2020 COMMERCIAL REAL ESTATE RETROSPECTIVE TRENDS SURVEY

TOP 10 TRENDS OF THE LAST DECADE AND THE NEXT

MARQUETTE UNIVERSITY
College of Business Administration
Center for Real Estate

2020 Commercial Real Estate Retrospective Trends Survey

Top 10 Trends of the Last Decade and The Next

Contents

Our Contributors

This survey would not have been possible without the help of many people. First, we would like to thank everyone who took the time to respond to this survey, including sharing enlightening and thoughtful comments about these trends. Your attention and nuance allowed this report to contain greater levels of depth and analysis, and we are deeply grateful for your contributions.

We owe a special thanks to several people who were critical during the analysis and writing of this report. They worked intensely and tirelessly to design the survey, interview and gather ideas from Center for Real Estate ("CRE") board members, develop thoughtful and meaningful wording for each trend selected, ensure questions were as neutral as possible, and dive into the data to uncover interesting ideas. Without them this report would not have been possible.

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- Michelle Panovich, Senior Partner and Principal, Mid-America Asset Management (CRE Board Chair)
- Anthony Pennington-Cross, PhD, Bell Chair in Real Estate, Marquette University
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A huge debt of gratitude also goes to Meghann Witthoft for her incredible work on the design of this report.

We would also like to thank the companies and leaders who helped sponsor our 9th annual Real Estate Strategies Conference, a three-part virtual series held September 10, October 8, and November 5, 2020, which was the catalyst for this survey and report.

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Executive Summary

2020 Retrospective Trends Survey—Marquette University

As an institution, Marquette's Catholic, Jesuit system of education includes the Ignatian idea that "*reflection on one's experience is a key to discernment, knowledge and growth.*"[1] The 9th annual Marquette University Real Estate Strategies Conference, planned virtually as a three-part series in the fall of 2020, presented a perfect opportunity to engage the commercial real estate industry in an act of reflection during this important year of transition between decades, focusing on two important questions:

1 What have been the greatest influences on the commercial real estate industry in the last 10 years (2010-present)?

2 What are the biggest & most likely influences on the commercial real estate industry in the next 10 years (through 2030)?

Inspired by a survey published by Robert Fishman of Rutgers University in 2000 titled, "*The American Metropolis at Century's End: Past and Future Influences*", the Center for Real Estate's survey aimed to engage the real estate community in a thought exercise that would help us learn from the trends of the past decade and, hopefully, allow leaders to apply those lessons to create strategies for some of the biggest expected trends on our industry's horizon.

The results were fascinating: from clear-cut trends around the low interest rate environment and disruption of the marketplace by e-commerce to the growing shift toward flexibility in how people work, it became clear that we have much to learn from the past 10 years, and much we can do to prepare for the decade ahead.

Methods

The creation of this survey began with interviewing members of the Marquette University Center for Real Estate ("CRE") Advisory Board, made up of experienced professionals and experts, to come up with two different lists: the first including more than 20 major trends they felt were significant in the last 10 years, spanning 2010 to present, and the second focused on the most likely major trends to impact commercial real estate in the decade ahead, from today (2020) to the end of the decade in 2030 (again, more than 20 responses were included as options). The data was compiled and reviewed by a small committee to smooth out similar answers and come up with final lists. These lists were then uploaded to Marquette's survey client, Qualtrics, and shared in several ways: first, among CRE Advisory Board members, second, through several emails to the more than 4,100 people on the CRE's listserv of professionals and alumni, and third, through targeted, individual emails to more than 300 "experienced" alumni (10+ years of experience), sponsors and high-level executives (individuals at the vice president level and higher, including many in C-suite leadership roles).

The survey was open from October 15 to November 4, 2020, and ultimately received 214 responses, with 202 responses that were completed. Finally, a weighting system was attached to the survey to help smooth out results; within the survey, respondents were asked to select their top five trends from each list, and then to sort those five options from most significant, ranked first, to least significant, ranked fifth. The final results were then weighted through a points system, where each selection ranked first was given five (5) points, second received four (4) points, and so on. For example, if an item was ranked #1 on 10 surveys, a score of 50 would be given to that item (10 surveys x 5 points = 50 points). The final lists included in this report represent a percentage based on total points from this weighting system, as well as the number of first-place votes received by each category. The points were summed up for each ranking that an option received, and the final top 10 list for both past and future trends was created, with number 1 receiving the most points and number 10 receiving the 10th most points.

1. Mountain & Nowacek, "Reflection in Action: A Signature Ignation Pedagogy for the 21st Century." January 1, 2012. Marquette University ePub. Pp. 133

Executive Summary

Top 10 Results—Past Trends

The low interest rate environment of the last ten years and the growth of e-commerce clearly dominated the top of this trends list, garnering more than 30% of the selections and almost 100 first-place votes.

Increasing access to capital, increased allocation toward real estate by institutional investors, and increasing construction costs rounded out the top five.

Notably, despite overall finishing in eighth and ninth place, respectively, both the rise of affordability issues in major cities and cities regain strength as hubs for corporate office locations had seven and eight first-place votes each.

