

The \$25 Trillion Land Grab

by *Paul Kaihla*

November 1, 2005

There has been an impressive amount of construction in the United States over the last three centuries: All told, we've built more than 300 billion square feet of homes, offices, factories, and other structures. But according to new studies from the Brookings Institution and Virginia Tech urban planning professor Robert Lang, we're about to pick up the pace--it will take just 25 years to erect the next 200 billion square feet, which we'll need to accommodate 70 million more people and to replace homes and offices erased by everything from disasters like Hurricane Katrina to plain old obsolescence.

If you think the real estate boom of the past decade was bounteous, peek a little further over the horizon: Researchers estimate that the massive buildout will constitute a \$25 trillion development market by 2030, more than twice the size of the entire U.S. economy today. According to Lang, the bulk of that money will flow into 10 major metro regions he has christened "megapolitans." On the following pages, we've assembled exclusive growth forecasts for each of these regions and--based on interviews with dozens of regional planners, developers, and investors--identified the savviest angles to play in the near and long term.

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CASCADIA • SEATTLE • PORTLAND

NEW PEOPLE: 2.2M (+38%) NEW JOBS: 920,000 (+27%) NEW HOMES: 1.2M units (+41%) NEW OFFICE SPACE: 2.8M sq. ft. (+124%)

Vast quantities of cheap, prime greenfield surrounding Seattle, Portland, and Eugene give the Northwest megapolitan explosive growth potential. By 2030 the three metro regions will be intertwined.

KEY DEMOGRAPHIC SHIFT: The Asian population will more than triple; the number of seniors will double.

NEW GROWTH INDUSTRY: Seattle will become one of three global hubs for bioinformatics startups.

BEST BUSINESSES TO START: Architectural firms catering to green developers.

BEST RESIDENTIAL REAL ESTATE BET: \$200,000 homes in small towns 30 minutes outside Portland, beyond the urban-growth boundary.

BEST COMMERCIAL REAL ESTATE BET: Retail or office space around Snoqualmie Ridge, one of three "urban villages" in early development near Seattle.

GOVERNMENT CARROT: Oregon's new property-rights law, which opens the door to more rural development.

IT'S ALREADY TOO LATE TO ...: Speculate on Paul Allen's Seattle redevelopment project, South Lake Union.

NORCAL • SACRAMENTO • SAN FRANCISCO

NEW PEOPLE: 4.3M (+35%) **NEW JOBS:** 2M (+39%) **NEW HOMES:** 1.3M units (+29%) **NEW OFFICE SPACE:** 4.4M sq. ft. (+121%)

The action is moving east from the Bay Area: The Sacramento metro region will build more housing and office space in the next 25 years than any other Western megapolitan city except Las Vegas.

KEY DEMOGRAPHIC SHIFT: Flight of skilled workers from the Bay Area to the region's cheaper exurbs.

NEW GROWTH INDUSTRIES: NorCal will host a neurotechnology industry that marries pharmaceuticals and computers; artificial intelligence startups will likely flourish.

BEST BUSINESSES TO START: New Central Valley towns have an across-the-board demand for everything from restaurants to hospices and hotels.

BEST RESIDENTIAL REAL ESTATE BET: \$340,000 homes in and around Merced, home to the newest University of California campus. Estimated student population in 2030: 25,000.

BEST COMMERCIAL REAL ESTATE BET: Vulture acquisition of property owned by old, declining industrial businesses in the Bay Area, for pennies on the dollar.

GOVERNMENT CARROT: The new stem-cell research center in San Francisco, which will control \$3 billion in state funding over 10 years.

IT'S ALREADY TOO LATE TO ...: Nab a condo in one of two luxury towers due to break ground soon in Sacramento's downtown. The waiting list is impossibly long.

