



POWERHOUSE POLL  
OUTLOOK REPORT

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It's that time again—Berkadia's 2022 Powerhouse Poll Outlook Report is here! Twice a year, we ask our investment sales and mortgage banking boots-on-the-ground Berkadians for their perspectives on the commercial real estate market in the year ahead. Twice a year, the poll provides invaluable insight to our clients as they set investment priorities for the months ahead. After a surprising and eventful 2021, this input from our seasoned professionals remains essential and illuminating, marrying a national perspective with exceptional regional expertise to provide a comprehensive outlook.

For this 2022 Outlook survey, we continued to ask our producers how the evolving COVID-19 pandemic is affecting the commercial real estate industry. But after a year that saw the multifamily industry bounce back tremendously, we also focused on the new areas of interest— Environmental, Social and Governance (ESG), Single-Family Rental (SFR)/Build-for-Rent (BFR), Affordable housing—that are shaping the future of investment. We are in an industry that is constantly evolving, and our mortgage bankers and investment sales professionals are excited about what 2022 holds, as am I.

Here's what we're looking forward to in the year ahead:

- Continued surge in multifamily demand
- Trends accelerated by COVID-19 are here to stay
- Keeping the focus on Affordable housing
- The state of financing

We look forward to our latest Powerhouse Poll Report providing an outlook on how to approach the months, years and investments ahead.

- Ernie Katai

EVP, Head of Production

Look for direct insights from our producers throughout the report.



## ABOUT THE POWERHOUSE POLL

THE 2022 POWERHOUSE POLL OUTLOOK DATA WAS COLLECTED IN AN ONLINE SURVEY BY BERKADIA THROUGH MICROSOFT FORMS IN DECEMBER 2021 TO ASSESS EXPECTED COMMERCIAL REAL ESTATE ACTIVITY AND OPPORTUNITIES FOR 2022. THE SAMPLE WAS BASED AMONG BERKADIA'S 65 OFFICES THROUGHOUT THE U.S., CONSISTING OF 71 INVESTMENT SALES BROKERS AND 117 MORTGAGE BANKERS, TOTALING 188 OVERALL RESPONDENTS.

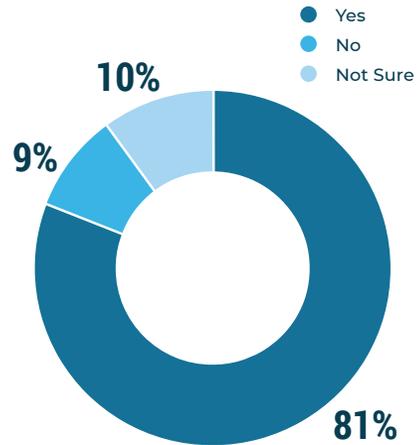
# CONTINUED SURGE IN MULTIFAMILY DEMAND

2021 was an unprecedented year for our industry and our organization. We saw our most active year ever and an unbelievably busy Q4, and the pace doesn't seem to be slowing! Of course, we can't come into the year without talking about potential challenges ahead, namely inflation and interest rates, but we continue to see exponential rent growth and high multifamily occupancy numbers as the industry continues to deal with a shortage of quality on-market supply. From a product standpoint, fundamentals are sound—rent growth will continue adding value to properties paired with further cap rate compression, however mildly tempered it may be by rising rates. At the same time, capital is plentiful and investor interest is at an all-time high. Outliers remain—the future of 1031 exchanges, where the Fed will take us, and more—but those questions notwithstanding, we remain incredibly positive about the outlook for multifamily.

### RENTAL DEMAND

Unprecedented multifamily rental demand will remain

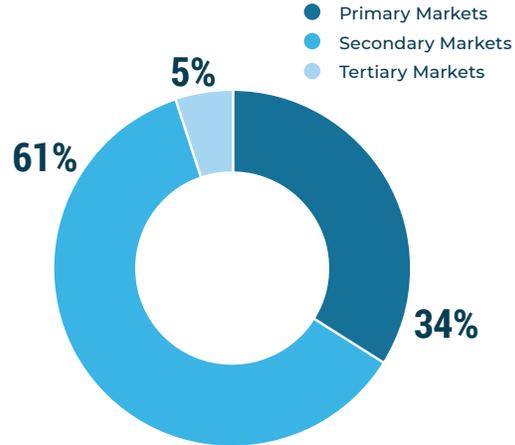
Do you expect multifamily rental demand to continue to outpace supply in 2022?



