



ULI Colorado's 2022 Emerging Trends in Real Estate

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FEBRUARY 15TH 2022

Welcome!

A few logistical details:

Virtual audience members will be muted throughout the session.



This event is being recorded and will be available after the event.



Rodney Milton
Executive Director of
ULI Colorado



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Kevin McCabe
President
Western Region
Newmark

Emerging Trends in Real Estate 2022

ULI Colorado

February 15, 2022



“

The industry feels better about the future compared to last year, and justifiably so. In fact, they are so good, maybe we should be nervous?

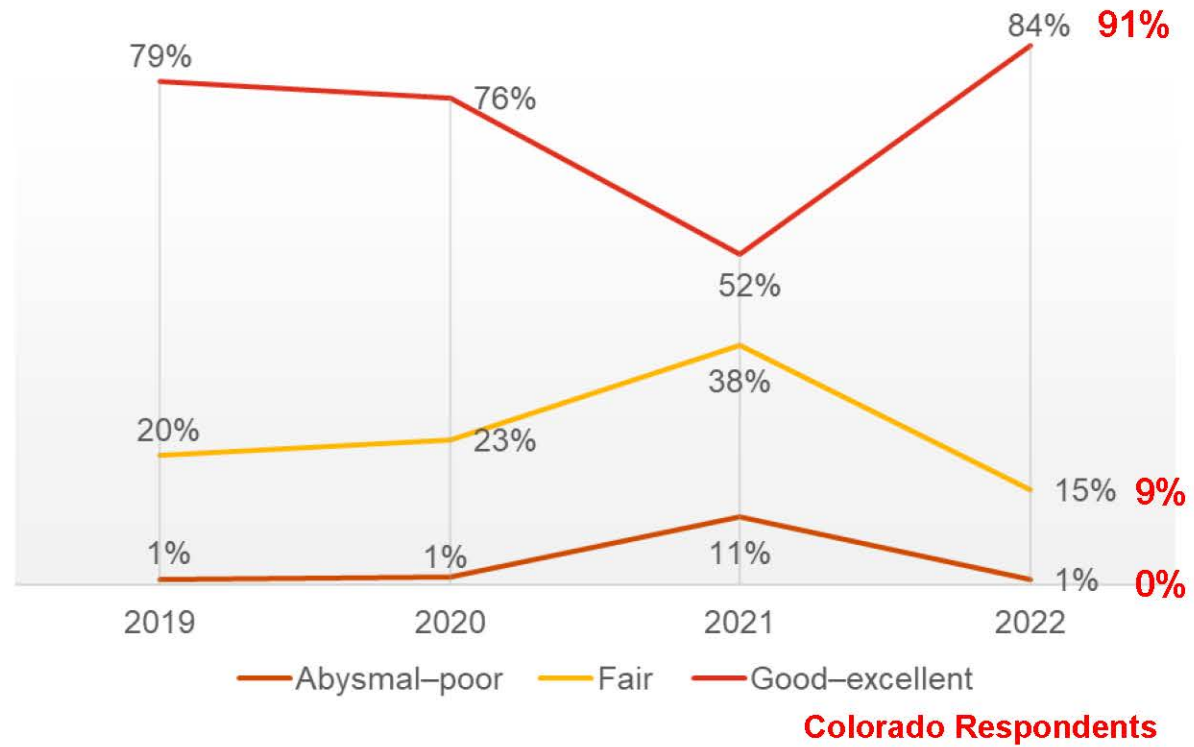
2022 Sentiment

2022 Outlook Exceeds the Pre-Pandemic Rate

Real confidence or post-pandemic bounce?

- ❑ Confidence in continuing economic recovery
- ❑ Despite limited downturn, exhibiting true “V” recovery shape
- ❑ Would a look under the hood reveal more bifurcation?

Outlook for Next Year vs. Current Year



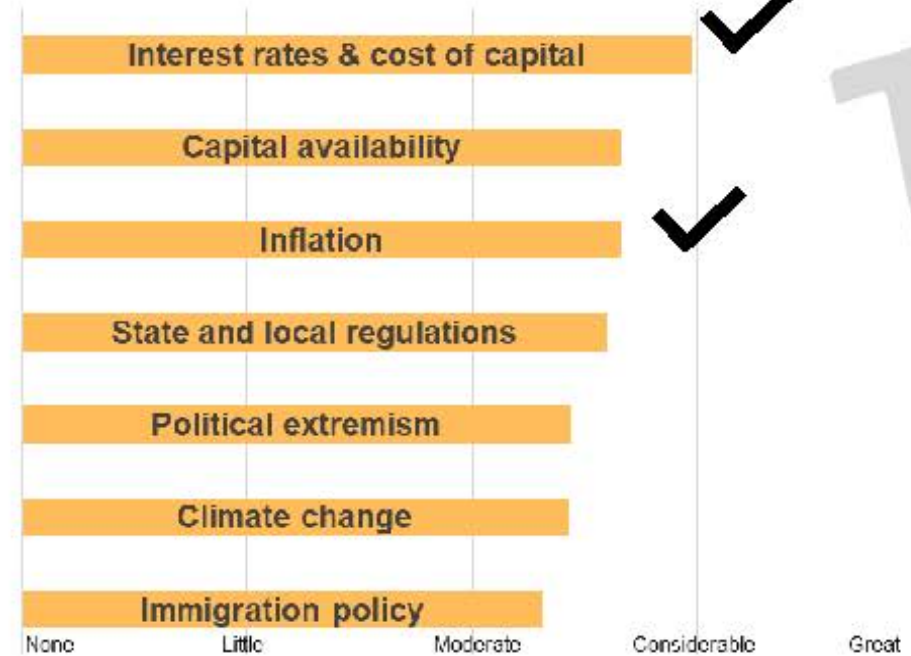
2022 Areas of Concern

Despite rising optimism, still some issues to watch

Considerable Concern for 2022



Moderate Concern for 2022

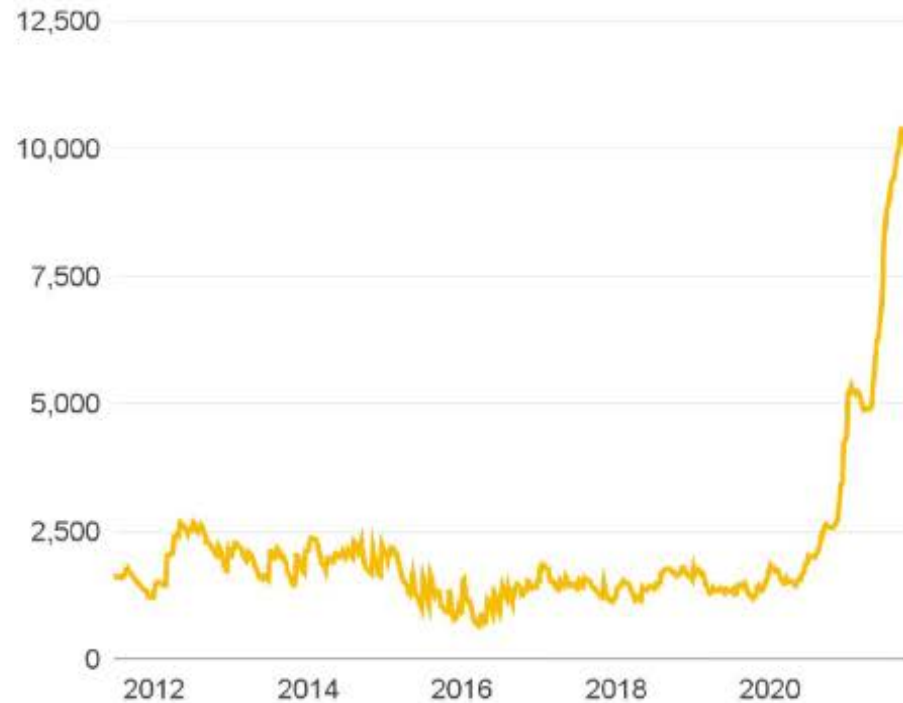


Port congestion and container costs

Higher port throughput, along with COVID-led disruptions to logistics networks, have increased freight costs, lengthened delivery times, and contributed to higher input prices. Shortages of labor and warehousing have further limited the industry's ability to expand shipping and trucking capacity.

