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## SIX COMMERCIAL REAL ESTATE LEASING TRENDS TO WATCH

Commercial real estate is in the midst of an industry-wide transformation—triggering new trends in leasing. In my more than 25 years of commercial real estate and asset management experience, I've never witnessed such a prevalent and powerful drive to adapt to change across all commercial real estate sectors.

Every major sector—industrial, retail, office and multifamily—is fundamentally evolving, as consumers and tenants change how they shop, work, live and play. In retail and industrial consumers are demanding more options with fewer hassles.

In multifamily and office, tenants are looking for well-located facilities that are rich with amenities, especially as employers expand to locations where employees want to live.

As buyers and builders of more than \$19 billion of properties, we are constantly identifying, analyzing and addressing shifts within the industry in an effort to grow our business and reward our investors. Here's a look at some of the game-changing trends we are navigating today:

### 1. EMPLOYERS CHASING (AND CATERING TO) TALENT

20 years ago, employees were expected to relocate for a job opportunity without much second thought. Today, the tables have turned, and employers are the ones relocating. Employers are expanding into secondary markets they might not have previously considered, as employees are ditching the sky-high cost of living in San Francisco or New York for more affordable lifestyles in areas like Austin, Charlotte and Nashville, among others.

As the workforce increasingly prioritizes work-life balance, we are seeing changes in tenant demands as employers need to attract and retain top talent. Many employers are seeking a full spectrum of amenities including flexible floor plans, spacious

conference rooms and comfortable lounge areas.

As an example, we recently repositioned an office asset to include employee-friendly amenities—such as a coffee bar, common areas for lunch and barbecues. We completed the work and saw occupancy increase from 77 percent to 94 percent in less than 24 months. With this proof of concept, we have replicated the strategy with office assets across the country with similarly positive results—and we anticipate continuing this approach.

**NEW OFFICE AMENITIES**

**INCREASED OCCUPANCY**

**17%**



## 2. THE EVOLUTION OF E-COMMERCE CHANGING SPACE NEEDS

The explosive growth of e-commerce continues to play a critical role throughout the entire commercial real estate industry. To address customer needs, online retailers are increasingly executing an omnichannel approach, which is driving a shift in space needs. Businesses understand that consumers want flexibility in their purchase, delivery and return options. As a result, many online retailers need warehouse space close to urban cores for rapid deliveries, and brick-and-mortar storefronts for in-person connections. Warby Parker, Wayfair and Amazon are among the online retailers that have closed the customer-experience loop by leasing storefronts for that in-person connection.

Last-mile locations are also in high demand for the rapid fulfillment of e-commerce transactions. A decade ago, large retailers like Walmart, Target and Amazon employed regional real estate strategies with large distribution facilities 50 miles or more outside large metro regions. But as consumer expectations accelerated to same-day fulfillment—and even one-hour delivery—we find that many industrial tenants are sourcing smaller distribution sites in more densely populated locations.



To capitalize on this trend, we are looking to acquire facilities of all sizes close to urban centers. These enable e-commerce retailers to reach their consumers quickly and also tap the large labor pools.

## 3. ON-THE-WAY-HOME RETAIL REMAINS A DRIVING FORCE

The surge of e-commerce hasn't changed the fact that consumers still demand convenient access to daily necessities—and luxuries—on their way to and from work. People still want to shop for fresh produce and other grocery items in person. And they need a variety of food options, coffee shops, barber shops and urgent care clinics, as well as nail salons, gyms, and yoga studios.

Additionally, consumers are combining the convenience of e-commerce ordering with in-person pickup, placing orders online and retrieving them on their commute.

We have tapped into this trend by helping brick-and-mortar retailers make it more convenient for their customers to get their items—from groceries to coffee.

Ultimately, we believe grocery-anchored, need-based neighborhood retail remains a highly valuable asset class. We anticipate that neighborhood retail centers will continue to thrive and attract quality tenants, which we believe will fuel attractive leasing fundamentals for commercial real estate buyers and developers.



#### 4. TENANTS EMBRACING TECHNOLOGY AND ENVIRONMENTAL FRIENDLINESS

Tenants are increasingly embracing advanced technologies to help drive efficiency. A typical fulfillment center, for example, will likely house highly sophisticated material handling systems and may also implement other cutting edge technologies like on-demand packaging that facilitate faster shipping and delivery times. Ensuring a space provides the flexibility and power to adapt to new technology is an important consideration when leasing properties.

Tenants are also seeking more efficient and environmentally friendly facilities as they embrace green initiatives

to reduce their carbon footprint. As a result, leveraging advanced energy management systems that can manage all facets of a building's energy—from its HVAC to its after-hours lighting—is quickly becoming the norm. Additionally, tenant awareness of LEED certification and other green building standards has grown, and property owners and managers are aggressively pursuing these certifications. We expect adoption of these systems will continue to grow as more companies focus on corporate governance and sustainability initiatives and older office buildings are renovated and updated.

#### 5. GROWING DEMAND FOR SOPHISTICATED SERVICE

NATIONAL  
EXPERTISE



LOCAL  
PRESENCE

Tenants are increasingly expressing desire to work with landlords who have an established reputation and the necessary resources to manage their space and service needs efficiently and effectively. Commercial tenants looking to grow their footprint prefer to work with large real estate owners and managers that understand their business and can partner with them as their real estate needs evolve and change.

Today's tenants want a respected partner they can rely on—someone who has a deep understanding of the global industry, as well as a local presence and knowledge of individual markets. At Black Creek Group, we employ a decentralized acquisitions, development and operating model—with well-established corporate headquarters and agile local offices. This model has positioned us well to meet tenant demands, while also allowing us to be more competitive when it comes to buying and developing properties that can potentially add value to our portfolios and ultimately, our investors.

#### 6. MORE EARLY LEASE RENEWALS

We are seeing a pronounced shift in the lease renewal process, as space requirements have evolved and grown more specific around geographic location and site amenities. Tenants want to retain premier locations that have been customized for their unique needs and they're willing to renew their lease early to do so.

Unless tenants have outgrown their space or require a significant reconfiguration, they generally prefer to stay put. The strong economy and high occupancy rates across asset classes have also fueled early renewals in recent years, and tenant-driven requests for early lease renewals are increasingly common. When we secure those renewals for tenants, we believe it's a win-win.

##### ABOUT BLACK CREEK GROUP

*Black Creek Group is an experienced real estate investment management and development firm that has bought or built over \$19 billion of investments over its more than 25-year history. The firm manages diverse investment offerings across the spectrum of commercial real estate—including office, industrial, retail and multifamily providing a range of investment solutions for both institutional and wealth management channels. Black Creek Group has nine offices across North America with more than 300 professionals.*

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