The Future of the Church

Ministry
Solutions
Group

The Church has proved its resilience in recent years. As tired as everyone is talking about COVID, recent events have compressed decades of change into a short window of time while also completely changing the commercial real estate market and consumer behavior. Throw in a great resignation and political factions within our congregations, and there is no question that leaders have had to adapt to many challenges to get to where they are today.

Anecdotally, there has been more urgency from leaders lately than we have seen in a while. The Church seems to be accepting and preparing for an uncertain future, and the innovative, forward-thinking leaders are implementing new and effective strategies for evangelism and discipleship and seeing success. To quote Pastor Larry Osborne, Aslan is on the move.

The purpose of this report is to highlight some of the major changes and challenges that we expect to see moving forward, along with some ideas of things that we can do to continue our mission to reach the lost. Within this report, we will address a few things:

- What to expect in the commercial real estate market and how it will impact multisite, real estate development, mergers, and church growth
- How the shared space economy is growing and creating opportunities for the Church
- The impact of digital engagement on church growth
- The role AI will play as we go forward

COMMERCIAL REAL ESTATE

Since 2020, national construction costs have risen dramatically. On top of the increase in construction costs, interest rates have remained a stubborn issue for anyone purchasing or building new structures. Not only are projects more expensive, but the cost of the funds required to build has more than doubled.

Not that long ago, we were financing projects with 5 to 10-year fixed periods for less than 3%. Post-pandemic, interest rates between 6-8% (depending on the market and risk profile) aren't unusual.

On top of these challenges, there was an inordinate lack of inventory in the commercial real estate market for new development along with an inordinate amount of demand for housing. This has increased the cost of land, pricing most churches out of the market for land development.

As a result of the uncertainty in the market, access to debt has become much more difficult. Banks have tightened up tremendously on credit standards, making it harder for churches and developers to fund projects without an extraordinary amount of equity.

So what will happen in next? Here are a few things we may expect to see:

- The dramatic spike in interest rates is hopefully behind us, and rates are expected to remain flat or even come down slightly.

- There will continue to be a major lack of inventory for land development.

- We could avoid a recession (defined as a decrease in GDP for two consecutive quarters) but should see a correction in pricing within the commercial real estate market (lease prices should come down)

- Construction costs will become more predictable as there will be less pressure on the supply chain and the availability of materials.

- Banks will continue to fund projects that make sense but will not stretch on the credit criteria. That means it will be more important than ever before to have a well-written and clear package delivered to banks in order to obtain funding

WHAT DOES THIS MEAN FOR THE CHURCH?

The market conditions will force us to continue a trend we have been seeing for years, which is following the trend we see in retail… Instead of building larger buildings, we will build a larger number of smaller buildings.

Land Development
The biggest issue with land development right now is not just the cost and the time it takes to go from dirt to completion, but the cost of land itself. Any land parcel over eight acres becomes a target for multifamily (apartment) developers, who are paying astronomical prices for land or larger sites with older buildings.

There is still a high demand for residential properties but a shortage of available units. This has led to bidding wars with as many as 30 developers competing for larger properties and paying top dollar. The land that is not in bidding wars is typically undesirable and requires millions of dollars in remediation, wetland mitigation, environmental mitigation, or other related issues.

Lease Versus Own

Another option we are encouraging churches to look at is long-term leases. While leasing rates were pushed up by the pandemic effect, we expect to see those lease rates cool off, specifically in the retail and industrial office spaces. We should start to see more opportunities for spaces between 20,000 to 30,000 square feet, which has become a much more common footprint for fast-rowing, multisite churches.

Another attribute we really like about long-term leases is that they allow churches to get into a space that they control with the flexibility to pivot out of the space once they have outgrown it. One of the biggest mistakes we constantly see churches make is jumping from portable to permanent buildings that they quickly outgrow. They are then stuck in a property with millions of dollars invested without the flexibility to pivot out of it. When growing churches move from portable to permanent locations, buildings can quickly become short-term solutions to long-term problems. A long-term lease often serves as a viable solution to avoid that.

Efficiency

We have always "joked" that our typical client has a $10M vision, a $7M need, and a $5M budget. We have prided ourselves on being able to help churches bridge that gap, but budget management is becoming more and more important as time goes on. In a recent study conducted by Warren Bird, he cites that the cost of church planting has risen from $350k in 2013 to over $750k in 2023, mostly due to the cost of buildings. This also applies to multisite locations. Churches will have to make spaces as efficient as possible and invest less money in production and more money into community spaces.

A great process creates great outcomes, and the Church will have to be better than ever at having processes in place for any sort of project, from identifying the right property through design and pricing. With the fluctuations in pricing and the lack of predictability in the market, having an experienced advocate lead the project could result in saving hundreds of thousands or millions of dollars while also potentially saving months or years on the delivery of the space.

