On February 19, 2020 over 300 people were in attendance at the 29th Annual Southern Arizona CCIM Real estate market forecast at the Double Tree Reid Park. The morning meeting included national, regional and local experts who addressed economics in the market and trends in each of the various market segments.

The keynote speaker was Nathaniel Karp, Chief Economist USA, BBVA. Mr. Karp addressed the national economy and the projections for 2020 and into the future. In terms of the global economy Mr. Karp indicated that the rate of growth was on the slowest pace of growth since 2009. He did not expect any major changes in economic policy from the current administration that would cause any new disruption. He projected that there would be no recession in 2020.

On this forecast, we have experienced the impact of the uncertainty of the markets in expectation of the global slow down due to the coronavirus. We can only wait and see what the real impact will be globally.

Lower Policy Uncertainty and Improved Expectations

However, he was uncertain as to the impact of the coronavirus on the global economy. This is shown on the following chart. Since the time of this forecast, we have experienced the impact of the global slow down due to the coronavirus. We can only wait and see what the real impact will be globally.

Mr. Karp’s analysis also indicates that the market in 2020–2021 for commercial real estate in the US should continue to be favorable. Vacancy rates nationally are low and rental rates are increasing in the various real estate sectors. Further, capitalization rates are at the lowest levels seen in our lifetime. In addition, delinquency rates for CRE are also low. He also stated that the residential market will continue to be strong given the low interest rates and very low residential delinquency rates.

In terms of Arizona, his projections are that there should be solid labor force growth thru 2020 and into the future. This will have the impact of increasing real personal income in the state and have a positive impact upon the economy.
In summary, Mr. Karp indicated that the overall outlook for Tucson was for economic growth above the national average. Although there are some challenges that we will need to address in the near future including the federal deficit and the coronavirus he was generally optimistic about economic conditions globally, nationally and in Arizona and Tucson.

Jessica Morin, Director of Market Analytics – Arizona, with CoStar was the second speaker. She specifically addressed the Tucson market. She indicated that the Tucson population growth will outpace the US, with an expected growth of about 1.1% per year through at least 2021. Tucson’s affordability is continuing to be attractive comparable to Atlanta and Albuquerque and much superior to Austin and Phoenix. Her outlook for all of the Tucson CRE markets was upbeat. The Multi-Family fundamentals continue to be strong with increasing rental rates and demand through 2024. The Office market fundamentals are steady with limited changes expected in supply and demand in 2020. Industrial occupancy is at a near all-time low within limited availability of new product. This is having a negative impact upon Tucson’s ability to attract new employers. She projected that the overall vacancy in the industrial sector would be steady. The retail market seems to be in a stable stage of its life cycle. The continued changes in the retail market due to the internet is continuing to impact new development. There has been no new grocery anchored development in the Tucson area in 2019 and none is projected into 2021 and beyond. Mr. Morin’s opinion is that Tucson will continue to grow on a slow pace in terms of CRE, with only strengthening of the industrial and multi-family markets.

The balance of the Forecast was focused on the local markets as analyzed by real estate specialists including Jerry Hawkins, Hawkins Cole (Hospitality), Laurie Weber, LendAmerica (finance), Pat Darcy, Tucson Realty & Trust (Retail), Allan Mendelsberg, PICOR (Apartments), Mike Gross, Tucson Realty & Trust (Office), David Blanchette, NAI Horizon (Industrial), and James Terry Lavery, REMAX Commercial (Land). All of the local experts supported that the Tucson market should continue to be stable to growing over the next year and into 2021.

The overall mood of the 2020 CCIM Commercial Forecast was one of continued optimism. The presenters all concurred that 2020 should be a good year for commercial real estate in the Tucson and Southern Arizona. We thank all of the presenters, volunteers and attendees for being at the 2020 Forecast and look forward to 2021 when we will be presenting the 30th Southern Arizona CCIM Forecast.

James S. Bradley, CCIM, MAI is the president elect of the Southern Arizona Chapter of CCIM. He has 35 years of commercial real estate appraisal experience in Arizona and is president/owner of Axia Real Estate Appraisers. Mr. Bradley organized and was the master of ceremonies of this year’s forecast. He can be reached at 520-545-0000 or jim@axiaappraisers.com.