



Allison Millar is a marketing communications consultant who has written extensively about the real estate industry. She is a principal of Millar Marketing in Chicago.

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An SIOR Conference at a Glance

By Allison B. Millar

Recovering from the Downturn. Preparing for the Future.

As real estate practitioners stop to catch their collective breaths after more than two years of upheaval, there are signs that better days are ahead.

A steady recovery in the manufacturing sector; a slow growth in expansion and relocation by some companies within the United States; and projections of a significant growth in Asia's middle class are just a few examples. According to Peter J. Haack, Jr., a senior investment management consultant with Morgan Stanley Smith Barney, the industry should expect a slow recovery over the next 12 to 24 months.



The SIOR 2011 Fall World Conference, *Peter J. Haack* "Coming out on Top," provided the 800 plus attendees with important insights into how to refocus, rebuild, and reposition for the future. While challenges remain for the industry, real estate professionals who think strategically and become an integral part of their clients' decision making should be better positioned for the future.

The conference reinforced the concept that business decisions are made as part of a global economy and there are multiple factors that shape a decision to build, expand, consolidate, move production overseas or add production in the United States. All of those decisions will have an impact on the real estate industry.

Real estate professionals should look beyond their indi-

vidual markets to how client businesses interact and are affected by regional and national supply chain issues and global currency and labor fluctuations. They must also focus on the challenges in redesigning space to meet today's technology, equipment and distribution requirements.

The Growing Middle Class



*William A.
Strauss*

During the next decade or more, two important population shifts are expected to impact the market in a positive way and create opportunities both nationally and abroad. An estimated two billion people will be moving into the middle class, primarily in Asia. This huge influx of buying power can have dramatic effects on companies of all sizes, as they build and expand to meet the demand for goods and services, according to William A. Strauss, senior economist and economic advisor with the Federal Reserve Bank in Chicago.

Also, the United States has an estimated 76 million "Echo Boomers" born between 1982 and 1995 who are poised to spend \$170 billion of their own and their parents' money on goods and services each year.



Jim Reeb

Real estate practitioners should take an active role in identifying opportunities for companies that want to tap into these tremendous buying pools, according to Jim Reeb,

president of the Institute St. Onge, an investment advisor in the logistics and manufacturing sectors. By providing strategic business analysis, site selection, labor supply studies, and economic development assistance, they can position themselves as valuable partners in their clients' efforts to expand.

Onshoring: Bringing Production Back to the United States

Other business opportunities exist in expanding the manufacturing base in this country. Some companies are finding that creating a supply chain and expanding locally or regionally is more effective than sending production overseas. This movement toward "onshoring" is gaining steam as companies look at the many factors involved in bringing products to market.

The labor rates in China are expected to increase by 15 to 20 percent each year, for example. This, coupled with rising fuel costs and a desire to bring products to market faster, is leading some companies to build new facilities or expand in the United States. Some companies also are finding that logistics and time to market are key factors for their customers.

Danfoss, a \$6 billion Denmark company with a production facility in Rockford, IL, recently expanded its manufacturing operations in Rockford instead of adding capacity to its Denmark or China operations. The company makes climate and energy controls, and variable speed drives for a variety of industries around the world.

The Rockford facility makes customized drives tailored to specific applications, so it was important to stay close to the customers in North America. "Market research tells us that our customers want proximity," according to David Holmgren, the company's director of purchasing in North America.

Taking an Advisory Role

In this global marketplace, real estate professionals are wise to focus on building business alliances and shifting their mindset away from a transaction based business. Many companies today are looking to partner with brokers who offer a wider range of services and can evaluate the clients' entire business operations.

The trusted advisor should be well versed in a mix of business and real estate economics, focusing on helping clients reduce operating expenses, think strategically about supply chain logistics and how to retool the manufacturing process for today's market. All of those factors are on the minds of the C-Suite—today's CEO and CFO—as they make decisions about where to expand operations, how to reconfigure space for new technology and machinery, and whether to move all or part of their production overseas.

Look for the Niches

In this new economy, business growth often is focused in niche markets. Sectors such as healthcare continue to outperform other sectors and offers opportunities in the pharmaceutical, distribution, retail and physician space areas. Another growing niche is consumer staples, particularly those that cater to middle market shoppers who want lower priced goods.

Marketing with Technology and Social Media

Technology also is a valuable tool and one that can set brokers apart from their competition. This is particularly true in a global marketplace where the latest apps and software can help bridge the physical distance between continents.



*John Adams III,
SIOR, CCIM*

Whether using iPads and the latest video capabilities to promote a renovated building or setting up a virtual deal room for clients around the globe, brokers can distinguish themselves with the latest technology. Some apps even allow you to add voice narration to floor plans and search through virtual property databases with customized criteria, according to John Adams III, SIOR, CCIM, a principal with Cornerstone CRES, a Cushman & Wakefield Alliance.



*Geoffrey
Kasselmann,
SIOR, LEED AP*

Another valuable marketing tool is social media, which provides a vast platform for brokers to showcase their real estate holdings and build a strong brand. The key with social media is to maintain a regular schedule for posts and updates; be consistent with your branding; and use metrics to measure your ROI, according to Geoffrey Kasselmann, SIOR, LEED AP, and president of Op2mize, a Chicago commercial real estate technology services and consulting firm.

As brokers look ahead to 2012 and beyond, they should stay focused on the age old fundamentals—providing strong customer service and targeted real estate solutions for the changing business landscape. These fundamentals, paired with state of the art technologies and marketing tools will help commercial real estate professionals move clients into new markets, expanding their opportunities for the future. ☞