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# Sales Volume in Small-Cap Property Market Softens in 1Q

Sales volume in the small-capitalization property market has started to slow, according to Boxwood Means.

Last year, a record $346 billion of trades involving properties valued at $5 million and less took place, up 13.5 percent from 2020. That amounted to a quarterly pace of $86.5 billion. But in the first quarter, only $57 billion of properties changed hands.

That, the Stamford, Conn., valuation and consulting company said, is roughly in line with the volume that took place during the first quarter of 2019, but is about 10 percent less than each quarter since then. However, it noted that the roughly $50 billion of sales volume that took place last December alone could have pulled forward some deals that otherwise would have been completed in the first quarter.

The slowdown in the small-cap market is in contrast to the larger-cap market, which had a record quarter of sales, with $170.85 billion of volume, up 55.62 percent from the same period a year ago, according to MSCI Real Assets.

But it might be a leading indicator as volumes in the broader market have been softening in recent months. MSCI Real Assets reported that sales volume in April was flat when compared with a year ago, and in May it was up a mere 3 percent.

Pricing in the small-cap market also has been softening, according to Boxwood Means. Prices increased by less than 1 percent during each of the first three months of the year when compared with a year ago. And prices for the quarter were up 2.4 percent from a year ago. The company tracks property prices through its Small-Cap Property Index, or SCPI (pronounced Skippy).

Meanwhile, the company has calculated that the small-cap market now has a total value of $3.4 trillion, up nearly 10 percent from a year ago. That amounts to roughly 30 percent of the $12 trillion capitalization for all office, multifamily, industrial and retail space in the country.

The rise in valuation was driven by steady price increases. Multifamily was the big winner, with a three-year compounded annual growth rate of 21.9 percent. Industrial growth rate was 7.5 percent, while office and retail each had a growth rate of roughly 4 percent. Overall, the three-year compound annual growth rate was 7.1 percent.