

Press Release

Confident Capital Chasing U.S. Real Estate with Greater Appetite and Discipline, Akerman Survey Finds

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U.S. Commercial Real Estate Executives See Record Institutional and Global Equity Surging Through America's Real Estate Markets; Investment Volumes Set to Increase

Investors and lenders have a new dose of confidence in the nation's strengthening commercial real estate market, with the most positive assessment in the U.S. economy in years, according to survey results released today by Akerman LLP, a top 100 U.S. law firm serving clients across the Americas. The sixth annual Akerman U.S. Real Estate Industry Outlook Survey indicates that nearly 60 percent of real estate executives are more optimistic about the market this year than they were in 2014. Meanwhile, U.S. markets continue to lure foreign investment at sustaining speed and a surge in institutional capital is leading deal volumes, with an upward trajectory predicted this year.

Robust investor appetite is expected to continue, with greater participation from a wider array of equity sources. In the financing space, however, a sense of rigor and industry responsibility holds sway. Investors and lenders remain diligent and are structuring deals with greater discipline. According to Akerman Survey respondents, more discipline in the way capital is chasing opportunity indicates the market is on sounder footing than it was before the

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financial downturn, and industry players are better capitalized to withstand fluctuations in the market.

“As 2015 unfolds, the industry is seeing an all-time record of institutional equity and global equity competing for core real estate assets,” said Richard Bezold, chair of Akerman’s Real Estate Practice Group. “As investor appetite grows and deals become more aggressive, the industry will increasingly need to focus on maintaining rationality.”

All of this fits within the larger context of a global marketplace. The world’s economies are becoming ever more intertwined and U.S. cities remain a top investment destination. For the first time in six years, Akerman Survey respondents are more concerned about the global economy (23 percent) than lawmaker decisions in Washington, D.C. In 2014, nearly 34 percent cited government policies as the most pressing issue facing the U.S. commercial real estate industry, compared to 15 percent in 2015.

“An increasingly competitive landscape and a volatile global marketplace create new challenges for our real estate clients,” said Bezold. “We use the Akerman Survey as an opportunity to start a dialogue about these important issues and bring clarity to key trends and business opportunities anticipated in the months ahead.”

Confidence and Diverse Capital Flows

- Improvement in the U.S. economy (39 percent), low interest rates (23 percent), and the availability of equity capital (15 percent) continue to drive executive confidence levels.
- While federal gridlock (15 percent) and interest rate uncertainty (22 percent) continue to render doubt, executive optimism is mostly trimmed by global unrest (23 percent).
- Executives predict banks, more than any other funding source, will drive financing. Insurance

companies will also be a main source of real estate financing, with foreign capital remaining a key driver of growth in the financing space.

- Executives believe that non-traditional investment vehicles will contribute even greater funding, with CMBS, private equity, REITs and pension funds as potential sources.

Sector Strength and Foreign Investment

- More than half (58 percent) of real estate executives believe the multifamily sector will continue to lead commercial real estate through the recovery. Seven out of 10 agree apartment development will drive multifamily activity, compared to senior living facilities (17 percent) and condominiums (11 percent).

- Executives say the single-family homebuilding market will be the second most active real estate sector (10 percent), followed by hospitality, retail, industrial, and office.

- The purchasing power of the Chinese Yuan over the U.S. dollar has the potential to be a significant driver for many U.S. markets, including industrial, hospitality, multifamily, retail and office.

- Despite the strengthening of the U.S. dollar against European and Latin American currencies, executives believe investors from these regions will remain among the top three foreign capital sources this year.

- Nearly half of executives predict the greatest increase in Latin American real estate investment in the United States will come from Brazil (42 percent). Brazil will also receive the greatest increase (34 percent) of U.S. investment in Latin American real estate, followed by Mexico (11 percent).

- For the first time in more than 50 years, U.S. executives see potential in Cuba's burgeoning real estate market. The Akerman Survey indicates that they are slightly optimistic about investment opportunities in Cuba (8 percent).

Top Trends Impacting Real Estate Development

New Urbanism: The aging of the baby boomers, the arrival of the millennials in the workforce, and the increasing preference of both to combine a “live, work, play” lifestyle in a compact city center, are reshaping the real estate market. Thirty-four percent of executives believe this changing lifestyle preference will have the most significant impact on U.S. real estate development in 2015 and beyond.

Job Recovery: Five out of 10 real estate executives predict employment in 2015 will either be marginally or significantly higher than in 2014, a strong indicator of economic growth. Nearly 30 percent say the ability to create well-paying jobs will have the most significant impact on real estate development over the next three years.

The Longevity Dividend: The aging population, coupled with housing preferences and needs, also are creating an attractive outlook for both the senior living and healthcare real estate sectors. Twenty-six percent of executives believe this trend will have the most impact on real estate development.

About the Akerman Survey

Each year since the real estate downturn, the Akerman U.S. Real Estate Industry Outlook Survey has captured the perspectives of industry executives to provide a view from the c-suite, highlighting a number of market indicators, including capital availability, investor trends and key drivers of growth.

Akerman clients and other top real estate executives across the United States were interviewed by telephone on their perceptions of the health of the U.S. commercial real estate market. A count of 176 interviews were completed between March 3 and March 30, 2015. The Akerman Survey was first conducted in 2010 and has become a leading source for market intelligence in the real estate industry.

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 600 lawyers and government affairs professionals and a network of 20 offices, it is ranked among the top 100 law firms in the United States by *The American Lawyer* (2015) and *The National Law Journal NLJ* 350 (2014). Akerman also is ranked among the top 50 law firms for diversity in *The American Lawyer's* Diversity Scorecard (2015).

The Akerman Real Estate Practice Group offers comprehensive and fully integrated project counsel services to clients across the United States and in Latin America. With substantial industry experience and prominent local presence, Akerman 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 and Construction Law by *U.S. News - Best Lawyers* (2015), the group advises investors, developers, builders, lenders, retailers, owners and corporate end users, often in high profile matters.