

**Gruen
Gruen
+
Associates
Holiday
Greeting
and
Forecast
for
2022**

Our 51st Annual Forecast

The U.S. economy will experience strong growth of at least 4.0% GDP in 2022 as the bottlenecks caused from the Covid-19 pandemic shutdown begin to unsnarl and consumer spending continues. The multiplier effects of massive Federal infrastructure and other government expenditures rippling through the economy and capital market participants unable to resist utilizing their large store of “dry powder” will also contribute to robust economic growth.

- Construction, transportation, and professional and business services sectors are likely to experience the greatest employment gains. While the retail trade and leisure and hospitality sectors will continue to rebound, many jobs in these sectors will not return.
- Strong job growth and high wage increases, new household formations, still historically low and attractive interest rates, and persistent underproduction of housing relative to need, will support rents and sale prices for housing increasing above the rate of inflation.
- Industrial and multifamily real estate will continue to win “best in show” and outperform in absorption and rent growth.
- Many retail centers will require redevelopment. Housing and healthcare uses will frequently replace obsolete retail space. Many retail centers and retail stores also need to reconfigure to serve fulfillment needs.
- Satellite medical offices outside of major downtown hospitals and medical complexes closer to residences of patients will provide development and leasing opportunities.
- Older office buildings not designed and feasibly adapted to meet the technology, HVAC and amenity package requirements of choosy tenants will also need to be repurposed for alternative uses. In some cases, the most long-term value play may be as redevelopment sites for new construction.
- Demand for traditional office space may decline due to the adoption of hybrid work at home and office models. Not all office workers, however, can or do want to work from home. Benefits of agglomeration are still important advantages to businesses, their talent, and the communities and support services that depend upon office worker and business spending. Selecting amenity rich locations and providing product features and lease arrangements that respond to preferences of office space users that appreciate the productivity and cultural advantages of offices for work provide contrarian investment opportunities.

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

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