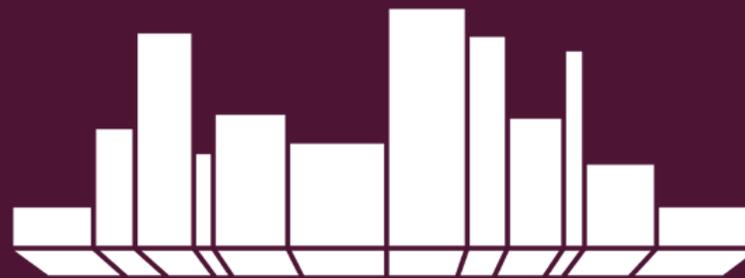


2017 CRE

ISSUES THAT MATTER

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BOMA Georgia

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SUMMARY

As part of the 2017 Southern Region Conference, the Education Task Force designed an interactive discussion session on the morning of Saturday, April 8, 2017 for the purposes of engaging attendees in a conversation about what trends, issues and opportunities will have the greatest impact on commercial real estate (CRE) in the next five to 10 years. The session was designed to:

- Identify the top issues and trends from the perspective of 2017 Southern Region Conference attendees
- Engage attendees in a discussion about the top issues:
 - How has the issue or trend impacted your work?
 - How do you anticipate it will impact your work in the future?
 - How do you plan to address the impacts?
- Review results of aggregated research on the top six mega trends, and discuss how these trends mirror and differ from attendees' experience.
- Produce a written report to be submitted to the BOMA Southern Region.

Contained in the following report are the findings of this facilitated discussion.

TOP ISSUES – KEEPING COMMERCIAL REAL ESTATE PROFESSIONALS AWAKE AT NIGHT

The following table shows the top three broad categories of issues identified by participants with specific identified subcategories in the second column. An asterisk(*) indicates the number of times a session participant agreed with a fellow participant that their comment was a high priority.

Issue Category	Wording/ description on cards	Rank			
Staffing	Millennial recruitment	*			
	Generation gap – who will be next?	*	*		
	Changing workforce	*	*		
	Blending the newer generation into the workforce				
	Millennials’ lack of interest in property management	*			
	Retirement resulting in loss of knowledge and experience	*			
	Lack of people interested in property management	*	*	*	
	Staffing	*	*	*	
	Diversity	*			
Technology	Technology	*	*	*	
	Integrating building technology systems	*			
	Technology systems and cyber security	*	*	*	
	Technology impacts	*	*		
	Cyber security	*	*	*	*
Leadership	Developing future leaders	*	*	*	
	Leadership	*	*	*	*
	Succession planning	*			

STAFFING AND LEADERSHIP: TWO ENTWINED ISSUES OR ONE BIG CONCERN?

Based on the notes and results of table-top conversation, the issues surrounding staffing and the issues related to identifying future leaders are not separable. Clearly, in the view of attendees, the aging of senior leaders and the engagement of the future generations are linked to one key problem: how to motivate and develop the millennial generation to become future real estate leaders. The following notes blend the two table-top discussions.

How has this issue impacted your work so far?

- Aging – Property managers are retiring.
- Scheduling – It is difficult to find 8 am – 5 pm staff.
- Interest – There is general low interest in the commercial real estate field. Misperception that the money is in real estate development.
- Capacity – The challenge of having more properties with less staff.
- Engagement – Lack of commitment from team members
- Talent – The property manager is also asset, real estate, and financial manager. Practitioners wear many hats. This makes talent development difficult because it is hard to “follow-in-footsteps.”
- Development – There are no plans for succession.

How do you anticipate this issue will impact you in the future?

- Same, to a greater degree. If we do not make plans to change methods, problems will continue to grow – especially with properties to staff ratio. (The BOMA Georgia Foundation produced a Metro-Atlanta Commercial Real Estate Staffing Ratio Study in 2016) This is available at www.BOMAGeorgiaFoundation.org/research.
- Lack of future leaders
- The industry will need to become more “millennial.”
- Need leaders who will perform on-the-job training
- We need to learn to blend generations

STAFFING AND LEADERSHIP: TWO ENTWINED ISSUES OR ONE BIG CONCERN?

How do you plan to address the problems?

- Provide four-day work options and other flexible work schedules.
- Implement career days at colleges and universities.
- Utilize technology to fill in the gaps.
- Change the perception of the industry. Elevate property management as alternative to brokerage, development, etc. Promote the nature of the work as having different challenges every day, not confined to an office, the positive impacts of the job on the community, broad interactions with landlords, charity, touring properties, time with tenants, etc.
- Building engineer recruitment through high school fairs, since not everyone goes to college.
- Engage owners to develop employee satisfaction
- Engage tenants by asking how they are working to keep staff and increase flexibility.
- Promote the industry in a positive way.
- Reach beyond BOMA to the community.
- Get owners involved, and let them know how BOMA can contribute to their bottom line.
- Let millennials work their way, within company guidelines.
- Mentoring
- Identify people with passion. The skill sets needed for the job can be taught.
- Identify talents within the group. Leaders create “buy-in” for teams.

