

Issue K120120

Retrench, Recover, Reset & Retool Real Estate Strategy Imperatives...Post-COVID-19

Over 100 Facts You
Need To Know
Plus...
A 5-Year Forecast
Of What Is Ahead

In This Issue

- ◆ *Strategy Imperative #1 Setting Your Company's "True North"*
- ◆ *Strategy Imperative #2 Establish A Strategic Context*
- ◆ *Strategy Imperative #3 Execute With Strategic Intent*
- ◆ *Strategy Imperative #4 Embrace Next-Generation Evolving Technology*
- ◆ *Strategy Imperative #5 Create A Company With Purpose*
- ◆ *Strategy Imperative #6 Invest In Human Capital*
- ◆ *Strategy Imperative #7 Move The Needle...Don't Be A Spectator*
- ◆ *Strategy Imperative #8 Build A Robust Business Intelligence Platform*
- ◆ *Closing Comments*

Friends & Colleagues:

What an incredible nine months we have had. From the first "Stay-At-Home" order in California on March 19 to the phased-in "Back to a New Normal" opening of multiple states and regions in the country, to social unrest, resurgence of fall COVID cases and election-year soundbites, the journey has been replete with surprises, disappointments, frustrations and sadness. For a people-intensive, interaction-based industry, the lack of those human touches and in-person relationship builders has been a challenge. **Logic has given way to emotion, normal behaviors replaced by reactive behaviors, and trusting the experts has been supplanted by trusting one's instincts. The impact of COVID-19 on the real estate industry has been significant, transformative and lasting.** [For a full report, see the [previous issue of Strategic Advantage](#) – also linked at the end of this newsletter.]

The New Normal for real estate companies and professionals is emerging as dramatically different from what we envisioned in early 2020. Today, all 2020 operating budgets, projections, pipeline summaries, work-in-progress reports, staffing plans and growth strategies are gone. RIFs, furloughs and compensation cutbacks have been commonplace. Establishing back-to-work protocols is ongoing. The creation of post-COVID-19 strategic plans is increasing rapidly. The fear of tax law changes in 2021 has driven protective strategies. **The Internet of Everything [IoE] has shifted to the Future of Everything!** The COVID-19 Repricing Economy in 2020 is shifting to the Figure-It-Out-Economy of 2021...gradually moving into the Transformational Economy of 2022 and the start of a new



real estate cycle. Thus, the real estate industry must move from Retrenchment...to Recovery...to Reset...to Retooling. **As industry, community and professional leaders, the real estate industry must abandon the bunker mentality and work diligently toward retooling for tomorrow's challenges and opportunities.** Remember...the real estate industry is the facilitator of where we live, work, shop and play. Someone once said, "Let your dreams be bigger than your fears, your actions louder than your words and your aspirations take a priority over staying in place." Those words are so true today. **Your next transformation must be "all in" to move the needle.**

It is neither easy nor wise to ignore the speed, complexity and pace of change facing the real estate industry today. COVID-19 has fast-tracked what was likely to unfold in the real estate industry over five to 10 years. **The real estate industry has truly met 2030...today!** We often take for granted the transformative shifts as they occur but overlook the impact that each disruptive change is having and will have on how real estate is acquired, developed, capitalized, leased, managed, transacted and operated. The unexpected impacts of unfavorable regulatory and/or tax regulations, the dramatic and lasting generational impacts of COVID-19, digital disruption, 24/7 barrage of political discourse and global unrest, and sudden, unpredictable shifts in historically stable capital markets are solid reasons for embracing new real estate strategy imperatives...today! **While the definition of the "New Normal" is unfolding, this is certain: the new normal will be entirely different from the past. There is no going back...there is no return to normal...there is no reason to continue doing what was normal yesterday.** The table on the following page highlights what lies ahead during the next five years...mandatory reading for everyone with a vested interest in tomorrow's outcomes. Seeing through the fog of uncertainty and the unknown must be the priority of every real estate firm. The COVID-19 crisis also has revealed many vulnerabilities within the real estate industry. How do companies deliver a sense of purpose and leverage their scale to benefit society? In a contact-free economy, how do retail experiences, workplace environments and interactive platforms adapt?

Facts You Need To Know

- Automation could eliminate up to 73 million jobs by 2030. *[McKinsey]*
- By 2027, up to 50% of the U.S. workforce could be freelancers. *[Freelancers Univ.]*
- The average age of first marriage is 28 for women and nearly 30 for men. *[U.S. Census Bureau]*
- 58% of workers miss going to the office. *[JLL]*
- Approximately 10,000 Baby Boomers turn 65 every day *[AARP].*
- 22% of Americans have saved \$5,000 or less for retirement, and 15% have saved nothing. *[Northwestern Mutual]*
- 84% of self-storage renters are women. *[Multiple Sources]*
- 70% - 80% of consumer purchasing is controlled by women. *[Forbes]*
- Over 12% of Millennial renters say they plan to "always rent." *[Apartment List]*



