



CCIM COMMERCIAL REAL ESTATE FORECAST COMPETITION



KEYNOTE TALK:

Dr. Mark Dotzour

Bullets:

- Should be clear sailing ahead in 2018 for Houston businesses
- Texas is an economic miracle
- The four largest Texas cities are also the top four in U.S. for domestic in-migration
- Texas' and Houston's leading economic indicators remain on an upward curve
- With no fiscal restraint shown in recent tax law change, inflation and higher interest rates are a threat and will not be good for CRE; there is no lid on debt in Washington any more, and deficit hawks have been forced to take a 'back seat'
- Avoid CNN, Fox News, and MSNBC for any factual news: they are mongers of partisan propaganda and gossip and they are only cheap 'advertising sellers'
- Small business confidence levels are high
- Now is a good time to expand, as per recent surveys



MULTI-FAMILY:

David Schwarz, Moderator-ARA Newmark; Stacy Hunt, Greystar; Swapnil Agarwal-Competitors

Takeaway: Inventory overhang was temporarily absorbed by people displaced from their homes and apartments by Harvey, but people are moving back home, with some staying in apartments. Remaining inventory due to be slowly absorbed by projected job and population growth in Houston market.

Bullets:

- Area contractors are super busy repairing damaged ground floor apartments-labor is scarce
- Absorption in '18 & '19 should pick up, and these should be strong years for MF
- Flood insurance issues are big, both from lender demands and investor demands-the insurance market is in turmoil trying to price future coverage-premiums are creeping up in the 10-20% range, and more since hurricanes and wildfires caused big claims nationwide
- New tax laws take away some of the incentives for home buying, which may give a boost to apartment occupancy
- MF is one of the most attractive segments for investors, and a lot of cash is sitting on the sidelines in funds; look for deals and yield
- Looking forward after 2018, supply looks to stay under control and owners may see 5-6% rate growth
- Many suburban areas are hot for MF, and inside the urban core developers are looking for the 'awesome site', although inside the Loop new MF will have to compete with existing properties still offering free rent and other amenities



LAND:

Elizabethn Clampitt, Moderator- JLL; Keith Edwards, Caldwell Companies; Tommy LeBlanc, Avison Young-Competitors

Takeaway: Lots of activity in the far suburbs for industrial and residential land, although it is hard to find land 'ready to use', and the costs for permitting, bringing utilities, and all other pre-development are getting higher and taking longer.

Bullets:

- Katy, Waller, the Port district, Crosby, the Northwest: all active markets
- ECommerce is driving strong demand for warehouse space, and so is the pick up in drilling activity, as supply, service, and manufacturing companies expand to meet demand
- With new residential communities comes demand for retail, and some retail developers are buying up commercial reserves many years before they actually plan to build centers on them
- Industrial is moving farther out, like to Waller, Conroe, and Sealy
- There was a lull in land activity at end of 2017 but now market is heating up again
- As more land is covered with impermeable surfaces, the need for retention ponds increases, and this drives up cost of usable part of sites



INDUSTRIAL:

Jeremy Garner, Moderator-Trammell Crow; Stephen Hazen, Lee & Associates; Alexander Reilly-Competitors

Takeaway: High occupancy and high demand in this segment of CRE; investors chasing leased up deals.

Bullets:

- All sorts of users abound: ecommerce, furniture stores, grocery chains, oil & gas-related industries
- Developers are scrambling to catch up with high demand
- Occupancy in 94-95% range
- Landlords negotiating with tenants on tenant improvements, which can be costly, and adjusting rents accordingly
- This segment not affected much by Harvey
- Industrial landlords extremely bullish on Houston



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This Summit will host a series of panels and presentations designed to inform you about Texas CRE economic outlook, acquisition trends, criteria for JV partnerships, and local investment opportunities



RETAIL:

Lilly Golden, Moderator-Vista Private Equity Group; Micha van Marcke, Transwestern; Christie Amezcuita, Read King-Competitors

Takeaway: Nationally, media are saying retail is in apocalypse due to eCommerce, but this is not really the case, especially in Houston, where new concepts snap up recently vacated retail lease spaces. Many new and innovative tenants are taking retail space, for medical, entertainment, and other uses

Bullets:

- There are few vacated retail spaces which are not immediately recycled in Houston
- Over a five year lease term, the various operating costs to tenants are making their operations costlier than they assumed when they first signed their leases
- Some new tenants with non-traditional businesses are difficult for landlords and lenders to underwrite, since they are an unknown quantity
- Some spaces now contain dancing, DJs, and live music every night, taking advantage of large parking availability
- People like to live, play, and shop all near their residences...retail strips not near rooftops have some challenges
- EaDo is a new hot area for retail, as gentrification brings more residential density



OFFICE:

Evelyn Ward, Moderator-Transwestern; Bob Parsley, Colliers International; Paul Frazier, Hicks Ventures-Competitors

Takeaway: Occupancies overall in 79-82% range, with some positive absorption in 2017. This segment is not out of the woods yet.

Bullets:

- Many older buildings are being renovated with whistles and bells added to be able to compete with new Class A space
- Workplace environments and tenant demands are changing, and it is up to landlords to keep pace with today's tenant needs
- Recent boosts in oil prices have not yet resulted in new leasing by the oil industry
- Very little new supply in the pipeline
- Less than 7% of office supply was affected by Harvey flooding, and that which was is mostly back in operation

GUEST SPEAKERS



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note: event will be limited to first 120 guests