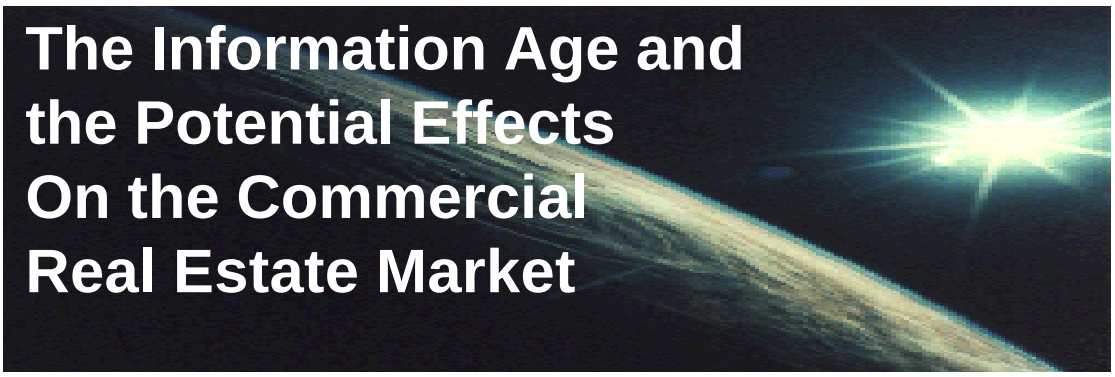
The Information Age and the Potential Effects On the Commercial Real Estate Market



By James F. Young
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Our nation, as well as all industrialized nations around the globe, is poised for one of the most significant changes to the commercial real estate market in history. Politicians, economists and bankers of today are all blaming our current economic troubles on traditional economic cycles. After careful consideration, it seems that we are not simply in a typical ten year cycle, but rather in the midst of a major social, economic paradigm shift comparable to that of the agricultural and industrial ages. Historically, we have always built commercial real estate to facilitate the particular type of commerce we were involved with at the time. During the agricultural age we built barns, the industrial age we built factories and for the last 50 years we have been building commercial real estate to meet the requirements of the pre-information age form of commerce. It has been stated that throughout the 1980's, we built the same square footage of real estate that we had built in the previous 190 years. The ramifications of the information age as they pertain to commercial real estate are complex and sometimes difficult to comprehend. One of the easiest ways to understand what the future may hold is to briefly review the past.

In America, during the agrarian age, when approximately 50% of our citizens were responsible for growing food for the entire population, it is easy to understand why we needed so many structures devoted to the farming industry. For example, let's assume that there were 100 people in the nation, with 50 of them working in the capacity of farmers. In this hypothetical situation, this could require 10 barns to facilitate their daily tasks. Today, the farming done in this country is done by approximately 5% of the population, therefore only requiring .5 barns. This illustration is much more complex, needing to take into consideration other variables such as increased population and the fact that the remaining farms are larger. However we must not miss the main point. As we move from one major socio-economic period to the next, we must realize that there is a distinct possibility that we will leave unneeded commercial real estate behind.

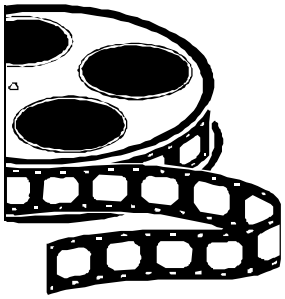
As we move into the industrial age, examples of excess real estate inventories become even more evident. All one needs to do is tour the shores of the Great Lakes to understand how social-economic changes can leave real estate abandoned. Automobile manufacturing facilities, steel mills, and other rust belt remnants all clearly demonstrate what happens when we advance to a new way of doing business. The businesses of the industrial age have become obsolete and therefore so has their need for certain types of commercial real estate. From a historical perspective it is easy to understand how these major socio-economic changes affect barns and factories. The challenge now is to try and speculate how the information age has and will continue to affect the types of real estate we have been building and using over the last 50 years.