SOUTHLAND • LOS ANGELES • LAS VEGAS

NEW PEOPLE: 8M (+35%) NEW JOBS: 3.7M (+40%) NEW HOMES: 2.7M units (+35%) NEW OFFICE SPACE: 8.3M sq. ft. (+115%)

Trade with China through the country's largest port, Los Angeles, will fuel a boom in logistics, warehousing, and distribution centers for companies like Target. New military and space programs will do for the Southland what the Internet did for NorCal in the 1990s.

KEY DEMOGRAPHIC SHIFT: By 2020, male illegal immigrants from Mexico will likely make up more than 10 percent of the Southland's workforce; no other megapolitan comes close to having this supply of cheap labor.

NEW GROWTH INDUSTRY: With freight volume projected to triple by 2030, warehouse builders will become the fastest-growing commercial developers in the region.

BEST BUSINESSES TO START: Upscale restaurants near I-15 in San Bernardino County, to give future suburbanites a taste of something better than fast food.

BEST RESIDENTIAL REAL ESTATE BET: \$325,000 still gets you a 2,300-square-foot house in Apple Valley, one of dozens of suburban boomtowns emerging east of Los Angeles.

BEST COMMERCIAL REAL ESTATE BET: Parking lots in downtown Los Angeles for tomorrow's high-rise redevelopments.

GOVERNMENT CARROT: Billions in local, state, and federal funding that will be used to build 150 miles of truck-only express lanes in Los Angeles, Orange County, and the Inland Empire by 2020.

IT'S ALREADY TOO LATE TO ...: Buy raw land around Las Vegas for sprawl development; prices are soaring because it's hemmed in by federally owned property.

VALLEY OF THE SUN • PHOENIX • TUCSON

NEW PEOPLE: 3.9M (+82%) NEW JOBS: 1.3M (+63%) NEW HOMES: 940,000 units (+54%) NEW OFFICE SPACE: 2.1M sq. ft. (+156%)

This is the smallest megapolitan, but the one with the greatest supply of raw, buildable land at the lowest prices--one reason it will soon be the fastest-growing metro region in the country. The big draw: a Palm Springs lifestyle for the masses at a substantial discount.

KEY DEMOGRAPHIC SHIFT: Phoenix will remain the top destination city for Americans moving from other states.

NEW GROWTH INDUSTRIES: Higher education and biotech research; big-box malls; laser and high-energy weapons engineering.

BEST BUSINESSES TO START: Fast-food, coffee, and retail establishments in Maricopa, another edge city set to boom.

BEST RESIDENTIAL REAL ESTATE BET: A house in a virgin subdivision like Verrado, undervalued because stores and office parks aren't yet built.

BEST COMMERCIAL REAL ESTATE BET: Acreage bordering luxury-home developments announced by prestigious builders like Phoenix's DMB.

GOVERNMENT CARROT: Expansion at Arizona State University, which will increase its enrollment by 50 percent to 90,000 students and generate more than 10,000 new jobs by 2020.

IT'S ALREADY TOO LATE TO ...: Buy land you think will become a future freeway interchange. Investors have gobbled up acreage along I-10 as far as 65 miles west of Phoenix.

I-35 CORRIDOR • SAN ANTONIO • DALLAS • KANSAS CITY

NEW PEOPLE: 6.4M (+40%) **NEW JOBS:** 3.3M (+45%) **NEW HOMES:** 2.8M units (+46%) **NEW OFFICE SPACE:** 6.6M sq. ft. (+130%)

No region better captures and caters to the Latino population boom. A new generation of Hispanic business owners and industrialists will drive the growth, and the area will become a magnet for foreign firms trying to cash in on the U.S. Latino market.

KEY DEMOGRAPHIC SHIFT: Dallas's Caucasian population will jump 30 percent over the next two decades as relatively cheap real estate draws more people willing to move from overpriced markets in other states.

NEW GROWTH INDUSTRIES: Thanks to deregulation and subsidies, Texas will be the country's new base for wind power. Auto manufacturers will move operations here to capitalize on cheaper labor.

BEST BUSINESSES TO START: Parts and components subcontractors to major suppliers for Toyota's new San Antonio plant.

