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THE FUTURE, NOW

Autonomous vehicles will force the adaptation of commercial real estate.

The rapid evolution of autonomous vehicle technology has forced real estate investors and developers to consider how their investments, both new and old, may need to adapt. Long an awe-inspiring element of science fiction, driverless cars soon will become more than just Hollywood's picture of the future — they will be picking us up, dropping us off, and parked in our garages.

by Ben Hittman, Esq., and Minta Kay, Esq.

Aaron Foster

As companies like Uber and Lyft pour millions of dollars into driverless car technology, real estate investors now are forced to face a new reality in the transportation demands of consumers. Brad Greiwe, co-founder and managing partner of Fifth Wall, a Los Angeles-based venture capital firm focused on technological innovation in the real estate sector, believes the impact of autonomous vehicles will be industry-changing. “A meteor is going to hit the real estate industry that will fundamentally alter the value and make-up of every asset class,” Greiwe says.

The growth of ride-sharing services has led many consumers to rethink institutions of transportation that for years have guided the development of urban and suburban real estate. As ride-sharing services integrate driverless car technology and become more comfortable, user friendly, and cost effective, many expect car ownership rates to plummet and the average consumer’s reliance on public transportation to fade.

Bringing Innovation

Although automakers have yet to fully implement autonomous vehicle technology, industry experts believe now is the time to adapt. As new developments take shape, investors intent on ensuring a timely and profitable exit have focused their attention on innovative features that future buyers will crave.

For example, Cincinnati’s 84.51° Centre, opened in 2015 and designed by Gensler, was designed to seamlessly

integrate three levels of parking into the structure’s unique facade and extend natural light to the garage so it eventually can be turned into office space. As recently reported in the Los Angeles Times, AvalonBay also has designed parking for a downtown Los Angeles development with driverless cars in mind. The project’s garage space will have level floors, rather than inclined, capable of conversion into internal retail and entertainment space.

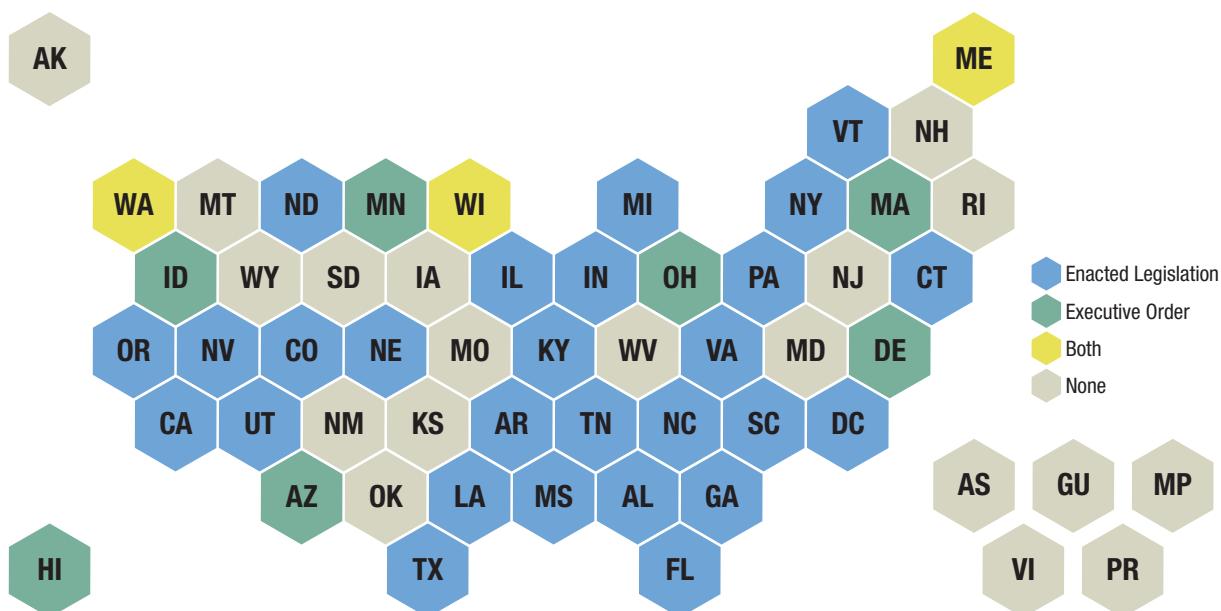
Developments both new and old are being redesigned to accommodate the growth of the sharing economy. “Forward-thinking real estate owners and operators are focused on creating better ingress and egress for shared vehicles,” Greiwe says. “The value of existing malls will come to be driven by mixed uses and entertainment-focused tenancies, and a lot of that will be because of reduced parking, predictive data and the facilitation of shared driving through technological innovation.”