PUBLISHING

No industry more than the print media will be affected by this emerging technological revolution. In an industry were the objective is timely, cost effective delivery of accurate information, there is no better suitor to take advantage of the new digital tools. The major problem will be the structural and social resistance to the change. For the most part, the technology is getting very close to becoming affordable and deliverable to the masses. Once social acceptance is achieved, the economics of redesigning the publishing industry will become grossly apparent. Duplication of efforts, in numerous locations, with reliance on a manual distribution system will not be tolerated. The other problem associated with this phenomena will be an elimination of duplicate jobs resulting in significant labor reduction. This is another complex issue which needs to be explored at greater length at another time. When one considers the physical space requirements of producing a newspaper, magazine or book, with all the intricacies of a printing environment the thought of eliminating this process and all that is involved seems incomprehensible. To do away with all the printing presses would mean an incredible reduction in the square footage requirements of the operation. However, it is not hard to imagine reporters armed with personal communicators automatically relaying information to the editors, possibly in their home, who then transmit the information for design to the layout specialist, most likely in a small community work facility, who make the information available for electronic distribution directly to the consumers home. This industry, more than any other, could prove to have its real estate requirements reduced.

Real Estate Affected - Administrative Facilities For Researchers, Reporters, Editors, Layout Artists Printing Facilities Retail Outlets For Newspaper Stands, Book Stores Distribution Terminals Delivery Truck Facilities

ENTERTAINMENT



The retail clients who will be affected, will be those whose businesses are information based. Traditionally, one would not think of music, video, or computer software as information. However, with the advent of digital technology all of these items can be reduced simply to a series of 1's and 0's. Since this information is now in a form which is capable of being transmitted over phone or cable lines, one must begin to rethink the method of distribution. In order to better understand this phenomena, an attempt will be made to summarize the distribution cycle of these products.

VIDEOS

MANUFACTURING

Even though this example will be directly addressing a specific product, the concept can easily be applied to all information based retail products. The process of producing a video for distribution to the public begins in a production facility. This facility is most likely located in an industrial park or some other area dedicated to light manufacturing. It is here where the duplication of these videos takes place. The master is loaded, 100's of blank tapes are loaded into expensive duplication equipment and the mass production or manufacturing process begins. Once the tapes are produced they are packaged by more expensive equipment and placed on the loading dock ready for shipment to a regional distribution facility.

DISTRIBUTION

Once the tapes are loaded on a truck they are moved by ground or air transportation to regional distribution centers. Here the videos are organized into smaller groups for movement onto the retail outlet. Most likely moved by small delivery trucks, the tapes make their way to the retail stores. Once at the store the tapes are then delivered to the shelf, made available to the consumer.

At this point, the consumer is now required to visit the retail outlet and select his video of choice. The real irony of this distribution model is the fact that it is not only inefficient, but it is also ineffective. For all the hard work which has gone into getting this video manufactured and delivered to the consumer, the retail outlet can still not guarantee availability. If the marketing projections by the video companies were inaccurate, the popular movies would sell out quickly and the unpopular items would stay on the shelves unused. The system is both inefficient and ineffective. The new method of distribution will be quite simple.

Digital versions of all movies, audio recordings and computer software will be stored on a computer located in a low rent district, possibly in the desert. The consumer will simply dial this system and select the movie of choice. The customer will also be assisted in making his choice. Automated indexing systems will allow the customer to make choices based on selective criteria (for example, all movies staring Cindy Crawford, between 1989-92.) The choices will come to the screen and the viewer will select and be charged accordingly. This is a much better distribution model when one considers that: no copy is made until it is needed; the labor and capital equipment requirement is significantly reduced; and the methodology is proactive vs. reactive. In this distribution model the client has access to all the information at all times and is not dependent on the distribution decisions made by the manufacture or the retail outlet. The video, CD or software package will never be missing from the shelf. After examining this new distribution model it is easier to understand why the manufactures of these types of products will move quickly to these new methods. Not only are the methods significantly more cost effective, they are more effective in getting the product to the customer. Now that it becomes clear that sound business principals will dictate these radical changes, one must now consider the consequences to the commercial real estate market. If one simply looks at the local retail strip center and identifies the record, video and computer software stores it is easy to understand what effects these changes will have on the marketplace where we already have too much real estate.

Real Estate Affected - Light Manufacturing Facilities Regional & Local Product Distribution Centers, Retail Outlets

The banking industry is postured for major changes through the turn of the century. The 1980's led to financial disaster for many stable lending institutions in this country and the industry is now being forced to consider new business models. We have already begun to see the effects of some of the pressures affecting this industry. The following summarizes the two major influences which will effect change in the banking industry.

