

Interest Rate Hike No. 8: CRE Adapts

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What the Fed's latest increase means for dealmaking and capital availability.

There is a divergence in market observers' views about where financing costs will go, as well as how they will affect buyer and lender perspectives. Rob Gilman, co-head of the [real estate group at Anchin](#), offers his.

"I believe that we are going to start seeing more significant price declines," he

predicts. "Any rate increase, even a small 25-point basis bump, will reduce buying power and will either trigger more equity needed to close a deal, or prices will decrease to meet the buying power available under higher interest rates."

Gilman sees a potentially destabilizing effect on development deals, where declining asset prices could yield higher construction costs and reduced sales value for completed projects. "Depending on how bad the returns become before completion, you can end up walking away before completing a project. Lenders might be left with partially completed projects," Gilman detailed.

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