Timeline To A New Normal

2020 First Wave & Debilitating Response	Real Estate Outlook	
<ul style="list-style-type: none"> ▪ Lockdowns, stay-at-home, social distancing amid extreme political divide ▪ Remote everything [education, work, shopping, socializing] ▪ Panic/hoarding mindset...“what is next”...grocery and Amazon flourish ▪ Tens of thousands of businesses close [up to 75,000] ▪ Millions unemployed [18m]...30m claim unemployment benefits ▪ Trillions of dollars in stimulus and relief injected in the economy ▪ Dramatic rise in depression, suicides, opioid overdoses, delayed elective surgeries, etc. ▪ Global recession...major travel/tourism and hospitality setback...resurgence of nationalism ▪ The role of and need for real estate has begun to be debated/crafted 	Office	
	Industrial	
	Retail	
	Multifamily	
	Healthcare	
	Single Family	
	2021 Selective Re-Entry Amid Disruptive Caution	Real Estate Outlook
<ul style="list-style-type: none"> ▪ Vaccines emerge...debate over mandatory application and contact tracing begins ▪ Global supply chains shrink...tax revenues decline...debt continues to rise ▪ Move out of urban core to “healthier” suburban locations...affordable housing becomes a stated priority ▪ Selective social mixing and controlled public gatherings ▪ Return to work and dine-in restaurants under “prescribed terms”...rise in satellite offices ▪ Switch from just-in-time to just-in-case production...automation and AI accelerate ▪ Education returns to “on campus” learning [however, 50% remains online] ▪ Dramatic growth in COVID-19 testing, sensors and air filtration systems ▪ Continued business closures and mergers for those who “can’t hold on any longer” ▪ Telemedicine emerges to provide 24/7 connectivity...5G everywhere...rental housing surge 	Office	
	Industrial	
	Retail	
	Multifamily	
	Healthcare	
	Single Family	
	2022 Re-Leveling The Playing Field	Real Estate Outlook
<ul style="list-style-type: none"> ▪ Burst of new “employee/worker” mandated benefits and healthcare ▪ Wages rise, number of marriages increase, childbirth boom, rents begin to spike ▪ National “health standards/protocols” emerge...required before tenants move in ▪ Preparedness demands for employers and institutions ▪ Real estate role in monitoring, screening and prevention within buildings is defined ▪ Conglomerates take over all critical industries/services...amid midterm election shifts ▪ Rising mental health issues for “lost year” emerge...digital healthcare becomes an option ▪ Workplace apps to manage employee movement become commonplace ▪ Sensors everywhere as workplace environments are redesigned ▪ Increased travel, tourism and hospitality 	Office	
	Industrial	
	Retail	
	Multifamily	
	Healthcare	
	Single Family	
2023 A New Normal Begins To Emerge	Real Estate Outlook	
<ul style="list-style-type: none"> ▪ Wave of new jobs emerge in accelerating digital economy...GDP returns to 2019 level ▪ Social gatherings become “protective” normal...new building design standards emerge ▪ Rising societal debate over role of government in people’s lives...Fed debt climbs to \$45 trillion ▪ Big Tech becomes a “shadow” government as work-life balance takes precedent ▪ Resurgence in “lifestyle” neighborhoods and “Zoom Cities” ▪ Smart Everything [walls, elevators, lights, windows, door, cars, PDAs, etc.] is commonplace ▪ The Digital Chip for Tenants and Residents is widely adopted ▪ Nothing gets done in real estate without some application of predictive analytics ▪ Dramatic emergence of the niche real estate enterprise as interest rates slowly rise ▪ Wellness certifications required on all buildings sold, mandatory certification for onsite personnel 	Office	
	Industrial	
	Retail	
	Multifamily	
	Healthcare	
	Single Family	
2024 An Election Year Battle Royale	Real Estate Outlook	
<ul style="list-style-type: none"> ▪ Federalism vs. unitary/centralized governance becomes the societal debate ▪ Generational conflicts over “promised” vs. “needed” obligations...fractional political parties emerge ▪ Tech will be perceived by those under 50 years of age as a force for homogenization ▪ Boomers and Millennials will align to overcome generational adversity ▪ National debate on “housing, education, and healthcare as a right” takes center stage ▪ Historic technology breakthroughs will render the need for a Green Deal obsolete ▪ Solving the debt crisis will be the Millennials’ crowning achievement ▪ Online consumerism will reach 20% - 25% ▪ The Freelance workforce could become 40% of the total workforce ▪ Mandatory health checks, vaccines, immunizations, contact tracing likely 	Office	
	Industrial	
	Retail	
	Multifamily	
	Healthcare	
	Single Family	

■ Growth and optimism
 ■ Selective recovery opportunities
 ■ Significant challenges

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Facts You Need To Know

- 55% of real estate firms offer telecommuting for their employees. [CEL & Associates, Inc.]
- 85% of real estate firms offer an employer-match 401[k] plan. [CEL & Associates, Inc.]
- Pre COVID-19, on an average day in the U.S., nearly 85 million adults consumed fast food. [CNN]
- By 2030, there will be 18.7 million electric cars [7% of total] in the U.S.] [EEI]
- Remote work could cut \$1.2 trillion of tenant real estate spending a year. [Firstbase]
- The share of 25 - 34-year-olds who have lived in their home for less than 2 years is 45.3%. [Zillow]
- 60% of the U.S. workforce cannot work remotely. [McKinsey]
- By 2030, California could lose 4.6 million jobs to automation. [Zero Hedge]
- 53% of office workers value natural light and views of nature. [Future Workplace]
- The current average C-suite has 24% more women than in 2015. [McKinsey Quarterly]

In today's marketplace, principle should take precedence over practice. Socratic ignorance must be embraced in an unbroken chain of asking, "Why?" As Albert Einstein said, "The world as we have created it is a process of our thinking. It cannot be changed without changing our thinking." In the real estate industry, **successful outcomes will be a result of doing different things, not doing things differently.** Today, we must close doors that lead nowhere.