MERGERS

Many institutions have come to understand the benefits and scales of economies which result from mergers and acquisitions. The Bank Of America and Security Pacific, Wells Fargo and First Interstate mergers are examples of what banks will have to do to remain competitive. From an administrative point of view, it is apparent that one master automation network is capable of automating both organizations.

PROLIFERATION OF THE ATM

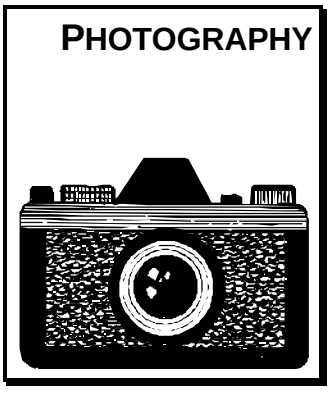
All one needs to do to realize the current and future potential of this convenient tool is to walk into your local branch office. The square footage which was historically required to deliver banking services to customers is seriously under attack. Banks have realized the inherent benefit of delivering more and more services from the ATM. In fact Bank Of America is constantly trying to induce older, more suspect customers into using these machines. Once the mainstream client is using the ATM, the need for expensive commercial real estate in high profile areas is no longer needed to deliver services.

One new technology coming soon to the ATM environment is enhanced video. One of the major complaints from resistant ATM users is the lack of personal contact and human intervention in the event a complex problem arises in which the ATM is not programmed to deal with. The answer, hit the help button and a friendly face appears—live. Not only is this person friendly but consistent. Your bank number is assigned to the same group of customer service representatives, so no matter where you go, Los Angeles, San Francisco or even Tokyo any time you put your bank card into an ATM and hit the help button, your same customer representative will come to the screen to help you. This concept would not be possible without the high speed digital transmission lines which have already been and continue to be installed around your neighborhood, this country and the world. Live interactive video form point to point is right around the corner. This type of personal service produces a more efficient and cost effective process. The major driving force of this change will be financial. The banks realize that in order to remain competitive they need to cut costs and one of the major costs of doing business is real estate. With the elimination of costly bank branches the bottom line becomes much better. With video technology the customer representatives can be located in Iowa, not Manhattan, where the real estate is much less expensive. In fact, your customer service representative , who follows you where ever you go might even be working from home! This technical distribution of jobs will also affect the general staffs of lender, allowing for more flexibility in job location. This discussion will be addressed in the general section dealing with offices. All of these changes in business models affect the amount of real estate needed by these institutions.

We have already seen a glut of real estate produced by the merger and acquisition process and I believe that this is only the beginning. If more cost effective and efficient services can be delivered from an ATM which takes up approximately 2% of the historical bank floorplan why build more banks. Simply put, banking will evolve into an electronic attendant in every convenient location. We are already seeing them appear in malls, grocery stores, restaurants, airports and even schools. As we progress even further down the technological food chain, even the ATM is in danger of extinction. Current technologies allow us to do most of the banking transactions directly from our home computer and now interactive television. What this means is anywhere you have a computer or television you essentially have the potential of having an ATM.

The only unanswered item is the distribution of currency. It is more reasonable to think that we will bypass trying to figure a way to electronically distribute currency and simply move to a debit system. More and more transactions are being conducted by using something other than cash. Checks, credit cards and bank cards all facilitate transactions without the use of cash. In fact, if one were to analyze the percentage of transactions which actually involve hard cash transfer, they are getting less and less every year. Could you imagine paying a $1,500 mortgage in cash. Once we move to an electronic debit system, the need for the ATM goes away and so does the need for the commercial real estate, even as small as it has become.

Real Estate Affected - Branch Offices General Office Administrative



The photography industry is another business on the verge of major radical changes. Companies such as Kodak and Fuji who once relied on the film processing business as their proverbial cash cow are now feeling the threat of emerging technology. The process works as follows. We go to a retail outlet to buy film... take 24-36 pictures... go to a different retail outlet for development... enjoy the pictures once...

maybe place the special ones in an album and then place the remaining pictures in a box... unlikely to be viewed again. We won't view these pictures more often because we don't think about them and, secondly, even if we did, finding the specific picture of interest would be too difficult.