Another trend we are seeing is that people simply do not come to church as often as they did before but still consider their church their home church. We worked with one large church that ran a study showing that the last time they had the same average in-person attendance as they have today, their budget was one-third of what it is today. This means that we can look at smaller footprints for our campuses, as the special requirements to meet attendance demands have decreased.

This trend is consistent across the board in other industries. In our case study on Target, Target announced in 2019 that they were opening 500 new stores nationwide with smaller footprints. These buildings also serve Target as their "last mile" shipping center, where inventory in the stores is used both for shipping and in-person shopping. The statement from the executive at Target was, "What we learned is that it is the use of our buildings that will change, but not their value."

Buildings That Pay For Themselves

Along with digital strategy, having buildings that pay for themselves has been one of the most popular conversations in the last few years. One of the best ways to afford real estate in today's economy is to have church buildings that meet material needs within the community. This creates massive amounts of passive revenue and brings families on-site during the week who may or may not be coming on Sunday morning.

The "sharing economy" was a $14B industry in 2014. Bloomberg estimates that number will increase to $355B by 2025. Think about that.

There is a confluence of different factors that are driving the opportunity of activating spaces and monetizing buildings for churches. First, the idea of sharing spaces and services has become a normalized part of our culture. To give you an idea, Uber's total annual revenue in 2018 was $10.4B. Uber's revenue in 2023 was over $37.2B.

This shared space economy is also killing the office market as companies and employees realize that they don't need a dedicated office for 40 hours or more per week. In fact, a study done on Gen Z shows that someone in that age group would be willing to take a 10% pay cut or more to not have to go into the office every day. Space in nearly every industry has become more flexible and multi-use.

The last component is that the increase in costs has affected other businesses as much as it has the Church. Companies are looking for ways to offset the cost of real estate by sharing space.

As an example, we were recently contacted by the leadership of the second largest childcare operator in the US, a $3B per year corporation. They informed us that due to the increase in their cost basis (cost to enter the market), they have over 1,000 facilities around the US that are completely full with waiting lists, but they can't open more facilities to supply capacity due to the cost.

Within the past year of writing this report, we have worked with 35 churches to create a multi-use component in their building, with everything from childcare to cafes, indoor play spaces, co-working, and the like. These are all uses that need space Monday to Friday and not on Sunday and are paying hundreds of thousands of dollars per year to the church to use the space. Below are a few examples of churches we have worked with and what they are getting paid for opening their buildings for community use:

- **Plano, TX:** $650,000 per year
- **Parsippany, NJ:** $500,000 per year
- **Cincinnati, OH:** $450,000 per year
- **Chicago, IL:** $750,000 per year
- **Omaha, NE:** $250,000 per year
- **Indianapolis, IN:** $200,000 per year
- **Washington, DC:** $500,000 per year

The list goes on, but these churches are not just seeing an enormous amount of income. They are also seeing hundreds of families every week come on-site who are not currently attending church. We expect that this trend won't stop any time soon.

These forward-thinking churches are asking the question, "How can we be a great church for our community and not just a great church in our community?". The churches who are answering that question well are seeing hundreds of thousands of dollars in income and organic growth of their campuses by meeting the tangible needs of the people within their community.

Land Use
Activating spaces is not the only way to monetize your site. Many churches in the last 20 years have bought huge tracts of land thinking that they will one day build larger buildings. However, as we stated, the trend has definitely been that multisite, specifically a larger number of smaller campuses, is the fastest and most efficient way to create ministry capacity. Now, these churches have a lot of unused acres sitting empty with no real plan to activate or monetize them.
This past year our team has worked with a number of churches helping them understand how to monetize their site, maintain control of the site, and build hubs of activity with complimentary uses on their site. With land prices being what they are, the opportunities to fund ministry through land use planning are seemingly limitless.

Church Mergers
This has not slowed down and will likely not slow down for years. More and more churches are feeling the impact of the change in the behavior of their congregants and are being forced to close their doors.

Our team has been involved in a significant number of mergers coming out of the pandemic years, many of which resulted in the transfer of millions and millions of dollars in available real estate inventory from dying churches to growing churches. This still remains one of the largest, if not the largest, opportunities for multisite expansion. We have also learned that there are a lot of pastors towards the end of their tenure who are seeing mergers as their succession plan.

IMPACT OF THE DIGITAL SPACE

More and more churches are shifting their digital strategy focus from broadcast and sermon consumption to daily discipleship and evangelism. We saw significant momentum and change in this area in the last couple of years, and we expect that to continue.

Our most-read blog from 2023 was [The Real Purpose of Online Church](#). Leaders are recognizing that digital is not only a new front door. It is also a means to keep people engaged with the church and with each other throughout the week.

