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# HOW CHANGES IN THE CRE INDUSTRY WILL IMPACT BUSINESSES



WITH 2019 BEHIND US, the future looks bright for commercial real estate and businesses looking to lease and buy space this year. While more than 32 million businesses in the United States lease office space, many find out too late that it is not like leasing an apartment. A large percentage of businesses lose money or enter into unfavorable terms with their landlord. Navigating the maze of commercial leasing isn't for the faint of heart.

While the CRE industry has evolved over the last few years, businesses should not be alarmed. New developments and changes in the industry will offer companies different options to find the perfect space. It is imperative for businesses to stay ahead of the changing commercial real estate trends. But since the average business owner is not an industry expert, **it's important to hire experienced tenant representation to guide you through the entire lease transaction. This a no cost way to make sure you are getting the best deal possible.**



Four trends you can expect to see in the industry this year and what they mean for your business:  
**1. Mixed-Used Developments Will Become More Prevalent**

The term "mixed-use" may not sound familiar, but the development itself is anything but new. Defined as a type of development that blends residential, commercial, cultural, institutional, or entertainment uses into one space, mixed-use developments first started in *urban areas in the 1900s*. These developments allowed Americans to live and work in walkable areas. After the invention of the automobile, Americans no longer felt the need to live and work in the urban bubble and the demand for mix-used properties decreased. Now nearly a century later, we're seeing a shift back to favor mixed-use with many Millennials and Baby Boomers looking to limit commute times and live in areas where they can travel everywhere on foot.

## What Mixed-Used Developments Mean for Businesses

A mixed-use development may include retail stores on its ground floor, offices on its second floor, and residences on all the floors above. Leasing or buying space in this development is great for a business because it immediately exposes the company to a large customer base with existing residential tenants in the building. Furthermore, companies with offices in these developments provide jobs that can fuel local economic growth as employees become customers for local grocery and retail stores.

## 2. Adaptive Reuse Will Support Growth in Industrial Real Estate

It's no secret that the growing popularity of e-commerce has transformed the way people shop, leaving many storefronts and buildings vacant. But while the retail sector has taken a hit, this change serves as a great opportunity for the industrial sector, thanks to adaptive reuse. Adaptive reuse is defined as the practice of taking an existing building and repurposing it for a different use. As e-commerce operations continue to grow, so does the *demand for warehouse space and distribution centers*. Adaptive reuse provides many opportunities to refurbish vacant assets into these necessary facilities.

## What Adaptive Reuse Means for Businesses:

Companies shouldn't be alarmed by a decreased number of spaces as more adaptive reuse developers enter the industry. In fact, they should be excited, because there will be more options to lease or buy space. As developers, convert old, outdated or underused commercial space into something more functional, businesses will have an opportunity to buy or lease a variety of spaces that may not have been available to them before.

## 3. Technology Tenants Will Dominate the Demand for Office Space

The rapid advances in technology have grown exponentially over the past few decades. With no signs of slowing down, technology has become an integral part in many of our personal and professional lives. As new companies begin to pop-up and larger companies continue to expand, the tech sector has contributed to a large-part of the demand for office space - and experts say it will continue to do so into 2020. In fact, tech companies accounted for a record 21% of major *office-leasing activity* in the US and Canada in 2019. This is a major contrast to previous office cycles where leasing was primarily driven by financial services.

## What This Means for Businesses

Demographic developments are impacting who is using office space and how that space is being used. Millennials are currently the largest generation in the workforce and are oftentimes driving the strategy for how companies operate, what offices look like and how technology plays a role. Coworking has been a favored trend among Millennials and companies in recent years. Coworking offers an alternative for large organizations and offers companies a variety of layout options that they didn't always have when standalone spaces were the only product type.

## 4. Multifamily Demand Will Remain Robust



The top *four markets* for strong multifamily performance in 2020 are Austin, Atlanta, Boston and Phoenix. With home prices at an all-time high, many Millennials are moving towards homeownership at a modest pace, creating a growing demand for multifamily properties. Relative to other commercial investing options, multifamily investments offer liquidity, a steady stream of diversified renters on short-term leases and lower capital costs required for upkeep. Due to these factors, experts say multifamily property demand will remain stable well into 2020 and for years to come.

## What an Increase in Multifamily Housing Means for Businesses

As the demand for multifamily housing increases, so will the demand for office and retail space to meet the growing needs of communities. Millennials and many other generations are seeking walkable areas where they can live, work and play and developers in a variety of markets are realizing this.

It is important to keep in mind that every lease is negotiable. Engage in candid discussions with your agent about what your current and future company needs. When evaluating trends in the market, you may decide that it makes smart business sense to revisit your lease or make changes to your current office space. This may make a significant impact on your bottom line and put more money in your pocket, which can be used for growing your business. ■

Why is a government worker like a shotgun with a broken firing pin? It won't work, and you can't fire it.