

By Jennifer LeClaire and Rochelle Broder-Singer • Illustrations by Traci Daberko

HIGHLIGHTS FROM THE 2016 REAL ESTATE CONFERENCE

The fifth annual University of Miami Real Estate Impact Conference brought together 600 professionals in the industry for a day-long series of speakers and networking. Hosted by the School of Business and the School of Architecture, the conference took a long-term, global view of factors impacting commercial real estate – from Millennials to transit to technology. The annual Conference, presented this year by Douglas Elliman Real Estate, the Kislak Family Foundation and The Witkoff Group, is one of a number of real estate industry initiatives spearheaded by the School of Business. The School's academic programs in real estate include an Accelerated MBA in Real Estate, a Bachelor of Architecture/MBA in partnership with the School of Architecture, an MBA concentration in real estate and an undergraduate real estate major.





6 Questions Millennials Force the Real Estate Industry to Ask

1. Will retailers' deep love of Millennials remain unrequited?

"Retail is deeply in love with Millennials. The problem is, it's unrequited love – because they don't spend any money," said Garrick Brown, vice president of retail research of the Americas at Cushman and Wakefield, in a panel at the conference. Everyone is chasing this 87 million-consumer demographic, he added.

2. Will malls survive?

Although they love to shop online, Millennials like to make returns at traditional storefronts. Still, as retailers consolidate their physical locations, it's difficult for malls in small markets keep their tenant bases, said Katy Gnapp, head of commercial real estate banking at Bank of America Merrill Lynch. Large trophy malls in big markets "are doing better than ever," Brown said. "But the story of dead and dying malls is absolutely true." He and Gnapp noted that need-focused strip centers are also doing well. What's getting squeezed? Everything in the middle.

3. What is Primark, and will Millennials love it?

Irish clothing retailer Primark has no e-commerce channel. Its brick-and-mortar stores offer trendy clothes, homewares, beauty products, candy and more – at what *The Economist* called "astonishingly low prices." The company has opened three stores in the U.S. and plans a major expansion here, which Brown said could set the bar for discount retail.

4. Are smaller apartments and condos really the future?

Research shows that Millennials want smaller spaces with lower rents, but Brown is betting that will change as they settle down and start families.

5. How much will Millennial-required amenities cost multifamily developers?

Millennials want technology bells and whistles, and they

buy so much online that buildings need lockers or other systems to handle the high volume of deliveries, Gnapp said. Alfonso Munk, chief investment officer for the Americas at Prudential Real Estate Investors, added that, despite amenities such as golf simulators or bowling alleys, his company is "having a tough time bringing people in." He noted that for Millennials, the area surrounding a building is just as important as the building. "We have to invest in bringing retail and services in for the tenants," he explained. "It's really transforming the way we invest."

6. Does Airbnb matter in the business travel world?

Airbnb now controls the largest number of lodging units in the world, Manny de Zarraga, executive managing director at HFF, noted. Munk shared some startling numbers from Prudential's research: Paris has 80,000 actual hotel rooms and 90,000 Airbnb units. He believes Airbnb will move into business stays, just as Uber now handles a large share of business car trips. "The first hotel company who partners up with Airbnb is going to be the one who figures it out," Munk said, "because Airbnb is going to actually sell hotel rooms at some point." Brown, on the other hand, doesn't think Airbnb will tap into business travel, but did concede that "especially for Millennials, the sharing economy is real."



What are Smart Cities?

BIG DATA AND TECHNOLOGY are opening up new frontiers in cities, place-making and the real estate industry. In part, smart cities are about using data to drive investment and inform development, as well as to improve municipal services and reduce costs. Smart cities will be built from grass-roots innovation, not through top-down technology changes, according to Rodolphe el-Khoury, dean

of the University of Miami School of Architecture. Shaun Abrahamson, CEO and co-founder of Urban Us Public Benefit Corporation, which invests in companies working on such grass-roots innovations, said smart cities will incorporate technology in several areas: transportation; resources such as waste, water, energy and air quality; anything a local government can use to better

deliver services; real estate; and public infrastructure.

One element of smart cities involves the Internet of Things – the networking of physical objects with sensors that allow those objects to exchange data with each other and share it with web-based applications, said Jordi Botifoll, president of Cisco LatAm and senior vice president of Cisco. This includes placing smart sensors in waste containers to optimize waste collection, on water pipes to detect leaks, as well as in parking spaces on streets and in lots to let people know where spaces are available.

