

Emerging Trends in Real Estate 2022

ULI Nashville: Real Estate Outlook 2022

November 11, 2021





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The industry feels better about the future compared to last year, and justifiably so. So good in fact, that maybe we should be nervous?

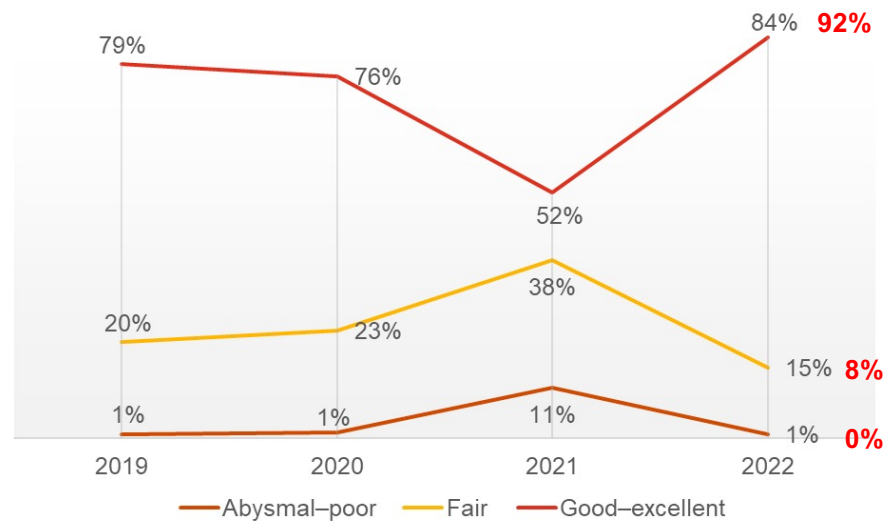
2022 Sentiment

2022 Outlook Exceeds the Pre-Pandemic Rate

Real confidence or post-pandemic bounce?

- Expectation rate above 2019 and highest since 2016
- Confidence in continuing economic recovery
- Despite limited downturn, exhibiting true “V” recovery shape
- Would a look under the hood reveal more bifurcation?

Outlook for Next Year vs. Current Year



Nashville Respondents

Flexibility and Convenience Drive the Next Decade

Top markets to watch reflect current trends



1. Nashville

2. Triangle
3. Phoenix
4. Austin
5. Tampa/St. Petersburg
6. Charlotte
7. Dallas/Ft. Worth
8. Atlanta
9. Seattle
10. Boston

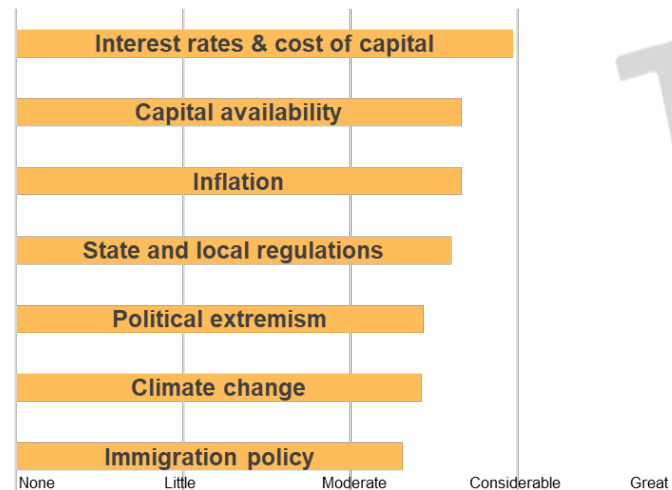
2022 Areas of Concern

Despite rising optimism, still some issues to watch

Considerable Concern for 2022



Moderate Concern for 2022

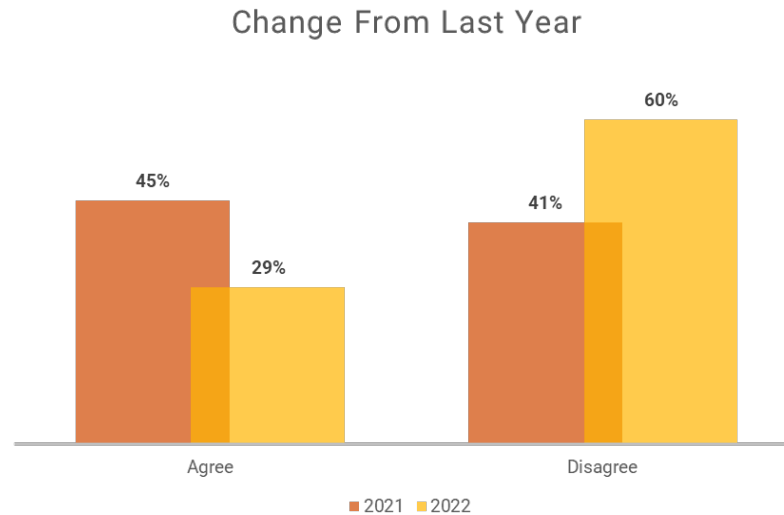


“Temporary” Adjustments Become Permanent

Q: Changes implemented as a result of COVID-19 will revert to pre-pandemic activity in 2022

