

| FEATURED ARTICLE



THE
**MILLENNIAL
RULES**

By John Coleman & Tom Silva

Millennials rule the roost in real estate. The declaration seems premature, but maybe not in light of the facts. We associate Millennials with technology, competency and work/life balance, but also with narcissism, indifference and complacency. The long-term social and business impact of this burgeoning group won't be known for a while, but that doesn't mean we can ignore them now. Understanding the role they play and the rules they live by will be essential in an evolving real estate market.

Millennial Impact

The emergence of the "app" and e-commerce economy has contributed to the lowest national industrial vacancy rate in over a decade. Forrester Research estimates that online shopping will reach the mid-teens in share of the retail sector during the coming decade, up from just under 10 percent today. Driven by the tastes of digital natives, online retailers recognize the new need for speed in order to compete with the likes of Amazon, clocking more than 10 million square feet in bulk and last-mile distribution construction in markets like Dallas/Fort Worth, the Inland Empire, Chicago and Atlanta. Similarly, in the office sector, net absorption totaled more than 70 million square feet from the summer of 2014 to the summer of 2015; technology firms, comprising largely Millennials, accounted for 20 percent of all leases over 20,000 square feet nationally. More than a third of that leasing was in hubs like San Francisco, Seattle, and Silicon Valley and surrounding sub markets. Technology-savvy Millennials are clearly making their presence known.

But this new generation has done more than give the market a boost; they're also rewriting the rules of engagement for the tenant rep and listing broker, investor, the Global Corporate Services team leader and Workplace Strategist. Despite acres of newsprint and thousands of hours of TV punditry, it's clear that we still don't know very much about the millennial generation. Time Magazine's May 2014 feature, "The Me, Me, Me Generation" like countless other cover stories, is full of assertions and accusations of selfie sticks and narcissism. But then, the New York Times recently referred to the 75.3 million millennials as the nicest and most entrepreneurial generation (<http://nyti.ms/1hD7D6P>). One will say Millennials travel more, spend more, and complain more, while another will tell you they are browsers not spenders. Some

of the books that purport to dive deeper on the subject are even more heavy-handed with their conclusions, and their titles give them away: *The Dumbest Generation*; *Not Everyone Gets a Trophy*; *The Culture of Narcissism*; and *The Narcissism Epidemic*. Truth is, we're just now beginning to figure this group out.

Why should we in real estate care when it comes to people born between 1980 and 2002? Because by 2025, three of every four workers will be Millennials. Quite simply, they will be the tenants, buyers, owners, brokers, property managers, and underwriters of the future. We can't afford to do business in the future without considering this demographic, and we have to be thinking about it now.

Let's start with what we know about Millennials: According to the most wide-ranging and in-depth analyses we have seen, including tomes from the Pew Research Institute and Boston Consulting Group (BCG), Millennials cherish peer-to-peer relationships, diversity, a sense of mission, life/work balance, authenticity and listening. BCG's Center for Consumer and Customer Insight, surveyed 4,000 Millennials between the ages of 16 and 34 and 1,000 non-Millennials (ages 35 to 74) in the United States and some of the findings proved valuable: Millennials are "digital natives," who use technology and social media to build their community; they put a premium on speed, ease, efficiency, and convenience in all their transactions; and they trust their peers more than institutions and corporations. These preferences portend a high level of competency in the business world. But that's not the really telling stuff, according to BCG. What makes Millennials interesting and truly compelling is their hunger for connection and shared experience, their feelings of stewardship towards the planet and their belief in collective action. All of this has consequences for us in real estate because it will affect

how we conduct a lease negotiation, an investment sale, a property management assignment or a tenant rep deal. So, based on the research and our own empirical experience, we offer five cardinal rules about real estate in this new era of the Echo Boom.

Rule #1: Be Authentic

Millennials don't want to be sold; 84 percent of them don't believe in ads. The Pew study concludes that Millennials are less trusting of others than older Americans are. Only 19 percent of Millennials say most people can be trusted, compared with 31 percent of Gen Xers, 40 percent of Boomers and 37 percent of Silents. For today's leaders, this means that the old sales strategies won't be effective. Projecting an image of Don-Draperish polish and success will undo you; instead, Millennials want to be (and want you to be) themselves. They are not interested in playing "the game" their parents once did. Millennials like seeing the unusual contours of someone. This

means avoiding silos that separate your personal and private lives. Remember that the world of social media has placed our private lives in the public domain. Vacation and college photos are now accessible to clients and employers alike. This kind of exposure today is actually a good thing. Every first meeting is likely to be preceded by a quick Google of your name. The key is to create continuity between your private and public selves. This means being willing to share aspects of your life that reveal your character. As an eminent brokers said to me, "we're evolving from work/life balance to simply one life." So, try and present a person and not a persona. This sharing of your strengths, weaknesses and emotions creates a binding connection. Keep the willingness to share alive throughout the engagement. Millennials are willing to trust the quality of service we provide when they're permitted to witness transparency and authenticity in the relationship.

