Real Estate Insights, Forecasts & Strategies
Editor: Christopher Lee

Strategic Advantage

Issue K050110

"2010 – 2020
An Unconventional Real Estate Outlook – Part I"

In This Issue

- ***Scarcity****…Not Enough To Go Around*
- ***Specialization****...Generalists Need Not Apply*
- ***Demographics****…The Shifts Are Irreversible*
- ***Conclusion****…There Is Hope*

Friends & Colleagues:

Before introducing this month's issue, I want to thank so many of you who have taken the time to send emails or called to tell us how much you like the new electronic format of *Strategic Advantage*. Since launching this monthly e-newsletter in January, we have received many requests and inquiries, and it is so encouraging. Of course, if you have friends or colleagues who might also enjoy receiving this in their email each month, complimentary subscriptions are available by either signing up on our website at http://newsletter.celassociates.com or sending us an email with your full contact information to newsletter@celassociates.com.

Now to our May article…

One lesson from my years of predicting the future is that it is always a blend of art as well as science. The cornerstone to understanding how the future will look is a function of connecting today's knowledge dots, drawing conclusions and identifying probable outcomes. **While the future is often defined by uncontrollable events, the path to that future is shaped by decisions that are controllable**. Some of the more famous quotes regarding the challenge and the value of understanding the future are highlighted below.

- *"The best way to predict the future is to invent it."* Alan Kay
- *"Prediction is very difficult, especially about the future."* Niels Bohr
- *"The future ain't what it used to be."* Yogi Berra
- *"I never think about the future. It comes soon enough."* Albert Einstein
- *"The best thing about the future is that it comes one day at a time."* Abraham Lincoln

One of my favorite quotes regarding the future is from Franklin D. Roosevelt: *"The only limit of our realization of tomorrow will be our doubts of today."* In 30-plus years of working with many great real estate firms, I've often shared this thought regarding the future…***"The only limit to your realization of tomorrow's potential will be your doubts about today's decisions."*** Whether we like it or not, the future keeps coming…that's a given. The challenge for real estate firms and their leaders is to better understand that future; and craft and implement a plan to prosper as a result of those probable outcomes.

For the past three decades, as many of our clients and friends can attest, predicting the future has been the net result of: voluminous data collection and research; intricate analyses; and intense debate followed by "Wow!" moments when the dots are connected. At times, a glass of wine or round of golf seems to help or at least accelerate the dot-connecting process. And, while we might not always have been precisely correct about the future, through hard work and creative thinking we have been generally accurate in the end.

Over the past several months, I have received numerous requests for an **"Unconventional Decade Forecast"** for the real estate industry. So, the CEL & Associates, Inc. team has been compiling valuable research and background information. While we continue to fine-tune our predictions, I wanted you to read our preliminary findings…our **2010 – 2020 Unconventional Outlook For The Real Estate Industry**.

CEL & Associates, Inc.'s forecasts combine traditional economic models with psychology, qualitative research, sociology, quantitative analysis, market reconnaissance, scenario testing, demography, consumer behavior, generational patterns, historical and philosophical context, proprietary research and interviews. **The blending of these disciplines provides a more predictable series of outcomes**. As Kahlil Gibran said, in *The Prophet* ***"Yesterday is but today's memory, tomorrow is today's dream."*** So it is with our forecasts.

During the next decade, according to our research, the real estate industry will likely be defined by six words…six words carrying powerful implications and enormous impact on how real estate is bought, sold, entitled, developed, managed, leased, financed and regulated. These words are:

The Six Most Powerful Words In Real Estate
2010 – 2020

- Scarcity
- Specialization
- Demographics
- Debt
- Sustainability
- Uncertainty

In this issue, Part I, we will examine the first three words – **Scarcity, Specialization and Demographics**. Next month we will examine the last three words – **Debt, Sustainability and Uncertainty**.

