

Press Release

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

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CRE Investors Forecast Uptick in Single-Family Homebuilding and 'Suburban' Development

Increased confidence in the commercial real estate market has taken hold since the U.S. presidential election, according to a report released today 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.

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

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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.

About the Akerman Report

The Akerman U.S. Real Estate Sector Report provides insights on the economic conditions affecting the U.S. commercial real estate market. For nearly a decade, Akerman has captured the perspectives of industry executives to provide a view from the C-suite, highlighting the complexity of key market conditions including capital availability, investor trends and drivers of growth. Akerman clients and other top real estate executives across the United States contributed to the Report through one-on-one interviews as part of an annual Akerman Survey. Two hundred interviews were completed during the fourth quarter of 2016.

About Akerman LLP

Akerman LLP is a leading transactions and trial law firm known for its core strengths in middle market M&A, within the financial services and real estate industries, and for a diverse Latin America practice. With more than 650 lawyers and government affairs professionals and a network of 24 offices, it is ranked among the top 100 law firms in the United States by *The American Lawyer* (2016). Akerman also is ranked among the top 60 law firms for diversity in *The American Lawyer's* Diversity Scorecard (2016).

Akerman's Real Estate Practice Group offers comprehensive and fully integrated project counsel services to clients across the United States and Latin

America. With substantial industry experience and local market insights, the firm represents clients in complex real estate transactions and financings, development and redevelopment projects, public-private initiatives and litigation. Recognized as a national tier one law firm for real estate law by *U.S. News - Best Lawyers*, the group advises investors, developers, builders, lenders, retailers, owners and corporate end users, often in high profile matters.