

Chart of the Week – January 10th, 2020

Factors Potentially Impacting the Commercial Real Estate Finance Outlook

Rate each of the following for how you think they might affect markets this coming year.

	Potentially very negative impact	Potentially somewhat negative impact	Little potential impact	Potentially somewhat positive impact	Potentially very positive impact
Short-term interest rates	0%	12%	52%	33%	0%
Long-term interest rates	0%	27%	30%	39%	3%
Changes in demand for space	0%	53%	31%	13%	0%
New construction activity	0%	44%	44%	13%	0%
The broader economy	3%	41%	13%	41%	3%
A move away from LIBOR	3%	47%	47%	0%	0%
Adoption of CECL accounting	3%	52%	35%	3%	0%
Regulatory changes	3%	42%	48%	6%	0%
Legislative changes	3%	39%	55%	3%	0%

Source: MBA 2020 Commercial Real Estate Finance (CREF) Outlook Survey.

Buoyed by low interest rates, strong property markets and rising property values, commercial and multifamily mortgage banking firms anticipate a solid year in 2020, according to MBA’s 2020 Commercial Real Estate Finance (CREF) Outlook Survey. Most anticipate strong appetites from lenders and borrowers and expect overall levels of mortgage borrowing and lending to increase. That’s not to say there aren’t some challenges and headwinds firms are monitoring.

This week’s chart highlights some of the factors that might impact the commercial real estate market – both positively and negatively. Survey respondents rated each of the factors in terms of how they might impact markets in 2020. The top three potentially negative factors included concern about changes in the demand for space, and issues like the adoption of CECL and the move away from LIBOR.

MBA’s survey collected opinions from leaders of the top origination firms about their outlook for the market for the coming year. Overall, their outlook remains bullish, with every respondent anticipating a “strong” or “very strong” appetite from lenders (63% “very strong”), and 80 percent anticipating a “strong” or “very strong” appetite from borrowers (34% “very strong”). Almost two-thirds expect market originations to increase, and a majority expect office and retail capitalization rates to rise, and apartment and industrial cap rates to hold steady.

Overall, the results show commercial and multifamily mortgage originators expect the positive momentum to continue for the market.

Full survey results are available to MBA members at: www.mba.org/crefresearch.