Over 60% don't believe that we will revert to pre-pandemic activity

The length of the pandemic is changing fundamental thinking around multiple issues





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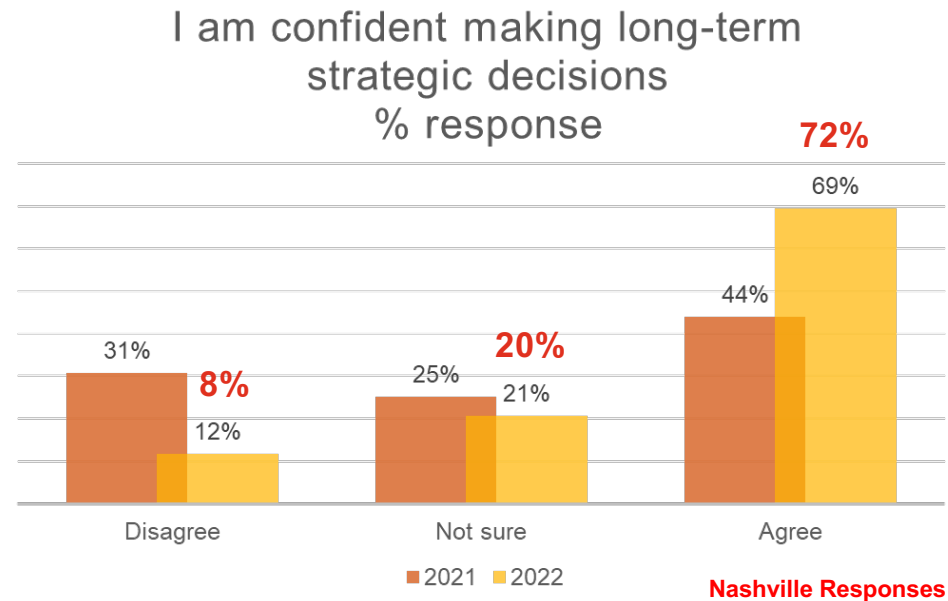
We may have made it through the pandemic in better shape than anticipated, so far.

New Age of Uncertainty

We Feel Like We Know More

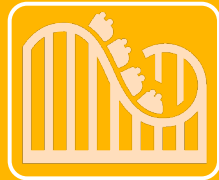
Confidence is volatile in this market

“I am 100% more confident today than I was a year ago. But I’m only 50% more confident than I was six months ago.”



Trends That Reflect the New Uncertainty

Unknown creates opportunities and challenges



One Pandemic: Divergent Outlooks



Changing the Way Real Estate Gets Done

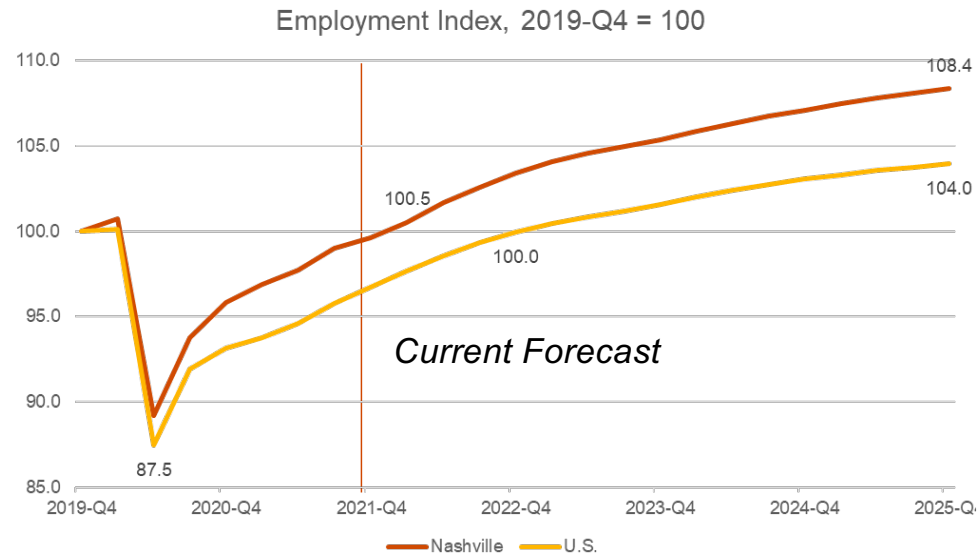


Everybody Wants In

One Pandemic: Divergent Outlooks

Employment Change Outlook

- All markets move toward recovery, but pace varies due to severity of the downturn and local industry mix
- Nashville employment recovery is ahead of the national pace. This trend is projected to continue over the next several years

