Boom?...or Bust! Real Capital Markets’ 3rd Annual National Investor Sentiment Report

U.S. Commercial Real Estate Investment Still Strong; Multifamily and Industrial Remain Most Attractive; Investors Watching Interest Rates In 2019

CARLSBAD, Calif. (PRWEB) January 29, 2019 -- As 2019 begins to take shape, commercial real estate investors are starting to hedge their position on the overall strength of the market, according to Real Capital Markets’ 3rd Annual 2019 National Investor Sentiment Report.

Investors remain optimistic, according to the RCM Report, though expressing a cautionary tone. There are still investment opportunities available, as long as investors adjust their strategies, look a little harder and dig a little deeper.

“For the past decade we’ve experienced unprecedented levels of investment activity, with each year establishing another new record,” says Tina Lichens, COO of Real Capital Markets. “With words like ‘plateau’ and ‘flattening’ now entering the lexicon, it’s important to note how far the market has come and that in these good times, plateaus are part of a healthy cycle.”

Highlights of Real Capital Markets’ 2019 National Investor Sentiment Report include:
- Boom or Bust? – When asked to explain market dynamics, almost two thirds of investors said the market is neither boom nor bust, but more realistically somewhere in the middle. Some of the sentiments expressed by survey participants included: The market is flattening out, but shouldn’t “bust”; investment levels will slow gradually followed by some price depreciation; and a general belief that the industrial or multifamily markets won’t boom or bust because of the continued presence of strong market fundamentals
- Investors Remain in Buy Mode – Investors are still in buy mode despite increasing interest rates. Yet based on the responses, the strength of that conviction has shifted from last year. In 2019, 65 percent of participants characterized their investment strategy as “buy” or “buy but trending toward hold”. That sentiment is down from 2018, when 77 percent were focused on buying or buying/holding. One consensus is that opportunities in primary and secondary markets are available, but often require more work to identify, underwrite and close.
- Multifamily and Industrial Still Top Choices – The fundamental need for housing continues to drive the multifamily market, regardless of broader market conditions. As a result, multifamily continues its reign as the most attractive asset class, selected by 36 percent of RCM survey participants. Industrial real estate, with its stable outlook and increasingly close ties to e-commerce, remains a close second at 28 percent – though the gap between the two did widen slightly since last year.
  “The industrial sector continues to provide the stability and long-term growth that investors desire, particularly given the strong expansion in e-commerce,” says Steve Shanahan, Executive Managing Director, Real Capital Markets. “While investors are adjusting their criteria to account for market conditions, this sector should continue to be among the top performing asset classes.”

Interest Rates are a Real Factor – With interest rates now at 2.4 percent after nine consecutive rate increases, most investors say steadily increasing rates won’t change their position as buyers in 2019. One perspective that was expressed echoes a popular sentiment among investors – strategies must evolve and adapt to changing market conditions.

As a result, investors are looking for higher projected value at acquisition to maintain high debt service
coverage, buying different assets at higher cap rate deals which can produce cash flow even in the face of higher interest rates, and adjusting the amount of leverage on a property to keep capital costs lower.

At the start of 2019, commercial real estate investors are intently focused on identifying and creating opportunities that optimize the current market and economic conditions, while also looking ahead to some of the questions beginning to take shape. Regardless of the sector, investors continue to focus on deploying capital and fine tuning their strategies to achieve desired yield.

About Real Capital Markets

Founded in 1999, Real Capital Markets (RCM) is the global marketplace for buying and selling CRE. RCM increases the speed, exposure, and security of CRE sales through its streamlined online platform. Solutions include integrated property marketing, transaction management, and business intelligence tools to unify broker-level and firm-level data and work flows. RCM has executed over 65,000 assignments with total consideration in excess of $2.2 trillion. Approximately 50% of all U.S. commercial assets sold, over $10 million, are brought to market using RCM’s online marketplace annually.

Real Capital Markets has published several Investor Sentiment Reports covering the Retail, Industrial and Multifamily sectors over the past two years. To view and/or download a copy of previous Real Capital Markets Investor Sentiment Reports, click here.

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