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REAL ESTATE IN-DEPTH
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ECONOMIC AND GLOBAL FORECASTS

Real Estate Experts Share Insights on Global Real Estate Trends, Future of Cities and Homes

WHITE PLAINS— Real estate's most influential thought leaders came together virtually on November 5-6 to share thoughts on succeeding in the global marketplace and the future of our cities and residential real estate opportunities as part of the 14th Annual Global Real Estate Summit 2020.

The two day-long event focused on "A Global Voyage into Local Business" and was presented by the Brooklyn Board of Realtors; Greater Bergen Realtors; Hudson Gateway Association of Realtors; Liberty Board of Realtors; Long Island Board of Realtors; North Central Jersey Association of Realtors and the Staten Island Board of Realtors.

Real estate leaders from more than 16 countries participated in presentations and panel discussions that addressed global real estate trends, innovative development, new standards for sustainable building, changing demographics and best practices for moving forward in a post-COVID world.

A highlight of the second day was a featured keynote presentation from Nikki Greenberg, founder, Real Estate of The Future. Titled, "2020 A Space Odyssey," Greenberg discussed the disruptive nature of the last year, the opportunities it presents, and the megatrends impacting cities and residential opportunities, namely: Amazon, Robots and Working from Home.

"The pandemic is temporary, but it has changed the way that we behave," said Greenberg. "Within our homes, everywhere is now a work space and we want our homes set up to facilitate this. This is a long-term trend that we're going to have to deal with. Embrace innovation and embrace change."

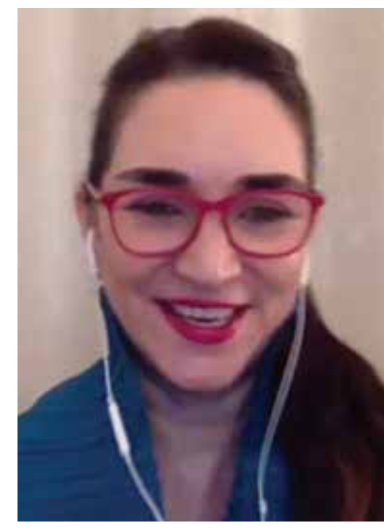
Additional speakers included: Alina Aeby, CIPS, SFR, SRS, Broker Associate, COMPASS, San Francisco; Raya Ani, founder and design director, RAW-NYC Architects; Francis Fernandez Ariza, CEO, Spanish International Realty Alliance; Kevin B. Brown, Senior Global Real Estate Advisor and Associate Broker, Sotheby's International Realty; Assaf Epstein, owner/manager, NADLAN 2000, Jerusalem, Israel; Charles Montgomery, award winning journalist and urban design consultant; Charlie Oppler, 2020 President-Elect, National Association of Realtors; Pedro Pereira, CEO Portuguese International Realty (PIR); and Liviu Tudor, president, European Property Federation and founder, Romanian Association of Building Owners.

The National Association of Realtors and the New York State Association of Realtors were premier sponsors for the Global Real Estate Summit 2020.

PHOTOS BY JOHN VECCHIOLLA PHOTOGRAPHY

Charlie Oppler, President-Elect of the National Association of Realtors, provided opening remarks to kick off the Global Real Estate Summit 2020

Nikki Greenberg, founder, Real Estate of The Future, gave a featured keynote presentation at the Global Real Estate Summit 2020.



Raya Ani, Architect, founder and design director, RAW-NYC Architects, spoke about the future of architectural designs as a featured keynote speaker at the Global Real Estate Summit 2020.

Listen, Learn, Pivot and Adapt: Today's Secrets to Growing Your International Business

By Mary T. Prenon

Growing your international residential real estate business in today's "new normal" times requires listening, learning, pivoting and adapting. That advice, courtesy of Kevin Brown, senior global real estate advisor and associate broker with Sotheby's International Realty in Manhattan, was presented on Nov. 5 during the 2020 Global Real Estate Summit, held virtually this year.

Kevin Brown, senior global real estate advisor and associate broker, Sotheby's International Realty

Brown is often quoted in international newspapers and appears in media broadcasts on a regular basis. His approach in servicing both buyers and sellers has helped him to achieve sales of more than $2 billion.

