BUILDING DESIGN+CONSTRUCTION
INSPIRING THE BUILDING TEAM

SGC HORIZON
a Scranton Gillette Communications company
3030 W. Salt Creek Lane, Suite 201
Arlington Heights, IL 60005-5025
847.391.1000 • Fax: 847.390.0408

STAFF

EDITORIAL DIRECTOR
Robert Cassidy
847-391-1040; rcassidy@sgcmail.com

EDITOR
Jay W. Schneider
847.954.7941; jschneider@sgcmail.com

ASSOCIATE EDITOR
Kate Cline

CONTRIBUTING EDITORS
Peter Fabris
Barbara Horwitz-Bennett
C.C. Sullivan
Jeff Yoders

DESIGNERS
Larry Nigh

WEB DESIGNER
Agnes Smolen

EDITORIAL ADVISERS
Peter Davoren
CEO, Turner Construction Company
M. Arthur Gensler, Jr., FAIA, FIIDA, RIBA
Chairman, Gensler
Raj Gupta, PE, LEED AP
President, Environmental Systems Design
John E. Kemper
Chairman and CEO, KLMK Group
Laurin McCracken, AIA
Marketing Consultant, Jacobs
Thomas R. Samuels, FAIA, AICP
EVP, Higgins Development Partners
Philip Tobey, FAIA, FACHA
Senior Vice President, SmithGroup
Alan Traugott LEED AP
Principal, CJL Engineering
Randolph Tucker, PE

VP – BUILDING GROUP
Tony Mancini
610.688.5553; tmancini@sgcmail.com

EVENTS MANAGER
Judy Brociek
847.954.7943; jbrociek@sgcmail.com

DIRECTOR OF AUDIENCE DEVELOPMENT
Doug Riemer

DIRECTOR OF CREATIVE SERVICES & PROMOTION
Sandi Stevenson

SUBSCRIPTION INQUIRIES
Circulation Department
Building Design+Construction
3030 W. Salt Creek Lane, Suite 201
Arlington Heights, IL 60005-5025

CORPORATE
Chairman Emeritus (1922-2003)
H.S. Gillette
Chairperson
K.A. Gillette
President/CEO
E.S. Gillette
Sr. Vice President
Ann O'Neill
VP/Group Publisher
Rick Schwer
Vice President of Custom Media, Creative Services and Content Management
Diane Vojcanin
Vice Pesident of Events
Harry Urban
Chief Financial Officer
David Shreiner

For advertising contacts, see page 65.

Uncovering a few silver linings in 'The Era of Less'

The Urban Land Institute says the real estate world is about to enter an "Era of Less" in 2011, characterized by "a shrunken industry, lower return expectations, restrained development prospects, reduced credit availability, and crimped profits." Yet there are a few glimmers of hope.

The source of this gloomy picture is the ULI's recent report, *Emerging Trends in Real Estate.* It is replete with phrases like "unnerving short-term pessimism," "limping assets," "high vacancies," "rolling-down rents," and "problematic workouts"—not to mention the prospect of "uncertain refinancing prospects" for the hundreds of billions of dollars of commercial loans that are about to come due. Still, a few rays of sunshine manage to pierce even this dark veil.

Chief among these is the rental apartment market, which the ULI says will "outperform everything else." Those who cannot afford to buy homes or stay in their current homes will turn to rentals.

But where will this apartment resurgence most likely take place? Not as much in suburbia. The ULI sees a shift from big homes on the suburban fringe to infill locations closer to 24-hour markets.

In a reversal of decades of flight from city centers, the report states that more people will regroup in areas "where life is easier, more efficient, and less car dependent"—i.e., closer to shopping and work, in cities or denser, close-in suburbs. The market for mid- and high-rise apartments and townhouse projects built around commercial districts and shopping centers looks enticing.

Speaking of commercial real estate, the ULI report sees three bright spots. The first is "select retail," defined as infill shopping centers anchored by top supermarket chains and so-called "fortress malls." These should sustain performance in the face of consumer pullback, says ULI.

Another commercial gem: 24-hour "gateway" office buildings in premier downtown locations, notably New York, Washington, D.C., and a select few 24-hour markets in "global pathways," primarily along the coasts. The report gives a big thumbs-down to suburban office space and greenfield developments outside urbanizing nodes.

There's even a surprise in ULI's grab bag of potential winners for 2011: "downtown full-service hotels in major markets." But forget about high-capital-expenditure resorts or limited-service brands in "commodity areas."

In addition to the "flight to quality" hot spots of New York, Washington, D.C., and certain coastal areas, some smaller markets get high ratings: Austin and San Antonio, Texas, Portland, Ore. (for its quality of life), Raleigh-Durham (for "brain-power jobs") and Charlotte, N.C., Salt Lake City, Minneapolis, and Nashville, among others.

Comments at the recent ULI National Conference reinforced many of these emerging trends.

At one point in the program, for example, a representative from a mega-bank told the audience, "If you've got a viable multifamily rental project, come see me at the end of the program. We've got cash." Doesn't that sound poetic?

There was also talk of hidden cash from China, something like $300 billion in U.S. Treasurys that the Chinese are eager to invest in U.S. real estate deals—and which, in fact, they're already doing, but very, very quietly (shhh!).

Finally, major U.S.-based AEC firms revealed that more than half their billings were derived from outside the U.S., much of it in China. But avoid India, they said: too much corruption.

—Robert Cassidy, Editorial Director

Comments? Send them to: rcassidy@sgcmail.com