Scarcity…Not Enough To Go Around

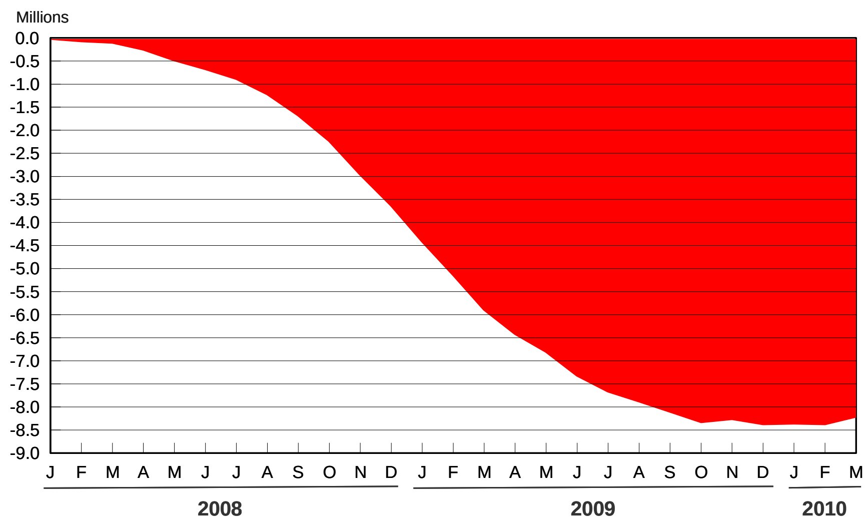
Scarcity is a concept of supply and demand imbalance – finite resources in a world of growing need and desire. **When things are scarce, people make choices or trade-offs between what they want or need and what they can afford or obtain**. The basic tenets of economics are built upon scarcity. Scarcity determines pricing, availability, access and competitive behavior. While immediate shortages may be able to be fixed, scarcity cannot. Scarcity, or the potential for scarcity, is always present; but **during the next decade, the real estate industry will experience the impacts and results of scarcity in a far different way than ever before**. Scarcity will be the "justifying" catalyst for the shift to a more environmentally friendly and sustainable pattern of consumerism, development and capital allocation. Here are a few examples of emerging scarcities we are monitoring closely.

Jobs: As the U.S. entered 2010, the number of unemployed and under-employed workers in the country was in the range of 15 million to 19 million (the higher number including the no-longer-counted, discouraged workers and millions of part-time workers who would like full-time work). **Each year approximately 2.5 million "work-eligible" individuals (those age 16 and older) are poised to enter the job-seeking pool**. In 2010, 11.5 million 18 – 24 year olds were in degree granting institutions, and many of these students will be seeking employment upon graduation. Many Baby Boomers (born 1946 – 1964) who thought they could retire at age 62 or 65 are now likely to work longer to recapture some of the savings or equity they lost in the recent recession. Boomers who work longer reduce the number of openings for younger workers.

Where will the jobs come from? During the next 10 years, unemployment probably will remain high by historical standards, while the number of would-be workers continues to grow. In 1999, 67.1% of the U.S. population was employed; today it is only 65.4%. **It could be at least 7 to 9 years before employment levels return to 2007 levels…if ever**. The job scarcity will place undue pressure on social services and government-sponsored support and interim solutions. The lack of jobs could create a psychological crisis for some Gen Yers, sending many of them back home, into graduate schools, or seeking "Internships" or "Community Service" positions. Companies now spend $425 billion annually on contingent labor (11% of the workforce). This is expected to rise to 25% – 35% over the next 2 to 3 years.

The Milken Institute issued "Jobs For America" (www.milkeninstitute.org/jobsforamerica) in January 2010. They argue that if the U.S. lowered the corporate tax rate to 22% over a 5-year period, nearly 2.5 million jobs would be created. **Hopefully tax cuts, not tax hikes, are in the offing during the next few years**. Tax increases (real or hidden), changes in capital gains to ordinary income, the addition of a VAT tax or increasing "fees" will keep job creation low, and net job gains far below what is needed for our economy to rebound quickly from the current recession and sustain a growing economy. Between 2010 and 2020, the Era of the Permanent-Yet-Temporary-Employee could become a reality. The number of self-employed, contract workers and leased employees will grow significantly…and unfortunately, these individuals generally do not require dedicated office space. According to a recent Forrester report, **the number of service jobs sent "offshore" is expected to rise to 3.3 million by 2015**. This is in addition to the estimate 2.0 million manufacturing jobs that moved offshore since 1983. Taxes, environmental policies, regulations, wages and labor laws have been some of the major contributors to this trend.

Cumulative Job Losses
Since January 2008

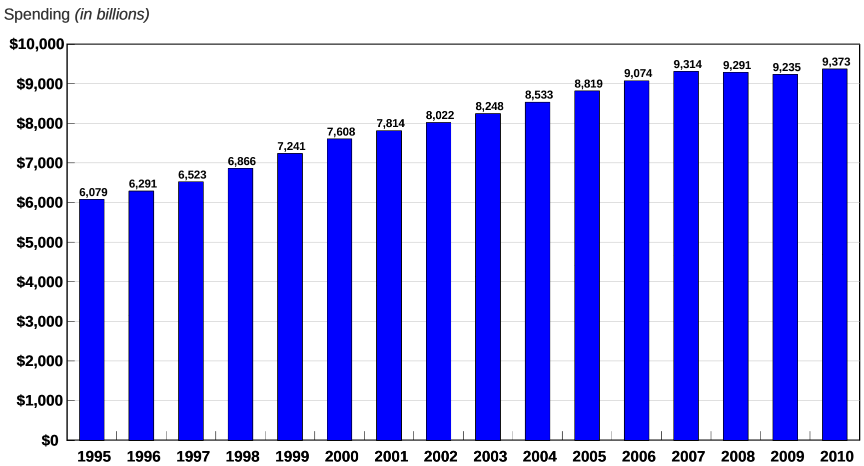


Source: U.S. Bureau of Labor Statistics.