Held via Zoom video conference, Brown's session concentrated on how to navigate and expand global real estate transactions during the continuing pandemic. "You have to be able to pivot your business plans and marketing during these uncertain times," said Brown. "Be the best listener, learner and adapter that you can and work on getting ahead of the next stage of a crisis."

Prior to COVID, almost 75% of Brown's international real estate business came from real estate buyers and investors in China. However, when the pandemic struck, that market began to dry up. "All of a sudden, though, we started getting a lot of inquiries and referrals from Mexico and South America," he said. "At that point, I had to pivot my marketing to south of the border, making more connections with brokers and bankers in that region."

Brown's mantra for expanding business is "follow the money." He reads "Mansion Global" every week and keeps on top of trends, following where buyers are coming from and where they're going.

"Then I just reach out to brokers in those areas because I know that every person I touch probably knows another 200 people," he said. "At the end of the day, it's still all about relationships."

He also invests in having all of his marketing copy translated to the language of the potential buyer, and even his business cards offer translations on the back. "It's just another way of respecting your potential clients," added Brown.

"Manhattan is not emptying out and I believe the marketplace is actually starting to recover."

The virus itself was responsible for forcing just about everyone to pivot their business to virtual meetings and showings. "In New York City, we just didn't do virtual tours, but now I do all of my pitches for major properties via Zoom," he explained. "People just don't want to have others roaming through their apartment right now, so I think this technology is definitely here to stay."

Despite the unfavorable press that New York City real estate has endured lately, Brown remains optimistic. "Manhattan is not emptying out and I believe the marketplace is actually starting to recover," he explained. On the international front, buyers are still looking to New York as a safe haven because of the way the virus has been handled and because of the region's renowned health care facilities. "These clients can also escape to New York to be able to do their banking in a stable political system."

On the domestic side, Brown sees a lot of people who moved to Long Island, the Hudson Valley or Connecticut starting to come back to Manhattan. "Many of them are keeping their suburban locations, and looking for smaller apartments in the city," he said. "There's also a shift away from open floor plans. People want their privacy and now everyone wants some outdoor space."

Interest in Manhattan's "hot" areas of Tribeca, the Meatpacking District and SoHo are giving way to the quieter neighborhoods of the upper East and West sides. With interest rates still on the decline, Brown predicts a great future for New York City.

Another big change that Brown has seen over the past year is that close to 95% of his business now comes from referrals, as opposed to only 60% just a year ago. To stay on top of this, he sends out some 35,000 e-mails every month to former and potential clients and referring brokers.

He keeps the content focused on lifestyle and community news. "Its so important to be touching someone every month and making that connection," he added. "While it does take a certain amount of discipline, you have to be consistent to get the results."

Howard Hughes Corp. Proposes $1.4 Billion Mixed-Use Project at South Street Seaport

NEW YORK—The Howard Hughes Corp. unveiled a comprehensive $1.4-billion proposal on Oct. 22 in the Lower Manhattan's Seaport area, including the transformation of an underutilized full-block surface parking lot along the boundary of the South Street Seaport Historic District into a mixed-income development that would include some of the area's first new affordable housing in decades.

The proposal also provides for the long-term financial stability of the South Street Seaport Museum, improvements to the museum's historic buildings that will allow it to reopen, and a design for a new museum building on an adjacent vacant lot.

The plans were designed by world-renowned architecture and urban design firm Skidmore, Owings & Merrill (SOM). As the city focuses on economic recovery from the ongoing pandemic, the 250 Water St. development will help propel that recovery through more than $1.8 billion in economic impact for the city and state, creating nearly 2,500 permanent jobs and roughly 2,000 construction jobs, the development firm stated. HHC recently repaid the debt on its Seaport ground lease, has nearly $1 billion on its balance sheet, and is in a strong position to carry out the project.

"The Howard Hughes Corporation remains firmly committed to the Seaport and New York City for the long-term, with mixed-income housing and a plan to save the Seaport Museum at the heart of our commitment," said Mary Ann Tighe, member of HHC's Board of Directors, and Chief Executive Officer of the New York Tri-State Region for CBRE. "We believe visionary projects like this will help propel the city's economic recovery."