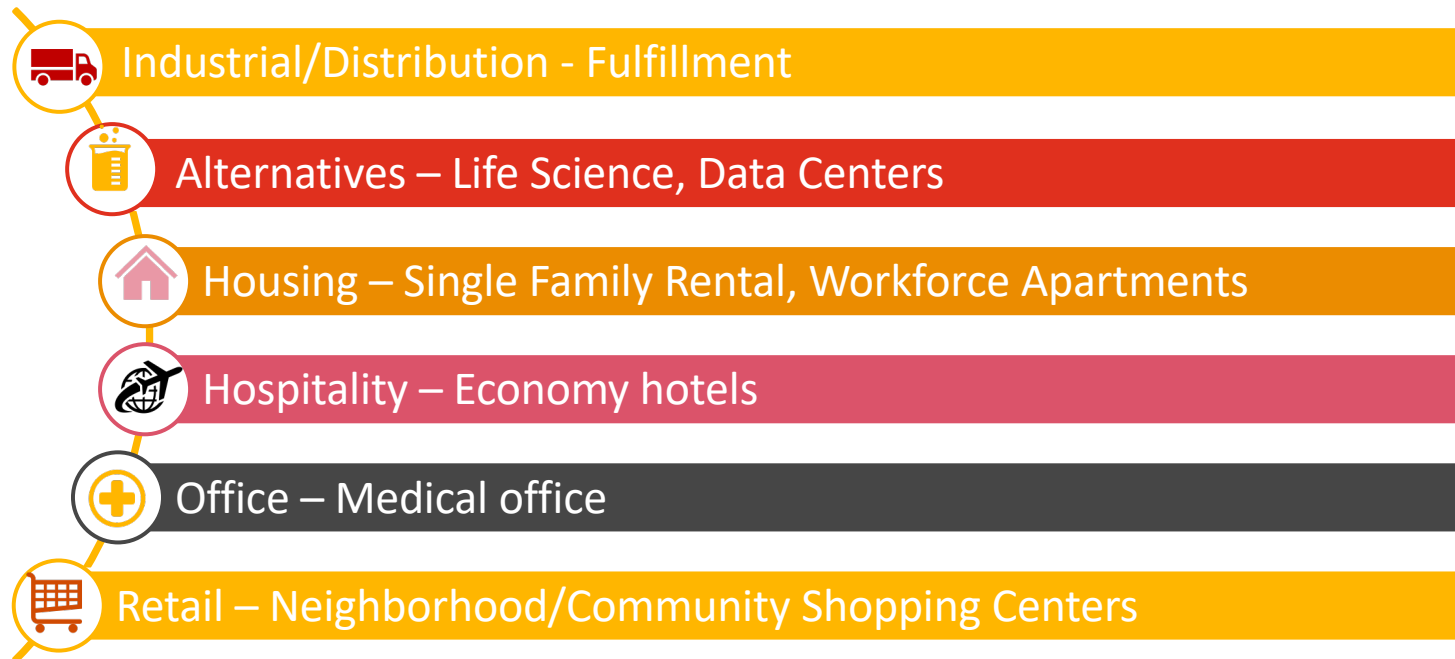


Source: IHS Markit

One Pandemic: Divergent Outlooks

2022 Property Type Outlook

More favorable outlook



Changing the Way Real Estate Gets Done

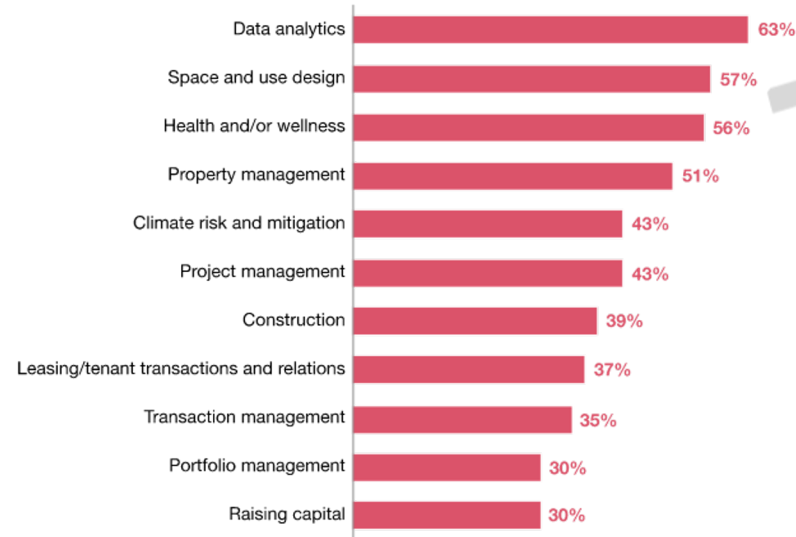
The rise of property tech: More data, less friction

COVID-19 transformed daily life from a high-touch to virtually no-touch. And that has catapulted the innovations of the property technology (proptech) industry to center stage.

And there's plenty of room for proptech to grow. The goal is for companies to combine people and the right technologies, apply an innovative mindset to help drive the right business outcomes, and use data, automation and analytics to design space better and ensure greater safety.

Data analytics, Space use and design, and Health/wellness ranked among the top 3 focus areas of proptech adoption.