The future of photography is much different. With the advent of improved digital technology, professional quality electronic images are already here. In the future the idea of having film developed will be viewed as absurd. The following is an example of how it might work. Use a digital camera to take pictures, (there will be no need for film because the camera will store pictures on reusable diskettes and in the future right onto internal memory chips.) When the picture is taken, the camera will automatically know the date and time, because it was preset along with some default topics. After taking the shot, words spoken describing the picture will be accepted by a voice recognition microphone. Upon arriving at home, the camera, or image capture device will connect to the home computer network. The image, along with the default, user-provided information, will automatically be downloaded to an image database.

Now you can instantly view these pictures on your television or computer screen. No lost time, no chemical process and most importantly you can locate your pictures based on date, time or text describing your subject. Since this picture is in a digital format you can also E-Mail it electronically to your relatives or friends anywhere in the world. There are many reasons, both financial and practical, why this concept will take hold. Many of the technologies which are needed are already available and it is simply a matter of bringing them all together.

Real Estate Affected - Retail Film Outlets, Retail Processing Outlets, Regional Photo Labs, Film Processing Plants

Education, or lack of it, has long been one of the main problems plaguing this country. Our standards have dropped while costs have escalated out of control. Educators are now faced with the task of improving our system while simultaneously reducing costs. Education affects many decisions we make throughout our lives. Very often, major family decisions are influenced by educational factors. Which neighborhood to live in or which university to attend are both decisions that affect our lives financially, demographically and emotionally. Many times a family will opt for a longer commute to work in order to live in a school district with higher standards. And more often than not, college choices are based upon curriculum and specific faculty members. Because of our current method of distributing education, many personal sacrifices must be made in order to achieve our educational goals. We have not even begun to discuss the lack of choice for the economically deprived individual who has no choice but to attend the ineffective school in their district.

PRIMARY SCHOOLS

The emerging changes in interactive television recently Implemented in Southern California, as well as increasingly more sophisticated video conferencing, will soon change the way we educate ourselves. In some areas smaller, more personal educational centers, or possibly even a new learning room in the home, might replace the traditional large primary, junior and senior high schools. These smaller, conveniently located centers would be connected to an educational network which would provide consistent equal education to anyone connected with them. The idea of student in the ghetto being subjected to less qualified teachers will become a thing of the past.

Other local-based multimedia technologies are proving to be a very effective way of educating. Studies have shown that students learn better because of the entertainment flavor of the education process. It is not being suggested that sitting in front of a computer or television monitor will replace the traditional social environment of the school setting we are familiar with. However, if these new technologies allow us to more efficiently and cost effectively educate our children, then they need to be explored and integrated into our current educational system.

HIGHER EDUCATION

As mentioned earlier, the decisions we make pertinent to college education affect our lives both financially and emotionally. Leaving home in order to attend a distant school because of a curriculums strength or faculty is a decision made every day in this country. Going away to school is not bad. In fact, there are inherent social benefits to this process. However, curriculum or faculty preference should not force an individual to make this decision. Sophisticated video teleconferencing systems will soon find there way into the classroom. Imagine a screen, the size of the entire wall which has 24 1" x 1" monitors, each containing a different student at a potentially different location. Across the top, 4 larger screens which contain the instructors; again, all potentially at different geographic locations. Through sophisticated electronic systems, the instructors can direct and control the interaction that takes place in this new type of classroom. Allowing one or numerous students to speak is as simple as pressing a button. The main reasons this will inevitably happen become more apparent every day. We have to deliver a higher grade of education at less cost to a greater number of people. Leveraging expertise and pooling resources is the only way we can accomplish this goal. Imagine what it would be like to participate in a business ethics course involving top professors from Harvard, Yale, Princeton and Wharton, without leaving your home or neighborhood. Visual and verbal communication, testing and studying can all be done through the technology which is here or will soon be available.

Real Estate Affected - Elementary Schools Junior High Schools Senior High Schools Universities and Libraries

GENERAL BUSINESS ADMINISTRATION

There are many other industries which will be affected by these technological advancements. However, they are too numerous to address. Instead, an analysis of the administrative requirements of business in general will be conducted. The administration of business typically requires an office, at least by historical definition. The cost of expensive equipment, copiers, fax machines, etc., along with the need to communicate information to co-workers, has dictated the need for people to come together in a traditional office setting. It can be said that business involves the gathering... analysis... creation... and distribution of information. This model does not hold true for every form of business. However, it can be applied to a large number of different types of organizations and therefore, needs to be taken seriously. The following represents a small example of general business models.

