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Expect Rates to Remain Low Through Next Year

The low interest rate environment and ample availability of capital is creating a perfect storm for investors.

By Kelsi Maree Borland | November 16, 2021

Interest rates are likely to remain low for the foreseeable future, according to D. Scott Lee, Managing Partner at Tauro Capital Advisors. The low interest rate environment combined with ample availability of capital are creating a perfect storm of opportunities for investors.

“The announcement of the Fed that it will taper back bond purchases will likely eventually have an impact on interest rates. That said, it appears that the impact on future interest rate hikes is likely not to take place until the middle of next year. And then, the rate hikes are likely to be minimal,” Lee tells GlobeSt.com.

“Interest rates have also remained historically low, and availability of capital remains strong. There is ample capital hungry for deals and investors can capitalize on locking in rates now while they are low.”

Lee expects the capital markets to remain active through the end of the year and into 2022—and industrial and multifamily will continue to be favored assets due to their strong performance. “Overall, our outlook on commercial real estate investment and the capital markets is optimistic for Q4 and well into 2022.

Investment and lending activity has continued to ramp up and we anticipate this momentum will continue into the New Year,” says Lee. “Naturally, multifamily and industrial assets have continued to perform.”

Although multifamily and industrial are the top performing assets, there are still opportunities in retail that have emerged during the pandemic, and ghost kitchens are a prime example. “Ghost kitchens have emerged as a strong opportunity for investors,” says Lee. “A ghost kitchen, otherwise known as a dark kitchen, cloud kitchen, or virtual restaurant is a restaurant that does not provide dine-in or takeaway services to customers. It is primarily virtual and is reliant on food delivery apps, such as Grubhub, website/web portal orders and/or calls to generate sales.”

Although this asset class is relatively new, there is already significant traction. “The global cloud kitchen market size was estimated at 43.1 billion U.S. dollars in 2019 and is forecast to reach 71.4 billion U.S. dollars by 2027,” says Lee. “Prior to the pandemic, food delivery apps and delivery services were growing in demand. The pandemic accelerated this trend, and we anticipate continuing to see this grow in the coming years.”