

Gruen Gruen + Associates

Holiday Greeting and 2015 Forecast

MULTI-FAMILY

Employment growth, ongoing household formation, a preference by Gen Ys to rent, and increasing costs of for-sale housing suggest continued acquisition and selective development opportunities for multi-family uses. The delivery of new product will reduce rates of rent growth and cause current extremely low vacancy rates to begin to increase. Occupancy and rental rates may have peaked due to large amounts of supply additions in markets that are not regulatory-supply constrained such as high-end product in Downtown Chicago.

HOTEL

Hospitality industry boom continues from the Energy Belt to Tech- and Financial-Centers and Global Cities. Increased demand from international travelers, business travelers and groups, and leisure travel will cause hotel occupancy and average daily rates to continue to increase as supply growth has been constrained. Many cities, however, are beginning to subsidize hotel development and Airbnb will increasingly compete for (disrupt) room night demand especially from leisure and younger travelers comfortable with peer-to-peer service models.

INDUSTRIAL

Demand for industrial space and development and redevelopment opportunities will remain solid near major population centers due to E-commerce driven logistics centers and supply chain enhancements. Industrial demand and development near ports, airports, and rail hubs will be driven by the manufacturing renaissance, growth in international trade, and spillover demands related to energy production and transport.

OFFICE

The aging of the office space inventory and improving office space-using employment will support the creation of high-quality, eco-friendly space in old or new buildings, but only in transit- and amenity-laden locations proximate to housing in dynamic agglomerations.

RETAIL

With a continuing increase in the percentage of retail expenditures devoted to Internet purchases; shrinking footprints of big-box stores; and store closings in the big-box and mid-price and teen mall categories; and the impact of new development, *the gulf between Class A and all other properties will widen further. Tourist-oriented, high-street retail in destination cities will continue to experience sales growth.*

Gruen Gruen + Associates wish you and yours a healthy, happy, peaceful, and prosperous New Year.

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