

NAI Global Convention in Austin Highlights Industry Trends

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The Monday session at **NAI Global's** annual convention in Austin featured a number of programs and breakout sessions with NAI professionals with specialized expertise. Here is a brief recap of two of the panel events.

Going In-Depth with Various Specialty Experts

Featured speakers and takeaway comments:

Denise Nunez, Self Storage (NAI Horizon, Phoenix, AZ)

Kevin Goeller, SIOR, CCIM, Data Centers, (NAI KLNB, Tysons, VA.)

Michael Schiff, Shopping Centers (NAI Capital, Los Angeles, CA)

Moderated by **Sam Tenenbaum** (Costar Group)



“Coming out of the recession there was a lot of pent up demand for self storage, particularly in cities with the greatest population expansions, including Austin, Raleigh, Dallas, Seattle, Phoenix and other core and secondary markets. Right now in Phoenix alone there are 95 proposed new projects and 20 under construction. Yet we’re starting to see maturity in the development cycle and some higher vacancy rates. There is a

great deal of opportunity in this space for brokers and I think 2019 is going to be another strong year for this sector.”



"We are at the bottom of the third or top of the fourth inning. Drivers of the new found strength are more cloud adoption, streaming demand 100 fold, and IOT (internet of things). Institutions that were skeptical for years are now developing for data center operators. All hyper-scalers in the market, AMZN, CONE (CyrusOne, the Dallas-based REIT), GOOG, and APPL are impacting the growth in the market in a

major way. For the past 20 years, what used to be 25-30-acre acquisition have now become 100 acre minimums. The 100 megawatt substations are now becoming a standard onsite with the 200 and 300 megawatt developments planned by the power companies for the future."



"The notion that shopping centers are dead is absolutely hyped. Is retail challenged? Of course. Yet there is still a business model for what you can't buy online, especially great service in a retail environment. For example, there is a plumbing supply store in Los Angeles that has really knowledgeable sales and service people. If the store continues with that tradition, they will be there 30 years from now. Grocery is the last to be impacted by ecommerce and in fact, in some instances we're seeing sales on a per-

square-foot basis for specialty stores like Trader Joe's being double that of larger grocers like Vons or Ralphps. Trader Joe's is modifying its offering by selling more pre-made and healthy packaged meals - another element of customer service, which is also boosting sales."

Diving Head First into Medical Office Space, Pop-Up Shops and Warehouses

Featured speakers and takeaway comments:

Colt Power, SIOR, CCIM, Medical Office (NAI Robert Lynn, Dallas, TX)

Vicki Freeman, Pop-Up Shops (NAI HSP Real Estate, New York, NY)

John Simons, Warehouses (NAI Partners, Houston, TX)

Moderated by **Cliff Moskowitz** (NAI Global)



“The baby boomers are driving increasing demand for medical office space nationally as people 65 and older average seven doctor visits a year versus two a year for people under 45. Increasingly, doctors are selecting retail space for their offices in part because higher vacancy rates in retail is making the space more affordable, but also because they want smaller offices (1500 square feet or fewer) and being in a retail setting often puts doctors closer to their patients. The medical focus has shifted to stress the importance of

the user experience. I don't see this sector slowing down, regardless of the economy, though growth is driving up the cost of TIs, which can range from \$70-\$125 per foot as well as new construction, which can range from \$145 to \$275 per foot for just the shell building.”

“The Pop-Up retail phenomenon evolved from seasonal retail practices and it appeals to



landlords and tenants equally though for different reasons. Landlords like Pop-Up operators because they provide temporary cash flow on otherwise vacant space, while retailers like Pop-Ups because they can test a product or market, or both. And with rents from \$700-\$800 per-square-foot in New York's SoHo District, for example, retailers have to think twice about expensive lease commitments and a Pop-Up run allows them to test the waters. Valentino, the online boutique apparel and accessories store, opened in the spring this year and did a 12-

month lease, yet changed the format of its temporary store every three months to keep it fresh. As for leasing structures, each deal is very specific and unique.”



“The industrial market is the strongest I have seen in 20 years and demand is so great that there is practically nothing for investors to buy, which has compressed cap rates to new lows (high 4s, low 5s) in the major distribution hubs such as Southern California, Dallas, Houston and Northern New Jersey. Online retailers and 3PL’s are driving the majority of the market demand for larger industrial distribution facilities, it is changing the way developers build and they are having to design to higher standards. If there is a

challenge for 2019, it is the lack of available land sites for development.”



Cliff Moskowitz