Maturing Cycle Will Spur These Three 2018 Trends

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Next year will market the 10-year anniversary since the start of the last recession, and it has some nervous. The maturing cycle paired with nominal increases in interest rates could spur several new trends next year. We sat down with **Mitch Paskover**, president of **Continental Partners**, for an exclusive interview to talk about the capital markets that we can expect next year.

GlobeSt.com: How has 2017 performed compared to 2016?

Paskover: The financial market has continued to grow throughout 2017. We've seen robust activity and increased loan originations in the past 12 months. As we close out the end of the year, loan originations for 2017 are expected to total over $515 billion, according to the Mortgage Bankers Association, which is five percent higher than 2016. Multifamily and industrial have truly emerged as the star players of 2017, with many lenders competing for these deals. However, hospitality, retail and office deals still saw tremendous activity, despite increased concerns. Because of lender interest, the market remained robust throughout the year and borrowers had many financing options.

GlobeSt.com: What are the major trends that are emerging for 2018?

Paskover: Based on the recent and expected interest rate hikes, coupled with the maturing cycle, there are three major emerging trends that we expect to dominate the financial market in 2018:

One, originations of long-term loans will increase. Although the fed recently increased interest rates, they remain low and favorable for borrowers. We expect to see increased borrower interest in long-term loans to lock in these rates. The expectation that rates will continue to increase over the next 24 months also means that borrowers are more likely to refinance in 2018 to secure competitive rates. We've already seen many lenders offering 15-to-20-year loans, which we anticipate will be increasingly favorable in the coming year.

Two, capital will continue to be readily available for multifamily and industrial. Competition between lenders remains ferocious for multifamily as they capitalize on increasing demand for apartment units. With more and more of the nation's population unable to purchase property due to fast increasing values, the demand for multifamily is expected to rise in 2018. Vacancies have dropped to all-time lows, while rental rates have increased with no signs of slowing. Based on this demand, there will be ample capital sources available for financing multifamily assets in the new year.

Three, lenders will also continue to look favorably on industrial assets, particularly those well-suited to cater to e-commerce or serve as last-mile delivery hubs. We expect to see healthy lender appetite and increased capital availability for both value-add and ground-up industrial properties.

GlobeSt.com: Which geographic markets do you think lenders will focus on next year?

Paskover: Emerging gateway markets will receive increased lender and borrower attention. Primary urban markets have received a tremendous amount of attention in the past few years. While these markets still provide an opportunity for both borrowers and lenders, emerging gateway markets are now providing strong opportunities for value. Demand for these markets that exist along the fringes of primary urban markets is increasing as renters are increasingly priced out of urban centers. In addition, businesses are also migrating to these markets, which further drives demand to these areas. The increasing demand is an attractive opportunity to both lenders and borrowers. As 2018 begins, we expect to see increased activity in these emerging markets across the country.