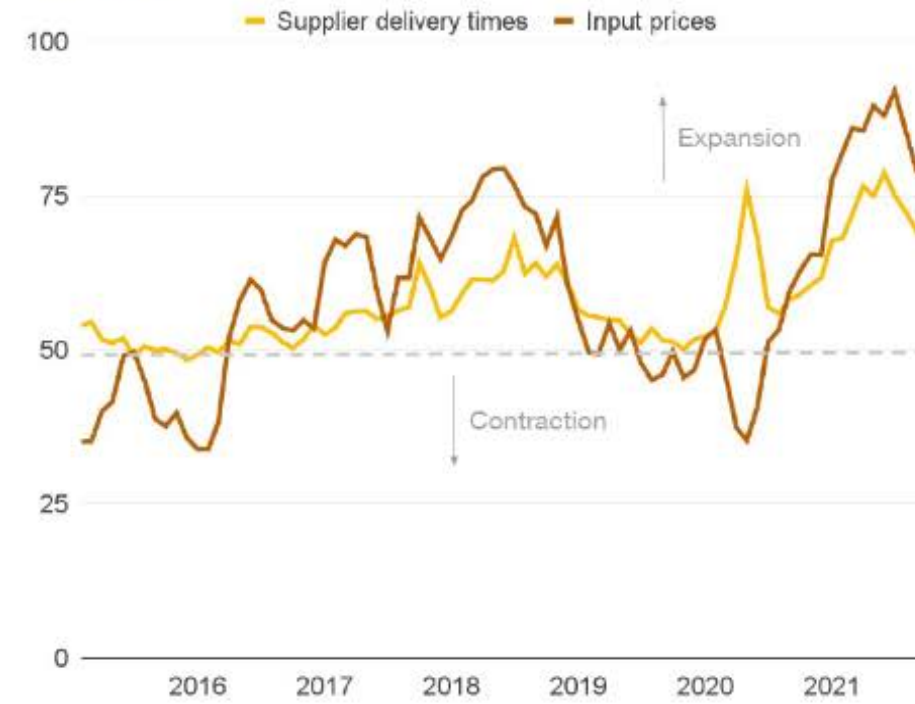
World Container Index

Composite index per 40 foot box



ISM manufacturing input prices and supplier delays

Diffusion index



Sources: PwC Intelligence analysis, Drewry World Container Index, Institute of Supply Management

Financial and Capital Market 5-Year Expectations

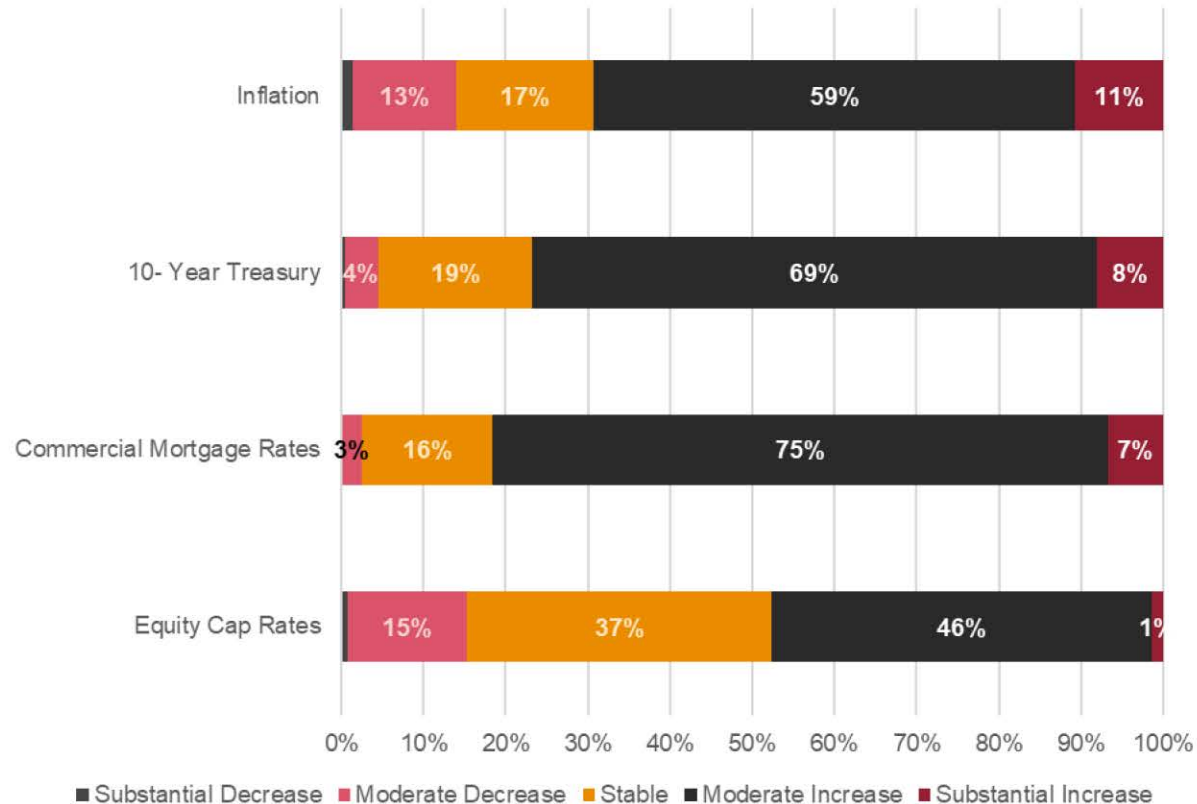
Survey responses in August didn't anticipate the highest inflation rates since the 1980's

Majority of respondents do feel that rates are likely to increase moderately over the next 5 years

In the short-term rising costs hurt everyone

Mid-term sectors with pricing power may have an advantage

Long-term sustained higher inflation will be troublesome



“

We may have made it through the pandemic in better shape than anticipated, so far.

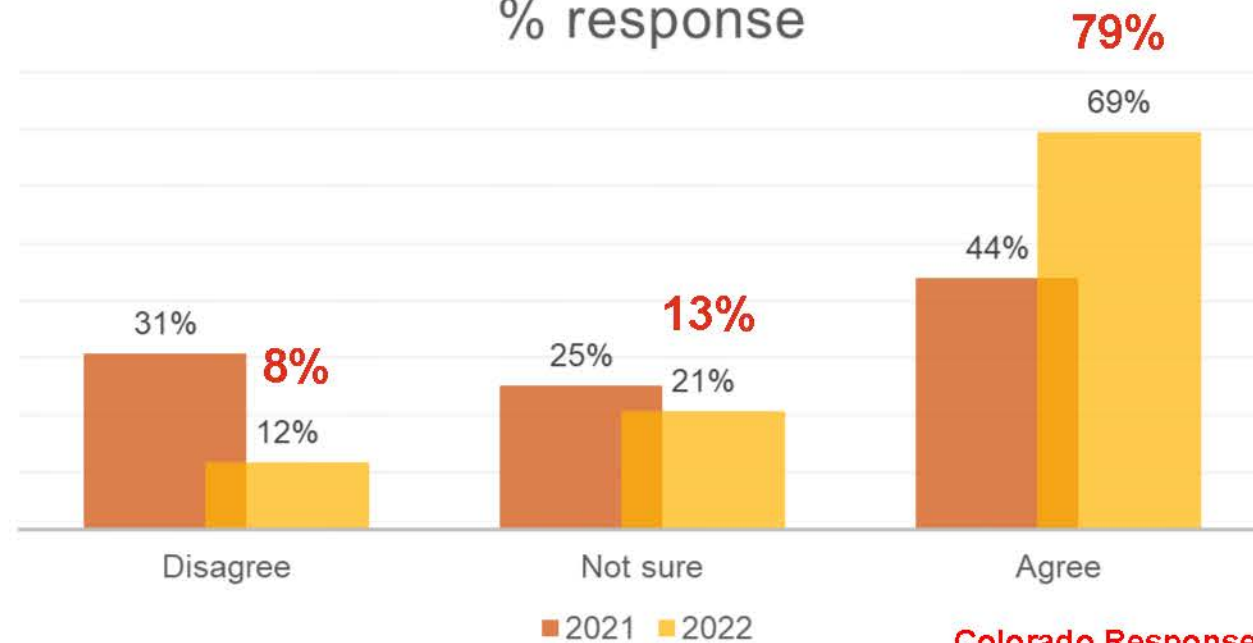
New Age of Uncertainty

We Feel Like We Know More

Confidence is volatile in this market

“I am 100% more confident today than I was a year ago. But I’m only 50% more confident than I was six months ago.”

