



WT

# WT INSIGHTS

ESSAYS & THOUGHT LEADERSHIP  
FROM CONSTRUCTION EXPERTS

PREPARED BY ASSOCIATE VICE PRESIDENT MATT MCCLEARY



WT IS AN AWARD-WINNING INTERNATIONAL CONSULTANCY FIRM WHO SUPPORTS CLIENTS ACROSS THE INFRASTRUCTURE INVESTMENT, BUILDING, CONSTRUCTION AND ASSET MANAGEMENT SECTORS.

WT is one of the fastest growing advisory firms in North America. founded in Australia back in 1949, WT has been a force in North America since 2010. A trusted advisor to Owners, Developers, Government and Private sector clients, WT currently manages billions of dollars of active mega projects across North America. When you work with WT you are working with the collective thinking of over 1,700 of the profession's leading people.

WT draws on the collective experience, knowledge and capability of our professional staff in locations across North America and globally to provide our clients with the right advice on all aspects of cost, value and risk to assist in achieving optimum commercial outcomes.

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CONNECT WITH OUR GLOBAL NETWORK AT [WTPARTNERSHIP.CO](http://WTPARTNERSHIP.CO)

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# OUR FOOTPRINT

WT IS ONE OF THE FASTEST GROWING ADVISORY FIRMS IN NORTH AMERICA

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## NORTH AMERICAN OFFICES

- |                      |               |
|----------------------|---------------|
| <b>UNITED STATES</b> | <b>CANADA</b> |
| Austin, TX           | Toronto, ON   |
| Boston, MA           | Calgary, AB   |
| Cincinnati, OH       |               |
| Honolulu, HI         | <b>MEXICO</b> |
| Los Angeles, CA      | Mexico City   |
| New York, NY         |               |
| Phoenix, AZ          |               |
| Raleigh, NC          |               |
| San Francisco, CA    |               |
| Seattle, WA          |               |



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## GLOBAL OFFICE LOCATIONS

- |   |   |  |  |
|---|---|--|--|
| <b>OCEANIA</b>  | <b>ASIA</b>   | <b>UK &amp; EUROPE</b>   | <b>INDIA</b>   |
| <b>AUSTRALIA</b><br>Adelaide<br>Brisbane<br>Cairns<br>Canberra<br>Geelong<br>Gold Coast<br>Hobart<br>Melbourne<br>Perth<br>Sydney | <b>CHINA</b><br>Adelaide<br>Brisbane<br>Cairns<br>Canberra<br>Geelong<br>Gold Coast<br>Hobart<br>Melbourne<br>Perth<br>Sydney | <b>UK &amp; CHANNEL ISLANDS</b><br>Belfast<br>Birmingham<br>Cambridge<br>Exeter<br>Guemsey<br>Leeds<br>London<br>Manchester<br>Nottingham<br>Sheffield<br>Southampton<br>Swansea | Bangalore<br>Chennai<br>Delhi<br>Hyderabad<br>Mumbai<br>Pune |
| <b>NEW ZEALAND</b><br>Auckland<br>Wellington<br>Christchurch  | <b>HONK KONG</b><br><b>INDONESIA</b><br>Auckland<br>Wellington<br>Christchurch  | <b>GERMANY</b><br>Stuttgart  | <b>MIDDLE EAST</b><br>Abu Dhabi                              |
|   | <b>MACAU</b><br><b>MALAYSIA</b><br>Kuala Lumpur   | <b>ITALY</b><br>Milan  |  |
|   | <b>SINGAPORE</b><br><b>THAILAND</b><br>Bangkok  | <b>SPAIN</b><br>Madrid   |  |
|   | <b>VIETNAM</b><br>Ho Chi Minh City<br>Hanoi   | <b>SWEDEN</b><br>Stockholm   |  |





# EXECUTIVE FOREWORD



**PHILIP NIXON**  
EXECUTIVE VICE-PRESIDENT

The US Marketplace in 2022 presents some very unique challenges and signs of opportunity and recovery in the AEC industry. The following presentation contains a selection of market trend analysis, insights and editorials from WT's roster of experts across our P3 Advisory, Project Management, Project Controls, Real Estate Advisory and Cost Consulting practices, based on observations in the field on active, relevant projects.

