



Equip your property's digital infrastructure to outperform competition in a post-pandemic world - by Michael Zysman

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Properties equipped to accommodate the rapid acceleration of the Digital Revolution will outperform the market in a post-pandemic world.

We are now more than 12 months into the COVID-19 pandemic which has now created permanent structural changes to the way we live and work. Businesses and people were forced to adopt digital technologies which were readily available but not broadly used, such as Microsoft Teams, Zoom, telehealth, online shopping, and other technologies. Many Americans have become dependent on these digital tools to survive during COVID-19 and will most likely use them at similar rates once the pandemic is under control. Properties that can quickly accommodate to the new needs of their tenants due to the rapid acceleration of the digital revolution will outperform the market during and after the COVID-19 pandemic.

Most information workers have spent all or part of their working hours at home during the pandemic. Many students have been learning remotely as well. Although the pandemic will eventually be controlled, it is consensus that information workers will be spending less time in an office setting and students will increasingly adopt remote learning as well due to the cost efficiency. Companies are also increasingly adopting a global information workforce due to the widespread acceptance of remote working technologies. This is motivating companies to focus financial resources from their physical office space to their cloud and digital infrastructure.

Multifamily landlords with buildings that historically appealed to information workers will need to configure space for remote working, offer sufficient high-speed broadband, add energy efficient building systems, and create efficient package delivery systems. Buildings that historically have attracted families with children as tenants will have to accommodate both remote work and home learning or substantially reposition their buildings. RE developers need to take these structural demand changes into account when designing new buildings.

Post pandemic, leisure travel is expected to increase due to remote working, but business travel is anticipated to decrease due to the wide adoption of video conferencing. Resorts and hotels in cities with cultural attractions will do well. Oversupplied hotels that cater solely to business travelers will most likely be converted to multifamily and remote office uses.

In the retail sector, landlords need to reposition their properties to adjust for online shopping's increasing market share. They will also have to improve their property's digital infrastructure to cater to the needs of smart stores like Amazon Go. As people spend more of their waking hours close to home, retail landlords near residential areas will continually rent to tenants that give an experiential experience once the pandemic subsides. This includes coffee shops, restaurants, cafés, showrooms for goods that are difficult to purchase online, and entertainment venues.

Office space that is experiencing functional obsolescence will most likely be converted to multifamily with ground floor experiential retail to cater to the new residential tenants. The New York State government just proposed legislation to allow conversions of vacant commercial buildings to affordable residential uses over a five-year period, which will help fast track these conversions if passed. Many commercial districts will be converted into vibrant residential communities, similar to what happened to many of NYC's dated office and manufacturing districts that are now home to the Soho, Tribeca, the Financial District, Gowanus, Long Island City, and DUMBO neighborhoods.

Technological change will continue to happen faster than we can ever imagine. Landlords need to be on the lookout for the demand disruptions that emerging technologies can create to their buildings. Some of these technologies include driverless electric cars, drone deliveries and transportation, AI, 3D printing, advanced robotics, quantum computing, satellite and space technology, automation, new forms of highspeed transportation, blockchain technology, rapid advances in healthcare technology, augmented reality, cloud computing, and the merging of humans with machines. All these technologies are rapidly evolving and being integrated into our society at an accelerated pace. Buildings need to adapt to accommodate these emerging technologies to maintain their competitive edge.

The digital revolution is also creating increased competition among municipalities. It is imperative that building owners work closely with their politicians to make sure their government is competitive when compared to other municipalities. As digital communication technologies continue to advance, a person's physical location will become less important over time. Municipalities need to focus on providing next generation digital infrastructure, safe and reliable transportation infrastructure, transparency in governance, eliminating pollution and crime, offering compassionate social services, providing high quality healthcare and education, safety from once in 100 year events, high quality affordable housing, fulfilling work opportunities, promoting culture and entertainment, supplying clean water, and promoting a free and just society. Municipalities that are quick to adopt new technology will be able to cost effectively provide these services to their citizens.

In summary, the world as we know is transforming at an exponential rate due to the digital revolution. This is creating an increasingly competitive environment. Landlords need to focus not only on competing with the property down the street, but with the property across country or on the other side of the globe. To stay competitive, landlords need to make the necessary investments today in their buildings and communities so they can outperform the market.

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