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While Resilient, Multifamily is Not Immune COVID-19

Despite challenges, there are opportunities facing economic subsectors and the market as a whole along with factors that will determine the severity of the pandemic's impact on the multifamily sector.

By [Lisa Brown](#) ([/author/profile/Lisa-Brown/](#)). | April 30, 2020 at 04:00 AM

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Demographic trends favor continued multifamily demand for properties such as One Rincon Hill in San Francisco.

SAN FRANCISCO—COVID-19 has wreaked havoc on many commercial real estate segments. While the multifamily sector is a resilient one, it is not immune to the wrath of this global pandemic.

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But despite the many challenges, there are some positive signs that support the ongoing resilience of the multifamily sector during this health crisis, says Zain Jaffer, founder and CEO of Zain Ventures. There are opportunities facing economic subsectors and the market as a whole along with key factors that will determine the severity of the pandemic's impact on the sector.

(/2021/03/04/why-you-i
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"Everyone is currently worried about the impact COVID-19 will have on our

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the economic fallout is immense," he said. "The sector is resilient and while there are several fundamentals driving real estate."

emand. In addition, many people are choosing to shelter or renting versus owning. Those with high debt will most likely choose to rent.

affordable housing, which has been available in the market since the Great Financial Crisis, according to the U.S. Multifamily Market (https://adclick.g.doubleclick.net/clk?�531x180&�=253DAKAOJscANDgCZYWOASMOXGLPShK8_X01qqjlv0e2AFXyrlHkjhWRpA15Z9vSfZj2W-0zXofpEizCq8nFUn03t&t=1)

Update published by UBS. Overall, the UBS report acknowledges the short-term concerns for investors in multifamily housing but maintains a promising long-term outlook with sustained demand for suitable housing rentals.

Long-Term Benefits For Multifamily Real Estate Investors

Despite the future unknowns of the COVID-19 pandemic, there are many positives for the multifamily industry:

- In a volatile market, multifamily real estate will remain a solid investment for pension funds and REITs.
- Emergency-level interest rates will also be a boon to long-term investors.
- Tenant turnover is expected to decrease dramatically, reducing the operating and capital costs of securing new tenants.
- As telecommuting remains in a post-coronavirus world, the demand for apartments particularly by young professionals could increase.
- Vacancy rates should remain low with the decline in construction of new units.

Contributing Factors

The effect on rentals in different classes and geographical locations will vary. Class-A apartments, which tend to house workers in growth-oriented industries, will fare better than class-B and-C apartments that house tenants in a mixture of economic sectors. This is especially true for class-C apartments, with many renters in the entertainment and food sectors. Tourist-reliant regions that depend on leisure and travel will be more deeply impacted such as California, central and south Florida, Hawaii, Las Vegas, New Orleans and New York.

As of late, lenders have been handling an increased volume of calls from clients concerned with debt obligations as the COVID-19 crisis continues. To help with the crisis, Freddie Mac's multifamily COVID-19 program provides three months of forbearance for multifamily borrowers and tenants.

The government may also push for further legislation or executive action that will allow local jurisdictions to implement prohibitions on both evictions and foreclosures. Although taking advantage of these programs could negatively impact

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near-term operating results, UBS views this as a net positive for the multifamily sector in the longer term.

The Coronavirus Aid, Relief and Economic Security Act provides for an expansion of unemployment benefits to include people who are not normally recipients, and a loan and grant program for small businesses to help maintain payrolls throughout this emergency period. This, plus the subsequent Paycheck Protection Program and

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Lisa Brown

Lisa Brown is an editor for the south and west regions of GlobeSt.com. She has 25-plus years of real estate experience, with a regional PR role at Grubb & Ellis and a national communications position at MMI. Brown also spent 10 years as executive director at NAIOP San Francisco Bay Area chapter, where she led the organization to achieving its first national award honors and recognition on Capitol Hill. She has written extensively on commercial real estate topics and edited numerous pieces on the subject.

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Why SF Investors Should Diversify Into New Markets This Year

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KELSI MAREE BORLAND (/AUTHOR/PROFILE/KELSI-MAREE-BORLAND/) | MARCH 04, 2021

Although there is still opportunity in the Bay Area, investors might reach investment goals faster by looking in new markets.

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As a broker, you can earn fees two ways: PPP client referrals and bank loan sales.



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