LAWYERS—This one meets the information models requirements. Lawyers gather facts, prepare arguments and present them to Judges and juries.

ACCOUNTANTS—The same process as lawyers simply different information and people involved.

SALES—Most salespeople would argue that sales are made based only on personal relationships. However, no one could disagree that the sales process fits very well into our model. Gathering information as to what clients want, preparing documentation describing products and services, and distributing that information both verbally and in written form are all part of the sales process.

MANUFACTURING—Manufacturing is probably the sector of business which has the most steadfast requirement for commercial real estate. There is a definite need to store the equipment which manufactures products. There is, however, a significant number of individuals in this environment that are involved in the administrative side of the business. These people and their subsequent job requirements will fit into our informational model. Since most businesses will follow the rules of our model I would like to analyze what factors will most likely affect business infrastructures.

TELECOMMUTING—With more and more social and economic reasons to help justify telecommuting, organizations are beginning to see its benefits. Time savings, commute cost reduction, environmental benefits and reduction of lease overhead are all good reasons to consider this viable alternative. Sophisticated electronic networks now allow employees to access all the information required to do their jobs, from their home. No longer does sharing expensive equipment and interacting with coworkers justify the time and expense of traveling to an office. In fact, with computer technology prices coming down, there is justification for the closing of high-priced office environments which, ironically, sometimes promote worker inefficiencies. This environment will not be for everyone; however, there is a large percentage of the existing work force which could fit into this profile.

LESS STAFF—Because businesses are becoming more organized through the use of computers and communications, the staffing requirements for jobs which involve the gathering... analysis... creation... distribution functions we have been discussing are going down. Repetitive tasks are being recognized and processes developed. Technology allows more work to be done with fewer people.

CONDENSED STORAGE REQUIREMENTS—An additional factor which many people tend to ignore is the physical aspect of storing data in today's office environment. Desk drawers, filing cabinets, as well as filing rooms, are all required to store the information we gather and produce. In fact, there are many law firms, insurance companies, banks and other information-based companies which could easily demonstrate the per square foot costs of storing this information on site in a high profile office. As technology advances, it is safe to assume that everything will be stored on some form of electronic medium whether it be magnetic, ceramic or even biological. The fact is, it will take up significantly less room than the old filing cabinet. Imagine the proportional effects worldwide. If every filing cabinet and room were removed from the square footage requirements of the typical office. The net result is that less commercial real estate would be required. The above mentioned factors will have a profound effect on the way we use our office space in the future. As technology improves, the idea of going to a specific place to facilitate the movement of information will be thought to be ridiculous. Coupled with the fact that we will need less space to store this information, it becomes more clear that the office, just like the barn and factory, may drift into extinction.

Real Estate Affected - General Administrative Office Space

There are certain types of retail which will be specifically affected by technology; however, the entire retail segment in general will be affected. The whole idea of shopping from home is becoming more and more popular. This is evidenced by the increase in catalogue sales and the phenomenal growth in the home shopping networks. These concepts have met with considerable success even though they are flat or non interactive, one way shopping and/or hard copy catalogues. Once the technology is in place to offer interactivity, the idea of shopping from home will increase beyond anyone's expectations.

Real Estate Affected - Any Retail Orientated Business

MEDICINE

The medical field will most likely be the one area of technology which will affect us most. Longevity and good health have been sought after since the beginning of time. Not many people would think of a doctor visit as something which would fall into the parameters of the information model of gather... analyze... create... distribute. However, if one looks at a typical doctor visit it becomes apparent that there are similarities. A patient walks into the office, the doctor begins an examination, gathering data the results are sent to a lab for analysis, reports are prepared and then the information is distributed back to the patient. This process actually fits the model quite well. When we apply new technology to this process we can begin to see that things are about to change. Imagine a small medical instrumentation device that sits on your bathroom counter top which contains a stethoscope, a thermometer and an ear/nose probe. These instruments are the same ones the doctor has traditionally used to gather data in his office. The main difference between the two is that these devices are connected to a fiber optic phone link directly to the doctors office. If a patient is not feeling well, a simple call to the doctor and the examination is done via the cable link. The individual is instructed to place the stethoscope on their heart and the results are viewed in the doctors office. It is not being suggested that this will take the place of a standard office visit because there is always information discovered through personal informal contact with the doctor. However, this may in fact reduce the frequency an individual has to physically visit the doctors office.

