

A nighttime photograph of a modern city square. In the foreground, a large, illuminated fountain with multiple jets of water is in motion. The water jets are lit up, creating a dynamic pattern of light and water. In the background, a modern building with large glass windows is visible. The building's interior lights are on, and some signs are visible, including "Antero Resources". The overall scene is vibrant and urban.

# *Emerging Trends in Real Estate 2019*

*A New Era Demands New Thinking*



*40 years and counting*

“Real estate as an asset class has matured. Market participants need to realize this and make the appropriate adjustments.”

## ***40 years of Emerging Trends in Real Estate***

*Over the course of your real estate career, what do you feel has been the most significant event or change to the industry?*

- Global Financial Crisis
- Technology
- Information Availability
- Asset Class Acceptance
- Urbanization
- REITs
- Low Interest Rates
- Capital Availability
- Securitization
- Space Utilization Changes



## *Market sentiment*

“Sure it feels like the activity level will moderate, but more like a plateau and not a sharp downhill slide.”

---

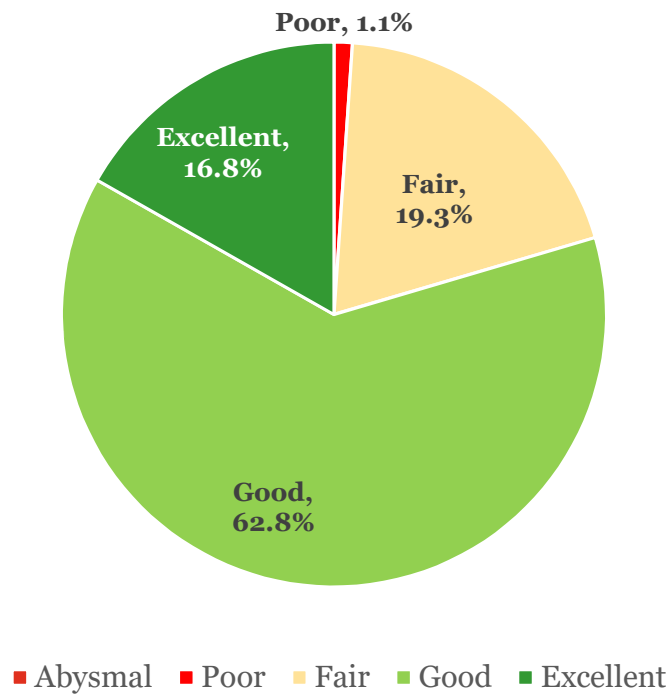
## *What word would you use to describe the 2019 real estate market?*

### *Top 5*

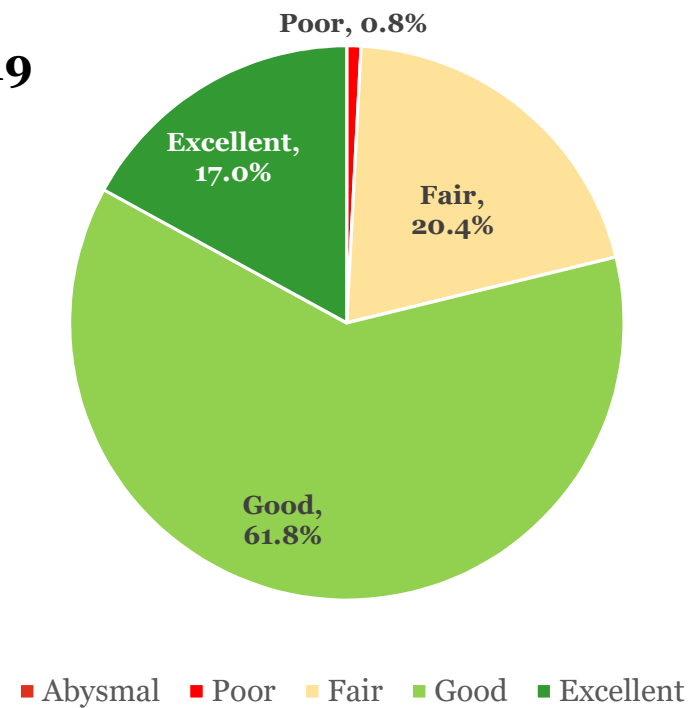
<b>#1</b>	<b>Plateau</b>
<b>#2</b>	<b>Competitive</b>
<b>#3</b>	<b>Cautious</b>
<b>#4</b>	<b>Evolving</b>
<b>#5</b>	<b>Overheated</b>

