

# The *Lite Side* of Commercial Real Estate



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Coldwell Banker Commercial Blog  
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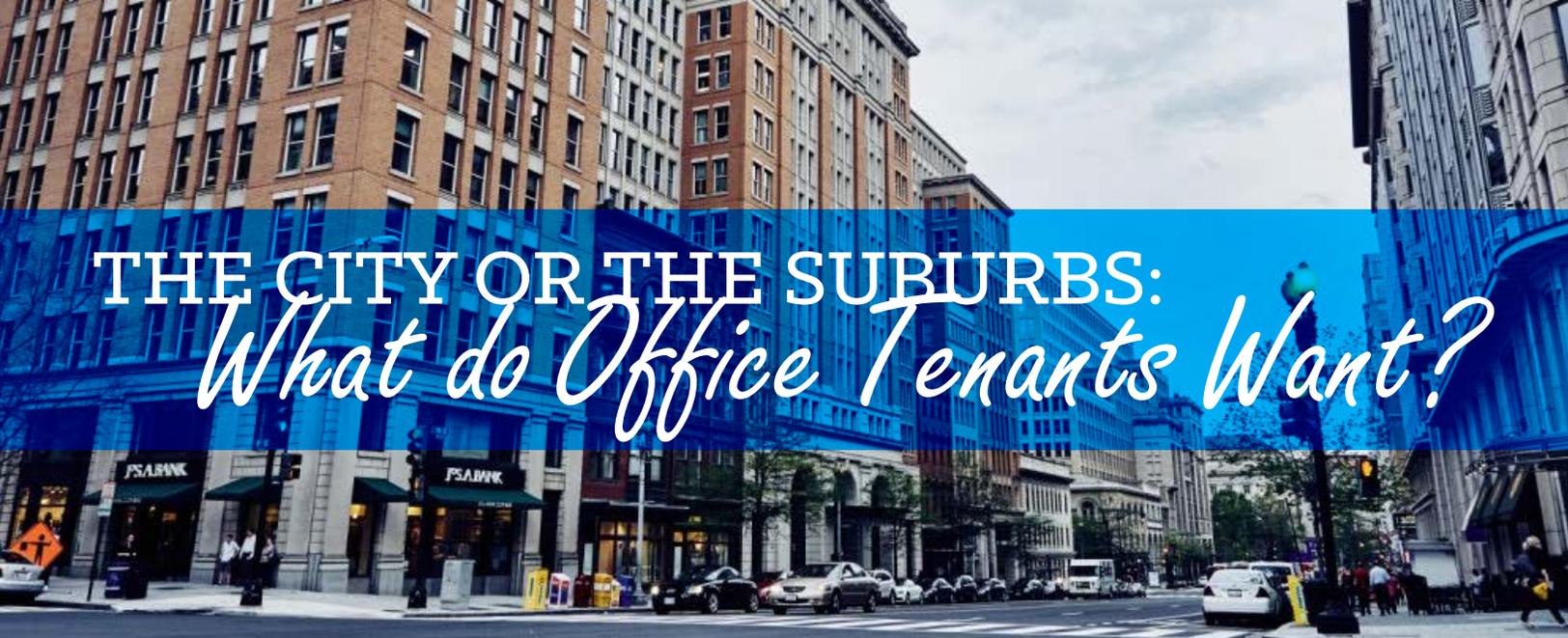
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# THE CITY OR THE SUBURBS: *What do Office Tenants Want?*

**T**he landscape of the real estate market is changing by leaps and bounds. Over the past couple years we've seen a lot of changes in commercial real estate, from shopping malls across the country abruptly closing down to millennials leaving their suburban communities and flocking to urban centers en masse.

This re-urbanization of American cities has left a lot of experts wondering whether the traditional American suburb is undergoing a slow death. Naturally, the decline of suburbia would have a massive impact on real estate as a whole, especially commercial real estate. With more people moving closer to city centers to get away from those rush hour commutes, many investors and developers are left wondering one important question: what's going to happen to suburban office buildings?

