

GRUEN GRUEN + ASSOCIATES

Holiday Greeting and 2018 Forecast

In what is likely to be a politically- and socially- turbulent 2018, real estate industry participants and municipalities will be rewarded by advancing change into something better instead of attempting to maintain the status quo.

Enforcing antitrust law against high technology firms (including Google, Facebook, and Amazon) holding excessive concentrations of market power and engaging in predatory pricing will help to avoid further inhibitions in innovation, declines in service quality, increases in inequality, and destabilizing our democracy. Resurgence in antitrust policy and enforcement in 2018 would be sound policy.

OUTLOOK

HOUSING

Moderate economic growth, positive demographic trends, still low, albeit increasing interest rates, and a limited inventory of existing homes for sale support an uptick in the number of new home starts and new home sales.

Millennial, Gen Z, and empty-nester households sustain urban multi-family markets. The delivery and pipeline of high-end multi-family units added to many coastal markets will dampen price and occupancy escalation. Development opportunities persist to serve unmet demand from migration and population and employment growth in some west and south Sunbelt metros.

Investment and development opportunities for industrial uses continue as supply chains reconfigure due to the unabated growth in e-commerce and food and beverage subscription services. The continued expansion of housing production will support demand for industrial space while stimulating growth in the broader economy.

INDUSTRIAL

RETAIL

To survive, retail centers and free standing brick and mortar retailers, will have to continue expanding their entertainment and food serving components and intensify their offering of services, including hassle-free pickups and returns of online orders.

Retailing in locations that cannot compete with the internet monsters even with such upgrades will have to convert their space to other uses including, ironically, "last-mile" distribution for e-commerce and "doc in the box" healthcare facilities.

OFFICE

Differentiated, pedestrian-oriented, transit accessible office space developments in mixed-use activity centers located close to central business districts will have competitive advantages in attracting and holding tenants in tech-heavy secondary markets.

HOTEL

Hotel occupancy rates remain high, but in many markets supply additions (and Airbnb) temper room rate and RevPAR growth. After nine years of rising demand and development activity in response, a thorough understanding of local market conditions is necessary before investing in additional hotel development.

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

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