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## Property Transaction Volumes Increased In Latest Quarter

Property-transaction volumes picked up during the second quarter.

Deal volume in the small-capitalization sector, which involves properties valued at \$5 million or less, increased by 13.3 percent to \$20.2 billion, according to Boxwood Means, a Stamford, Conn., valuation and consulting company that specializes in the small-cap market. The company determined volumes by analyzing deal data from the CoStar Group database.

Transaction volume in the broader market, meanwhile, also increased by a nearly comparable 13.74 percent, to \$92.79 billion, according to MSCI Real Assets. But that volume included a massive outlier, Blackstone Group's \$10 billion acquisition of Apartment Income REIT Corp.

The 13 percent-plus increase in second quarter volume might appear significant, but first-quarter volumes were extremely low, and marked the lowest quarterly volume since the third quarter of 2020, when the property market was slammed by the uncertainty surrounding the Covid lockdowns. The quarterly average for the broad market since 2013 has been \$135.77 billion.

To be sure, sales volumes are nowhere near where they were in 2021, the market's peak, when \$877.91 billion of properties changed hands for the full year. In 2022, volume declined, but at \$773.99 billion, was still well ahead of the 10-year annual average of \$569.07 billion.

Higher interest rates and economic uncertainty have resulted in a continued decline in property-sales transaction volumes since then. Volumes through the first half are nearly 60

percent lower than they were during the same time in 2022.

In the small-cap market, Boxwood Means noted that despite the 13.3 percent increase in sales volume during the latest quarter, volume for the first half was still 11.6 percent behind last year. The quarterly average volume in 2018 and 2019 was \$17.1 billion in that market.

The company noted that the volume of industrial property sales increased by 21.3 percent during the second quarter; multifamily was up 18.7 percent; office 12.9 percent and retail 7.9 percent.

Meanwhile, the company noted that average capitalization rates, which determine prices, have basically flattened in the small-cap market. For apartment properties, they've averaged 6 percent for three straight quarters and for retail, they've stuck at 6.7 percent for two quarters. But average cap rates for office and industrial properties have declined by 20 basis points and 30 bps, respectively, to 7.1 percent and 6.9 percent.

Boxwood Means noted that fundamentals in the small-cap market have remained healthy, with near record-low vacancy rates. It also contrasted the average 7.1 percent cap rate for small-cap offices with the 7.3 percent average cap rate for office properties in general. But it noted that few office properties are changing hands, which likely plays a role in the existing rate.

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