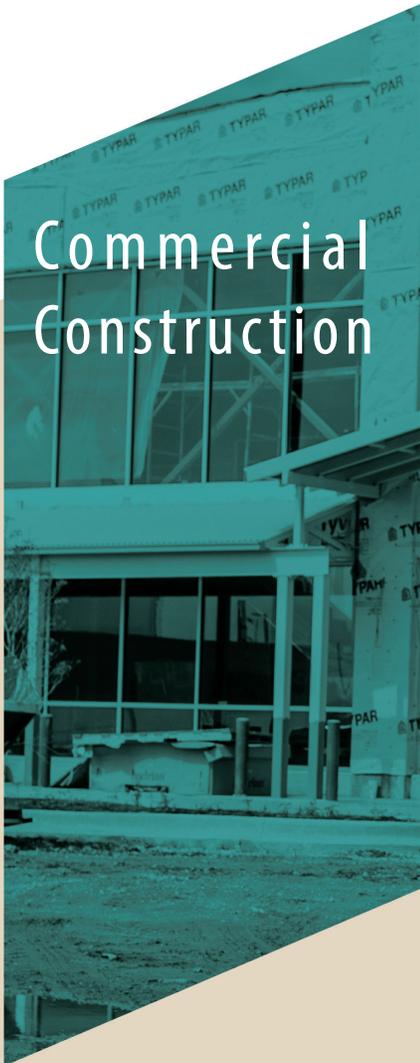


TREND REPORT



Commercial
Construction



2018

2018

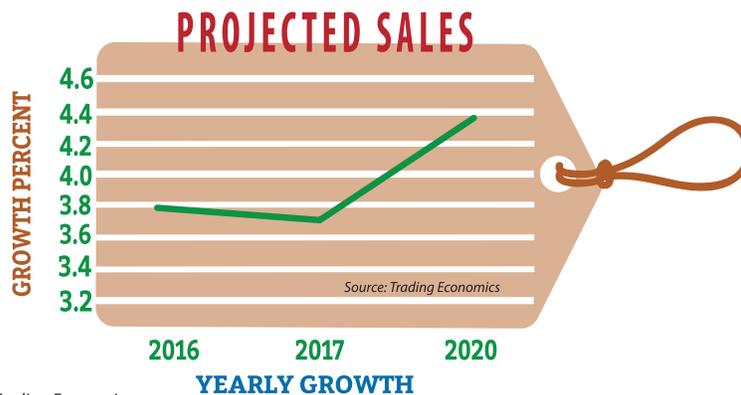
RETAIL

1.9%
GROWTH



General Retail

Whether shopping centers or grocery stores, retailers today must offer experiences to lure people into their brick and mortar sites. Status quo will do no more. Your store must offer something special—something to make it personal, unique, memorable.



Source: Trading Economics

In 2018, retail design and construction will lean toward more onsite entertainment and more green, both in terms of space and sustainability.

Green space allows opportunities for consumers to linger and for retailers to provide more entertainment, such as concerts and other outdoor events.

To draw consumers inside, plan activity centers designed to attract your target market. Think video gaming, pool or ping pong centers or spaces for socializing such as onsite coffee shops, wine bars or cafes offering artisanal foods. Also trending will be store designs that allow for experiential shopping, such as fashion shows, how-to demonstrations and classes, trunk shows or art fairs.

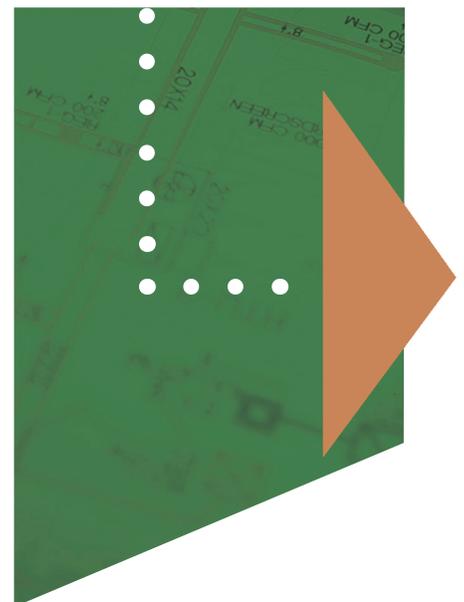
With an increasing affinity for companies that promote sustainability, green design will also trend upward. In fact, 37 percent of women are more likely to pay attention to brands that are committed to environmental causes, according to Kevin Horn, vice president of global architecture practice and interior designer for RTKL in Building Design+Construction. And 85 percent of brand-driven purchases are made by women. While LEED certification is the gold standard, Horn notes that zero-net energy retailers will also attract today's consumer.

