

Economic and real estate outlook for 2020

tags: [mixed-use development](#), [real estate](#), [U.S. economy](#), [construction](#), [global economy](#)

Melanie Hwang on Thursday, January 9, 2020 at 1:00:00 pm



Look for the potential for a slowing economy this year, along with a tempering of momentum in the real estate sector, according to the annual predictions provided by Aaron N. Gruen of Gruen Gruen + Associates.

The economy may decelerate in 2020 due to a variety of factors:

- reduced global trade attributable to the U.S.-China trade conflict, Brexit, and China-Hong Kong turmoil;
- a polarized U.S. political climate;
- a \$1 trillion U.S. budget deficit and a record high national debt of \$23 trillion, or 106.5 percent of GDP;
- student loan debt of \$1.5 trillion, which is more than the combined total of credit card and automobile loan debt; and
- growing uncertainty stemming from geopolitical conflicts, volatile capital markets, and the 2020 election.

Momentum in the real estate market is slowing, but industry fundamentals remain sound. Opportunities of note include:

- Increased for-sale housing construction will be sustained by persistent shortfalls in new construction relative to household formation and employment growth in many U.S. metros, especially in coastal markets.
- Sustained demand for apartments stems from an inadequate supply of affordable for-sale housing and favorable demographics and labor market conditions; expansion in the apartment supply will temper rent growth, however.
- Businesses continue to reset their supply chains for omni-channel distribution as they race to deliver 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 industrial space construction.
- Mixed-use development—in place of freestanding retail or office space—may include wellness, fitness, and food and beverage services integrated with green office and medical space or hotels in popular markets.

With a slowing economy and rising supply competition for all land uses, developers will need to focus on providing differentiated and personalized tenant and visitor experiences. To anticipate and respond to user and visitor preferences and tastes, market research and data analytics will be essential to help developers better understand consumer behavior before making decisions about the type, scale, and mix of land uses to develop, market, and service.

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