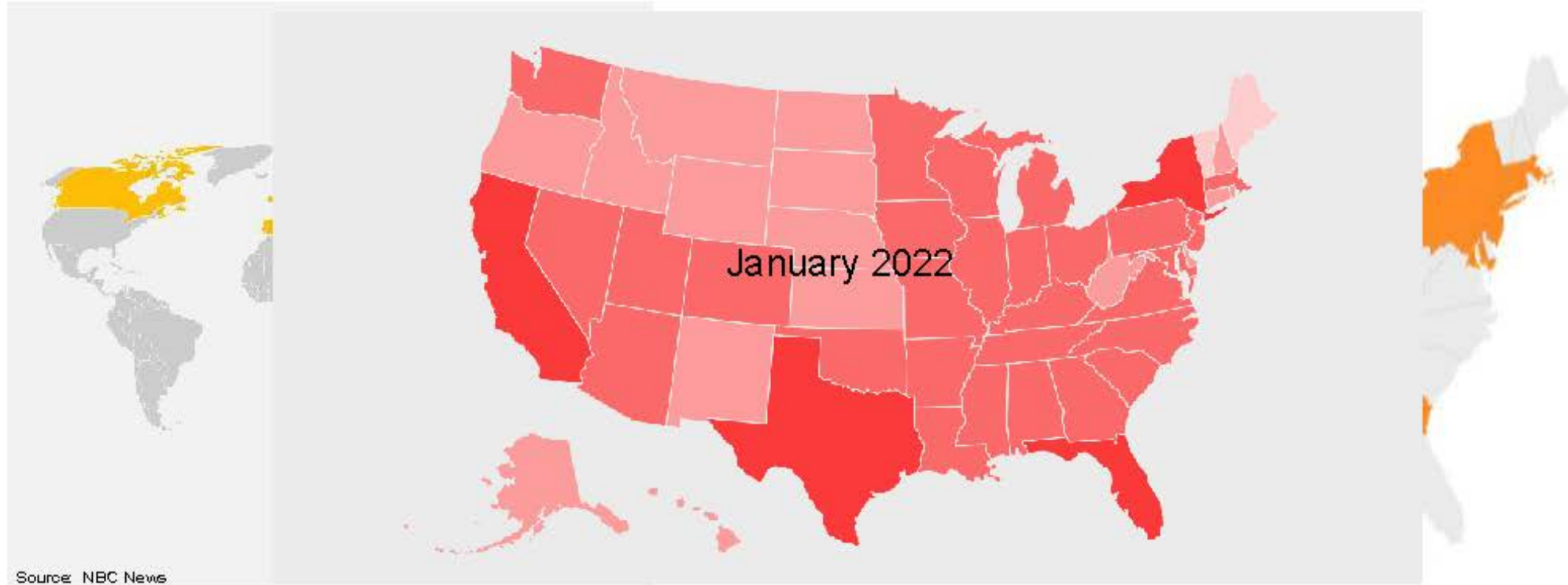
I am confident making long-term strategic decisions
% response



Colorado Responses

New Variant Concerns - Omicron

Watching for the discovery and spread of new variants add to future uncertainty



Source: NBC News

Source: NY Times

November 26th

Two weeks later

Trends That Reflect the New Uncertainty

Unknown creates opportunities and challenges



One Pandemic: Divergent
Outlooks

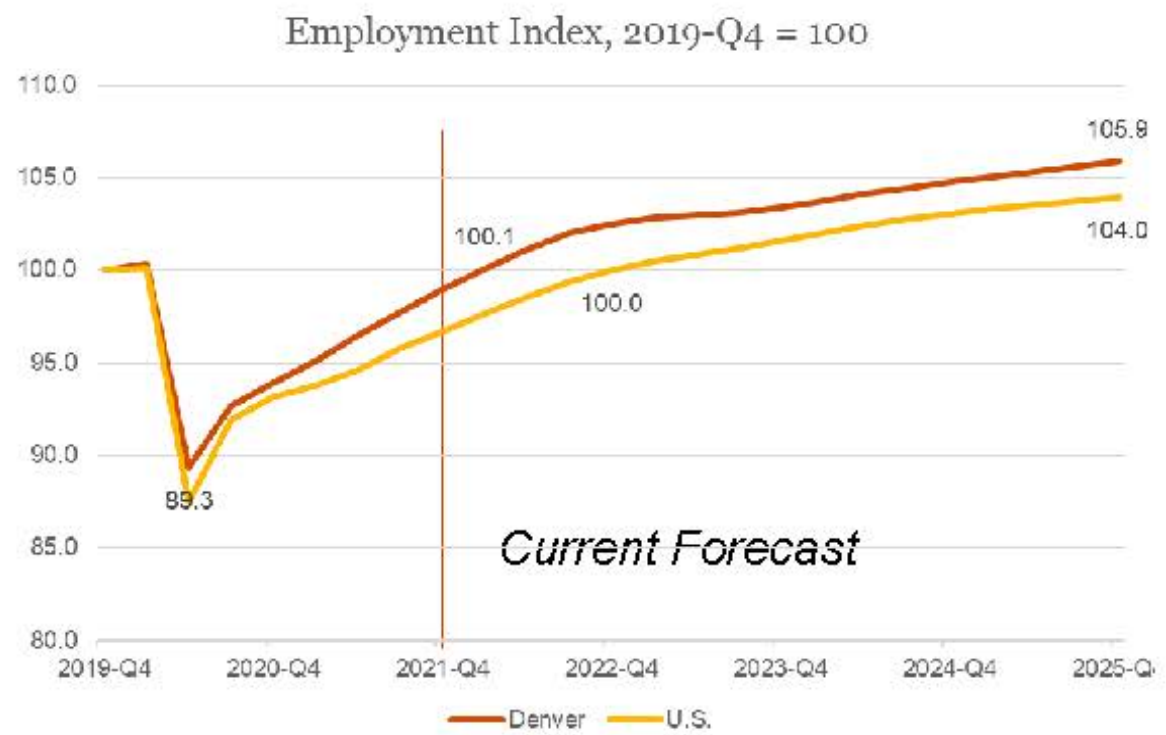


Everybody Wants In

One Pandemic: Divergent Outlooks

Employment Change Outlook

All markets move toward recovery, but pace varies due to severity of the downturn and local industry mix