## 2019 Expected Profitability

2018

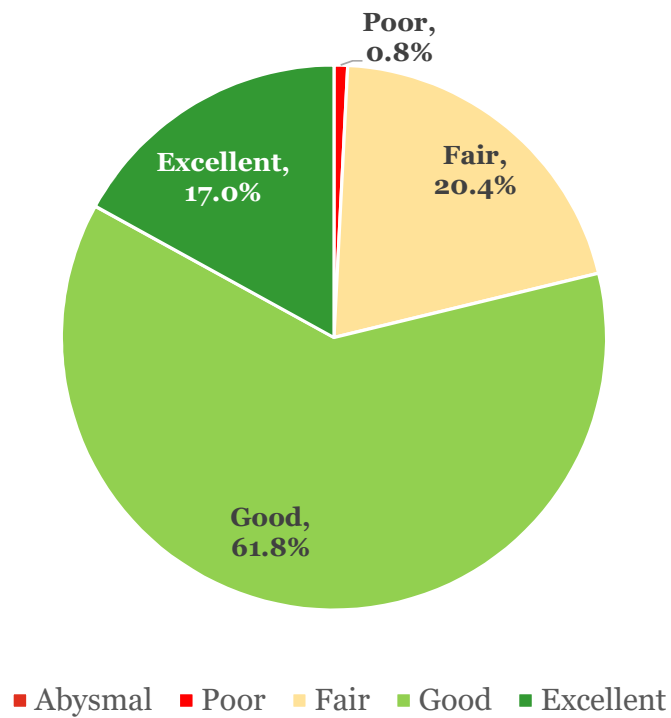


2019

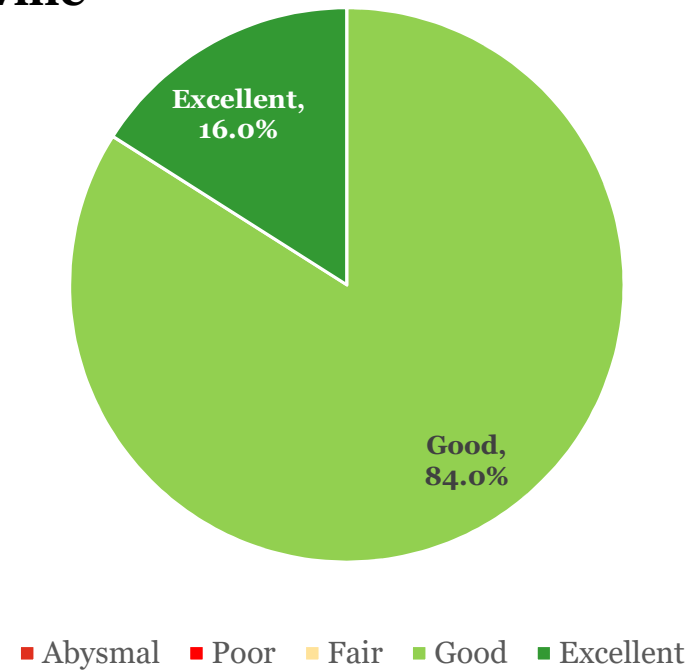


## 2019 Expected Profitability

**Total Market**

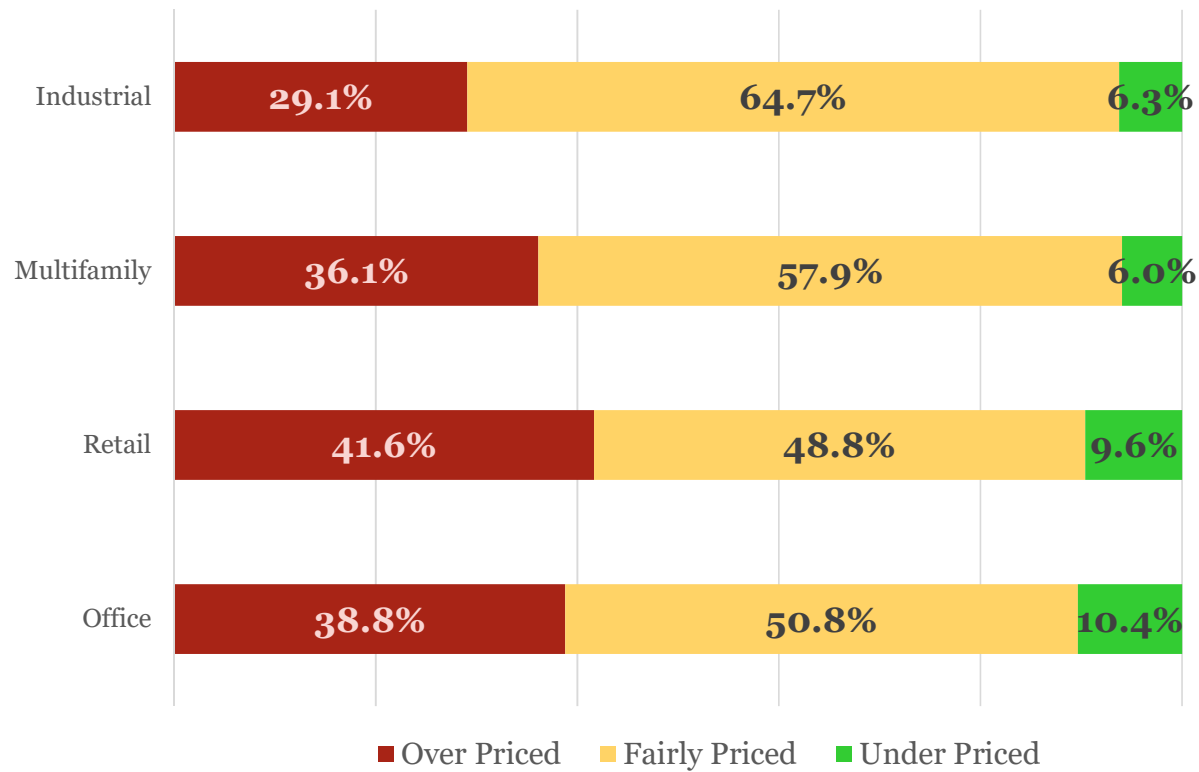


**Nashville**



## 2019 Market Outlook

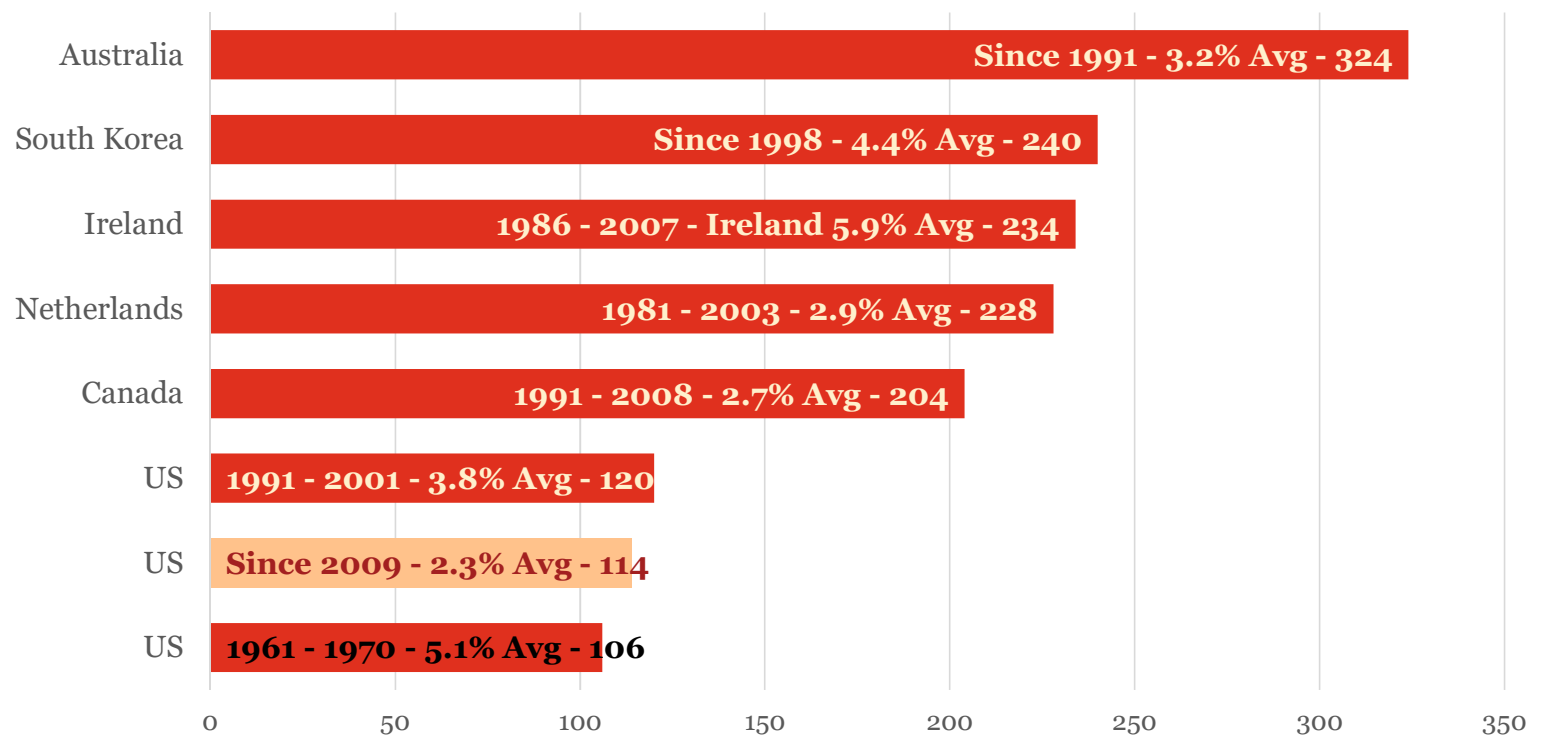
*Opinion of current pricing doesn't appear to indicate a market peak*





## Market Outlook

*Long  
economic  
expansions  
aren't that  
uncommon*



---

*What inning are we in?*

# 25 innings

Longest major league game in baseball history. On May 8, 1984 the Chicago White Sox defeated the Milwaukee Brewers, 7 – 6.





