

Markets

Morgan Stanley Hunts for Deals in Commercial-Property Upheaval

- Hochfelder says better clarity on rates will boost activity
- Opportunity is among 'the best we've ever seen,' she says

by [Natalie Wong](#)

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Morgan Stanley is seeking out real estate opportunities that arise as pain ripples across the global commercial-property market.

The firm's real estate investing platform is actively looking for deals on everything from apartments to industrial properties, according to Lauren Hochfelder, co-chief executive officer of Morgan Stanley Real Estate Investing. The company could employ a variety of investment strategies, such as providing traditional credit or preferred equity depending on the situation, she said.

"We're not waiting for the all-clear sign to dip in," Hochfelder said Thursday in an interview with Bloomberg News. "The wall of maturities is finally upon us."

Commercial-property sales have come under pressure over the past year as borrowing rates soared and values plummeted. Sellers and borrowers have often struggled to agree on pricing, given uncertainty around where values sit today. But more opportunities to lead to property owners are cropping up as loans mature and many owners struggle to refinance, Hochfelder said.

"We find this opportunity honestly among the best we've ever seen," Hochfelder said in a separate interview on Bloomberg Television's Wall Street Week with David Westin. "We're seeing deep distress in the toughest real estate assets, but really, what's more interesting, is dislocation across the board."

The Federal Reserve's forecast for rate cuts next year may provide more clarity for investors, a key factor that's needed to boost transactions in the commercial-property market.

"The perception of greater clarity, I think, will bring more sellers and more buyers to market," she said.

US, Japan

To date, Morgan Stanley's property-investing platform has been the most active across the US and Japan. The US tends to correct first and also rebound the quickest, said Hochfelder.

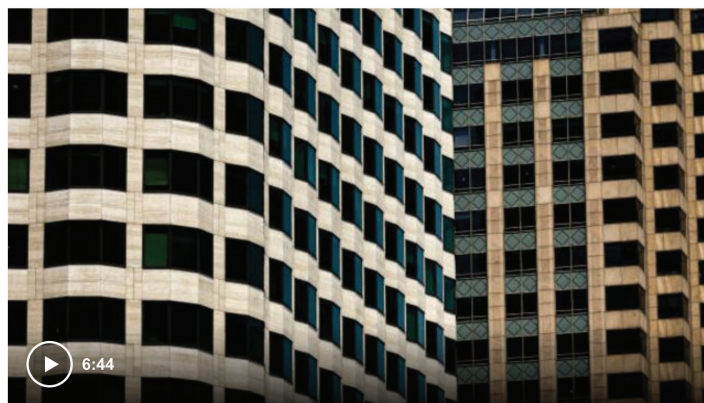
"We've certainly seen prices already correct the most, and when you look at the fundamentals outside of office, they're just the strongest," she said. "It's down quickest, up quickest."

After years of turmoil in the retail space with the growth of e-commerce, more interesting opportunities may appear for the best retail properties, she said.

Bets on real estate in Japan benefit from attractive financing,



Morgan Stanley headquarters in New York. Photographer: Bing Guan/Bloomberg



Lauren Hochfelder, Morgan Stanley Real Estate Investing Co-CEO, explains why she's so bullish on the commercial real estate sector heading into 2024. She speaks on "Wall Street Week" daily.

healthy inflation and migration to city centers such as Tokyo, said Hochfelder. Plus, a shift among companies to focus on their core businesses is leading many firms to seek to divest real estate holdings, creating an opportunity for investors to snap up those assets, she said.

— With assistance from Patrick Clark and Gillian Tan