	Trend	Percent Weight	First Place Votes
1	Low interest rate environment	16.5%	55
2	Growth of e-commerce	14.7%	42
3	Increasing access to capital	6.0%	11
4	Increased allocation toward real estate by institutional investors	5.3%	12
5	Increasing construction costs	4.5%	3
6	Industrial strength as an asset class	4.0%	0
7	The rise and fall of big box retail and its deconstruction of "main street"	3.9%	5
8	Rise of affordability issues in major cities	3.8%	7
9	Cities regain strength as hubs for corporate office locations	3.7%	8
10	The "last mile" and its importance on real estate locations	3.7%	4

Other: The rise of urban multi-family, Decline of the shopping mall, Urbanization of communities, Millennials delay buying houses, Accumulated capital sitting on the sidelines, Labor and supply shortages, Decline in office square footage per employee, Foreign capital entering U.S. markets, Growth and introduction of CRE tech, Institutions replacing the “mom and pop” investor, Slow growth recovery from the great recession, Cost of labor, Housing tax credits driving development, Low unemployment rate, Rise of short-term rentals, Other

Executive Summary

Top 10 Results—Future Trends

E-commerce and the rise of distribution continues and the shift toward workplace flexibility and working from home were the clear two winners in the future trends section. Although neither garnered as many votes as the first two results from the past trends list, they certainly stood out among a crowded field of likely future trends.

Closely behind was the continued low interest rate environment trend, with 29 first-place votes—more than 14% of our total survey respondents. Fascinatingly, number nine on this list was the opposite—rise in interest rates—showing some disagreement. However, as this report notes, both trends could end up becoming true this decade.

Rounding out the top five included Millennials move back to the suburbs and growing healthcare needs across the spectrum, a clear nod by respondents to the impacts of major demographic and generational changes expected in the coming decade.

Finally and notably, global warming and sustainability becoming a key trend in the next 10 years received 11 first-place votes (about 5% of survey respondents), more than any other first place votes by category outside of the top four.

	Trend	Percent Weight	First Place Votes
1	E-Commerce and the rise of distribution continues	14.8%	35
2	Shift toward workplace flexibility and working from home	14.6%	37
3	Continued low interest rate environment	9.3%	29
4	Millennials move back to the suburbs	7.0%	11
5	Growing healthcare needs across the spectrum	6.5%	9
6	Automation and robots (fulfillment, driverless cars, less parking)	6.3%	8
7	Redevelopment of malls into new uses	5.4%	4
8	Global warming and sustainability	4.2%	11
9	Rise in interest rates	4.0%	9
10	Another form of federal legislation changes the industry	3.8%	6

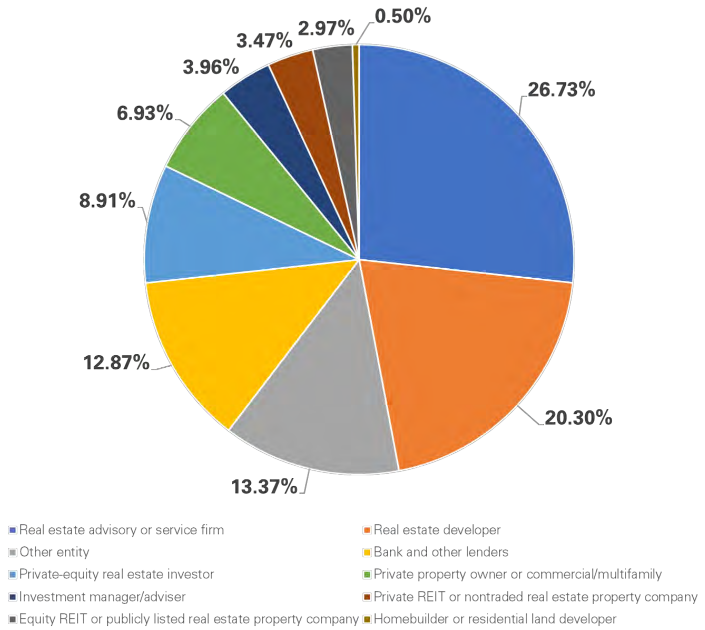
Other: Growing baby boomer demographics, Gen Z comes of age, Muted population growth and immigration issues come into focus, Real estate becomes even more virtual, Investment becomes more institutional (allocations go up), Experiential retail continues to be a driver, Increases in diversity in real estate, Other, More institutional investment in single family rental, Mixed use industrial and multi-story industrial, Manufactured housing and independent senior living options.

Demographics

Results from the demographic questions included in the survey—the vast majority of our respondents had more than 10 years of experience (just under 85%), were mostly located in the Midwest region, and mainly came from development, service firms (brokerage, other), banks, private equity investment and private ownership (a combined 76%).

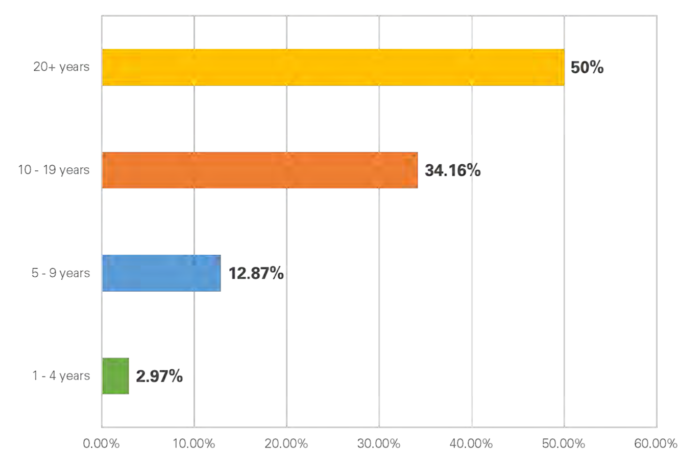
Company Affiliation

Answer	%	Count
Real estate advisory or service firm	26.73%	54
Real estate developer	20.30%	41
Other entity	13.37%	27
Bank and other lenders	12.87%	26
Private-equity real estate investor	8.91%	18
Private property owner or commercial/multifamily	6.93%	14
Investment manager/adviser	3.96%	8
Private REIT or nontraded real estate property company	3.47%	7
Equity REIT or publicly listed real estate property company	2.97%	6
Homebuilder or residential land developer	0.50%	1
Total:	100%	202



