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## **The Counselors of Real Estate name top ten issues affecting the industry - by Bill Norton**

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Every December we take stock and clear the decks. We say we “fire” ourselves from 15% of our clients to free us up for the coming year.

'Tis the season - seven holiday parties in two weeks. Mostly mild weather, so folks are in good cheer. Despite the global tensions and issues, folks are happy and even confident about going into 2018. At two banker events, every lender had met, or exceeded, their goals. It almost seems too good to be true... But it all comes down to more demand than supply, which keeps prices up. Construction costs remain high/very high, so existing properties look cheap.

At their fall meeting in Montreal, the Counselors of Real Estate (CRE's) announced their top 10 issues affecting real estate. Given that it is the end of the calendar year, I think this is a good summary of key themes and issues.

1. Political Polarization and Global Uncertainty – Uncertainty about trade, travel and immigration threaten cross-border investing, infrastructure, affordable housing, local and state pension liabilities and education (that is quite a list. But to be honest, the North Korea situation is what I think about at night...).
2. The Technology Boom – Real estate transactions are reported to be more efficient/cost-effective due to technology I'm not so sure... Robotic learning means big training and conference centers are no longer needed. Up to 47% of today's jobs could be replaced by automation. Online consumption drives warehouse space up and retail space down.
3. Generational Disruption – One size does not fit all. Real estate professionals need to understand locational preferences of each generation (well, in fact, each 10-year cohort), as well as key design and amenity features, whether rental or owner-occupied.
4. Retail Disruption – Just look around. Have you been to a mall lately? Amazon buying Whole Foods... CVS buying Aetna insurance... interesting.

5. Infrastructure Investment – Roads, bridges, pipelines, water and sewer projects, power lines. Much of it is old and tired. Jacksonville, Florida is building a \$1 billion cloverleaf every year. We need it, but we still fight over who will pay for it. In New Hampshire, we are about to increase the Turnpike tolls for the first time in ten years.

6. Housing: The Big Mismatch – Lack of inventory has generated price spikes, fueling an affordability gap, particularly in coastal regions where highly paid workers monopolize new, resale, and rental product, raising prices on once affordable housing.

7. Lost Decades of the Middle Class – Middle class incomes hover below inflation-adjusted levels from almost two decades ago. Middle-class jobs remain under pressure here and abroad.

8. Real Estate's Emerging Role in Healthcare – Consolidation and modernization mean new medical facilities and ultimately lots of old ones that will need to be repurposed.

9. Immigration – More restrictive immigration laws appeal to voters concerned about jobs and security. Development projects stall from labor shortages. Domestic workers do not want to do “low-end” jobs, and we want to keep the highly educated (PhD) students here.

10. Climate Change – Whether you believe this weather (short/near-term) or climate (long-term), we are seeing its effects and these storms and “events” cost lots of dollars.

Lots to think about in 2018. Have a peaceful and relaxing holiday. Rest up so you can start 2018 off with a bang!

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