Did you know that the number of U.S. patents per year is now nearly 300,000? That figure was around 72,000 in 1970. In 2019, investments in U.S. PropTech exceeded \$10 billion. In 2020, U.S. PropTech's market penetration accelerated as working remotely redefined "how things get done without on-the-ground personnel." **The real estate industry is in an accelerated shift from the cliché "location, location, location" to a foundation platform of "location, capital, talent, technology and innovation."** Innovative entrepreneurship and thoughts will [re]shape the real estate industry for the next decade. Adverse inevitability, resistance to change, fear of the unknown and preconceived insecurities surrounding unknown outcomes have become success inhibitors for many. **Approximately 50% - 60% of today's real estate CEOs will be gone by 2030** [retired or in phase-down]; the accelerated adoption of predictive analytics and big data is replacing many traditional real estate functions; and that **30% or more of real estate professionals in 2030 have not graduated from college now** should awaken every CEO, Board of Directors, senior leadership executives and real estate entrepreneur. The effective approach is not to muddle through or react when events like COVID-19 occur, but to make uncertainty and complexity allies to achieving a competitive advantage.

To quote the lyrics from a Bob Dylan classic, "The Times They Are A Changin':"

*If your time to you is worth savin'
And you better start swimmin'
Or you'll sink like a stone
For the times they are a-changin'*

“Managing the deal” has given way to “Managing disruption” and “Managing expectations.” Successful real estate companies continue to face pressure from new, nimble, faster-moving and innovative competitors. Expect more, not less, government oversight and scrutiny. Speed of execution, standards of excellence, transparency and empowering a best-in-class talent team is increasingly winning the loyalty of investors, customers and strategic partners. **Delivering top-tier performance mandates – at all levels – relegating yesterday’s strategies to distant memories and creating and embracing those attributes of best-in-class firms** are hallmarks of organizations who intend to be in business for many years to come. Today, real estate companies are a dynamic coalescence of ecosystems. Indeed, the times are a-changin!

Facts You Need To Know

- Up to 200,000 retail stores could be out of business by 2026. [CEL & Associates, Inc.]
- 73% of self-storage facilities are owned by small operators. [Self Storage Almanac]
- 28% of all U.S. households are single-person households. [U.S. Census Bureau]
- Millennials’ credit card debt balances now average \$16,714. [Lending Tree]
- The Gen X median retirement savings is only \$35,000. [Marketwatch]
- 55% of Americans live in “asset poverty.” [Ohio State University]
- The average renter must work 52 hours per week at \$22.96 per hour to afford a 2-bedrm. apt. [NCIHC]
- State pension funds have a \$6 trillion unfunded liability. [ALEC]
- Student loan debt is now around \$1.6 trillion. [SLDS]
- 30% of private sector office-using jobs lost in 2Q were recovered in 3Q. [Newmark]

In this issue of *Strategic Advantage*, we will explore and describe eight strategic imperatives for today’s and tomorrow’s real estate companies and their leadership teams along with over 100 facts you need to know.

Strategy Imperative #1 Setting Your Company’s “True North”

Like the compass needle pointing in a steady direction for navigation, real estate companies must determine and establish their True North. Setting a fixed point in a rapidly changing world will align an organization toward a shared destination. **Currently, real estate professionals at all levels are faced every day with “fork-in-the-road” decisions.** For most, decisions tend to be reactive, instinctive, self-protective and lack consideration of the strategic impact. “If you don’t know where you’re going, all roads lead there.” By setting a clear vision or direction, it is far easier to move from Point A [today] to Point B [tomorrow]. **The Japanese expression “*aru beki sugata*” means “ideally the way things should be” and is a perfect guidepost on what needs to occur in order to reach your True North goal or destination.** Mountain climbers “set their route,” skiers “set their line,” competitive bike racers “set their course,” and sailors “set their sails.” **There can be only one direction, and time is its only measure.** When setting your True North vision, it must be in the direction you want to go...not a statement of where you stand now. If you do not set a clear



vision or direction in today's highly competitive real estate environment, then be prepared for years of frustrating challenges and setbacks. **Remember that you determine your destiny by the direction you choose. You must do more than react...you must act!**

Facts You Need To Know

- 71% of real estate salary increases occur in the first quarter. [CEL & Associates, Inc.]
- Remote work could cut real estate's footprint by 50%. [Firstbase]
- For every \$1 spent on office building operation expenditures, the U.S. economy gains \$2.58. [BOMA]
- Colorado is ranked the #1 state for 2019 LEED certified gross square footage. [USGBC]
- Demand for office space is down 56.4% from Feb. 2020 pre-pandemic levels. [NTS Office Demand Index]
- 54% of Millennials have postponed healthcare due to cost. [KPMG]
- By 2030, nearly 24% of the U.S. population will be 65 years and older. [KPMG]
- Nearly 1 in 8, or 10 million, Baby Boomers will have Alzheimer's disease. [KPMG]
- 67% of U.S. corporations have accelerated automation and AI. [McKinsey]
- The U.S. office market will get back to 2019 operating levels by 2025. [C&W]

Setting a clear vision of what you, your company, division or operating vertical want to achieve/accomplish over a period of time [say, the next three to five years] enables you to develop and embrace the goals and key strategies needed to get there. Defining/setting the expected outcomes, while giving individuals and teams the autonomy they need to achieve those outcomes, is required. Employees in real estate firms across the country and at all levels are advocates for leadership decisions that they can be proud of and, without hesitation, embrace. Even in today's turbulent and dynamic marketplace, where uncertainty, surprises and the unexpected abound, **knowing where you are going or what you are trying to achieve will be the consistent, binding belief shared by everyone in your organization.** It is like a vacation...are you going to Alaska or Hawaii? Depending on the destination, you will organize and pack very differently. So, too, within the real estate industry.