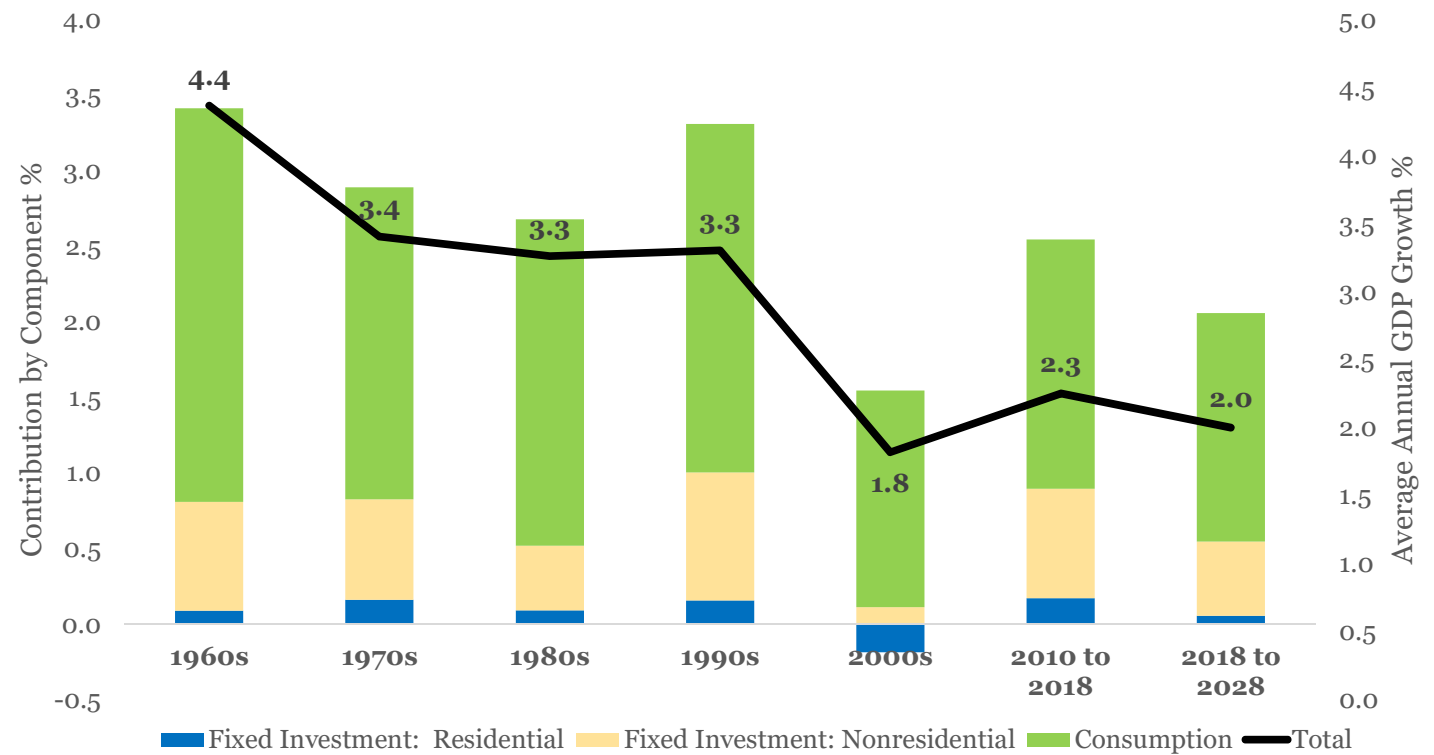
## *A changing industry*

- ❑ Intensifying transformation
- ❑ Easing into the future

“Demographic growth is slowing and you can’t deny it will have an impact on the real estate industry. Making the right choices will be key.”

## Intensifying Transformation

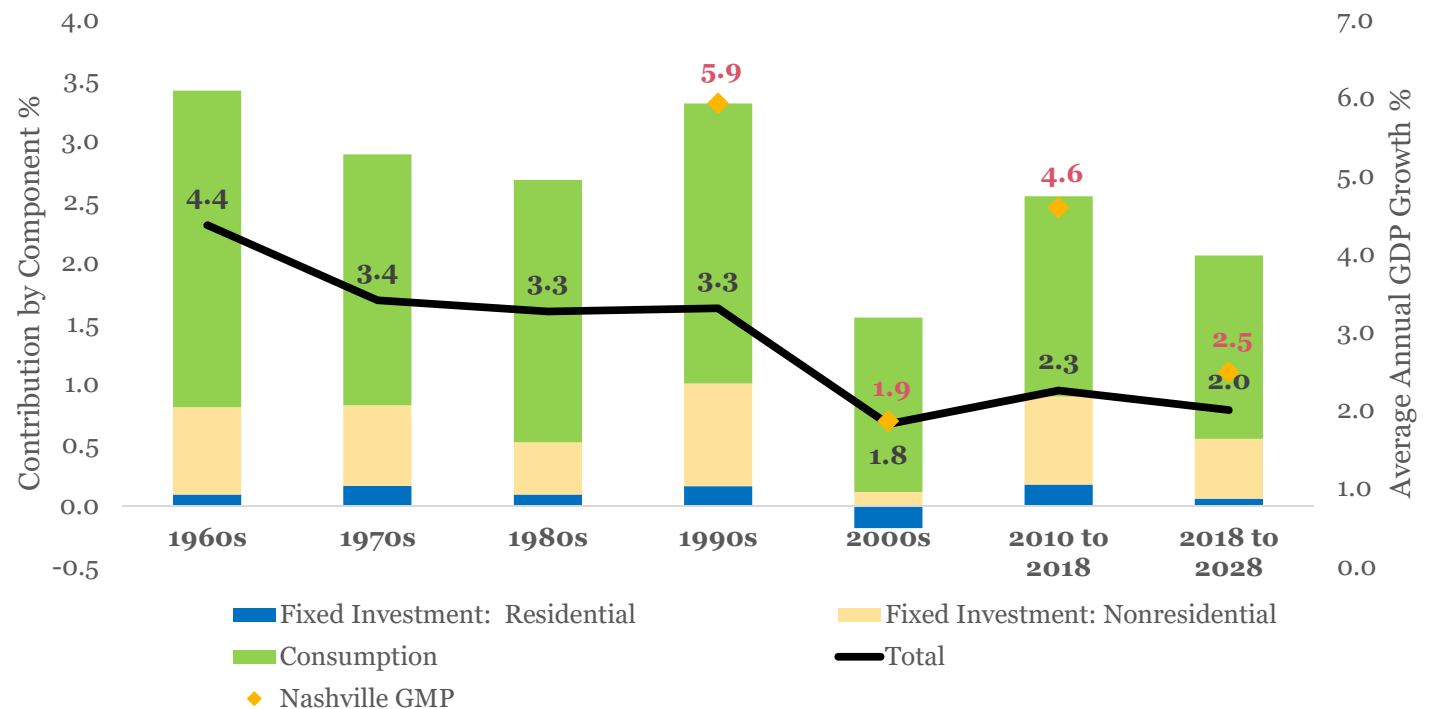
*Slower GDP growth projected to be the norm, but contribution by component remains stable*



## Intensifying Transformation

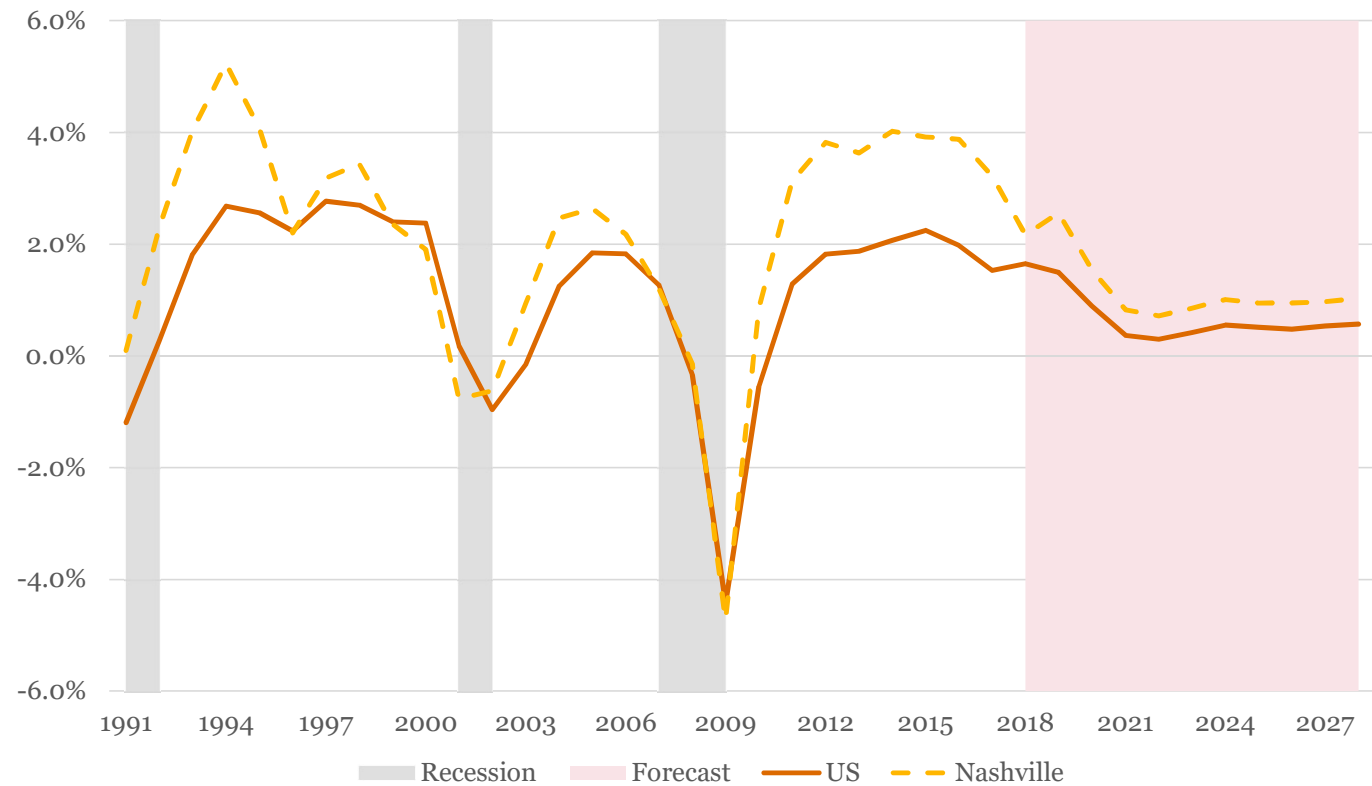
*Slower GDP growth projected to be the norm, but contribution by component remains stable*

