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## Thinking ahead about value creation in real estate

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One of the most enjoyable tasks upon returning from conferences is reflecting on comments gathered in both main meetings and hallways. Several themes emerged this fall that may be useful in thinking ahead about value creation in real estate.

**Secondary Markets** - An interest in secondary markets was evident across the risk spectrum (from developers and opportunity fund investors to core owners). One often repeated reason is that primary markets have "too much capital" chasing limited, fully priced product. But an even more interesting discussion centered on the positive macro-economic trends - particularly job growth drivers - that are encouraging investors to seriously pursue deals outside the top 10 major metros. These include a recovering industrial base, energy sector growth and living dynamics attracting echo boomers.

While Boston will always attract institutional capital, the near to mid term potential is that incremental investment may flow to secondary markets where projected risk return enhances the core return levels in markets like Boston.

**Transit Oriented Development (TOD)** - As homeownership levels have declined over the past several years, the demand for infill TOD housing is a growing trend. The interest is particularly strong for the echo boomer generation, although is also finding appeal with the baby boomers.

Boston is ahead of this trend with a well-developed mass transit system anchoring key important TOD sites. But an even more exciting vision for regional TOD may be forthcoming as "Higher Speed Rail" (not as fast as true "High Speed" but a faster track than traditional rail) evolves to provide inter-city travel options meeting or exceeding travel times between major urban areas by car, plane or traditional train. The transformative element of higher speed rail is that it goes beyond attracting the TOD resident to targeting the business traveler. In lessons learned abroad in the installation of "high speed" or "higher speed rail", TOD is transformed beyond housing to a "new downtown", creating a new destination or "mini-city". While California may support one of the first new TOD cities to emerge, one cannot help but think of the potential development of these exciting nodes in the New England area - Route 128, Portland and even South Station may look very different in 20 to 30 years.

**Changing Space Needs** - As owners, investors and developers look to create value in their properties, they must be cognizant of increasing density of office space users and the interest in smaller dwelling units. A focus on space design - including higher ceiling heights, natural light, air

quality and wellness - will be paramount. As many additional forms of retailing move to the internet, the implications are extensive both to retail space needs (i.e., Best Buy moving to smaller, display store space settings) and to industrial distribution locations (i.e., echo boomers and Gen Y ordering household items via Amazon).

Thinking ahead about these and other provocative trends is an energizing element of our industry and assists us in thinking about creative ways to deliver value to our clients.

#### Remaining 2012 Calendar of Events:

- \* November 15 - "Hot Topics" Members Only Luncheon from 12-1pm at Colliers Meredith & Grew (160 Federal St.).
- \* December 13 - Annual Holiday Reception, Algonquin Club, Boston.

#### 2012 Chapter Officers

Jill Hatton, Real Estate Consultant, chapter chair.

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Jill Hatton, CRE, is the 2012 New England/Upstate N.Y. CRE chapter chair, Boston, Mass.

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