialists to improve building design and customer traffic engagement.**

55. **Grocery stores will become an extension of the American home.** Banking, insurance, counseling, healthcare, soft goods, computer support, connective services to “approved” local service providers, education, government interface and (of course) food and beverage will become an integral part of major grocers. Did you know that in 2015, around 33% of Americans have not visited a bank in the past year? **Owners and**

Top Jobs In 2025

- **Personal Worker Brand Coaches and Managers:** In the world of “on-demand” workers, a new set of skills will be needed. These are related to “self-management, self-promotion, relentless marketing, administration and self-development.”
- **Professional Triber:** A freelance professional manager that specializes in putting teams together for very specific projects.
- **Freelance Professors:** Online courses and alternative accreditations will give rise in growth of freelance or independent professors.
- **Urban Farmers:** Small artisan farmers will continue to grow as urban farming becomes more significant.
- **End-Of-Life Planners:** The senior population continues to increase, and Boomers will be redefining that last phase of their lives.
- **Senior Carer:** By 2025, the World Health Organization predicts that 63% of the global populations will live to over the age of 65. At the moment, life expectancy is increasing about 1.5 days per week.
- **Remote Healthcare Specialist:** This includes a range of healthcare specialists who are capable of creating systems/devices to proactively track health issues and/or be involved in remote [virtual] healthcare relationships with patients.
- **Neuro Implant Technician:** Our knowledge of the brain is currently developing more quickly than almost any scientific field. A large diverse range of disciplines will be needed.
- **Smart-Home Handyman:** As the smart home continues to evolve, there will be a need for technically adept handymen and women.
- **Virtual Reality Experience Designer:** Virtual reality will be as much a part of our lives as the Internet and our iPhones are today.
- **3-D Printer Design Specialist:** People will become more interested and appreciative of 3-D printing and will hire technicians to design and print objects for them.
- **Sustainability Manager:** Corporate Executive position that is in charge of the firm's environmental programs. The Manager “formalizes” their commitment to the environment.

Source: CEL & Associates, Inc. and [Fast Company](#).

operators of retail real estate assets will need, by 2025, a full-time “Program Management” department to bring entertainment and positive visitation experiences to all visitors. Malls and regional community centers must reinvent themselves to enable a more robust human engagement and multi-generational experience. Striking a balance between the digital and bricks-and-mortar shopper will be critical for asset performance success.

56. Only 41% of Millennials shop at traditional grocery stores. Every store in the world is in the pocket (cell phone) of each Millennial. **Approximately 72% of Millennials do their retail shopping online** before going to a store or mall. This “fauxsumerism” or “contraconsumerism” is shifting buying to a more neutral, shared, traded or barter retail environment. **Shopping in 2025 must be entertaining, educational, informative, engaging and a desired destination. As many as 65% - 75% of today’s retail centers do not meet these criteria.** Follow the trends of Uber, Airbnb, SquareSpace, Real Rentals and Rent The Runway to see what 2025 may look like.

Rapidly-Growing Food/Grocery Delivery Services			
<input type="checkbox"/> CampusFood	<input type="checkbox"/> Doordash	<input type="checkbox"/> Grubhub	<input type="checkbox"/> Placebag
<input type="checkbox"/> Caviar	<input type="checkbox"/> Eat 24	<input type="checkbox"/> iMenu 300	<input type="checkbox"/> Plated
<input type="checkbox"/> ChowNow	<input type="checkbox"/> EAT Club	<input type="checkbox"/> JustEat	<input type="checkbox"/> Restaurantoncloud
<input type="checkbox"/> Culinar	<input type="checkbox"/> EatStreet	<input type="checkbox"/> Maple	<input type="checkbox"/> Restolab
<input type="checkbox"/> Deliveroo	<input type="checkbox"/> FoodToEat	<input type="checkbox"/> MealClick	<input type="checkbox"/> SnapFinger
<input type="checkbox"/> Delivery Here	<input type="checkbox"/> GetQuick	<input type="checkbox"/> MenuDrive	<input type="checkbox"/> Spoonrocket
<input type="checkbox"/> DiningIn	<input type="checkbox"/> Gimmegrub	<input type="checkbox"/> OrderLunch	<input type="checkbox"/> Sprig

Source: CEL & Associates, Inc.

