Global Trends, Local Impact

Commercial Real Estate 2017

Christian Beaudoin, JLL
Three Key Themes
Automation
Urbanization
Urbanization

70% of the world’s population will live in cities by 2050.

36 megacities in 2016, each with a population of 30 million people.
Chicago Downtown Migration

River West
River North
North Michigan Avenue
Fulton Market
West Loop
Central Loop
East Loop
Far West Loop
South Loop
Companies in the last five years, have relocated or opened satellite offices downtown.

Square feet of office space that has been absorbed by companies that were formerly in the suburbs or surrounding areas.
Chicago Downtown Migration (Why?)

Why Move Downtown?

- Access to Talent: 68%
- Brand / Recognition: 9%
- Improve Workspace: 4%
- Financial/Incentives: 2%
Transportation
Transportation

- Transit options are limited

87% of suburban employees drive alone to work every day. However, only:

53% of employees prefer to drive alone. The rest wish there were more transit options.
Transportation

• Transit options are limited

94% of suburban employees think that a reasonable commute is under 45 minutes, however...

46% of millennials are commuting longer than 45 minutes, and only 5% think this is an acceptable commute.
Transportation

How do you get to work each day?

- Drive Alone: 86.7%
- Carpool: 0.7%
- Public Transportation: 7.9%
- Walk: 0.1%
- Bike: 4.2%
- Other: 0.1%
How would you prefer to get to work each day?

- Drive Alone: 52.6%
- Carpool: 4.6%
- Public Transportation: 22.3%
- Walk: 6.7%
- Bike: 10.7%
How long is your average commute?

- 0-15 MINUTES: 38.4%
- 16-30 MINUTES: 28.3%
- 31-45 MINUTES: 16.9%
- 46-60 MINUTES: 11.0%
- 61+ MINUTES: 5.5%
If you could change one thing about your workplace, what would it be?

- LOCATION / COMMUTE
- BUILDING AMENITIES
- WORK STATION
- MORE PRIVATE AREAS
- MORE COMMON AREAS
If you could change one thing about your workplace, what would it be?

- Location/Commute: 24.8%
- Building Amenities: 20.8%
- Work Station: 11.6%
- More Private Areas: 9.0%
- More Common Areas: 4.0%
Customization
Changing Consumer Preferences
Changing Consumer Preferences

“Domestic light beer sales in the U.S. hit a 10-year low in 2015.” - Bloomberg

Craft Beer Sales 2005 – 2015

Sales in millions of barrels per year. Sources: Bloomberg, American Brewers Association
Changing Consumer Preferences

501® ORIGINAL

508™ REGULAR TAPER

[Images of jeans and models wearing them]
Changing Consumer Preferences

Jean Sales, Market Share 2005-2015

Custom Denim, Mkt Share 2005–2015

Sources: Euromonitor, Forbes
Customization is Key

**CORPORATE**
- MASS PRODUCED
- STANDARDIZED
- UNIFORM
- CONVENTIONAL

**CUSTOM**
- AUTHENTIC
- PERSONALIZED
- INDIVIDUAL
- DISTINCTIVE

**VS.**
Customization Impacting Real Estate
Customization Impacting Real Estate

Class A Suburban Office Rents

Renovated Creative Office Rents
Automation
## Automation

### Probability that computerization will lead to significant job losses by 2030

(100%=certain)

<table>
<thead>
<tr>
<th>Profession</th>
<th>Probability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accountants, auditors</td>
<td>94%</td>
</tr>
<tr>
<td>Sales professionals</td>
<td>92%</td>
</tr>
<tr>
<td>Writers, Analysts</td>
<td>89%</td>
</tr>
<tr>
<td>Health technologists</td>
<td>40%</td>
</tr>
<tr>
<td>Nurses</td>
<td>0.05%</td>
</tr>
<tr>
<td>Dentists</td>
<td>0.04%</td>
</tr>
<tr>
<td>Physical therapists</td>
<td>0.03%</td>
</tr>
</tbody>
</table>
# Automation Impacting Real Estate

## Probability that computerization will lead to significant job losses by 2030

<table>
<thead>
<tr>
<th>Profession</th>
<th>Probability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accountants, auditors</td>
<td>94%</td>
</tr>
<tr>
<td>Sales, Trading</td>
<td>92%</td>
</tr>
<tr>
<td>Writers, Analysts</td>
<td>89%</td>
</tr>
<tr>
<td>Health technologists</td>
<td>40%</td>
</tr>
<tr>
<td>Nurses</td>
<td>0.05%</td>
</tr>
<tr>
<td>Dentists</td>
<td>0.04%</td>
</tr>
<tr>
<td>Physical therapists</td>
<td>0.03%</td>
</tr>
</tbody>
</table>

## Potential Impact on Bank Real Estate Portfolios

<table>
<thead>
<tr>
<th>Type</th>
<th>Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Call centers</td>
<td>14% reduction</td>
</tr>
<tr>
<td>Office space</td>
<td>12% reduction</td>
</tr>
<tr>
<td>Data centers</td>
<td>10% increase</td>
</tr>
<tr>
<td>Healthcare facilities and clinics</td>
<td>8% increase</td>
</tr>
</tbody>
</table>
Three Key Themes

• Urbanization, Customization, and Automation are already impacting:
  • Where we live and work
  • Property values and tax revenues
  • The real estate that we will need in the future
Thank you