The impact of a reduced workforce, continued offshoring and a constrained and protracted job recovery will create significant economic challenges for: leasing multi-tenant office buildings, high-end retailers and life-style malls; lodging properties in vacation destinations; single-family residential builders; and facilities leased to those producing/selling discretionary goods and services. Multifamily, healthcare, single-tenant, warehouse/distribution facilities, research and government-related buildings, however, will likely prosper in a job scarcity environment.

Discretionary Spending: A new normal of consumer discretionary spending is emerging. Job and growth trends will reduce discretionary income and create **a comparative scarcity of dollars to spend as U.S. consumers (non-upper income) redefine when, where and how they will spend their dollars**. More than 75% of wealthy Americans use the Internet to shop for luxury goods and services. Nearly 23% of U.S. households do not have a land line phone. Overall consumer spending and purchases using credit cards is down and should continue to remain below historical levels for years (on a current basis). The U.S. consumer is deleveraging … a process that could take 3 to 5 years before it stabilizes.

U.S. Consumer Spending

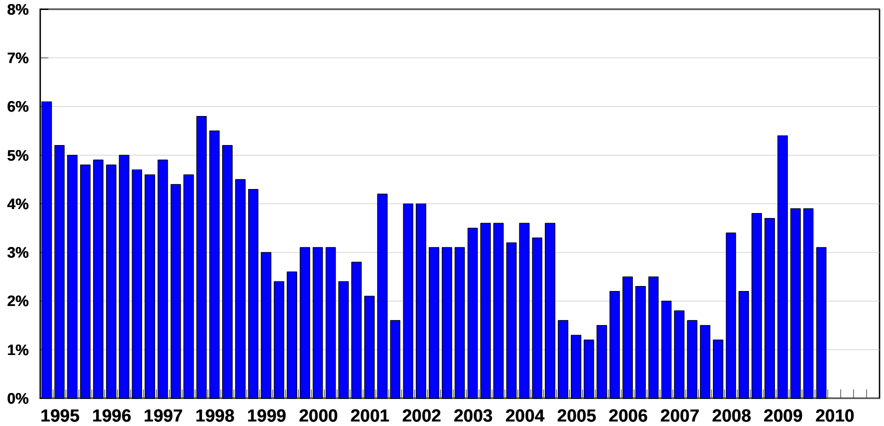


Expressed in 2005 dollars, seasonally adjusted at annual rates. March 2010.
Source: Bureau of Economic Analysis.

Upscale retailers, big-ticket items, vacation travel and nonessential purchases will face mounting challenges to capture even a small percentage of the consumer's wallet. Spending across all age categories and income levels was down or below historical levels in 2009. The U.S. consumer is spending more time at home entertaining and "hanging out" with family and friends. This new consumer is relying upon the latest technology and social media to make that experience the best it can be. Private label brands are growing in popularity.

Consumers also are putting off "life events" such as retirement, and instead focusing on health and being cautious with their money. With the loss of home equity as an "ATM" option; significant value and contribution declines in 401(k) plans; pressure to keep wages, bonuses and benefits low; less access to credit; and overall consumer deleveraging, **the scarcity of money to spend will dramatically redefine the retail and hospitality industries. Many will not survive in their current form**. Value, convenience and cost will drive many consumer decisions in a far greater way than in years past. Consumers will continue to save more and spend less. Personal savings rates could rise to 8% – 10% by the end of the decade. An increasingly high percentage of Baby Boomers nearing retirement age…can't retire!

Personal Savings Rate
Continues To Rise



Source: Bureau Of Economic Analysis. Represents percent of disposable income. 1Q 2010.

Water, Food And Commodities: The number of under-nourished people in the world is now around 1 billion. More than 1 billion people do not have access to safe drinking water and over 2.6 billion do not have access to water to meet their basic needs. Irrigated agriculture now accounts for nearly 70% of total water withdrawn for human use. **The demand for water in the U.S. outpaces traditional supply sources** (excluding desalinization), and many parts of the West and Southeast have been in and out of drought conditions during the past 20 years. Today, 92% of the U.S. is drought free but that is not a harbinger of the future. Drought in some regions is becoming the norm rather than the exception. According to the U.S. Agency for International Development (www.usaid.gov), by 2025 nearly one-third of all humans will face severe and chronic water shortages.