57. **Owners and managers of retail real estate assets will be impacted by a rapidly growing “home delivery” trend.** In 2014, more than \$1 billion in venture capital money was invested in food and grocery delivery platforms. The race to convenience and focus on having more “personal time” will change the way many retail centers operate. Watch for the emergence of “virtual” restaurant chains (good for owners of industrial kitchens...bad for owners of storefront food service properties). Drone delivery services will grow, and the new “village economy” will be an increasing reality. The shareable food movement, underground restaurants, private clubs, private cafes, private markets, urban homesteaders, food swap events, raising chickens or vegetables, and gift-economy restaurants are growing in popularity. Check out Munchery, GrabaFruit, Edible Exchange, Gobble, Eatwithme, The Platform Collective and other agriculture bartering platforms as just a few examples of this growing trend. By 2025, consumers will expect and utilize far more office or home delivery options. From groceries to soft goods, delivery services such as Instacart, Amazon, Google and Walmart will require new retail center designs to combine in-store shoppers (automobiles) with online shoppers (delivery trends). Retail centers will look, function and be programmed far differently than they are today. Watch for FedEx to create iPhone-enabled drop-box containers at say 7-Eleven convenience stores. FedEx places your package in a secured locker at a 7-Eleven of your choice, you receive an email or text notification with a code you may use to open and retrieve your package.
58. **The number of farmers’ markets (over 8,100 today) could increase by 30% - 40% by 2025** as access to “health” and “local” food products continues to rise. Watch for many commercial

real estate owners and operators to make their underutilized parking lots “weekend community centers.”

59. Communities increasingly will require real estate and value-add owners, developers and operators to provide **dedicated parking spaces for Zip car-like services, racks for shared bikes and parking spaces as delivery zones for many just-in-time deliveries.** Check out the bike-sharing platforms of CitiBike, Motivate (nation’s largest), Divvy, CoGo Bike Share and Pronto Cycle Share to learn what most U.S. cities will likely have by 2025. The number of people who travel to work by bike has increased nearly 60% over the past decade (now over 750,000 individuals). In Portland, over 6% of workers commute by bicycle.

60. Watch for combined growth in “friends-in-the-making” enterprises. Firms like Airbnb, Vayable, Eat, Spinlister, TaskRabbit, Fon, Yerdle and Boatbound, to name just a few, will alter the role of real estate dramatically. **By 2025, real estate will increasingly shift from a place to go to a place to connect. The physical space will become less important than the connective or interactive space.**

61. Robotics, and building designs that incorporate robotics, will transform the warehouse/distribution sector as the movement of goods demands 24/7 speed, efficiency and scale. **By 2025, 40% or more of existing warehouse/distribution space must be adapted or redeveloped for a new generation of goods-to-man, not man-to-goods.** Entities like Kiva Systems, Fletch Robotics, Swisslog’s CarryPick System and Bastion Solutions, among others, will lead the way to a wave of more functional warehouse and distribution facilities. A Chinese firm has built the first 3-D printed, five-story apartment building. The times are indeed changing!

62. One unfortunate 2025 prediction is the outcome of an increase in domestic terrorism. **Within the decade, there could be 15 – 20 or more significant terrorist events in the U.S.** The net

Office Portfolio Sales Are Growing				
Year	Transaction Summary (\$ Billions)			
	Individual	Portfolio	Entity	Total
2010	\$38.5	\$7.6	\$0.6	\$46.8
2011	\$57.2	\$9.1	\$0.5	\$66.9
2012	\$67.4	\$11.6	\$2.6	\$81.6
2013	\$79.9	\$19.9	\$5.6	\$105.4
2014	\$96.1	\$27.4	\$2.4	\$125.8
2015	\$105.2	\$36.2	\$4.4	\$145.8

Industrial Portfolio Sales Are Growing				
Year	Transaction Summary (\$ Billions)			
	Individual	Portfolio	Entity	Total
2010	\$13.0	\$7.8	\$0.0	\$20.8
2011	\$20.1	\$8.4	\$7.8	\$36.3
2012	\$25.8	\$11.3	\$0.2	\$37.4
2013	\$29.2	\$10.7	\$6.4	\$46.3
2014	\$35.7	\$11.1	\$3.1	\$49.9
2015	\$38.3	\$18.1	\$20.1	\$76.5

Retail Portfolio Sales Are Growing				
Year	Transaction Summary (\$ Billions)			
	Individual	Portfolio	Entity	Total
2010	\$16.9	\$6.2	\$0.0	\$23.1
2011	\$26.0	\$9.1	\$9.4	\$44.6
2012	\$41.5	\$12.4	\$3.7	\$57.7
2013	\$40.4	\$15.8	\$6.1	\$62.2
2014	\$54.5	\$19.5	\$12.7	\$86.7
2015	\$59.2	\$20.9	\$7.5	\$87.6

Source: ©2016 Real Capital Analytics, Inc. All rights reserved.

result will be TSA-like security at retail malls, office buildings, high-rise properties, theaters, restaurants, urban mixed-use projects, sports venues, transit centers and other gathering places. Real estate developers should incorporate high-security features and capabilities into design considerations...today!