### TARGET MARKETS

Secondary markets will drive investment activity

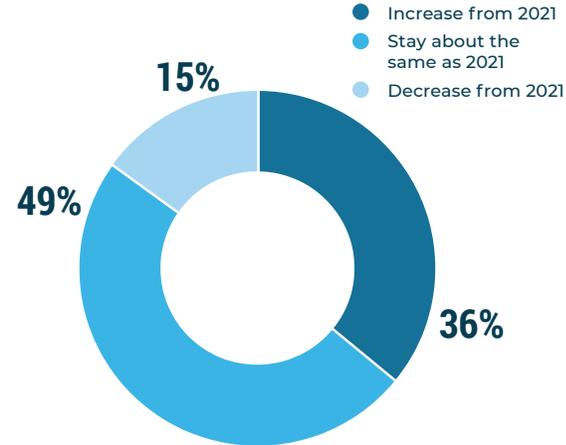
Investment sales activity in 2022 will be highest in:



### TRANSACTION ACTIVITY

Transaction velocity will be the same or higher in 2022

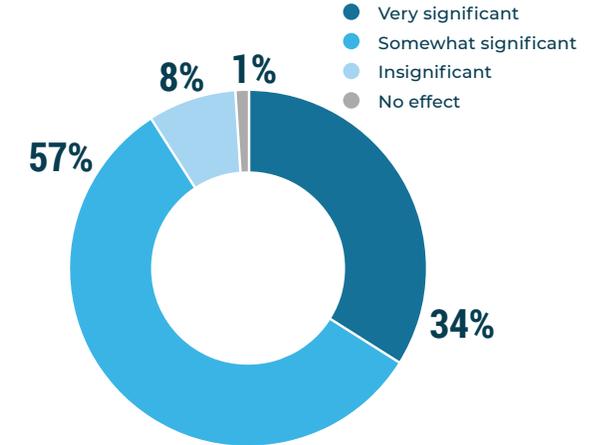
In 2022, do you expect the number of transactions within the multifamily industry to:



### INCREASE IMPACT

Rent increases will impact multifamily deal volume

In 2022, how significant of an impact will rent increases have on deal volume in the multifamily industry?



“ I believe we will continue to see a similar trend in investment activity that we have seen in 2021, namely value-add type transactions in the secondary markets where buyers are looking to capture the rent increases. This will lead to a steady diet of debt fund business at least for the first half of the year.”

“ In spite of 2022 appearing to be a rising rate environment, I expect the CRE Industry to continue to perform very well. Commercial real estate is always a good hedge against inflation, which we're now admitting is not transitory. While there has been significant development over the past several years, few markets appear overbuilt.”

“ CRE should perform well, however inflation, rate hikes and COVID-19 will be front and center on investors' minds. This will have the most impact on growing revenues.”

### FIVE MAJOR TRENDS THAT WILL AFFECT MULTIFAMILY INVESTING IN 2022

- 01 Interest rates
- 02 Inflation
- 03 Institutional investor interest
- 04 Debt underwriting, willingness/unwillingness to underwrite new income
- 05 Proposed tax policy concerns (capital gains, 1031 exchange, etc.)

### MOST PROMINENT INVESTOR TRENDS THAT WILL SHAPE 2022

- 01 Actively pursuing acquisition
- 02 Looking to sell properties they currently own
- 03 Seeking financing on currently owned properties

“ Continued cautious optimism for rent increases, cheap borrowing rates and excess liquidity. Investors are focused on inflation and interest rates with growing concern over the impact on multifamily valuations if inflation/rates were to continue to rise.”

