



Six Key Takeaways from MBA's CREF 2018

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Newmark Realty Capital's Jeff Matlock shared these insights from the annual CREF, Commercial Real Estate Finance/Multifamily Housing Convention and Expo in San Diego last week. Below are his observations and key takeaways after four days of meetings:

1. The Money is Flowing – Everyone has an optimistic view of the capital markets, as they still provide greater risk-adjusted returns for institutions above other long-term investments. With capital sources starved for yield, commercial real estate lenders will continue to lend their money.
2. Low Volatility and Low Fear – Indexes are expected to rise but spreads are expected to fall, keeping pricing very competitive in 2018.
3. All Lender Types are Active:
 - a. Insurance Companies: Had a record year in 2017, and have billions more to lend in 2018 than they did in 2017.
 - b. CMBS: Very active and very competitive, with low spreads, and 10-year interest only loans.
 - c. Fannie Mae and Freddie Mac: Have high allocations again.
 - d. Banks: Active and looking to replace loans rolling off of their books.
4. Competition is Fierce: The combination of more dollars chasing fewer transactions will force lenders to push spreads lower for quality projects.
5. Industrial is Hot: This product type is in high demand. All lenders want to lend on more multi-tenant industrial and

multifamily loans. The Amazon effect continues in all levels of real estate, leaving retail as a cold asset class, industrial as a hot product type and office somewhere in-between.

6. Bridge Programs are Everywhere: There are an immense number of bridge and value-add programs, from life insurance companies to banks to debt funds. This sounds very similar to the number of people opening a CMBS shop four or five years ago. There appears to be too much money chasing too few deals.

The lowest spread I heard of was 88 basis points over the 10-year treasury by a huge correspondent insurance company.

Conclusion: It will be a great year to be a long-term fixed rate borrower, and a great year to have a trusted intermediary help you negotiate your next commercial real estate loan.

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