*Nashville continues to exceed the US rate*



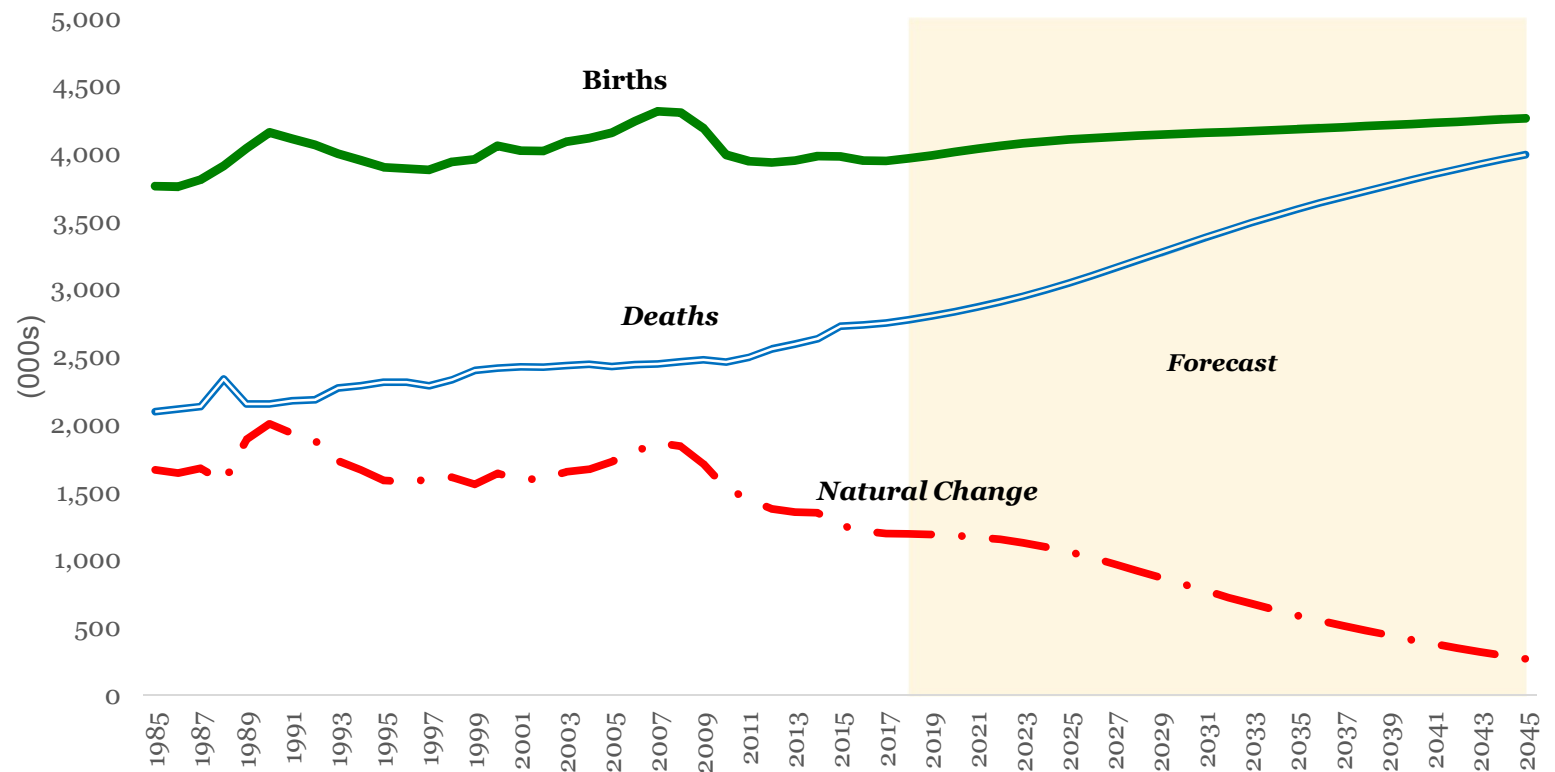
## Intensifying Transformation

### Nashville Annual Employment Growth Versus the US

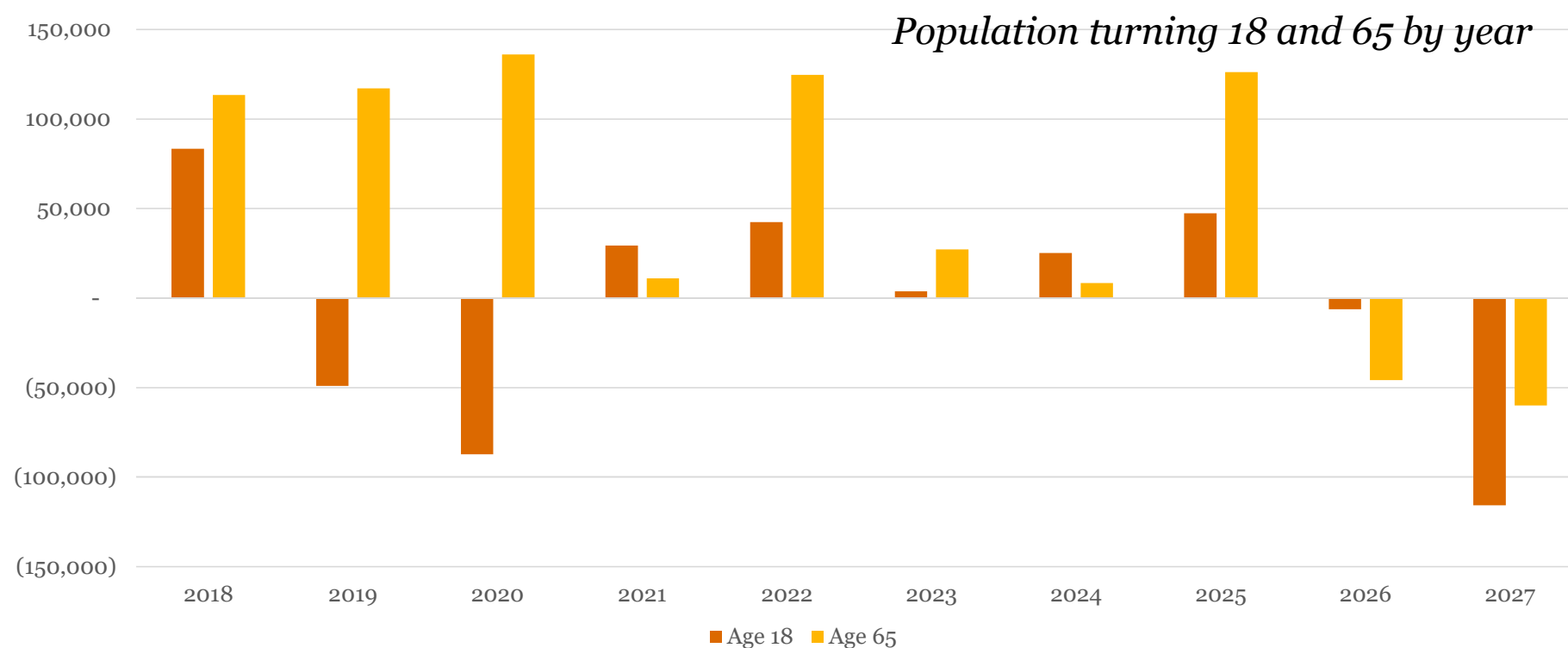


## Easing into the Future

Natural  
population  
change



## *Easing into the Future: More workers leaving the workforce*







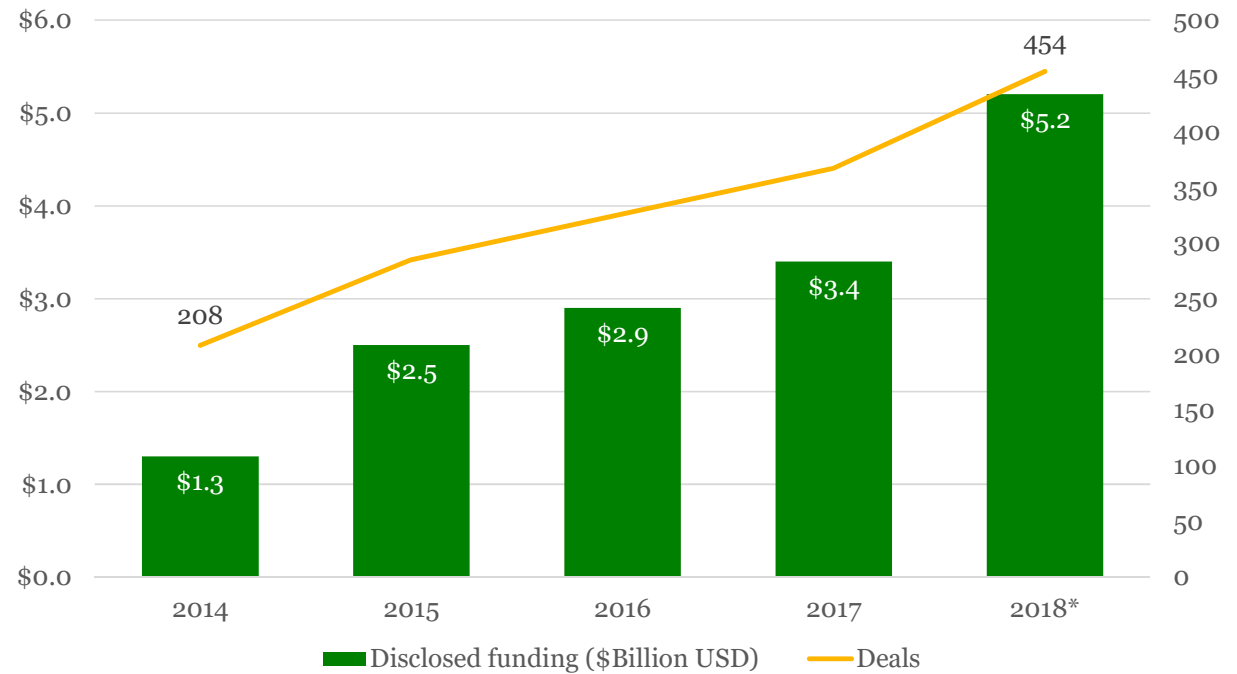
“Someday, the most valuable component of an office building may be the data it generates.”

*Dealing with disruption*

## Accelerating Digital Transformation

**41%**  
Annual increase  
in global real  
estate tech  
investment over  
the past 4 years

*Real Estate Tech Financing*



## *Accelerating Digital Transformation*

- ✓ Nearly \$7.0 trillion asset class
- ✓ 13.2% - real estate rental and leasing value add contribution to GDP
- ✓ Technology attracted to fragmented nature of the industry: ***Asset Management, Brokerage, Development, Due Diligence, Finance, Facility Management***
- ✓ Key industry companies have begun their own investment
- ✓ Maybe...



