

Gruen Gruen + Associates

Our 49th Annual Holiday Greeting and 2020 Forecast

ECONOMY MAY DECELERATE IN 2020 as the result of:

- Reduced global trade attributable to the U.S. - China trade conflict, Brexit, and China-Hong Kong turmoil;
- Dysfunctional political governance in a polarized U.S. society;
- \$1.0 trillion dollar U.S. budget deficit and record high national debt (\$23 trillion or 106.5% of GDP);
- Student loan debt of \$1.5 trillion higher than combined total credit card and automobile loan debt; and
- Geopolitical conflicts, volatile capital markets, and Election 2020 creating further uncertainties.

MOMENTUM SLOWING BUT REAL ESTATE FUNDAMENTALS REMAIN SOUND

- Increased for-sale housing construction is supported by significant, persistent shortfalls in production of housing relative to household formation and employment growth in many U.S. metros (especially in coastal markets).
- Sustained demand for apartments is supported by an inadequate supply of affordable for-sale housing and favorable demographics and labor market conditions, though supply additions will temper rent growth.
- Businesses continue to reset supply chains for omni-channel distribution. E-commerce firms and retailers race to deliver their products to consumers. Demand for distribution space with a focus on urban logistics and “last-mile” delivery will keep vacancy rates low despite high levels of construction of industrial space.
- Mixed-use development -- rather than freestanding retail or office use -- may include wellness, fitness, and food and beverage services (which especially appeal to millennials) integrated with employee-attracting green office and medical space or hotels (in those markets with large amounts of occupied office space and visitors).
- With a slowing economy and rising supply competition for all land uses, it is imperative to provide differentiated and personalized tenant/visitor experiences. Survey (market) research and data analytics are essential to help developers understand needs, attitudes, and behaviors before making decisions about the type, scale, and mix of land uses to develop, market, and service.

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