

SMITHGROUP

DESIGN-DEVELOPMENT *NEXUS*

A JOURNEY OF  
INNOVATION &  
RESILIENCE









## INTRODUCTION

In late 2024, SmithGroup hosted its much-anticipated Design-Development Nexus, an event that brought together leaders from our corporate and commercial market, along with real estate executives, developers, brokers, and specialists from across the nation. This gathering aimed to inspire and empower industry leaders to explore new possibilities, embrace innovation, and leverage transformative opportunities to shape the future of real estate development.

## DEVELOPMENT TRIUMPHS

We asked each attendee to share their biggest wins for 2024. This section highlights the development-related triumphs from our clients, along with other notable achievements in standards, guidelines, and experimentation.

One of the standout success stories highlighted at the event was the remarkable transformation of Sherwood Mall in Stockton, California. Spearheaded by Justin Long, the Founding Partner at [3R Development Partners](#), in partnership with Brixton Capital, this project saw the mall, once in decline, converted into a vibrant power center. By turning the mall inside out and integrating large-scale retailers like Burlington and Sprouts, the redevelopment has revitalized the area, achieved nearly 100% occupancy and increased its value significantly. This project serves as a testament to the potential of creative redevelopment strategies in breathing new life into aging retail spaces.

Taking it a step further into adaptive reuse, seasoned developer, Jed Howbert's biggest win was breaking ground on the redevelopment of the original Cadillac factory in Detroit. Designed by George Mason in 1905, the

historic property will be converted into 95 contemporary apartments. Additionally, Howbert has expanded his multi-family portfolio by acquiring more than 600 distressed apartments in Lansing, Michigan.

Another significant achievement discussed was the ambitious [California Forever](#) initiative led by Anyé Spivey, Head of Development Planning. This project aims to build a climate-resilient, net-zero community of 400,000 people in Solano County, California. The initiative not only seeks to provide middle-income housing and create a live/work/play environment but also aims to bring jobs to the county.

[IQHQ's](#) Elco Yards project, presented by Jeff Oesterblad, Senior Vice President of Leasing, showcased the potential of life science and office campus developments. This 700,000 square foot, four-building property in the San Francisco area has already secured one of the largest leases of 2024 with a prominent medical research company. Despite the challenges in the commercial real estate market, the success of Elco Yards underscores the enduring demand for well-designed, speculatively built life science spaces.

## STANDARDS VS. EXPERIMENTATION

The push and pull of standards versus experimentation was a recurring theme at the event. Companies are continually balancing the need for established guidelines in some areas while embracing innovative and experimental approaches in others, leveraging AI and data to drive decisions.

One standout example is a luxury apartment redesign by [Carr Properties](#) in Alexandria, Virginia. Faced with escalating construction costs, the team reimagined the project from a conventional concrete structure to a 5-over-3 stick-built podium design, making the project economically viable. This shift required a change in key team members, including the general contractor and structural engineer, and addressed concerns about acoustics and lifespan. Despite initial resistance, this bold move allowed the project to proceed, exemplifying how rethinking investment strategies can lead to successful outcomes.

Another innovative approach was highlighted by [Moderna](#), which invested in a new headquarters in Cambridge, Massachusetts. Despite high attendance, the space was not utilized as expected. Moderna implemented sensor technology to monitor space usage and employed AI to analyze data, quickly iterating scenarios that would have taken analysts weeks to process. This allowed Moderna to experiment and measure the impact of new configurations, such as replacing costly folding doors with meeting pods, to optimize the use of their facilities.

These instances underscore the significance of adopting a hybrid strategy of standardization and experimentation. By establishing centralized and standardized engineering management, companies like [Becton Dickinson](#) have minimized capital outlay and driven down costs. Concurrently, they embrace a minimalist, fit-for-purpose design in their facilities, from manufacturing to research and development and sterilization, to meet product and regulatory requirements while controlling expenses. This dual approach ensures resilience and adaptability, key themes that resonated throughout the event.



## CHALLENGES IN THIS DYNAMIC PERIOD

When we asked our client attendees about their biggest challenges heading into 2025, a variety of pressing issues emerged. The dynamic landscape of the commercial real estate market has created a host of obstacles that professionals must navigate. Among the most significant concerns were rising vacancy rates, evolving tenant demands, and the need for sustainable and adaptable design solutions. These insights not only highlight the complexities our clients face but also underscore the importance of innovative and resilient strategies as we look towards the future.