And let's not forget that ever-important technology factor. Forward-thinking retailers are working new technology into their building systems that will facilitate everything from faster checkout to interactive screens in dressing rooms.



Design and build for these trends:

- Entertainment
- Activities
- Socializing
- Demonstrations and classes
- Events
- Green space
- Green design
- Increased technology (for onsite shopping as well as purchasing)



Grocery

These retail trends hold for grocery retailers, too. It may be a bit easier to get consumers into the store, but the experiential components will be what keeps them there—and shopping more.

Millennials are more likely to shop with others, meaning that onsite socializing space and services will be a draw. Designing a space for cooking classes could be especially helpful. Research from the nation's leading online grocer Peapod found that 72 percent of its 1,063 respondents cook at home at least four nights per week, and a third of them plan to cook even more often at home in 2018. Additionally, millennials are twice as likely as baby boomers to cook at home, and 45 percent of them want cooking classes.

Also consider that six in 10 millennials have purchased from Blue Apron, Hello Fresh or Plate. Does your market offer an alternative that provides the same convenience but features local products?



2018

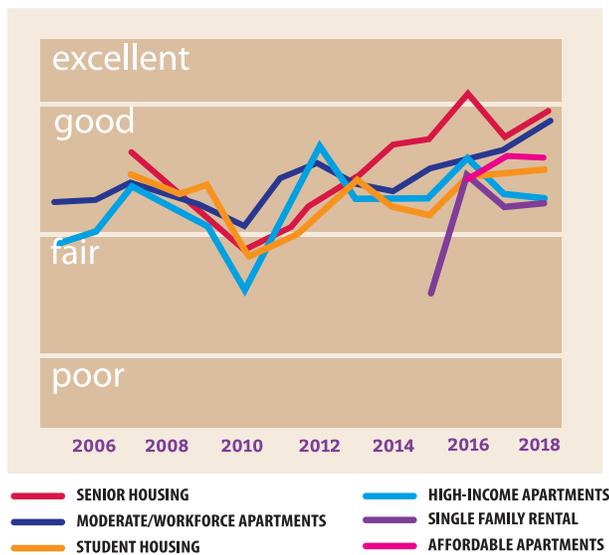
MUTI-TENANT HOUSING

3.8%
GROWTH



Multi-tenant Housing

Projected Growth: 7.5 (CBRE)

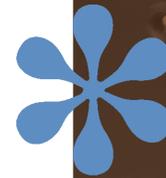


Source: Emerging Trends in Real Estate surveys

With more millennials choosing experiences over home ownership, demand for apartments, particularly in the more moderate and affordable ranges, continues climbing. The sector has been building for the past eight years and is second only to senior housing when it comes to desirable investments for 2018.

Moderate-income and affordable apartments are where the growth is because many millennials are still working their way toward higher income levels, a trend that reveals itself in the diminishing demand for luxury apartments and homeownership.

Plus, the federal government offers tax credits (LIHTC—the Low-Income Housing Tax Credit) and is looking at creating more (e.g., the Affordable Housing Credit Improvement Act of 2017), for those who develop low-income or “workforce” housing. Those credits alone signal the continuing need for more affordable housing options—a need that can be better met with more multi-family units.



Design and build for these trends:

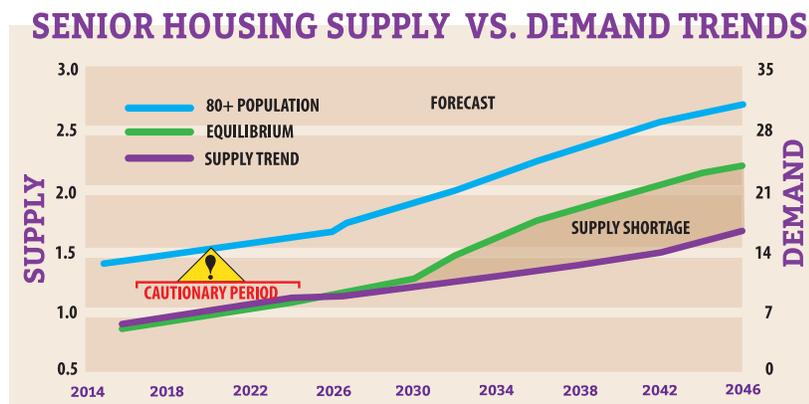
- Different sizes and configurations within the same building, including micro units
- Shared living, with more bathrooms per bedroom to accommodate roommates
- Green spaces and/or roofs for sunshine and gardening
- Stairways with windows
- Onsite fitness centers and bike storage
- Cross-ventilation to reduce need for air conditioning
- On-premise package lockers or other means for accepting packages
- More urban locations



Senior Housing

Growth Outlook: Modest but building to accommodate aging boomers

(Source: CBRE)



Source: National Investment Center for Senior Housing & Care (NIC), Census Bureau, Q1 2017

The millennial generation isn't the only one that wants more; baby boomers, born between 1946 and 1964, do too.

