

Market Sound Bites: March 2015

In The News

- Debt Ceiling Legacy Sends Overnight Rates to Five-Month Lows 2/26/2015
- FCC Adopts Historic Internet Rules 2/26/2015
- Threat of Deflation 2/24/2015
- Commercial Real Estate association NAIOP NJ Elects New President 2/19/2015

Investing In The Market

Crimkav Corporation, T/A The Blau & Berg Company

Gordon S. Mayer

Sales Associate

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Private and publically traded Real Estate Investment Trusts continue to play a larger and more impactful role in the commercial real estate market. They have pushed pricing and rents higher. Hedge fund managers and investors traditionally looked for alternative investment strategies to hedge against the risk of stocks and bonds thru funds that held real estate assets. While this is certainly not a new investment strategy, they are becoming more involved in owning the actual properties.



Fixed income yields are historically at low levels and have been for some time. Commercial real estate has been a good investment over a long period of time. Hedge funds and private equity groups have always been involved in lending money in situations where Banks may not be comfortable. According to Bloomberg Business News, hedge funds are playing a large role in the funding of 1 trillion dollars of commercial real estate debt originated before the crash and coming due over the next three years. They will bridge the gap between banks and the cash that is needed. They are also looking to buy commercial real estate themselves and manage the properties. As treasury yields go up, mortgage rates will go up, and rents will follow.

Real estate investment trusts, pension funds, private equity and hedge funds are all actively involved in the commercial real estate market and for that matter also the residential real estate market. The decline or recession we experienced in 2009 has only brought more of these players to the market in a bigger way.