63. **Within a decade, there will be thriving underground parks, office and retail complexes.** Using remote skylights, inverted pyramid designs and “fresh” air and sunlight technologies adding “space” does not have to be linear...it can be a reversed vertical. Shanghai and Beijing (34 million sf of underground space by 2020), and Helsinki (more than 400 underground facilities) lead the way.
64. **According to the U.S. Census Bureau, the 65+ age cohort’s share of the U.S. population will grow from 13% in 2010 to more than 20% by 2030.** Medical office space is now around 20% - 25% of all U.S. office space under construction. The shift from on-campus, inpatient care to outpatient treatment in off-campus facilities is accelerating. By 2025, medical office space will be integrated via technology and satellites in shopping centers, grocery stores, large mixed-use and apartment assets and in large office complexes. **Bringing healthcare to the patient (vs. having the patient come to the healthcare provider) is becoming the new paradigm.**
65. The current zoning throughout the U.S. is not reflective of the dynamic changes in how individuals work, shop, live and recreate. **Rapid urbanization and globalization mandate a new definition of zoning.** By 2025, more progressive U.S. cities (Seattle, Portland, Ann Arbor, College Park, Boulder among others) could lead this initiative. **A new urban zone structure that encompasses urbanity (people and places) will emerge over the next decade.**
66. **For many reasons, the era of the live-on-campus college degree is coming to an end.** Many colleges depend on public subsidies to balance their budgets, and while endowments help, colleges and universities are faced with rising costs and tuition levels often beyond the reach of most families. **Approximately 7 out of 10 graduating college seniors have student loan debt, and currently \$1.4 trillion in student loan debt is outstanding; nearly 40 million Americans carry student loan debt.** Specifically, many law schools are or soon will be facing financial challenges. Online education is becoming a popular option that negates the need to “come to campus,” and digital platforms capable of tracking students’ progress will be commonplace by 2025. The “school year” will be replaced by on-demand, online classes that enable the student to set his/her education pace. Students will be able to take classes online from one university and transfer the credits to another. Over the next decade, colleges and universities will unbundle their curriculum to focus on skills and learning, not semesters. For the real estate industry, the “mobile and digitally connected” university student may not reside at the college. As a result, the future of some college towns will be in jeopardy.

Closing Comments

Since the future depends upon what one does in the present, this second set of Predictions should create a mandate to change or be left behind. While all your experiences and knowledge consists of what you have already done, the future depends on the decisions you make today. Our next issue will highlight Predictions #67 through #100.

I welcome your comments, feedback, insights and perspectives.

Regards,



Christopher Lee

SPECIAL ANNOUNCEMENT

Over the past 20 years, we have received hundreds of emails and inquiries asking us to create a weekly "short issue" on matters of strategic importance. We are pleased to announce that **beginning in 2016 we will send out a weekly two-page newsletter called *Leadership Conversation***. This will feature one topic, provide recommended strategies, include a prediction and highlight key questions to ask at your next Executive or Management Committee. The results of our pilot test with the concept and format have been very positive and we are excited for this 2016 kickoff. ***Strategic Advantage*, our regular newsletter, will continue as a quarterly publication.**

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Prior Newsletters: If you would like to download prior newsletters, please go to the following links.

The Real Estate Industry In 2025, 100 Bankable Predictions You Need To Know, Part I

<http://www.celassociates.com/onlinenewsletter/BankablePredictions-PartI-SA-K021416.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>

Breaking Strategic Gridlock

<http://www.celassociates.com/onlinenewsletter/BreakingStrategicGridlock-SA-K041713.pdf>

The Great Generational Divide

<http://www.celassociates.com/onlinenewsletter/TheGreatGenerationalDivide-SA-K091812.pdf>

Becoming A Customer-Centric Company

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

It Is Time To Get Rid Of Oldco!

<http://www.celassociates.com/onlinenewsletter/TimeToGetRidOfOldco-SA-K030712.pdf>

A Contrarian Perspective

<http://www.celassociates.com/onlinenewsletter/AContrarianPerspective-SA-K110211.pdf>

The Role Of Real Estate In Society

<http://www.celassociates.com/onlinenewsletter/TheRoleOfRealEstateInSociety-SA-K091411.pdf>

Tomorrow Has Already Arrived

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Real Estate Outlook 2010-2020 Part II

<http://www.celassociates.com/onlinenewsletter/RealEstateOutlook.2010-2020-PartII.SA-K060110.pdf>

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