BEST RESIDENTIAL REAL ESTATE BET: Starter homes and townhouses in Latino neighborhoods of Dallas and San Antonio.

BEST COMMERCIAL REAL ESTATE BET: Land along I-35 north of Dallas, where new edge cities are leapfrogging each other.

IT'S ALREADY TOO LATE TO ...: Invest in waterfront homes on the many lakes surrounding Austin. The lots are full, and prices have peaked.

GULF COAST BELT • HOUSTON • NEW ORLEANS

NEW PEOPLE: 3.8M (+31%) NEW JOBS: 2M (+38%) NEW HOMES: 1.5M units (+34%) NEW OFFICE SPACE: 4.8M sq. ft. (+120%)

Hurricane Katrina will for decades exaggerate a divide at the Texas-Louisiana border between the region's richer western section and the poorer eastern one. Surrounding megapolitans will enjoy spillover growth because of the Gulf Coast Belt's higher risk premium.

KEY DEMOGRAPHIC SHIFT: By 2015, Houston will have one of the nation's highest surges in workers under age 25 and retirement-age boomers wanting to downsize.

NEW GROWTH INDUSTRY: Homeland security technologies will emerge around Louisiana's complex of ports.

BEST BUSINESSES TO START: Law firms, accounting shops, or restaurants in the Texas "borderplex" that cater to U.S. companies with maquiladora factories south of the border.

BEST RESIDENTIAL REAL ESTATE BET: Houses on hills in Baton Rouge. Its population has more than doubled since Katrina. Those who can afford to stay will be buying.

BEST COMMERCIAL REAL ESTATE BET: Discounted industrial property that should bounce back with a rebound in port traffic for oil and other commodities.

GOVERNMENT CARROT: New coastal infrastructure, courtesy of the U.S. Army Corps of Engineers.

IT'S ALREADY TOO LATE TO ...: Buy New Orleans warehouse space that escaped damage. FEMA contractors and other infrastructure providers are renting out the properties.

GREAT LAKES HORSESHOE • CHICAGO • DETROIT • PITTSBURGH

NEW PEOPLE: 4M (+10%) NEW JOBS: 3.2M (+17%) NEW HOMES: 2.5M units (+16%) NEW OFFICE SPACE: 14M sq. ft. (+94%)

Hit hard by manufacturing's decline, the constellation of Northern industrial cities is morphing into a service-economy region and will draw a flood of immigrants.

KEY DEMOGRAPHIC SHIFT: With the smallest percentage of baby boomers of all the megapolitans, this region will have one of the most plentiful prime-age workforces for the next two decades.

NEW GROWTH INDUSTRY: Third-party logistics contractors that manage supply chains for companies ranging from carmakers to retailers.

BEST BUSINESSES TO START: Retail stores and restaurants in Latino enclaves like Chicago's Little Village.

BEST RESIDENTIAL REAL ESTATE BET: Elburn, Ill., a tiny Chicago suburb set to boom after a commuter rail extension is completed by year's end.

BEST COMMERCIAL REAL ESTATE BET: Joliet, an old steel-mill boomtown on the Des Plaines River and the hub of Will County, is expected to be among Illinois's fastest-growing towns in the next quarter-century.

IT'S ALREADY TOO LATE TO ...: Redevelop a lot within Chicago's Loop; Trump was one of the last to move in.

ATLANTIC SEABOARD • BOSTON • NEW YORK CITY • WASHINGTON

NEW PEOPLE: 6.2M (+12%) **NEW JOBS:** 5.9M (+24%) **NEW HOMES:** 3.4M units (+17%) **NEW OFFICE SPACE:** 17.2M sq. ft. (+98%)

The country's most heavily populated megapolitan braces for another boom. Where will most of the development go? Up: Urban infill will outstrip suburban growth.

KEY DEMOGRAPHIC SHIFT: Native residents will leave for the Sun Belt, but the loss will be offset by newcomers from abroad.

NEW GROWTH INDUSTRIES: New York City and Boston will be hotbeds of quantum computing and encryption.