The scarcity of water will likely cause a population shift (albeit slowly) back to urban areas, reductions in use of inefficient irrigation systems, a shift to water-saving devices, planting drought-resistant crops/foliage, better farming techniques and general water conservation policies. **Suburban sprawl could move to a crawl as the real estate industry turns its focus inward and embraces (out of necessity or legal mandate) significant restrictions in water use**. America's suburban and urban areas could undergo a massive redevelopment, re-engineering and reprogramming process to align society's wants and needs with the environment's limited and declining resources. We could have what we would call "disruptive efficiencies" as the U.S. retools its consumption of natural resources. This process will be exciting, although painful and frustrating at times. There will be significant real estate opportunities to provide office and manufacturing space to employers who focus/specialize in research, development, sale and servicing of products and technologies to reduce the use and/or waste of a limited supply of valuable natural resources.

Food Scarcity: In six of the last eight years, world grain production fell below demand, forcing a steady decline in stockpiles. The 2008 volume of existing grain supplies dropped to only 60 days of consumption, a near-record low. Food prices throughout the world and the U.S. have risen steadily. As wealth is created in India and China, for example, growing segments of the population no longer grow their own food; they now buy it. Increasing meat consumption has driven up the cost of grain. A push to produce bio-fuels has taken acreage formerly used for crop production out of the system. Higher fuel costs also have driven up the cost of fertilizer.

Food scarcity could manifest itself in global conflict and imbalance. China and India could face serious food scarcity threats since 80% and 60%, respectively, of their food supply is dependent on irrigated land, and a growing percent of that land is experiencing depleting aquifers. The impact of global warming, decline of agricultural yields, rising demand and loss of cropland for non-farming uses will be felt in the U.S. as well as globally.

The impact on the real estate industry probably will be a retooling of the entire agriculture/food supply chain, warehouse/distribution channels, shipping and transport facilities, as well as the emergence of new ocean-based food and water production factories. Data centers and "monitoring" facilities will flourish. **There will be incredible opportunities** to develop new and replace aging infrastructure, production, manufacturing and distribution facilities to embrace new technologies and processes that reduce this scarcity. Tenants who focus on micropropagation, biotechnology, aquatic farming, research, genetic engineering, fertilizers and water purification will grow dramatically. High-rise and roof-top farms in urban settings are a very distinct possibility.

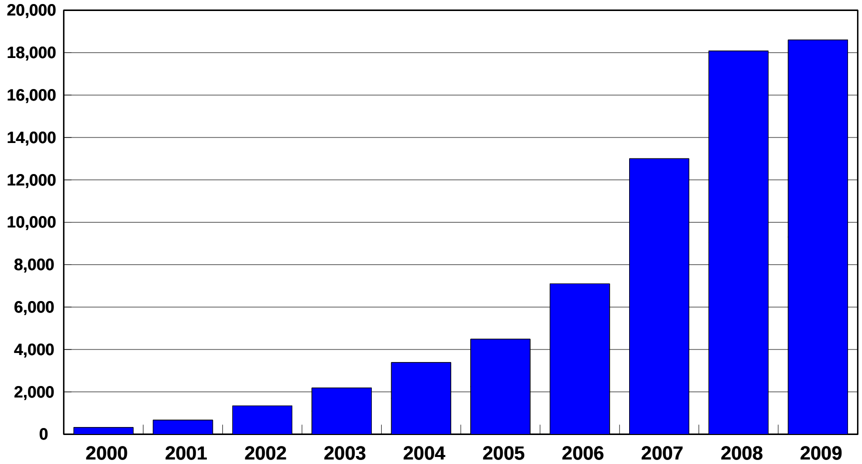
<u>Energy:</u> Nearly everything we use, consume or come into contact with requires some form of energy. Rising costs for electricity, gasoline, natural gas and energy saving-devices will continue to impact consumers, small businesses and those less able to pay for more energy efficient systems. This could reduce overall economic growth. **The scarcity of some energy sources and the high cost of creating new, more efficient energy will keep operating costs for building owners and tenants at very high, by historical standards, levels**. The impact of federal, state and local legislation and mandates on energy use and energy efficiency will result in conversion requirements that may not be financially feasible to many building owners. The impact of future conflicts in the Middle East, potential oil production declines and use of oil as a geo-political strategy could result in oil shortages and higher fuel costs. Property Managers could become mini-Energy Czars managing the potential shortage and high cost of energy.

