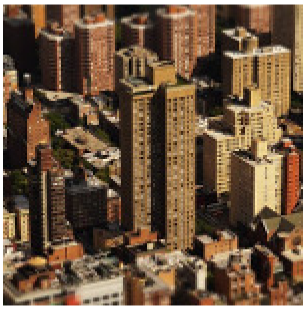
Capital Outlook for U.S. Real Estate Sector on the Rise, Annual Akerman Report Finds



Increased confidence in the commercial real estate market has taken hold since the U.S. presidential election, according to **a report** released by U.S. law firm **Akerman LLP**. The eighth annual Akerman U.S. Real Estate Sector Report revealed 53 percent of investors and lenders are more optimistic about the 2017 outlook for the U.S. commercial real estate market, compared to only 38 percent last year.

In a news release, the firm said the prospects of deregulation, tax reductions and stronger economic growth have renewed investor confidence. Sixty-four percent of real estate executives interviewed after the election say the Trump administration's agenda will have a moderately or significantly positive effect on the industry. This number is up from 54 percent who were bullish about the pro-business presidential candidate during the 2016 campaign.

This increasingly optimistic view of the market is tempered by new uncertainties. The potential impact of a rising interest rate environment and the unintended consequences policy changes could have on the U.S. economy are top of mind for real estate executives, according to the Akerman Report (85 percent). Nearly 12 percent see the rise in purchase prices as another pressing issue affecting the real estate sector. Several say the risk of reduced cap rates and higher borrowing costs will continue to drive deals to secondary and tertiary markets, and new creative segments.

"As 2017 unfolds, industry executives are increasingly optimistic about the state of the U.S. commercial real estate market," said Richard Bezold, chair of Akerman's Real Estate Practice Group, which is ranked sixth by Law360 among the largest teams of real estate lawyers in the United States. "There are headwinds, but as we move into a deregulated environment, we expect less restrained capital to pursue opportunities actively and aggressively. Local market knowledge and innovative investment strategies will continue to be the key differentiator for successful real estate investors."

Key Findings:

1. U.S. Homebuilding on the Rise: For the first time since the launch of the Akerman Report in 2010, commercial real estate leaders predict residential – single-family homebuilding (43 percent) will outpace multifamily development (37 percent). The Akerman Report shows investors and lenders anticipate an upswing in housing development across suburban markets that will continue to rival walkable, sustainable urban centers. Investor attention will focus on replicating the urban experience in smaller, scalable communities with ample access to public transportation. More than 60 percent agreed the preference for a live-work-play lifestyle in a compact city center is among the top three trends impacting U.S. real estate.

2. Ambitious P3 Opportunities Await: When real estate executives were asked to identify the most pressing issues impacting real estate development, only 4 percent selected the need for new infrastructure. Enthusiasm from investors could be invigorated by President Trump's $1 trillion public-private infrastructure project slated to be unveiled later this year. While the details of the infrastructure plan are unknown, the promotion of public-private partnerships, tax credits and other innovative financing will likely return with a vengeance in 2017. What's clearer among executives: cities of the future will require a different infrastructure framework that takes

into account the long-term significance of dense urban living, sea level rise, the desire for a low carbon footprint, and technology advancements such as next-generation vehicles.

3. Bullish Outlook for Banks: As the Trump administration plans to reduce the regulation on the financial services sector to allow for greater capital formation, real estate executives predict banks will be the main source for commercial real estate debt or equity in 2017. Foreign investors and private equity rank second and third in the Akerman Report, followed by REITs, insurance companies and pension funds as among the most likely capital sources to drive real estate financing throughout the year.

4. China Dominates Non-U.S. Buyers (Again): Stability, transparency and robust fundamentals in the U.S. real estate market continue to attract a growing pool of international capital sources. Despite the strengthening of the U.S. dollar, 42 percent of real estate executives believe foreign investors will lead debt/equity financing this year, and about a third expect multifamily (33 percent) and residential – single-family homebuilding (32 percent) to see the greatest dollars. Across all real estate sectors, China is expected to be the dominant source of foreign capital. To a lesser extent, investment is also expected to come from Europe and Latin America, and even less so from the Middle East and Canada.

5. From Brick to Click: Commercial real estate leaders rank the effects of technology among the three most significant factors impacting real estate development, according to the Akerman Report. This trend, coupled with changes in consumer behavior, have brought about the era of “one-click shopping” for millions of retail customers and led to a corresponding explosion in demand for more warehouses or fulfillment centers. Real estate executives affirmed this trend and predict once again that industrial will be the third most active sector for real estate investment. In contrast, the retail sector dropped to last place in the Akerman Report. In

2016, the retail sector was predicted to be the fourth most active sector.

Click here to view the Report: **www.akerman.com/resectorreport17/index.html**

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