Level of Experience

Answer	%	Count
1 - 4 years	2.97%	6
5 - 9 years	12.87%	26
10 - 19 years	34.16%	69
20+ years	50.00%	101
Total:	100%	202



Region

Answer	%	Count
Midwest - IA, IL, IN, KS, MI, MN, MO, ND, NE, OH, SD, WI	83.66%	169
West/Northwest - AK, CA, CO, HI, ID, MT, NV, OR, UT, WA, WY	5.94%	12
Northeast - CT, DC, DE, MA, MD, ME, NH, NJ, NY, PA, RI, VT	4.95%	10
Southwest - AZ, NM, OK, TX	4.46%	9
Southeast - AL, AR, FL, GA, KY, LA, MS, NC, SC, TN, VA, WV	0.99%	2
Total:	100%	202

Results

Analysis and selected quotes from survey responses

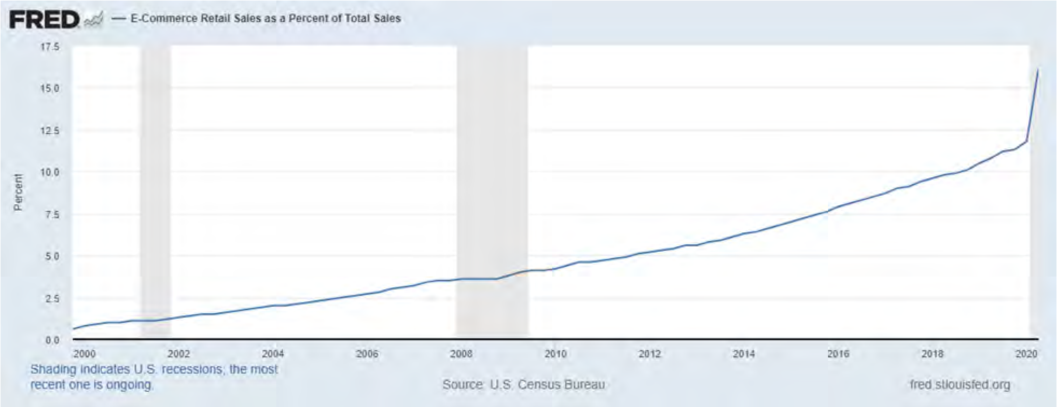
Top 10 Results—Past Trends

1 Low interest rate environment

The low interest rate environment in the last decade was clearly one of the top two most important trends to survey respondents, bringing in a weighted result of 16.5% of all responses and receiving 55 first-place votes. The chart above from the Federal Reserve Bank of St. Louis gives some context to this result, as interest rates have not only remained low since 2010, they have been historically low. In January 2010 the effective federal funds rate was 0.11%, down from 5.26% just 2.5 years earlier (Jul. '07) and well below the historical average since 1954 of 4.72%. The average rate between 2010-present was 0.60%, with a decade high of 2.42% in April 2019. These low rates helped keep cap rates low across all major asset types, driving up pricing while lowering yield expectations.

" The low interest rate environment and increased allocation to real estate are two trends that are linked. Low interests rates have driven an increase in RE values and they also force pension funds and other institutional investors to go out of the yield curve to meet fund requirements."

2 Growth of E-Commerce



In Q1 2020, e-commerce retail sales as a percent of total sales was reported at 4.2%, and by Q1 2020 the rate rose to 11.8% (and 16.8% by Q2). This nearly tripling of sales growth has been part of a long, sustained pattern, one that absolutely defined the decade and impacted everything from retail, industrial, multifamily and even office.

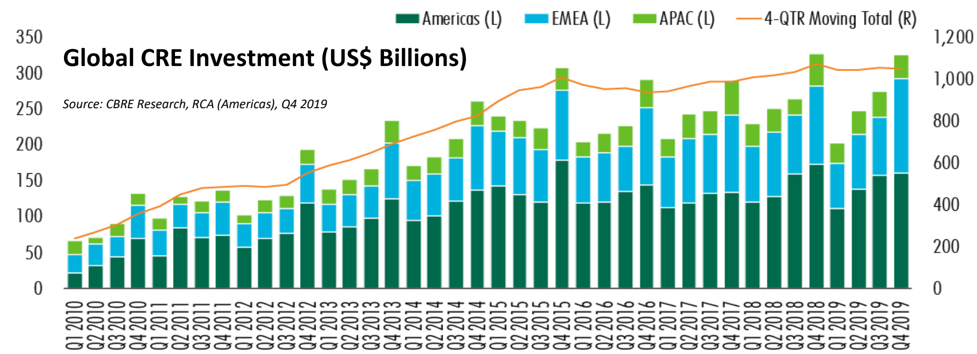
" E-commerce hasn't just affected retail. It's affected the way office, industrial and housing projects are designed. Not many apartment developers in 2010 were worrying about having enough space for "parcel pending" facilities in their apartment buildings."