Companies with recent extensive adoption in new technology, by business area

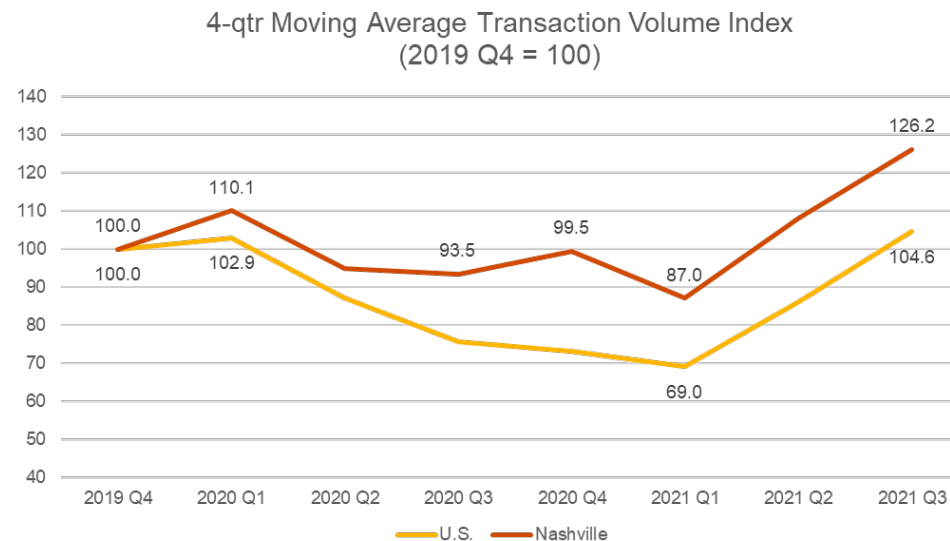


Source: ULI 2020 Proptech Survey

Everybody Wants In

Property Sales Index Since the Pandemic

- **National transaction volume is returning to pre-pandemic levels**
- **Nashville transaction volume well above pre-pandemic level**



Source: CoStar

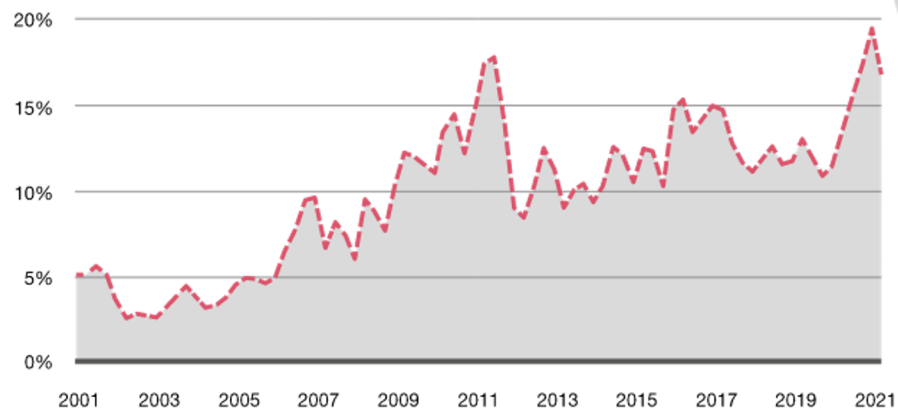
Everybody Wants In

Interest in Alternative Property Types on the Rise

Investment Market Bounces Back

- Investment cash, domestic and foreign, is surging into US real estate. Several factors are driving this demand, including low interest rates and attractive returns relative to risk.
- Buyers are snapping up industrial assets and housing, both single and multifamily. And we're seeing a scramble for alternative properties like data centers, self-storage facilities and studio space to produce streaming content and student housing.
- Is a bubble coming? Only if investors lose their discipline.

**Alternative sectors share of all CRE investment*
two-quarter moving average**



* Includes medical office, manufactured housing, seniors housing, student housing, R&D, self-storage, and data centers.
Source: Real Capital Analytics; compiled by Nelson Economics