# TRENDS ACCELERATED BY COVID-19 ARE HERE TO STAY

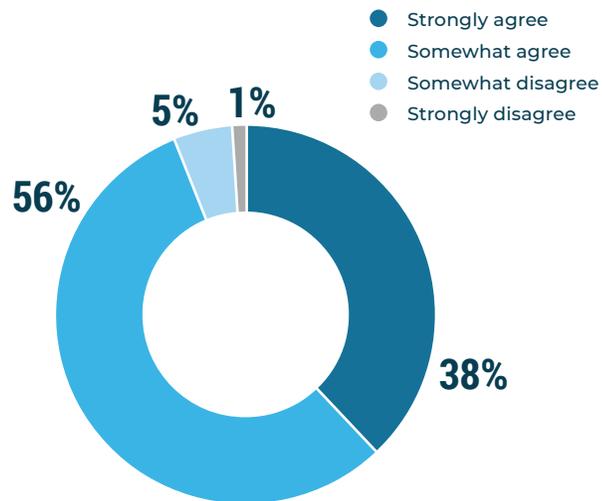
Though our industry has rebounded strongly since the initial onset of the pandemic, we are still feeling its impact, which continues to reshape renter preference and investor strategy. The rise of remote work options throughout the COVID-19 pandemic shaped renters' migration trends. People no longer need to live in proximity to their jobs, and as untethered renters continue to look for more space to stretch out, these trends are rapidly changing the fundamentals looked at by current owners, as well as prospective buyers, sellers and financiers.

Additionally, the pandemic highlighted the need to think of solutions that provide tenants with comfort, safety and access. Pairing social impact and the high demand for housing across the country, institutional investors are focusing on true ESG integration and finding ways to invest where it matters.

## SEEKING SUBURBS

Renter flight to the suburbs is expected to continue

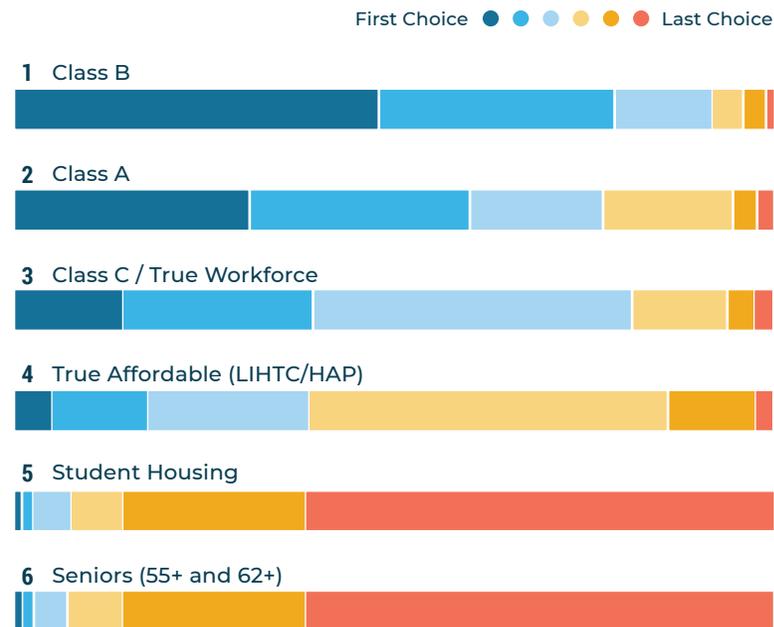
Do you agree or disagree with the following statement: Since the COVID-19 pandemic began, renters have flocked more to suburban areas instead of urban cities.



## INVESTOR INTEREST

Investor interest will be focused on Class B and Class A housing in the months to come

Rank the following types of housing by anticipated investor interest in 2022, in order from most of-interest to least of-interest.