## Changes in the Suburban Office Sector

The truth is that the face of suburban America is changing, but to say it's dying is a bit of a stretch. There are a number of suburban communities across the USA that have a thriving office sector, including the New York

City suburbs along the New Jersey side of the Hudson River, Palo Alto, and the Frisco-Plano area. Each of these thriving suburban communities has one thing in common: development in the form of **urb-suburbanization**.

For those who don't know, urb-suburbanization is a portmanteau of urban and suburban that describes the introduction of urban development into suburban environments. Instead of the closed off, tightly-packed design that defined the traditional suburban environment, urb-suburban describes the process of developing suburban infrastructure that's historically associated with large cities. They want transit-oriented development, public transportation, and a diverse range of shops, markets, and restaurants.

Suburban cities that have experienced positive office growth are a testament to the fact that tenants aren't interested in working in big cities, but are rather interested in working in an environment that offers convenience and choice. They want access to public transportation and to be able to walk to and from the office and nearby stores and restaurants.

## Where's the Market Headed?

With all the talk surrounding the decline of suburban America, there's still a good bit of uncertainty in the office sector. Industry giants like McDonald's, Aetna, and General Electric have made plans to move their headquarters from the suburbs to urban settings in hopes of attracting millennial talent.

While there is no denying that young, skilled professionals are relocating to major US cities, companies who focus primarily on the urban market could be selling themselves short now that the older grouping of millennials are already in their mid-30s and are settling down in the suburbs with their families.

Instead of focusing primarily on urban settings, developers and investors in the office sector should be looking at both urban and urb-suburban markets as potential locations. After all, it's not the big lights of the city that's attracting a good portion of Americans, it's the improved infrastructure and walkability. For this reason, it's not a good idea for professionals in the office sector to put all their eggs in one basket.

**H**istorically, commercial real estate has been a field that's a little slower to change. It's a field that requires industry professionals to build connections and hold negotiations. But in today's market, smart technology has become more than helpful - it's become an asset. Even Baby Boomers who've stuck to their briefcases and Rolodexes are making the switch over to cloud technology and smart devices to help them improve their work performance.

If you're an agent, broker, or investor working in CRE and you've not embraced the digital revolution yet, you're running the risk of getting left behind. Here's why:

### 1. Smart buildings are a thing.

You read that right - buildings have gone high tech. The introduction of smart building technology is going to revolutionize the way that retail, office, and industrial properties are run. Instead of being managed by an onsite control room, smart buildings can be monitored and controlled over the internet thanks to cloud technology. This means that managers and building owners can control everything from electricity, HVAC, and security with the help of the internet.

As for the main benefit of smart buildings, they help property owners utilize their energy usage more efficiently by detecting when people are in the room. And considering that buildings account for roughly 30% of the world's energy usage, cutting back on utilities is a great step towards going green and being cost effective.

### 2. Blockchain is being integrated into real estate.

Just a short year ago, blockchain and cryptocurrency

were terms that meant very little to people outside of technology or investing. These days, the crypto disruption has begun to infiltrate all areas of society, including real estate. Thanks to built-in smart contracts associated with blockchain technology, money doesn't change hands until both parties first fulfill their end of the agreement. This, combined with the increased transparency, reduces the likelihood of fraud when buying, selling, and investing in property.

### 3. The industry is diving into the cloud.

From mobile devices to software as a service (SaaS) platforms for marketing, customer relationship management, and market research, cloud technology has become a ubiquitous part of commercial real estate. Gone are the days when professionals had to travel around with a heavy briefcase filled with all their important documents.

These days, contracts, client information, and other important info are all stored remotely and accessed through cloud servers by smartphones, tablets, and laptops. Not only does cloud storage and Internet of Things (IoT) devices make life easier by syncing data across platforms, it also means that you never have to show up to a meeting unprepared again - even if you're notified last minute. And as you can imagine, a few years into having life transformed by cloud services and people have already forgotten what life was like before it existed.