Results

Analysis and selected quotes from survey responses

Top 10 Results—Past Trends

3 Increasing access to capital

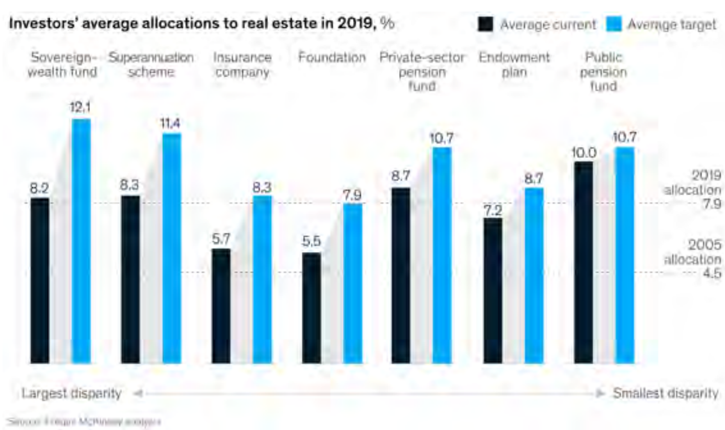


Survey trends #3 and #4 are related but worthy of being separate. Overall, a lower interest rate environment in the last decade as well as the steady growth of the stock market and valuations of both corporations and properties led to more money seeking both lucrative debt and equity positions in investment transactions. And more investors began to realize that the increase in available information, prudent lending standards, and higher cash yields, coupled with real estate's capital appreciation qualities, made investment less risky and volatile compared with other assets. *(Sources: McKinsey, CCIM)*

"Access to, and deployment of capital drive everything."

"Technology has permitted many non-institutional investors to become involved in real estate investing, providing more capital to regional and local groups."

4 Increased allocation toward real estate by institutional investors



Institutional investors have been aggressively increasing their allocations to real estate. Low interest rates and the need to chase yield have been the driver, with a move away from fixed income to core asset investments resulting in larger spreads on alternatives that institutions realize are less risky than in the past. The long-term investment horizon of these players also helps offset concerns around lower liquidity. This increase in allocation means a lot more money in the market, further driving down cap rates and raising prices. *(Sources: McKinsey, CBRE)*

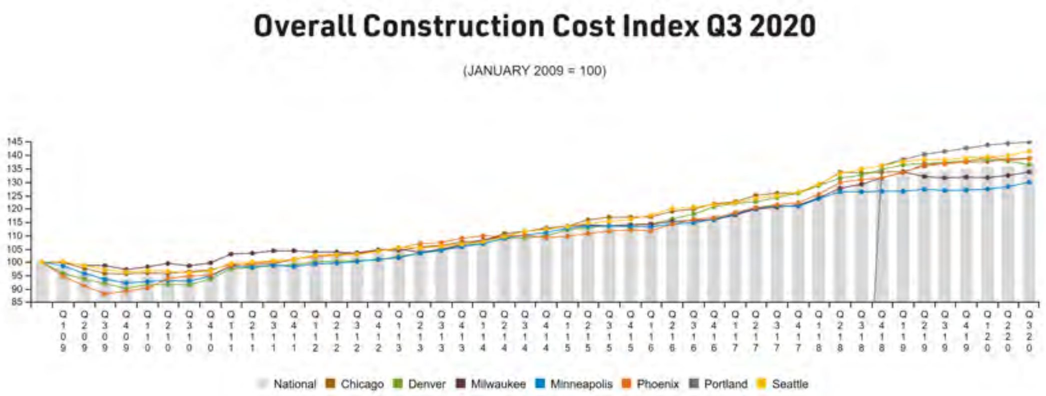
"Increased access to capital and increased allocation toward RE by institutional investors only means that equity markets are over-valued, and in a potential economic downturn RE may hold better value."

Results

Analysis and selected quotes from survey responses

Top 10 Results—Past Trends

5 Increasing construction costs



Source: Mortenson Construction Cost Index

Construction cost increases were a major source of discussion among developers in the last decade; notably, were it not for low interest rates, many experts believe construction costs would have stagnated the development market. Labor costs were another related factor to overall building costs as the low unemployment rate through much of the decade made finding talent an expensive challenge.

"The shortage in skilled labor and escalating trade tensions has compounded the increasing costs of construction. Investors have to reassess which projects are viable given the acceleration of construction costs."

6 Industrial strength as an asset class

"The dramatic increase in e-commerce has created an almost insatiable desire for industrial distribution properties all over the country."

By the end of the decade, industrial cap rates had fallen below those of both office and retail for the first time (near 6%), while industrial vacancy rates dropped to historic lows (less than 4%). Both these factors were driving e-commerce and the demand for more logistics and fulfillment space. Industry experts estimate that as much as 1.25 billion square feet of warehouse space is needed for every $1 billion in growth of e-commerce sales, so as e-commerce sales went from around $40 billion in early 2010 to more than $210 billion in mid-2020, investors and developers scrambled to meet the demand. *(Sources: FRED, CBRE, NAREIT, NCREIF)*

Results

Analysis and selected quotes from survey responses

Top 10 Results—Past Trends

7 The rise and fall of big box retail and its deconstruction of "main street"

"The growth of e-commerce has driven shoppers away from traditional brick and mortar retailers and… retailers at all levels, especially the full price retailers, big box and department stores were greatly challenged and many went out of business."

Although several big box retailers grew throughout the last decade (Walmart, Costco, Kroger, Home Depot, Target; collectively $972.3 Billion in sales in 2019), many more suffered significantly or went out of business (Macy's, Sears, Borders, JC Penny, Best Buy, to name a few). Amazon ($213.8 Billion in sales in 2019) was a major player in taking down big box, but both the successful big boxes and Amazon combined to help deconstruct main street throughout the decade. Still, "buy local" was a popular trend throughout the decade, and small businesses able to pivot to serve e-commerce customers saw some growth, as evidenced by the success of the online artisanal marketplace Etsy, which went public in 2015 and saw sales of roughly $5 Billion in 2019. *(Sources: Statista.com, Yahoo! Finance)*

8 Rise of affordability issues in major cities

"This trend continues to reshape the US and is creating a hub and model for large office occupiers...major corporations are reducing footprints in gateway markets and adding square footage in secondaries which offer more attractive cost of living, less density, and more business-friendly corporate tax treatment."