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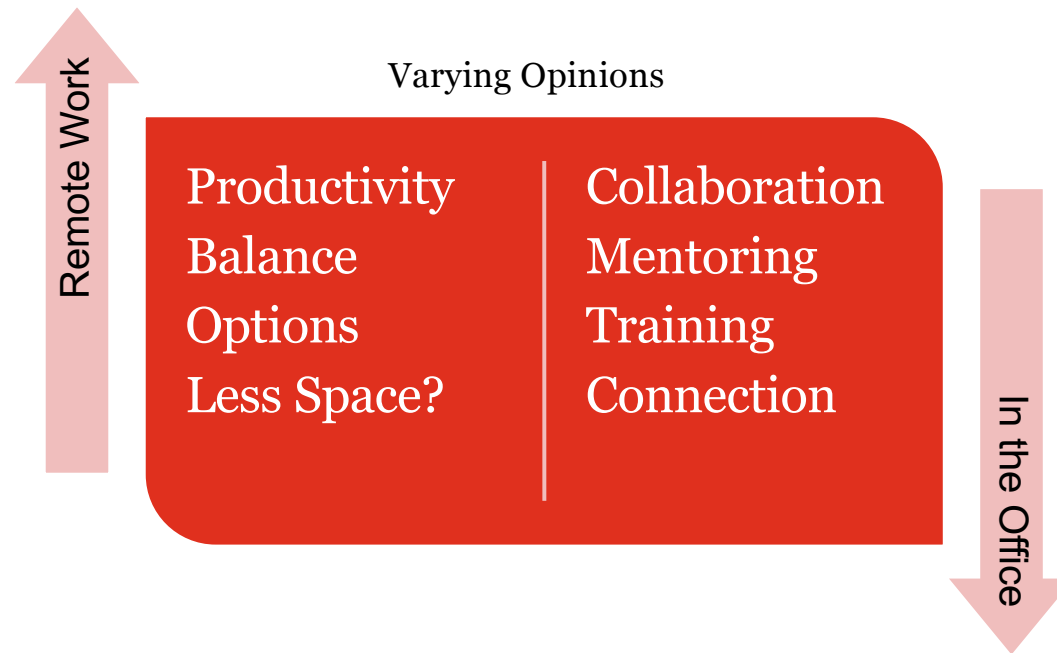
It doesn't feel like an either-or question. Employees seem to really just want the flexibility that allows them to succeed.

Flexibility



Flexibility and Convenience Drive the Next Decade

Work Anywhere – The Office Reset



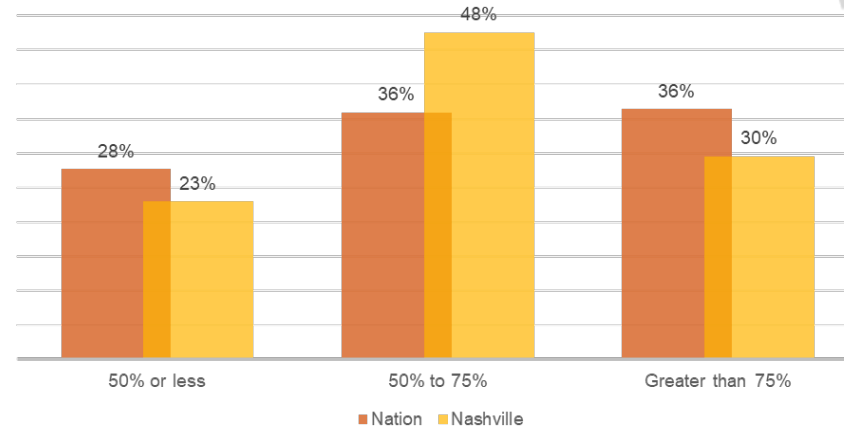
Flexibility and Convenience Drive the Next Decade

Work Anywhere – The Office Reset

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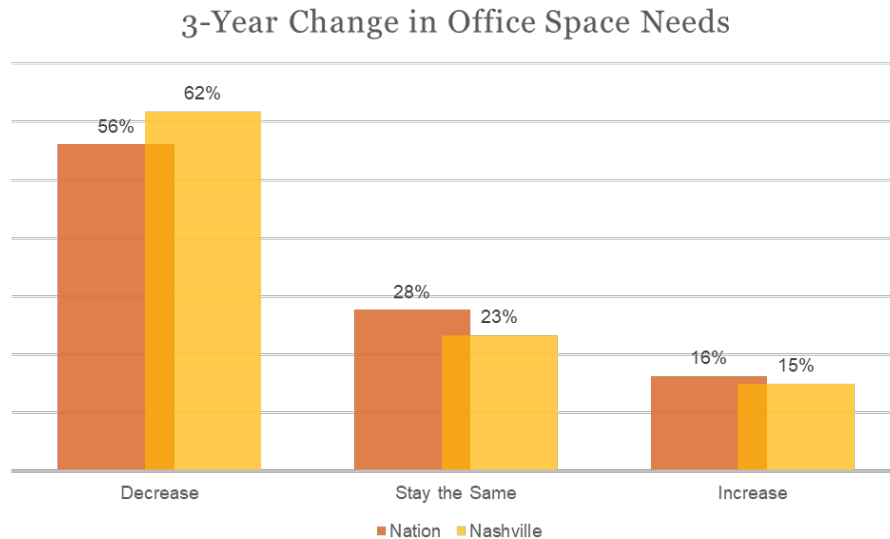
Seems to be the
magic number!

% of Employees In the Office at least 3 Days a Week



Flexibility and Convenience Drive the Next Decade

Work Anywhere – The Office Reset



Nationally, 56% of respondents feel that office space needs will decrease over the next 3 years, but there is a component that feels space needs will increase

If demand is less, what will tenants be looking for?