Now's an interesting and exciting time to be working in CRE. With technology becoming more entrenched in the industry, we can expect to see a number of innovative gadgets and SaaS platforms emerge over the next couple of years.



**3 WAYS CRE IS EMBRACING  
SMART TECHNOLOGY  
IN THE DIGITAL AGE**



# NEW AND OLD: *How Stadiums are Changing*

**W**ith new stadiums being built across the United States, now's certainly an exciting time to be a sports fan. Over the years, the nature of new stadiums has changed. Some are committed to sustainability and going green, whereas others are aiming to provide an all-around entertainment experience.

## New Stadiums

A good example of this stadium experience is the proposed Los Angeles Stadium at Hollywood Park, a "sports and entertainment district" that first broke ground in November 2016. But LA Stadium will be more than just a home for two NFL teams, San Diego Chargers and the Los Angeles Rams, it will also be the home of an 8.5 million square foot entertainment complex that includes restaurants, shopping, and a cinema.

Moreover, Atlanta's new Mercedes-Benz Stadium was designed with the goal of being environmentally conscious and promoting better sustainability. This was achieved by installing 4,000 solar power units, adding onsite charging stations for electric cars, and recycling approximately 680,000 gallons of water for irrigation. In fact, Mercedes-Benz Stadium has been so effective at going green that it was acknowledged by the White House Office of Science and Technology for using 29% less energy than most other sports stadiums.

Finally, there's the upcoming Las Vegas Stadium, which is expected to be completed before the start of the 2020 football season. This \$2 billion stadium will be the first to house a professional team in Las Vegas. The stadium is also unique because of its pickup and drop-off loop, which was designed specifically to

make ridesharing more convenient for drivers and passengers alike.

## What about the Old Stadiums?

With the development of new and improved stadiums, cities and building owners have been challenged with coming up with creative ways to repurpose the old ones.

For the Georgia Dome, the Atlanta Falcon's former home, the decision was to create a green space at the doorstep of the new Mercedes-Benz Stadium. The decommissioned stadium is currently in demolition and scheduled for implosion at the end of November this year, where it will then be converted into "The Home Depot Backyard," a 13-acre city park designed to revitalize outdoor spaces in Atlanta's Westside.

While the historic Georgia Dome, which saw the 1996 Summer Olympics and Michael Jordan's final NBA appearance, will ultimately be destroyed, other stadiums have experienced a different fate. Former Atlanta Braves' baseball field, Turner Field, is being turned into a football complex for Georgia State University.

For the city of Oakland, finding a new beginning isn't quite as easy. Once their NFL team, the Raiders, make their 2019 move to Las Vegas, the city will be challenged with finding ways to keep Oakland-Alameda County Coliseum profitable. While the Oakland A's, which will be the city's last professional team once the Raiders leave, have committed to playing in the Coliseum until 2024, the city still needs to come up with a plan to keep the venue busy during the offseason. Currently, they're looking into hosting concerts and other large events.

**W**e recently covered some tips for utilizing social media as a CRE agent and one of those tips was to have a focused message. While it may be easy to come up with your message, it may be difficult to figure out how to consistently convey that message without repeatedly posting the same thing. One way is through deliberate and thought-out content marketing.

Content marketing is much more than just a social media post, it's an additional way to expand your reach. Creating your own content may seem daunting but if you are ready to add this to your marketing arsenal than we have a few tips for you on how to do it right.

