



SERIES INTRODUCTION

Change Agents: Navigating What's Next

Our new research series: Change Agents aims to dive deep into three areas we anticipate will drive value across real estate sectors in the coming decade. Join us as we navigate disruptors related to Environmental, Sociodemographic, and Technological advancements and their potential impacts on real estate investment strategies.

Series Introduction: Change Agents

Navigating What's Next

The business of predicting real estate patterns has always been challenging, but even more so in an unprecedented pandemic environment. ARA envisions the years ahead will be marked by persistent and rapid disruption, creating a landscape of both new opportunities and new challenges that will require creative and credible course-setting to navigate.

Growth Vs. Change

There are many questions to answer when considering future prospects for different real estate sectors and strategies. Some are more obvious, related to economic and monetary conditions, while others are sector specific (like the rate of household formation or the prevalence of work-from-home flexibility in a given industry). These factors influence demand as either agents of growth or agents of change.

Growth keeps things on a predictable path and provides conditions for more of the same. If the economy continues along on its current trajectory (which, for the last two decades has meant a backdrop of accommodative policy and low relative growth), the setting for real estate fundamentals remains broadly the same. As a real estate community, we know how to invest through these conditions because we've already been doing it. It is when circumstances give way to new or disrupted patterns of demand – in other words, change – that divergences conducive to under- and over-performance emerge.

This all sounds rather theoretical, but we can point to specific changes that have created major and seemingly permanent bifurcations in property type performance – look no further than the impact of e-commerce. While today

it seems obvious that overweighting industrial in lieu of a reduced exposure to retail will yield stronger returns, at one time the possibility that retail would ever succumb to such fundamental erosion would have seemed far fetched.

In the spirit of trying to anticipate the next disruptive and potentially demand-altering forces that will influence real estate in the coming decade, ARA is excited to launch

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Growth keeps us on a predictable path and provides conditions for more of the same. Change creates disruption and opens opportunities for something new.

Change Agents, a research series focused on investigating how environmental, sociodemographic, and technological disruptors may impact commercial real estate investing long term.

Agents of Change

Investments made today need to be positioned for the world of tomorrow. For real estate, where an asset's useful life can span multiple owners and multiple decades, anticipating disruptions to value becomes more than an exercise in creative thinking – it drives the bottom line.

The commonalities across the forces we've identified as having the greatest disruption potential over the next 10 years seemed to lend themselves to three categories: environmental, sociodemographic, and technological.

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Environmental Change Agents:

Evolving conditions have forced real estate investors to plan for what climate change will mean for portfolio resiliency going forward.

While global cooperation on reducing reliance on CO2 emitters like coal has been strengthened via the recent Glasgow Climate Pact at the COP26 summit, there remains further work to be done to keep temperature rise within 1.5° Celsius. We'll consider how rising sea levels and global warming could impact markets' attractiveness from a human and investment perspective, and what policy evolution may mean for existing assets.



Sociodemographic Change Agents:

Shifts in population composition bring change, and there's no doubt the U.S. is entering a period of generational upheaval. The confluence

of Millennials as the largest cohort in the workforce, a Baby Boomer retirement boom, and the entrance of Gen Z promises to create change in how and where we live, work, shop, and interact with the physical spaces around us. We'll explore what opportunities an ageing population may present, potential workforce reconfigurations amidst a decision-maker handover, and how consumer behavior may help predict future trends – and what the resulting impact may be on our built environment.



Technological Change Agents:

Until recently, the real estate industry had been a laggard in its adoption of technology. But the exponential pace of technological

investment and advancement in every industry suggests that will not be the case going forward. As companies race to solve challenges from labor to logistics, we envision progress on autonomous vehicles, robotics, and drones, as well as investment in the broader infrastructure required to support these technologies, to transform demand for industrial and office properties.

What's Next?

Over the course of the coming months, we'll be exploring some of the most impactful change agents in each of our three trend buckets through a series of white papers and market briefs. We'll dive deep into these disruptors to outline what we envision occurring, when we envision it occurring, and how the evolution of these forces could impact the different corners of the commercial real estate universe.

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