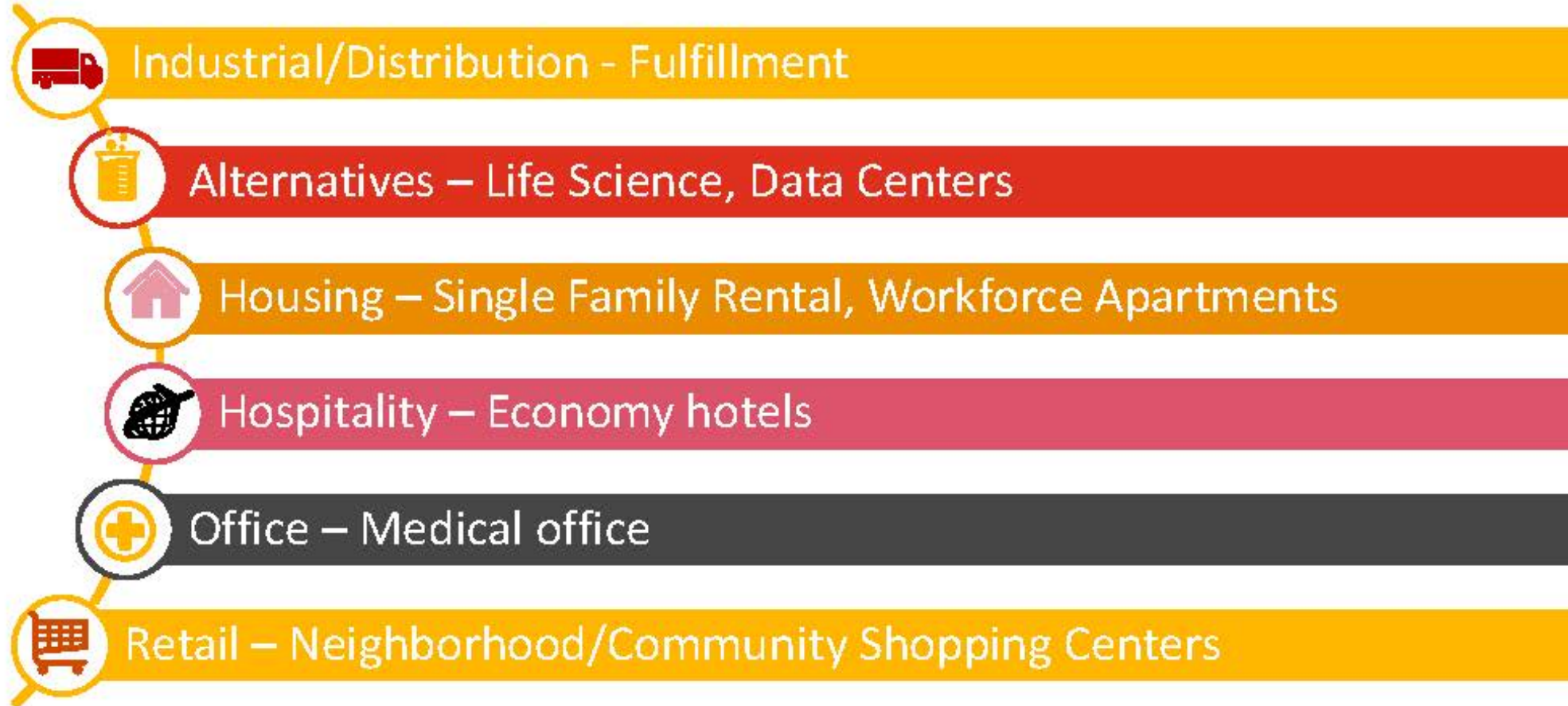


Source: IHS Markit

One Pandemic: Divergent Outlooks

2022 Property Type Outlook

More favorable outlook

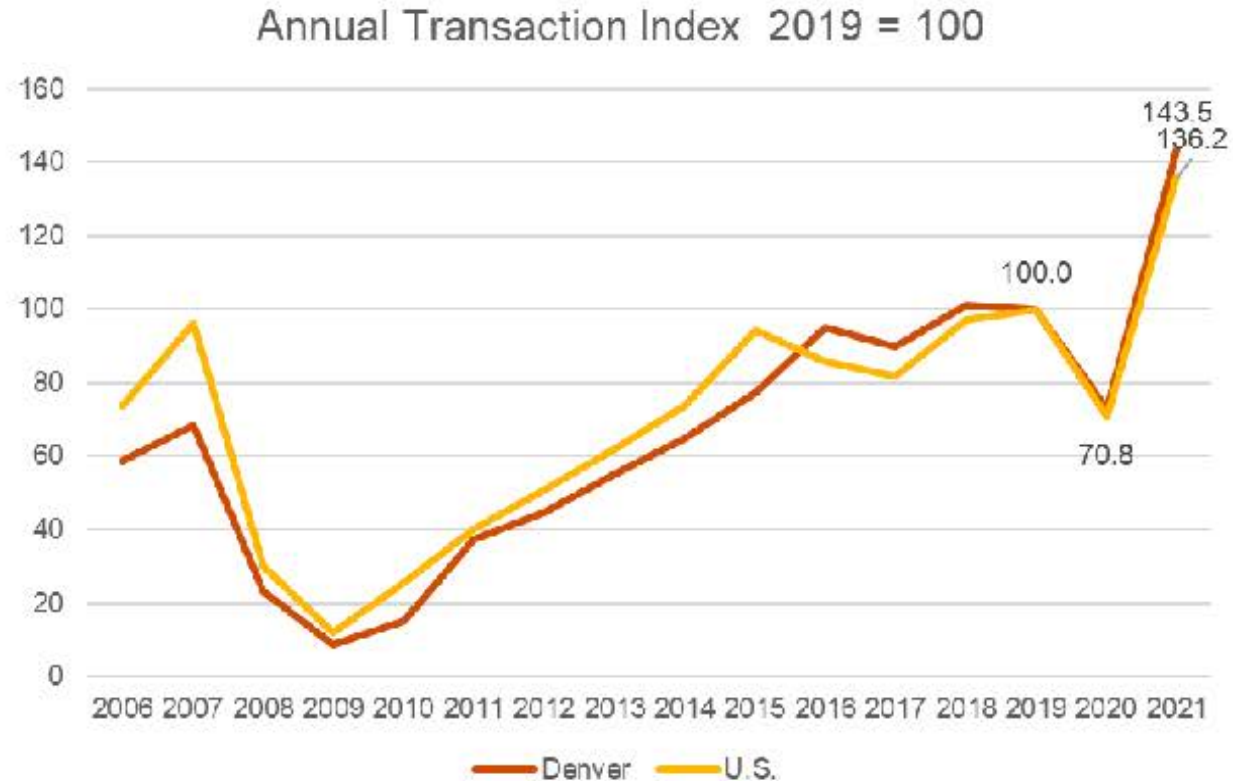


Less favorable outlook

Everybody Wants In

Property Sales Index Since the Pandemic

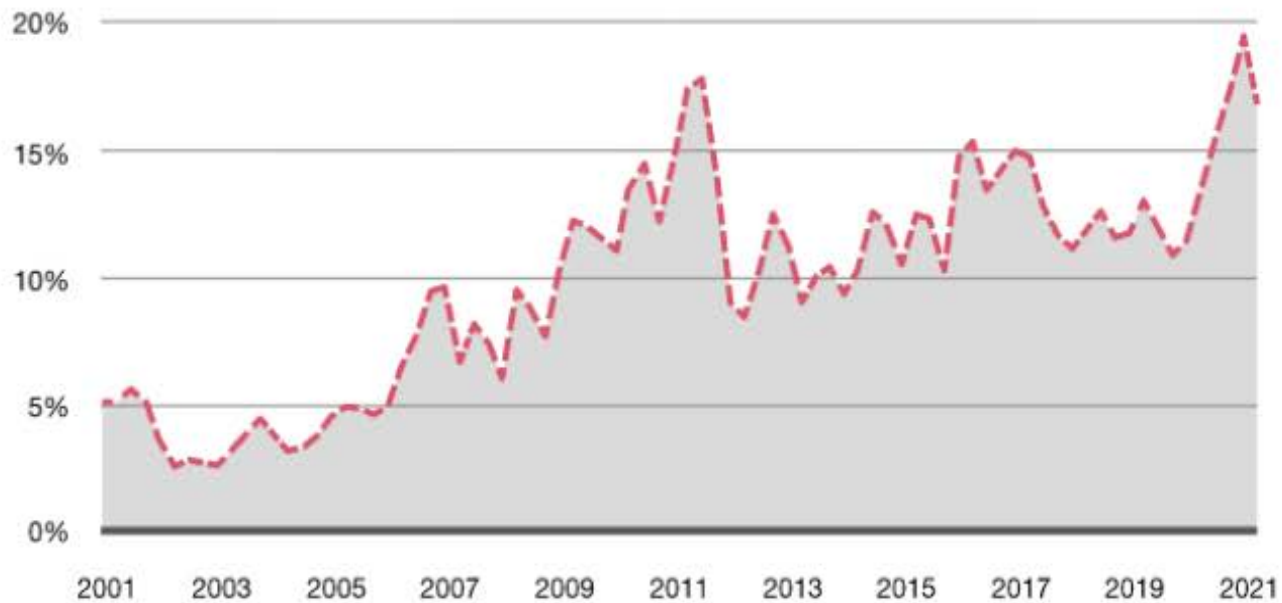
National transaction volume is back above pre-pandemic levels



Source: Real Capital Analytics

Deals and Investor Capital Flows

Alternative sectors share of all CRE investment*
two-quarter moving average



* Includes medical office, manufactured housing, seniors housing, student housing, R&D, self-storage, and data centers.
Source: Real Capital Analytics; compiled by Nelson Economics

- Medical Office
- Manufactured housing
- Senior housing
- Student Housing
- R&D
- Self-storage
- Data centers

Everybody Wants In

No lack of capital

\$231.8b

- Dry powder targeting U.S. real estate
- Total up 139.2% from 2011 to August 2021
- Strategies targeted:

29.9% opportunistic
28.3% value add
21.7% debt

Prequin

Private Equity Funds Raised (billions of \$)