Proposed Seaport development. Image Credit: The Howard Hughes Corp./ Skidmore, Owings & Merrill

"As New York City works to recover from the devastating impacts of the pandemic, we are redoubling our commitment to the city and the Seaport. We aim to be part of the solution by investing in this unique, historic neighborhood and its economy, providing a crucial lifeline to the Seaport Museum, and building affordable housing in an area where housing prices are out of reach for most New Yorkers," said Saul Scherl, president of the New York Tri-State Region, The Howard Hughes Corp. "Over the last five years, we've received input from a wide range of neighbors about the Seaport's future that has helped shape our proposal, which honors the area's history and culture. We're eager to continue the constructive dialogue with the community and our local elected officials as we move toward public review."

The centerpiece of the Dallas-based firm's proposal is 250 Water St., which will include the first affordable housing built in Manhattan Community Board 1 through the city's Mandatory Inclusionary Housing program. It will bring at least 100 permanently affordable apartments to a Community Board district where just 2.5% of all housing qualifies as affordable and the median household income is more than $150,000. The MIH rental apartments will be made available to families earning 40% of Area Median Income. Of the project's roughly 360 overall units, approximately 25% will be affordable, along with approximately 260 condominium units.

The new affordable housing is particularly significant following the exit of nearby Southbridge Towers from the Mitchell-Lama housing program in 2015 with a co-op conversion that has resulted in more than 1,650 formerly income-restricted apartments being bought and sold at market prices well out of reach for working families.

The distinctive two-tower design of 250 Water St. includes a contextually scaled podium base designed to reference the heights, materials and massing of adjacent buildings and the vernacular of the Historic District. The base is articulated at key points to allow light down to surrounding streets and neighboring buildings and includes storefronts that are resonant and compatible with the historic storefronts found in the Historic District. The 250 Water proposal also includes enhancements to the Peck Slip Play Street used by the neighboring Peck Slip School and Seaport families, as well as community-oriented spaces and office space.

Over the past two decades the museum has survived significant setbacks, including a two-year closure after 9/11, the 2008 financial collapse, crippling flooding during Hurricane Sandy, and now an existential threat resulting from the pandemic, making the need to strengthen and secure its finances more vital than ever.

Through HHC's proposal, $50 million will be available to the museum, providing it with a secure recurring revenue stream and allowing it to advance a first phase of restoration and rehabilitation that will enable the Museum to reopen.

Building on this solid financial base, the museum will plan for a new state-of-the-art building that will meet its programming needs. The future vision is for the museum to maintain and restore key current properties, which are crucial testaments to the history of how New York was built and grew, as well as construct a modern, properly climate-controlled, high-ceiling space suitable to display precious art and artifacts from its collection. HHC is funding significant design and planning costs to enable the museum's future development, laying the groundwork for a larger fundraising campaign.

The project will also provide significant economic benefits for the area and city at a time when the need for private investment in its long-term future is urgent. The developer estimates the 250 Water St. project's construction will generate more than $1.8 billion in economic output annually for both the city and the state, $640 million in new labor income, and roughly 2,000 construction jobs. Ultimately, the site is projected to create an estimated 2,475 new direct and indirect full and part-time permanent positions, and annually generate $645 million in economic output for New York City, along with $327 million in wages, salaries and benefits.

A number of government approvals are required for the project. The New York City Landmarks Preservation Commission (LPC) must approve the designs of the 250 Water St. Building and the new Museum Building as well as the improvements to the museum's historic buildings. Additionally, in order to proceed with the overall project, a framework for transferring unused development rights from the HHC-leased Pier 17 and Tin Building sites to 250 Water St. must be approved. Transferring these development rights to the upland 250 Water St. site will help preserve the low-rise character of the waterfront and the existing built fabric. Through the development rights sale, upon which the 250 Water St. proposal is contingent and requires city review and consent, the $50 million will be made available to the museum. The proposed transfer builds upon the existing mechanism for transfer of development rights within the Seaport Subdistrict, which has been in existence since 1972.

HHC will undertake a comprehensive public review that will provides numerous opportunities for community engagement and public comment, including at LPC and under the city's full public land use review process, known as the Uniform Land Use Review Procedure (ULURP). The proposal will be formally presented to the LPC in December, and the ULURP process is expected to begin in the spring of 2021. Under this timeline, if approved, construction, and the economic activity it will create, would begin in 2022, company officials stated.

