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Technology and Commercial Real Estate

TECHNOLOGY AND THE DEMAND FOR COMMERCIAL REAL ESTATE

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- *Technology will be an increasingly important influence on the demand for commercial real estate, especially as tenant demands for different types of building technology evolve.*
 - *Technology, as it drives overall growth in the economy, will have a generally positive impact on commercial real estate demand.*
 - *The demand for intelligent building attributes will vary both by property type and geographic market.*
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The role of technology in the economy and in society generally has been pervasive. Technology has influenced, and in some cases transformed, entire sectors of the economy. In particular, technology influences the demand for commercial real estate because it affects where people work, where they shop, and how they spend their leisure time.

THE STUDY

This study examines how technology affects the demand for commercial real estate in three primary ways: 1) on overall tenant demand by property type; 2) on tenant demand for particular buildings; and 3) on demand for properties by investors. The analysis in this study is based on interviews and a review of articles, reports and databases addressing technology change and real estate demand.

FINDINGS

Forecasting the demand for commercial real estate by property type is a complex undertaking. In part, this complexity stems from the many forces that affect office, industrial, retail, multifamily and hotel demand. This study focuses on the broad impact of technology on demand as well as the role of “intelligent building” technology on demand.

There are many attributes of an intelligent building. Depending on the intended use of any particular building, these characteristics will vary in importance. The most important attribute, in general across all property

types, is the voice and data communications network. Other important building attributes include energy efficiency, lighting and security.

Throughout the rest of the report, the author describes the overall demand for each property type, the key intelligent building attributes for buildings of each property type and evidence of tenant demand for each of the most important intelligent building attributes.

Among the key conclusions of the report are:

- The demand for intelligent building technologies for **office** tenants is in its infancy. Other factors such as overall costs and proximity to employees and customers still dominate.
- Relatively few **industrial** owners are interested in intelligent building technology and are instead focused on other characteristics that appeal to the widest possible range of tenants.
- Telecommunications and adaptability of space are key features for **retail** tenants although technologies that improve energy efficiency, security, and lighting can reduce owners’ expenses.
- The most important technology attribute for **multifamily** is high-speed Internet access, while most other technologies are viewed as less important.
- The demand for many technologies is relatively undeveloped for **hotel** properties although it is generally not too costly to wire hotel rooms for high-speed Internet access.

The demand for intelligent building attributes as well as the overall influence of technology on commercial real estate demand will vary by geographic market.

IMPORTANCE FOR REALTORS®

Understanding the effects of technology on the demand for real estate is increasingly important for REALTORS® as well as tenants and investors. Although technology as a force in the overall economy will continue to support demand for different types of commercial real estate, the impact and the use of technology will vary by geographic market as well as at the building level. Fully assessing these influences, both those that are positive and negative, will provide REALTORS®, investors and tenants with some of the information that they need to evaluate commercial real estate properties.

*The complete report is available at www.realtor.org/research.nsf/pages/NatlcenterforRE