A smart toilet was recently introduced in Japan by Toto, a large plumbing manufacture. The idea is simple. As you go the bathroom in the morning the following occurs: A weight sensor identifies you by your weight, body weight is taken, body fat is measured, pulse and blood pressure is taken, and urine is analyzed. Upon completion, the data is then electronically transferred to the doctors office where it is stored in the patient's record. Weekly, the doctor evaluates the vital statistics and determines if there is any concern. This is the first step towards proactive medicine. This process could never be attempted if the methods used were manual. It would be too impractical, inconvenient and invasive. However, if it is easy and automatic and could flag a potential illness each one of us would give this serious consideration. Who would have ever thought that going to the bathroom would fit our informational model of gather... analyze...create...distribute. One can quickly realize that the entire field of medicine is going to change radically in the years to come.

The idea of going to a doctor for a yearly checkup or when illness is apparent will become a thing of the past. The need for every doctor to have an office will become less and less. The data can be gathered right from the patient's home and, for that matter, the data can be sent directly to the doctors home. This process will still require a place whereby appointment, the doctor will meet with the client in person. However, because the frequency of this type of visit will diminish, so too will the need for each doctor to have elaborate office facilities. It might become more common for the doctor to have a visitation room in his home or share common facilities with a group of doctors with the same diminished commercial real estate need.

Real Estate Affected - Doctors Office, HMO Clinics, Hospitals, Support Labs

BUSINESS TRAVEL

The Hotel and Motel industry are very closely associated with the information model under discussion. One would traditionally not think of a president of a company or a sales manager strictly as an information distributor but in many cases that is the case. A business meeting to present a product or close a deal are all part of educating potential clients about a company's products or services. In many instances these business meetings involve overnight travel. Making an 8:00 am meeting requires arriving at a

destination the night before, and that requires a hotel room. A great deal of the hotel industry's business plans are built around business travel. The most evident technology which will affect the degree to which the businessperson must travel, and therefore stay in a hotel, is video teleconferencing. Many large corporations with high enough business volume to justify the expense have already begun to use video teleconferencing in lieu of business travel. Integration of document view and print transfer capabilities have made this a very capable replacement to being there.

It is not being suggested that video teleconferencing will take the place of human contact. There are many instances, however, after initial personal meetings, where information can be presented, distributed and disseminated utilizing technology. In fact, visual imaging tools such as pictures, video and graphs can make the presentation of data much more effective. As technology comes down in price and the fiber optic network which is well under way reaches into every office and home, video teleconferencing will be as easy as making a phone call. Computer technology is quickly merging with television and will definitely change the way we communicate with each other. This ultimately means that we will have to travel less to transact business and therefore diminish the need for commercial real estate dedicated to the business traveler.

Real Estate Affected - Hotels & Motels, Airports, Retail Travel Services, Car Rental Agencies, Restaurants, Travel Agencies

SUMMARY

Over the last 50 years we have built commercial real estate to facilitate the way we conduct business, which can be defined as the gathering... analysis... creation... and distribution of information. From retail distribution to education, everything we do involves a process and the subsequent real estate needed to facilitate that process. We are now on the forefront of new technologies which will change the way we view these processes. We will change for financial as well as practical reasons and along with this decision to change comes the realization that the commercial real estate we built to facilitate the old methods is no longer needed. Video stores, libraries, universities, newspaper plants, music stores, office buildings as well as many others all have the potential for becoming extinct. Just as our need for barns and factories changed as we left those eras, so too will our current commercial real estate needs change. However, it is not quite as simple to comprehend as it has historically. It is easy to understand that you won't need as many barns if fewer people are farming; or fewer factories if you're not manufacturing. However this current age, the information age, can potentially affect every type of commerce we know. New and more efficient, cost-effective processes will require finding new uses for our existing commercial real estate. It is quite possible that, based on current inventories and projected reduction of need, we may never have to build another piece of commercial real estate, at least not for a long time. Some may argue that this era may well be approaching; however that it is still very far away. The only logical response is that technology is advancing at a pace much faster that we have ever experienced before. Those who deny the pace of this change may in fact be left behind. Because of this speed we have new variables to consider in our decision making that we have never considered before. An example is international communication and the affect it has on local business decisions. This article is not intended to promote doom or uncertainty but rather to advocate discussion of these issues to better promote future business solutions.