BEST BUSINESSES TO START: For-profit colleges and professional schools located near major cities.

BEST RESIDENTIAL REAL ESTATE BET: A \$325,000 house in Lehigh Valley, Pa., and not just because it has some of the cheapest land in the region. The area is becoming a medical-devices, health-care, and distribution hub.

BEST COMMERCIAL REAL ESTATE BET: Ripping down old big-box malls and converting them into denser developments with offices, shops, and condos.

IT'S ALREADY TOO LATE TO ...: Buy and flip monster homes in the exurbs, where prices are stagnating.

I-85 CORRIDOR • RALEIGH-DURHAM • ATLANTA

NEW PEOPLE: 7M (+35%) **NEW JOBS:** 3.4M (+38%) **NEW HOMES:** 3.1M units (+40%) **NEW OFFICE SPACE:** 7.7M sq. ft. (+120%)

The 410-mile stretch from Atlanta to Raleigh is fast becoming a contiguous strip of McMansions and McDonald's. As textile manufacturing fades, consumer banking in Charlotte, telecom in Atlanta, and high-tech in the Raleigh-Durham Research Triangle drive the growth.

KEY DEMOGRAPHIC SHIFT: Elsewhere, Latino arrivals join already thriving communities. Here they'll be building neighborhoods from scratch.

NEW GROWTH INDUSTRY: Food and nutrition-product startups emerging from a planned \$1 billion biotech research hub outside Charlotte.

BEST BUSINESSES TO START: Distribution firms to handle the inflow of Chinese imports via Savannah and other regional ports; home-health-care centers catering to seniors.

BEST RESIDENTIAL REAL ESTATE BET: A \$215,000, two-bedroom home in Fieldstone, an up-and-coming neighborhood in north Durham.

BEST COMMERCIAL REAL ESTATE BET: Parcels along I-85 in rural North Carolina that will become part of a planned tech-research park to support the Research Triangle.

GOVERNMENT CARROT: Long-term tax perks for new industrial tenants like Dell.

IT'S ALREADY TOO LATE TO ...: Buy a teardown in Atlanta's Midtown West neighborhood and build a dream home close to downtown. Big developers are already moving in.

SOUTHERN FLORIDA • TAMPA • MIAMI

NEW PEOPLE: 7.5M (+52%) **NEW JOBS:** 3.4M (+55%) **NEW HOMES:** 3.3M units (+57%) **NEW OFFICE SPACE:** 6.2M sq. ft. (+136%)

The state posted the nation's highest job growth last year, as baby boomers from the North poured in to take advantage of the job market and climate. Land scarcity will drive urban growth.

KEY DEMOGRAPHIC SHIFT: The 65-and-up population will continue to swell, doubling by 2025.

NEW GROWTH INDUSTRIES: Florida will lead the nation in health care for the

elderly; Scripps Research Institute will seed a biotech cluster with its new research center based in West Palm Beach.

BEST BUSINESSES TO START: Sports bars or national fast-food franchises near new residential developments outside Bradenton and Sarasota.

BEST RESIDENTIAL REAL ESTATE BET: Preconstruction condo units between Venice and Tampa, where demand is so high that builders hold lotteries.

BEST COMMERCIAL REAL ESTATE BET: Inland lots in Manatee County, where cities will bloom by 2010.

GOVERNMENT CARROT: An oldie but a goodie: no state income tax.

IT'S ALREADY TOO LATE TO...: Make easy money owning a for-profit nursing home. Rising insurance costs are killing margins.

SOURCES: Population, employment, and real estate growth forecasts by Robert Lang and Arthur Nelson of the Metropolitan Institute at Virginia Tech and Phil Hopkins of Global Insight. Regional economic and investment outlooks based on more than 90 interviews with national and regional planners, real estate investment trusts, real estate developers and brokers, public policy experts, government and local officials, and businesses; demographic data from Woods & Poole Economics and Pew Hispanic Center. Additional reporting by Giselle Velazquez.