### 1. Define Your Audience

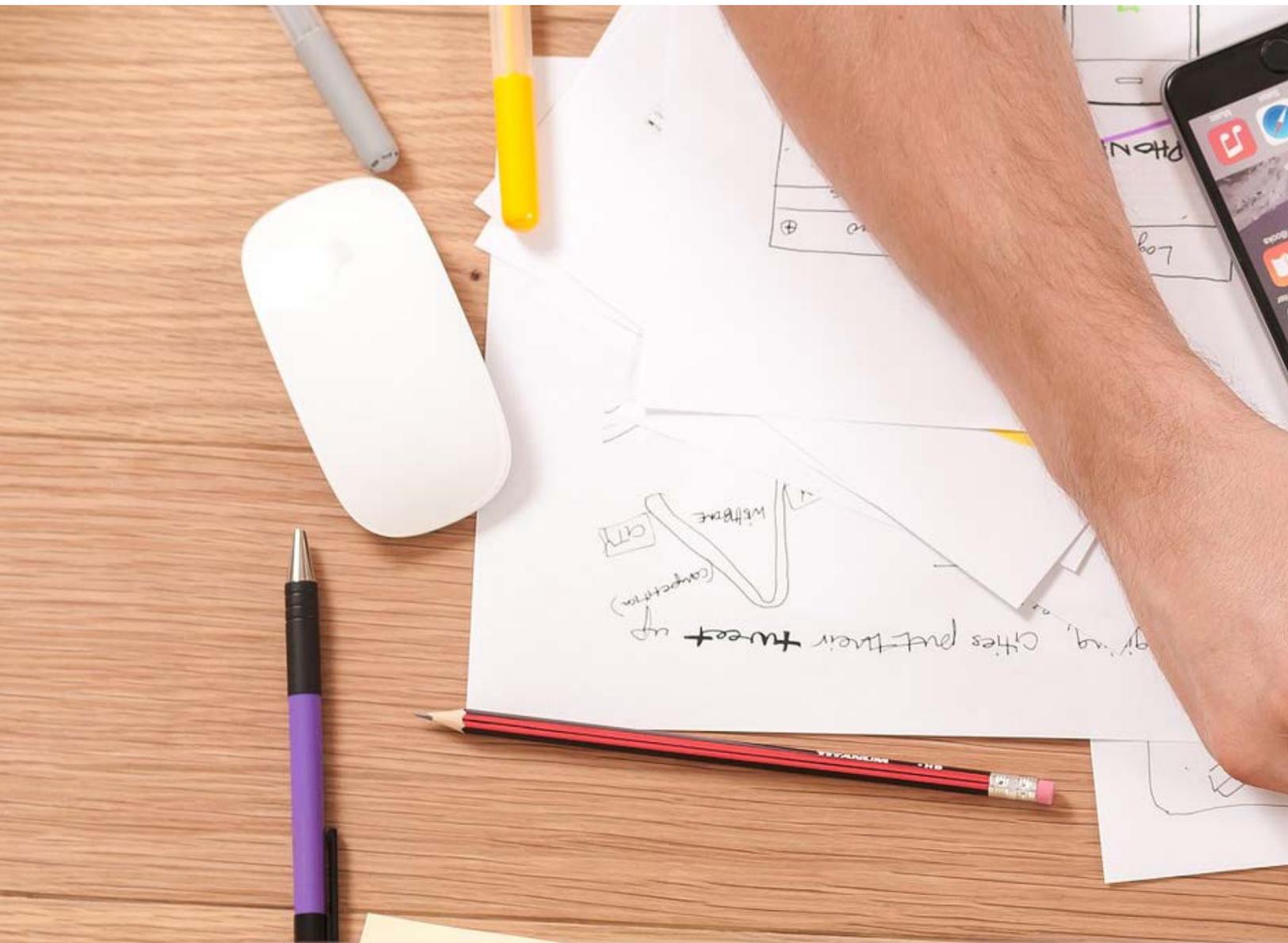
With content marketing, you want to provide the consumer with content that is interesting and helpful to them. It is important to understand who

you want to reach and create content that will engage them. This will help to accomplish your end goal, which should be to drive more traffic to you and create more potential leads.