To establish your True North vision of where you are going first requires you to determine or define success three to five years, and expectations seven to 10 years, in the future. In a post-COVID-19 marketplace, **best-in-class firms don't wait to see what has happened...they identify ways to "make it happen."** Do you measure success financially, operationally, by customer, by service, by value created, by loyalty, by brand value, by productivity, by TSR or by many other metrics? What is important to you and the organization that, if accomplished, would assure current and long-term success? Understanding your company's strengths, weaknesses, competitive advantage and potential threats is an important deliberative process to complete. You must perform an honest assessment of what the organization has done well and not so well. What have been the barriers to success? What are your competitors [existing and prospective] doing better than you? What resources or technologies do your competitors have that give them a strategic advantage? What market, client/customer, technology, capital, demographic and product trends are and/or could in the future shape/determine



opportunities? Understandably, **many real estate leaders struggle to balance the multiple and varying interests of all Stakeholders, setting and achieving alignment around far-reaching goals while attending to the priorities of today.**

Do not confuse a Mission Statement [what you do, how you do it and whom it benefits] with a vision or True North Statement. Mission Statements are programmatic. A Vision or True North statement is a visceral affirmation of direction. **Setting and embracing your “True North” will provide clarity, purpose, priorities and aspirations throughout the organization.** Your stakeholders want their Company to have meaning, purpose and direction.

Facts You Need To Know

- 73% of U.S. companies have implemented onsite distancing and sanitizing. *[McKinsey]*
- COVID-19 has reduced operating expenses for 88% of businesses. *[Work Survey]*
- 44% of workers miss interaction with colleagues. *[JLL]*
- Office space SF per person is expected to increase 30% - 35%. *[Gensler]*
- 54% of Executives worry about remote worker productivity. *[Work Survey]*
- 70% of U.S. companies intend to use more ICs and Temps within 2 years. *[McKinsey]*

Strategy Imperative #2 Establish A Strategic Context

To align your organization toward its True North vision, you must provide/define the strategic context for “why” you have adopted the key strategies and business model. Who are your customers? What are your customers “expecting?” How are your customers changing? What are the current and likely future disruptors? How has COVID-19 altered current and future opportunities? How are you addressing or how should you address the uncomfortable truth that tomorrow will never be like yesterday or today? What market segments can or could create the “best” future opportunities? How are your competitors positioned to capture emerging opportunities? What is your strategy to overcome these competitors’ moves? What are the major factors [market, competitor, customer, investor, tenant/resident, etc.] driving your business model and success? Should you be concerned about new or emerging competitors or disruptors? What is unprofitable, redundant, non-core and/or nonessential, and how can you eliminate those distractions?

Creating the strategic context means having a common set of assumptions that will drive success or derail expectations. Knowing what resources, business processes and key strategies that are needed to win must be developed, shared and embraced.

Knowing what drives/determines success also means the organization is prepared to pivot when market or competitive conditions change. Having a strategic context enables an organization to understand and proactively respond to economic, political, social, technical, legal, regulatory and shifting market environments.

An interesting exercise for your company is a practice called “**walking the fence line.**” Like a farmer, you need to “walk around” the business looking in, observing what is going on, viewing the organization from an “outsider” point of view and seeing your company compared to your neighbors [competitors]. What is working...and what could be improved or eliminated?

Facts You Need To Know

- 50% of high-income Millennials think they will “work forever.” [*Business Finance*]
- ‘BOPIS” [buy-online-pickup-in-store] has increased 62%. [*RIS*]
- Spending on “reality technologies” will reach \$7 billion in 2020. [*Coresight*]
- 3D homes take 24 hours to build and cost around \$4,000. [*BANDD Designs*]
- 72% of real estate firms have a professional appearance policy. [*CEL & Associates, Inc.*]
- 66% of real estate professionals expect space reduction because of changing work patterns. [*EY*]
- 76% of real estate professionals may be working remotely 1 - 3 days per week. [*EY*]
- 31% of U.S. consumers, post-COVID-19, are changing to “spending less.” [*McKinsey*]
- 64% of real estate firms offer new-hire referral bonuses. [*CEL & Associates, Inc.*]
- #1 CEO priority in 2020 is “preparing for the eventual cycle shifts, post-COVID.” [*CEL & Associates, Inc.*]

When establishing your strategic context, you will examine four aspects: [1] the current situation; [2] strategy formulation; [3] strategy implementation; and [4] strategy evaluation. The speed of execution, sequence of moves, selected channels of opportunities and how the organization intends to “get there” are the cornerstones of a valuable and valued strategic context.