## Get Smart: AI + PI

***Odds are much greater that AI will replace tasks you currently do rather than replace you!***

***The promise is that AI will enhance PI by freeing workers to focus on more value add tasks***

### Intellectual tasks

- Tax preparation software
- Watson for legal and medical uses
- IoT warehousing programs

### Customer service

- Online shopping agents
- Restaurant ordering kiosks
- IVR call centers

### Physical tasks

- Grocery store scanners
- ATMs
- Automated parking garages



## *Markets to watch*

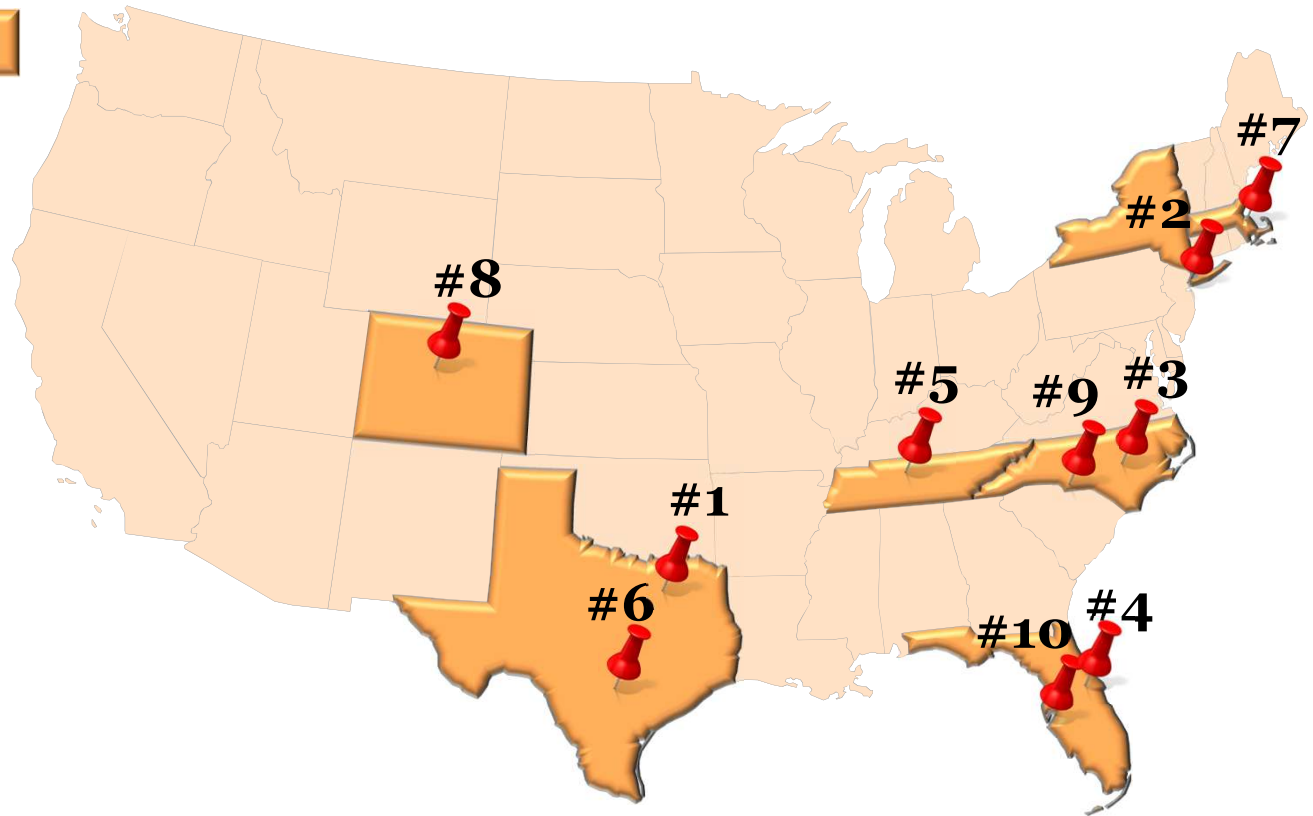
❑ 18-hour city 3.0

“The competition for talent makes being in the right market of vital importance.”

## ***Markets to Watch***

### **Overall Real Estate Prospects**

- #1 Dallas/Ft. Worth**
- #2 Brooklyn**
- #3 Raleigh/Durham**
- #4 Orlando**
- #5 Nashville**
- #6 Austin**
- #7 Boston**
- #8 Denver**
- #9 Charlotte**
- #10 Tampa/St. Petersburg**



## What Makes Nashville #5?

❑ *Good to  
Excellent outlook  
for investment  
and development  
by property type*



