



Robert J. Pliska, CRE, CPA  
April 23, 2015

# **Commercial & Investment Real Estate Forecast**

**Birmingham Bloomfield Chamber of  
Commerce**

**April 23, 2015**

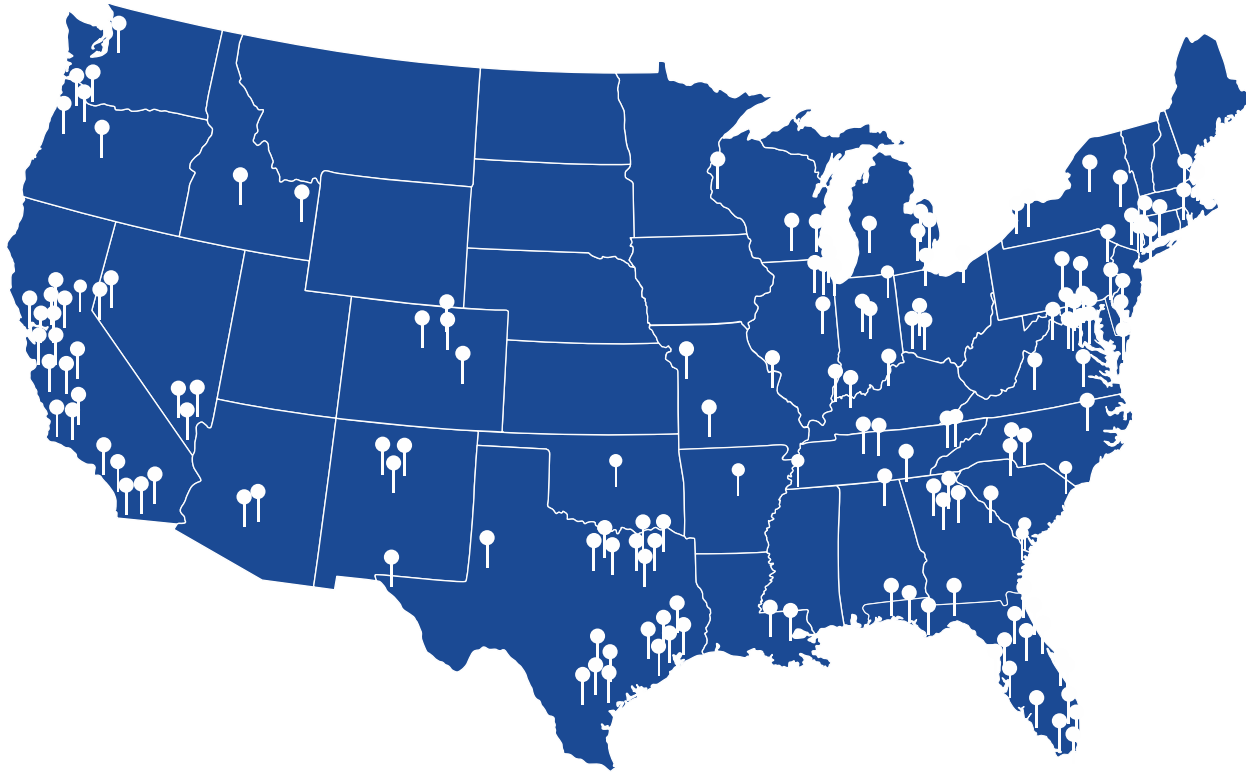
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# AGENDA

- Introduction
- Overview
- Investment Types vs Owner/User
- Global/National
- Local – Detroit/Birmingham
- Opportunities
- Conclusion



# NATIONAL IMPACT



**190**  
OFFICES

**\$9.1**  
BILLION CLOSED SALES VOLUME IN 2013

**6,500+**  
CLIENTS

**500**  
MARKETS

# PRODUCT & SERVICE SPECIALTIES

SVN clients have access to seasoned experts from across the country who are focused on their CRE specialties. We work together to create the best buying and selling experiences with a focus on client's particular needs.



Auction Services



Charter Schools



Corporate Real Estate



Distressed Assets



Hospitality



Industrial



Investment Services



Leasing



Medical Office



Multifamily



Office



Property Management



Retail



Self-Storage



Single Tenant

# 2014 Top Ten Issues Affecting Real Estate

- Energy
- Jobs
- Millennials
- Healthcare
- Globalization
- Water
- Capital Markets
- Housing
- Manufacturing
- Agriculture

# The Investment Environment

- Stock prices at near record highs
- Bond prices at near record highs
- Interest rates at near record lows
- Margin debt in the stock market at record highs
- Commercial real estate values continue to rise
- More money ready to pour into real estate
- Financing underwriting standards under pressure

# 10 Year Treasury Rate

- U.S. 10-year 1.99
- Italian 10-year 1.65
- Spanish 10-year 1.61
- UK 10-year 1.66
- French 10-year .64
- German 10-year .32
- Japanese 10-year .38
- Swiss 10-year -.03

Rates on Feb 12, 2015



# The Foreign Investment Factor

- Invested over \$11 billion in CDB office in 2014
- Chinese paid highest price for a standing US building - \$1.95 billion for the Waldorf Astoria in NYC
- Loosening regulations are enabling direct ownership of real estate in other countries
- Low yields in Gateway markets are driving demand in the Midwest

# Detroit Product Types 2011 to 2015

	<b>Vacancy</b>		<b>Sales Prices/Ft</b>	
<b>Office</b>	18.5% to 16% Down	•	\$35 to \$100	Up
<b>Industrial</b>	12% to 7% Down	•	\$10 to \$40	Up
<b>Retail</b>	10.3% to 8.6% Down	•	\$40 to \$70	Up

Per CoStar 1<sup>st</sup> Qtr 2015

# Downtown Detroit

- Dan Gilbert – 12,000,000 sq ft; 120 companies; 70 properties; \$1.6 billion in investment
- Ilitch Family - \$450,000 Red Wings arena & other
- Midtown
- M-1 Rail
- Comerica Park & Ford Field
- Theater District
- Cobo Hall - \$300 mil renovation
- Restaurants, Apartments, Hotels, Parks, Etc
- Technology
- Millennials

# Downtown Birmingham

- Balmoral
- Palladium
- All Seasons
- Forefront
- Central Park Properties
- Wachler Building, BPS Bldg, Post Office
- Hotels
- 220
- Triple Nickel
- Hillstone Group
- La Strada Cafe
- West Elm
- Nina McClemore
- Mad Hatter
- Kroger Update
- Karen Egren

# Opportunities

- Business savings – lease rate, interest rate, taxes, space, cost segregation, etc
- Real estate as an alternative investment
- Better rate of return than other vehicles
- Positive leverage
- Hedge against inflation
- Money continues to flow to real estate raising prices
- “Shooting the gap” – tenants, locations, etc
- Opportunity to build new– apartment, industrial, etc.

# Conclusion

- Scotty Bowman – “you had better **adapt**”
- Wayne Gretzky – “play where the puck is **going to be**”
- Dominik Hasek – “it must be **100%** - no 99.9”
- Herb Brooks – “great moments born from **great opportunities**”
- Wayne Gretzky “you miss 100% of the **shots you don't take**”
- Gordie Howe – “peace of mind & enjoy @ **100% effort**”

# CONNECT

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