

Forecasted Mortgage Metrics for 2022 Show Strength in Commercial, Multifamily



According to a forecast from the Mortgage Bankers Association (MBA), 2022 is set to be a record-breaking year with mortgage borrowing and lending activity for commercial real estate (CRE) assets surpassing one trillion USD. The figure was released during the MBA's annual CREF Finance Conference and Expo, where several industry experts discussed the way forward for CRE this year.

The general feeling seemed to be that 2022 will build on the overall strong figures from 2021, carrying forward the market momentum despite concerns from some about headwinds from the current rates environment. As with last year, specific asset classes are again expected to steal the show in terms of growth metrics.

Multifamily and Industrial: Still Real Estate Darlings

One of the strongest performers is multifamily, with a large part of the one trillion USD forecast attributable to properties in this class. Lending for multifamily is expected to make up 493 billion USD of the overall total, a 5% increase on 2021's 470 billion USD.

Speaking at CREF, Angela Mago, president of Key Commercial Bank Real Estate Capital at KeyCorp, stated that multifamily and industrial are still favored asset classes, adding: "You will see stability there."

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Building on 2021's Foundation

The ongoing demand for these asset classes is unsurprising, given their recent performance. In 2021, both classes recorded record-breaking metrics for rent growth according to Moody's Multifamily and CRE in 2021 analysis.

For multifamily, Moody's reported that: "asking and effective rents grew by 7.5% and 7.9%, respectively." These figures present the highest growth rates on record since the start of quarterly data recording in 1999. Multifamily vacancy rates also dropped to pre-pandemic levels by Q3, making these properties an increasingly sure-footed investment.

The third quarter also posted some strong gains for industrial, with vacancies falling to 8% and effective rents reaching 1.9%, the strongest quarterly growth for the class in five years. In particular, warehouses turned out to be one of 2021's savviest investments.

Moody's reports that vacancies for warehouse properties dropped to 7.5% by Q3 and effective rents rose a staggering 3%, the highest upwards shift in over 10 years.

Future Forecasts

Looking ahead to 2023, MBA predicts similarly high numbers, with commercial borrowing and lending expected to exceed 1 trillion USD for the year. Multifamily remains their top contender and with around 474 billion USD in lending anticipated.

Worth bearing in mind, however, is that there's always the potential for a market shift, so we'll be keeping a close eye on incoming predictions as we move ahead in 2022.