Flexibility and Convenience Drive the Next Decade

Work Anywhere -- Live Anywhere

Boomerang

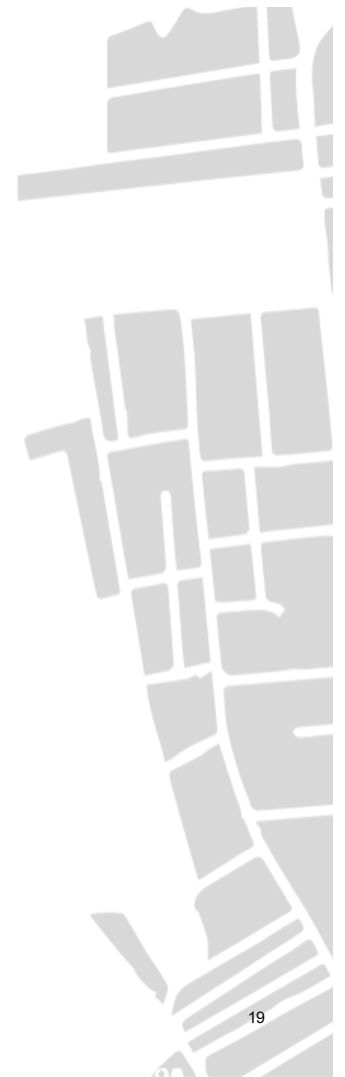
- Already underway
- Return location may be different

Labor Force

- Slower labor force growth
- Attracting workers critical

Flexibility as Recruiting Tool

- Benefits of a global labor pool
- How committed will work force be to flexibility?