The commercial real estate market has faced significant challenges throughout the year. Vacancy rates have surged to 20-30%, particularly concentrated in mid-city blocks and older properties. This trend has been exacerbated by a pronounced flight to quality, with businesses prioritizing premium spaces as they balance return-to-work strategies with densification efforts. Consequently, tax revenues have plummeted, and commercial property values have declined by 30-60%.

The life science market, as highlighted by Jeff Oesterblad from IQHQ, is also experiencing oversupply issues. High tenant improvement (TI) costs and increasing vacancy rates have become prevalent. Despite these challenges, there remains a strong demand for quality spaces, though the financial strain on the market is evident.



**Commercial office assessments are plummeting by 20-50-percent. Cities will soon face significant budget shortfalls, prompting planners to accelerate the conversion of these obsolescent buildings.**

**JASON BOCKENEK**  
**CARR PROPERTIES**







## FUTURE-FOCUSED WITH HART BROWN

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The Design-Development Nexus event featured a compelling keynote address by Hart Brown, CEO of Future Point of View. Brown's thought-provoking insights highlighted three pivotal themes poised to revolutionize the commercial real estate landscape. Here are the key takeaways that challenge conventional thinking and signal a dramatic shift in our industry:

### **AI REVOLUTION: EMBRACE OR BE LEFT BEHIND**

Brown boldly asserted that the integration of Artificial Intelligence (AI) is not a distant future but an immediate imperative. Companies must decide whether to invest in AI now or risk becoming obsolete. AI's potential to enhance efficiency, reduce costs, and fundamentally transform operations is unparalleled. Brown's message was clear: those who fail to leverage AI will be outpaced by competitors who do. The commercial real estate sector, in particular, must innovate or face inevitable decline.

### **POWER AND INFRASTRUCTURE: THE NEW BATTLEGROUND**

The rapid advancement of AI and digital technologies has placed unprecedented demands on energy and infrastructure. Brown highlighted a looming crisis: our current power grid is insufficient to sustain the growth of AI. The race is on to develop energy-independent buildings and resilient infrastructures. The future belongs to those who can balance technological demands with environmental stewardship.

### **GLOBAL MIGRATION AND TALENT WARS**

As geopolitical landscapes shift, Brown predicted a significant migration of talent and companies to the United States, driven by regulatory flexibility and technological infrastructure. This migration will be a double-edged sword, offering opportunities for growth while intensifying competition for skilled labor. Firms must strategically position themselves to attract top