Strategy Imperative #3 Execute With Strategic Intent

In the New Normal for real estate organizations, flexibility, agility and adaptability are requisite foundations for success. Moving forward over the next five to 10 years, real estate Boards of Directors, Shareholders, Partners, Senior Executives and key leaders must shift from viewing the organization as a “machine” to an organization viewed as a “living organism.” In 2018, McKinsey & Company published a great article called, “The Five Trademarks of Agile Organizations,” in which the authors described the significant organization changes occurring because of the digital revolution. According to their research, **agile organizations [i.e., those with strategic intent] have “a 70% chance of being in the top quartile of organizational health.”** Real estate firms that execute with strategic intent generally have higher revenue growth, higher profit margins, faster time to market metrics and more valued customer/client relationships.

Real estate companies with clear strategic intent have embraced True North vision, a network of empowered teams, a continuous learning environment, robust best practices, individual and team accountability and an active ecosystem of empowered governance.

Facts You Need To Know

- 26% of retail purchases were spurred by recommendations on social media. *[McKinsey]*
- U.S. corporate debt is now around \$10.5 trillion or around 47% of GDP. *[Federal Reserve]*
- Between 2017 – 2037, 21 million U.S. homes will be vacated by seniors. *[Wall Street Journal]*
- By 2023, the retail resale market will grow to \$23 billion. *[U.S. Chamber of Commerce]*
- 39% of office workers rate their workplace as a “poor experience.” *[U.S. Workplace Survey]*
- Around 67% of those who rent instead of own do so for financial reasons. *[Freddie Mac]*
- 66% of real estate companies offer tuition reimbursement. *[CEL & Associates, Inc.]*
- 70% of real estate companies have business casual days. *[CEL & Associates, Inc.]*
- 57% of real estate firms have a formal exit interview process. *[CEL & Associates, Inc.]*
- There are over 8,600 CPMs in the U.S. *[IREM]*

Strategic intent is shedding the memories, boundaries, experiences and emotions of COVID-19 and creating pillars of excellence that are most congruent with your strategic intent. Going forward, post-COVID-19, your strategic intent must embed your aspirations, reflections, goals and expectations. **Too often real estate firms have “good intentions” or “reactive intentions;” but do not have “strategic intentions.”** In today’s shifting market and competitive environment, more people in an organization are expected to make decisions, exercise judgment and provide guidance. You can do this successfully only if the leaders and teams understand and embrace the organization’s strategic intent. **Knowing how one is going to win provides a stable platform to deploy assets and deliver exceptional results effectively.** Top-down, command-and-control organizational architecture will not work. When people understand the strategic intent, are given clear responsibility and authority with accountability, they will become highly engaged. Real estate firms need less intuition and more evidence-based transformation. **Establishing individual empowerment with collective interaction will bring alignment...powered by strategic intent.**

Strategy Imperative #4 Embrace Next-Generation Evolving Technology

Tomorrow’s real estate organization increasingly will be managed, operated, monitored and guided by technology...both hardware and software. From drones to artificial intelligence, from predictive analytics to leveraging Big Data and from AR/VR to the IoE, **technology is reshaping and redesigning literally every aspect of the real estate industry.** Everyone “just experienced” the leveraging of working at home or working remotely, the benefits of using Zoom, Microsoft Teams, GoToMeeting, Skype, BlueJeans, etc. and the power of converting data into knowledge, knowledge into strategies...and strategies into opportunities. This could not have happened without a robust technology platform. Improved performance and efficiency at the property or at the company level is making technology a “partner” in greater service, profitability and performance. Machine learning has enabled many “process” functions to become automated tasks.

Facts You Need To Know

- On average, 34% of individual monthly income goes toward paying off debt. *[Northwestern Mutual]*
- 50% of U.S. apartment stock was built before 1980. *[NMHC]*
- Total credit card balances in 1Q 2020 were \$833 billion. *[Research]*
- Sam, the robot bricklayer, can lay 3,000 bricks per day, versus 500 by a human. *[Futurist]*
- Real estate organizations that enable diversity increase motivation revenue by 12.9%. *[Berkadia]*
- 76% of population growth [2019 – 2030] will occur in seven states. *[U.S. Census Bureau]*
- The apartment industry contributes \$4.7 trillion to the U.S. economy. *[Hoyt Advisors]*
- One in five Americans calls Texas or California home. *[The Economist]*
- Real estate companies reinvest less than 1% of revenue into research. *[Inc.]*
- U.S. household debt is now around 77% of GDP. *[Federal Reserve]*

The impact of technology on work and workers will be significant over the next decade.

More real estate professionals will be working remotely, while tech-based solutions will create gathering places for onsite and remote professionals. Real estate leaders will be increasingly confronted with the challenges of managing an ever-changing, inclusive information system. Information exclusivity is disappearing, and real estate organizations are challenged daily on how to determine which data and analytics are most appropriate for managing the business. **The next generation of technology appears to be creating a more transparent and inclusive organization ecosystem.** COVID-19 highlighted the need for reliable and accessible data...24/7 with confidence that the data, analytics and knowledge platform are trustworthy and reliable. Going forward, talent and machines will work together to create the best solutions and outcomes.