The financial impact of the proposed American Clean Energy And Security Act of 2009 (also known as "cap and trade" legislation) could have significant impact on the U.S. economy just emerging from a recession if signed into law in its current form. This legislation would enact a tax of "historical proportions." The probable impact of scarce energy and potentially (albeit well-intended) severe negative impacts of cap and trade legislation would likely result in a rise in commercial vacancies. **Over the next decade, the cost of becoming energy efficient could result in further declines in real estate asset values for those buildings labeled "not energy efficient compliant."** Buildings which are LEED certified or Energy Star compliant will rise in value at a faster pace than buildings that are not.

Lenders are not likely to lend on "energy inefficient" buildings, fearing the requirement to make energy-efficient upgrades. **By 2020, all buildings sold and financed will likely need to be brought up to or have escrowed monies to bring the asset up to energy-efficient standards or face severe financial penalties for non-compliance.** Conversely, energy-efficient buildings could receive interest rate reductions, tax benefits and other "value enhancements." If you haven't already done so, I strongly recommend you hire a LEED Certified specialist now. Energy efficient retrofits could be a savior for the construction industry over the next decade.

As the following table highlights, **the Green Revolution is clearly here to stay and is growing rapidly**. The real estate industry must get on board or find themselves with declining value properties to own, manage and/or lease. Currently there are over 142,000 Accredited LEED professionals.

Membership USGBC
2000 – 2009



Source: U.S. Green Building Council (USGBC).

Specialization…Generalists Need Not Apply

Over the next decade, the focus on investors, lenders, tenants and strategic partners will be based on: service specialization; knowledge of specific asset class/type; a valued relationship with a specific user or client group; and proprietary knowledge regarding one or more geographic markets. **Developers, owners and operators who in fact are or perceived to be generalists will be discounted or undervalued**. Third party service providers will be required to specialize in order to maintain or grow market share. Investors will increasingly seek opportunities in which the sponsor has an acknowledged specialization and capability. The mantra of the past 10 years ("Be All For All") will give way to new business models based on "unique" skills and knowledge.

The trend toward specialization began years ago with those who primarily or exclusively focused on an asset category (e.g. office, industrial, retail, multifamily, etc.), or a service capability (e.g. retail leasing, investment sales, commercial or multifamily property management, project management, etc.). A majority of REITs were formed with asset or tenant specialization strategies. Brokerage and property management firms began to specialize in the 1990s and early 2000s. **Today CBRE offers approximately 25 service lines** in the U.S. and JLL offers 20 service lines. This is a far cry from the four to six service lines offered during the late 1980s.

Today a real estate firm must specialize or forever finish second. Practice groups, industry specialists, client groups and focused service lines are now the rule rather than the exception.

Over the next decade there will be a matrix of specialists. On the "X" axis will be the service areas of specialization, and on the "Y" axis will be the targeted practice or client areas. To accommodate this need for specialists, I expect a growing pool of independent consultants/contractors, sole practitioners, small entrepreneurial companies and part-time knowledge experts to serve the future needs within the real estate industry. **By 2020, real estate firms will be valued on their levels of unique and specialized knowledge, experience and expertise**. The real estate industry is changing from the way business used to be done to how business in the future will be done.

The Shifting Business Focus

Shift From		To
Focus on Service	⇨	Focus on Solutions
Information Gathering	⇨	Knowledge Sharing
Performance-Driven	⇨	Relationship-Driven
Interpreting Technology	⇨	Linking Technology
Reporting	⇨	Advice and Guidance
Collecting Commissions/Fees	⇨	Collecting Customers
Silos	⇨	Collaborative Teams
Responding to Change	⇨	Creating Change
Property Focus	⇨	Strategic Focus
Broker	⇨	Advisor
Property Manager	⇨	Enterprise Leader
Founder	⇨	Visionary

Over the next decade, some of the industry sectors likely to garner the most attention include:

Growing Industry Sectors

- Industries Serving Seniors
- Software Development
- Healthcare
- Life Sciences / Biotech
- Technology
- Government / Government Related
- Defense / Security
- Communications
- Trade / Logistics
- Data Centers
- Research & Development
- Full Service Grocery
- Personnel Management
- Consulting
- Advanced Manufacturing
- Waste Management
- Emerging Technologies
- Colleges / Universities
- Legal / Accounting
- Science
- Green Industries
- Pharmaceutical
- F.I.R.E.
- Entertainment
- Energy & Alternative Energy
- Internet-Based Entities
- Financial Management
- Computer Programming

In an age where specialists will be highly valued, the real estate industry will need to re-tool their business model away from physical structures (building focus) and event-based transactions and toward customer/client knowledge and service line specialties.