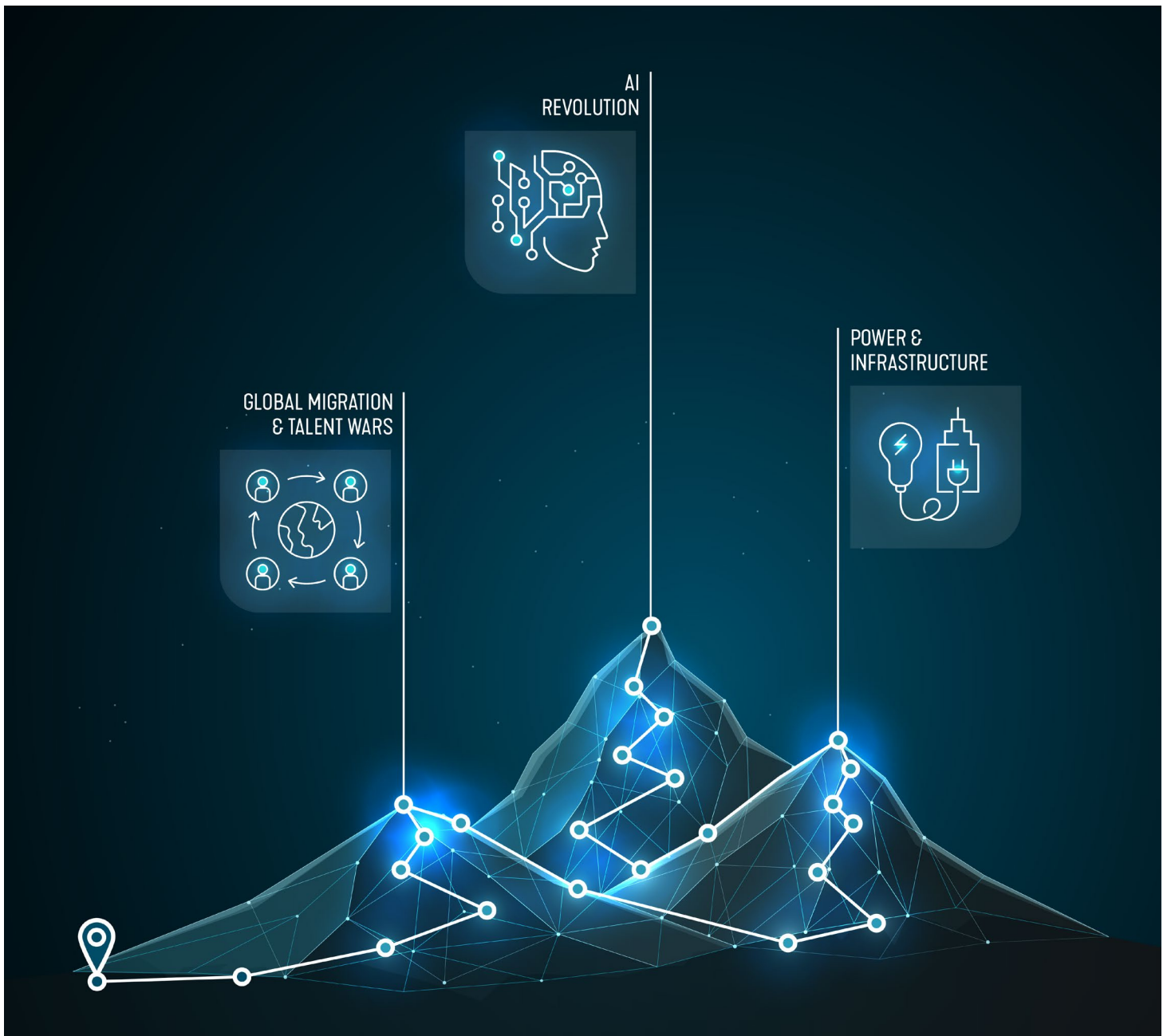
talent and capitalize on this influx. The commercial real estate sector will play a critical role in providing the innovative, adaptable spaces needed to support this new wave of professionals.

Brown's keynote underscored the urgency for proactive adaptation in the commercial real estate industry. The path forward is fraught with challenges, but also brimming with opportunities for those bold enough to seize them.



**I understand we have to go through all of the different elements of psychology and sociology in the human condition, but at the end of the day, we have to solve problems.**