The next generation of technology will literally alter and/or eliminate many of today's operating systems, platforms and processes. Watch for windows that generate a building's power needs; self-heating concrete; transparent aluminum [strong as steel]; aerogel insulation; robotic swarm construction [developed by researchers at Harvard]; smart bricks [like Legos on steroids]; and pollution-absorbing buildings ["vertical forests"]. Asset valuation increasingly will be compiled and completed utilizing AI technology. Predictive analytics will redefine and restructure the brokerage industry. CRM programs are becoming more sophisticated. Cloud-based procurement and lease management platforms are changing the roles of several "position" employees. Venture capitalists are investing billions of dollars in new real estate technologies. **Now is the time to embrace the next generation of technology, platform transformation and ongoing complexity in all you do.**

Facts You Need To Know

- 68% of Board of Director members believe their current strategy will be obsolete in five years. *[NACD]*
- 62% of Asset Managers think asset prices have peaked. *[Preqin]*
- 79% of Americans believe owning a home is the American dream. *[Realtor]*
- Nearly 27 million Americans depend on childcare to work. *[McKinsey]*
- 55% of current real estate senior leaders plan to retire before 2030. *[CEL & Associates, Inc.]*
- Less than 50% of real estate firms have a robust Talent Management Plan. *[CEL & Associates, Inc.]*
- 81% of consumers go online before going to a store. *[GE Capital]*
- Nearly 50% of Millennials shop at online-only grocery stores. *[Pew Research]*
- Pre COVID-19, Gen X go to the grocery store 2.3 times a week, versus 1.9 times for Baby Boomers. *[ICSC]*

Strategy Imperative #5 Create A Company With Purpose

One “Generational Shift” occurring now is the transition from “winning at all costs” to “winning with a purpose.” For 100 years, the real estate industry, with a few exceptions, has focused on quantitative outcomes, and relegated ESG to “nice to have, but not a priority.” Qualitative outcomes, social and community impacts and sustainable lasting results have traditionally been relegated to the “nice-to-have” category of performance measures. **The real estate industry**, which has created great cities, engaging building environments and has been a catalyst for creating places where people want to live, work, shop and recreate...**has unwilling [or willingly] placed capital and investment analytics ahead of real estate’s true role or purpose in society.** In today’s and tomorrow’s real estate investment environment, the goal must be to create enduring success that exceeds expectations and results in a valued outcome for all Stakeholders. Tenants, residents, employers and users actively select buildings, locations and managers/operators that are perceived as a trusted, positive contributor to society. In the years ahead, **a significant percentage of real estate firms will have a charitable component to each building’s operating platform.**

Facts You Need To Know

- Between 2016 – 2025, 62% of household growth will be in the affordable sunshine states. *[John Burns]*
- 45% of U.S. workers have a total net worth less than \$25,000. *[Investopedia]*
- Close to 50% of retired households spend more not less money in retirement. *[Motley Fool]*
- Pre COVID-19, mall traffic among teenagers has declined 30% of the past decade. *[Piper Jaffray]*
- Between 24% - 43% of Americans have used a ride-hailing service. *[Vox]*
- A 21-story vertical farm can be as productive as 588 acres of land. *[Despommier]*
- Only 23% of consumers say they prefer visiting stores for the experience. *[KPMG]*
- The average cost for college tuition and five years of living expenses is \$227,000. *[Nerdwallet]*
- 80% of Americans own a smartphone. *[USA Today]*
- 43% of Americans work “occasionally” from home. *[Gallup]*

Having a “Purpose” provides a moral compass for a real estate organization and can influence the culture and values which guide individual and collective behavior. Purpose attracts capital, venture partners, expedites entitlements and is very appealing to those who occupy a building [residents and tenants]. Purpose provides the framework for decision-making and sustainable development. Purpose sets the tone for the selection of suppliers/vendors. The interdependency of Purpose, core values, culture, business practices, brand value, strategic decisions and Stakeholder engagement is critical for immediate and long-term success. Successful partnerships [real or implied] between real estate companies and a diversified Stakeholder group can be mutually beneficial.

Real estate companies with a Purpose are enduring, profitable and highly valued. Purpose creates and adds value to all aspects of one’s business. **To “demonstrate” Purpose, real estate companies must be authentic, value long-term goals as well as short-term results and must demonstrate that “actions speak louder than words.”** Real estate companies with a Purpose are inspiring and aspirational. What does your company stand for? Is your company poised for tomorrow’s civic, social, environmental, community, user and investor purposeful expectations? Remember, organizations lose their way when they lose their why. Mark Twain has a great quote on purpose, **“The two most important days in your life are the day you are born and the day you find out why.”** **Real estate firms that avoid cognitive overload...will be the most successful.**

Facts You Need To Know

- Only 9% of C-Suite positions in real estate are held by women. [CREW]
- 22% of real estate firms provide carpooling/transit subsidy. [CEL & Associates, Inc.]
- 42% of U.S. workers have worked from home during the COVID-19 crisis. [Stanford]
- The three largest foreign buyers of U.S. real estate now are China, Canada, and Mexico. [Statista]
- 57% of real estate firms have wellness programs. [CEL & Associates, Inc.]
- U.S. debt to GDP ratio is 131% (vs. 57% in 2000). [Federal Reserve]
- Retail e-commerce sales are now 9% - 10% of total retail sales. [Statista]
- The number of Cobots in the U.S. could reach 600,000 by 2025. [Business Facilities]
- The average age of a residential real estate Broker in 2019 was 54.6. [The Close]
- More than 844,000 individuals are employed in the property management industry. [iPropertyManagement]