## What Makes Nashville #5?

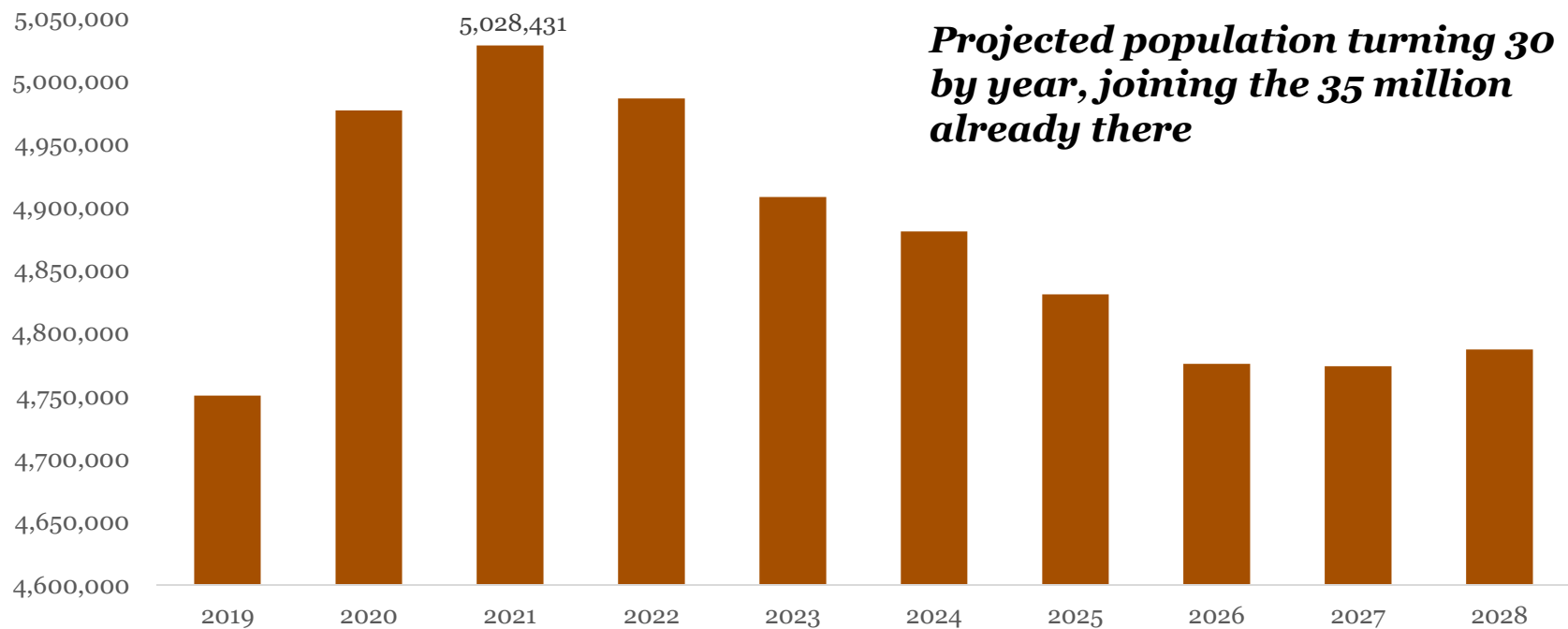
❑ *Not just a desirable place to invest, but a real chance that you could*





## 18-Hour Cities 3.0

*Millennials turning 30 may be more likely to move to the suburbs*





## *Property type outlook*

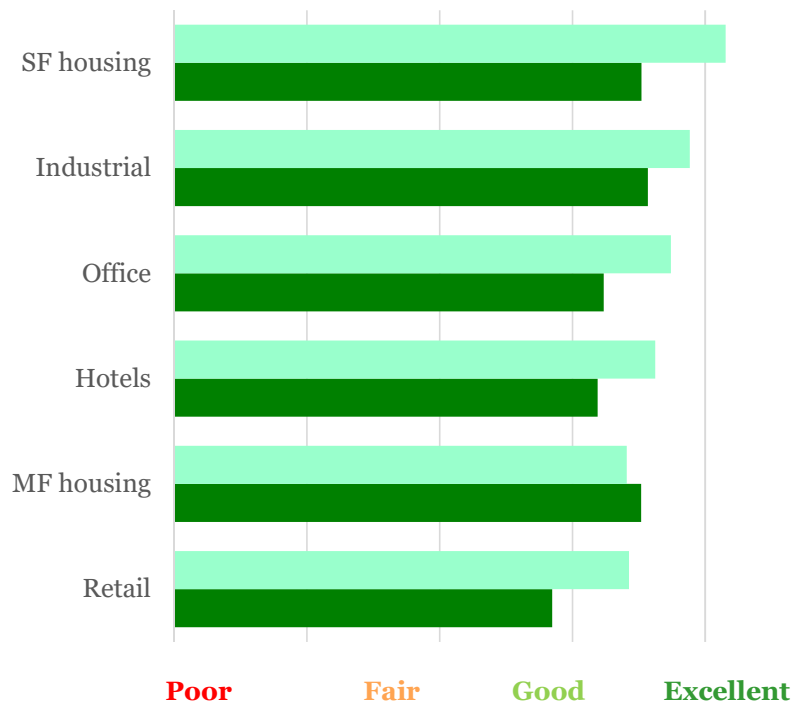
- ❑ Retail transforms
- ❑ Myth of free delivery

“The pace of change faced by all property types is making the future viability of each asset increasingly important.”