At Coldwell Banker Commercial, we utilize our blog to bring industry insights to commercial real estate agents and brokers by providing content that keeps them informed and up to date on the latest in CRE.

### 2. Consistency is Key

Just like social media, providing consistent content is critical to building a following and keeping people coming back for more. To achieve this, create a certain day and time of the week for just creating content. Throughout the week pull from your experiences or questions that clients ask you as a base for the content you are creating. With consistency, your reach will increase.



We post every Wednesday on the Coldwell Banker Commercial blog and recommend a weekly post to start out.

### 3. Maximize Your Content

Creating content can take a lot of effort and occasionally a large time commitment, so don't let it live in one Facebook post. Be sure to maximize the content you have created and recycle it in different ways. Having an initial piece of content can be the foundation and then it can be used to create other types of content like slideshares, videos or even infographics. These different types of content can be utilized on different social media channels where imagery may play better than words.

### 4. Experiment

When starting out with your content marketing it is important to experiment with different types

of content to see what your audience reacts to best. The best way to gauge this is to monitor your results by looking at views, engagement, and if consumers went a step further to look at the rest of your website or social media pages. Once you see what gets the best reaction and response, then you will know which types of content to focus on creating.

On the Coldwell Banker Commercial blog, we monitor results of all content through our different channels. Something that works well for us are listicles like this one that are a quick read but still helpful. Agents are typically on the move so quick reads tend to get more attention.

Have you experimented with content marketing? We'd love to hear your success stories!



**4 TIPS FOR AGENTS READY TO DO CONTENT MARKETING RIGHT**



# 3 WAYS THE INDUSTRIAL MARKET IS BEING IMPACTED BY RETAIL

**R**etail trends have had a huge impact on the industrial market for the last few years. Amazon shifted the entire e-commerce industry to lightning-fast shipping, which means that industrial centers and warehouses are being moved to closer-to-the-city locations to handle the load.

On top of that, the trend toward reduced store size means that there's more need for off-site storage and warehousing for retail products than ever before. Here are 3 other ways that the industrial market is being impacted by retail.

## #1: Massive Closures of Big Retailers

Everything that you could buy at places like Sears, Kohl's, and JC Penney can be ordered online at Amazon for less and with front door delivery. Because of that, retail giants are seeing massive closures. This year alone, Sears is closing 150 of its stores, JC Penney is planning to close 140 stores, and Macy's is closing 100 stores but they're not the only ones.

Brick-and-mortar retail overall is preparing for massive closures due to bankruptcy over the next

year, largely because of Amazon, but also other online retailers. These closures are both haunting and inspiring for the industrial market. Those holding leases for big box stores are preparing for huge hits. Those investing in these shuttering retail stores have big new innovative ideas for how to reuse these spaces.

## #2: Rethinking of Industrial Space Use

The vacancy rate for industrial space hit a low point last year with a basis point drop of 70 points to 5.6%; lower than the record low hit in 2000. Those vacancies may not last long as industrial leaseholders and investors seek to find new uses for spaces now housed by failing retail giants.

Again, e-commerce is the driver behind this trend sweeping through the industrial market; the rethinking of industrial space use. Some old shuttered storefronts make excellent fulfillment and distribution centers that are located closer to city centers. They are now being converted to handle last-minute-mile issues for new online retailers to aid in faster on-time delivery.

## #3: Global Consumption Increases due to E-Commerce

U.S. retailers aren't the only ones feeling the effects of retail on the industrial market. E-commerce has also increased global consumption and is expected to account for at least 30% of the global economy over the next several years. Products once cost prohibitive for people living in the Far East are now as easy to order online as they are in the U.S.

That has helped to expand the global reach of online retailers beyond U.S. borders. With that, the need for more physical space to house all of the goods needed to accommodate the growing global demand for faster delivery has made once abandoned industrial spaces more attractive.

