News Roundup

By Arnie Aurellano

In Brief

Commercial volume will remain stable in 2019

Commercial/multifamily loan volume was forecast to hit $530 billion in 2019, roughly on par with the 2018 level of $526 billion, the Mortgage Bankers Association (MBA) projected. Multifamily lending was forecast to end 2019 at $315 billion, of which an estimated $264 billion will be originated by mortgage bankers. MBA's analysts said investors and lenders were still making equity and debt readily available to complete deals. Strong fundamentals should sustain a plateauing of sales activity, MBA said.

GSEs bankrolled 1.64 million apartments last year

The government-sponsored enterprises (GSEs) Fannie Mae and Freddie Mac supplied a total of $142.9 billion in financing in the multifamily sector in 2018, up roughly 2 percent compared to the 2017 level, the GSEs' year-end financial reports indicated. The enterprises bankrolled loans for 1,636,700 multifamily units during the calendar year. Fannie Mae's activity, at $65.4 billion, declined 2 percent compared to 2017, whereas Freddie Mac's volume increased by nearly 6 percent to $77.5 billion. During interviews with Scotsman Guide News in February, the heads of the multifamily divisions at Fannie and Freddie both indicated that the sector's outlook for 2019 is solid.

NYC moves on from Amazon exit

Amazon's abrupt announcement that it was pulling the plug on a second headquarters in New York City left a tenancy void of 1 million square feet for Long Island City's iconic One Court Square. The leasing company, Savanna Real Estate, still hoped to make use of New York City's Relocation and Employment Assistance Program (REAP) to give prospective tenants who relocated from other areas up to $20 per square foot in tax credits. That program, however, is scheduled to end in June 2020, so Savanna was on the clock to fill the space.

Demand falls for small commercial assets

Tenant demand for smaller commercial buildings under 50,000 square feet cooled at the end of 2018, Boxwood Means reported. There was a total of 26.1 million square feet of aggregate occupancy gain in the past fourth quarter. Although fourth-quarter 2018 was the 33rd consecutive quarter with positive net absorption, the gain was down 40 percent year over year. It was the lowest net absorption total for a fourth quarter since 2011, Boxwood Means reported.

Commercial asset prices slow

Commercial property prices rose at a much slower pace in 2018, CoStar reported. CoStar's index that tracks larger assets in major cities rose just 1.8 percent in 2018, well below its average of 7.3 percent from 2015-2017. A separate CoStar index that is influenced by sales of lower-valued properties rose 5.9 percent in 2018, down from its average annual growth of 11.3 percent in the 2015-2017 period. ■

Continued >>

In Numbers

The volume of foreign-investor acquisitions of U.S. properties valued at $2.5 million or higher in 2018, the second-highest total ever

Source: **Real Capital Analytics**

The annual gain in prices for multifamily assets, down from double-digit growth since 2011

Source: **CoStar**

The vacancy rate for U.S. industrial properties in 2018, a record low

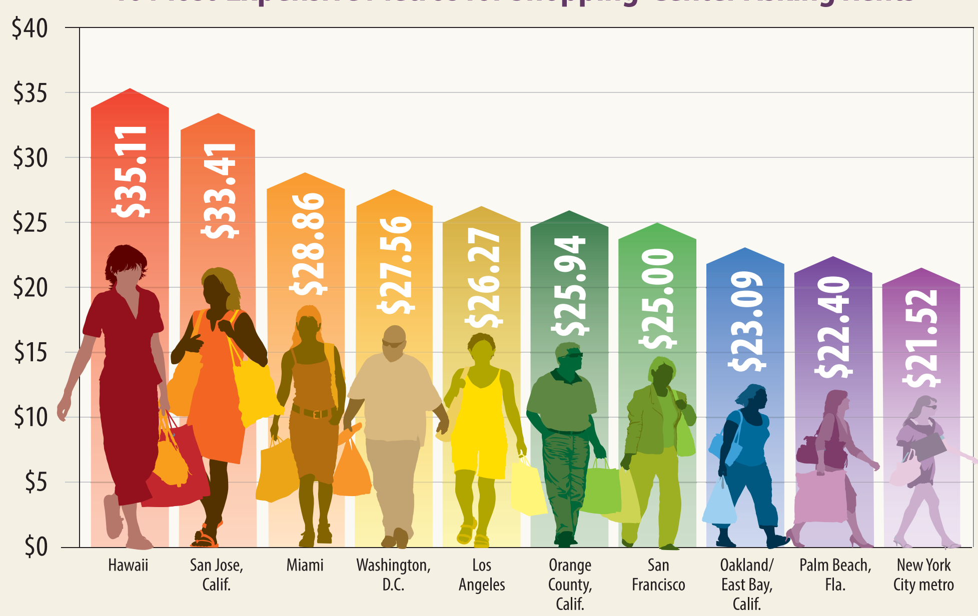
Source: **Cushman & Wakefield**

News Roundup

<< Continued

In View

10 Most-Expensive Metros for Shopping-Center Asking Rents*



*This refers to the annual cost per square foot through fourth-quarter 2018.

Source: Cushman & Wakefield

Shopping-center rents rise in 2018

The average asking rent for a U.S. shopping center was $17.12 per square foot to end 2018, up 3.1 percent compared to fourth-quarter 2017, Cushman & Wakefield reported. The asking prices in the 10 most-expensive markets, however, each topped the $20-per-square-foot mark, the company said.

In Words

"The fundamentals [in multifamily lending] remain very strong — rent growth, vacancy levels, overall origination growth. It has been an asset class over the last decade where performance has been phenomenal."

Debby Jenkins
Executive vice president, Freddie Mac Multifamily

"The reason we love green, it's a double-win situation. The owner wins because the expense to run their apartment building is less. The tenant wins because anything that cuts the owner's expenses cuts the owner's opportunity to raise their rents."

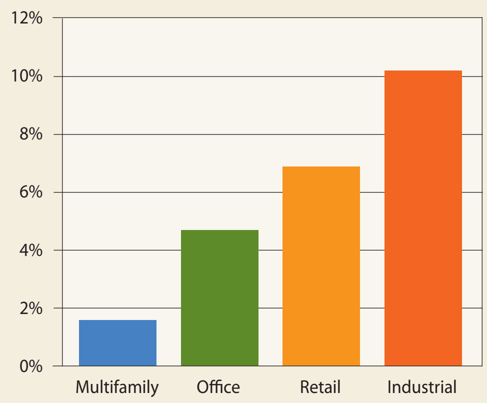
Jeff Hayward
Executive vice president/head of multifamily, Fannie Mae

Arnie Aurellano is chief reporter at Scotsman Guide Media.
Reach him at (800) 297-6061 or arniea@scotsmanguide.com.

In Focus

The rents of smaller commercial properties far outpaced historic norms in 2018, but the double-digit growth of industrial properties was even more notable, according to Boxwood Means. Industrial rents were 22 percent higher at the end of 2018 compared to the previous high-water mark in 2008, without adjusting for inflation, the company said.

Small Commercial Property Rent Growth through Q4 '18*



*This refers to the annual square-footage increase in rent for properties under 50,000 square feet.

Source: Boxwood Means

Scotsman Guide News

We bring you daily news updates on our website. Stay on top of mortgage news and trends at ScotsmanGuide.com/News.
Subscribe to our weekly e-newsletter, Top News, at ScotsmanGuide.com/Newsletter.