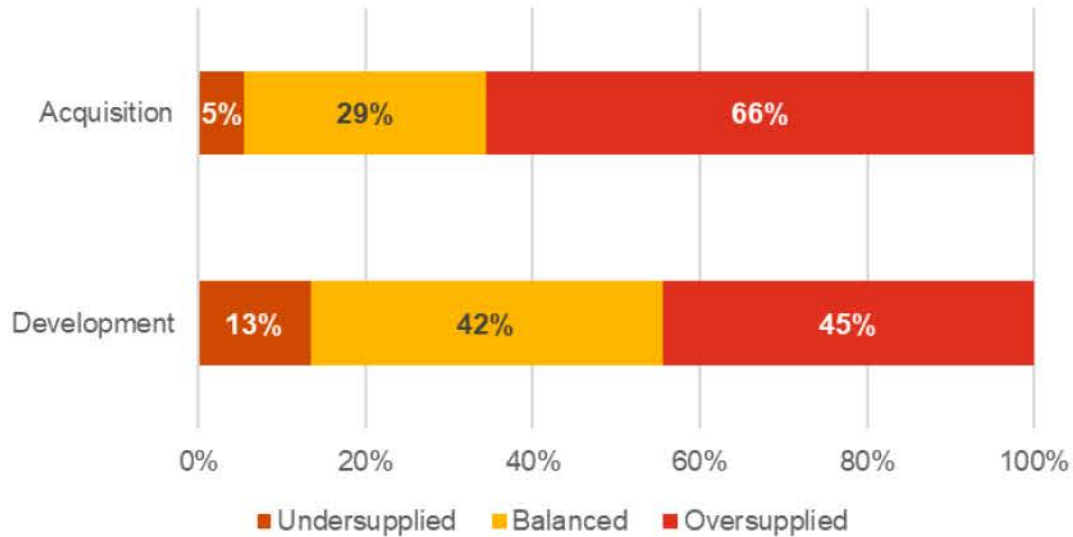


PERE

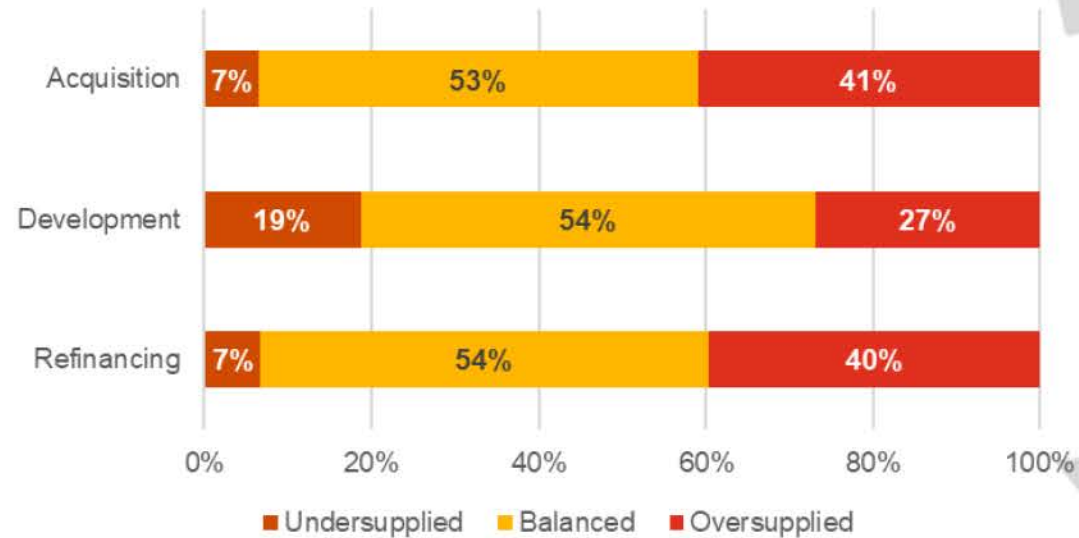
Everybody Wants In

Survey respondents anticipate the influence of capital availability

Equity Capital Availability



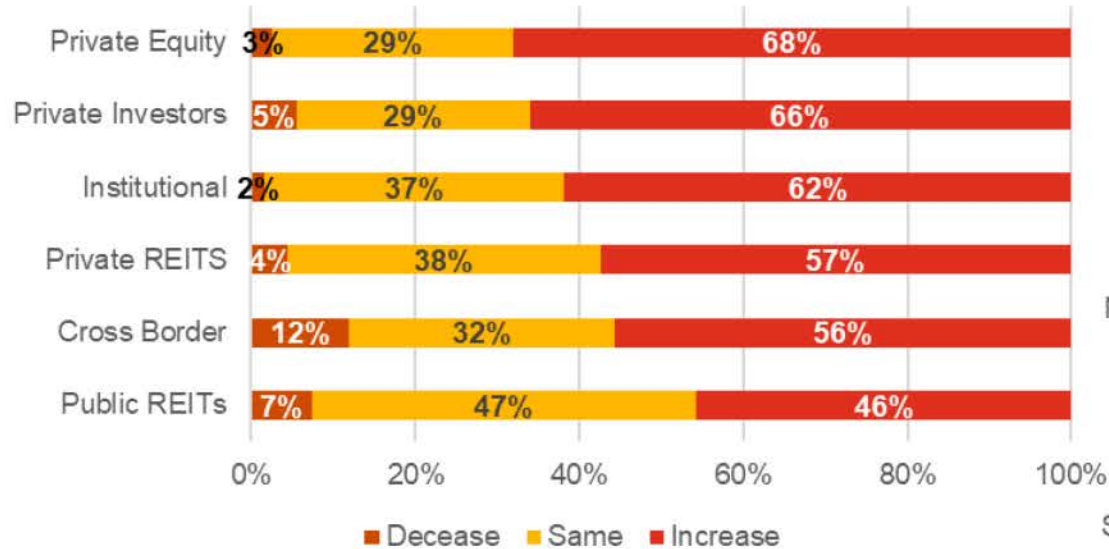
Debt Capital Availability



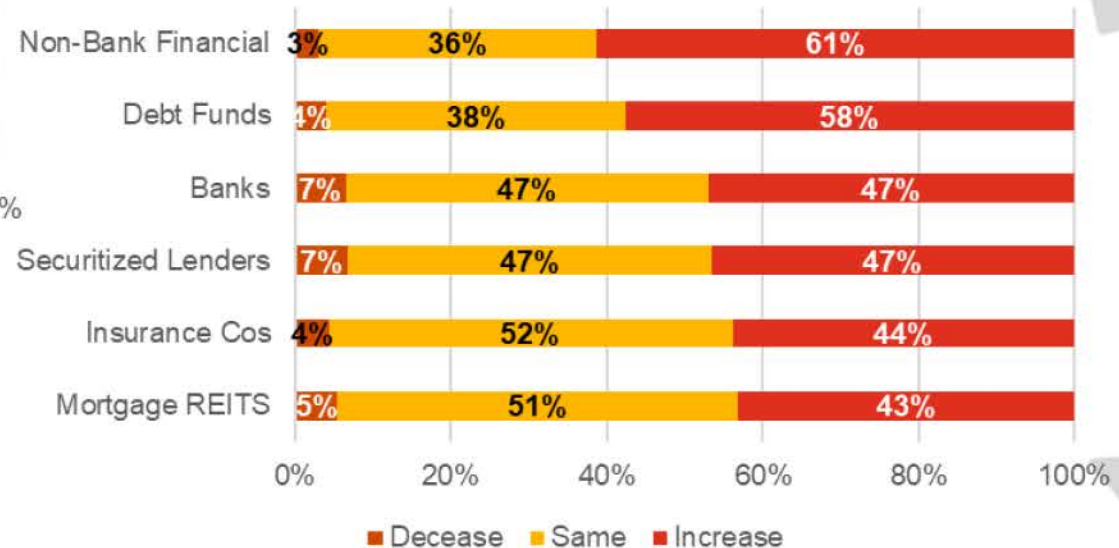
Everybody Wants In

Survey respondents expect more capital from everyone!

Change in Sources of Equity Capital



Changes in Sources of Debt Capital



“

It doesn't feel like an either-or question. Employees seem to really just want the flexibility that allows them to succeed.

Flexibility

Trends That Reflect the desire for Flexibility

Unknown creates opportunities and challenges



Work from Anywhere:
An Office Reset



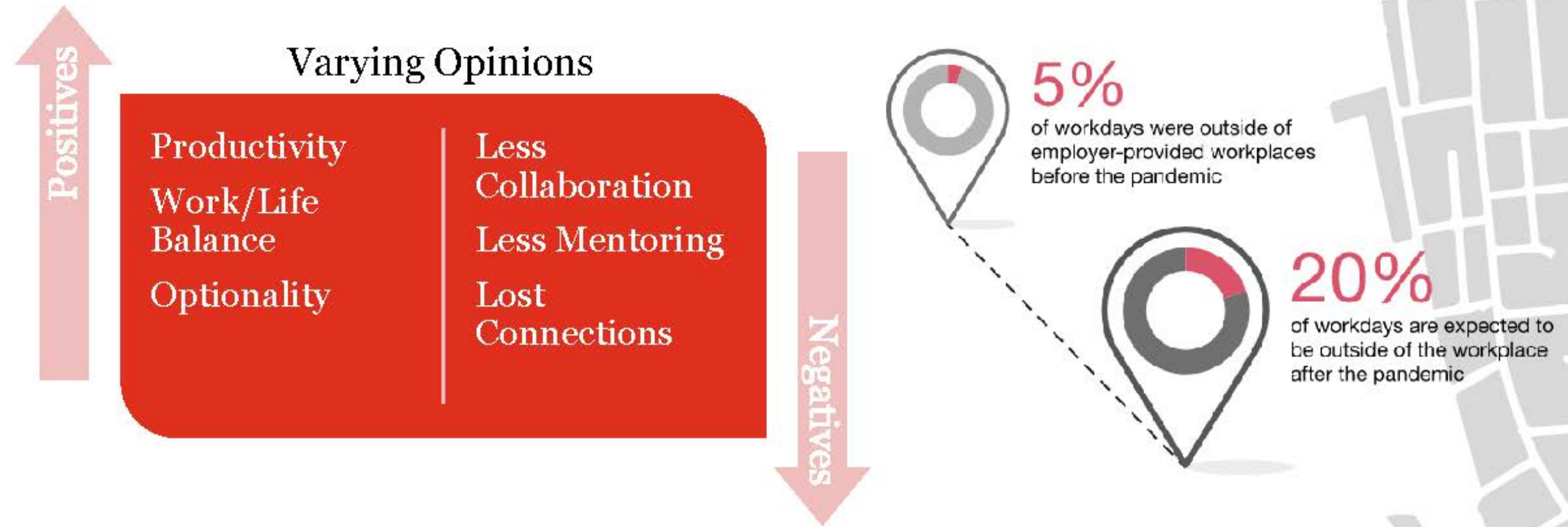
Work Anywhere:
Live Anywhere



Proptech:
Matures and Expands

Flexibility and Convenience Drive the Next Decade

The when, where, and how of everything is changing



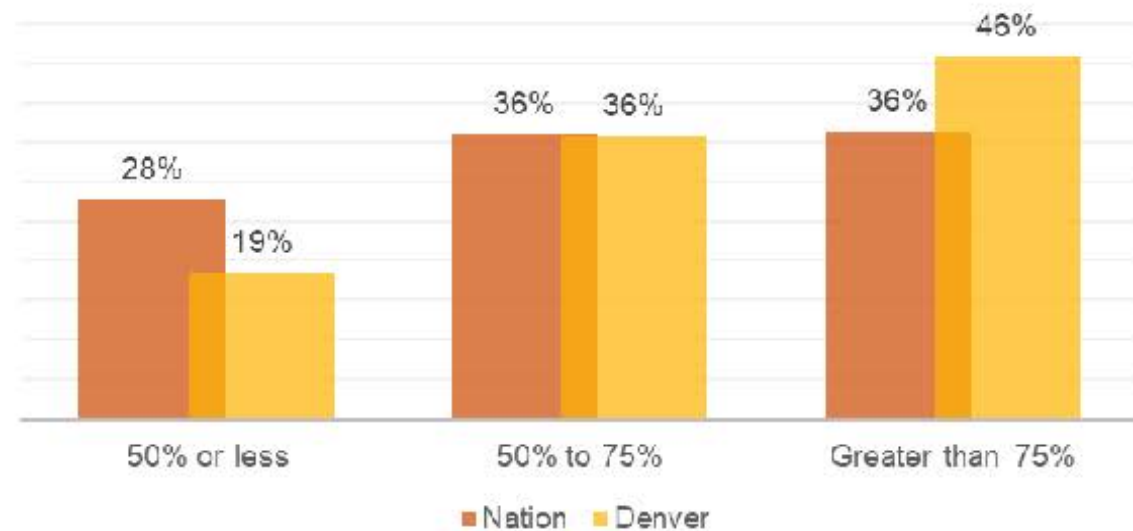
Flexibility and Convenience Drive the Next Decade