Some of the top players in the global market demanding more supply from U.S. online retailers are China, Brazil, and Mexico. Expect the reach of global goods from online retailers in the U.S. to expand to other parts of the world, thus further increasing the appetite for more industrial space.

**W**hile the real estate industry wasn't the first to jump on the technology bandwagon – and this extends to social media – real estate professionals have come to realize the value of these resources. However, one wonders how best to use social media to maximize its effect. Well, wonder no more.

We've pulled together a few tips for tailoring your social-media plan to the real estate industry – read on to get the most out of the latest technology.

### 1. Get your story straight.

You've got to have a game plan before you jump into the social-media fray. Think of it this way: would an architect tell a construction crew to build a house without plans? Of course not. Think about what type of message you're trying to send and then carefully choose the best channels for it. Remember that merely having an account on every type of social media isn't just unhelpful – it can be actively harmful. You want to curate here.

At Coldwell Banker Commercial, we've carefully selected a suite of social-media channels including Twitter and Facebook through which we can talk to our audience.

### 2. Be picky.

Following from the above, you're not going to want to open an account on every single social media channel out there. Instead, you're going to decide which interest you the most and which are best for accurately conveying your message in an interesting and sticky manner.

At Coldwell Banker Commercial, we've chosen four social-media channels: Twitter, Facebook, LinkedIn and a company blog. This gives us a focused, powerful method of marketing and communication.

### 3. Exercise your ability to maximize.

Now that you've chosen your channels, it's time to drill down and figure out how best to use them. Remember that each site has a different culture to it, meaning that you're going to have to tailor your content for each in order for it to get received in a positive manner. If you're using Pinterest, go for the visuals; if you like Twitter, remember that it's good for short, punchy missives.

Here at Coldwell Banker Commercial, we've committed to posting regularly with curated content that is well tailored to each channel.

### 4. Keep up the good work.

Following from the idea of posting regularly, we want to emphasize the crucial nature of sticking with posting consistently, whether on a set schedule or not. Many people like the set schedules as a set-it-and-forget-it tactic; others would rather post when the mood strikes. Whatever you choose in this realm is less important than committing to filling your channel regularly.

We at Coldwell Banker Commercial follow the 80/20 rule: 80 percent of our content addresses topics of interest while 20 percent is more canted toward our sales.

### 5. Keep an eye on your results.

Marketing is nothing without measurement. That's why it's crucial to identify key metrics that help establish whether you're killing your social media (a positive) or it's killing you (definitely not a positive).

Here at Coldwell Banker Commercial, we use several channels that have built-in metrics to give us an additional dimension with which to measure our success. From here we can tinker and change as we like to achieve our desired results.



# 5 TIPS FOR COMMERCIAL REAL ESTATE AGENTS USING SOCIAL MEDIA



# 4 REASONS WHY INVESTORS ARE SETTING THEIR SIGHTS ON SECONDARY METROS

Last year, core assets were ranked second highest among investors. This year, secondary metros took that spot. Some argue that the cap rates for core assets and investors looking for assets that produce higher yields are the reason why secondary markets are looking so much more attractive to investors this year. But if you look closely, there are 4 macro reasons why investors are shifting monies and setting their sights on secondary metros.

## #1: Tech Jobs

For several years, there has been an emphasis on increasing education and training around STEM (Science, Technology, Engineering, and Mathematics) jobs. What we're seeing from investors is a follow the jobs strategy in secondary metros where there has been significant growth in STEM and NextTech jobs.

While core markets have attracted some investors following the tech jobs strategy, the vast majority of these jobs have been created in secondary markets like Pittsburgh, Provo, Indianapolis, and Charleston, South Carolina.

Several studies place two secondary metros in the top five: Dallas/Fort Worth and Atlanta,

GA, knocking San Francisco out of the top 5. Low cost of living and bigger worker pools near universities have attracted STEM and NextTech employers to secondary markets, and investors are following the money there.

