



Predictions for Commercial and Residential in Real Estate for 2017



#### Thought of the Day:

"Do not let the behavior of others destroy your inner peace

Dalai Lama

**Kimberly Kelly**

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**Caprese Chicken**

"The latest Consensus Forecast has picked up on recent growth concerns and stock market corrections around the world," said ULI leader and survey participant William Maher, director of North American strategy for LaSalle Investment Management in Baltimore. "The U.S. economy and real estate markets are in much better shape than most other countries, but global economies and capital markets are increasingly inter-related. Still, the vast majority of indicators in the forecast indicate favorable economic and capital markets in the U.S., as well as moderately strong real estate fundamentals and investment returns."

The report suggests that inflation will still decline, as it has the last three years, down to 0.5 percent in 2015. In 2016, it is expected to move up to 2 percent, and increase to 2.2 percent in 2017, slightly below the 20-year average, which is 2.3 percent.



According to the report, experts believe single-family housing starts will increase to 745,000 in 2015, 842,000 in 2016, and 900,000 in 2017, but continue to remain below the 20-year average. Home price increases are predicted to grow to 5 percent in 2015, 4.3 percent in 2016, and 3.9 percent in 2017. ULI conducted a similar forecast six months ago, and forecasts for 2015 and 2016 are more positive, and

commercial real estate is expected to decrease, with rents rising, from 2 percent for retail to 4.6 percent for apartments and 4.9 percent for industrial. In 2017, it is expected that rent will increase from 2.8 percent for retail to 4 percent for office.

The volume for commercial property purchases and sales is expected to grow for the next two years and then level off at \$500 billion in 2017. 2017's forecast remains the same.

The report predicts commercial real estate prices will rise by 10 percent in 2015, but slow to 6 percent increase in 2016. However, experts suggest the price growth will decrease 4.5 percent in 2017, below the long-term average growth rate.

Vacancy in commercial real estate is expected to decrease, with rents rising, from 2 percent for retail to 4.6 percent for apartments and 4.9 percent for industrial. In 2017, it is expected that rent will increase from 2.8 percent for retail to 4 percent for office.

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Kelly Leighton