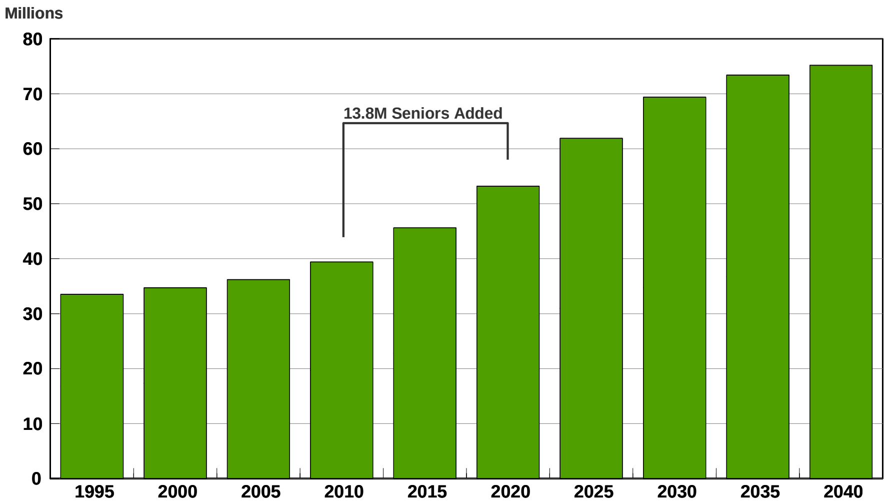
Demographics…The Shifts Are Irreversible

The third word is "demographics," and 4 major demographic shifts will accelerate throughout the 2010 to 2020 period. These include:

- Massive increase in those over 65 years of age
- Emergence of the Y Generation
- Rise of the Hispanic population
- Population shift to the Sunbelt

<u>The Numbers Of Those Older Than 65 Are Growing:</u> The rise in the number of Americans 65 years and older will jump from 39.4 million in 2010 to 53.2 million by 2020. Every year nearly 2.9 million Americans turn 60. Beginning in 2011, the first wave of Baby Boomers will turn 65. **This growing population segment will have one of its biggest impacts on the real estate industry during the next 10 years**. Remember, Boomers control 70% of the wealth in the U.S. A rapid growth in medical office buildings, healthcare facilities, wellness and treatment centers; residential real estate near vibrant city centers and universities; redevelopment and mixed-use projects; hospitals; out-patient care facilities; medical device manufacturers; pharmaceutical companies; "proximate" retail facilities; niche communities; and senior housing will be significant. For example, the U.S. has approximately 4,000 continuing care faculties. By 2020 we could need another 1,500 to 2,000 facilities and countless medical office and outpatient facilities.

Population 65 Years And Older



Source: U.S. Census Bureau.

By 2029, the youngest Baby Boomer will be 65, and the oldest will be 83. As Boomers begin to prepare themselves for retirement in an age of diminished net worth, lower incomes, rising healthcare and overall living costs, higher taxes and far less purchasing power, we expect some big changes. Over the next decade Boomers will spend far less than the preceding generation (in constant dollars), live a more austere retirement, downsize their overall lifestyle and become a massive contingent and mentoring workforce requiring little or no office space to perform their assignments. **Boomers will become a "Knowledge Bank" for the Y Generation**. The drivers of the run-up in all real estate asset classes from the 1960s through the early 2000s, the Boomers over the next 10 to 20 years will become the brakes on the "build-it-and-they-will-come mindset" of the past.

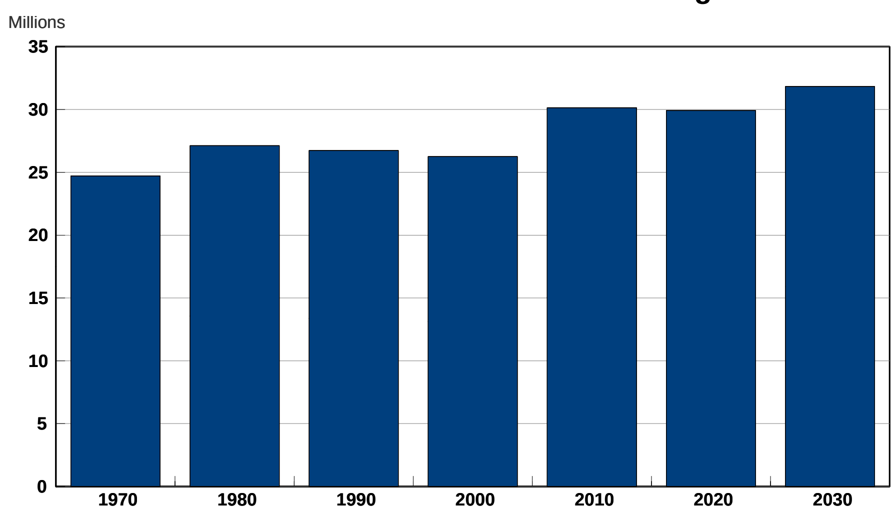
<u>Y Generation Taking A Bigger Role In Society:</u> The emergence of the 84 million or so strong Y Generation will create additional **demand for affordable, workforce and conventional rental housing units over the next decade**. This population segment will slowly replace the aging Baby Boomers. However, by 2020 the oldest Y Gen members will be around 43 and well into their "family years." Their real estate demands will be centered around energy efficiency and environmentally friendly, low-impact buildings, mass transit, 24/7 walkable communities, locations that invite impromptu gatherings, electronic purchasing of goods and services and mixed-use assets. A more pedestrian-friendly Las Colinas may finally be finished in Dallas over the next 10 years!

