

Gruen Gruen + Associates

54th Annual

Holiday Greeting and

2025 Forecast

Technology Innovation

- Technological innovation in artificial intelligence, life sciences, sustainable energy, and other fields will have wide-ranging transformational effects.
- Research and development activity and hiring for artificial intelligence is concentrated in early adopter hubs including the San Francisco, San Jose, Seattle, and Boston metro areas. These first mover hubs will maintain and build up their agglomeration advantages.
- Those communities seeking to share in the economic development benefits associated with innovation economies and/or maintain high innovation economies should encourage the high production of housing to improve cost of living and quality of life advantages.

Housing

- Housing supply constraints will continue with among the lowest available existing housing inventory in over four decades.
- Supported by millennials entering their primary home purchase years and immigration, housing demand will continue to exceed housing supply.
- Because of the supply-demand imbalance housing affordability will worsen. As a result, multi-family housing occupancy rates will remain at high levels.
- Demand for single-family rental (“SFR”) product will increase due to the increase in newly formed households and households seeking to move from apartment units.
- Reducing the time, uncertainty, and cost of permitting housing is imperative.

Industrial

- A focus on achieving greater supply chain resilience, faster delivery, and inventory management; and onshoring of semiconductor manufacturing; continued E-commerce growth; and reduced construction activity will produce healthy absorption and rents for well-located quality industrial properties.
- Some former industrial areas no longer well suited for industrial development may be positioned for conversion to data center developments for which technological innovation will continue to create demand in more widely dispersed geographic areas.

Retail

- Experiential retail—spaces designed to offer immersive experiences rather than just products—continues to grow. Malls and shopping centers will continue to be repurposed into mixed-use developments, combining residential, healthcare, and restaurant and entertainment spaces to create vibrant community hubs.
- Municipalities will frequently need to consider providing zoning relief and financial incentives to make such redevelopments financially feasible.

Gruen Gruen + Associates wish you and yours a healthy, happy, peaceful, and prosperous New Year.