

# CRE-Finance Provides Perspective and Direction of Commercial Real Estate for 2021

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OCEAN TOWNSHIP, NEW JERSEY, UNITED STATES, January 4, 2021 /EINPresswire.com/ -- This past year has dramatically shifted the way people live and work and accelerated numerous structural shifts that were already underway prior to the COVID-19 outbreak. CRE-Finance's perspective of the commercial real estate industry is that companies began this year with generally strong financials, but this year laid bare the gap between efficient operators and ineffective industry players. Under a backdrop of suppressed interest rates and unprecedented quantitative easing, investors are now readying their dry powder to take advantage of profitable investment opportunities across a broad range of promising markets. CRE-Finance has seen an uptick in volume in originations in the 3rd and 4th quarters of 2020.



For a deeper exploration of what to expect next year, we've outlined our thoughts on the direction commercial real estate may take in 2021.

## Increased optimism and transaction volume in 2021

While commercial real estate investors were relatively cautious at the beginning of 2020, according to multiple industry surveys the outlook for 2021 is significantly more optimistic. Domestic investors ended 2020 with a flurry of multifamily transaction volume, and overseas investments in U.S. multifamily assets and Single Family portfolios are expected to increase through 2021, as new types of investors such as sovereign wealth funds and foreign family offices now enter the space as long term borrowers.

Investor interest is tied to transaction volume, and as an indication of this optimism the amount of public and private equity available for commercial real estate funding is expected to increase in 2021 relative to this year's levels. According to Preqin, there is nearly \$200 billion of dry powder sitting on the sidelines for upcoming core-plus, value-add and opportunistic strategies in North America for all property types, and in addition to equity capital has exceeded that raised for all of 2019.

As a result, 2021 is generally expected to be a busy year for the commercial real estate industry,

and as a testament to this position a recent NREI study on HNWI commercial real estate activity shows that nearly 60% of respondents plan on increasing their allocation to commercial real estate over the next year—a new high watermark in the five-year history of the survey.

New industrial asset completions will be met by healthy demand

Industrial assets have been the unexpected winner of 2020, with logistics, warehousing, and fulfillment significantly outperforming most real estate asset classes this year. Industrials remained resilient throughout the COVID-19 pandemic in large part due to a surge in demand from sources such as e-commerce, speed-to-consumer supply chain strategies, and logistics users' adoption of high-throughput modern logistics facilities.

Short-term property value fluctuations may present a good buying opportunity in 2021. With the exception of industrial assets, commercial property values are expected to take a short-term hit in 2021 as the economic repercussions of COVID-19 catch up to the commercial real estate sector in full. However, this downturn is not long term, and according to a recent survey carried out by Monmouth University Kislak Real Estate Instituted 90% of respondents expect asset prices to recover to pre-pandemic levels by 2021.

## In Summary

2020 was a difficult year for many, and for most the top priority was to help ensure the safety of our families, friends, and communities. While there were still a number completed throughout the year, real estate interest and transaction volume understandably dropped across the board as investors recoiled from the ambiguities of the market and the unexpected changes in their own lives.

That being said, over the past few weeks we've seen a number of optimistic developments ranging from multiple COVID-19 vaccines to an uptick in real estate transaction volume in the last two quarters of 2020. At the same time, total U.S. public debt has exceeded annual GDP for the first time since World War II, and investors are increasingly looking for alternative opportunities which hedge against inflation and uncertainty.

Our latest deals Commercial deals were selected on the basis of CRE-Finance outlook for 2021 in addition to the underlying deal fundamentals. Armed with everything we have learned in 2020, we look forward to sending this year off with gusto and embracing the new opportunities 2021 will bring.

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