Strategy Imperative #6 Invest In Human Capital

The need to invest capital, resources and business practices pertaining to human capital must be a strategic priority over the next decade. It is a clear fact emerging from COVID-19 that real estate companies with effective talent management programs have a higher propensity of outperforming their competitors than those who don’t. The ability to recruit, motivate, reward and retain talent mandates placing human capital on the same level as investment capital. The ability to ensure a positive employee experience in a transparent and evolving workplace environment must be a priority for every real estate organization. A company that can move [allocate] talent resources quickly across

strategic priorities and/or unexpected circumstances will outperform its peers. **The link between rapid deployment of talent and success has been consistently proven.**

Investment in human capital includes: implementation of a contemporary annual and long-term compensation plan; providing robust benefits and PTO options; ongoing training programs; a dynamic onboarding process; adoption of employee recognition programs; and a top-to-bottom internal communications process. Investing in human capital means empowerment with accountability and creating a welcoming workplace environment. **Talent management has replaced personnel management.** The Personnel Director has been replaced by a Talent Management leader who is also tasked to be the firm's Culture Officer. In addition, leadership development and the deployment of an aggressive recruitment plan will keep you ahead of your competitors.

Facts You Need To Know

- Robots cleaning retail locations has risen to 24%. *[Brian Corp.]*
- 44% of Americans expect to continue buying groceries online. *[McKinsey]*
- Only 14% of U.S. workers trust their CEO to bring them back to work safely. *[C&W]*
- JP Morgan has set aside \$10 billion to cover COVID-19 loan losses. *[Wall Street Journal]*
- Global tourism losses due to COVID-19 could soar to \$3.3 trillion. *[US News]*
- Interest rates are unlikely to rise until 2023. *[New York Times]*
- COVID-19 is expected to reduce U.S. GDP by \$2.5 trillion. *[Texas A&M]*
- U.S. passenger airline departures are 49% below 2019 levels. *[Airlines For America]*

Over the next decade, around 60% of today's real estate CEOs are expected to retire or phase-down. Nearly 45% of today's CFOs are expected to retire. Today, only 71% of real estate CEOs see themselves as "succession ready." Of the real estate firms who have formal succession plans in place, 85% of those plans are *only* for the CEO position. Investing in human capital must be a company-wide strategic imperative. Failure to do so will result in a very unsatisfactory financial outcome. As Dave Bookbinder said, **"The value of a business is a function of how well the financial capital and the intellectual capital are managed by the human capital. You'd better get the human capital part right."** Real estate leaders must be able to learn and adapt on all timescales simultaneously.

Strategy Imperative #7 Move The Needle...Don't Be A Spectator

In every successful outcome, you will find one or more people who were able to see through the cloud of doubt and have made courageous decisions. Margaret Thatcher, the United Kingdom's Prime Minister [1979 – 1990] said, "Don't follow the crowd, let the crowd follow you." Henry Kissinger said, "The task of the leader is to get his people from where they are to where they have not been." Moving the needle means committing resources to innovation, supporting new initiatives, incubating ideas and investing in talent, systems and processes. One cannot stand by in today's highly

competitive marketplace waiting on the sidelines for others to lead, capture market share and/or create new opportunities.

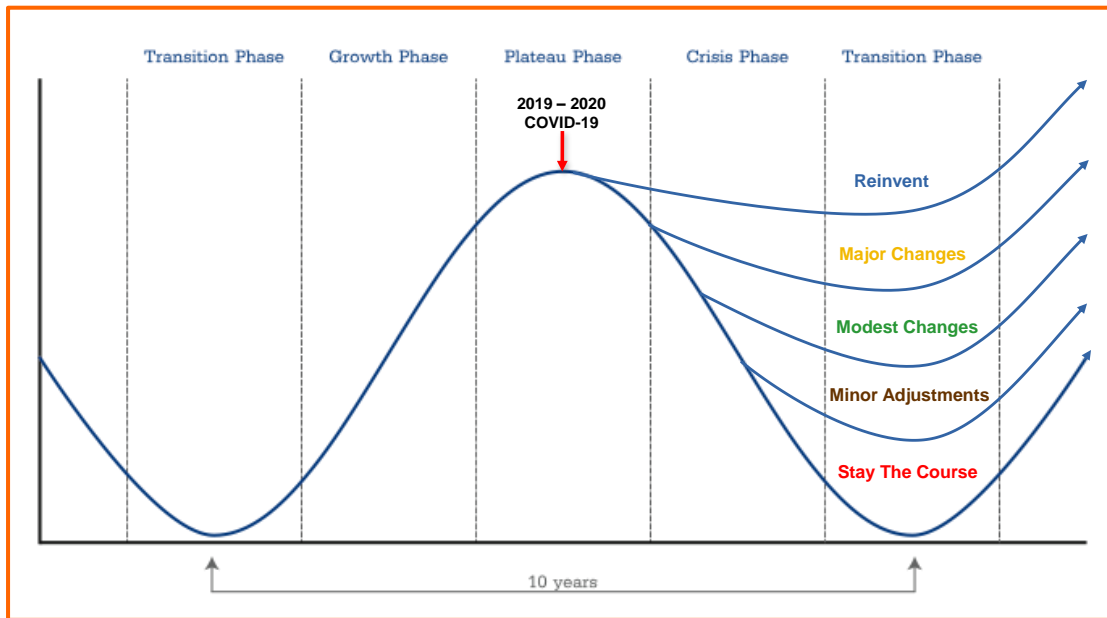
Change is inevitable, rapid change post-COVID-19 is increasingly the New Normal and **success is not an outcome of just showing up**. Within real estate firms, effective leadership cultivates a workplace environment of trust, streamlines decision-making, is a transparency advocate and supports continuous learning. In order to move the needle, real estate companies, their Boards of Directors and key leaders develop and implement strategy through execution, embrace prospective data-driven insights and minimize change fatigue. **Moving the needle mandates looking “outside the box,” experimenting and investing in new ideas. Moving the needle requires an aligned culture** and requires leadership to activate a strong personal connection between each associate, your clients/customers, the organization’s values and standards of excellence. Real estate leaders must identify each influential leverage point to “move the needle.” As lifelong entrepreneur Brian D. Evans said, **“It’s easy to move the needle—it’s harder to make sure it’s going in the right direction.”** To move it effectively, you want strategic not reactive actions, conviction not doubt and focus without distractions. You can’t move a needle that’s being pulled in a hundred different directions.

