



Manatee Mortgage Consultants

Commercial Lending Specialists

White Paper





Are Commercial Investors Confident in the Multifamily Sector for 2019?

"One of the strongest commercial real estate market trends has been noticed in the multifamily sector."

Of the four sectors of commercial real estate investment, namely, multifamily, industrial, office, and retail, many analysts are maintaining a positive outlook for the multifamily sector and expect continued growth at least through Q4 of 2019. When writing about commercial real estate trends for 2019, Mashvisor content writer Heba Baker believes that "[o]ne of the strongest commercial real estate market trends has been noticed in the multifamily sector." [1]

Apartment Sales

While there were significant gains in transaction volume in the industrial sector in 2018, the multifamily sector also experienced an increased volume of transactions. According to the National Association of Realtors® *Q1 Commercial Real Estate Outlook*, of the four commercial investment sectors "[a]partment sales maintained the lead in terms of transaction volume, with \$50.9 billion in closed transactions in the fourth quarter of 2018, a nine percent gain year-over-year, based on RCA data." [2]

Vacancy Rates

As of March, 2019, small multifamily assets in major cities were experiencing a very low vacancy rate. "In New York and Los Angeles, overall vacancy in small multifamily properties is less than 1.5%. Chicago is higher, but still low and healthy at 4.0%. The small-asset vacancy rates in all three metros are under the U.S. average vacancy rate for larger assets." [3]



Multifamily Loan Originators

Multifamily loan originators also have a positive outlook in terms of the multifamily sector. Housingwire editor Ben Lane cites a Commercial Real Estate Finance Outlook survey done by the Mortgage Bankers Association in late 2018 which states that “...more than half of the top commercial/multifamily originators (55%, to be exact) expect originations to increase in 2019.” [4]

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Workforce Housing

Although economic factors could reduce growth within the multifamily sector moving into 2019 and 2020, expectations remain positive, especially in the area of workforce housing according to international commercial real estate firm CBRE Group, Inc. “The multifamily sector will continue to attract high levels of investment and debt capital, and workforce housing will remain an appealing investment strategy given its favourable supply/demand balance.” [5]

“...workforce housing will remain an appealing investment strategy...”

Outlook

While economic issues and possible inflation will inherently be an aspect in determining investment potential in any commercial sector, large and small multifamily assets may fill a needed niche in an investor’s portfolio for 2019 and beyond.

References

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