



INDUSTRY LEADERS CHAT ON STAGE

From left-right: In one keynote, Stuart Miller (JD '82), CEO of the Lennar Corporation, interviewed David Simon, chairman and CEO of Simon Property Group. In the other keynote, Greg Pasquarelli, principal and co-founder of SHoP Architects, was interviewed by David Martin, president and co-founder of Terra.

Zeroing in on Disruptive Forces

8 things to know from the 2017 University of Miami Real Estate Impact Conference, hosted by the School of Business and the School of Architecture

By Rochelle Broder-Singer, with reporting by Jennifer Leclaire



On Feb. 10, real estate experts from around the world converged in Miami at a standing-room-only industry conference. The sixth annual Real Estate Impact Conference was made possible by sponsors including Douglas Elliman Real Estate, the Kislak Organization, The Witkoff Group and Fortune International Group.

1. BRICK AND MORTAR RETAIL ISN'T DYING, AS LONG AS IT'S A SOCIAL EXPERIENCE.

"If you go to good centers, you see a lot of people with bags," said James Bry, executive vice president of development and construction at REIT Seritage Growth Properties. "Retail is about the entertainment as well as the shopping experience. We're all still social. The majority of us want to get out of our house and do things." David Simon, chairman and CEO of retail giant Simon Property Group, said centers need to invest in better architecture, diversify their mix of uses and create a sense of place that doesn't exist online.

2. BUT IT DOESN'T HURT TO GIVE PEOPLE A PUSH, SINCE THEY REALLY NEED A REASON TO HEAD TO THE MALL.

Bob Gray, a partner in real estate investment firm Rockwood Capital LLC, sees malls, in particular, bringing in supermarkets, health care providers and fitness centers to give people additional reasons to hit the mall. Michael Comras, president and CEO of retail developer and leasing firm Comras Company, agreed about giving people a reason to go to the mall, but disagreed about the best way to lure them. "The challenge is to look for opportunities to get people off the couch," he said. "When you think about health clubs or movie theaters ... It's about the social atmosphere. People want to see people. People like to see people."

3. OUTLET MALLS ARE GOOD BUSINESS, BUT THEY'RE TOURISM-DEPENDENT.

In 2007, when Simon Property Group bought the Sawgrass Mills outlet mall west of Fort Lauderdale, it had net operating income of \$55 million. That figure has risen to \$150 million, said Simon. "Outlets have been a good industry for us," he added. "It's been a little touchier recently ... because a lot of outlets are tourism-oriented, and with the stronger dollar we see a little softness in the business – not just for us, but for retailers."

4. ECONOMIES OF SCALE MATTER IN PROPERTY OWNERSHIP, AND, YES, BIGGER IS BETTER.

"I believe in scale," Simon said. "Real estate is capital intensive. The bigger and better relationships you have with retailers, the more you can accomplish together. ... Your overhead can be spread out over many properties. [Plus,] it gives you lots of opportunity globally."

5. YET, THE U.S. MAY HAVE TOO MUCH RETAIL, ESPECIALLY COMPARED TO EUROPE AND CANADA.

Simon believes that most U.S. cities have too much retail space, and he noted that the U.S. has about 24 square feet of retail per person, versus between three square feet and 10 square feet per person in London, Paris or Canada.

6. DEVELOPERS AND BUILDERS DON'T LIKE TO TAKE RISKS ON NEW TECHNOLOGIES, BUT WHEN THEY SEE SOMETHING WORKS, THEY JUMP ON IT.

"Real estate tends to do things the same way until one person innovates, and then they all instantly change," said SHoP Architects' principal and co-founder Gregg Pasquarelli. He shared that the company worked for years on automated digital design and fabrication techniques for creating a building façade. Such techniques could lower construction costs, speed up design and allow for more design freedom, but no clients would take a chance on them. "We had to test our ideas on our building," Pasquarelli explained. Then, clients started signing on – including Barclays Center, the landmark sports and entertainment arena in Brooklyn (home of the NBA's Brooklyn Nets). "Every time we've been able to use technology to improve cost control or transparency or manufacturing costs in one of our buildings and we've had hard data showing it works, everyone jumps on board," Pasquarelli said.



Craving more from real estate heavyweights?

bus.miami.edu/re2017 has:

- **Articles on the conference's keynote conversations with Gregg Pasquarelli, principal and co-founder of SHoP Architects, and David Simon, chairman and CEO of Simon Property Group**
- **Articles on the two panel sessions: "Finding Opportunity in Disruption" and "Redevelopment Ready: Miami 2.0"**
- **Full video of each of the four sessions**

7. LOCATION IS BECOMING ALL ABOUT WORKFORCE, AS COMPANIES INCREASINGLY MOVE TO WHERE THE HIGH-TALENT WORKERS ARE (OFTEN, THAT'S SECONDARY CITIES).

“Value of talent is what’s driving location today,” said Rockwood Capital’s Gray. “San Francisco is a wonderful exporter of talent to other parts of the country because it’s too expensive for people to rent apartments or buy homes.” Michael Gross, vice chairman of alternative workspace provider WeWork, noted that the company is following workers as it decides where to open its co-working offices. “A lot of secondary cities are starting to populate, and we can’t get buildings up fast enough,” he added.

8. HEALTH AND WELLNESS ISN'T A FAD - IT'S A MONEYMAKER.

“We are looking at health and wellness from a product perspective,” Bry said. “It’s going to be a critical component of meeting the needs of this generation. That’s not a fad.” SHoP’s Pasquarelli noted that hard data is now showing the financial benefits of LEED certifications. He pointed to the Genzyme Center in Cambridge, Massachusetts – the first LEED Platinum-certified building in the country. Genzyme now has 15 years of data showing that workers at that building take fewer sick days than workers in its other buildings (even when they have the same education and income levels). U

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