



CCIM Real Estate Forecast Competition

Speaker: Patrick Jankowski, Sr. V.P. Research-Greater Houston Partnership

Guest Speaker: Mark Dotzour, PhD.

- No indications of recessions this year or next
- Houston & Texas economies much stronger than national economy by many indicators
- Turn off TV and read books the rest of your life-TV and especially cable news are nothing but propaganda designed to upset you and sell advertising
- Above all don't make business decisions based on what you hear on TV
- Top one-third of home market experiencing slow sales, while bottom third is booming
- Wages are averaging 3% growth
- There is high consumer confidence, and the current expansion is in 116th month, the second longest in history
- Recessions can't begin until corporate layoffs begin, and businesses are hiring like crazy

Retail Sector Moderator: Carson Wilson, Fidelis

Contestants: Ben Brown-Baker Katz & Josh Jacobs-Edge Realty Partners

- Best retail environment we've ever seen
- Highest occupancy and rents; virtually no class A space available
- Last quarter holiday sales highest ever
- When space comes available it is immediately recycled, sometimes to non-traditional users like medical and entertainment
- Brick and mortar not going away, and online vendors may start building brick and mortar stores to sell clothes and groceries (amazon bought Whole Foods and may purchase a big national retailer with many locations, or build their own)
- Returns are so high with online purchases that they are hurting online retailers
- In a brick and mortar store, it is about the 'experience' and 'entertainment' and 'social', and also about touching and feeling the product (like clothing)
- Retailers like to locate within 7 miles of their urban customer
- Big expansion of fast-casual restaurant concepts
- Technology is being used more and more by retailers to evaluate and satisfy customers

Land Sector Moderator: Taylor Schmidt-Lee & Associates

Contestants: Davis Adams-HFF; Dave Ramsey-Newquest

- No pullback in land sales and prices due to oil pricing
- Land sales are driven by job creation and the housing that follows, and the residents in that housing needing goods and services

- Land sales are energized by highway and other transportation development, such as 290, Grand Parkway, and 288 in Houston Metro area
- Big box stores and restaurants are big consumers of land, wanting to be near these residents
- Short commutes to the workplace drive residential land sales
- Uptown and CBD will see large demand for vertical residential development due to transportation improvements and other amenities
- Opportunity Zones and the tax benefits they drive will be game-changers in land use patterns

Medical Sector Moderator: Ashley Cassel-Transwestern

Contestants: Chris Wadley-JLL; Brandy Bellow Spinks-CBRE

- Health care is not yet a 'well-tracked' asset class-statistics are spotty
- Lots of growth in Clear Lake and especially in Texas Medical Center, where high-tech incubation by the major institutions is in full swing
- Houston and State of Texas are investing to compete for start-ups in the medical field
- In the medical sector, change is slow but follows both overall population growth and the fact that people are living longer
- ACA survived Republican control of Congress and now that Democrats are in power, we should see continued growth in national medical care

Industrial Sector Moderator: Will Hedges-Triton Real Estate Partners

Contestants: Rob Stilwell-Newmark Knight Frank; Drew Coupe-Stream Realty Partners

- "We've never seen anything like this"- unprecedented demand, much of it for distribution to growing population, but also a lot in SW Houston, driven by petrochemical industry and the port
- NW sector has more distribution due to residential demand created by Grand Parkway
- Deals are getting larger as demand for bigger facilities grows
- Development costs are up due to land prices and demand for buildings with higher volume, office space, increased truck parking, retention, and in some cases, elevating sites out of flood zones
- Big institutional demand for Houston industrial properties; lots of outside money wants to own in Houston; way more money looking for investment deals than deals available
- Many large spec warehouses are going up; nevertheless, vacancies remain very low, in the 5% range
- Rental rates increase as developer costs increase

- Some warehouses now must include retail space and the car parking that goes with it

Multi-Family Sector Moderator: Ryan Terrell-Greystar. Contestants: Ryan Epstein-Berkadia; Jennifer Campbell-Institutional Property Advisors

- Harvey 'scrambled' multi-family occupancy patterns but that is getting sorted out now
- S and SE Houston strong due to petrochemical employee demand; Energy Corridor continues soft
- CBD occupancy is a little soft due to subsidies to developers but that market is strengthening now
- Opportunity Zones will stimulate development and may also distort the normal supply/demand balance
- Houston is still seen as a very affordable city, where one can rent an apartment for 20% of monthly salary instead of 40% in other cities
- Empty nesters/downsizers are making the decision to rent in increasing numbers
- Outside equity coming to Houston in a big way seeking value-add opportunities
- New construction currently at a very low level, but is starting to pick up

Office Sector Moderator: Allie Hubbard-Limestone Commercial

Contestants: Rich Pancioli-CRBE; Damon Thames-Colvill Office Properties

- "Cautious optimism with hint of positivity" that the tenant/landlord relationship will return to equilibrium, as sub-lease inventory is absorbed; already seeing some shrinking concessions by landlords
- The office market is really a building by building story and every building is different
- Building landlords are getting very creative to help tenants retain employees by pleasing them with amenities in the buildings, such as fitness, restaurants, co-working spaces, and opportunities to personally interact with other tenants
- Better amenities equal happier employees equals greater productivity
- It is easier and cheaper to retain an existing employee -AND an existing tenant-by making them happier-AND if content in their workplace, they are more productive
- Co-working is a concept which is still being experimented with-it is expensive for the landlord to provide, but it suits some tenants who like the flexibility of having it in the building