



ULI Global Trustees and Key Leaders **Midwinter Meeting**

InterContinental Le Grand Hotel • February 4–6, 2015 • Paris, France

A Draft Strawman Starting Point A Vision for the Future

Starting Point

CREATING A VISION FOR THE FUTURE FOR THE REAL ESTATE INDUSTRY

Overview and Goal

Over the past year, ULI engaged its Trustees in conversations on transformational change. We polled Trustees on key issues and created discussions on what they as a collective group believed to be the major transformational changes impacting the industry in general and companies specifically. In addition, all Midwinter participants were sent a survey asking their opinions on key statements about the future of the industry and the issues that are influencing the trends.

The ULI mission is to provide leadership in the responsible use of land and in creating and sustaining thriving communities worldwide. Our goal is to help create a more resilient and sustainable urban future.

During this Meeting we will create a vision and an action agenda for the industry, for the companies within it, and for ULI. We will respond to big changes—in demographics, technology, geopolitics, climate, leadership, and education. We will focus on major property sectors—housing, retail, recreation, and workplaces.

As a means of organizing the discussion, we have identified three broad themes (challenges) for consideration: Adaptation, Mobility, Investment.

- The need to **adapt** quickly to the transformational changes that are impacting the industry.
- The need to deal with changing patterns and technologies related to the **mobility** of people and goods that will have far-reaching impacts on the industry.
- The need to address conventional frameworks for analyzing real estate **investment** potential and risk that are unlikely to allocate resources in a way that creates the kind of cities we need.

Throughout this Meeting, these three themes will provide an overlay to the discussions. And, during the Breakout Sessions, we will delve into these three themes from several different perspectives.

- Thursday am. By cross cutting issues. What Needs to Change.
- Thursday pm. By industry sectors. What Needs to Change.
- Friday. By the three themes and their challenges. Actions/How to Achieve Change.

Adaptability

Rapid advances in technology are disrupting longstanding business models and industries. Consumers behave differently. The factors that make a city or region competitive are changing. Yet the real estate industry's "products" remain largely the same. Our work is mostly precedent-based, reflecting what's worked in the past. Regulatory frameworks, too, are mostly designed to reinforce the status quo.

In a capital-intensive industry that produces long-lived assets, innovation and adaptation are challenging. With rapid, transformational changes in technology, shifts in supply and demand forces, and complex demographic changes, more flexible, adaptable products and processes are needed. The real estate and land use industry must more easily accommodate innovation.

Mobility

The movement of people and goods, and the resulting spatial distribution of households and jobs, is a fundamental driver of land use; and land use patterns in turn profoundly influence infrastructure needs.

Changing patterns of mobility, driven by climate concerns and energy price trends, new technologies, and demographic shifts, will alter the future shape of regions, cities, and neighborhoods. Some innovations will involve substantial change in infrastructure “hardware,” such as autonomous vehicles or robotic storage and retrieval systems. Others will involve technology-enabled cultural and policy shifts, including the emergence of the sharing economy, and shared mobility services, such as bicycles, cars, taxis, and even buses. Still others relate to virtual mobility or connections, facilitated by the internet, which mitigate the need for physical travel. These changes have the potential to make infrastructure far more productive, safe, and resilient.

Investment

The real estate industry needs to look beyond classic, but limited, definitions of real estate investment potential and risk analysis; these are no longer dynamic enough to capture how markets and physical assets interact over time. Investment analysis must now incorporate the notion that the building and its market you invest in today is not necessarily what you will have at the end of your investment time horizon, regardless of how short. Anticipation of on-going, rapid changes in market demand and the capacity for nimble adaptation are factors to incorporate into the analysis. Those locations, assets, and development projects that can more readily adapt to change may warrant a value premium.

The risk profile of a city also adds to the complexity of investment decisions. Adaptive capacity and public leadership regarding environmental sustainability, education, resilience, and economic prosperity impact investment risk and value, yet these factors are seldom given much weight in investment analysis.