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Sales Volume of Small-Cap Properties Run 16% Ahead of Last Year

Sales volume in the small-capitalization property sector, meaning properties valued at \$5 million or less, is roughly 16% ahead of last year's pace.

Sales during the 12 months through September totaled about \$146 billion, according to Boxwood Means. That's a slight pullback from the \$148 billion of volume recorded during the 12 months through June.

While volumes remain well below the record levels of more than \$200 billion posted in 2022, they're "entering a period of normalization," according to the Stamford, Conn., valuation and consulting company, which specifically tracks the small-cap market. Quarterly sales volumes are now roughly in line with pre-lockdown levels.

Boxwood Means defines small-cap properties as those having 50,000 square feet or less, or between five and 50 apartment units. Such properties typically trade for prices of \$5 million or less.

The improved dynamics in the sales market are likely driven by a number of factors. Cap rates, or the initial yields investors receive from properties they buy, appear to have stabi-

lized, as evidenced by the decline registered in the second quarter. They tightened another 20 basis points in the third quarter. While they're up by 100 basis points from their post-lockdown lows, they've tightened to roughly 6% to 6.5%, depending on property type.

The increased sales volumes are an indication that investors are more readily able to raise capital—both equity and debt—for properties they buy. At the same time, sellers have become more realistic about pricing. In addition, some small companies are taking advantage of the available liquidity and more realistic pricing, to buy properties they could own and occupy, instead of continuing to pay rent.

Sales of small-cap multifamily properties have jumped by nearly 19% from last year, while retail and office property sales volumes increased by 15-17%.

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