9 TRENDS CAPTURING THE ATTENTION OF COMMERCIAL REAL ESTATE IN 2020

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Emerging Real Estate Trends for 2020

Real estate is an ever-changing industry, with new and exciting opportunities cropping up each year. In this digital age, it's more important than ever to stay a few steps ahead of the game.

Here are nine trends you can expect to dominate in the New Year and well into the next decade.

1. Shifting Generational Migration Patterns

While Millennials have largely shaped the real estate landscape in recent years, Baby Boomers and Gen Z are set to make an impact in 2020.
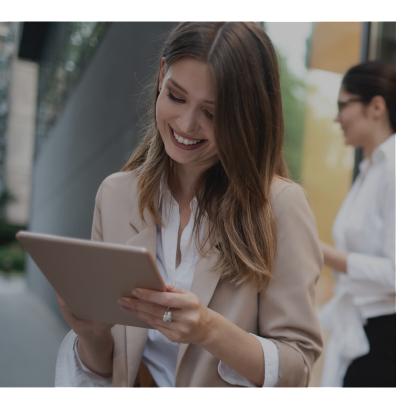
Boomers/Retirees: The oldest baby boomers turned 70 last year, driving population shifts with both deaths and new migration patterns. This generation will start to downsize from larger homes to smaller houses, and multi-family apartments, at increased rates. As a result, the market could see higher demand for more basic, affordable inventory in retirement destinations like Florida, Arizona and South Carolina, and more multi-family facilities catering specifically to the preferences of this age group in major metropolitan areas across the country.

Millennials: While the first half of the decade saw a steady flow of millennials into urban areas, this generation's migration patterns will change in the coming years. Because they are getting older and starting families, millennials will begin to embrace the suburbs, while still expecting the amenities they've grown accustomed to. Suburban areas that mimic city-living with accessible entertainment and walkability will thrive in 2020.

Gen Z: It's time to welcome Gen Z — born between the mid-1990's and mid-2000's — to the housing market. Like Millennials, this generation faces massive student debt. Smaller spaces and affordability will be key in 2020. As these truly digital natives begins to dominate the tenant base, property managers must prepare to meet their tech-savvy standards.

Tomorrow's tenant will expect app-based building entry, maintenance and property management functions, as well as notifications that drive community involvement. To satisfy this tall order, CRE organizations will also need to adopt automated administration and accounting processes in the coming year.

3. Impact of AI on Decision Making and Execution

As artificial intelligence and machine learning continue to evolve, there are countless opportunities for CRE leaders to improve work efficiency that also benefit renters.

AI and machine learning have the potential to create a positive impact on the entire CRE organization by managing and leveraging data more effectively, which can help property managers reshape tenant experience, increase profitability and returns, and streamline tedious management tasks.

This potential to positively impact employees, tenants and the bottom-line will have real estate leaders invested in learning more about and looking to leverage more solutions built on AI and machine learning.

2. Expanding Tenant Experience

Tenant satisfaction has always been and will always be a primary real estate component. The most successful Commercial Real Estate (CRE) organizations will continue to adapt to evolving consumer habits and expectations. This means putting end-user preferences at the center of every business decision.

While the industry has been slow to embrace digital trends, according to Deloitte, 56% of CRE organizations plan on increasing their investment in tenant experience–related technology in the coming year. Mobile apps, for one, are a powerful tool for creating personalized experiences, and will become a must-have amenity in 2020.

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4. Evolution of PropTech Innovation

Real estate trends are evolving from must-have basics like wi-fi and flexible payment options to organizations entirely driven by technology. These changes aren't going unnoticed, as big players are investing in businesses and services that will transform the home search and resident experience while increasing workflow efficiencies and driving financial performance.

PropTech defines the tech-focused overhaul set to transform the way people research, rent, buy, sell, and manage a property in 2020 and beyond. As such, the real estate industry will dive deeper into this new digital world with an increased emphasis on virtual experiences for prospective tenants while eliminating tedious leasing and payment processes to create larger reach, more flexibility and increased tenant satisfaction.

5. Prioritizing High-Performance Maintenance Teams

Digital-based tenant experiences mean fewer real-life interactions. The same convenient perks that attract residents to a property in the first place can put a limitation on manager-tenant relationships.

In a tech-first environment, the employees who will spend the most one-on-one time with tenants are maintenance professionals. Not only do they need to be adept at plumbing and HVAC tasks, but they must have top-notch people skills. Finding and keeping maintenance technicians with a combination of hard and soft skills will be a top priority in the coming years.

While retaining this type of talent can prove challenging, high-performing maintenance teams will have a direct impact on resident satisfaction and retention in 2020.

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6. Data Security, Cybersecurity and Tenant Data Privacy

As CRE organizations meet the demand for technology-driven experiences, the threat of cyber-attacks or data breaches become more and more prevalent. As a result, cybersecurity and tenant data privacy will begin to take centerstage.

One priority in 2020 will be creating platforms, processes and structures that promote transparency in terms of data generation and usage. Not only is this imperative for regulation compliance, but it also stimulates tenant loyalty and brand reputation.

7. Construction's Skilled Labor Shortage

In the U.S. alone, there are 434,000 vacant construction jobs as of April 2019, according to the US Labor Bureau.