Work Anywhere – The Office Reset

3

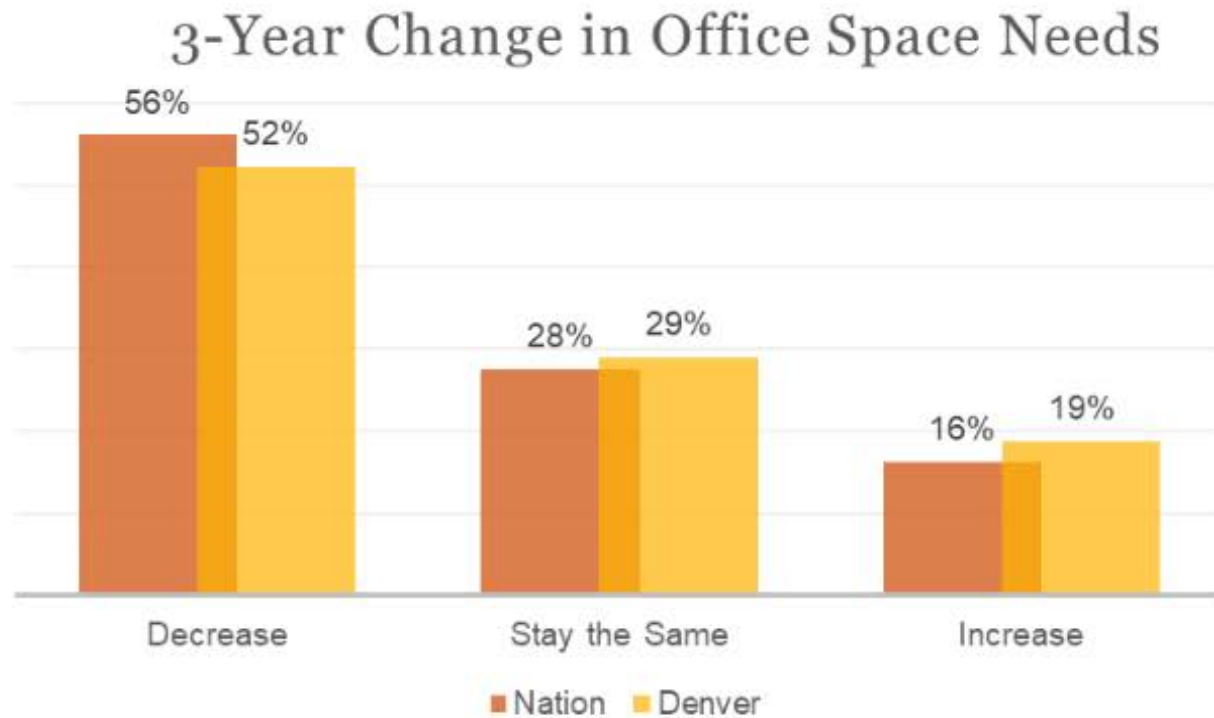
Seems to be the magic number!

% of Employees In the Office at least 3 Days a Week



Flexibility and Convenience Drive the Next Decade

Work Anywhere – The Office Reset



Nationally, 56% of respondents feel that office space needs will decrease over the next 3 years, but there is a component that feels space needs will increase

If demand is less, what will tenants be looking for?

Business Travel Question – Wait and See

How do you anticipate business related travel may be different over the next 3 –years?



Business related travel will be lower than 2019 levels – 57%

Why?

Technology will replace travel – 52%

Companies looking to control costs – 32%

Desire to reduce carbon footprint – 12%

Business related travel will be comparable to 2019 levels – 35%

Business related travel will be higher than 2019 levels – 8%

Why?

Face to face needed to be competitive – 43%

Face to face needed to rebuild relationships – 36%

Increased travel driven by remote work – 21%

Flexibility and Convenience Drive the Next Decade

Work Anywhere -- Live Anywhere

Boomerang

- Already underway
- Return location may be different

Labor Force

- Slower labor force growth
- Attracting workers critical

Flexibility as Recruiting Tool

- Benefits of a global labor pool
- How committed will work force be to flexibility?

Flexibility and Convenience Drive the Next Decade

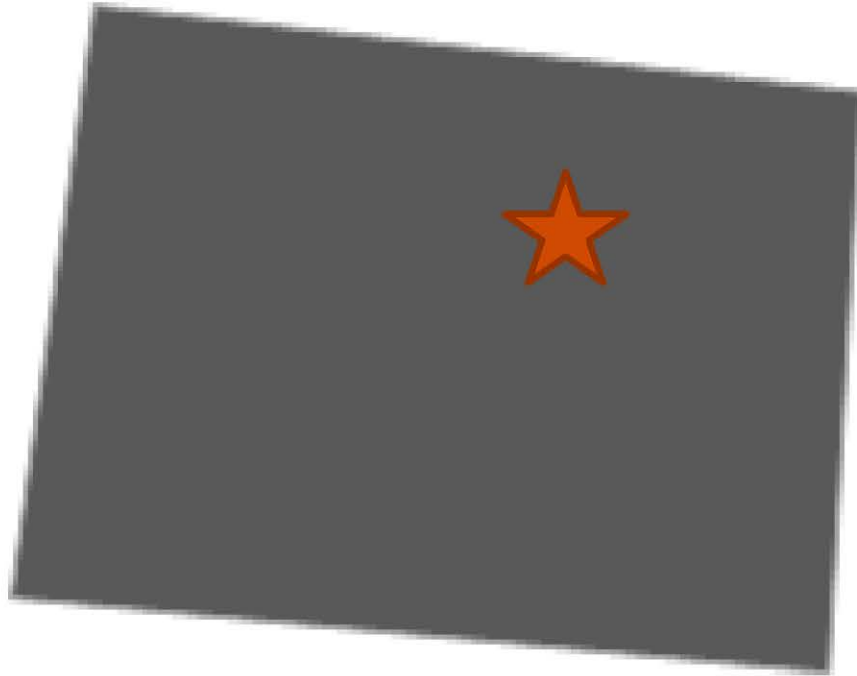
Top markets to watch reflect current trends



1. Nashville
2. Triangle
3. Phoenix
4. Austin
5. Tampa/St. Petersburg
6. Charlotte
7. Dallas/Ft. Worth
8. Atlanta
9. Seattle
10. Boston
- 12. Denver**

Flexibility and Convenience Drive the Next Decade

National Trends and Colorado



- Lingering concerns over gateway market recovery
- Growing tech centers
- Interest in suburban/remote work locations
- Slower population growth concerns

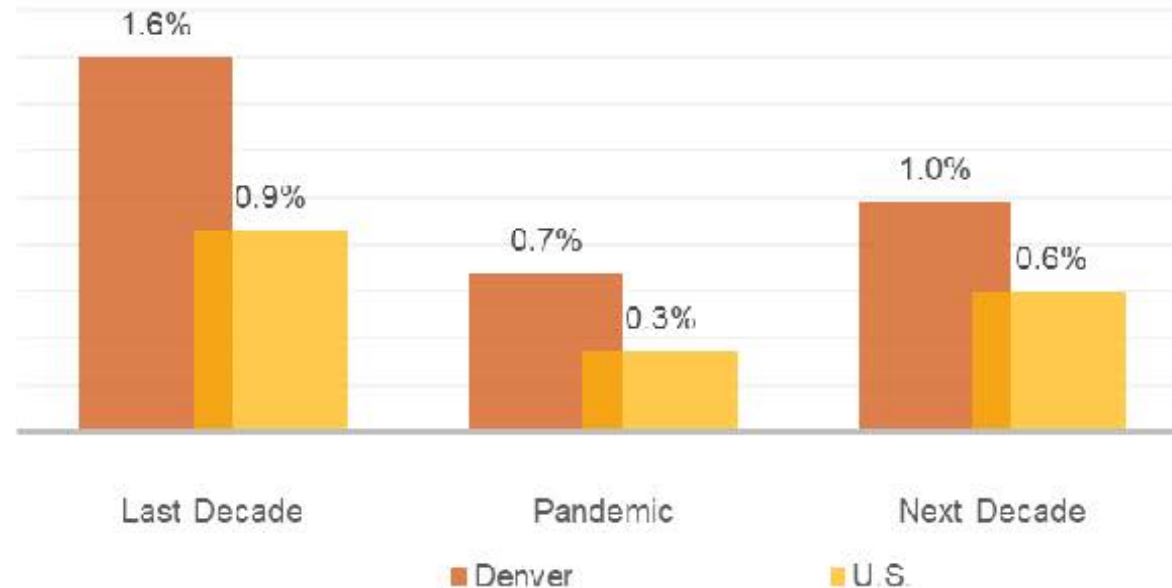
Flexibility and Convenience Drive the Next Decade

