Investors believe better deals are on the horizon, but might they be missing out today?

Midyear Survey | August 2023

According to a recent Cushman & Wakefield national survey of multifamily owners and investors in the Sunbelt, 81% of respondents believe that the best opportunities in the multifamily space are still 6 to 12 months away. More than half (57%) of those surveyed cited the current higher interest rate environment as the primary challenge facing multifamily investors today, followed by the expectation that better opportunities are further down the road (16%). While interest rates certainly play a factor, those intent on looking ahead for smoother sailing may well be missing the boat on some of the best opportunities available right now.

Despite economic uncertainty and market shifts, private capital fundraising peaked in Q2 2023 with $57 billion raised, well above the quarterly average of $46 billion since 2018 (Source: Preqin.com). This was bolstered by Blackstone Real Estate Partners X (BREP X) raising $30.4 billion, and the fund will at least be partially focused on opportunistic multifamily purchases. These opportunistic funds will create increased competition for multifamily deals, potentially eliminating some of the upside due to upward price pressure given greater competition.

For those buyers currently acquiring, a full 40% mention that their primary motivation to pull the trigger now is buying at a better basis. A further 30% cite decreased competition as the best reason to buy in the current climate. Nearly half (46%) of these groups are using agency debt to finance their purchases, followed by bank debt (13%). Though debt markets are choppy, the savvy investor may choose to capitalize on this brief window of less competitive bidding and make their bets now. Deals that may make sense today are properties that are under-rented or have higher-than-market upside. Additionally, by finding the right debt assumption opportunities, investors can enjoy the stability of yesterday's debt markets coupled with a less competitive transaction process.

Like the narrator in Rupert Holmes' ubiquitous Piña Colada Song, it seems that many buyers today are willing to venture out into the unknown rather than settle for a bird in the hand. Unlike the song, however, these buyers may learn too late that they had what they were looking for all along, when the opportunities have already slipped through their fingers. Before dismissing current opportunities in favor of some nebulous point in the future, investors may be well served to vet all deals, as the best fit for your multifamily portfolio may already be in the market today!

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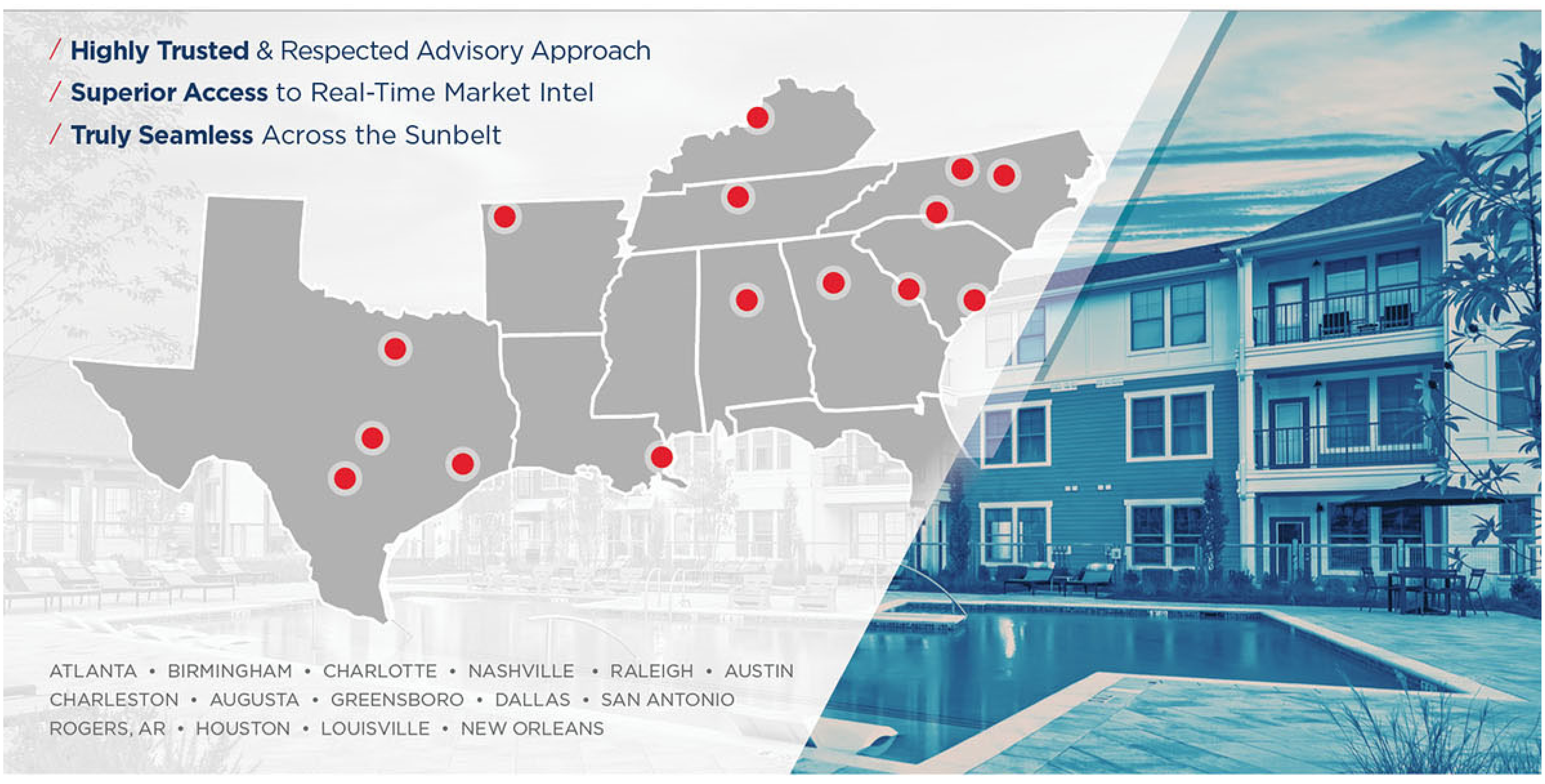

Thank you for your interest,

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