On behalf of the entire North American leadership team, it is our hope that you, the reader, find this material timely and enlightening and also see it as a formal invitation for further discourse with our experts across the company.

Contained within this document is a contact sheet with details on engaging several of WT's construction industry professionals across North America.

Thank you for your time and attention and here is to a safe and prosperous 2022.

A handwritten signature in white ink that reads "Philip Nixon".





# REAL ESTATE ADVISORY

TRENDS IN THE US MARKETPLACE

CONTRIBUTED BY MATT MCCLEARY  
ASSOCIATE VICE-PRESIDENT - P3 ADVISORY







## NATIONAL MARKET OVERVIEW

While everyone continues to adjust to their own version of the new normal, as a result of two years of Covid-19 impacts, U.S. real estate markets are looking ahead into 2023 and beyond. In the office market, which is still in search of what the new model of work-from-wherever is needed, the national vacancy rate is hovering between 17% and 18%, average asking rents are around \$36 per square foot, and close to 100 million square feet is under construction. These fundamentals are expected to continue to trend somewhat negatively in 2023 as companies continue to shape their in-person office expectations.

In the industrial market, which appears to be running strongly in markets where large warehouse and distribution centers are being built to address new trends in retail shopping and logistics planning, the national vacancy rate is hovering around 4%, average asking rents are between \$7 and \$8 per square foot, and close to 570 million square feet is under construction. These fundamentals are expected to stabilize overall in 2023 but still perform well in large urban markets. In the retail market, which is experiencing recovery and gaining momentum, the national availability rate is mid 5% and average asking rents are around \$22 per square foot.

Those fundamentals are expected to continue to trend positively as a lack of new retail space development over the last several years means rents will increase as available space continues to dwindle until new spaces come online.

Large tech companies who played leading roles in the commercial real estate industry's decade-long expansion are now adjusting to an economic outlook that may not require as much physical office space.

These companies are making cuts to once-vast real estate portfolios by shutting down office locations, subleasing unneeded space, terminating preleases, consolidating workforce



As a seasoned development executive with over 19 years of real estate and strategic planning experience, Matt is knowledgeable in a range of traditional real estate and P3 development opportunities, from both a public and private sector perspective.

**MATT MCCLEARY**

WT

ASSOCIATE VICE-PRESIDENT - P3

ADVISORY

to accommodate smaller space needs and walking away from future investments as they and other businesses shift toward more flexible remote-work options and prepare for economic headwinds that analysts say might result in a recession.

Inflationary pressure and higher interest rates have lessened investor appetite for risk, and evidence of industry caution is appearing in capital, raising results reported by real estate investment trusts and private equity funds. Further, the outbreak of war in Ukraine has exacerbated existing inflationary concerns across global financial markets. According to industry market sources, fundraising numbers declined 50.5% by dollar value and 57.8% by the number of funds closed in Q2, compared with the same period last year. It is also taking private equity funds longer to raise new capital. Looking at time spent in the market for funds that closed in the first half of 2022, it took longer to reach that point than in recent years.

## TRENDS IN THE MARKETPLACE

For public and higher educational entities engaged in project planning and delivery of projects that include mixed-use components, careful analysis of local market conditions should be taken into consideration before final programming is determined and translated into concept or final plans. Plans including office uses might need to be scaled back, utilizing shared-space or hotel workspace allocations, or even considering value-



engineering in project pro-formas due to the still uncertain future of where people will work from and what those spaces will look like. Retail spaces might be more complicated to program given local markets and how accessible the new retail spaces are to transportation and residential clusters. In terms of specific trends, innovation hubs and districts will continue to shape many projects on higher educational campuses as universities looked to align with developers and industry partners to co-locate on campus with a specific focus on innovation, student development, and shared project risks as well as long-term revenue opportunities in research, technology and medical development. Trends in the state and local government sectors include monetization opportunities of underutilized government office spaces or vacant properties in addition to analyzing a myriad of hybrid public private partnership delivery model options where public uses and real estate development opportunities are present within the same project envelope.