## TOP THREE MEASURES THAT INVESTORS ARE TAKING TO ADDRESS/ACHIEVE TRUE ESG INTEGRATION

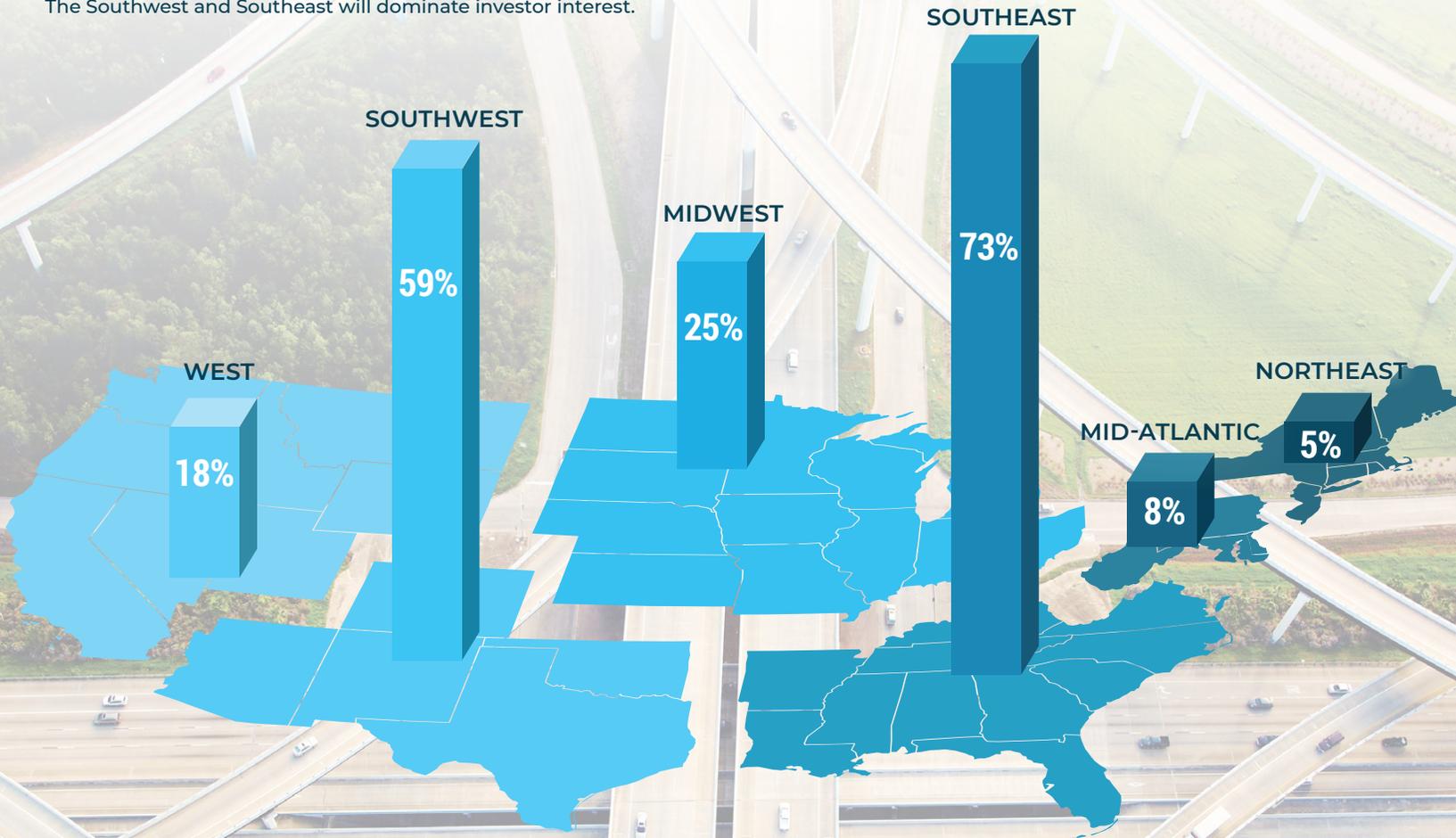


“ESG is becoming increasingly important to investors. Investors will demand managers/sponsors to implement ESG strategies in order to receive capital allocations.”

“SFR/BFR is fast becoming a target product type for investors due to the strong rents, strong demand for the product and the size of the transactions.”

## TARGET REGIONS

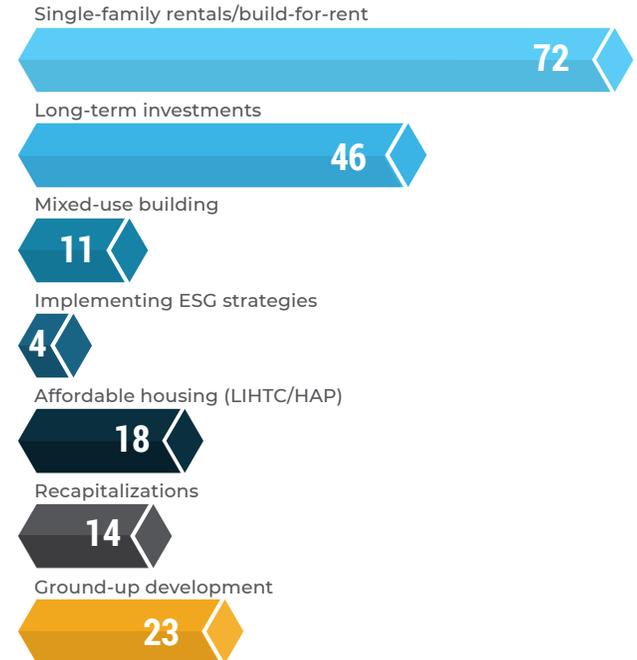
The Southwest and Southeast will dominate investor interest.



