or better during the year ahead, according to KPMG'S 2016 Real Estate Industry Outlook.

Feb. 29, 2016

Investors continue to be optimistic in their 2016 outlook for the U.S. real estate market, with 91 percent expecting real estate fundamentals to be about the same or better during the year ahead, according to KPMG'S 2016 Real Estate Industry Outlook Survey. However, the survey also found that investors are growing cautious about the longevity of the current expansion cycle and, as a result, are taking steps to "de-risk" their portfolios.

“Investors are becoming more cautious in their decision-making as we near the end



in U.S. real estate to increase over the next 12 months, citing low interest rates and tax incentives in the U.S., as well as a favorable risk-versus-return equation of the U.S. real estate market as the main factors.

“Strong economic fundamentals, a reliable legal system and other structural advantages in the U.S. have continued to fuel foreign interest in the U.S. real estate market,” added Williams. “The continued inflow of foreign capital has led to a significant increase in competition for the best investments, leaving many investors with a major challenge in their hunt for yield across a variety of assets and markets.”

**Other Key Survey Findings**

Upwards of 80 to 90 percent of survey participants believe that there will be at least some development in every asset class in 2016, with multi-family properties continuing to lead the way in terms of expected development ahead.  Healthcare is expected to see major investment in development, likely due to increased healthcare demand from aging baby boomers.

According to survey respondents, similar to last year’s survey, investors have high interest in Class A assets in primary markets, but, as supply is limited and competition is high, they are adding secondary and tertiary real estate markets to their portfolio growth plans.

However, as investors compete for the right assets at the right prices, predictions of a change in market momentum in the near term are causing investors to seek real estate opportunities with lower downside risk, as well as to reduce the risk profile of their overall portfolio. “This ‘de-risking’ seeks to balance the sustained interest in U.S. real estate with a growing conviction that the market’s growth trajectory may be turning soon,” explained Williams.

The full report is at: https://www.kpmg.com/US/en/industry/building-construction-



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