

Back to the Future: 2014 Trends, Themes and Changes

By Lela Winston

Turner Construction hosted its annual Market Forecast Breakfast Thursday detailing the trends and changes in several markets, but most specifically real estate/construction. The event was held in the nation's capital at the National Press Club.



Panelists at Turner Construction's Market Forecast Breakfast held at the National Press Club in Washington, DC. (Winston, 2014)

“Pay attention to subcontractor default risk,” said Dr. Stephen S. Fuller, Professor at George Mason University, “because when the market begins to recover defaults increase.”

Fuller, who is also the Director of the Center for Regional Analysis School of Public Policy at George Mason University was the keynote speaker. According to Fuller, data indicates 2014 may not be a stellar year for the industry or the region but it will be an improvement over 2013 which was anemic due to the funding freeze Washington.

“We need to see 2014 as a gateway to 2015.” Said Jim Dinegar, CEO of the Greater Washington Board of Trade. “We are going to see the Silver Line open in 2015, there will be a gas tax adoption (in DC and VA to fund transportation projects), the opening of the new Marriott at the Convention Center and the MGM Casino at National Harbor, Maryland has been approved.”

Dinegar believes the DMV (DC, Maryland, Virginia) region is on the move. He specifically cited the opening of the new Convention Center Marriott because it would increase DC's capacity to host larger conventions. While the new Marriott increases capacity, it is also expected to change the lodging landscape in the city. Smaller hotels and temporary residences may feel the pinch.

It is estimated that 25 percent of construction job growth will be on-site and labor intensive positions. While the highest level of job growth in the city has been from the business services

sector, hospitality jobs in the restaurant industry have also increased. Although hospitality jobs represent a significant portion of job growth figures, they are low-wage and unable to propel significant real estate and retail purchases. The upside is that defense spending has been shifted to cyber security where increase in IT jobs in the area has created windfall gains.

Federal Procurement is also down 11.8 percent, a fairly sizable number due in large part to the economic freeze that shuttered many SME contractors in 2013. Additionally, the federal payroll is down by 4.8 percent (2 billion dollars). Finally, the Federal Funds rate is expected to increase in 2015.

“The condominium market has increased and pricing is higher.” said Lynn Hackney, President of Urban Pace in a panel discussion. “We are seeing extremely strong sales in every sector. Also, 64 percent of buyers are single women. We are seeing women going to tertiary and secondary markets.”

“We are not seeing the empty-nester buyer. No one has the stomach to build units for the empty-nesters. We are just not seeing them come to the downtown.” Hackney said. She also indicated that millennials are majority renters and moving quickly to downtown landscapes. Even those who have children are making an effort to stay.



Nick Smith, Chief Investment Officer of First Potomac Realty and Trust believes the business parks of the suburbs are a thing of the past. He also noted that international buyers of commercial property in the DMV region had decreased in recent years.

“Those big 80s buildings are going to die a slow death. Now we are focused on [commercial properties above] subway locations in downtown. Young people are staying in the city.”

Despite the challenges, both Dr. Fuller and Dinegar believe the DC region is moving forward. Both encourage investors to invest, companies to hire and builders to build.