Facts You Need To Know

- 42% of Baby Boomers have no retirement savings. *[Comet]*
- Social Security was designed to replaced 40% of a typical worker’s income. *[Social Security Admin.]*
- The first vertical farm was built in 2009 in Singapore. *[Crumpacker]*
- 76% of Americans “hate open offices.” *[Bospar PR]*
- College enrollment has declined for eight consecutive years. *[NSCRC]*
- 56% of college enrollees are women. *[The Atlantic]*
- 35% of Millennials still live at home. *[U.S. Census Bureau]*
- The U.S. Hispanic population has \$1.5 trillion in spending power. *[Selig Center]*
- 51% of Americans prefer to shop online. *[V12 Retail Finance]*
- 75% of Americans shop online at least once a month. *[Ecommerce Research]*

Examples of moving the needle include: the creation and implementation of a contemporary Talent Management Strategy Plan, Brand Management Plan, Technology & Innovation Plan and Process Improvement Plan. It means implementing a competitive compensation plan, reducing redundancy and paperwork and removing process barriers to success. It means taking/making bold decisions, trusting the analytics and adhering to a set of core values. It means creating sustained governance, broader diversity and embracing new digital technologies. It means replacing retired members on the Boards of Directors with active, engaged and full-time professionals.

Investor/Entity Strategic Choices



Source: CEL & Associates, Inc.

Moving the needle is not a spectator activity...it is a companywide commitment of doing what is right and important to take one step ahead of your competitors and one step closer to the realization of the company's vision and the expectations of all Stakeholders. How is your organization Moving the Needle? Are you a participant or a spectator?

Strategy Imperative #8 Build A Robust Business Intelligence Platform

The benefits of having a robust business intelligence platform include: an increased competitive advantage; better and quicker business decisions; more accurate reporting, analytics and planning; clear and aligned priorities; improved customer satisfaction; increased revenues; and added enterprise value. The use of dashboards, predictive analytics, advanced visualization and the use/implementation of a digital workbench will improve operating performance at the property, department and enterprise levels. While most real estate firms use and rely on research data [generally supplied by others], very few companies have an articulated and embraced Business Intelligence Platform. **Less than 5% of real estate firms today harvest the abundance of customer, operating and product/service data points readily available.** Very few firms have a centralized research of business intelligence system that is perspective, not reactive. The lack of in-depth customer knowledge is giving rise to a demand for more robust information gathering and data analytic tools.

The purpose of business intelligence is to support better decision-making and prospective strategic decisions. Interactions [direct or indirect] with customers [i.e., investors, tenants, residents, vendors and resource partners] occur daily, and that information must be captured, analyzed and shared throughout the organization. The emerging generation of new business opportunities can be focused and streamlined with proper business intelligence. A robust business intelligence platform

includes these items: [1] ease of interaction between the data and the user; [2] engaging data visualization [think dashboard]; [3] connectivity to internal and external data sources; [4] predictive analytics; and [5] ready availability on all devices [laptops, mobile phones, tablets and perhaps watches].

Nearly every real estate decision is based on data [market, property, operating, financial and/or investment analytics]. Unfortunately, more than 90% of real estate firms today rely on third-party research/data and only 10% have incorporated proprietary data into their business intelligence platform.

Few real estate firms capture daily knowledge of their existing and prospective customers.

Remember, business intelligence is an “organized method and process of finding out what you should do before you know what you are going to do.” A great quote about the value of business intelligence comes from Nobel Prize winner Albert Szent-Gyorgyi, “**Research is to see what everybody else has seen, and to think what nobody else has thought.**” I would like to add, “...and to uncover/create opportunities few have recognized.” How would you grade your business intelligence at the property, operating and enterprise levels?

Closing Comments

These eight strategic post-COVID-19 imperatives are not “nice-to-have” strategies...they are the “must-have” foundational elements for every real estate company that intends to be in business in 2021 and beyond. Navigating through turbulent times, charting a course for continuous prosperity and adhering to an embraced plan to win are essential. Reactive/intuitive strategies have given way to a more programmatic, Socratic process of asking “Why” and “Why not?” Are you ready to for the opportunities ahead? Are you ready to move from stay-in-place to staying ahead? Are you ready to move forward or stay behind? **Don’t write “To Do” lists...write “To Be” lists.** The choice is yours...which will you select?

Regards,



Christopher Lee
Editor

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