

NATIONAL | MULTIFAMILY

Event Coverage

## Upcoming MBA CREF Attendees Weigh In On Year Ahead

FEBRUARY 16, 2017 | BY NATALIE DOLCE

SAN DIEGO—In advance of next week's MBA CREF conference here, sources say that underlying demand fundamentals are pretty good in gateway cities, but say there are signs that we are in the late stages of the cycle.

SAN DIEGO—In advance of the upcoming MBA's CREF/Multifamily Housing Convention and Expo 2017 this weekend, GlobeSt.com spoke with a few experts on their [expectations for the upcoming conference](#). In part two of that Q&A, we chat about expectations for the year ahead.

Jay Maddox, a principal in the capital markets group at Avison Young, tells GlobeSt.com that his 2017 outlook is "guardedly optimistic." He explains that "We've already had a six-plus year run up in CRE values, and in many markets we're significantly above pre-crash levels."

While he says that underlying demand fundamentals are pretty good in gateway cities, he says there are signs that we are in the late stages of the cycle. "The initial market euphoria to the new administration in Washington seems to be receding due to uncertainty and unpredictability."

As for the good news? Maddox says that there is an abundance of debt and equity capital, however, he says he is seeing some equity investors take a more cautious "wait and see" attitude. "They are increasingly selective and will only jump at the most compelling opportunities."

Finally, Maddox adds, "I do expect some further increases in interest rates but not so much that it creates pressure on valuations, at least not quite yet."

Richard Caldwell, SVP of Revere Capital, tells GlobeSt.com that he predicts some uncertainty, mostly because there are so many mixed signals from the markets and government. "On the one hand, if the new administration adds stimulus to the economy with its infrastructure improvement initiatives, and potential reform of Dodd Frank and the tax code that should create jobs and put more investment money into the economy. On the other hand, if we get into a trade war with Mexico, China or other countries all bets are off."

As it relates to the CRE finance industry, he says that "many conventional lenders are worried that we are a few steps away from a correction because we're in the 8<sup>th</sup> year of a seven-year cycle. However, the economic expansion of the last eight years has been modest – almost anemic, so I think there is added room for growth." Plus, he says the underlying drivers of commercial real estate activity and investment – small businesses and job growth, are pretty healthy and likely to keep this expansion going another couple of years with pro-growth policy from the government.

"For people in our business that's good because it means the acquisition and value-add opportunities should continue to present themselves and structured lenders will do well," adds Caldwell.

JLL's Chad Orcutt, SVP of finance in the Philadelphia office, expects deal volume to remain strong in 2017. "Despite some increased investor caution, there are no economic trends or fundamentals that lead me to believe this year will be significantly different than last year," he tells GlobeSt.com. "The post-election volatility seems to have subsided and transactions are continuing get done."