

Capital Markets – CRE Investors Look for Opportunities Outside of Offices



Although recent data from Real Capital Analytics (RCA) suggests that there are significant investment inflows into the States currently from investors seeking commercial real estate (CRE) exposure, the pressures faced by the office CRE space means that currently much of this cash is seeking new targets, according to several data firms. The ongoing uncertainty around remote work may be driving a healthy investment spread within CRE, until we see strength in office return.

Deal Volume

RCA runs a CRE information database, with over \$20 trillion worth of real estate transactions captured, data from over 200,000 investors and lenders. In conversation with BisNow, RCA Senior Vice President Jim Costello describe the influx as a “flood of capital” seeking the solid yields that office CRE previously provided.

Deal volume for industrial and apartments (January through May) were 18% and 8% higher respectively, compared to 2015-2019 averages. Multifamily is another “hot target”. Alternative data firm Preqin says they are seeing “a 16% increase in the number of real estate funds in the market and a 15% increase in the amount of capital targeted”.

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Vehicle Types

RCA says the top alternatives property investments include data centers, medical offices and life sciences developments as well as Real Estate Investment Trusts (REITs).

The FTSE Nareit All REITs index - the broadest index of REITs in the United States – returned some 26% over the first seven months of the year, according to the Wall Street Journal and The Real Deal in August.

REIT-based exchange-traded funds (ETFs) also continue to reap the rewards of market interest, especially as an investment vehicle with diversified access to sub-markets, sectors and innovative deals built-in.

ETF trends highlighted three such funds in a recent article, including the VanEck Vectors Mortgage REIT Income ETF (MORT) which boasts an annual dividend yield of 7.01%; the Invesco S&P 500 Equal Weight Real Estate ETF (EWRE); and Vanguard Real Estate ETF (VNQ).

The stellar performance in the “alternative” property investments is a reflection of the broad scope of the real estate capital market, for both institutional and individual investors.

