



nerej

Real estate: Times are a'changing - by Daniel Calano

September 13, 2024 - Appraisal & Consulting



Daniel Calano

In a former life, I was an urban planner in Los Angeles for a year or so. Planning, you say, Los Angeles? Really? Early on, I learned that planning and building in places like L.A. are ephemeral at best. In fact, I was told an L.A. building life span was about 25 years, after which it was demolished for a newer and better use.

As I think back, that was an understatement. Not only are buildings themselves physically obsolete within relatively short time spans, their underlying concepts are short-lived as well.

What do I mean? Let's take retail stores for example. As we all know, retail started in downtown department stores, moving early on to suburban malls. Malls were then threatened by "big box" stores like Walmart, Costco, etc., which have clearly impacted mall concepts. The trend was created mostly by cultural change, i.e. housing growth and demographics. Most recently, technology has dominated change, obviously with digital stores like Amazon. Even big box buildings are now threatened. How soon will these buildings be obsolete, mostly replaced by warehouses ?

The next change underway is, of course, office buildings. Many are physically obsolescent, and many more are, impacted technically so by zoom, and culturally so with work-from-home. With some cities at 25% office vacancy, re-imagining older office buildings is underway, but very difficult to implement.

Think other real estate changes. What about bank buildings giving way to kiosks, already obsolete, moving completely to on-line. Are libraries necessary as books move on-line? Why can't municipal buildings be replaced by user friendly web pages? Post offices? The list goes on. Is an Apple phone all we need to "visit" these places?

As one dramatic example, you may recall a few years ago that "Facebook" social platform name -changed to "Meta." This was not random, but was very intentional. Facebook was pouring billions into a concept that was entirely virtual, living in a "meta-verse". the meta- verse mimicked, in some cases eliminated the need for the physical world. Real estate was being sold as digital places, often similar to today's building uses and patterns, but much more flexible and adaptive. Well-known people, ranging from superstars to wealthy investors, were competing for the "best" real estate. I may be wrong, but I think the rapper Snoop Dog bought an expensive location, followed by others who wanted abutting locations.

The concept eventually lost its allure, and was later delayed until a digital world was more understandable. As I reflect back, the Metaverse had some elements that reduced/replaced the need for some physical buildings, i.e. traditional real estate. This is all arguable, but one cannot ignore it. Buildings are permanent until they are not. Digital life will, and already has, changed real estate. Those who ignore this reality may miss out!!

Daniel Calano, CRE, is managing partner and principal of Prospectus, LLC, Cambridge, Mass.

New England Real Estate Journal - 17 Accord Park Drive #207, Norwell MA 02061 - (781) 878-4540