## INSTITUTIONAL INTEREST

SFR/BFR will remain popular among institutional investors

What type of opportunity will be most attractive to institutional clients in the next 1-2 years?



# KEEPING THE FOCUS ON AFFORDABLE HOUSING

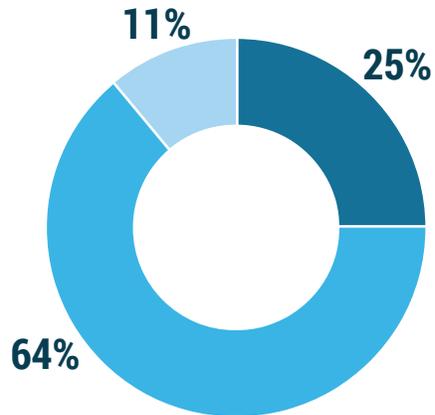
The Affordable Housing crisis endures—a macro issue that is being addressed by the industry at large. While the Affordable Housing industry will continue to see a rising tide of Low-Income Housing Tax Credit (LIHTC) properties reach the end of their compliance period—navigating new market dynamics and considering more execution options will help determine the best long-term solutions for investors' properties and objectives. We remain optimistic for what lies ahead.

## AFFORDABLE INTEREST

Affordable housing continues to be of interest to investors

Investors are more interested in Affordable housing properties (LIHTC/HAP) now than they were last year.

- Strongly agree
- Somewhat agree
- Somewhat disagree



## AFFORDABLE DEVELOPMENT

The West and the Southeast are anticipated to see the most increase in Affordable housing development

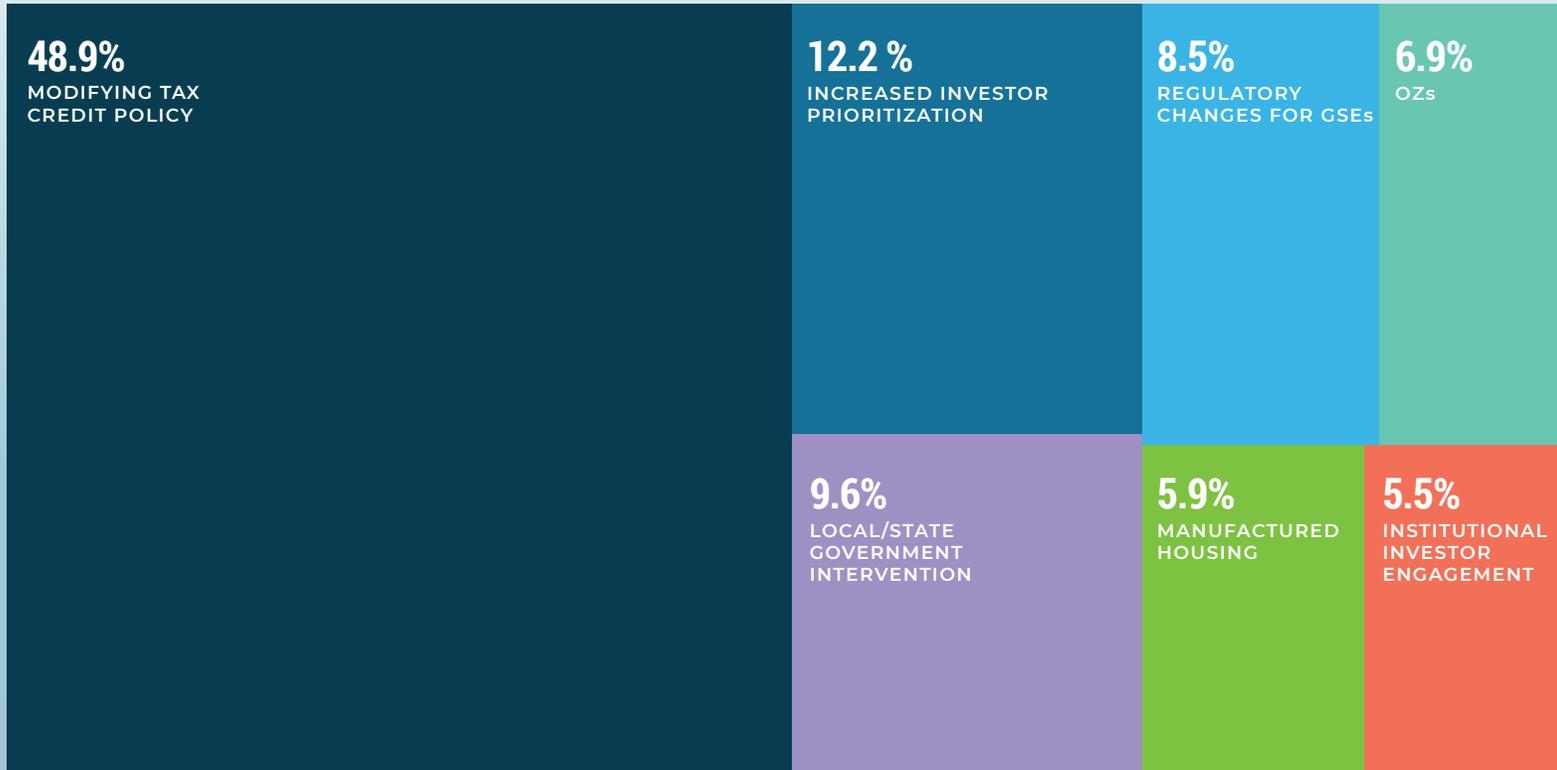
Which region do you anticipate will see an increase in Affordable housing (LIHTC/HAP) development over the next 1-2 years?