**HART BROWN**  
**FUTURE POINT OF VIEW**



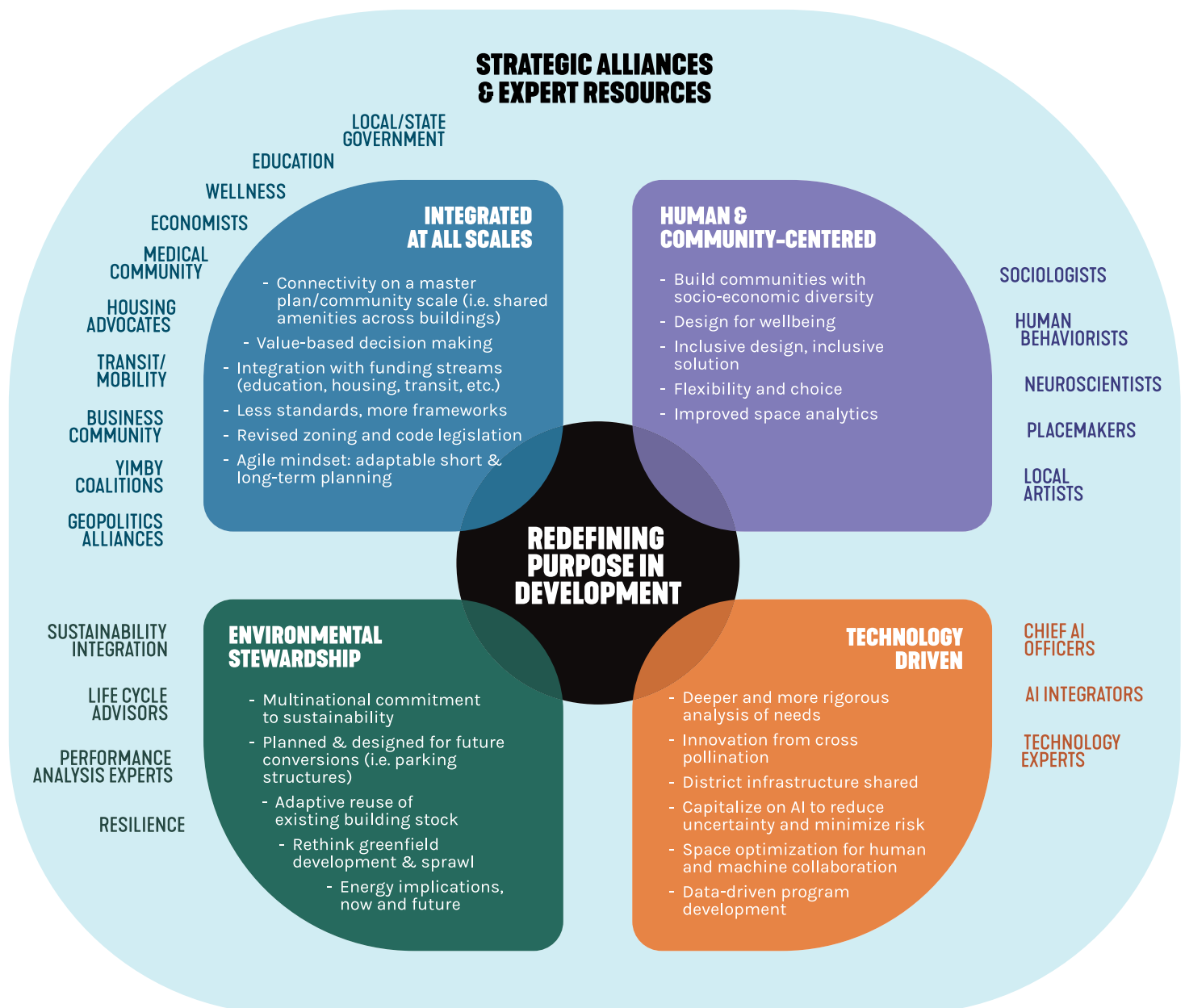
# REDEFINING PURPOSE IN DEVELOPMENT

As we navigate the complexities of modern development, it is imperative for the real estate, design, and development industries to evolve and redefine its collective purpose. The insights from the workshop portion of the event have set the foundation for this transformative journey.

First, participants were asked to reimagine our purpose and approach to have a broader impact on our future. Second, participants were asked to reimagine

partnerships and necessary alliances at both global and local scales and identify key players from diverse fields who can contribute to achieving the envisioned future.

The results from this workshop are vast and broad. Ideas, concepts, and strategies are summarized in the graphic below. In short, we must adopt a broader, more collaborative approach that transcends traditional practices, embracing innovation and strategic alliances. Continue reading for more insights.





## ADAPTING WITH CHANGE: FROM REACTIVE TO PROACTIVE

Historically, our industry has concentrated on creating tangible outcomes, similar to creating rocks. However, Alexis Kim, Senior Workplace Strategist from SmithGroup, encourages us to consider a more profound metaphor: moving water that forms rocks. This shift in perspective urges us to influence broader societal changes proactively rather than merely reacting to immediate needs. By adopting this mindset, we can foster innovation and amplify the impact of our design development practices.

Climate change, geopolitical shifts, and rapid technological advancements underscore the necessity for resilience. Bob Varga, Design Principal from SmithGroup, highlighted the impacts of hurricanes and other unpredictable events, illustrating the interconnectedness of our global environment. It is evident that our future-proofing strategies must prioritize flexibility and long-term sustainability.

Innovation through cross-pollination and new tools and technology, such as generative AI and machine learning, will propel our industry forward. Whether it involves analyzing spaces holistically, leveraging AI to predict usage and minimize risks, or aiding in complex energy modeling and generative design, these tools will enable us to design and construct more efficiently and sustainably. As Hart Brown articulated, we must invest in AI now or face the risk of obsolescence.