One example is from a client who shifted their app and website from sermon consumption and giving to focus on daily discipleship, prayer, small group curriculum, etc. They launched the new app in September of 2023, and in the first week, they had 10,000 downloads of the app. Since that time, they have averaged over 4,000 weekly active users.

The most interesting part of that story is that this is a church that is averaging 3,000 people in weekly (in-person) attendance, which means that they have more people engaging with the app throughout the week than they have butts in seats on Sunday. This church also did a six-week series on prayer with a goal of having 100,000 prayer requests submitted and prayed for within their app and nearly hit 158,000 in just six weeks!

This has been a common theme with the majority of the clients our team worked with on digital strategy and execution. Another client (focused on an integrated digital/physical strategy) reported to us that over the last five years, the number of new givers who consider "online" their home campus has risen from 10% to 50% of all new accounts.

Our predictions for the next few years are:

- The churches that are focused on making digital and in-person a seamless strategy will see major upticks in giving, engagement, small group involvement, and the like.

- For growing churches, the digital space will continue to develop as the new "front door."

- Because the average number of times people come to church during the month has significantly decreased, more people will shift away from churches that are solely focused on getting people into seats on Sunday and towards churches that can keep them engaged during the week. Need proof? This nuanced delineation is exactly why Target is opening 500 new stores while JCPenney and Sears went out of business.

- In terms of creating engagement in giving, serving, and community, in-person attendance will become more and more of a lagging indicator, not a predictive analytic. Engagement will create attendance, not the other way around.

- More churches will invest money and human resources into the digital strategy as an integrated part of their overall offering and will also see nearly immediate results (based on recent feedback we have received from our clients.)

THE ROLE OF ARTIFICIAL INTELLIGENCE

The conversation around Artificial Intelligence (AI) is polarizing, and not just within the Church. Some people see AI as The Terminator coming to life, and others see AI as a fun tool to play with. Like the conversation around data, AI itself is neutral. It's the use of technology that defines the basis of intent, not the technology itself.

In researching this article, I came across a quote from a Chief Technology Officer who said, "Operations is eating innovation for breakfast." I take that to mean that, similar to the Church, a company's business operations and product offerings have to continue to keep the lights on while that company simultaneously shifts financial and human resources over to innovation, which is both expensive and time-consuming. It's the battle of the dual imperatives: keep doing what pays the bills while we prepare for a future where we will be doing something different. Sound familiar?

The key predictive statement I believe comes from a recent Deloitte article on tech trends, which said, "Metaverse capabilities will turn the corner from being a consumption toy to an enterprise tool."

As an aside, the author of the Deloitte resource admits that he used generative AI to write the opening statement of the report and that he didn't have to change a word.

One of the most significant pieces of feedback we are seeing from market leaders is that their focus on AI is to simplify operations and keep human creativity (innovation) the main focus. For churches, that could look like a lot of things, but here are some ways that they can or could be utilizing AI to keep human productivity focused on the future:

- **Content conversion:** Take sermons and written content and simplifying them down into smaller versions and bullet points for social media, daily discipleship, and small group curriculum.

- **Sermon translation:** Churches are already using AI to convert English sermons into other languages.

- **Generative AI for social media and apps:** Set many app update elements on autopilot.

- **Generative AI for communication:** Create instant automated responses to immediately engage people contacting your church.

- **AI for inspiration:** AI tools can scrub websites and social media accounts to look for keywords and phrases from contributors and commenters.

- **Process simulation:** Create efficient workflows or to improve existing workflows.

- **HR automation:** Reduce time in the onboarding process.

- **Data analytics:** Translate data and information into meaningful insights.

The Church will likely be behind corporate America in the implementation of AI and metaverse tools, but it is still something to pay attention to.

PREPARING FOR THE FUTURE OF THE CHURCH

One of my favorite quotes comes from one of our consultants, Kevin Penry, who is the former XP at Life.Church:t

"There is certainty in God's *Promise,* just not in His process."

Here is the good news: no matter what external factors are in play, the God of the Universe will build His Church, and He chose to do that amazing work through us. He's got your back.

At the same time, we are called to have the faith of a child and the brain of an adult. With that in mind, the purpose of this article is to provide you with some market information and feedback to help you and your teams think through strategy.

Our team at Ministry Solutions Group has a passion for equipping leaders for the Church of the Future by helping them get from their current reality to their preferred future. We have a team of people who have led some of the largest and most innovative churches in the world and are passionate about leveraging that experience to help the Church at large achieve its God-inspired vision.

We'd love to help you get there.

If you are interested in creating clarity and developing strategies for the future, we would love to help. If interested, please click on the link below to set up a 30-minute discovery call with someone on our team.

CLICK HERE TO GET STARTED