"I anticipate another robust year in affordable housing given several large portfolios on the market, the reselling of assets from the large acquisition last year, market participants looking to sell given the prices that they can secure in the market, an abundance of capital pursuing affordable housing, some progress in the workforce space that should turn talk into action in 2022 in ways that will create loan volume that hasn't been seen to date and relative stability in the LIHTC space."

"While institutional investors are trying to fulfill ESG, affordable, and other mandates, they are still in the business of generating long-term, stable returns for their constituency with low risk. Institutional investors have been investing in new developments and will continue to do so, however, they seem to be turning their attention to acquisitions more and it appears that will be a focus over the next couple of years."

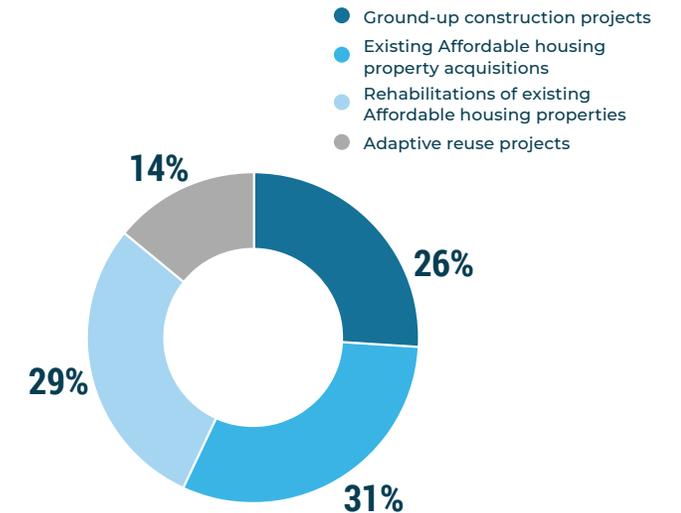
## WHICH OF THE FOLLOWING POTENTIAL SOLUTIONS DO YOU THINK WILL HELP IMPROVE THE CURRENT AFFORDABLE HOUSING CRISIS?



## AFFORDABLE OPPORTUNITIES

Existing Affordable housing property acquisitions and rehabilitation of existing Affordable housing properties will be most attractive to investors

What types of Affordable housing (LIHTC/HAP) opportunities do you anticipate will be most attractive or see the most investor interest over the next 1 -2 years?