NEW USE

The theme for the end of this century and the beginning of the next is "New Use". If we agree with the conclusion that we will have an excess of commercial real estate we need to be creative in how we use this existing inventory. The following are a few examples of new or reuse.

INDUSTRIAL

In many areas of the country industrial facilities are going unused due to many regional factors and a movement of manufacturing to more competitive areas around the globe. One enterprising entrepreneur took full advantage of bargain basement prices and turned an empty industrial park into an entertainment facility which included an indoor go cart track, ice skating rink and amusement arcade.

RETAIL

No one can argue that home shopping, and in the future interactive shopping, is having an effect on the makeup of the suburban mall. More and more shopping is being done via the television and computer and this is affecting the vacancy factor at these regional giants. New use has already begun, inspired by the success of The Mall Of America in Minnesota. Major entertainment giants such as Disney are taking advantage of this change and are seeing the mall as a major social meeting place in which entertainment will compliment retailing. With more and more shopping being done electronically the retail center of the future will most likely contain a new tenant, the entertainment industry.

Another component of retail which will be affected will be entities associated with food. At many sites around the country food shopping is going electronic. Jump on the computer, walk the aisles, compare prices, check the nutritional values, debit your charge card and wait for delivery. This phenomena is growing every day, it is becoming a reality. With this change will come a need for new facilities to support this change. Distribution facilities which will house massive inventories and an army of delivery trucks.

EDUCATION

During the early 1980's a number of school districts around the country were faced with the fact that the largest generation in the history of the United States, the boomers, were graduating and were not going to have children, or new students, in the near future. The result was an abundance of primary and secondary schools which would remain empty for years. The school district, faced with economic reality, were faced with the prospect of selling the schools. The result was a fire sale, my grammar school was sold for a fraction of its value because of the glut of schools on the market. Again, entrepreneur to the rescue. While the grammar school segment of the population was trending down another segment was trending up. It was becoming apparent in our community that there was a shortage of senior convalescent facilities. My grammar school is now known as Horace Mann Convalescent Facility. Classrooms converted into craft rooms, the gymnasium is an exercise area, the principal's office became administrative facilities and the field where we played football was now the home to two 10-story residence towers. As we are confronted with educational facility glut caused by the upcoming technology revolution we should take into consideration the strategies implied historically when major shifts affect how we use real estate.

OFFICE

As discussed earlier, offices were constructed to bring people together to communicate and share expensive office equipment. It is becoming very apparent that a notebook computer and a modem are going to redefine how we use this space. The end result will be more office space than we need. The new use era is already being embraced by enterprising developers in Long Beach, California. In downtown Long Beach you will find an office building with architectural beauty and historical significance. The problem is that the competition from surrounding grade "A" office buildings has left the building 70% vacant. To make matters worse, the building has been foreclosed on and the lender does not want to invest the time or money to make the building more competitive. The result is a fire sale, selling the building for significantly less than it sold for only 5 years prior. With the money saved from buying the building at such a competitive price, these developers will have the money to convert this office building to a new use, a "Tele-commuter Village." The tele-commuter village will contain beautiful condominium style apartments upstairs and trendy eateries on the first floor. What makes this facility a tele-commuter village is the additional amenities these developers are adding. The concierge will also be the building receptionist, answering the phone for each home office tenant with a personal touch. Electronic mail will also be made available to each occupant. The third floor will house meeting rooms for each to share while the fifth floor will host a video conferencing center which is expected to link with 80 locations around the country. It is also anticipated that a mini copy center will facilitate all the administrative tasks of these tele-commuters. An apartment building with high technology

combined with an exciting urban environment will prove to be an exceptional new use of a piece of commercial property once headed for the road to extinction. New use at its best.

CONCLUSION

Change and uncertainty can create uneasiness. Change is never easy at first, however, for those who accept and embrace it, the opportunities are endless. The future is now and the trends are becoming more evident every day. The real estate professional who acknowledges the changes which are taking place, dispels the fear and uncertainty, and embraces creativity will truly be the professional who will take us into the 21st century. Doom or opportunity...I think the answer is obvious.

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