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CRE Finance Council Market Outlook Survey Results: Commercial Real Estate Finance Leaders Expect Favorable Market to Continue in 2016

- Respondents believe commercial real estate markets are fundamentally sound. Construction activity is expected to be at or above the average historical rate of 1.9% of existing building stock.
- Commercial mortgage-backed securities (CMBS) issuance expected to marginally exceed 2015 volume of approximately \$100 billion, with 2006-2007 vintage maturities fueling much of the demand.
- Most balance sheet and private capital lenders expect to increase loan origination volume.
- CMBS spread volatility expected to continue.

WASHINGTON, D.C. (January 4, 2016) — Commercial real estate finance industry leaders expect the market to remain favorable in 2016, with ample credit and capital available to meet borrower demand for new loans and refinancings, according to an annual survey of Commercial Real Estate Finance Council members released today.

The CRE Finance Council (www.CREFC.org) is the global trade association for the commercial real estate finance industry. Its members are participants in all aspects of the commercial and multifamily real estate finance market, including balance sheet and securitized (CMBS) lenders, loan and bond investors, private equity firms, servicers and rating agencies, among others. The U.S. commercial real estate debt market is \$3.5 trillion.

The CRE Finance Council 2016 Market Outlook Survey results come in advance of the annual CREFC Industry Leaders Conference, which is January 11-13 (next week) in Miami. Approximately 1,700 industry participants will attend the event at the Loews Miami Beach Hotel. [A copy of the full survey is available on request.](#)

Incrementally rising interest rates are not viewed as a significant concern by survey participants. Rising interest rates are expected to result in slightly higher borrowing costs, with capitalization rates and investment yields expected to rise gradually as interest rates rise.

Underwriting standards are predicted to remain about the same as in 2015, with loans underwritten largely based on existing rent rolls and the expectation that leases will renew at higher versus the same rates.

Survey respondents expressed divergent views on the issue of credit quality and relative investment returns. They split nearly evenly on whether current yields are sufficient to cover potential risk.

Commenting on the survey, CRE Finance Council President and CEO Stephen M. Renna noted, "Our third annual market outlook survey provides important perspective about what market participants expect in 2016. CREFC is uniquely positioned to capture the sentiments of the industry with its over 310 member companies that cover all aspects of commercial real estate finance. This breadth and depth of industry insight is why these survey results are so critically relevant."

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Some Key Survey Findings

- 65% of survey respondents expect new CMBS issuance in 2016 to be in the range of \$100 billion to \$125 billion.
- 60% of survey respondents expect 75-100% of the CMBS loans maturing in 2016 to pay off or refinance.
- 66% of survey respondents expect a higher level of loan originations from balance sheet lenders in 2016.
- 76% of survey respondents expect private capital (nonbank) sources to originate more loans in 2016 than 2015.
- 65% of survey respondents expect GSE (government sponsored enterprise) loan originations to be at the same level in 2016 as 2015.
- The majority of survey respondents expect foreign investment in both CRE debt and equity to increase.
- 98% of survey respondents expect CMBS spreads to be somewhat or very volatile in 2016, reflecting geopolitical and other concerns generally not unique to the commercial real estate asset class.
