

# GRUEN GRUEN + ASSOCIATES

Our 48th Annual Holiday Greeting and 2019 Forecast

## Healthy Real Estate Fundamentals

- Very low unemployment rate with growth in labor earnings continues.
- High consumer confidence levels persist.
- Long-running economic expansion sustained in 2019, especially in Sunbelt regions where lower costs and high quality of life attract influxes of people and companies from higher cost locations.
- Demand-supply conditions remain supportive in many geographic markets for contemporary office, retail, industrial, and apartment uses.

## Warning Signals

Rising private and public debt service burdens (federal debt and corporate debt, relative to GDP, is the highest since the end of World War II and student loan debt has increased to \$1.5 trillion with a delinquency rate of 11%), increasing government deficits, escalating trade tensions, political instability in portions of the Eurozone, Middle East, and South America, and continued domestic political discord **create an uncertain environment.**

## Time to be Cautious, Flexible, Tactical, and Focus Resources on Best Ideas

**INDUSTRIAL:** Efficient omni-channel retail sales require more frequent shipments to stores and rapid direct to consumer fulfillment. High throughput distribution facilities, particularly in larger, densely populated markets represent investment/development opportunities, despite higher occupancy costs. Real estate costs tend to rank low compared to transportation, inventory carry, labor, and other logistics costs.

**RETAIL:** Enhance ROI and residual values to mall real estate by adding a mix of uses and activities including entertainment and education, health, fitness, and where market support exists or can be cultivated, hotel, office, and residential uses.

**APARTMENT:** Housing affordability constraints, tax law changes that diminish the tax benefits of home ownership, favorable demographics, and virtually full employment will support continued apartment development and investment.

**SINGLE-FAMILY HOUSING:** Housing located in walkable, transit-friendly developments near amenities and services in 18-hour cities and housing that addresses the affordability crisis in coastal markets with regulatory constraints will continue to sell well.

**GRUEN GRUEN + ASSOCIATES wish you and yours a healthy, happy, peaceful, and prosperous New Year.**