Interestingly, US population growth in the last 20 years has been mostly in large suburban areas as opposed to urban cores, for all age groups except ages 25-44. However, average home values (based on owners' self-reported assessment of the values of their homes) have risen much more sharply in urban areas, growing between 2000 and 2018 from $275,000 to $402,000 versus growth in suburban areas of $270,000 to $333,000. Other factors such as millennials' massive levels of student loan debt and lost economic advancement post-Great Recession have also contributed to this trend. *(Source: Pew Research Center)*

9 Cities regain strength as hubs for corporate office locations

"The partial and sometimes full, relocation of suburban headquarters to cities for major companies has had a tremendous impact on the revitalization of urban areas. It has also had a direct impact on the ability to attract and retain targeted talent."

The shift from suburban workplaces to offices in urban cores took hold across the country in the past decade, as companies sought to attract and retain talent and give their employees access to urban vitality, walkability, and amenities such as dining, nightlife and entertainment. Increased access to quality housing in the urban core, proximity to clients and customers, and access to multiple transit options also helped offset concerns around other factors such as parking costs or commute times. *(Source: Smart Growth America)*

Results

Analysis and selected quotes from survey responses

Top 10 Results—Past Trends

10 The "last mile" and its importance on real estate locations

"The fulfillment of goods via internet has modified traditional shopping habits, increasing the need for industrial real estate and the special importance of that "last mile" of delivery."

Last-mile delivery makes up 41 to 53 percent of the total cost of shipping, but real estate often makes up less than 5 percent of operating costs for logistics providers. Therefore, providers are consistently seeking locations closer to consumers in an effort to offset last-mile costs. Investment in start-up companies focused on last-mile delivery exploded within a 4-year period during the middle of the last decade, growing more than 10 times from $390 million in 2014 to more than $3.87 billion in 2018. And demand for industrial space, especially in urban areas, led to a 30 percent increase in rents for warehouses of less than 120k square feet in the last five years. *(Sources: CBRE, Elion Partners)*

Honorable Mention

- The rise of urban multi-family
- Decline of the shopping mall
- Urbanization of communities
- Millennials delay buying houses

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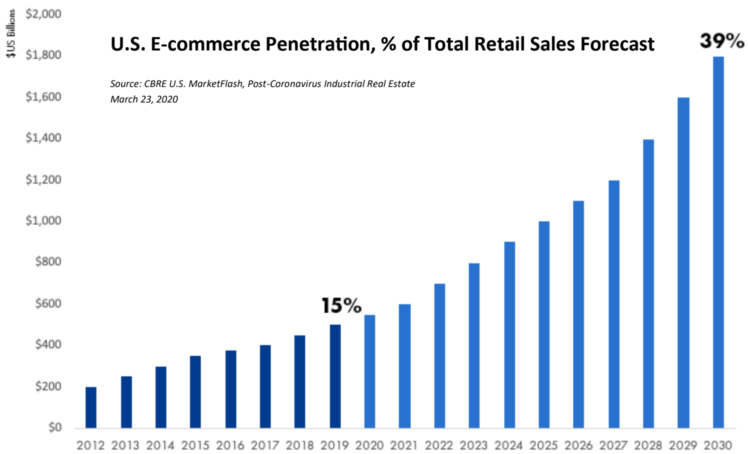
Analysis and selected quotes from survey responses

Top 10 Results—Future Trends

1 E-Commerce and the rise of distribution continues

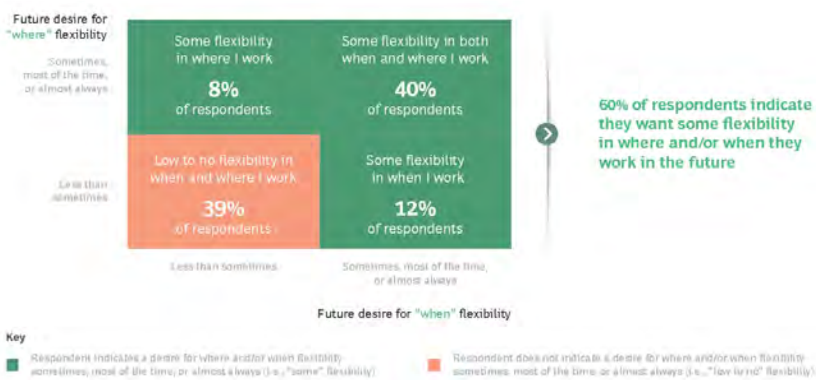


The growth of e-commerce, and subsequent increase in demand for distribution space, is likely to continue through 2030, without reaching saturation until future decades. As expectations for e-commerce become even more aggressive, last-mile distribution's critical role and same-day or 2-hour or 1-hour delivery become even more vital, whereas 10 years ago the idea of 1-hour delivery existed only in markets like pizza delivery. This demand will lean heavily on the industrial sector, but could also aid in the transformation and reimagining of physical retail as well.

"We've just scratched the surface on distribution centers' effects on real estate and shoppers' habits."

"Companies like Amazon and others who focus on distribution need to be closer to their consumer base to get products delivered even faster."

2 Shift toward workplace flexibility and working from home



Source: BCG COVID-19 Employee Sentiment Survey, May 21 to June 13, 2020 (No. of Responses = 12,662 in the US, Germany & India), unweighted, representative within +/-3% of census demographics. Note: Numbers do not total 100% due to rounding.

Demands for more flexibility have been a long time coming, and trends in office space have seen decreases in space per employee, but that's likely to reverse— and the desire to have flexible work arrangements is increasing, especially among younger workers.