Work Anywhere – Live Anywhere

The nation experienced the slowest decade of population growth in 40 years

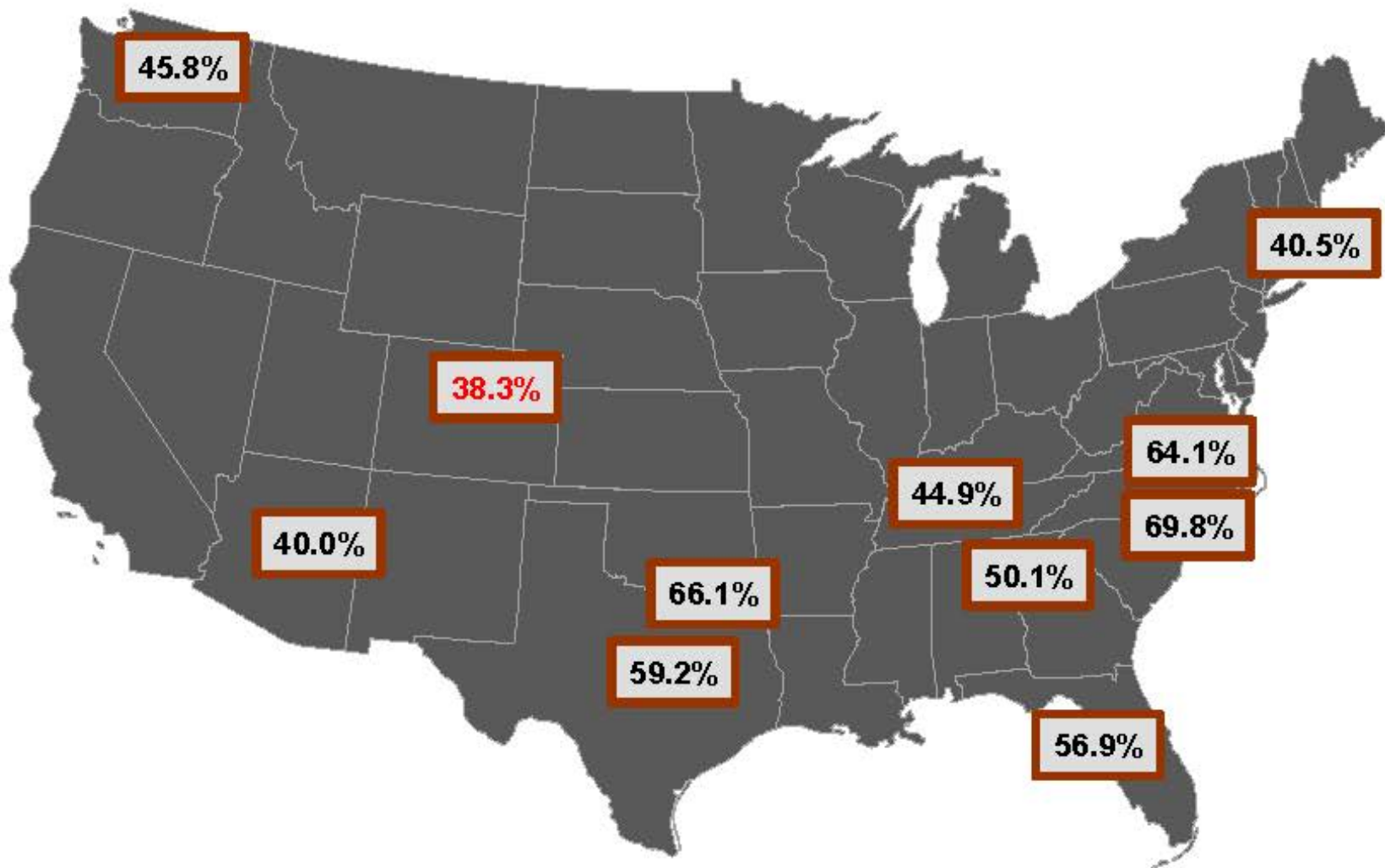
The national growth rate is projected to be even slower over the next decade

Population Growth by Timeperiod



Source: US Census Bureau, IHS Markit

In Migration Puts Pressure on Housing Attainability



% of all homes likely affordable to a 4-person family earning 120% Average Mean Income

“

The pandemic didn't cause a lot of these issues, but it did give us a different perspective

Recognition

2022 Outlook Exceeds the Pre-Pandemic Rate



Housing Crisis Redux

- Housing boom in a recession
- Bifurcated impact
- Issues with trying to regulate a solution
- Supply problem



Retrofitting Cityscapes

- Pandemic changes become permanent
- Suburbanization of the urban core
- Infrastructure spending impact
- Rise in regionalization

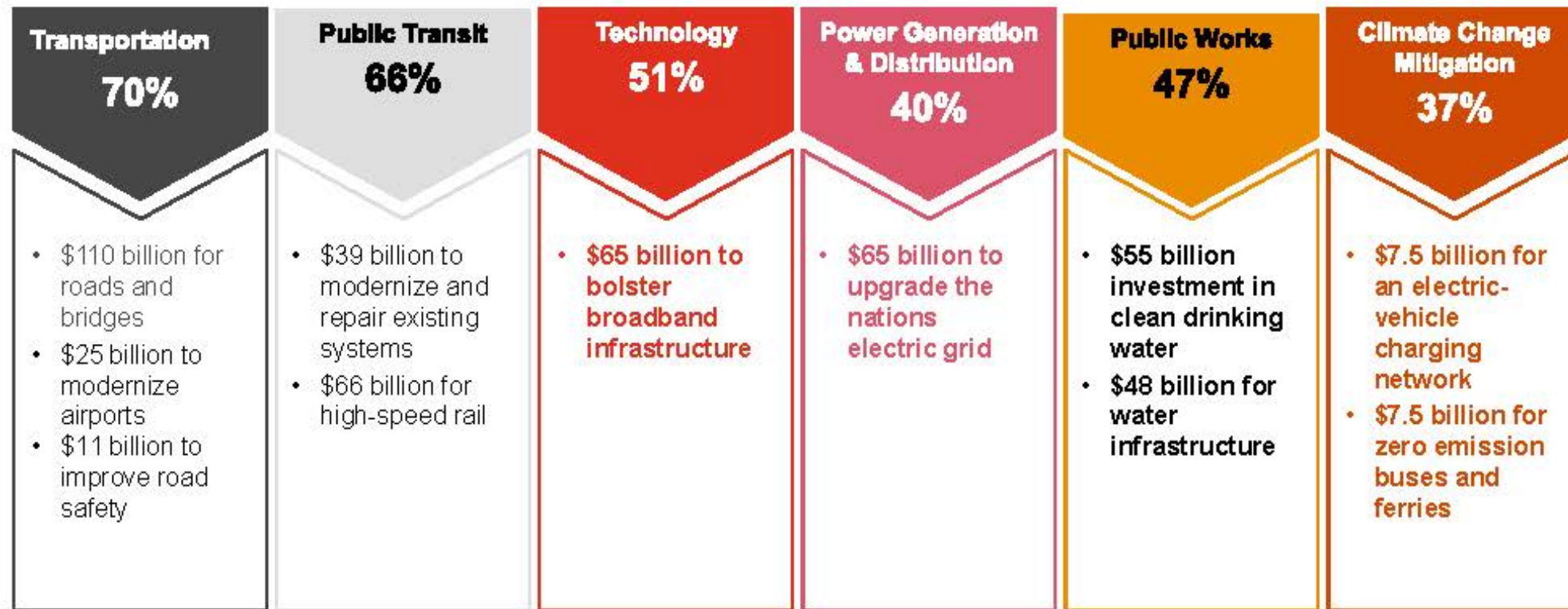


Climate Change is On Us

- Pandemic increased the focus
- ESG influence
- Realization that this isn't a next generation problem
- Moving from talk to action