Going into the new year, the construction industry will continue to experience a labor shortage—which could have serious implications for the real estate industry. The scarcity of skilled workers combined with a rapidly urbanizing nation means builders will have trouble satisfying the demand for infrastructure.
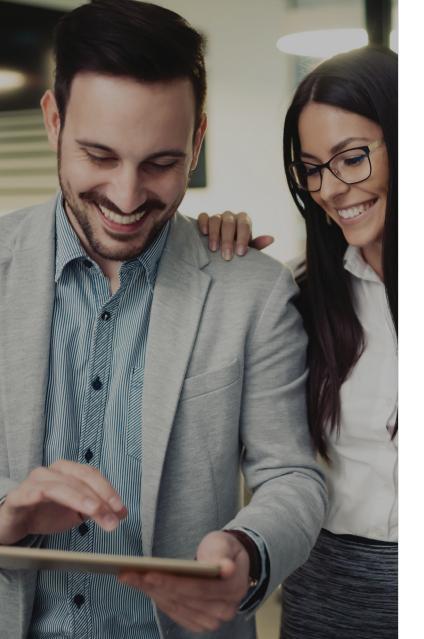
Believe it or not, 2020 could see the emergence of robotic construction companies. So, what exactly would this look like, and will risk-averse contractors and developers embrace such a seemingly futuristic concept?

In a nutshell, robotics companies take the shape of a subcontractor, completing tasks like excavation, drywall installation, painting and roofing. Automating this type of work can help reduce labor costs and increase on-site efficiency. While construction robotics is still new to the scene, it has the potential to tackle more cost-consuming tasks and help speed along infrastructure in the coming decade.

For companies and contractors who aren't quite ready to turn that level of responsibility over to technology just yet, establishing a track-record of paying vendors and contractors in their preferred methods as quickly and securely as possible can make your projects more attractive for the limited labor force that is available.

With the emergence of technology-driven trends, the real estate industry is transforming before our very eyes. 2020 promises the opportunity for CRE organizations to integrate disruptive solutions and enhance productivity.

9. Bringing Business Payments Into the Digital Age

As digital systems for many tenant-facing experiences become more common, real estate organizations will look more seriously at a similar transformation of their back-office processes – with payments positioned as a prime candidate for improved efficiency and security.
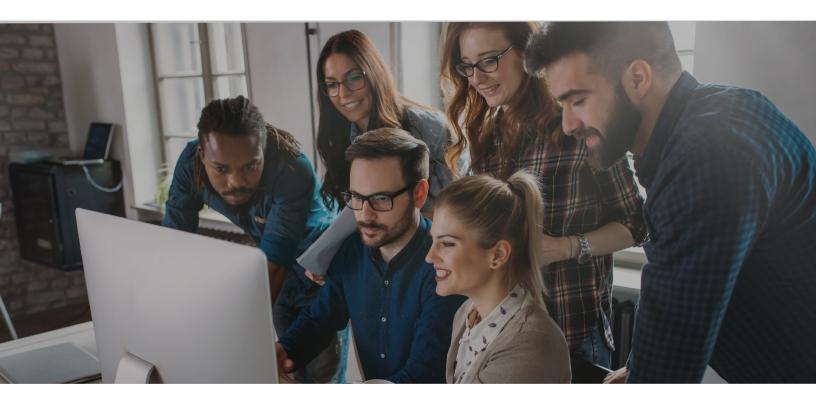
Most property managers and commercial real estate companies are still relying on manual, paper-based accounts payable and receivable – cutting checks and tasking team members with hours of data entry and physical work. It can be costly and inefficient at best, while posing significant compliance issues and fraud risks at worst.

In 2020 and beyond, we expect to see an uptick in adoption of automated solutions for AP and AR in the real estate space, as startup service providers have matured into stable sources of more efficient and advantageous ways for companies to pay their bills. These digital solutions afford management companies increased visibility into and control over their finances, providing the data and insight needed to make more informed vendor and purchase requisition decisions.

8. Attracting and Retaining Workforce Talent

All the technology innovations of 2020 will bring with them the need for a highly competent workforce. After all, attracting and retaining qualified talent is the only way to uncover the true potential of this new and evolving digital real estate landscape. The good news is the same technology that requires a more specialized skillset can be the precise thing that draws them to the job.

Conclusion:
Adopting Disruptive Technology Will Be Key for Future Success in Real Estate

All these trends deal with the development and adoption of impactful new technologies one way or another, whether it's the direct opportunities for real estate organizations to leverage new solutions or the effects of rapidly evolving tech on the population they're trying to serve.

Naturally, the expanding ecosystem presents the challenge for property management companies of deciding which technology to invest in, with a growing number of options compounded by concerns about the high cost of new systems, upgrades and integrations.

However, the technology landscape is changing so fast that traditional ways of creating IT support are being reinvented and made more affordable. As the management consultancy Deloitte supports, the way forward involves radical thinking. It's about bringing together predictive analytics capability, big data, and the cloud; holistic, disruptive technologies must work in harmony with each other and reshape the way work gets done.

For the property management industry to achieve success, it, too, must adopt disruptive technology to remain profitable and efficient in the future.

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