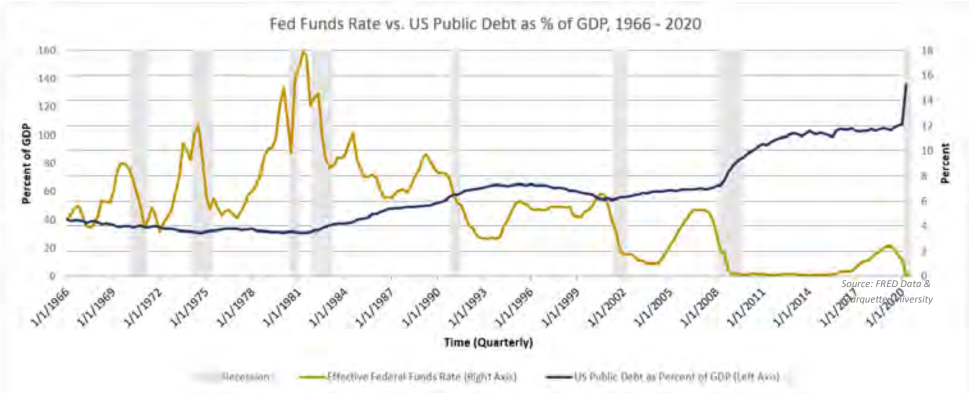
"Flexibility from my global corporate clients who lease office space is key. How that is defined will impact the next generation of how we occupy and utilize office space."

Results

Analysis and selected quotes from survey responses

Top 10 Results—Future Trends

3 Continued low interest rate environment



As of 2020 there exists around $70 trillion of government debt globally, $21 trillion of which is in the US. Of the $49 trillion in non-US government debt, 25% has negative yields, including in places like Europe and especially financial powerhouses (and economically 'stable' and 'safe' countries) like Germany. A global glut of savings relative to investment opportunity also exists, and despite many centralized banking systems buying up bonds, overall yields have been low and are likely to stay there without significant growth in demand, which will be depressed by quickly falling birth rates in OECD countries on a global level. Overall, these factors, especially negative rates in other parts of the world, will likely keep US interest rates low. Although some expect inflation will drive rates up, the question is how much? Even a small increase would still mean a continued historically-low interest rate environment. *(Source: IMF)*

"The US market compares favorably to European markets. US market is known for its scale and liquidity providing foreign investors flexibility to exit their investments if they so decide to invest their capital elsewhere. We are a nation that prides itself on opportunity."

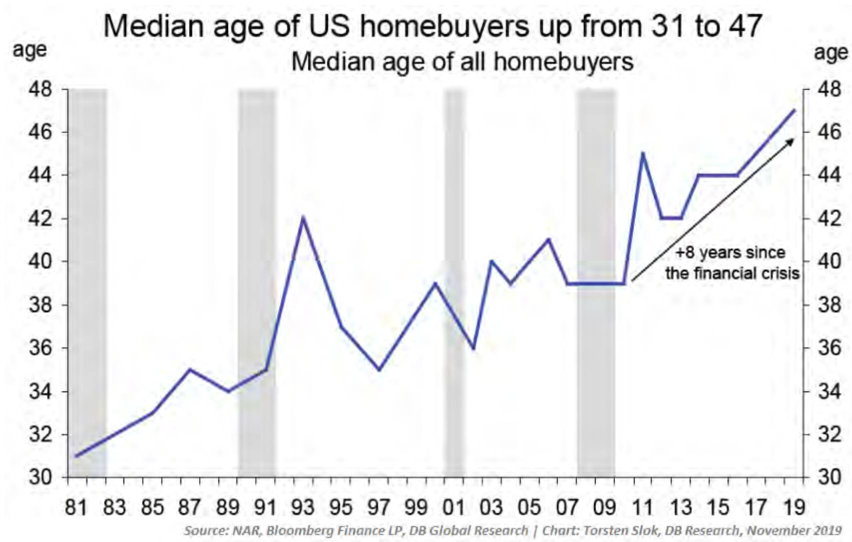
"The low rate environment is likely here to stay which will fuel capital seeking yield in private real estate."

Results

Analysis and selected quotes from survey responses

Top 10 Results—Future Trends

4 Millennials move back to the suburbs



	Millennial (1981-1996)	**Gen X** (1965-1980)	**Baby Boomer** (1946-1964)	**Silent** (1928-1945)
Average Age – Marriage	M: 30 W: 28 (2019)	M: 27 W: 25 (2003)	M: 26 W: 24 (1987)	M: 23 W: 21 (1968)
Percent Married	44% (2019)	53% (2003)	61% (1987)	81% (1968)
Average Age of All Homebuyers	47 (2019)	40 (2003)	35 (1987)	Early 30s (1960s)

Sources: Pew Research Center; Journal of Business Economics; Marquette University

Millennials (b. 1981-1996) surpassed baby boomers (b. 1946-1964) to become the largest living generation in 2019, and will be firmly into middle-age by 2030 (ages 34-49). As a generation, they have been late to get married, have kids, and purchase homes—all factors leading most professionals to expect millennials will be headed back to the suburbs in the decades ahead, as they pursue these "American Dream" goals and chase quality housing and education for their families.

"Millennials delaying home buying and the rise of urban multi-family go hand in hand, but while this is recent past it may not be prologue. In fact, we are starting to see suburban home inventory plummet."

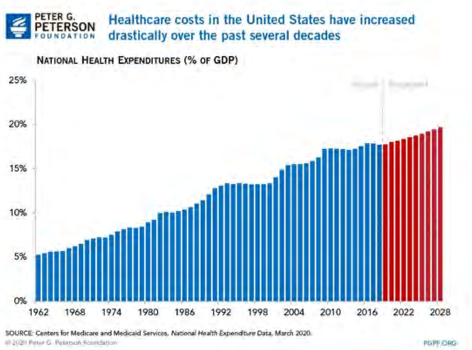
"As millennials start families, schools will become an important factor in deciding where to live. Urban school districts will need to dramatically improve to allow central cities to be a viable alternative."

