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# Strong Capital Flows Point To Rebound in Multifamily Deals

- Multifamily transaction activity has fallen sharply in 2020 due to the fallout from COVID-19. Through three quarters in 2020, \$50.6 billion of multifamily property sales were completed in the U.S., down 41.7% from \$86.5 billion through the same period a year ago, according to Yardi Matrix. There's little hope full-year volume will get close to 2019's record high of \$127.8 billion.
- The impact has been uneven across metros, regions and property types. Gateway and coastal metros have generally seen a larger decline in deal flow than secondary and tertiary markets in the Sun Belt and Southwest.
- Much of the change could be described as a "filtering" effect: investors moving from urban cores to inner-ring suburbs, from primary to secondary metros and from secondary to tertiary metros. This phenomenon results from several factors, including owners putting fewer properties on the market, disagreement between buyers and sellers about prices, the composition of buyers, and the competition for assets.
- Sales recovered in the third quarter after hitting a trough in 2Q20, but like so much about the economy, a return to "normal" transaction activity is hard to predict. Until the pandemic recedes and people can return to daily activities with the help of an effective vaccine, uncertainty will linger.
- Despite worrying economic signals—U.S. unemployment numbers remain high, gateway market occupancy rates and rents have plummeted, and December rent payment data shows more tenants not making payments—multifamily fundamentals have held up better than other commercial property segments and loan delinquencies remain low.
- Capital availability is strong due to lack of better alternatives, optimism about future demand for housing, and the stability afforded by the government-sponsored enterprises (GSEs) Fannie Mae and Freddie Mac. Acquisition yields have barely budged despite the pandemic.