

Real Estate Forecast

Birmingham Bloomfield Chamber of Commerce



Real Estate Forecast

Commercial and Investment Real Estate
Birmingham Bloomfield Chamber of Commerce
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Agenda

- Introduction
- Overview – Global/National
- Local – Michigan/Detroit/Birmingham/Pontiac
- Opportunities & Risks
- Conclusion



National & International Impact



1,600+
Advisors and Staff

#6
in the Lipsey
Company's Annual
Brand Survey

\$11.1B+
Total U.S.
Transaction
Volume in 2017

40M+
SF in Properties
Managed

15+5
Core Services and
Specialty Practice
Areas

200+
Offices Worldwide

8
Countries and
Expanding



SVN INTERNATIONAL CORP.

CORE SERVICES

SALES

LEASING

CAPITAL MARKETS

CORPORATE SERVICES

PROPERTY MANAGEMENT

TENANT REPRESENTATION

ACCELERATED SALES/AUCTIONS



SVN INTERNATIONAL CORP.

SPECIALTY PRACTICE AREAS

HOSPITALITY

- Hotels
- Golf & Resorts

INDUSTRIAL

- Self-Storage
- Warehouse/Manufacturing
- R&D/Laboratory

LAND

- Agricultural/Timberland
- Transitional/Entitled

MULTIFAMILY

- Apartment Building
- Mobile Home Park
- SFR/ BFR Portfolio
- Special Purpose
 - Senior Housing, Student Housing, Affordable Housing

OFFICE

- Medical Office
- Office
- Mixed-Use

RETAIL

- Multi-Tenant/ Shopping Center
- Single Tenant Net Lease
- Restaurant

SPECIAL PURPOSE



2018-2019 Top 10 Issues Affecting Real Estate

Short Term

- Interest Rates & Economy
- Politics and Political Uncertainty
- Housing Affordability
- Generational Change/Demographics
- E-Commerce & Logistics

Long Term

- Infrastructure
- Disruptive Technology
- National Disasters & Climate Change
- Immigration
- Energy and Water

Per NAR's Counselors of Real Estate-www.cre.org



The Investment Environment

- Interest Rates
- Inflation
- Stock Prices
- Bond Prices
- Housing
- Retail Sales
- Jobs
- Tax Reform
- Business Spending
- Energy
- GDP Data
- Trade Deficit
- Political Risks
- Made in USA
- Financial Underwriting Standards



Michigan's Economic Resurgence

IMPACT

557,000 private sector jobs #1 in Midwest, #7 in the nation

138,700 new manufacturing jobs - #1 in the nation

42% increase in startups in the past 5 years

Michigan #3 in nation (2017) for tech sector jobs

#1 among Great Lakes states #3 in the nation, for inbound talent (bachelors 25-34)



Detroit Product Types 2011 to 2019

Vacancy

- Office 18.5% to 9.6%
- Industrial 12% to 3.0%
- Retail 10.3% to 5.2%
- Multifamily 6% to 5.5%

Sales Price Per Foot

- \$35 to \$115
- \$10 to \$61
- \$40 to \$133
- \$50M/Unit to \$73M/Unit

Detroit

Areas

- Downtown
- District Detroit
- Midtown
- Corktown
- Riverfront
- Eastern Market
- New Center

Developments

- Chemical Bank/TCF
- Little Caesars HQ's
- Hudson's, Monroe Block Sites
- Little Caesars Arena
- Train Station
- Theater District
- Restaurants, Hotels, Apartments



Birmingham

In Process/Done

- Daxton Hotel
- Brookside Residences
- The Jeffrey
- 750 Forest
- Van Elslander Capital
- Pearl Residences
- The Westbrow
- “New” Old Woodward

Planning

- Woodward/Bates
- Peabody Site
- Woodward & Maple (N/W Corner)
- Talmer Bank Site
- Woodward & Maple (S/E Corner)



Pontiac

- Shore Mortgage \$85M
- Williams Intl \$334M
- George Auch HQ \$5M
- Karmanos Cancer Center \$14M
- Ottawa Tower \$\$
- 14 Tech Companies
- M-1
- Strand Theatre
- High security
- Restaurants
- Co-working spaces
- New start ups -\$10M
- Inexpensive parking
- Close to Birmingham, Bloomfield, Troy, etc



Opportunities

- Sell high; buy on property/potential upsides
- Real estate as an alternative investment (volatile stock & bond market); potential higher return
- Tax benefits - opportunity zones, 20% deduction for pass through entities, cost seg, DST's, 1031
- Opportunity to build (although construction and land costs are high); financing available
- “Shooting the gap” – new tenants for area, etc
- Still low interest rates – offsets higher price; refi
- Business savings—lower operating costs, higher rent



Potential Detroit Area Risks Adjustments +/-

- Mobility/Autonomous Vehicles
- Electric Cars
- Sedans vs SUVs/Trucks
- Tariffs
- Politics
- Marijuana
- Technology
- China/International



Concluding Thoughts

(from BBCC economic forecast by Paul Traub)

- 2018 finished strong with momentum into 2019
- Much volatility and anxiety in the financial markets
- Outlook for 2019 and 2020 is for somewhat slower growth but still slightly above potential
- 2019 will likely include some additional tightening of monetary policy (but probably not much)
- Caution due to recent financial markets



Quotes

- Scotty Bowman – “I found out that if you are going to win games, you had be ready to adapt”
- Wayne Gretzky – “A good player plays where the puck is. A great player plays where the puck is going to be”
- Herb Brooks - “Great moments are born from great opportunities”





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