# Property Type Outlook

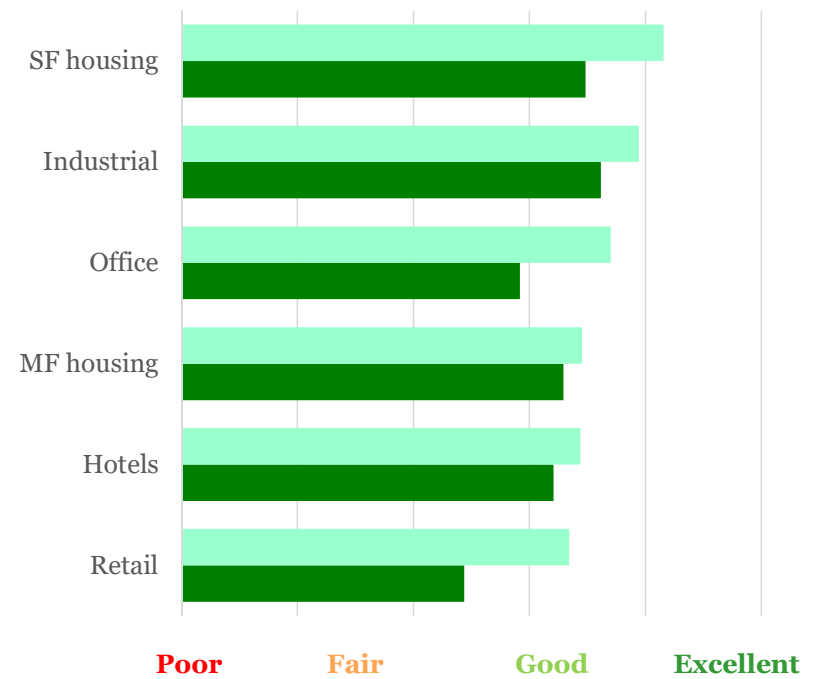
## Investment

Nashville Total



## Development

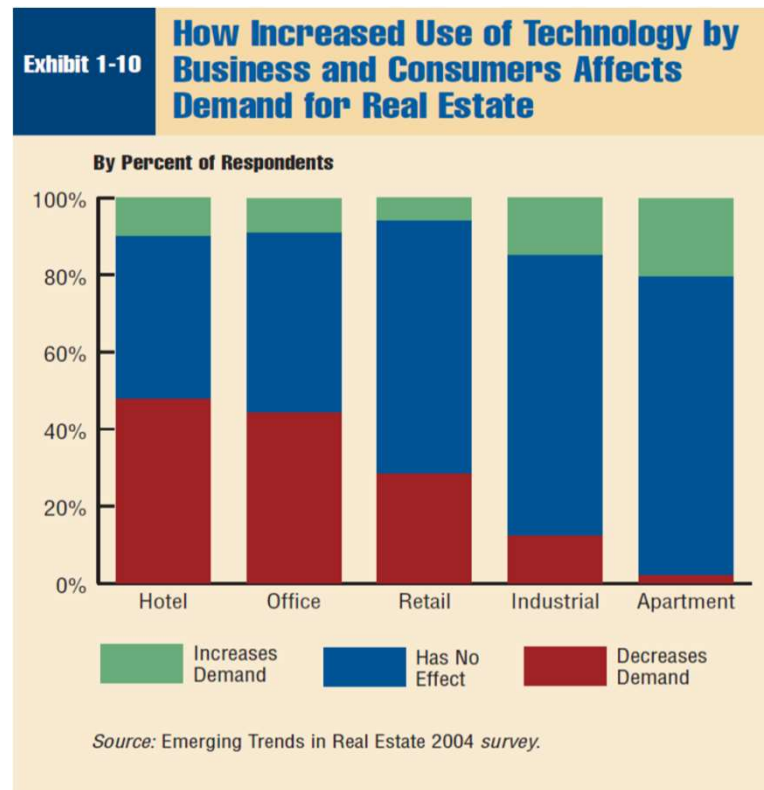
Nashville Total



## *Real Estate Transforming to a new Equilibrium*

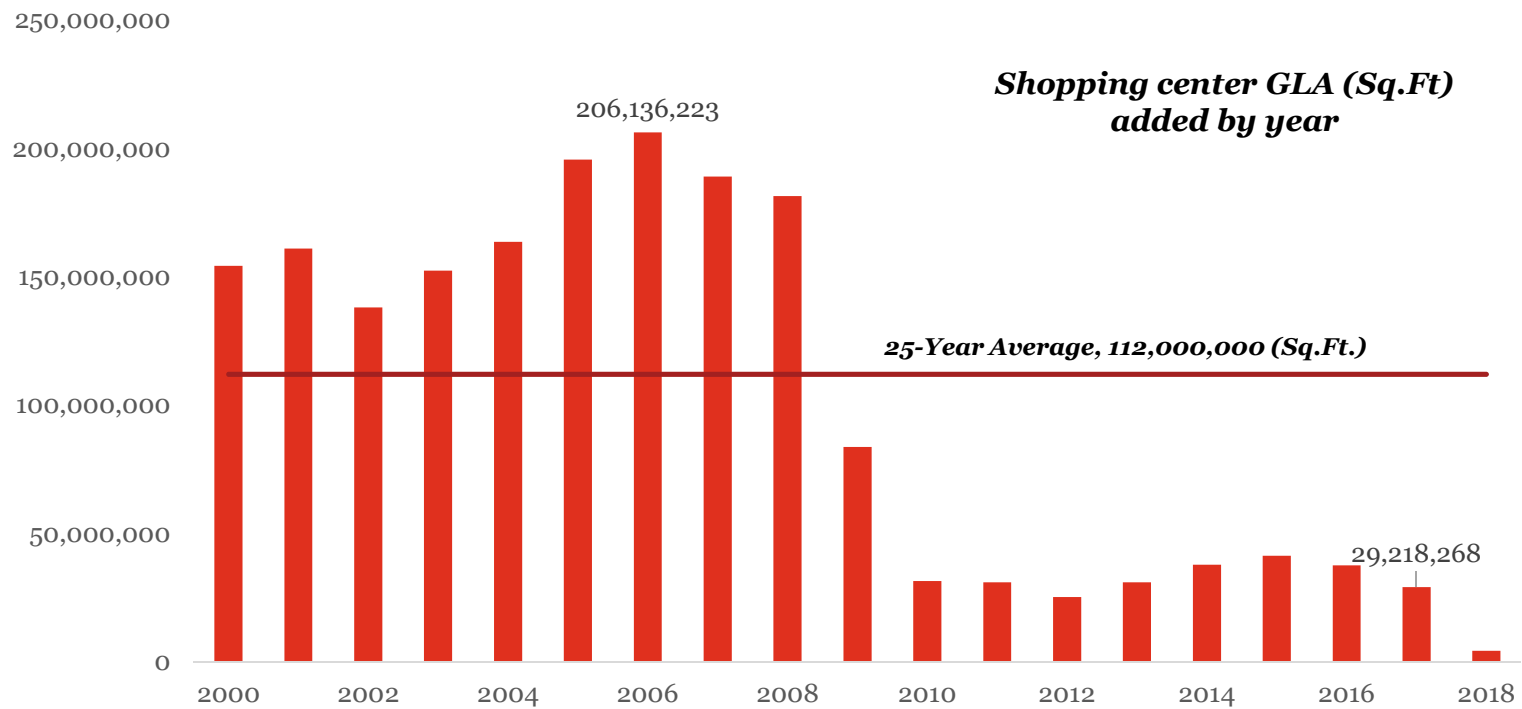
**70%**

*The percent of survey respondents who felt technology would have no impact on the demand for retail space.*



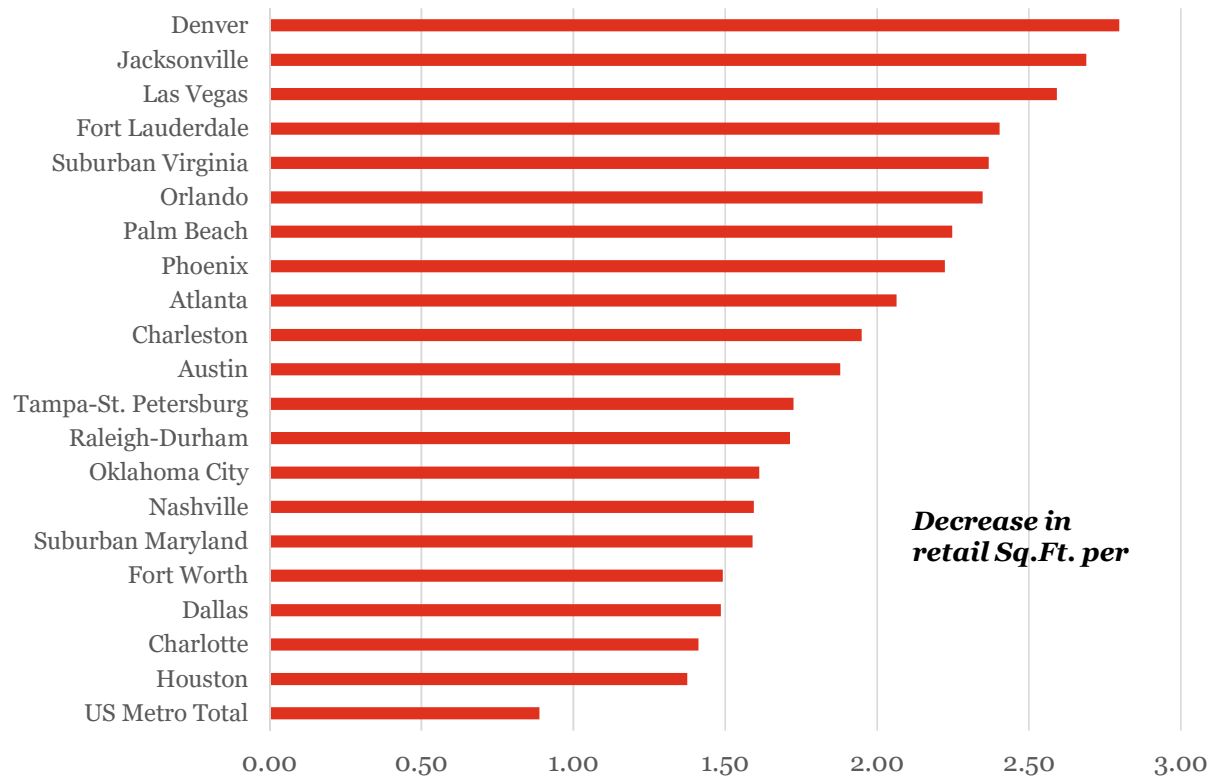
# Retail Transforming to a new Equilibrium

Retail sector responds quickly to slowing demand



# Retail Transforming to a new Equilibrium

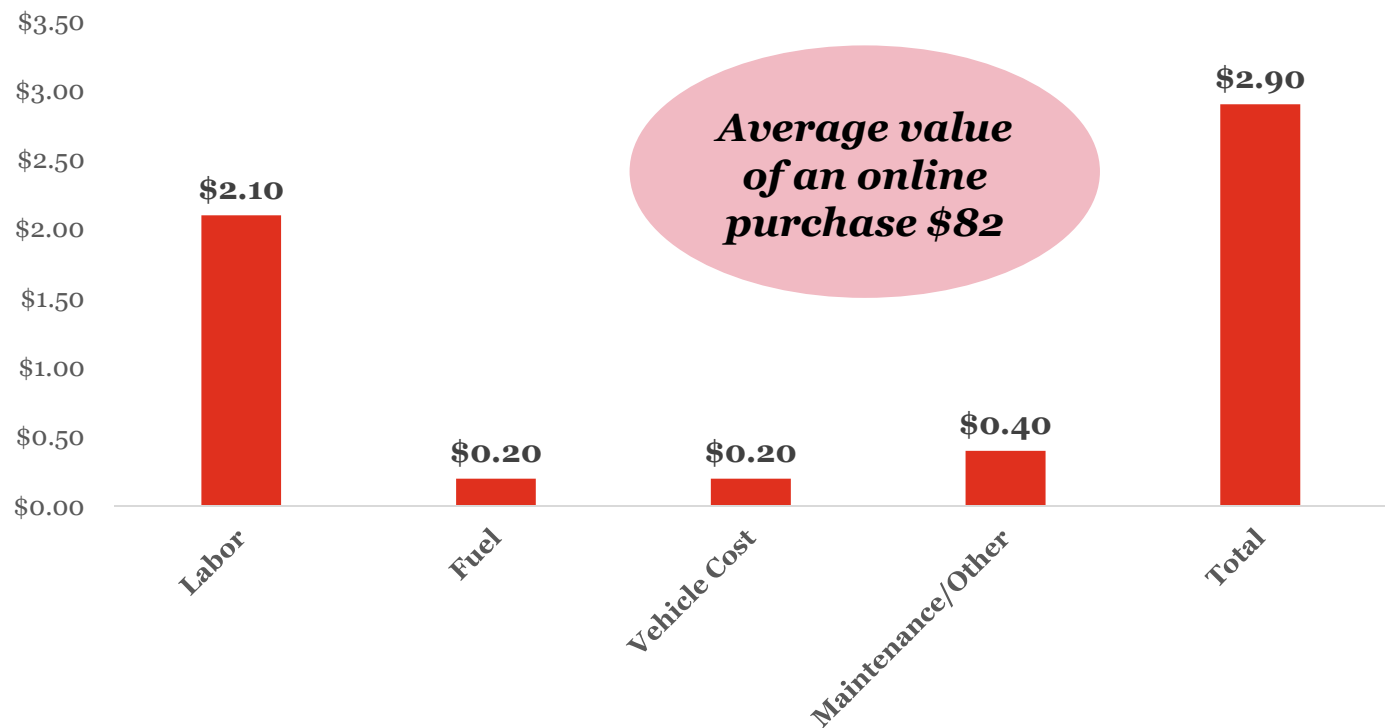
Transformation to less square feet per capita continues



