

# Ten for Twenty - Top Global Trends with Avison Young's Dr. Nick Axford

**By James Nelson**

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For the first Nelson Report of 2020, I was joined by our Global Head of Research, Dr. Nick Axford from our London office. Nick recently joined Avison Young after previously serving as the research leader of the UK, EMEA (Europe, Middle East and Africa) and Asia-Pacific markets at CBRE. Joining us from across the pond, Nick spent the week in New York and helped present the global trends for 2020 that we'll see in the commercial real estate industry this year.

To begin our conversation, we dove straight into the first trend for 2020, "Lower for Longer." This trend refers to the low interest rates that seem to be sticking around for the foreseeable future, giving way to an optimistic outlook for investors in the years to come. "You need to look at some of the opportunities that are available within new sectors and new markets that are perhaps a bit less crowded," explained Axford. He goes on to mention that as prices remain relatively high, investors need to look at the smaller markets where buyers can get lower prices, while still having those low interest rates as well.

The second trend, "Power to the People" refers to how populism is changing the world and the effects that has on our industry. "The



battleground is really shifting from national to local and what we're seeing is that as these smaller protests and uprisings come up at the local level and social media plays a part, we're seeing issues coming to the forefront such as climate change and rent control," said Axford. He explains that people are truly making an impact on these issues and they are becoming more relevant when decisions are being made.

"(De)globalization" was the third trend that we discussed. "We're seeing a sort of political shift away from globalization, towards a more regional and local approach and if you look

at the business agenda, some of the economics that drove outsourcing to Asia, some of that business is actually coming back into the regions and areas," said Axford. What he means by this is that in the past we've seen corporations outsource some of their work to other areas, but as consumer demand for greater social and environmental awareness shifts, this work is making a comeback.

The fourth trend was, "Building Resilience." What this theme is pointing out, according to Axford, is that many cities are responding to the climate change problem and other new regulations because

larger governments aren't taking a significant step forward. "Interestingly, national governments seem to be struggling to come up with effective responses, possibly because of the scale and the issues involved. What we're really seeing is major cities at the forefront, implementing measures to actually deal with climate change," said Axford. He explains that these cities are truly taking it into their own hands and putting in place effective measures and regulations to address the climate change issue that is clearly and statistically happening.

Number five in our discussion and in the forecast report was, "(Place) making an Impact." Axford explains that the days are gone where you'd typically put in a single type of occupier at a development or new project. He points to Hudson Yards here in New York where we see a variety of occupiers, including retail office, and residential. "Mixed-use development is creating not just a scheme, but a place that has culture, that has feel, that has character and responds to local community needs," said Axford.

Our discussion continued onto a trend that many people in our industry talk about constantly, "The Rebirth of Retail." As we've seen, retail has struggled over the past few years, but in no way is it dead. Axford explains that although on-line activity has had its impact on traditional storefronts, these vacated areas are paving way for adaptive reuse and redevelopment. Developers

and occupiers are starting to create communities around retail and give way to experience. He also explains that we'll begin seeing technology play an even larger part in retail, pointing to virtual reality in stores such as Microsoft's first European store in London featuring a McLaren virtual driving experience.

Our seventh trend and another topic that has been at the forefront of the commercial real estate world is Flex Space. A staggering statistic that Axford points to is that flexible offerings currently account for up to five percent of space across most major office markets. In the next ten years, this is expected to rise to 15-30 percent. "If you look at the underlining drivers of WeWork's success, and the huge expansion of the other players in this sector, it's the fact that the world is changing. We're seeing technology come into business, the business cycle is shortening, we're seeing occupiers less certain about what the future holds," said Axford.

Working alongside the past two trends, the eighth trend, "Augmented Intelligence?" touches on the technology our industry will begin to see this year. What this trend tries to explain is that although we won't have our very own personal assistant robots, software or app-based products will help automate workflows for professionals, making certain aspects of our job easier. "If you think about our jobs, there's a mix of creative, fun, strategic aspects. But then there's the data review,

processing, and analytical aspects that is repetitive. Those types of activities are the ones that we'll see being automated in the near future," said Axford.

The second to last trend we discussed was, "the Wishing Well," or the new front in the war for talent. "Wellness is one of the new fronts in the war for talent. This is one of the areas where good occupiers can differentiate themselves as they try to attract great talent," explained Axford. He goes on to explain that the younger generations are looking for organizations that genuinely care about their people. Happy employees that are looked after are likely to be more loyal to the company, and therefore become more productive.

Our last trend in the discussion was, "Heavy Lifting." This trend really deals with the logistics and the challenges that arise with logistics in the commercial real estate industry. "While automation is actually growing in the logistics sector, the vast majority of warehouses, particularly warehouses that are related to on-line retail, is hugely labor intensive," said Axford. One major impact of this is that occupiers are trying to find locations where they can get the workforce that they need. In tandem with the ninth trend, logistical occupiers are actually incorporating wellness into their warehouses because they need to attract employees as well.

**Our conversation continued on as Nick included a bonus trend that we should be aware of in 2020. To hear what that bonus trend is and to hear the full conversation, please subscribe and listen to, "Real Estate Investing Live From New York" on iTunes and Spotify.**