



Environmental scanning and futures wheels as tools to analyze the possible future themes of the commercial real estate market



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ARTICLE INFO

Article history:

Received 14 April 2015

Received in revised form 30 October 2015

Accepted 12 December 2015

Keywords:

Commercial real estate market

Trends

Futures research

Forecasting

Futures wheel

Environmental scanning

ABSTRACT

The commercial real estate market is closely linked to the surrounding society, as commercial buildings have several economic, environmental, political, social and cultural influences. Correspondingly, the surrounding society, its actors and the different forces of change appearing in the market environment also have their own influence on the real estate market environment and its future development. However, this connection may be left without the attention it is entitled to and there is a danger that far-reaching decisions concerning commercial real estates will be made without sufficient analysis over possible future development. This paper investigates how the forces of change appearing in the present real estate market environment may affect future commercial real estates and their market environment. The forces of change are identified with an information collection method called environmental scanning known from future studies. After that the possible future influences of the identified forces of change are organized and analyzed with another future studies method called futures wheels. Finally, a holistic synthesis over the mutual future themes of the commercial real estate market is presented: (1) real estate themes: comfort, image, distinctive spaces and elements, technicality, safety and geographical location and transportation connectivity (2) market themes: interaction, demand for services, segregation and need for special knowledge and expertise (3) ideological themes: quality and redefinition of attractiveness, integration of space types, diversified demand and versatility of commercial real estate and owner-occupancy vs. tenancy. The database utilized in the environmental scanning and future wheel processes consists of 400 literary sources and 170 person sources presenting the views of different real estate market actors. Acknowledging the identified future themes is essential when preparing for future development. By being aware, it is possible to carefully study different development paths, their probability, essential factors and above all, the actors' own possibilities to affect future development.

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1. Introduction

Commercial real estates and the society surrounding them have a strong link. A significant amount of capital is bound to real estates and they are a significant cause of costs (FREF, 2011, p. 11; OSF, 2011). Real estates are also a remarkable cause of environmental impacts (Elfving, 2009, p. 28; Niemi, 2009, p. 56; Noponen and Junnilla, 2009, p. 5; UNEP, 2007), and consequently, they are often seen key in solving the environmental challenges set to our society. Real estates are also a physical action environment for many different actions such as working, shopping, living and recreation and consequently they have several political, social and cultural influences. It is clear that real estates affect the surrounding society,

but also the surrounding society, its actors and the different forces of change appearing in the market environment have their own influence on the real estate market and its future development.

Real estate market actors making decisions concerning real estates are not necessarily aware of the forces of change appearing in their action environment and their possible influences on future development. In other words, they are in a situation where they have to make decisions that will have far-reaching consequences due to the long life cycle of real estates without sufficient awareness and needed analysis of possible future development. However, this awareness would be essential since the different forces of change together form a tangled network of reasons and consequences, conflicts and cohesions. By identifying and analyzing these elements, market actors would be more conscious and they would have better prospects of doing far-reaching and sustainable decisions concerning real estates and their market environment.

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The appearance and impacts of different forces of change relevant for the commercial real estate market have been previously studied by several researchers. Several studies concerning the manifestation and drivers of urbanization and its different impacts on land use can be found (Bart, 2010; Chen et al., 2014; Deng et al., 2015; United Nations, 2005; Yue et al., 2013 and Zhang, 2001). Also, there are various studies exploring globalization. Currit and Easterling (2009) have studied drivers of globalization and its effects on land use, while research by Falkenbach and Toivonen (2010) and Vongpraseuth and Choi (2015) concentrate on analyzing the phenomenon of globalization from the real estate investment point of view. In turn, a study by Williams and Shaw (2009) investigates one form of globalization: tourism and its impacts on land use. Environmental pressure is also a force of change that has previously been discussed in several studies. Researchers de Francesco and Levy (2008) as well as Sayce et al., 2007 concentrate on drivers and impacts of environmental pressure appearing in the real estate investment market environment, while the research by UNEP (2007) analyses the phenomena and its connections to real estates in a wider context. In turn, aging population is a force of change that is covered in the research conducted by Kroll and Haase (2010). They examine the relationship between demographic changes and land use changes.

