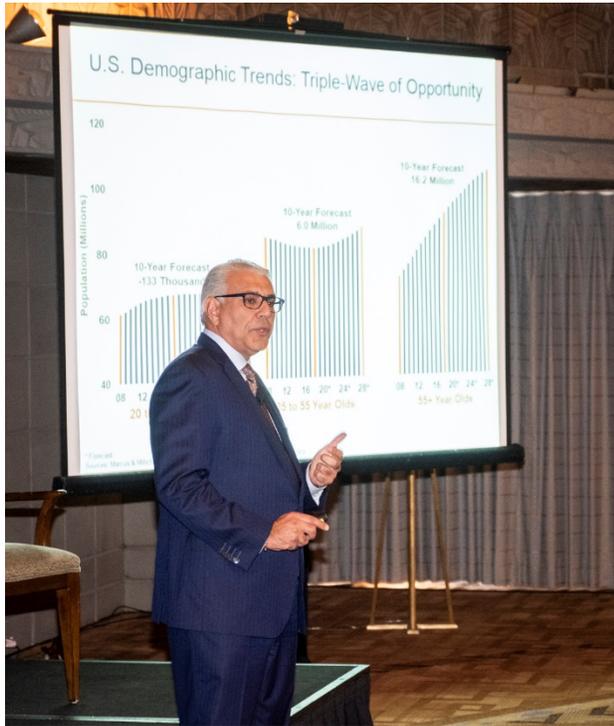


Industry expert predicts Phoenix rise at fall event

International trade tensions. Interest rates going up. Talk of another recession lurking. So where does the Valley stand in the overall economic picture in the world of commercial real estate?



REIAC Southwest’s 2018 Distinguished Speaker Event in October featured industry expert Hessam Nadji, President and CEO of Marcus & Millichap, who answered that question and many others, gave his global projection, and looked down the road in our backyard.

“Phoenix is a very important market,” Nadji said, kicking off the event at Arizona Biltmore. “It is third nationally in job growth. The housing market is the best it’s been in a while. It is not overbuilt.”

Nadji, a frequent contributor to national business media outlets, said there are two risks facing our economy: interest rates, which are a key driver of future economic performance, and trade, which affects 14 percent of the national economy.

“The economy needs guard rails and brakes and can’t get ahead of itself,” he said. “What has happened so far makes total sense. Are we headed for a recession around the corner? I don’t think there is one on the table for the near term if we continue on an orderly basis.”

Trade is the one issue that Nadji said should be the greatest concern. “That (trade) is a major global risk,” he said. “



Bringing the message home, Nadji said a headwind we are facing is a shortage of construction labor.

“Phoenix is a growth market, and it’s much better than it’s ever been,” he said. “But there is a bigger wave ahead of us. I do think the labor shortage is serious. The same with trucking.

“I know that immigration is a hornet’s nest. We clearly have a labor shortage of skilled workers. How we let these people in and how we improve it is crucial. No other country in the world has given us these opportunities. There is too much of an income and skill disparity.”

Other topics Nadji discussed:



- Retail: “All the pain you hear in retail is not demand. People are changing. Consumer habits are changing.”

- Multifamily: “Apartment developers are putting up record numbers of units. Multifamily is not about to bust. Not with a 5 percent vacancy rate.”

- Capital: “Where is it coming from? U.S. commercial real estate has become the mainstream investment but it is still under allocated.”
- Demographics: “There is a triple wave of opportunity. We already had the big growth in Millennials. It came and went. It’s not declining, it’s just flattening out. There will be more than six million people in the 35 to 55 category. Senior housing is going to change our business.”
- Timing: “It’s a great time to sell and a great time to buy. It all depends on the strategy.”
- Forecast: “It has to do with what the data points tell us today. The economy is not overheated. Interest rates could put the brakes on growth.”
- The next decade: “Phoenix cycles are getting smoother. Not as high in the highs and not as low in the lows. Phoenix’s economy has diversified. It’s tech, bio tech, entertainment. It presents more of an alternative to other markets.”