The Howard Hughes Corp. owns, manages and develops commercial, residential and mixed-use real estate throughout the U.S. Its assets include a portfolio of master planned cities and communities, as well as operating properties and development opportunities including the Seaport District in New York; Columbia, Maryland; The Woodlands, The Woodlands Hills, and Bridgeland in the Greater Houston, area; Summerlin, Las Vegas; and Ward Village in Honolulu, Hawaii.

Orange County's Commercial Market Outlook Is Upbeat for 2021 Despite COVID Pandemic

By John Jordan

TOWN OF WALLKILL—Panelists and participants in the Orange County Partnership's recently held Commercial Market Forecast were bullish on investment and development interest and opportunities in Orange County in spite of and in some instances because of the COVID-19 pandemic.

The program was held on Oct. 27 at the West Hills Country Club and was attended by 50 guests, the maximum attendance allowable under COVID-regulations. The panelists for the program were: R.J. Smith, broker with Rand Commercial Realty; Alexander "Sandy" Mathes, president of economic development consulting firm Mathes Public Affairs and Nick Fitzpatrick, owner of Alden Landholdings, which sold property in Montgomery to Medline Industries for its new more than 1 million-square-foot distribution center that is currently under construction.

Veteran real estate broker Smith related that Orange County's prime location has been and will continue to be the key to its success. He noted that 28 million people live within 100 miles of Orange County and 51 million people reside within 200 miles of the county. All of these people are consumers that could be served by Amazon and other consumer and health care product suppliers.

From left, back row: Maureen Halahan, Orange County Partnership and RJ Smith - Rand Commercial; front row: Sandy Mathes, Mathes Public Affairs and Nick Fitzpatrick, Aden Landholdings.

"If you look at a map of the Northeast, where is the center of the Northeast? Orange County," Smith said.

Because of its strong demographics, Orange County will continue to be a mecca for major distribution facilities, such as Amazon and Medline.

He cited the success of the Neelytown Road area in Montgomery as a location where the town, the county and the state collaborated and identified a location that could accommodate commercial development.

Smith also detailed a host of challenges to commercial development in Orange County, including site conditions, regulatory obstacles from municipal, state, DOT and other agencies, as well as labor shortages, specifically in high tech and transportation positions.

Another issue that will have to be addressed is the changing face of retail and the issues that have caused large retail vacancies both in Orange County and in locations nationwide. What are suitable uses for large blocks of vacant space, such as the Toys R' Us and Kids R' Us space in the Town of Wallkill for example.

Mathes said the perception that there is strong demand by New York City residents and companies relocating to the suburbs is real. He noted that locations that want to attract city businesses must add urban amenities in smaller and safer environments.

He added to accomplish that, cities or villages may need to invest to create the amenities normally found in urban areas. Locations will also have to embrace the work at home concept.

"Where people live, work and play are going to be a new concept that we will really need to focus on, especially in the suburbs," Mathes stressed.

Another key trend is that businesses and particularly workers in Manhattan no longer want to utilize mass transit. He noted that for the last 30 years the trend was towards mass transit and environmentally progressive policies. "Now, they want cars and they want to be able to drive to a large parking lot so they do not have to get on a bus or a subway," he noted.

Other key economic factors Mathes cited were: site predictability, appropriately scaled infrastructure, available workforce, partnerships with economic development, community engagement, incentives and talent attraction and quality of life.

He concluded that businesses looking to relocate to the suburbs are now seeking to recreate a "village feel" where business parks feel like a village and have community-type amenities built into the business parks.

Fitzpatrick discussed his firm's acquisition of the Montgomery parcel that was later sold to Medline and revealed that his firm has made a number of other land purchases since then that it will be preparing to make shovel ready for future development.

He told the assemblage that Orange County is a prime location and is seeing strong demand for fulfillment centers.

Orange County Executive Steve Neuhaus also addressed the crowd and said that although there were some COVID hot spots that caused some increases in the COVID infection rates, he believes the county is on the right track in dealing with the coronavirus.

