



nerej

Disruption is the game and the name of major lifestyle changes - by David Kirk

November 13, 2015 - Appraisal & Consulting



David Kirk, Kirk & Co.

Disruptors

Yes! Commercial real estate is establishing a reputation for disruption, embracing the disruptors and adding to the patterns of disruption within the asset class. Before the label caught up with the

extraordinary velocity of changes in traditional occupancy and utility in real property, real estate developers and operators were changing design, amenities and services to attract and retain residents and tenants and the workforce.

Bricks and steel can be nimble, adaptable and modified to fit lifestyles and technology. Engineers, architects, designers and planners have been going greener, designing new kinds of space and mechanical systems, designing from the inside out, following economic, demographic and behavioral as well as technological changes. Rather than evolutionary or revolutionary, these changes are disruptive because of the velocity and the transformative nature. These changes are solid trends rather than anecdotal. Some are costly; some are not. Ignoring these changes can result in lagging absorption, decline in occupancy and obsolescence.

Retrofits and upgrades of existing structures can achieve similar or comparable results to new construction. More people ride bikes, take shuttles, drive hybrids, car shares, and zip cars to work, shop and recreation. More people run and walk more and want to be outside, weather permitting. All impact site design as well as structural improvements. Traffic, circulation, lighting and other site improvements warrant the same scrutiny and attention to detail traditionally focused structural improvements. More benches, tables and places for stretching, more parking for deliveries, food trucks and other mobile services. More pedestrian friendly site plans.

Disruptive natural amenities and services are absolutely essential. Natural amenities such as views, trees, flowers and water have renewed meaning. Services range upward from basic security, convenience and wellbeing of the occupant. Now, Wi-Fi and charging stations everywhere, 24-7 deliveries, drone pads, club rooms, decks and patios with cubicles for home office and virtual professionals and geeks, seeking privacy away from family and roommates, pet walks and grooming studios. Bike racks and repair rooms and supply vending machines. Visiting nurse/medical suites, hair and nail salons. Yoga, dance and spinning rooms. Each property has its competitive market and its market position; disruption is a competitive and cost effective strategy for each property.

Disruption is the game and the name of major lifestyle changes. Many result from technology and social networking. Some are new and some are retro, simple and client driven. Commercial real estate is the home of innovation and imprint of disruption. Most of these changes impact investment performance of this asset class. The next round will be deeper and broader extending and refining the meaning of sustainability in all we do.

David Kirk, CRE, MAI, FRICS, is principal and founder of Kirk & Company, Real Estate Counselors, Boston.