TECHNOLOGY: BANE OR SAVANT?

Technology—in the view of session attendees—is a double-edged sword. It is at the root of problems, but also the root of potential solutions.

How has the issue impacted your work to date?

- Rapid change: the right technology at the right time, but don't know what is next.
- Best investment of money: more efficient, creates value, helps tenant retention by providing better tenant service.
- Changes the job of property management professionals to be more administrative.
- Risk: vulnerable.
- Programs can have unintended consequences.
- Need to educate teams on new programs and services and how to troubleshoot systems.

How do you anticipate it will impact you in the future?

- Virtual tours: Changing how buildings are marketed and sold.
- Pictures of finishes, etc. become very important.
- Portfolios increase as technology expands.
- Bids without property visits, using satellite pictures.
- Destination elevators: capital expense.
- Smart phone controls access to building.

How do you plan to address the problems?

(This discussion group did not address this question.)

SIX MEGA TRENDS: FUNDAMENTAL SHIFTS PREDICTED IN THE FUTURE OF CRE OVER THE NEXT FIVE TO 10 YEARS

Co – working spaces

- These are compact informal spaces, communal space sharing, mixed use, easy transit, and remote connections.

Aging population/ different generations

- This is exhibited by talent shortages, baby boomers retiring, and millennials' different expectations. Engineers may not go to college, so the industry needs to explore recruitment at high schools and trade schools.
 - NOTE: More jobs are technical and don't require college.
 - Problem: (Some tech schools are dropping hard skills and adding programming. _
- There is a need to engage current building engineers in the process of educating the next generation of building engineers. The field of building engineering must be separated from general engineering because they are two different careers and practices.
- Millennials want to make a difference. We need to connect our industry to community and the difference people in the industry are making. Boomers are working longer than previous generations. The industry needs to get millennials interested. Millennials will be a great resource for teaching the technical components of the job.

Changing demand for office and retail

- Office: Co-working and remote capabilities are a must. Retail: Increase in online shopping.
- How will this impact CRE?
 - More industrial space demand
 - Increased mixed-use development
 - Property managers with broader skill sets and experience



SIX MEGA TRENDS: FUNDAMENTAL SHIFTS PREDICTED IN THE FUTURE OF CRE OVER THE NEXT FIVE TO 10 YEARS

Technology and sustainability into asset valuations

- Increased sustainability concepts, eco-efficiencies (including solar), and integrated and tailored solutions with better technology.
- There is still the human factor. This can never be forgotten.
- There are people who do not want a personal touch, though, or at least think they don't.
- The Point: Don't resist change; instead, learn and grow.

Political gridlock

- Major discussions include funding infrastructure and public retirement and the changes to civil discourse.
- Medical Office Real Estate and Health Care: Tenants are afraid to renew because of the uncertainty and unrest in the market.
- Hospitals are selling real estate, not owning it.

Increasing interest rates, underwriting standards, and loans coming due

- What is the impact on investors' interest in commercial real estate?
- What is the impact on development?
- Will there be another market bubble? Yes. The only question is when, and are we ready?

RESEARCH METHODOLOGY

The Process: How the Issues Session Unfolded

- Session attendees were given notecards and asked to list, in eight words or less, the top four issues that will have the greatest impact on CRE over the next five to 10 years. They were reminded to draw on their own experiences and what they may have gleaned from the 2017 Southern Region Conference education sessions.
- Attendees were then asked to trade cards with someone; and to keep trading until the session leaders stopped them.
- At this point, leaders asked attendees to put a star (*) by the most important issue on the card currently in their hands.
- This step was repeated two more times.
- Session leaders then asked the group to identify issues with three or four stars.
- The three issues that emerged with the most stars were:
 - A. Technology
 - B. Leadership
 - C. Staffing
- Each of these three issues were then assigned to one of three round tables for discussion. Attendees were invited to select whichever table they preferred, to discuss and address three questions:
 - A. How has the issue impacted your work so far?
 - B. How do you anticipate it will impact you in the future?
 - C. How do you plan to address the problems it poses?
 - **NOTE:** The group naturally divided into three virtually equal groups, signaling the issues were balanced in significance, in their viewpoints.
- At the end of 15 minutes, attendees were given the opportunity to change tables and join a discussion on another identified top issue. Only three people opted to swap tables, suggesting a high level of engagement in the discussions taking place.
- After 10 minutes, the groups were asked to report back the top three points their groups discussed, and to turn in their cards and notes at the conclusion of the session.



RESEARCH METHODOLOGY

The Process Part Two: What the Researchers Tell Us

1. The final 20 minutes of the session were spent on what an aggregate of research has identified as six mega trends impacting CRE.
2. Attendees were asked to discuss how this compares or contrasts with their own experiences in real estate management.

This report summarizes the key discussion points from the session.

THANK YOU TO...

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