Expert Opinions on the Multifamily Real Estate Sector During the Covid-19 Pandemic

Times like this highlight the safety of Multifamily Real Estate, specifically, certain sub-sectors of that asset class. Before the scale of the Covid-19 outbreak was understood, YARDI said: "Still Room to Run for Multifamily, Despite Prolonged Cycle The multifamily market has performed consistently well for several years, and little is expected to change in 2020"[1]. Once the scale became known, Yardi said: "The multifamily industry may feel the impact of the domestic spread of COVID-19, although the majority of the industry remains well capitalized and strong enough to weather a modest slowdown. Owners and operators may face short-term rent collection issues if there is a tightening in the employment market, and value-add projects will likely slow. However, most real estate investors are poised to sustain their operations, and may see an investment opportunity as the market shocks continue"[2]. More important, Yardi has echoed the sentiment of potential opportunities existing and overall strength of the multifamily sector.

Although there has been significant systemic shock the above statements hold true, as do the underlying facts that all point to one word- **opportunity**: "For investors well positioned with cash, the current shock may lead to buying opportunities if the small subset of overleveraged owners is forced into sales. Overall, however, the multifamily market and the real estate industry as a whole are positioned favourably compared to other industries during this time of rising uncertainty"[3]. More importantly perhaps from Yardi, is the sentiment that the underlying metrics are not as panicked as may first appear and are favourable for continued growth in this sector: "The length of the recent expansion, as well as the cautious approach of banks and lenders, has left most owners well balanced from a leverage standpoint. Financial institutions are well capitalized, and despite the recent equity sell-off remain rather healthy. Treasury rates have fallen to an all-time low, as the global flight to quality has increased demand for U.S. bonds, and while most real estate loans are tied to the Treasury benchmarks, it appears lenders will only allow mortgage rates to fall so low. In recent days, spreads have widened, indicating the lenders are putting a floor on new loan rates"[4].

As further support of this specific sub-class, said CBRE of multifamily housing in the workforce sector: "Strong demand for workforce housing leading up to the current period should give this sector an ability to rapidly reach high occupancy levels again when jobs come back"[5].

Furthermore, these sentiments were echoed by RE Journal: "In the short term, the novel coronavirus will do little to drive down demand for housing, resulting in a continued favourable rental environment. At the end of 2019, multifamily vacancy rates in the U.S. stood at 4.2 percent. The addition of new Class A units may push that rate incrementally higher during 2020, but miniscule Class B/C vacancy rates likely will result in rent growth for those properties"[6].

All the signs point to the fact that the Multifamily Real Estate sector is strong, positioned for growth and this is further highlighted amongst Sarmaya's target market of "renters by necessity".

Wishing you all good health, happiness and abundance.

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[1] Yardi Matrix U.S. Outlook 2020
[2] Yardi Matrix: Economic and Coronavirus Update National Multifamily Report February 2020
[3] IBID
[4] IBID
[5] CBRE Flash Call: COVID-19 Impact on Multifamily Real Estate- https://www.cbre.com/research-and-reports/CBRE-Flash-Call-COVID-19-Impact-on-Multifamily-Real-Estate

[6] RE Journal Coronavirus response: How will real estate markets respond? Matt Baker March 13, 2020- https://rejournals.com/coronavirus-response-how-will-real-estate-markets-respond/