## #2: Last-Minute-Mile Assets for E-Commerce

The increasing demand for rapid delivery due to e-commerce activity has greatly benefited secondary metros this year. Smaller industrial assets that are perfectly suited for last-minute-mile delivery for e-commerce companies are being targeted for investment as net absorption remains at record levels and growth in rent rates is climbing.

Some of the secondary metros in the industrial sector that are attracting investors include: Seattle, Atlanta, Denver, and Phoenix. Investors in secondary metros have been moving away from investments in business districts that have dominated recent e-commerce investments and are now looking at the suburbs for new investment.

## #3: Price Increases in Primary Markets

From 2016 to 2017, investment

deals for secondary metro assets grew while investments in primary markets like NYC, LA, Boston, and DC fell by more than 10%. Primary markets saw a drop in transactions of more than 3% while secondary markets saw an increase of over 3%.

Price increases in major markets are another reason for the recent shift from core to secondary metros by investors. In fact, last year, appreciation was greater in secondary metros for the first time in five years than it was in primary markets. That follows the same trend we're seeing for e-commerce assets. Prices in CBDs (Central Business Districts) have been steadily increasing, pushing some investors out of the market and shifting investment to the suburbs.

## #4: Floundering Retail Spaces

Finally, e-commerce's effect on retail is also affecting investment in secondary markets. Floundering retail spaces in secondary markets that are seeing massive closures this year are attracting investors interested in new uses for these assets. Coupled with the fact that pricing for retail spaces is nearly 25% below pre-recession levels, investors are setting their sights on old malls and vacant shopping centers for new opportunities.

**D**rone technology was once exclusively used by the military but has entered the consumer market and grown quickly in popularity. Utilizing drone technology for film and photography purposes has added a new tool to many industries, including real estate, and has also created something new for hobbyists. With film and photography applications helping to create the rise in popularity, it was only a matter of time before other industries started to take note.

Amazon has teased drone delivery for the future, but China may be leading the way with making it more of a reality. China is using it primarily in the rural parts of the country where it is not as economical to deliver goods via traditional methods —drones provide a much easier way to access these areas. Not only does it provide an easier and possibly more direct route to make deliveries, it can be more economical for a company as well. It results in a premium service by getting packages to the customer quicker as well as saves on gas and operator time.

In fact, in a real test of drone delivery, JD.com utilized drone delivery on single's day in 2016 to log over 10,000 minutes of flying time. This resulted in a reduction of delivery costs by 50%, that's just under \$.08 a package.

### What Does This Mean for CRE?

With drone delivery creating better access to previously difficult to reach areas, this could create less of a need to expand distribution networks to these areas and centralize with larger distribution centers. When it comes to distribution centers, they will also need an

area to have their drones take-off, whether it is from the distribution center or another location. These locations will most likely be put outside of city areas as the regulations to fly in these areas are much more difficult.

Drone delivery could also be utilized for store delivery, which will make it quicker and easier for consumers to receive products even more on demand. An example of this is the deliveries that 7-11 in Reno, Nevada has been doing to local customers within a one-mile radius. This also starts to prove the case that utilizing a drone in a more populated and urban area can be possible.

### Regulation Setbacks

While these example cases are showing that drone delivery is not only feasible, but could help to improve a business's cost effectiveness, there are still many areas to navigate like government regulation. This is especially true in the United States, which has put strict regulations on how delivery drones can be utilized. The restrictions include the height at which they can fly, the time and the weight of the drone. On the other hand, China has less restrictions, which is why drone delivery is growing at a more rapid rate. The Chinese government has even encouraged companies to utilize drone delivery.

When it comes to drone delivery in the United States, it will be interesting to see where this trend goes. Will your next grocery list be loaded into an app on your smartphone only to be delivered same-day by a drone? Only time will tell.



**CHINA LEADING THE WAY  
IN DRONE DELIVERY:**

*Keep an Eye on This*



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