As more active lifestyles and improved health care have people living longer these days, more senior housing will be needed in coming years. But that doesn't mean boomers will be beating down the door to get in before it's absolutely essential. The idea here is to create housing that makes them want to come and, as long as you want to provide transitional care to assisted living and beyond, keep them with you as long as possible. It's wise to focus less on developing a structure where seniors need to live and more on creating one where they want to live.

That's driving trends that in many ways mirror other market sectors: they want more. That's why you'll see amenities similar to what you find in hotels permeating the senior housing market. That means fitness and business centers, lounge areas for socializing and entertainment and dining spaces like restaurants and bars. Such amenities will allow seniors to live a vibrant, active lifestyle for as long as possible.

Like their younger counterparts, this new set of seniors is wired—not to mention all the new technology designed to make living independently easier. We're talking more than remote controls and life alert buttons. Seniors can also benefit from medicine reminders and dispensers, smart watches and even geo-fencing to keep seniors with dementia safe.

Additionally, create health care management programs, offer in-house physical therapists and provide other health-oriented benefits.

The inherent bonus to this approach is that it will differentiate your space from other senior living providers, thus giving you the competitive edge in an industry that is likely to become increasingly competitive. Plus, you can take it one step further and provide the services and amenities to area seniors who are not yet ready to move from their homes. Chances are, if you serve them well, your facility will be the one they choose when the time comes.



Design and build for these trends:

- Hotel-like amenities
- Onsite entertainment, restaurants and bars
- Common lounge space
- Technology designed to increase independence
- Health promotion services
- Ability to accommodate nonresidents



2018

HOSPITALITY

5%
GROWTH



HOSPITALITY

PROJECTED GROWTH 5% (Source: DELOITTE)



OUTLOOK

FORECAST

| | 2018 | 2019 |
|------------------|--------------|--------------|
| SUPPLY | +2.0% | +1.9% |
| DEMAND | +2.3% | +2.0% |
| OCCUPANCY | +0.3% | +0.1% |
| ADR | +2.4% | +2.3% |
| RevPAR | +2.7% | +2.4% |

Source: STR/Tourism Economics

With the healthy economy has come increased tourism, setting up the hospitality industry to continue its 5 to 6 percent growth through 2018. Growth is expected to continue in 2019 but at a slower pace.

But the economy isn't the only driver; millennials, again, are making a mark. According to U.S. News and World Report, millennials travel more than any other generation, comprising 20 percent of international travelers. And in 2017, millennials took an average of 7.4 business trips; for comparison, Generation X took an estimated 6.4 business trips last year.

As this population of travelers seek properties that offer better technology and more local experiences, midscale hotels make an especially appealing investment—so much so that midscale properties represent the greatest growth opportunity for 2018 and beyond. In fact, many hotel chains now are launching new brands to meet this consumer preference.

Midscale, value-driven properties that have more modern designs, offer advanced technology and integrate local experiences will attract more guests in coming years. Even better, they cost less to develop and less to operate because they require smaller staffs.



Design and build for these trends:

- Repurposed, interesting buildings
- Upgraded technology options
- Smart rooms
- Pared down, modern design
- Smaller private rooms
- More public, shared space
- Sustainable, green practices
- Wellness offerings
- Trendy lobby bars
- Dining options on location
- Mixed-use spaces
- Authentic local experiences



2018

INDUSTRIAL

3%
GROWTH

Manufacturing
Warehousing



Manufacturing

Projected growth: 1.7 percent *Manufacturers Alliance for Productivity and Innovation*

| ECONOMIC INDICATORS | YEARLY FORECAST | | | | |
|--------------------------------|-----------------|-----|-----|-----|-----|
| MANUFACTURING | 1.3 | 1.7 | 1.1 | 1.7 | 1.5 |
| Computer & Electronic Products | 2.8 | 3.3 | 2.2 | 2.5 | 0.0 |
| Non-High-Tech Manufacturing | 1.2 | 2.1 | 1.5 | 1.5 | 0.0 |

Source: MAPI Foundation

2017 2018 2019 2020 2021

While growth in 2017 was expected to remain static, it actually increased 1.3 percent, a pattern that is expected to continue in 2018, largely due to computer and electronics manufacturing.