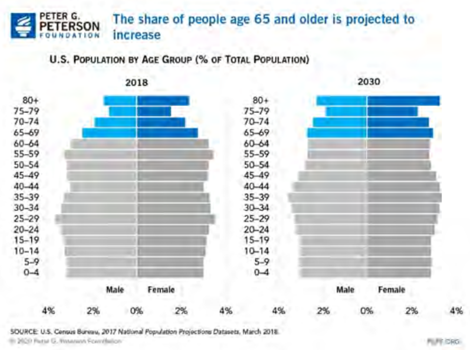
Results

Analysis and selected quotes from survey responses

Top 10 Results—Future Trends

5 Growing healthcare needs across the spectrum





Another demographic, baby boomers, is the largest driver of this trend, just as they have driven many societal changes over the last 50 years. The declining population growth and birth rate statistics in the US also affect growing healthcare needs, as a larger share of the population will be older— in the 2030's the percent share of Adults 65+ is expected to surpass that of Children Under 18 for the first time in our nation's history.

"Healthcare has a large influence in our real estate markets, including how they deliver outpatient services and build clinics for market share."

"There will be a significant demand for senior living and healthcare real estate over the next 10+ years as the baby boomer generation reach older age."

6 Automation and robots (fulfillment, driverless cars, no longer needing parking)

"Automation/robots: today mainly through automated manufacturing and distribution, in the future will extend to self-driving vehicles and automated drones. How will this affect distribution when you don't have a daily limit on how far truckers can travel in a day? How will this affect parking garages in urban areas when you can tell your car to just leave the CBD and come back at the end of the day?"

Efficiencies in delivery (drones, automated fulfillment centers, self-driving trucks) are likely to impact society first, as retailers and others seek to drive down last-mile delivery costs. Longer-term, self-driving cars, which some believe have been slow to advance, are likely to impact travel and changes to how and where people live and work. But overall, enhancements in all these areas will continue to drive changes in real estate and how buildings are built and operated.

Results

Analysis and selected quotes from survey responses

Top 10 Results—Future Trends

7 Redevelopment of malls into new uses

"The primary purpose for the construction and existence of malls -- reducing consumer search and information costs -- no longer exists. A majority of malls, yes majority, will be repurposed."

The first enclosed shopping mall in the country, Southdale Center, was developed in Edina, Minnesota in 1956 — and some believe the last mall we'll see built for a long time opened in 2017 (in Sarasota, Florida). Some experts believe retail has been overbuilt by as much as 50 percent. Malls being redeveloped, therefore, is a trend already in place that is likely to continue, as experiential and e-commerce-resistant retail options are likely to dominate even more in the coming decade. Popular predictions include new uses such as storage, housing, and even e-commerce fulfillment.

8 Global warming and sustainability

"I don't know how someone can't think that global warming/sustainability will be a major driver. I think the last 10 or so years were about owners/investors realizing the operational cost savings of sustainability. That was a good step, but it isn't likely far enough. That issue is clearly at the top of the millennial and specifically Gen-Z's minds, as that fragment of the population continues to grow into positions of leadership/power over the next 10 years I see it being more of a focus from a regulatory standpoint."

Two key factors here include generational changes in attitudes (Generation Z and millennials being much more concerned about climate change than past generations, leading to probable changes in public policy) and increased awareness and commitment to sustainability via investors' focus on ESG policies.

9 Rise in interest rates

"Inflation will eventually re-enter the economic landscape, driving interest rates upward, resulting in a slowdown in capital spending."

"While rates are expected to remain low for the near- and mid-term, certainly over 10 years there is no place to go but up."

The most common and somewhat overly simplified arguments for rising interest rates revolve around two things: first, that major government spending during the pandemic-caused 2020 economic recession is likely to lead to a need to increase rates in the coming years, and second, that rates cannot possibly go lower and therefore will increase, even slightly, in the coming decade. This could result in both arguments being correct — that rates will remain low, but will also increase.

Results

Analysis and selected quotes from survey responses

Top 10 Results—Future Trends

10 Another form of federal legislation changes the industry

"There is also the risk of federal legislation changes as real estate as an investment class becomes more normalized. As real estate technology provides investment access to more people, there will be a risk of tighter tax and investment standards."

Notably, three of the top ten influences noted in Fishman's survey of the past 50 years in 2000 cited federal legislation—the 1956 Interstate Highway Act (1), FHA mortgage financing and subdivision regulation (2), and the 1949 Housing Act (4). There is a strong likelihood additional regulation will occur that impacts commercial real estate, including (but not limited to) changes to tax law (including the 1031 exchange), further changes to mortgage financing, and/or more changes to SEC rules around "accredited investor" definitions, among others.

Honorable Mention

- ► Growing baby boomer demographics
- ► Gen Z comes of age
- ► Muted population growth and immigration issues come into focus
- ► Real estate becomes even more virtual

Conclusion

The quote, "the only constant in life is change," loosely attributed to the Greek philosopher Heraclitus, may be the best way of approaching the lessons from this survey. Major trends such as interest rate impacts and e-commerce seem to define much of the commercial real estate industry's past and future, and yet other trends such as issues in affordability and generational demographic impacts give way to fascinating future ideas around workplace flexibility, growing healthcare costs and needs, and global warming. The future is incredibly hard to predict, but through preparation and development of strategies around these major ideas — and relying on change as the only constant — our community can better prepare for an exciting period in the next 10 years.

