



Southern Arizona CCIM 30th Annual Real Estate Forecast

Michelle Cunningham • published in the March 2022 issue

On February 24th, 2022, over 250 people attended the 30th Annual Southern Arizona CCIM Real Estate Market Forecast. Held at the brand-new event venue at Tohono Chul, the morning event included an introduction from David Schnitzer, the global CCIM President Elect, followed by a series of local experts who addressed economics in the market and trends in each of the various market segments, including Retail, Multi Family, Office, Industrial, Development, and Residential. The theme of the Forecast was “Who is coming to Tucson and Why?” The answer, in short, is Californians because of our attractive prices.

Melissa Lal (Larson Baker) and Rob Tomlinson (Cushman&Wakefield/Picor) started the conversation with trends in retail. Lal spoke optimistically about retail’s shifting, but prosperous future. Despite fears that brick and mortar are a trend of the past, Lal reminds that retail is still deeply embedded in our daily lives. Growing retail markets include Dollar Stores and Fast Food/Good Food Fast Restaurants. Several are headed our way from the Phoenix and California markets and are expected to do well. There is an expansion in the thrift store and consignment shop sector as there is a significant consumer shift away from throw away fashion popularized by retailers like Forever 21 and H&M. This is largely due to a millennial mind shift toward sustainability and environmentalism. Tomlinson agreed that while retail has taken a hit in some areas, the sector is still thriving and consumer desire for brick and mortar coupled with online retail options will continue.

Allan Mendelsberg (Cushman & Wakefield | PICOR) led the conversation for multifamily and focused on the overwhelming shift in supply and demand over the last handful of years. The same assets with the same current financials are trading at nearly double previous prices, with buyers counting on steep proforma rent increases to meet investor needs. Nonrefundable down payments, sight unseen purchases, and quick closes are common as demand far exceeds supply. Robert Motz (Pima Federal Credit Union) added to the conversation from a financing perspective, but it remained unclear on when interest rates will rise and to what degree. This uncertainty on financing rates and accessibility proves a driving force for investors who want to purchase while such favorable financing still exists and may increase supply as sellers fear they “miss the mark” by holding out too long.

Bruce Suppes (CBRE), Thomas Nieman (Cushman & Wakefield | PICOR), and Perry Whitthorne (Holualoa Companies) spoke on the Office sector, undeniably the most challenged of the sectors with a vacancy rate the highest it has been in the last five years. Repositioning office properties into residential or different/mixed use is common and necessary. Technological advancement has allowed many to work from home, but fears exist regarding the efficacy long term work at home options as issues regarding productivity and employee motivation are already apparent. Co-working and mixed space use are opportunities in this sector.

The industrial panel included Rob Glaser (Cushman & Wakefield | PICOR) and Dave Blanchette (NAI Horizon). Glaser was the first to mention cannabis’ effect on the market, noting that cannabis is absorbing much of the B- and C-class properties. Blanchette spoke to the concentration of new industrial projects in the Ajo & Palo Verde Area. Cap rates in this sector continue to be in the 8% range.

David Larson (BFL Construction), Brian Underwood (The Planning Center), and Josh Marks (Rider Levett Bucknall) reported on the development sector. Larson notes major concerns with supply will continue, with many materials 13 weeks plus out. Glass is currently three months out. Larson warns developers not to over hedge as it hurts the market. Planning and forecasting are paramount. Despite the supply compression, Underwood states that nearly a dozen build to rent projects are in process in the Tucson and Marana area. Marks notes the build trends and product conversions in Phoenix will press toward Tucson, which speaks to investor confidence of the sustainability of our growing and dynamic demographic.

The keynote speakers included both John “Jeff” Murtaugh, the CEO of Realty Executives Arizona Territory, and Renee Gonzales, the CEO of Long Companies. Renee Gonzales noted the insurgence of West coast buyers moving into our market to escape the high prices as the chief force driving up the price of residential homes, coupled with favorable financing. Jeff Murtaugh notes that Tucson’s internal economy is strong as well with average salary jumping to \$65k, which coupled with soaring rents has caused many residents to focus on purchasing. The future of Accessory Dwelling Units in Tucson may aid to relieve some of the housing shortage concerns.

The mood of the 2022 CCIM Commercial Forecast was one of overall optimism, with expected growth in all sectors, with the potential for Office to lag the most. Outside investors are driving much of the movement and it is believed that new out of state retailers will be well received.

We thank all the presenters, volunteers, and attendees for being at the 2022 30th Annual Forecast and look forward to 2023 when we will be presenting the 31st Southern Arizona CCIM Forecast.

Michelle Cunningham, MBA, CCIM, ARM, CPM, serves as the President Elect for the Southern Arizona Chapter of CCIM as well as the Vice President for the local IREM chapter. She has nearly 20 years’ experience in Property Management & Sales as an investment expert, specializing in the stabilization and repositioning of multifamily and other investment property. Ms. Cunningham led the Forecast Committee and was the Master of Ceremonies for the event. She may be reached at 520-308-8198 or michelle@flraz.com.



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