During the next 10 years, the Y Generation will be primarily in their 20s and 30s. This "Save The World" generation will reshape the focus of real estate development. **This group of social gatherers/networkers, text and touch e-friends and like-minded community supporters will seek and support urban redevelopment, adaptive re-use, public transportation, 24/7 communities, mixed-use and "home-centered living."** Design will be values driven, rather than space-driven. A return to compatibility and efficiency is underway. "Harmony" will be the mantra of developers and urban planners in the next decade to meet the needs of this generation. Gen Yers will accept "smaller" apartments without complaint, energy efficient buildings and lifestyles not dependent on the automobile. Urban retail, "nearby" restaurants and vendors, Internet shopping for items not readily available locally and proximity to employment centers will be their preferences.

Office buildings will need to reflect the "green" theme/focus of this generation, while bike paths, work-from-home options and shared workspace will be commonplace. **Do not be surprised to see global icon labels attached to commercial real estate assets as the Generation tends to gravitate to "what's popular today" trends**. The Gen Y population group is very diverse, and this will be reflected in their real estate use and ownership. The impact of social networking and electronic communications on commercial real estate is just beginning to evolve and will accelerate its impact into 2020.

Scarcity is one of the reasons supply-constrained markets are in favor. Some Analysts believe that "**for every percent increase in price, there is an equal percentage increase in new space**." It is clear that in supply-constrained markets real estate assets generally experience rent growth and value appreciation. In this case, **scarcity can create opportunities**.

Number Of 18 – 24 Year Olds Growing

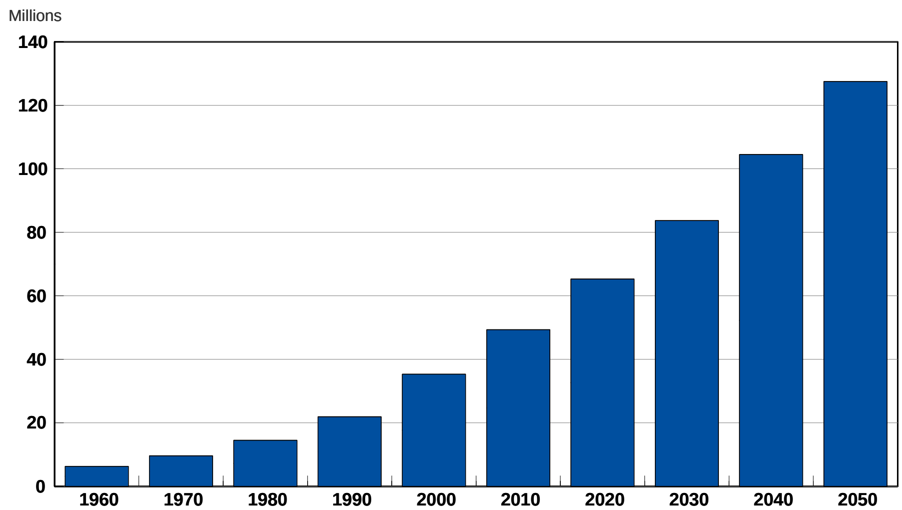


Source: U.S. Census Bureau, National Center For Education Statistics.