# THE STATE OF FINANCING

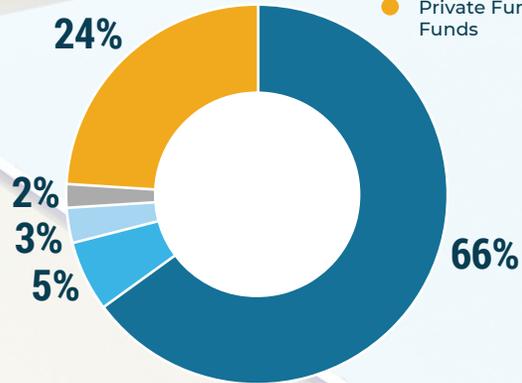
These past two pandemic-defined years have presented no shortage of short- and long-term disruptions, and we're seeing the same as we enter year three with the rise of a new COVID-19 variant. While the state of financing for the CRE industry is likely to shift in our ever-evolving landscape, we expect to see continued recovery. Our experts predict the most lending activity from GSEs, along with forecasts on major trends around financing option types and more.

## LENDING SOURCES

GSEs will be the leading source of lending

From which lending source do you expect to see the most activity in 2022?

- GSEs (Freddie Mac, Fannie Mae)
- Banks
- U.S. Department of Housing and Urban Development (HUD)
- Life Companies
- Private Funds/Debt Funds



*Bank financing will increase bringing competition to GSEs. Multifamily will still be preferred growing asset class."*

*GSEs will continue to improve over 2022 with emphasis on Affordable properties."*

## FIVE MAJOR TRENDS THAT WILL AFFECT MULTIFAMILY FINANCING IN 2022

01 Interest rates

02 Inflation

03 Institutional investor interest

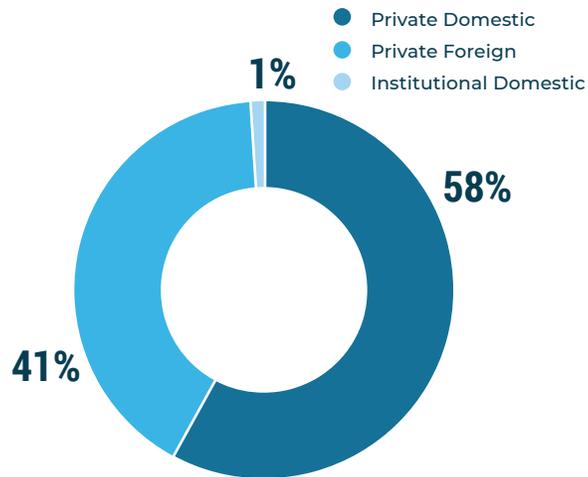
04 Debt underwriting, willingness/unwillingness to underwrite new income

05 Government regulations

## CAPITAL SOURCES

Private domestic capital sources are anticipated to be the most active in 2022

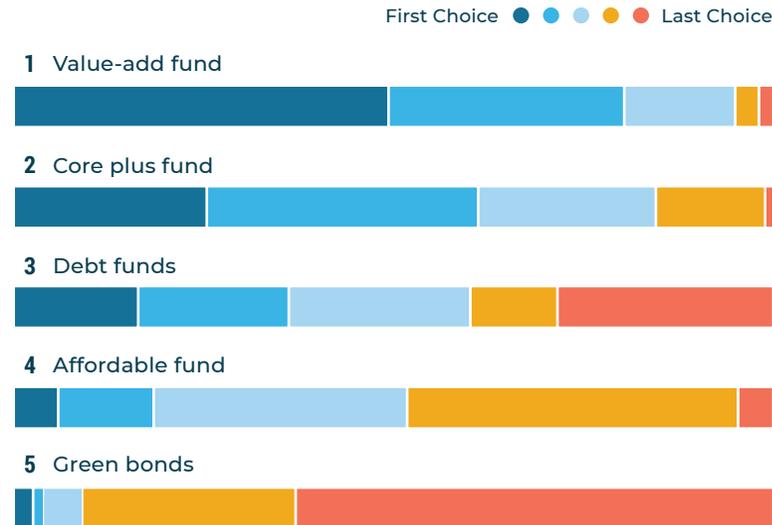
From which lending source do you expect to see the most activity in 2022?



## INSTITUTIONAL FINANCING

Value-add and core plus funds will be of the greatest interest to institutional investors

What type of financing options are institutional investors most interested in?



*"I expect the CRE industry to perform well, but potentially not as well as it had been in 2021. A more hawkish Fed and the potential for higher rates has the potential to tighten financing options and squeeze pricing through cap rate expansion."*

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