Robotics and 3D printing are two big trends to watch. While robotics have been around for a while, particularly in the automotive industry, look for them to grow in popularity as technology advances around remote monitoring and vision systems. And more manufacturers will be adapting 3D printing as it allows for quicker, less-expensive production. From a construction perspective, we've seen 3D printers used to create everything from public restrooms in China to steel nodes for a lightweight construction project at Arup. But it's taking hold even faster in general manufacturing across all industries. 3D printed products are now being used to create everything from parts for British fighter jets to prosthetic limbs.

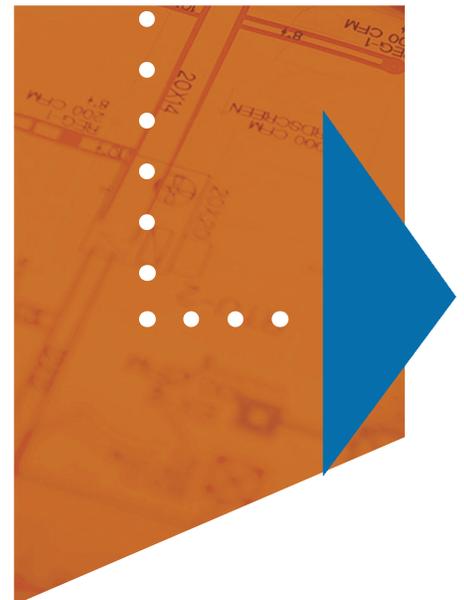
Nearsharing is another technology to consider in 2018. By designing this monitoring system into your manufacturing plant, a remote processor can monitor your machinery 24/7. The process then can alert you when it senses an impending problem and can recommend solutions. With nearsharing you can catch problems early before they slow down or freeze your operations.

One trend that overlaps with the other market sectors discussed in this report is sustainability. While not a new trend, we anticipate more companies will ramp up lean manufacturing efforts to reduce pollution and waste while employing increased renewable energy sources. That will go over well with consumers who are increasingly drawn to earth-friendly products. Perhaps the best news is that once you've invested in green construction and practices, you'll see increased savings on manufacturing costs.



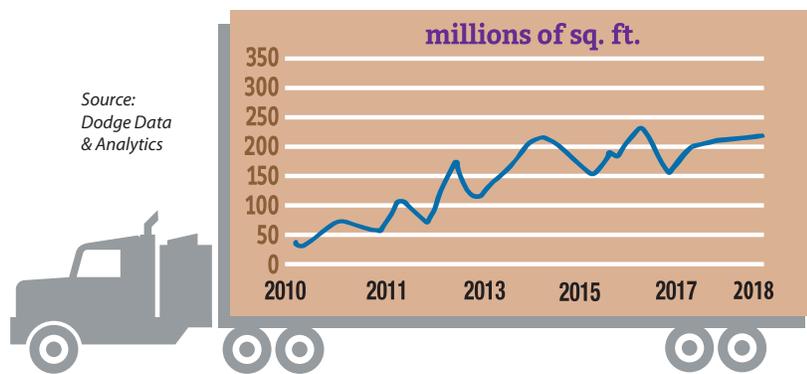
Design and build for these trends:

- Robotics
- 3D printing
- Nearsharing
- Sustainability



Warehousing

As web-based shopping increases (which it is doing rapidly with no end in sight), so does the demand for warehouse space and fulfillment centers. Current demand is outpacing supply to such an extent that Dodge Data & Analytics is forecasting 10 percent growth in warehouse construction starts.



The objective in these new starts is to fulfill orders in faster, cheaper and greener ways, so functionality, safety and productivity will be at the core of their design—along with flexibility to accommodate future growth.

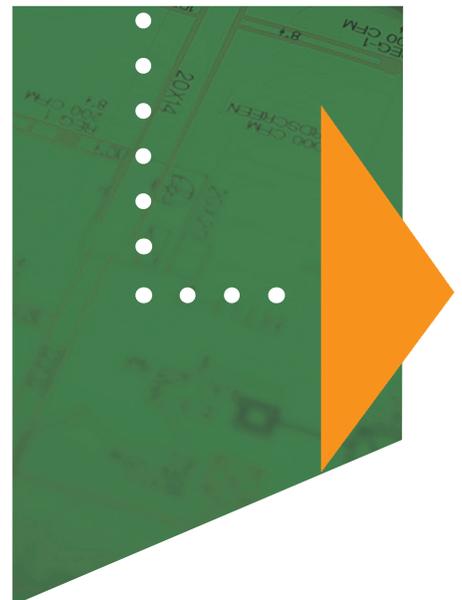
Future growth opportunity is one of the biggest drivers in design right now; think building footprint, knock-out panels in exterior walls.