In discussing the business environment in the era of COVID-19, Neuhaus was very bullish. "This is where it's at," Neuhaus said. "I am very optimistic about the future of Orange County. We are the trend setter in the state. County Executives throughout the state, and even New York City Mayor (Bill) de Blasio wishes they had what we have in the pipeline, what we have in our portfolio."

The program also featured Maureen Halahan, president and CEO of the Orange County Partnership and Michael Gilfeather, chairman of the Orange County Partnership and president and CEO of Orange Bank & Trust Co., who discussed the organization's operations in 2020 and the pandemic's impact on its operations.

Gilfeather noted that in discussions with other Board members of the Partnership, all seem optimistic about their operations going forward. For example, Gilfeather noted that the pipeline of loans at Orange Bank & Trust has never been stronger.

HGAR's Global Business Council Receives Gold Global Achievement Award from NAR

HGAR Global Business Council Co-Chair Emi Cacace

Tony D'Anzica, Co-Chair of the Global Business Council

By Mary T. Prenon

WHITE PLAINS—The Global Business Council of the Hudson Gateway Association of Realtors recently received the Gold Global Achievement Award from the National Association of Realtors.

The Global Achievement Program is designed to recognize and reward the most active associations in global business. Among the more than 130 global business councils nationwide, HGAR's Global Business Council has been named as one of those organizations that has demonstrated the utmost commitment to helping members capture their share of the global real estate market in the United States. In addition, the HGAR Global Business Council is being recognized for connecting their council and Realtor members to the global community in their local area.

NAR evaluated the councils in five focus areas: Business Plan, Marketing & Communication, Events/Education, Outreach and Benchmarking. Among the 2020 goals that the HGAR Global Business Council achieved were: establishing "Global Chats" via Zoom with real estate professionals from India, Nigeria, Nicaragua, and Portugal; creating a Global Business Council logo and newsletter; maintaining its Ambassador Association Program with Portugal; offering additional global education courses; and providing internationally-themed events throughout the year, both live and via Zoom.

For this year's HGAR Members Day, the Global Business Council presented a virtual seminar with Feng Shui Master Debra Duneier, who discussed how Feng Shui and other ancient wisdoms help to create harmony in home design.

HGAR also recently hosted the Global Real Estate Summit, held via Zoom with five other regional Realtor Associations. Tony D'Anzica, Co-Chair of the Global Business Council, served as master of ceremonies for the event. The Summit's theme of "A Global Voyage into Local Business," featured a two-day seminar of top brokers, investors, legal and technology experts addressing the issues impacting the global real estate market.

HGAR Global Business Council Co-Chair Emi Cacace, who serves as NAR's Global Ambassador to Argentina, Uruguay, and Paraguay, said, "I am so honored that our Global Business Council received the Gold Global Achievement Award this year from NAR. It's a reassurance that we are on the right path. I appreciate so much all our council members, and all the work we have been doing as a team for the past two years. This award is an incentive to continue to work hard and keep improving our ways to serve our members."

HGAR's Global Business Council is comprised of 25 Realtor members, including those specializing in real estate transactions with South America, Japan, and Europe. Last year, the Council received NAR's Silver Global Achievement Award.

ULI Forecast Says Worst U.S. Economic Fears Have Eased

While the economic impact of the coronavirus this year has been dramatic, two recently released reports indicate that the real estate industry and the U.S. economy are expected to fare better in 2021.

The Urban Land Institute's latest Real Estate Economic Forecast predicts less of a slump for the rest of this year than was previously expected six months ago and economic growth from 2021-2022.

In a report on global commercial real estate investment, commercial brokerage firm CBRE predicts that as vaccine research forges ahead, a global market normalization is highly anticipated in 2021.

The ULI report predicts that U.S. GDP will decline by 5% in 2020, down from 2.2% in 2019. It is expected to rise 3.6% in 2021 and 3.2% in 2022. This is an increase for 2020 over the May forecast (-6%), but a decrease for 2021 (3.9%) and 2022 (3.6%) Net job growth will drop by 9 million in 2020, a modestly more upbeat assessment over the May projection (10 million jobs lost), but job growth will increase by 3.5 million in 2021 (vs. 4 million in the May survey) and 3 million in 2022 (vs. 4 million in May) for a three year total of -2.5 million jobs. The national unemployment rate is forecast to be at 8% for 2020, before dropping to 6.6% in 2021 and 5.5% in 2022, below the 20-year average but still well above the 2019 unemployment rate of 3.5%

"The fall survey provides generally good news about the U.S. economy and real estate markets, particularly compared with the spring survey," said William Maher, principal, Maher Strategies. He added that at the moment leading real estate economists are signaling that resilience and underlying strength will likely win out over uncertainty and risk.