## IMPACT ON POLICY AND PROCESS: THE PATH TO BETTER DECISION-MAKING

To enable forward-thinking development and a redefined approach within the industry, it is crucial to reconsider policies related to zoning, construction types, and codes that limit opportunities.



**The commercial real estate industry needs to collaborate with local governments from a policy perspective so we can use the existing building stock in new and improved ways.**

**EMILY FAIRFIELD  
GARDINER & THEOBALD**

For instance, local codes typically prohibit residential uses in commercially zoned areas, making office-to-residential conversions difficult without a variance. The regulatory uncertainty, high conversion costs, and lengthy process discourages interested developers.

Improved decision-making processes, guided by ethics advisors and value-based frameworks, will become essential. Can generative AI and machine learning enhance feedback loops and generate/test scenarios at different scales to help determine better outcomes? Imagine gathering data on usage, energy, and feedback from buildings, communities, and districts. Establishing global principles that can be applied at the neighborhood, district, and regional levels will create meaningful, lasting change.

Equitable transit access is another key component, particularly in larger developments, that would benefit from policy reform. A recent example, [The Connected Communities Ordinance](#), passed by the City Council of Chicago, aims to stimulate equitable development near public transit, create jobs, enhance pedestrian safety, and promote affordable housing options, particularly focusing on the South and West sides of the city. Collaborating with regional government entities to build consensus is vital for directing future initiatives. Engaging with boards

that have diverse backgrounds will help bridge challenges and ensure comprehensive solutions are developed and focused on the triple bottom line – measuring the social, environmental, and economic impact.

## NEW COALITION THROUGH STRATEGIC ALLIANCES

To achieve these ambitious goals, forming strategic alliances across various sectors and for extended time horizons is essential. Long-term collaborations will be the norm, allowing for holistic innovations to be more readily considered and implemented.

Collaborations between commercial and housing developers can result in integrated communities that balance work, living, and recreational spaces. These partnerships can foster developments that cater to diverse needs, ensuring sustainable and inclusive urban growth.

Engaging in geopolitical alliances can help us influence and reform regulatory frameworks that currently impede innovative solutions. By working together, we can advocate for policies that support adaptive reuse of buildings, such as converting office spaces into multi-family housing or data centers, thus responding to evolving market demands while addressing the current building stock and vacancy rates.

Forming partnerships with K-12 and higher education institutions is vital for ensuring quality education at scale and talent development. These collaborations can help create a workforce equipped with the skills needed for future development challenges. By integrating real-world experiences into educational curricula, we can prepare students to contribute meaningfully to the industry.

Regular engagement with a sustained network of external experts, such as neuroscientists, psychologists, and sociologists, is crucial for designing people-centered spaces that enhance well-being and inclusiveness. Tackling complex challenges can benefit from expanding traditional advisors to include broader and more diverse perspectives. These insights can inform the creation of environments that support mental and physical health, fostering a sense of community and belonging.







## CONCLUSION

Our exploration at **The Design-Development Nexus** has highlighted the transformative power of innovation, strategic alliances, and resilience in navigating the complexities of the evolving real estate landscape. The discussions showcased how embracing bold ideas can drive success even amid uncertainty.

Keynote insights from Hart Brown reinforced the urgency of leveraging **AI-driven solutions**, investing in resilient infrastructure, and embracing global talent shifts. These themes underscore the industry's pivotal role, and our personal responsibility, in shaping spaces that are not just functional but also inclusive, sustainable, and future proof.

To ensure success in the face of pressing challenges such as rising vacancy rates, evolving tenant demands, and economic pressures, we must adopt **collaborative approaches** that bridge gaps across disciplines,

regulatory frameworks, and sectors. Strategic alliances, policy reform, and a commitment to equitable, people-centered design will drive innovation and foster meaningful change.

As we move forward, we also must redefine the commercial real estate industry's purpose by **transitioning from reactive responses to proactive strategies**. By embracing technological advancements, engaging diverse perspectives, and championing sustainability, the design and development community can create environments that not only meet present needs but also inspire and empower future generations. The path ahead is one of resilience, adaptability, and collective progress—a journey where innovation shapes a brighter, more inclusive world.





## THANK YOU PARTICIPANTS!

Special thanks to the esteemed participants for the insights that were shared and solutions discussed. This event brought SmithGroup closer to advancing our mission: Design a Better Future.

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# Design a Better Future

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