Thought exercises like this one play an important role in our industry, allowing us to better understand ourselves and the factors most important to us as a community. The 2020 Retrospective Trends survey, by this measure, was a huge success. We sincerely hope our readers come away from these reflections with a deeper appreciation for what has happened and what is to come in the decade ahead, and we hope to revisit these results in the future.

	Top 10 Past Trends	Percent Weight	First Place Votes
1	Low interest rate environment	16.5%	55
2	Growth of e-commerce	14.7%	42
3	Increasing access to capital	6.0%	11
4	Increased allocation toward real estate by institutional investors	5.3%	12
5	Increasing construction costs	4.5%	3
6	Industrial strength as an asset class	4.0%	0
7	The rise and fall of big box retail and its deconstruction of "main street"	3.9%	5
8	Rise of affordability issues in major cities	3.8%	7
9	Cities regain strength as hubs for corporate office locations	3.7%	8
10	The "last mile" and its importance on real estate locations	3.7%	4

	Top 10 Future Trends	Percent Weight	First Place Votes
1	E-Commerce and the rise of distribution continues	14.8%	35
2	Shift toward workplace flexibility and working from home	14.6%	37
3	Continued low interest rate environment	9.3%	29
4	Millennials move back to the suburbs	7.0%	11
5	Growing healthcare needs across the spectrum	6.5%	9
6	Automation and robots (fulfillment, driverless cars, less parking)	6.3%	8
7	Redevelopment of malls into new uses	5.4%	4
8	Global warming and sustainability	4.2%	11
9	Rise in interest rates	4.0%	9
10	Another form of federal legislation changes the industry	3.8%	6

Special Thanks: Advisory Board Members

A huge debt of gratitude is owed to our incredible Center for Real Estate Advisory Board members, who work tirelessly to ensure Marquette's real estate program is among the best in the nation.

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Disclaimer: The results of this survey and corresponding commentary are part of a strategic thought exercise and should not be taken as guarantees of future performance or used to make investment decisions.

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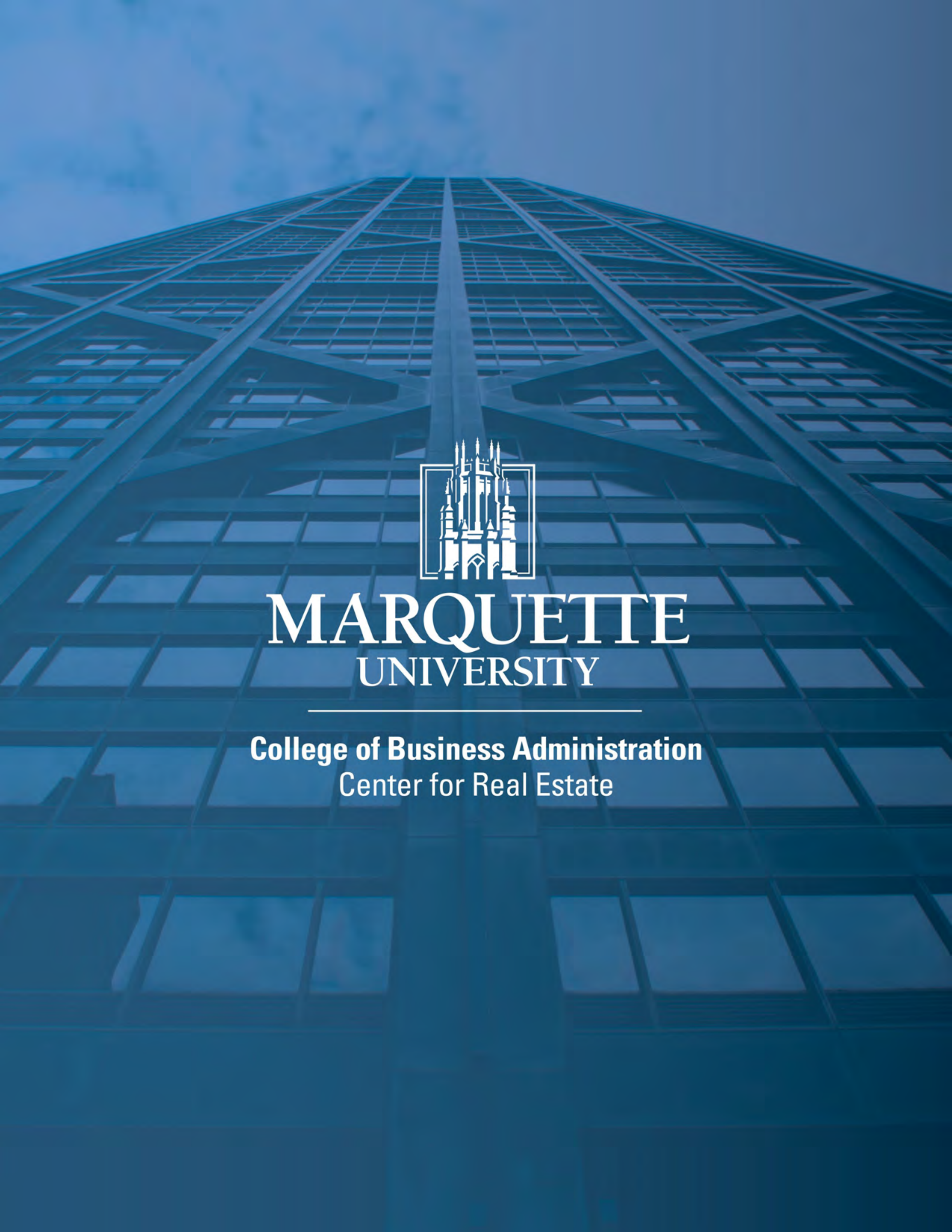

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