

Editor's Note

BY JOHN HENTSCHEL, CRE



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CHANGE — LIKE DEATH AND TAXES — IS CERTAIN and inevitable, so much so that it is even a fundamental premise of economic and valuation theory. Although no one has a crystal ball, it is, nonetheless, important to be able to predict the future as it is the foresight and anticipation of what is to come that underlies and guides all decision making.

Historically, cities have been the hub of human activity and the wellspring of ideas and innovation. According to the United Nations, the trend toward urbanization is expected to continue, and by the year 2050, 66 percent of the world's population will be living in cities.

In Spring 2016, The Counselors of Real Estate co-presented a symposium at Stanford University entitled *Global Cities in an Era of Change 2016*. This landmark conference examined how many facets of the global real estate environment are collectively reshaping how people live, work, shop, play and, most of all, interact not only with each other, but with their physical surroundings and the inanimate objects within them. Close attention was paid to the ever escalating pace of ground breaking innovations and technologies; the accompanying, and often disruptive business models that ensue; the evolving means of communication and transportation; and Big Data and the Internet of Everything. The implications are enormous and have the potential to alter spatial patterns and relationships and transform the placement, design and function of buildings; even

challenge traditional perceptions about, and the very meaning of, location.

As a corollary to this symposium, *Real Estate Issues* has prepared this Special Edition which focuses on cities and how not only real estate practitioners, but citizens, business and civic leaders, as well as public officials, can and should prepare to address the challenges and capture the opportunities that will certainly arise in the wake of such monumental changes. As a preface, for those who were unable to attend the symposium, this edition begins with a brief synopsis which summarizes many of the symposium's presentations. As customary, the edition concludes with reviews by CREs Peter Burley and Roy Schneiderman. The reviews are of two prominent publications that address urban issues from somewhat different vantage points — *24-Hour Cities: Real investment performance, not just promises* by Hugh Kelly, Ph.D, CRE, and *The Human City: Urbanism for the Rest of Us*, by Joel Kotkin.

In between, the editors have organized the feature articles into topical sections that examine how:

- Change is influencing and altering urban systems and forms
- Technology is being deployed to create “smart cities”
- Governments are managing and sustaining physical and financial resources

EDITOR'S NOTE

- Markets and economies are being affected by and responding to change
- Cities around the globe are coping with and adapting to the new order

The contributors have done an excellent job weaving an intricate and integrated tapestry that describes the host of challenges and opportunities that confront cities, suggesting useful strategies to address and capture them.

Some of the articles are supplementary or complementary and are best read in tandem. For instance, while Ashley Hand considers the effect of autonomous vehicles and ridesharing services on urban mobility and transportation networks, Goldsmith and Mlenak discuss the effect that such innovations will likely exert on the future of parking garages. While authors Fisher, Lerg and Louziotis discuss the applications of virtual, augmented and mixed reality in the design; development; marketing and management of buildings, Peter Shannon explores the effect of automation and artificial intelligence on the workforce and the workplace from a micro-economic perspective; as KC Conway contemplates the effect of these same disruptive forces from a global, macroeconomic point of view.

Many of the articles tackle a common theme — connectivity among people, processes, and data — albeit from different angles. Charles Schilke examines one city's application of the analysis of Big Data gathered from the Internet of Things to make decisions about its municipal systems; Viktor Weber proposes a framework and media platform to implement a citizen-inclusive planning process in order to facilitate the creation of a "smart city"; James Olin looks at how city asset managers are gathering data from "smart buildings" to inform decision makers and reduce operating costs; Casey Pipes and Kirk Mattei discuss how community groups have discovered the effectiveness of social media as a tool to effectively inform, organize and mobilize citizens in support of or opposition to development proposals in their neighborhoods; while Gordon Feller contemplates the potential for all of the foregoing to collectively improve environmental sustainability, public safety, productivity, and economic prosperity.

Two authors take up the topic of managing and sustaining scarce public resources. Robert Dietrich

discusses solutions that drought plagued communities have developed to conserve, allocate, manage and distribute the most essential of all physical resources — water; while Cassandra Francis presents an informative look at the Public Trust Doctrine and its effect on balancing short term development interests against the long term protection of open space when governments consider the sale of public lands.

Contributors Calanog, Lynford and Yang take a critical look at the nature and meaning of location and the relative importance of local submarkets in a transnational, connected world of 3-D printers, drones, same day delivery service, and autonomous vehicles. Meanwhile, developer George Vallone examines how changes in lifestyles and housing preferences over time have influenced location decisions, urging land use officials and developers to commiserate and cooperate in the development of novel regulatory regimes designed to deal with today's urban challenges and capture emerging redevelopment opportunities.

On the global stage, Barkham, Schoenmaker and Carver analyze the influence that Brexit may ultimately exert on property markets in the city of London, while Hiro Isobe examines the effect that Japan's aging and declining population may have on the stature of Tokyo as one of the world's most populous global cities; each assessing their respective city's continued ability to attract international investment in the future. As Augusto Carosi explores the cause and effect of a housing deficit in Argentina and the opportunities that are emerging for developers, Nico Rottke discusses how a low interest rate environment has affected capital flows and project financing in Germany and how developers and their projects have fared as a result.

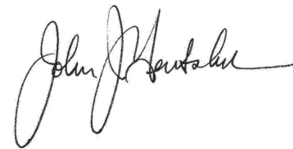
Finally, espousing slightly contrarian points of view, William McCarthy examines whether "Smart Growth" as a planning strategy has lived up to its promise to enhance the quality of life for residents, or has merely been a control and containment strategy employed by ideologically driven urban planners, while Howie Gelbtuch ponders things that could possibly go wrong when humans attempt to predict the future.

In his 1970 book *Future Shock*, futurist Alvin Toffler observed that the relationship between people, places,

EDITOR'S NOTE

things, organizations, ideas and time form the fabric of all social experience. Aptly predicting the pace of change would progressively accelerate over time, Toffler proposed that managing change requires converting the possible into the probable in pursuit of the preferable.

We at *Real Estate Issues* hope the information presented in this edition will enhance the clarity of your crystal ball so that you may not only effectively manage, but prosper from the looming and inevitable change that is to come.

A handwritten signature in black ink, appearing to read "John Hentschel". The signature is fluid and cursive, with a large initial "J" and "H".

JOHN HENTSCHEL, CRE
EDITOR IN CHIEF