

**Gruen
Gruen
+
Associates
Holiday
Greeting
and
Forecast
for
2023**

Our 52nd Annual Forecast

Capital markets volatility across all asset classes has been extreme and may continue. The effects of Russia's invasion of Ukraine and other geopolitical tensions, the continuing domestic political divide, and shifting attitudes towards the benefits of global trade and the role of business, increase risks, uncertainty, and volatility.

However, relevant real estate responsive to user preferences provides cash flow and inflation protection. Real estate will remain attractive to global investment capital, even if rates of return moderate.

- Rising labor participation rates, increasing wages and salaries, healthy consumer balance sheets, and high capital expenditures by companies in select sectors (including semiconductors and biotechnology) will temper the negative effects on economic growth of the Federal Reserve monetary policy of hiking interests rate to tame inflation.
- On-shoring/near-shoring activity, reconfiguration of supply chains, and E-commerce tailwinds, and capital investment in critical industries will benefit the industrial real estate sector. Examples of well positioned markets to capitalize on these trends include Atlanta, Columbus, Dallas, El Paso, and Phoenix.
- The biotechnology revolution will support adaptive reuse of office space and development of new research and development/lab space in existing hubs such as Cambridge/Boston, the San Francisco Bay Area, and San Diego, and emerging biotechnology clusters in Austin, Chicago, and Pittsburgh.
- However, development for life sciences companies will not offset what will continue to be a very difficult environment for office space except for those markets such as Miami experiencing office employment and population growth due to shifts in where companies and people want to locate.
- Opportunities exist to convert not only underutilized malls but also lifestyle, power, and neighborhood retail centers to denser, mixed-use environments.
- Needs for affordable housing remain far from satisfied, especially for prime working age family households. Higher interest rates will result in significantly reduced home building and turnover of existing supply despite the widespread housing shortfall.
- Households priced out of the home buying market, even if for-sale price escalation moderates or prices decline, coupled with growth in renter-by-choice demographic segments, supports multi-family rental investment and development.

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

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