Meanwhile, the World Council on City Data

(WCCD) is working with the International Organization for Standardization (ISO) to develop a smart cities standard, said Patricia McCarney, president and CEO of the World Council on City Data and director of the Global Cities Institute at the University of Toronto. The standard will give cities a way to benchmark against other cities through clearly defined metrics. Similar data is already shared on the WCCD Open Data Portal, through which anyone can examine how cities compare on metrics from non-car commuting and power use to green space and higher education degrees.

How Federal Realty Investment Lowers the Risks of “High Street” Retail

According to Donald Wood, President and CEO of Federal Realty Investment Trust: When it comes to open-air, pedestrian-focused shopping areas – such as Lincoln Road or Miami’s Design District, “an important point, at least for us, is control of the environment. ... We’ve looked at property on Lincoln Road for the past five, seven years. [But] we could never accumulate enough [property] on Lincoln Road to be able to influence the merchandising, the feel, what it was going to be.

“Where we try to get long-term value is by making the place better, attracting more people, producing more sales, creating higher rents, etc. That may very well happen, but we risk-adjust it differently if we can’t get enough real estate in the environment to be able to influence that.”

In 2015, Federal Realty Investment Trust and local partners acquired Miami-Dade high street retail centers CocoWalk and The Shops at Sunset Place.

How Blackstone Group Executives Stayed Calm in a Turbulent Market

According to Keynote speaker Jon Gray, Global Head of Real Estate for the Blackstone Group: “Everybody, when times get difficult, feels the stress – particularly if you feel like your job is to deploy capital and deliver good returns, and you’re taking significant write-downs on your investments. ... The thing that kept me and others calm [During the Great Recession] was that virtually all of our losses were unrealized. And the lesson of the crisis is, any time you are heading into a difficult period, you just don’t want to be forced to sell at the wrong time.”

“We had time on the debt. We had reserves in our fund. ... The danger is you’re forced to sell at absolutely the wrong moment. The thing that kept us calm was we felt that we owned good underlying businesses, we had good capital structures and we believed things would ultimately come back.”

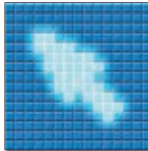
“We didn’t freeze. We went out, in the case of everything we owned, and bought debt at discounts because we believed in the underlying companies. We spent a lot of time with management teams focused on maximizing value. And focusing on ‘What are we going to do each day to create value for our investors,’ and knowing that we had the right capital structures, created a sense of calmness.”



THE BEAUTY OF OWNING REAL ESTATE:

“You know what the beauty of owning real estate is, as opposed to equities? You don’t know how much it goes down everyday. ... It’s less stressing watching CNBC, because they don’t say, ‘Oh the commercial real estate market went down 3% today.’”

– Howard Lorber, President and CEO of Vector Group



Videos and papers from each of the Real Estate Impact Conference sessions:

- Keynote with Blackstone’s Jon Gray
 - How Millennials are Driving the Transformation of the Real Estate Investment Market
 - A Fresh Look at Retail
 - Smart Cities: Technology Change in Real Estate
- at bus.miami.edu/re16



How Technology Has Changed Real Estate

According to Jeff Frieden, executive chairman of online real estate marketplace Ten-X (Formerly Auction.com):

- **DISTRIBUTION** – Geography no longer restricts the information investors can obtain, so they’re no longer limited to investing in nearby locations.
- **TRANSPARENCY** – Data allows buyers, whether they’re multinational corporations, family offices or

wealthy individuals, to bid on an even playing field.

- **DATA** – More data cuts the risks for both buyers and sellers. This is why Ten-X now has a \$50 million investment from Google, which is sharing its expertise in data. “Google’s bet on us was that they believe that five, 10, who knows how many years from now ... data will be your competitive advantage,” Frieden said.

PRESENTING SPONSORS



PLATINUM SPONSORS



PREMIER SPONSORS



DRA • ADVISORS LLC



FORTUNE
INTERNATIONAL
GROUP



&
AMBASSADOR CHARLES E. COBB

HES-GROUP®

HFE
Holiday Fenoglio Fowler L.P.

NAPOLITANO
COMMERCIAL PROPERTIES



RAIT
Financial Trust

SABAL HILL

SWIRE PROPERTIES

PARTNER SPONSORS



ATLANTIC
PACIFIC
COMPANIES



CBRE



MACK REAL ESTATE GROUP



RIVERGATE
COMPANIES