Here are some telling facts. More than one-third (37%) of smartphone users have made a purchase from their device. Approximately 88% of 12- to 17-year-olds use social networks every day. Thirty-seven percent of Americans age 18 – 24 use Twitter. Around 45% of Americans have watched live streaming coverage of a sporting event via the Internet. In 2009 approximately 90 trillion emails were sent (81% of which were spam), and there were 234 million websites. The impact of the Internet on real estate continues to manifest itself in the retail sector first, followed by both the office and apartment sectors sharing second. The Internet is changing how people interact, communicate, make purchases, pay bills, make decisions and are entertained. **The real estate industry must embrace and integrate technology over the next decade and cannot afford to consider it an "add-on" or "optional" feature.**

<u>Hispanics Will Dominate Population Growth:</u> By 2020 Hispanics in America will number 65.3 million, with primary concentration in California, Texas, Florida, New York and Arizona. Nearly 10.8 million undocumented Hispanics were in the U.S. at year-end 2009. Approximately 54% of Hispanics rent, while the median age in 2008 for Hispanics was 27 years (versus 41 years for Caucasians). **This rapidly growing population will quickly move into the "power structure" within government, corporations and institutions**. During the next 10 years, the number and variety of real estate opportunities focused on serving this major population segment will be significant. Hispanic grocery stores, medical clinics, retail and discount centers, apartment communities, transit-oriented housing and assets located near or along major public transportation corridors will prosper. Real estate brokerage firms will have Hispanic-only Brokers, and bilingual requirements will be in place for Property Managers, Leasing Agreements and Maintenance Managers in many states.

Growth In Hispanic Population



Source: Pew Research Center.

<u>Shift To The Sunbelt Is Irreversible:</u> The shift to the Sunbelt continues … it is accelerating and it is irreversible. By 2020 the combined population of California, Texas and Florida will comprise 28% of the U.S. population. Adding New York, Arizona, Georgia, North Carolina and Virginia to the mix, those 8 states will comprise 45% of the U.S. population…and House of Representatives. With the exception of New York, these are generally right-to-work, non-union states with warm climates, major economies, excellent colleges and a growing employer base. **The Sunbelt clearly will dominate real estate (re)redevelopment and acquisition opportunities. Nearly 50 of the fastest growing metro areas are in the Sunbelt**. By 2019-2020 the number of high school graduates in the South and West will be nearly 62% of all graduates in the U.S.

The following table, compiled by my good friend Chris Nelson (www.metrosearch.utah.edu), highlights the outcome of a move to the Sunbelt.

Growing Space Needs

Region	Total Growth & Non-Residential Space Needed (billions s.f.)	%
Northeast (CT, MA, ME…)	11.7	10%
East North Central (IL, OH, MI…)	16.2	14%
West North Central (MN, NE, MO…)	7.4	7%
South Atlantic (FL, GA, NC…)	27.6	25%
East South Central (KY, IN, AL…)	7.0	6%
West South Central (TX, OK, AR…)	17.0	15%
Mountain (NV, CO, UT…)	9.2	8%
Pacific (CA, OR, WA, AK…)	16.1	14%
U.S.	**112.2**	**100%**

54% Of Total

Source: Arthur Nelson, FAICP.

Clearly these four demographic shifts will have an impact on the real estate industry. Other significant demographic shifts currently tracked by CEL & Associates, Inc. include:

- Rise in single-person households
- Couples delaying in having children
- Increase in elderly population
- Asian and Black demographic and consumer patterns
- Changing education attainment levels
- Rapid rise in leadership roles for women
- New household formations/characteristics
- The demise of Euclidean or “Building Block” zoning
- Shifting income levels
- Women in the workforce
- The vigilant consumer
- The resurgent Heartland
- Employment de-clustering
- The new Empty Nester
- Immigrant entrepreneurship
- Re-emergence of Zen-like communities
- The decline in generational culture clashes
- Telecommuting

Conclusion

Three words – “Scarcity,” “Specialization” and “Demographics” – three simple yet very powerful words that contain a plethora of implications, risks, opportunities and surprises. When faced with the clear and logical realities of eventual or probable future outcomes, solutions and innovation emerge. It is clear, however, that the **impact of these three words on the real estate industry will be profound. Business as usual is not a viable option**.

Real estate firms and their leaders must re-engineer their business models to acknowledge an emerging world of scarcity, specialization and demographics and to capitalize on a knowledge- and relationship-centric business environment and emerging demographic trends.

Things will get better…and those firms that master the art of careful navigation and entrepreneurship have the potential to be very successful.

Part II of this 2010 – 2020 Real Estate Outlook will be coming out in June. It will be important to read both reports to gain a broad perspective on what is likely ahead for us all.

The challenge for every real estate entrepreneur, leader and enterprise is to get the timing right, the talent in place to add and create value and the business strategies identified to navigate through this potentially Transforming Decade with tremendous opportunities. To quote the French philosopher, Voltaire (1694 – 1778), *"Each player must accept the cards life deals him or her: but once they are in hand, he or she alone must decide how to play the cards in order to win the game."* We continue to track many, many real estate opportunities. **Real estate is an ever evolving business of society, and our destiny is not a matter of chance, but a matter of choice. What will you choose?**

If you'd like to share your comments, insights or ideas with me, please email them to newsletter@celassociates.com.

Regards,

Christopher Lee

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