While commercial real estates are also an action environment for business, consumption and working, studies exploring these issues can be relevant when analyzing the possible future development of commercial real estates. For example, Mikkonen-Young (2005), Williams (2008), and Raiborn and Butler (2009) have studied the development of working. The results from these studies can be used to estimate the demand of commercial space. Similarly, the studies concerning the development of transportation are of great interest due to the fact that physical location is still often seen as an inseparable and vital characteristic of commercial real estates. The studies by Heinonen (2000, 2006) tackle issues such as the development of transportation and urban structure and future mobility (see also Schafer and Victor, 2000). Talvitie (2003) in turn studies the impacts of communication technology on land use.

The above mentioned studies investigating the drivers, appearance, and impacts of the different forces of change can be used when trying to foresee the possible future development of the commercial real estate market. However, while offering valuable information over individual forces, they have not analyzed the market environment as a target of several simultaneous forces and their impacts. Moreover, many of these studies concentrate on analyzing past development or the current situation and less frequently tackle the possible future influences of the investigated phenomena. Only one study exploring several different forces can be found (Toivonen, 2011). Therefore, it can be stated that there is a lack of research concerning the combined effects of the different forces of change appearing in the commercial real estate market environment. A holistic view is important because with separate and narrow scoped studies, the combined effects of different forces are difficult to estimate. Hence, it remains unclear if the different forces have reversing effects when put together or if some development directions are only confirmed by studying multiple forces. A holistic view also imitates reality better because the formation of the future commercial market is rather a sum of many different objectives, events and drivers set by the surrounding society, its market actors and different forces than development taking place in a vacuum.

This paper aims to identify common future themes of the commercial real estate market by investigating the possible future influences caused by the forces of change appearing in the present real estate market environment. With the help of futures studies methods, environmental scanning and futures wheel, this paper concentrates to offer a holistic view that is a result of many different forces of change leading to a similar direction. The study

concentrates especially on the commercial real estate market of the Helsinki Metropolitan Area (HMA).

2. Study design

The introduction explained why a holistic approach is essential when foreseeing future development. This chapter introduces how the study revealing the future themes was conducted. This paper is a part of a bigger research entity. The research entity consists of three different levels: (1) Identification of the forces of change affecting the commercial real estate market conducted with environmental scanning, (2) Analysis of the possible influences of every specific force of change with futures wheels, (3) Synthesis of common future themes of the commercial real estate market revealed by the wheels. The different forces of change appearing in the commercial real estate market have been previously identified by Toivonen (2011) and Toivonen and Viitanen (2015). This paper presents shortly the forces of change but focuses on analyzing the possible influences caused by the forces, and on the synthesis of these influences by forming the future themes of the commercial real estate market. The synthesis part of the research is seen very important because it not only focuses on some individual phenomenon but rather forms a holistic synthesis of the elements that are seen to be important in the future market environment. Next, the paper describes the utilized database and research methods. Afterwards, the paper concentrates on explaining how the synthesis of the possible influences was conducted to form the future themes.

2.1. Environmental scanning

The forces of change affecting the commercial real estate market environment were studied with environmental scanning (ES). ES is a future research method that collects information from the environment under examination (Gordon and Glenn, 2009). This study refers to 'the environment' as the sociocultural, political, ecological and economical entirety where the actions of the commercial real estate market are happening. This market environment includes different resources such as finances and infrastructure but also actions of different market actors such as space occupants, owners, investors, and public parties and their interactions (see Rubin, 2014). With ES the different forces of change are identified, followed and analyzed from the market environment by investigating different data sources (Rubin, 2002, p. 904). This is seen important because the future is formed and shaped by the forces of change appearing in the market environment. The forces of change differ by their nature and magnitude, but they also differ by how recognizable they are by the different market actors (Gordon and Glenn, 2009; Heinonen, 1993, p. 106; Heinonen, 1995, p. 16; Hietanen et al., 2002, p. 416).

Naisbitt (1984) is one of the most known researcher utilizing ES in his studies. By using ES he identified megatrends that he proposed to be essential for future development (see also Naisbitt and Aburdene, 1990). The ES method has also been appreciated by the business sector and several studies investigating ES activities of enterprises can be found (Babatunde and Adebisi, 2012; Bhardwaj and Kumar, 2014; du Toit, 2015). In the studies by Toivonen (2011) and Toivonen and Viitanen (2015) ES was utilized to identify the forces of change shaping the future commercial real estate market. ES is stated to suit well for studies investigating phenomena that are significant for human wellbeing and for studies monitoring and controlling development paths of phenomena (Bell 2003, p. 295). Therefore, the method is expected to suit the investigation of the commercial real estate market. Real estates have significant and versatile impacts on their surrounding environment. For example,

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