\$1.2 Trillion in Infrastructure Spending

Retrofitting Cityscapes



% of 2022 Emerging Trends Survey Respondents

Climate Change Hits the Property Sector

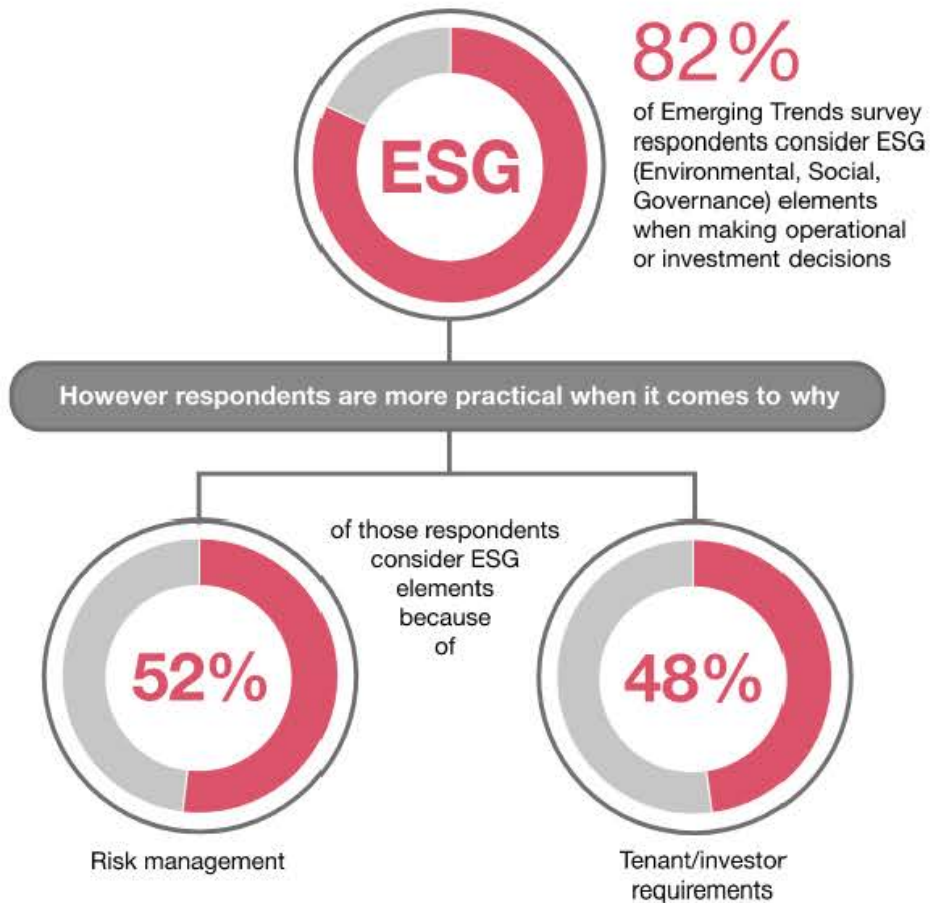
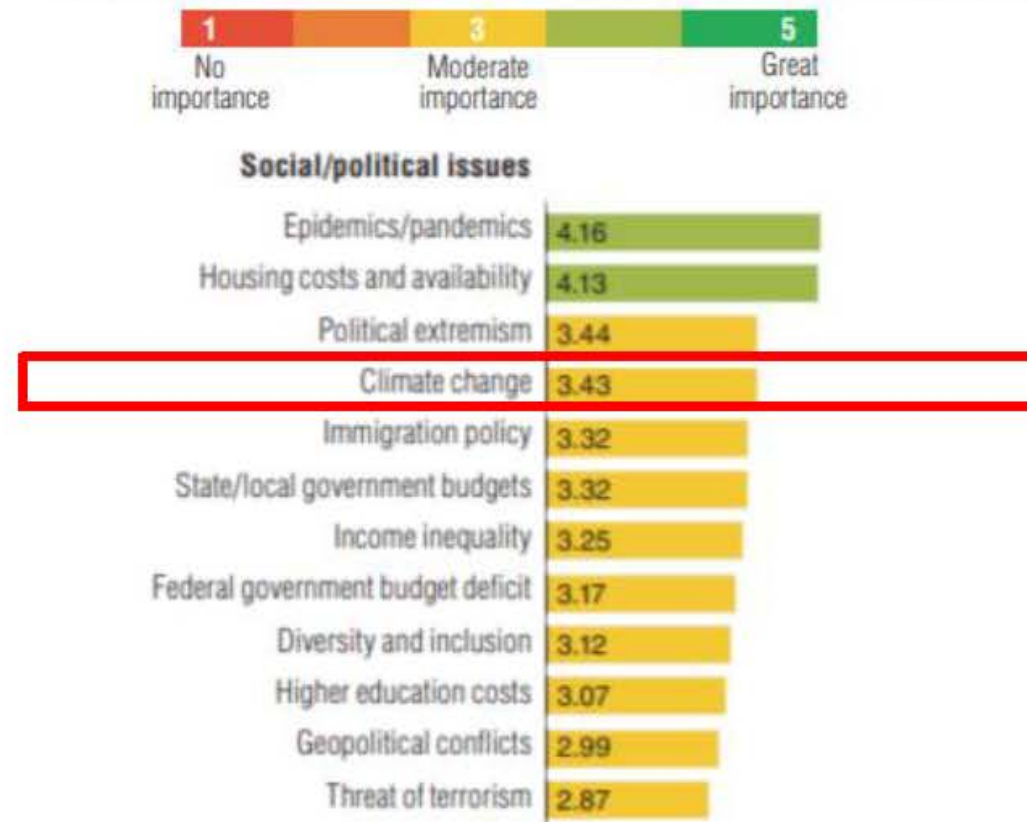


Exhibit 1-3 Importance of Issues for Real Estate in 2022



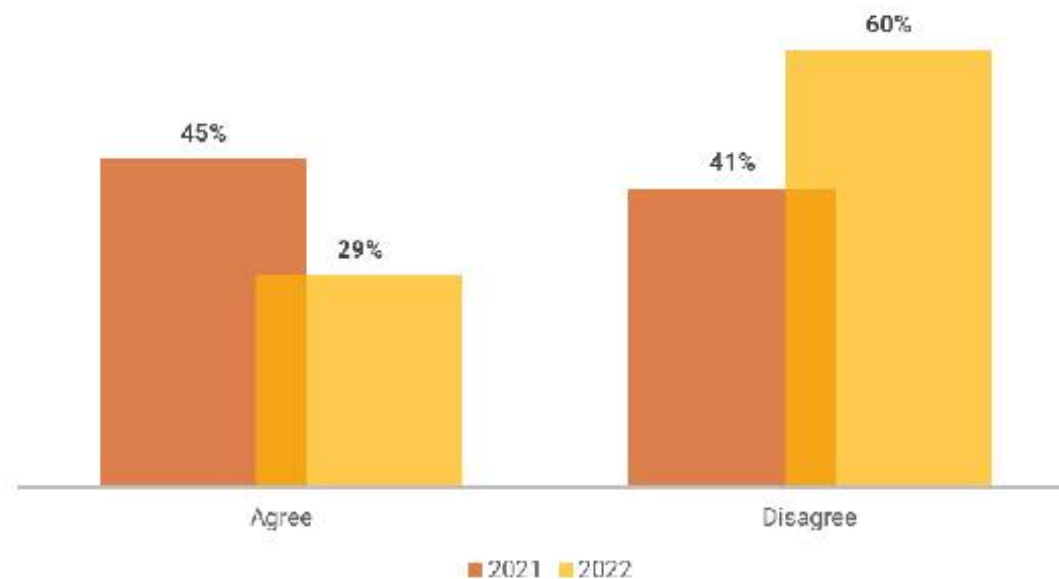
“Temporary” Adjustments Become Permanent

Q: Changes implemented as a result of COVID-19 will revert to pre-pandemic activity in 2022

Over 60% don't believe that we will revert to pre-pandemic activity

The length of the pandemic is changing fundamental thinking around multiple issues

Change From Last Year





What I will and won't do Post-Pandemic

5. Won't accept invitations to gatherings I don't really want to attend
4. Will stay home from work when I'm sick
3. Won't blow out birthday candles
2. Will be glad that the rats have gone back to the alleys
1. Won't wear pants...
That aren't athletic wear!!



Thank you

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Meet Our Panelists



Kevin McCabe
President, Western
Region
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Brian Rossbert
Executive Director
Housing Colorado



Rebecca (Becky) Stone
Principal
OZ Architecture



John Jugl, Jr.
Vice Chairman
Newmark



**Megan (Turner)
Kranichfeld**
VP of Industrial
Development
PrimeWest



Scott Rathbun
President
Apartment Appraisers &
Consultants



Leon McBroom
Senior Managing
Director
JLL

What's Next in 2022? Upcoming Events

Partnership Forum Applications

Now Open

Equitable Access to Capital: Real Estate Development by All for All

February 16, 2022

Celebrating Colorado Springs 150th Anniversary: Past Present & Future

February 23, 2022

YLG Detour: Colorado Convention Center Expansion

February 24, 2022

Partnership Forum Meet the Moderators

February 28, 2022

New Member Coffee (Virtual)

March 3, 2022

Partnership Forum Applications Close

March 3, 2022

DEI Read, Listen, Watch: Reparations

March 10, 2022



THANK YOU!

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