All of this growth will be to move goods, services and people faster, cheaper, safer and greener, leading to these design and construction trends.



Design and build for these trends:

- Increased automation
- Adaptable space
- Green construction
- Growth capacity
- Office and computer centers
- Loading docks and truck space
- Optimized fire protection (those plastic sleeves are flammable)
- Circulation paths



2018

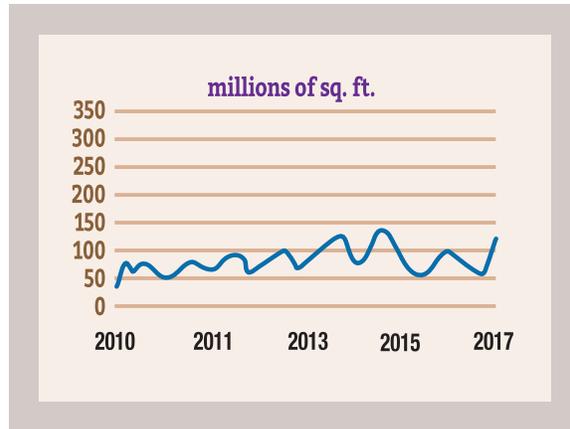
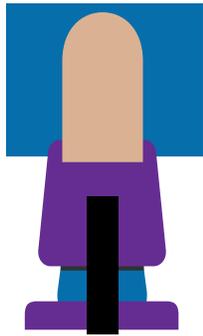
OFFICE SPACE

3%
GROWTH



Offices

The number of private office buildings is expected to continue increasing through 2018, a trend that's the product of the past and the future.



Source: Dodge Data & Analytics



Design and build for these trends:

As the economy has recovered from the 2008-2009 recession, professional services firms, including financial, engineering, computer, marketing and most others, have steadily recovered.

At the same time hordes of talented millennials are coming of age, entering the economy and fueling spending while also creating the need for more staffing and the talent to fulfill those needs.

It's that millennial generation that is driving much of the design and construction now underway and forthcoming as employers are striving to create a work environment that appeals to them. The result: offices are taking on a decidedly new look and feel.

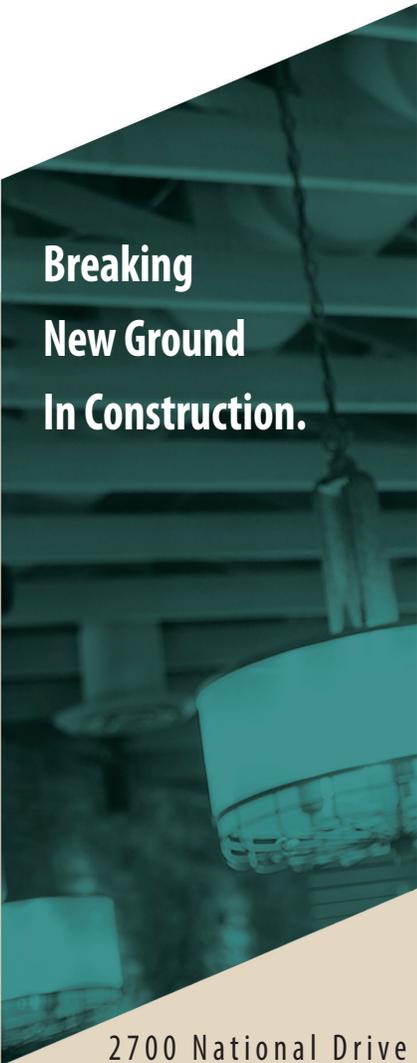
This is a generation that appreciates collaboration and the social aspects of work, but they also value their own quiet space to focus. They are also a generation that tends to work to live, rather than live to work, so incorporating features like a workout space and a gathering spot for social interaction will be key drivers in future design and construction.

- Consolidation to central locations
- Smaller technology = smaller workplaces
- Smaller workplaces = more collaborative work areas
- Natural light and glass walls to let it through
- Bike parking
- Healthy food choices and other wellness-focused spaces
- Lightning-fast internet
- Green construction





www.dbsg.com



Breaking
New Ground
In Construction.

A photograph of a construction site, possibly a ceiling or interior structure, with a teal color overlay. The image shows various pipes, beams, and a large cylindrical object, possibly a duct or pipe, in the foreground.

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