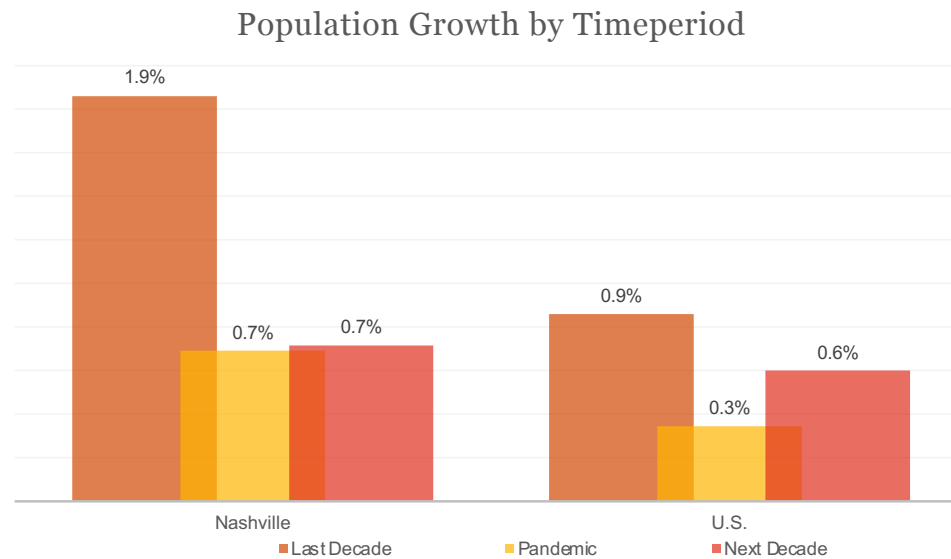


Flexibility and Convenience Drive the Next Decade

Work Anywhere – Live Anywhere

The nation experienced the slowest decade of population growth in 40 years

The national growth rate is projected to be even slower over the next decade

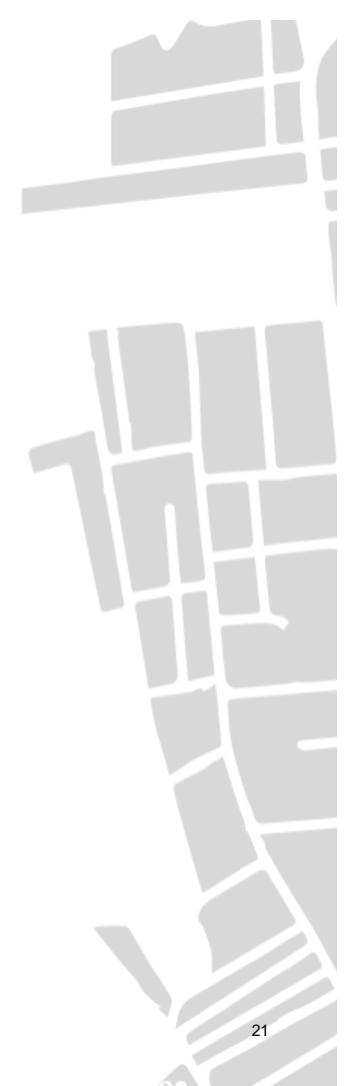


Source: US Census Bureau, IHS Markit

Flexibility and Convenience Drive the Next Decade

Annual mean salary by occupation

| Top Emerging Trends Markets to Watch | | | |
|--------------------------------------|-------------------------|------------------|---------------------|
| | Market Research Analyst | Accountants | Software Developers |
| U.S. | \$ 73,970 | \$ 81,660 | \$ 114,270 |
| Nashville | \$ 65,520 | \$ 72,080 | \$ 94,960 |
| Triangle, NC | \$ 73,530 | \$ 75,330 | \$ 113,330 |
| Phoenix | \$ 64,660 | \$ 75,480 | \$ 105,270 |
| Austin | \$ 77,760 | \$ 77,540 | \$ 109,130 |
| Tampa-St. Petersburg | \$ 60,730 | \$ 77,550 | \$ 101,130 |
| Charlotte | \$ 72,280 | \$ 88,150 | \$ 104,750 |
| Dallas-Fort Worth | \$ 84,320 | \$ 83,850 | \$ 111,180 |
| Atlanta | \$ 71,440 | \$ 87,730 | \$ 105,050 |
| Seattle-Tacoma-Bellevue | \$ 97,720 | \$ 87,790 | \$ 140,930 |
| Boston | \$ 75,550 | \$ 90,690 | \$ 119,940 |



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The pandemic didn't cause a lot of these issues, but it did give us a different perspective

Recognition



2022 Outlook Exceeds the Pre-Pandemic Rate



Housing Crisis Redux

- Housing boom in a recession
- Bifurcated impact
- Issues with trying to regulate a solution
- Supply problem



Retrofitting Cityscapes

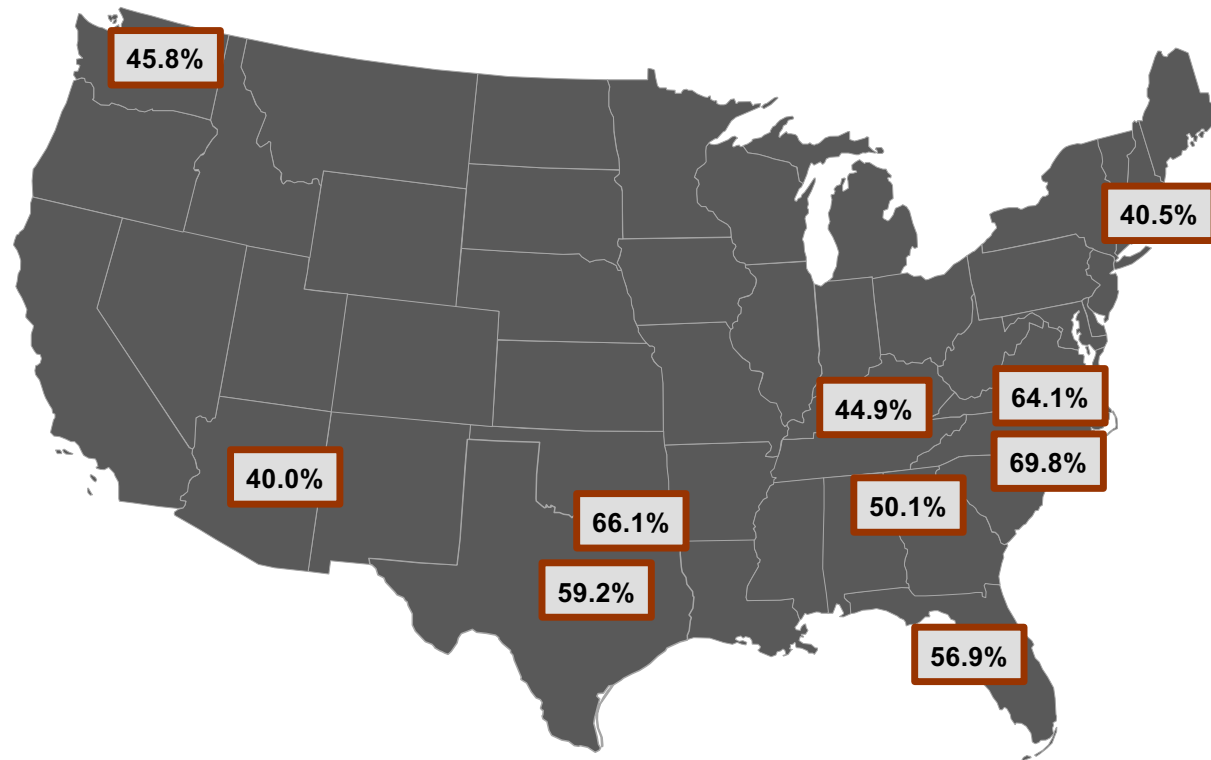
- Pandemic changes become permanent
- Suburbanization of the urban core
- Infrastructure spending impact
- Rise in regionalization



Climate Change is On Us

- Pandemic increased the focus
- ESG influence
- Realization that this isn't a next generation problem
- Moving from talk to action

