nyrej

Year in review and 2013 preview from Johnson Capital

December 27, 2012 - New York City

As we end 2012, the real estate capital markets appear to be in very good shape as all lenders types (Commercial Mortgage Backed Securities, (CMBS) government agencies, insurance companies and banks) had a very strong year putting out capital and most are expecting 2013 to continue that trend. Real estate is benefitting from an increased interest in the asset class as investors cannot get enough yield in the fixed income market and the gyrations in the equity markets have scared away many investors.

Some of the major trends in 2012 included:

The strength of the CMBS market which had a very strong year with close to $40 billion in volume. As the market strengthened through the year lenders were able to lower their interest rates and as of the time of this article ten year fixed rate loans were in the low to mid 4.0% range for full leveraged loans.

The continued domination of the multifamily lending markets by the two government agencies, Fannie Mae and Freddie Mac. Both of these lenders had record breaking volume. However, the future of these lenders is up in the air as the federal government is still trying to figure out the role of these lenders. However, it appears that for the near term, these lenders will continue to dominate lending in the multifamily sector in 2013.

Strong lending volume from insurance companies who continued their focus on lower leveraged, higher quality properties. Insurance companies are projecting another strong year in 2013.

Commercial banks also had a strong year in terms of volume but this is the one lender that is facing some pressure as many of the Dodd-Frank rules kick in. All banks will be under more scrutiny with more stringent stress testing which might limit their appetite for real estate loans.

Looking forward to 2013, we expect to see continued strength in the commercial real estate capital markets as real estate is still a favored asset class and borrowers are looking to lock in the historic low interest rates in the market.

Daniel Lisser is a managing director at Johnson Capital, New York, N.Y.