



## Top Five Trends in Commercial Real Estate

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The rapid evolution in both consumer-based and industrial technology is beginning to set the stage for how the commercial real estate landscape is changing. The demand for flexible workspace with many amenities continues to be prevalent, both in urban and suburban areas. Millennials, who now make up the largest segment of our workforce, are seeking opportunities which allow them to shift between work and leisure more quickly and seamlessly than ever before. The “right now” mentality of this generation drives the future of business and consumption patterns, all of which impact commercial real estate markets.

1. Demand for urban office space is continuing to grow at a rapid pace because millennials are staying in cities longer and tend to want to work with “like-minded” talent. For example, we’re seeing a trend in the tech industry where employees enjoy working in shared workspaces because it fosters easier exchange of ideas among similarly focused professionals. Approximately 30-40% of the workforce are independent contractors, thus co-working spaces (like WeWork) are going to continue to grow in urban areas.
2. Suburban office space tends to be a “melting pot” of generations, which reflects a reverse migration, particularly in the life-sciences industry. Many companies are migrating out of areas like Cambridge, MA for the metro-west suburbs of Boston due to low vacancies and high rents. The life science industry, which includes pharmaceuticals, biotechnology, and medical-device manufacturing, continues to boom as our elderly population continues to expand, thus supporting the need for more space. Many companies are looking for space that has lots of amenities, allowing their employees to save time and have a good “experience”. Employers recognize that the “experience” doesn’t begin when you walk in the door of your workplace...it begins when you leave your house. Many employers are taking traffic and parking concerns into consideration when evaluating the workplace “experience”, thus making suburban space more attractive.

3. Industrial space just outside of major metropolitan areas is having a resurgence. As online shopping has become more prevalent, consumers expect quick shipping turnaround times. Many companies are seeking out warehouse space within an hour's drive of many major cities. In order to meet the consumer shipping demands of 2-3 business days, many online retailers are seeking out local distribution hubs in order to cut down on shipping time and stay competitive in an increasingly "on-demand" market.
4. Colleges and universities are going to start looking towards the private sector for creative ways to deal with pressures of maintaining high-tech campus experiences, and the increased student housing demand in urban campuses. Public private partnerships will start to make a big impact on educational institutions looking to finance new developments or create additional student housing.
5. As we began to see these trends last year, we expect to see major retail consolidation to grow in 2018. M&A activity similar to Amazon and Whole Foods, and Walmart and Jet.com will shake up the online and retail industries. Similar types of M&A may also be seen in real estate and office sectors, as well. In these examples, online retailers and traditional brick-and-mortar retailers are showing interest in crossing over to other areas of the retail sphere, which will likely strengthen their overall brand. These types of consolidations give these new giant retailers enormous leverage, both in the retail sales and real estate markets.

As we look forward in 2018, we will continue to see generational shifts and the need for ease and speed driving the commercial real estate market.

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*\*This article was later featured on April 20, 2018 in the New England Real Estate Journal.*

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