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by Alexandra Pacurar | Sep 05, 2017 | Sep 05, 2017

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Forecasting market trends is a universal—and vital—exercise in commercial real estate, and throughout the decades, industry leaders have often provided smart predictions that have enabled their companies to capitalize on changing conditions and steer clear of hazards, as well. Inevitably, of course, not every one of these prognostications hits the bullseye, but those that are spot-on influence strategy in both their own time

and the future.

In this series marking CPE's 30th anniversary, industry leaders are taking the measure of earlier prophecies and providing fresh ones for today. We are asking each executive to name the most significant predictions that came true, which didn't pan out, and what new predictions they would make today.



Mark Rose,
CEO of Avison Young

THREE BIG PREDICTIONS THAT CAME TRUE:

- Real estate would be a real alternative asset class to stocks and bonds.
- Technology would impact our business—it has taken far too long, but it's finally happening.
- Real estate and real estate services would become a global, not just local, business.

TWO BIG PREDICTIONS THAT DIDN'T:

- Every downturn was the death of real estate and not just a cyclical event.
- Recently, interest rates will stay low forever.

FIVE PREDICTIONS FOR THE NEXT STAGE OF THE INDUSTRY:

- Interest rates will rise and asset pricing will normalize over the next decade.
- Technology will enable and change the way we do business; 30 to 40 percent of real estate services professionals will lose their roles to technology and those who embrace technology.
- The era of older, white men leading the industry will give way to a far more diverse set of leaders.
- With 3 billion more people set to inhabit the earth in the next few decades, residential and commercial real estate will have a foundation to continually grow from.
- Retail and the suburbs will not die, but both will be transformed to meet the needs and beliefs of Millennials and future generations.



Debra Cafaro,
Chairman & CEO, Ventas Inc.

Three predictions stand out over my 20-year career in health care real estate—two that were proven correct, and one that was very wrong.

TWO THAT CAME TRUE:

- The first one is my personal prediction and solid belief that the \$1 trillion dollar U.S. health-care real estate market would become a major institutional asset class. It has. The evidence is shown by healthcare REITs making up 13 percent of the MSCI on June 30 and investments by private equity international funds and pension funds continuing apace.
- Secondly, [NAREIT President & CEO] Steve Wechsler and [Equity Group Investments Chairman] Sam Zell predicted that REITs, with their advantaged business model of perpetual life, professional management and liquidity, would continue to thrive as it was a better way to own commercial real estate. This has been proven true with REITs now a specific sector in the S&P industry classification.

ONE THAT WAS WRONG:

- And finally, the one prediction that proved incorrect was from traditional real estate players who said shortly after the financial crisis that we should “back up the truck and refinance all the debt you could at fixed rates, because rates would never go lower and inflation would roar back.” Since the very opposite happened, we are happy that we have pursued an averaging strategy at Ventas and listened to professional economists.

WHAT'S ON THE HORIZON:

As the over-65 population grows at 3.5 times the average rate of population growth, more and more real estate will be dedicated to health care, senior housing and research uses. As a major economic driver, real estate will be greatly affected by the content of tax reform in the coming decade. This includes jobs and the pace of economic growth, retirement savings for Americans, revenues for state and local budgets and the extent to which real estate can be creatively repurposed and built to meet the changing needs of our nation.

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[Avison Young](#)

[Debra Cafaro](#)

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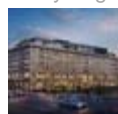
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