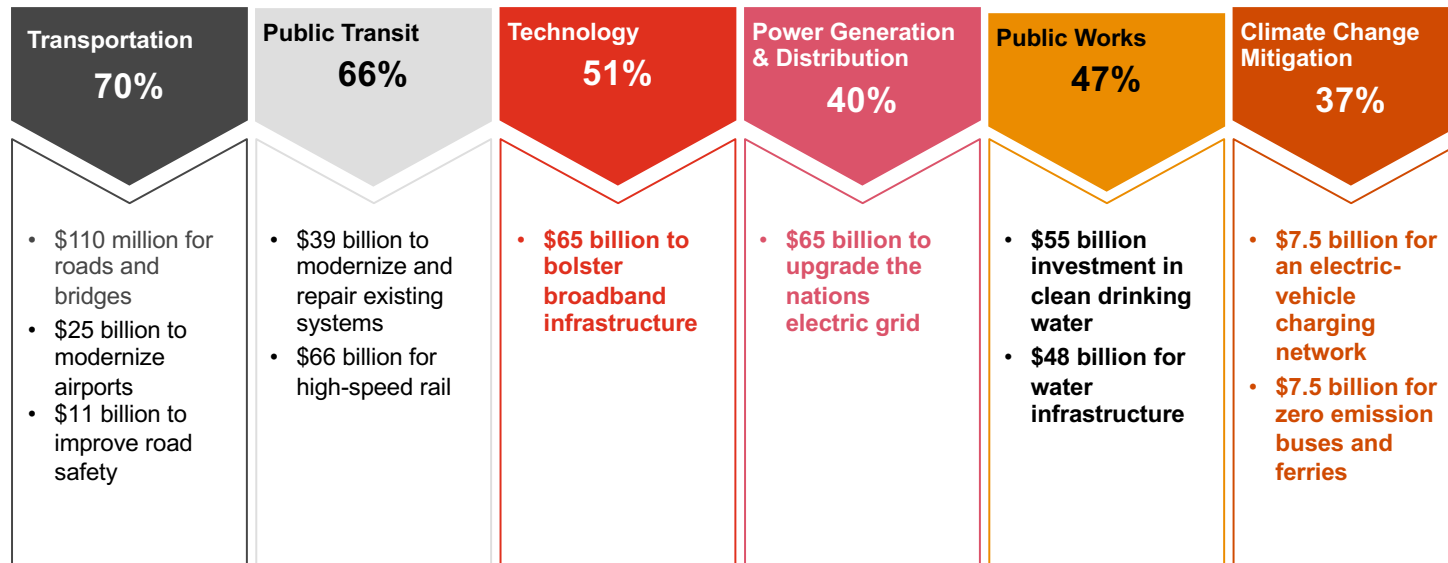
In Migration Puts Pressure on Housing Attainability



*% of all homes
likely affordable to
a 4-person family
earning 120%
Average Mean
Income*

\$1.2 Trillion in Infrastructure Spending

Retrofitting Cityscapes



% of 2022 Emerging Trends Survey Respondents

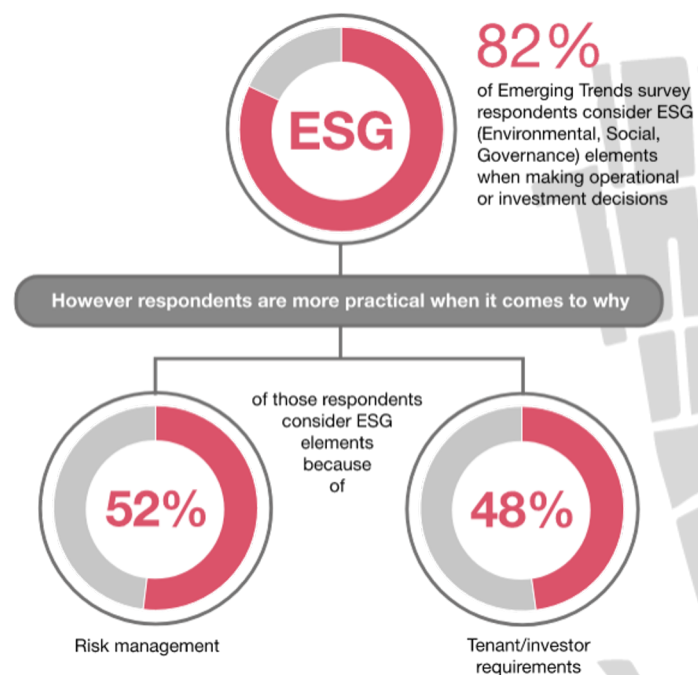
Climate Change Hits the Property Sector

It's time to stop talking and start taking concrete steps to battle climate change.

Climate change can seem to be an intractable problem, too big to solve. But the property sector is ideally positioned to help reduce impacts and increase resilience to environmental risks.

The goal is not simply to tick a regulatory box, but to create sustainable advantage and value. One way to encourage that is to set performance-based standards in ESG and zoning codes and then let developers and other stakeholders work out the specifics.

In this year's survey, 82% of respondents consider ESG when making operational investment decisions, and yet only 48% of those same respondents are doing it to meet tenant and investor requirements.



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What I will and won't do Post-Pandemic

5. Won't accept invitations to gatherings I don't really want to attend
4. Will wear a mask when I'm sick
3. Won't blow out birthday candles
2. Will stay home from work when I'm sick
1. Won't wear pants...
That aren't athletic wear!!



Thank you

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