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Contacts

Jeff Adler
Vice President & General Manager of Yardi Matrix
Jeff.Adler@Yardi.com
(800) 866-1124 x2403

Jack Kern
Director of Research and Publications
Jack.Kern@Yardi.com
(800) 866-1124 x2444

Paul Fiorilla
Director of Research
Paul.Fiorilla@Yardi.com
(800) 866-1124 x5764

Chris Nebenzahl
Institutional Research Manager
Chris.Nebenzahl@Yardi.com
(800) 866-1124 x2200

The Big Opportunity for Investors in Opportunity Zones

Tax reform passed in December 2017 created a huge incentive for real estate investors in low-income areas that are designated as "opportunity zones." Investors in these areas may defer capital gains taxes and avoid paying taxes on gains if the investment is held for at least 10 years. The legislation has set off a flurry of activity among fund managers, developers and investors that are looking to take advantage of the new rule. While transaction activity has so far been muted as industry players try to understand the ground rules and raise capital in vehicles that will meet the needs of investors and withstand structural scrutiny, one thing is for certain: The opportunity is enormous.

- A study of Yardi Matrix's database found that within opportunity zones there are either in place or under construction 1.9 million multifamily units, 960 million square feet of office space and 180 million square feet of self-storage space.

- As a percentage of total space, properties in opportunity zones that are in place or under construction represent 13.1% of total multifamily units nationwide, 13.7% of total office space and 11.4% of total self-storage space.

- The development pipeline in those zones—projects that either have or are in the process of getting government approvals to build but have not broken ground—encompasses 450,000 multifamily units, 120 million square feet of office space and 12 million square feet of self-storage space.

Properties in Opportunity Zones: National Overview

	In-Place + UC	Planned + Prospective	Total
Mutlifamily OZ Units	1.9 Mil	455K	2.3 Mil
% of Total MF Units	13.1%	19.3%	14.0%
Office OZ Sq Ft	960.3 Mil	120.7 Mil	1,080.9 Mil
% of Total Office Sq Ft	13.7%	16.4%	13.9%
Self Storage OZ Sq Ft	180.4 Mil	12.1 Mil	192.4 Mil
% of Total SS Sq Ft	11.4%	12.3%	11.5%

Source: Yardi Matrix (as of March 2019)