

# Market Trends

March-April 19

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## Big Box Meets Town Center

Walmart Inc. is planning Walmart Town Centers on underused land at its stores around the country. The concept will include restaurants, shops, and entertainment venues, as well as community space available for activities such as farmers' markets and holiday events. Work will start this spring on an existing Supercenter in Loveland, Colo., with other projects planned for Texas and Washington.

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## Cold Is Hot

Growing consumer demand and tariffs from China on U.S. meat have driven up demand for industrial cold storage space. A recent report from JLL notes that operating profits in cold storage facilities have risen 83 percent in the last five years. The U.S. currently has 3.6 billion cubic feet of cold space, but available space decreased this summer when meat marked for export to China had to be rerouted. The increased popularity of grocery delivery services and consumer preferences for fresh food also have driven up demand.



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## Medical Office Rents on the Rise

Nashville, Tenn., had the country's fastest-growing medical office rent between 2Q2017 and 2Q2018 at 7.8 percent, considerably above the national average of 1.4 percent.

### Medical Office Rent Growth

	Rent Growth %	Vacancy Rate %
U.S National Average	1.4	8.4
Nashville, Tenn.	7.8	4.9
New York–Manhattan	7.7	7.9
Louisville, Ky.	7.3	4.2
Seattle	7.1	4.7
Indianapolis	5.4	6.1

Malcolm MacGregor

Source: CBRE

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## 2019: What's Ahead in Pricing?

Calling real estate fundamentals “generally solid,” John Oharenko, director of the Real Estate Capital Institute, a volunteer-based organization that tracks realty rates data for debt and equity yields, notes pricing trends to watch in 2019.

**Higher Rates:** Markets gradually will reprice assets as the cost of borrowing rises.

**Suburban Rebounds:** Suburban properties will attract buyer interest due to larger pricing gaps.

**Price Discovery:** As more buyers look for well-priced stocks and bonds, pricing discovery will increase. Fewer buyers at the table means lower prices.

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## A Growing Movement?

Agrihoods are a new trend in community planning. The residential or mixed-use developments are built around a working farm or community garden. Urban Land Institute notes that agrihoods show promise thanks to an increased focus on health and social interaction, as well as awareness of environmental benefits of local food sources. The projects also can have a good return on investment, ULI reports, because of their proximity to parks and open space and can be less expensive to build and operate than other amenities such as golf courses. Projects are underway in 27 U.S. states and Canadian provinces.

Source: Urban Land Institute, "Agrihoods: Cultivating Best Practices"

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## 'Spa' Was Not an Option

Office building amenities important to commercial real estate professionals may not reflect what's important to tenants. A recent survey by Building Engines, a property management software provider, revealed the differences.

Most Important Building Amenities		
Ranking	Building Occupants	CRE Professionals
1	Public Wi-Fi	Cafe or restaurant
2	Gym	Meeting and event space
3	Cafe or restaurant	Coffee shop
4	Coffee shop	Public Wi-Fi
5	Meeting and event space	Gym
6	Lobby lounge or seating area	Lobby lounge or seating area

Source: Mortgage Bankers Association, Commercial/Multifamily Delinquency Report

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# Briefly Noted

**Hospitality:** In a business that showcases the great outdoors, ski resorts are turning their attention to sustainability. Yardi reports that more than 75 percent of U.S. ski resorts — almost 200 locations — have endorsed Sustainable Slopes, an environmental charter from the National Ski Areas Association. The project includes principles for ski area planning, operations, and outreach. It focuses on areas such as water conservation, energy efficiency, waste reduction, and recycling.

**Industrial:** As demand heats up for last-mile e-commerce fulfillment centers in urban areas, investors are repurposing other types of buildings for this use. National Real Estate Investor reports that empty grocery stores, class-B office buildings, and former bank branch buildings are among the candidates for adaptive reuse — as well as failed big-box retailers located in transitional urban neighborhoods. Zoning issues can be difficult, and environmental cleanup can be expensive and physically risky.

**Multifamily:** New American apartments are shrinking. The average size of new apartments in the U.S in 2018 was 941 sf, 52 sf smaller than an apartment built in 2008, Rent Cafe reports. The average size of all apartments — new and older — is 882 sf. Seattle's are the smallest in the country, with an average of 711 sf; Florida boasts the largest, with an average of 1,038 sf.

**Office:** Tourists in northern California have discovered new attractions: tech company headquarters. Visitors to Googleplex in Mountain View can roam the 12-acre grounds, according to Bisnow, but aren't allowed into buildings unless accompanied by a Google employee. Apple Park in Cupertino offers a visitor center that includes an Apple Store, but its campus also is mostly closed to visitors. More welcoming: the observation deck at the top of Salesforce Tower, the tallest building in San Francisco. Visitors are allowed free entrance to take in the views from the building's 61st floor.

**Retail:** Those looking to follow where big-box retailing is headed may want to keep an eye on IKEA. The Swedish home goods retailer is

opening 30 city-center stores around the world in the next two years, including a New York location slated to open this spring and four others in the U.S. The urban stores will be considerably smaller than IKEA's 300,000-sf suburban megastores; the Manhattan store will be 17,500 sf and will feature items only available for delivery. "IKEA is very conscious that they have to make more effort to be where people want them to be," Neil Saunders, managing director of GlobalData Retail, told CNN. "The old big-store model was very 'build it and they will come.' But that no longer applies."