## *The Myth of “Free Delivery”*

*Estimated last mile cost per package in a urban, high-density, e-commerce route*

*An average of 30% of online purchases will be returned*





## ***Social Issues***

- ❑ We're all in this together: ESG Investing
- ❑ Unlocking capacity: Opportunity Zones

“You can say that it feels good to follow responsible practices, but we are seeing more examples of it also enhancing returns.”



## *We Are All in This Together*

The number of U.S. money managers, asset owners and other investment related organizations that have signed onto the Principles for Responsible Investment

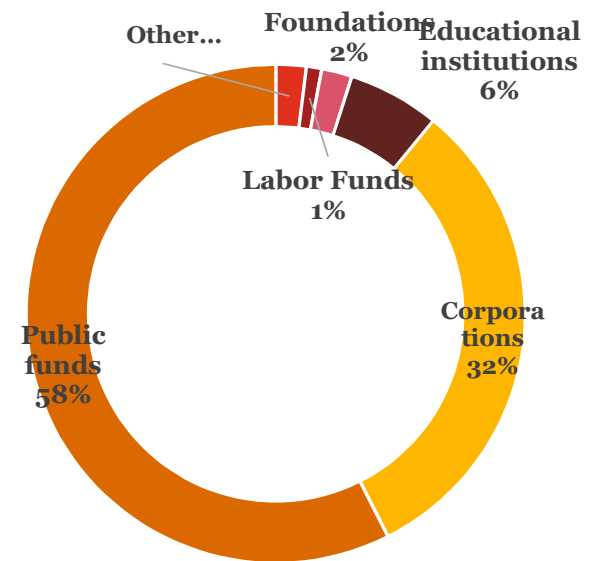
374

Institutional assets invested under environmental, social and governance principles in the U.S. as of 2016\*

\* (most current available data)

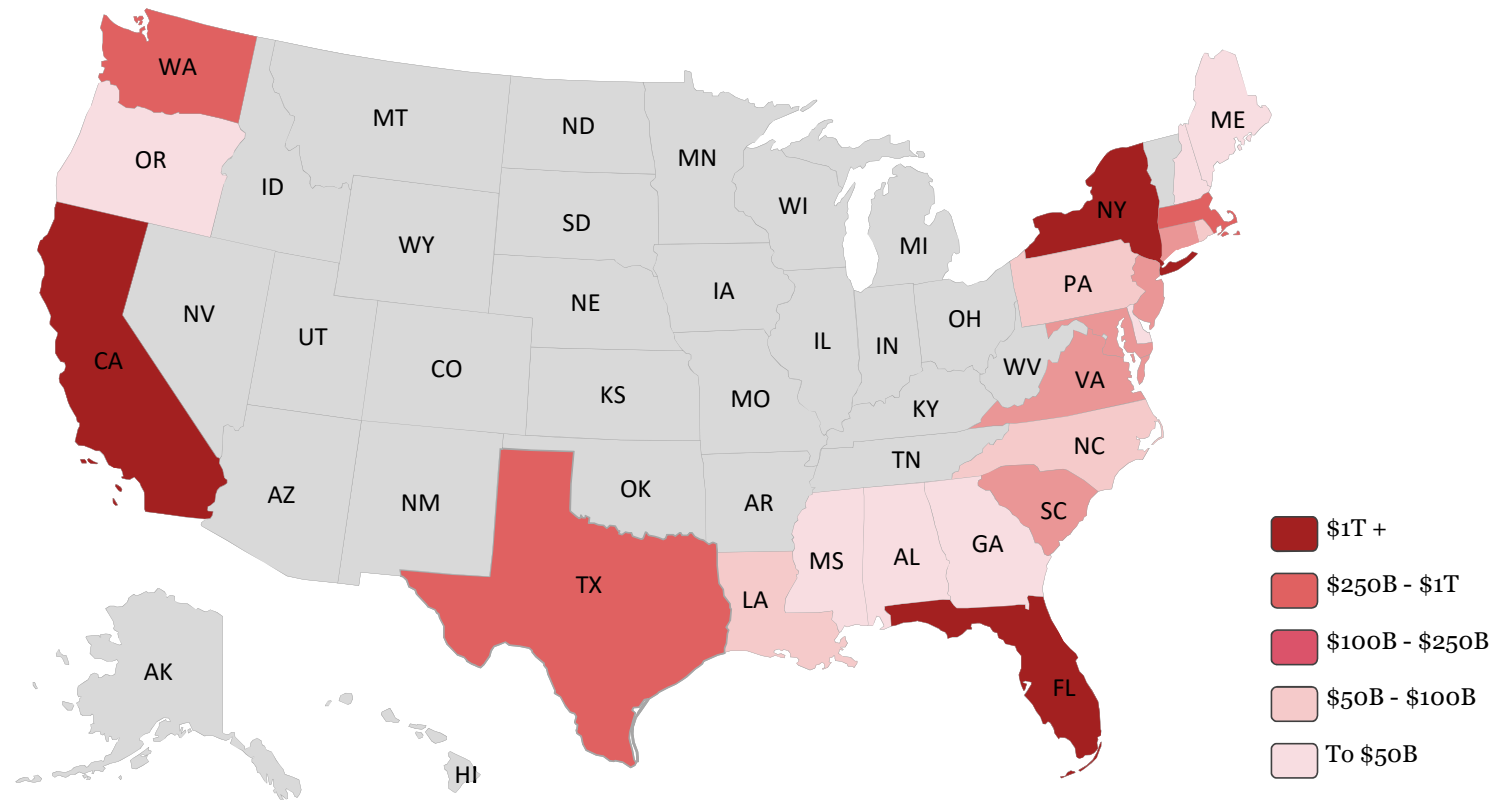
\$4.73  
trillion

### Source of Invested Assets



## *We Are All in This Together*

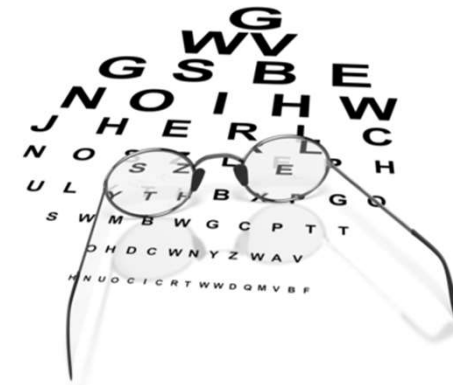
***Property  
value at risk  
to consistent  
flooding  
through 2030  
by state***



## Unlocking Capacity

### *Waiting for Opportunity zones to come into focus*

- ❑ **Sleeper component of the 2017 Tax Act**
- ❑ **Potentially stabilize and revitalize targeted neighborhoods via tax incentives**
- ❑ **8,700 census tracts have been identified by each state's governor**
- ❑ **Capital gains taxes can be deferred until 2026 if they are invested in new construction or major rehabilitation of projects in economically depressed areas**
- ❑ **If invested via designated opportunity fund capital gains taxes can be reduced by 10% to 100% based on holding period**



## Contact us



**Andy Warren**  
*Director, Real Estate Research*  
515 314 4264  
[andrew.warren@pwc.com](mailto:andrew.warren@pwc.com)

## Download the report

**[pwc.com/us/etre](https://pwc.com/us/etre)**

**[www.pwc.com](https://www.pwc.com)**

© 2018 PwC. All rights reserved. PwC refers to the US member firm or one of its subsidiaries or affiliates, and may sometimes refer to the PwC network. Each member firm is a separate legal entity. Please see [www.pwc.com/structure](https://www.pwc.com/structure) for further details.