Among some of the real estate and investment prognostications, the ULI report predicts real estate transaction volumes are expected to begin rising in 2021, though not near the levels seen at the end of 2019. 2020 is forecast to see $300 billion in volume (up from the May forecast of $275 billion), $400 billion in 2021 (equal to May), and $500 billion in 2022 (also equal to May).

Expectations for annual CMBS issuance rose in the survey to $50 billion (vs. projected $45 billion in May), with 2021 expected to see $60 billion (equal to May forecast) and 2022 expected to see $83 billion (up from $80 billion in May forecast), which would exceed the 20-year average of $81.5 billion.

Commercial real estate price growth as measured by the Moody's RCA Commercial Property Price Index (CPPI) is expected to drop by 2% in 2020 (up from a projected -7% in May), stay flat in 2021 (down from 1%) and increase to 4% (down from 5%)

Rent growth expectation for the next three years is projected to stay either negative or middling, except for industrial which will remain robust. Industrial rental growth will lead all property types with an average of 2.1% over 2020-2022, followed by multifamily at .03%, office at -0.5% retail at -2.3%, and hotel revenue per available room (RevPAR) at -3.3% over a three-year period after an initial 35% drop in the first year.

National vacancy and availability rates are expected to be below the 20-year average for industrial and apartments, but above average for office and retail. Industrial availability rates will be at 7.3% in 2022, below the 20-year average of 10.2%, and apartments will be at 4.6%, below the average of 5.18%. Office vacancy rates are expected to rise to 14.8% in 2022, above the 20-year average of 14%, and retail availability is expected to be 11.3%, above the 20-year average of 9.7%, the ULI report states.

The CBRE report indicates global commercial real estate investment increased by 23% quarter-over-quarter in the third quarter of this year but was still down by 48% year-over-year. Year-to-date global volume was down by 31% from 2019.

Investors strongly favored industrial and logistics assets. Office assets were less popular in most developed markets but continued to attract significant capital flows in high-growth markets like India.

Americas investment volume increased by 30% quarter-over-quarter to $64 billion, back to the level of 10 years ago. The U.S. accounted for 96% of the region's investment activity. However, a 59% year-over-year decline in the third quarter and a 44% decline year-to-date in the Americas were the largest among all three global regions.

Activity increased across all property sectors in the third quarter, led by a strong quarter-over-quarter rebound in multifamily investment. With a relatively stable outlook for demand and income, multifamily has been the most popular asset type in the Americas since 2017. On a year-to-date basis, industrial and logistics has the smallest decrease in investment volume at 25%. Pricing of multifamily and industrial assets has recovered quickly as they are sought-after for downturn protection. Investment yield has also remained stable, the CBRE report concluded.

Office, on the other hand, had the smallest (9%) quarter-over-quarter rebound due to continued uncertainty about long-term office usage in urban markets, such as New York and San Francisco. The sector's share of total investment in the Americas decreased to 23% in the. second and third quarters from 25% in 2019. The hotel and retail sectors were the most severely impacted, with respective 73% and 46% drops in investment volume year-to-date.

The brokerage firm predicts, "Global real estate investment is expected to continue a modest recovery until a COVID-19 vaccine becomes available and is widely distributed. As this is unlikely to occur this year, CBRE estimates that investment will remain relatively weak in the fourth quarter, resulting in a full-year decline of roughly 38%. This is better than the last global recession when global investment fell by 58% in 2008."

The report went further, predicting, "As vaccine research forges ahead, a global market normalization is highly anticipated in 2021. Interest rates and Treasury yields will stay low, giving commercial real estate an edge on returns. Capital targeting real estate has remained high. Investors who delayed capital deployment this year will look for risk-adjusted opportunities or adopt different strategies in 2021 and beyond."