Impact on Real Estate

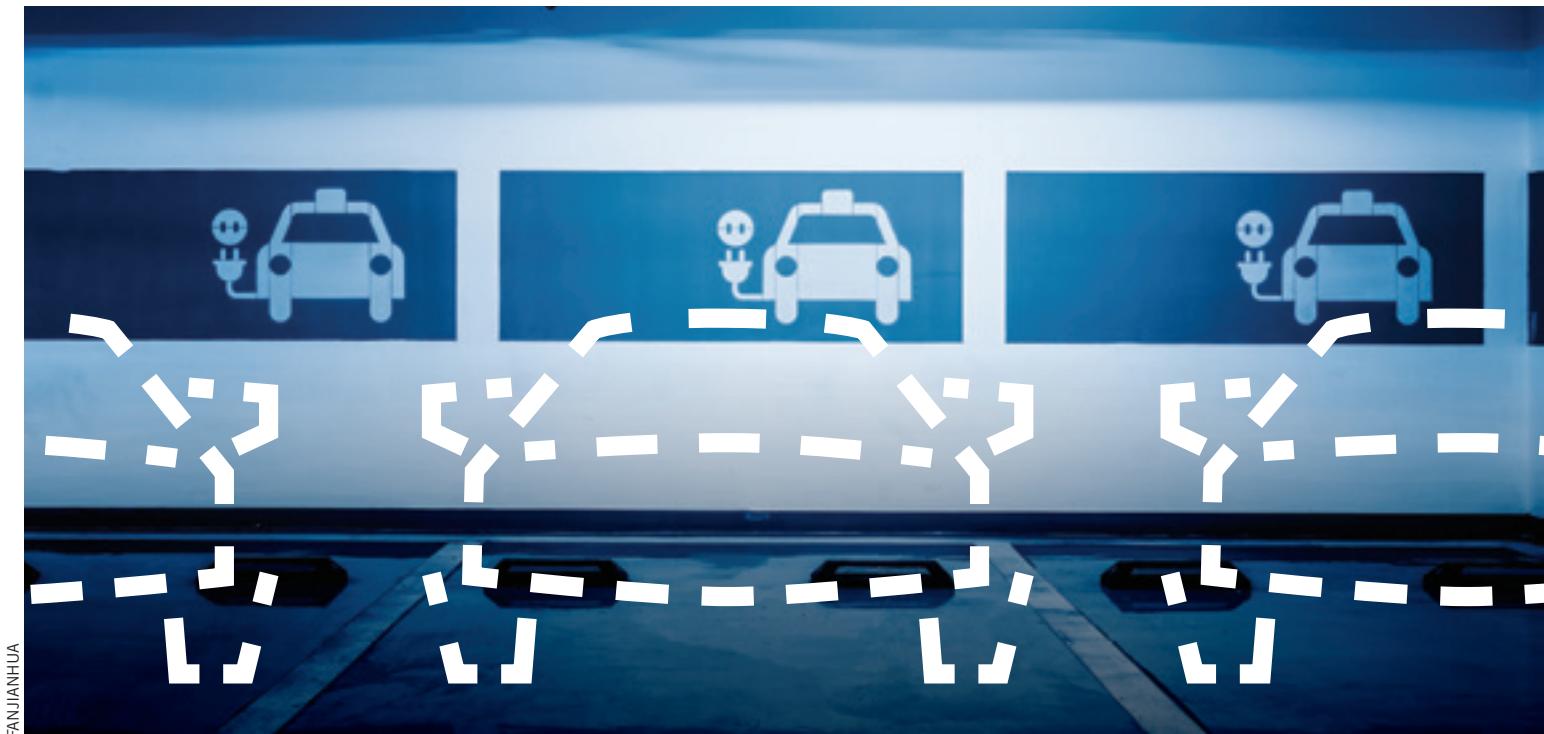
The value of autonomous vehicle technology to the real estate sector is not just in the prevalence and ease of ride sharing. As such technology is perfected, the efficiencies and economics of automated services also may force adaption for investors in industries where real estate is fundamental.

Self-storage facilities that are based on their close proximity to urban centers now are facing competitors that are offering innovative storage solutions that will get even cheaper and easier to use with the introduction of driver-

States with Autonomous Vehicles Enacted Legislation and Executive Orders



Source: National Conference of State Legislatures



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less trucks. Clutter, an online-based on-demand storage service, has won over consumers by offering a level of convenience that has disrupted the industry. Autonomous moving trucks could give Clutter's customers even better access to their stored belongings. "Autonomous vehicle technology is going to change a lot more than just how we commute," says Dustin Rosen, managing partner of Wonder Ventures, a Los Angeles-based investor in Clutter. "Our long-term plan involves the integration of autonomous vehicle technology into Clutter's service."

Built Robotics of San Francisco is another start-up hoping to disrupt a key element of the real estate sector — the construction industry. With funding from New Enterprise Associates and Founders Fund, Peter Thiel's venture capital firm, Built Robotics has developed autonomous construction equipment and complementary software specifically designed for the construction process. Its founders hope to make construction more efficient, productive, and safe by automating a construction project's most critical pieces of equipment.

Despite the speed with which autonomous vehicle technology has advanced, opinions differ among experts as to exactly how and when the driverless revolution will impact commercial real estate. To many, autonomous vehicle technology is not yet precise enough to instill confidence in its safety or consistency. The current reliance of driverless cars on external factors such as painted lanes and overhead signs may limit them to areas where weather is consistently clear.

Industry Adoption

"The accidents will slow down the uptake of autonomous vehicles," says one industry insider. "It will take a full 15 years to be on the other side of all of this."

Some question the place of autonomous vehicle technology in society at large. Will consumers ever be ready to give up control of their vehicles to software potentially susceptible to hacking? How will those who earned a living driving survive in our driverless future? These questions and others temper the optimism of some investors who simply are unable to predict whether society will reject driverless cars or if the technology truly will ever be perfected.

Despite this measure of uncertainty, investors clearly realize the importance of developing flexible, innovative projects to accommodate the growth of autonomous vehicle technology. However, driverless cars are just the beginning. Advancements in the collection and analysis of data and the evolution of artificial intelligence represent the next chapter of technological progress. Some experts believe AI will impact commercial real estate long before consumers are even able to buy driverless cars.

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