



The Future Has Arrived

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The Greek statesman and orator Demosthenes observed, “Small opportunities are often the beginning of great enterprises.” The real estate industry was founded in response to both social and civic opportunities and problems in need of an asset-based solution.

Real estate is the unfinished business of society. For hundreds and thousands of years, buildings have been developed, redeveloped and modified to meet a demand for space. From ancient Rome through today, real estate has defined cultural, social and societal values and priorities. Real estate has shaped community development, workplace environments, homes and gathering places for shopping and recreation. From the Egyptian traders of 3000 BC to the high tech pioneers of the 21st century, real estate entrepreneurs have been at the epicenter of every historical event. Through the ages, there have been wars, dramatic acts of nature, new technologies and generational transitions...and real estate has been the one constant amid a sea of sudden and unexpected change. The real estate industry has been the global historian of consequences.

However, while the past provides a perspective on what was, today’s real estate firms and leaders are on a precipice of defining and shaping a future of what can be. As the real estate industry moved from a “local” business in the 70s, to a “regional” industry in the 80s, to a “national” industry in the 90s, and now a “global” industry, the next decade will be shaped by a borderless marketplace. Real estate firms will become more client- or customer-centric. Business models in the future will be knowledge driven and capital will be the fuel that assures relevance. Over the next 10 years, real estate firms will collect customers not square feet. Technology will level the playing field and “ratings” will become a constant Key Performance Indicator (“KPI”) and “Value Marker” for many real estate enterprises.

Real Estate Industry’s Megashifts

Category	Historical				Forecast
	1970 –1979	1980 – 1989	1990 – 1999	2000 – 2009	2010 – 2019
Geography	Local	Regional	National	Global	Without Boundaries
Competition	Many Competitors	Some Competitors	Few Competitors	Strategic Competitors	New Competitors
Business Strategy	Focus On Location	Focus On Design	Focus On Operations	Focus On Customers	Focus On Customers of Customers
Goals	Market-Driven	Capital-Driven	Performance-Driven	Relationship-Driven	Knowledge-Driven
Market Dynamics	Fighting Over Sites	Fighting Over Money	Fighting Over Market-Share	Fighting Over Talent	Fighting Over Customer-Share
Operational Focus	Collecting Reputation	Collecting Assets	Collecting Competitors	Collecting Clients	Collecting Relationships
Leadership	Personality-Based	Functionally-Based	Service-Based	Solutions-Based	Strategy-Based
Organization	Few Teams	Appearance Teams	Necessity Teams	Reoccurring Teams	Virtual Teams
Brokerage	A Representative	A Broker	A Specialist	An Advisor	A Confidante
Founder	An Entrepreneur	An Executive	A Leader	A Coach	A Collaborator
Growth Strategy	Growth From Market Dynamics	Growth From Abundance Of Capital & Financial Engineering	Growth From Consolidation, Specialization & Digital Economy	Growth From Customer Connectivity, Talent & Capital Shifts	Growth From Globalization, Generational Shifts, New Urbanism & Greening

Source: CEL & Associates, Inc.

The next real estate cycle (the “Age of Consequence & Restructuring”) is expected to begin in 2013. Growth will be geo-centric based on opportunity and perceived economic freedom. Green technologies, energy, healthcare, generational shifts and global restructuring will create many development and leasing opportunities. The progressive, accelerated retirement of many Baby Boomers will create new leadership opportunities throughout the real estate industry. By 2020, around 58% - 62% of today’s CEOs will be gone. Nearly 50% of today’s Brokers will have been replaced. The shifts caused by unrestrained Federal spending will create a renter-based society, which in turn will create new dynamics for the apartment and retail sectors. Offshoring, cubing and cloud workforce will place unique demands for the office sector. Logistics reinvention will bring many new opportunities to the industrial sector. Consolidation will accelerate as many Founders seek to monetize their exit. REITs will find 1+1 can equal 3 and will correspondingly seek size through mergers and portfolio acquisitions. An infusion of international capital will reshape the ownership landscape of U.S. real estate.

Shifting Value Proposition

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

Source: CEL & Associates, Inc.

These are indeed very exciting times. The need for visionary and transformational leadership is paramount. Creating a Plan to Win, assembling a collaborative team of best-in-class talent and developing a differentiating brand are essential for success over the next decade. However, the one cornerstone for tomorrow’s prosperity is the adherence to a core set of values, standards and principles.

The next decade will bring many changes to the way real estate is acquired, developed, leased, managed, sold and regulated. The impact of various “green” initiatives, technology advancements, increased government intrusion, higher taxes and cost of doing business and longer timelines to “get things done” will be challenging. However, success will be attached to those who can lead, those who have a well-conceived strategic plan, and those who are not anchored in the past. The shift to a renter-based society, relocation back to the urban core and the impact of energy alternatives will present many opportunities for real estate entrepreneurs. But one must have a plan...merely showing up will not result in success.

Company Strategies For Success

- Set Your Vision & Reset Your Priorities
- Implement A Collaborative Business Model
- Strengthen Your Brand & Differentiating Story
- Become Customer-Centric & Knowledge-Driven
- Improve Internal Systems & Processes
- Take Advantage Of Competitor Difficulties
- Recognize Opportunities & Pursue Them Aggressively
- Expand Your Service Lines & Product Specialization
- Strengthen Your Capital Base
- Protect Your Most Valuable Asset...Your People

Source: CEL & Associates, Inc.

Tomorrow has indeed arrived. The opportunities amid a sea of transition and change are apparent and available to all who have shed yesterday's business models, practices and brand. Success will be defined not just by what you do...but by what you don't do. Go out and capture the potential available to all who have a passion, vision and commitment.

Christopher Lee is President and CEO of the Los Angeles-based CEL & Associates, Inc., one of the nation's premier real estate consulting firms. Mr. Lee's new book Transformational Leadership In The New Age Of Real Estate is now available through IREM. Readers are encouraged to visit CEL & Associates, Inc.'s website (www.celassociates.com) or contact Mr. Lee directly by calling 310-571-3113 or via email to cel@celassociates.com.