



Industry Icons Update the State-of-the-Market at Connect LA

Some of the most powerful players in commercial real estate gathered at ConnectCRE's Connect Los Angeles event for a panel discussion about the current market situation, and the answers were intriguing. Tony Natsis, a name partner at Allen Matkins moderated the panel that included Kidder Mathews CEO Bill Frame, Kilroy Realty President Tyler H. Rose, and Hessam Nadji, President & CEO of Marcus and Millichap.

Natsis opened the discussion with a question about today's labor pool situation and the challenges in finding and keeping qualified employees. Nadji said his company has been having good retention results using tools that encourage building a foundation. Frame echoed that sentiment, saying that Kidder provides technology, branding and support for brokers, while offering hybrid work and extended holidays. Rose added that while the mass exodus has slowed down and Kilroy wants people in the office, "you have to provide some flexibility."

The discussion then turned to market specifics, and Nadji gave an upbeat take on urban flight, saying the numbers aren't as bad as the perception. Millennials were moving away from city centers before 2020, but the pandemic put the trend on steroids, however, San Francisco and Los Angeles "are coming back hard." Looking at specific sectors, Nadji said storage is in tremendous demand and hospitality is red hot, while Frame claimed that life science is very good, especially in the Bay Area, Seattle and San Diego. Kilroy is also a life science believer, as Rose talked about their major project in South San Francisco and office-to-life science conversion efforts in San Diego.

Natsis then turned to the current economic effects as the industry continues to deal with the pandemic, and all agreed the worst is over, with Frame commenting that it's still not quite "business as usual," especially with ongoing supply constraints. Nadji said he worries about another shock to the system, as the industry has now had to deal with inflation and the Ukraine war, following the pandemic. Rose said it's time to differentiate office product to meet the new worker demands for outdoor space, roof decks and large elevators, adding, "tall, skinny buildings are in trouble."

The final question for the panel: "What are your predictions for the CRE economy?" Nadji again was optimistic, saying this slowdown is nothing like 2008, and we're just dealing with "an overheated economy that needs to pull back. The core is very strong." Frame doubled-down, "Barring a world event, things will be fine." He added that Kidder is working through the reset, but expects things will shake-out in 1 to 2 years. Rose is also hoping the disruption won't be severe, and that activity is good for the right product and the right location.

The overall message from the high-profile panel was a cautious but optimistic approach is valuable for the current economic challenges, but most importantly, commercial real estate fundamentals remain solid. A heartening takeaway from the full house in attendance at the Hotel Indigo for Connect LA.

Pictured from left to right: Tony Natsis, Tyler H. Rose, Bill Frame, Hessam Nadji