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Driverless Vehicles Driving Change in Real Estate?

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Five years ago, autonomous vehicles were merely a concept from some futuristic sci-fi film; however, today, driverless vehicles are already being tested on roads and companies are ready to implement driverless technology on a large scale. This innovation will not only impact the auto industry, but will also have substantial effects on real estate. Thus, the real estate industry is left with two important questions: when will autonomous vehicles be implemented on a large scale? And what are the risks and opportunities facing those in the industry?

Due to the ground-breaking nature of driverless vehicles, as well as the public, private, and political concerns surrounding the implementation of the technology, it is difficult to accurately predict when driverless vehicles will hit the market. Some of the leading transportation experts in the world believe that driverless vehicles will be mass produced as early as next year, sold for private use within five years, and used around the world within ten to fifteen years. Also, there are estimates that by 2040, anywhere from 40 to 60 percent of all vehicles sold will be autonomous. Although we cannot predict when driverless vehicles will reach full utilization, the auto industry realizes that autonomous vehicles are the future, and are investing heavily into driverless technology. Driverless vehicles will impact the daily routine of individuals and weaken the dependency individuals currently have on vehicles. Ultimately, the current vehicle ownership model will decrease, resulting in an expansion of the ridesharing model. Thus, there will be a lesser demand for businesses with parking spaces for all of their employees. Shopping malls will no longer need large parking lots for all of their customers. The real estate industry will be impacted from top to bottom.

Nevertheless, with this technological revolution, there are numerous opportunities. Specifically, four commercial real estate sectors present unique opportunities for investment and development: retail space, office space, brownfields, and public transportation. The in-store experience is changing, for instance, online retail space is overtaking storefront, so not only will the allotment of parking space decrease, but also entire strip malls or shopping centers may be converted for a different use. Office spaces will no longer need to accommodate employees with substantial parking structures or parking lots, but instead will need to account for people being dropped off and picked-up from work, thus changing the layout of buildings. Brownfields, once undeveloped, may become useful areas because of their proximity to major metropolitan areas and the need for autonomous vehicle fleet and parking.

The current landscape of public transportation may change. Driverless buses are currently being tested in Switzerland and Finland and may result in a lower demand for the number of public transportation options.

Right now, it is difficult to imagine a world in which we, as humans, are not the ones in control of the wheel. However, it is all but a foregone conclusion that autonomous vehicles will be implemented and have a significant impact on countless industries. Driverless vehicles have already been tested in cities such as Pittsburgh and Denver and in countries around the world. Auto companies continue to pour billions of dollars into funding driverless technology. The advent of driverless vehicles will consequently lead to a shift in the way in which vehicles are used in daily life, the infrastructure built to accommodate the current state of vehicles, and the ownership model for vehicles. There are going to be opportunities for investors and developers to tailor real estate projects to meet the changing needs of people and businesses. However, if all of those involved in the industry do not properly plan for this shift and take advantage of these opportunities, they will be at risk of falling drastically behind on the side of the road.