

2025

ED Now Feature | 2025 Economic and Real Estate Outlook

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The following summarizes the economic and real estate outlook for 2025 and the public policy, land use, and economic development strategies needed to respond to the forecast opportunities and challenges.

Technology Innovation

Technological innovation in AI, life sciences, sustainable energy, and other fields will have wide-ranging transformational effects.

R&D and hiring for AI 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.

Communities seeking to share in the economic development benefits associated with innovation economies and/or maintain high innovation economies should encourage high production of housing to improve costs of living and quality-of-life advantages.

Housing

Housing supply constraints will continue with among the lowest available existing housing inventory in more than four decades.

Driven by millennials entering their primary home purchase years as well as immigration, housing demand will continue to exceed housing supply.

Because of the supply-demand imbalance, housing affordability will worsen.

As a result, multifamily housing occupancy rates will remain at high levels.

Demand for single-family rentals (SFRs) will increase due to an increase in newly formed households and households seeking to move from apartment units.

Reducing the time, uncertainty, and cost of permitting for housing is imperative.

Industrial

A focus on achieving greater supply chain resilience, faster delivery, and inventory management; 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 centers 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.

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