3 Reasons 2020 is Great for Multifamily Investing

At a time when many of CRE's sectors are taking hits from all sides, 2020 is going to be a strong year for investment in multifamily.

Fall is here and despite all the external turbulence, multifamily investment has been standing its ground - and doing well. We've seen a pandemic, a nationwide market closure and a global disruption to business - and even so, the multifamily outlook has remained strong.

Multifamily investing is providing a strong and stable outlook for this year and beyond. Here's why 2020 is a offers a profitable and stable investment opportunity for commercial real estate:

2019 Sparked the Momentum

The nation's transaction volume for multifamily assets in 2019 attained $92.5 billion.

Needless to say, 2019 was a momentous year for the multifamily sector. This CRE arena achieved a record-breaking volume of acquisitions paired with a wave of investor interest, boosting the overall outlook and success of this industry.

Multifamily mortgage originations were also breaking records for the third year in a row. 2019 mortgage originations leveled out at $600.6 billion with YOY growth of 5% from 2018. While the enthusiasm was clearly disrupted by the pandemic, this upwards growth hasn't fully fallen out of favor.

Opportunity Zones

Another key reason why the 2019-2020 junction for multifamily has been so positive is because of the opportunity zone.

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OZ developments picked up speed in 2019 as savvy commercial real estate investors turned to tertiary markets to gain a solid foothold for their portfolios. The financial stimulus and benefits associated with these development projects were another reason why OZ's drew such heavy investment towards multifamily.

Despite a general pause on investing at the initial stage of COVID's US impact, opportunity zones continue to be stimulated as expanding affordable housing stands as a priority after the pandemic.

Faring Better than Expected

At the beginning of the pandemic, industry professionals and analysts assumed the very worst for commercial real estate.

When unemployment was rising at a threatening pace, markets shutting down across the globe and holds on rent collection were persisting to unknown ends, the general expectations for the multifamily sector were bleak.

But, the situation was already faring better by April. Data from Moody's Analytics reported that the impact of rent collection disruption on ROI was 5% to 15% less than what many clients had expected at the introduction of the pandemic.

In September, analysts are reporting that national rent collections are already near-normal - further placing multifamily investing in a great light. The National Multifamily Housing Council reported that 92.2% of apartment households paid rent as of September 27th. In light of the issues linked to the coronavirus, the multifamily sector has been able to power ahead. It seems as if the worst may be behind us - and even that was met with resilience by the multifamily arena.

Commercial real estate professionals, if you want a solid and profitable investment arena to dive into this year, look towards multifamily. It's gearing up to continue 2020 strong and enter the new year with success.