Rule #2: Focus on Vision and Mission

Every client is motivated by a vision of how they want the world to be – Ford's is "Democratize the Automobile; Microsoft's is "a Computer on Every Desktop". The millennial age has ushered in a heightened

concern for the goals and missions of organizations that they do business with – even to the point where they supersede individual self-interest. This belief in corporate conscience and a mission-directed approach means employers and business partners marketing to Millennials must articulate not only the functional but the societal brand benefits of their company. Do they embrace LEED? Do they offer family leave, ample vacation and employee empowerment? Is their office built for team collaboration and learning? Are they committed to social causes? All of these have enormous import for the workplace environment and real estate professionals have to know and live these constructs to be authentic.

Rule #3 Use the Power of Gaming

We've all heard of Call of Duty, Minecraft and Destiny. Over 59 percent of Americans play video games—that's over 150 million people. The average gamer is a millennial about 31 years old, with 48 percent of them being female. Why are we talking about this? Because the millennial language and currency of gaming offers many opportunities for our industry to connect with this group in designing collateral materials, marketing campaigns and broker promotions. For example, a simple offer to young brokers to drive a certain amount of traffic to your building could be made competitive and exciting with game-like prizes, awards



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and competitive leaderboards. A tenant in your portfolio could easily be part of a loyalty program with a Sky-Miles-like suite of benefits. A visitor to a property database could be on-boarded effectively with “advance to the next level” promotions and contests. Charles “Chuck” Coonradt, who wrote some of the seminal books on the subject including *Scorekeeping for Success* and *Game of Work*, went a long way towards showing that “a well-constructed game framework simplifies our working lives so we can focus on getting great results.” Gaming increases engagement for everyone, but especially for the Millennials.

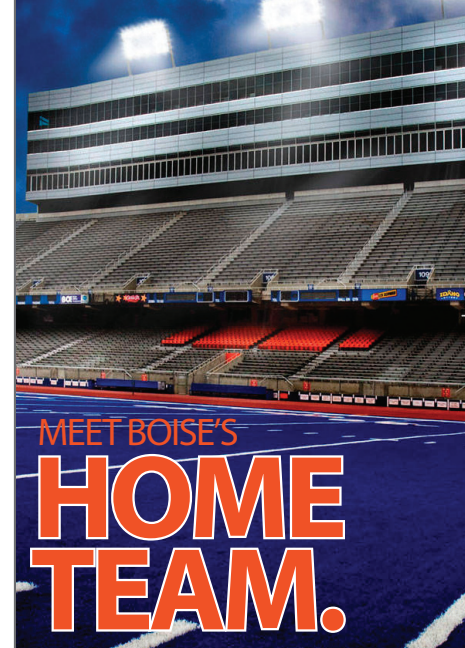
Rule #4: Data Driving

We have moved from microprocessors to sensors. Our world of logging into a computer was long ago replaced by today’s wearable technology, vast data sets, and powerful algorithms. We’re used to carrying multiple devices that check our heart rate, count calories, control thermostats and lighting and pay our bills. Today’s generation is tuned to know metrics in real time, and we’d be smart to jump on board. We need to embrace systems that provide data about our customer base and their behaviors. Millennials want us to know how they spend their workdays (great for an architect or property manager); what parts of the deal process produce the most conflict (info we could capture through quantitative research delivered through social media or even a text campaign); and even what just-in-time info would be of most value to brokers as they drive around scouting properties (info we could capture with the aid of GPS technology). This is the 21st century version of purchase histories, qualitative and quantitative survey data (like Yelp reviews) and browsing activity.

Rule #5: Embrace Diversity

Accept it -- your future colleagues won’t be anything like you. For one, they are less likely to be married: According to Pew Research, “just 26 percent of Millennials are married. When they were the age that Millennials are now, 36 percent of Gen Xers, 48 percent of Baby Boomers and 65 percent of the members of the Silent Generation were already married.” They also may not belong to a political party or a church. Half of Millennials now describe themselves as political independents and 29 percent are not affiliated with any religion. And, Millennials are the most racially diverse generation in American history. Almost half are non-white, the highest share of any generation, driven largely by Hispanic and Asian immigration. So, what are the implications of that? To accept this new, multicultural world as one of possibility rather than constraints. It may mean being able to connect with working professionals and potential clients in other communities and even countries. It may inspire you to join an ethnic business alliance or to explore a new market (one of my colleagues has been an early mover into Cuba). I like the idea, because it’s too easy now to categorize by religion or country of origin. As diversity grows, the fact we are all equally different – and not equally alike – will be the glue that bring us together.

The year 2025 is a mere 10 years away, so our industry needs to begin its conversion now if we want to be fully unpacked when the wave arrives. While the new way of doing business will organically appeal to the millennial generation, I think it will also resonate with older folks. Valuing competency, thought leadership, purpose, mission and equality are truly noble pursuits. ▼



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