

## **Something Happened on the Way to Recovery**

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The story of this recovery is a combination of Rip Van Winkle and Jack & Jill. We went up the hill to fetch our fortune, tumbled down, hit our crown and woke up 7 years later – and like all concussions the effects will linger. While the economy was sleeping and people were scrambling to survive we had a recovery. It has not happened like most other recoveries. The world is a different place than it was when we tumbled down the economic hill and hit our collective heads. We woke to a place that is changed and continues to change quickly. This has made it challenging for companies to keep up, find their footing and create sustainable business models. This recovery is occurring at the convergence of critical technological and demographic shifts that impact economic trends. This is an opportunity for a transformative era. The transformation will impact what we do, how we do it and where we do it.

Technology is changing what we do and how we do things. Many changes are well known but the change that is having the biggest impact is not the web but the mobile environment. Consider the fact that the iPhone was first released in April 2007 just as we started to tumble down the economic hill. This started the era of the smartphone! Today there are about 1.6 million Apple and Android apps. Most everything has an app associated with it. This aspect of our life emerged during the recession and has affected how we live and created new opportunities. It is much more than disruptive technology; it has allowed the creation of disruptive business models that are changing entire industries. One good example of this is Uber which, by way of an app, has turned the taxi business on its side. Apps and mobile technology will continue to impact our lives. Equally important is the fact that the newest and largest segment of our consumer population has become adults in this age of mobile technology.

While we were sleeping about 87 million people moved into the primary consumer years of their life. This happened at the same time the 78 +/- Baby Boomers moved closer to retirement but refused to leave the workforce. The Gen Y/Millennium segment of the population is slightly larger than Baby Boomers and are now a dominate force and causing major shifts in most businesses. We are becoming more multi-racial, more socially and racially tolerant and more open to sexual orientation. Gen Y's are pushing out child bearing to later in life and having fewer children. According to the Joint Center for Housing, Harvard University, between now and mid-decade, 82% of growth in households will consist of single persons, married or with partners and without children. We see a shift to a "renter" mentality. Gen Y's want flexibility, life-style, freedom, experience, social connectivity and mobility. Car sharing, rental housing, rental clothing, rental jewelry and meaningful engagements all define preferences of this group. What we do and how we do it will be driven by this group and impact consumerism and life-style. The recession and the long running wars in Afghanistan and Iraq occurred in the formative years and the Gen Y population has had an impact on their thoughts and values.

More important than demographic shifts is the psychographics of these populations. Neither the real estate industry nor employers have fully grasped how these psychographic shifts. The shifts impact the industry what people want from real estate and from their employers. We

have a changing population that more than any other time in history is impacted by very rapidly changing lifestyle environment and many disruptive technologies that in short periods of time alter how we do things. The emerging consuming public is so influenced by these changes and yet business does not fully understand the impact on their values and how to address them. These will change how, why and where we do things.

We are increasingly transnational and globally connected and influenced. We awoke to a place that is familiar but changed. While we were sleeping we moved from a transactional economic agreement to a transformative one and few know exactly how to respond. Traditional business models and strategy don't always work. Management is from a different generation and don't fully get it. These factors will eventually (sooner than later) impact the use, look and value of real estate which cannot change as fast as the economic environment it serves can. How do you respond? What will your competitive positioning be? Now, more than ever our strategy depends on our vision, mission and values. Leadership requires more than understanding legacy business management. Its interesting times that requires an awareness of these rapidly changing conditions and how to respond in responsible ways. Those who can do this will attract the best talent and effectively position themselves and evolve in a highly competitive market place.

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