## OUR PROJECTS

WT is currently engaged on a variety of projects that are either real estate specific or include a combination of public and private real estate development components. As we continue to stress with current and potential clients, WT is project delivery agnostic. This means we are not looking to push a more robust Design Build Finance Operate and Maintain delivery model on projects that might not require stringent performance specifications and long-term operations and maintenance agreements. At the same time, we also understand how to deliver a more traditional real estate-based transaction that is more focused on land use and programming given our years working in the public directors, and major project directors.

These current real estate project engagements include:

- State of Hawaii – WT is working closely with the State on the New Aloha Stadium Entertainment District (NASED) where WT is helping to lead two separate procurements of

- (1) a more traditional Design Build Finance Maintain P3 procurement to identify a P3 consortium for the new Aloha Stadium and (2) a long-term live-work-play-thrive mixed-use real estate development that will surround and integrate with the new Aloha Stadium. Both procurements are still active and planned for closings later in 2022.
- University of Houston – WT is engaged in the development of an Innovation District that will include identifying industry and development partners to create a new area for the integration of private uses that complement the University’s educational core mission that includes a variety of opportunities for ongoing student development. We are also evaluating several other University-owned properties for the potential for student housing, mixed-use development, and additional innovation hubs with industry partners focused on research and development.
- Clackamas County, Oregon – WT is engaged as P3 technical advisors on the new Clackamas County Courthouse project. While this project is still in the procurement phase, WT did complete a real estate assessment as part of an alternative use case analysis to verify a lack of current local market spaces large enough to lease as an option to the P3 courthouse delivery. WT verified lease rates as well as the cost to retrofit existing commercial spaces as a comparator to the P3 delivery model.
- City of North Miami, Florida – WT is engaged as the lead P3 / Real Estate advisor on this exciting project in the City’s downtown core. Outdated city hall and police headquarters need to be replaced onsite, plus renovations to the Museum of Contemporary Art will need to be undertaken. Once a new concept site plan is developed, additional real estate development opportunities will be identified before a more formal market outreach process takes place and eventual procurement of development teams to complete this essential downtown revitalization project to support the downtown planning efforts.



- University of Texas at San Antonio – WT is currently engaged on a variety of real estate activities for UTSA. On one engagement, WT is acting as the lead project manager for UTSA's total acquisition of the Southwest School of Art (SSA). The acquisition includes all real estate properties, arts programs, assets, and resources into an expanded new UTSA school - UTSA Southwest. In another opportunity, WT provided real estate due diligence and market analytical services on UTSA's Institute of Texan Cultures (ITC) campus. Services included analysis on historical background, vacant land, economics, demographics, housing and private development opportunities.
- Parkwest Eureka Development - WT was engaged by Eureka Holdings, who have a significant commercial real estate portfolio in East Austin. WT provided in-depth entitlement summaries for Eureka's commercial assets as it related to a comprehensive rezoning for a major corridor overlay administered by the City of Austin. These findings allowed Eureka to understand how the new zoning changes would impact their properties developability and identify the highest and best use for each property.

## **SOURCES**

Cushman & Wakefield U.S. National Office Report Q4 2021

Cushman & Wakefield U.S. National Industrial Report Q4 2021

CBRE U.S. National Retail Report Q4 2021

Inflation, Higher Interest Rates Cut Into Property Investment Fundraising, CoStar 2022

FOR MORE INFORMATION ON WT's REAL ESTATE SERVICES AND EXPERTISE, REACH OUT:

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P3 ADVISORY  
PROJECT DELIVERY  
PROJECT CONTROLS  
REAL ESTATE ADVISORY  
COST CONSULTING



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