

Capital Trends

US Apartment

20.9% YOY price change
\$18.1b Transaction volume
-24% YOY volume change

Apartment deal activity is clearly decelerating, though the headline figures for July may not yet paint a complete picture of investor interest in the sector. Sales volume for July typically revises upward in the following months as people return from summer vacations and catch up on filing public records. In the typical pattern of data revisions, however, even this sort of end-of-summer effort is not likely to erase the double-digit declines posted in July.

A bright spot in July was the sale of portfolios, with volume up 20% from a year earlier on sales of \$3.3b. It was not as if one big portfolio transaction drove the deal activity either as there were a variety of deals in different size ranges pushing the portfolio sales figures above the levels seen last year. One transaction, for instance, involved the sale of 3,320 units across Texas. On the other end of the spectrum, a deal in an up-and-coming neighborhood of Chicago comprised 15 units.

Across the spectrum of portfolio deals, the theme was really one of investors trying to get access to the sector at scale by buying properties and not the operating platforms. There was one entity-level transaction with some exposure to the apartment sector, but the focus of that transaction was industrial.

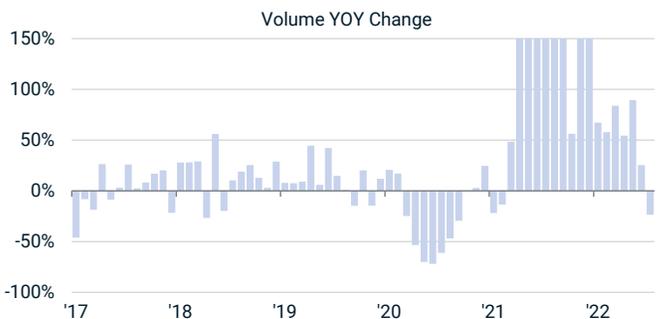
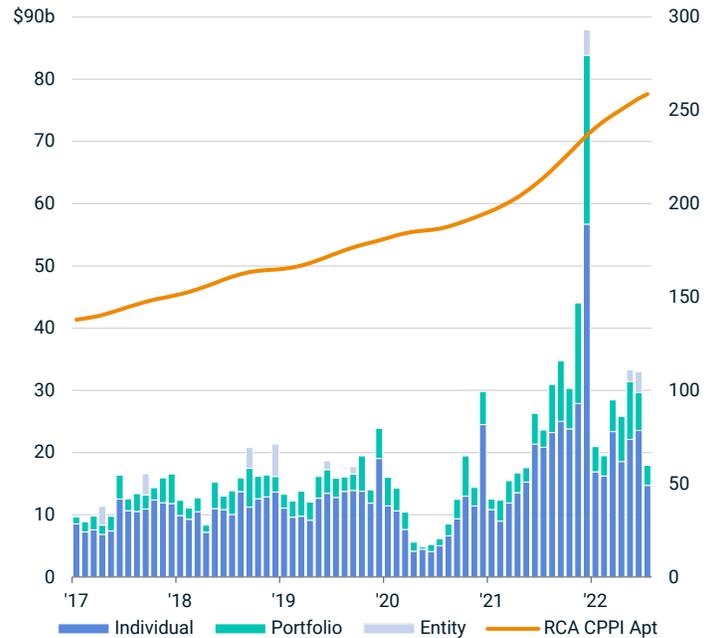
There was little difference in the decline in deal activity across the major apartment subtypes, but there were differences in cap rate movements. For apartments overall, cap rates stood at 4.7% in July, down from 5.0% a year earlier. Cap rates for garden apartments matched the sector totals. For mid/highrise assets, however, cap rates nudged up slightly in July to 4.6% from 4.5% a month earlier.

It is too early to say if this one month of data is a sign that pricing has started to correct in response to the interest rate surge of 2022, as more observations are yet to come to light. Still, the direction is in line with expectations around these mid/highrise assets where investors face myriad concerns over demand demographics and anticompetitive regulatory regimes.

Transaction Volume Summary

	July 2022		YTD 2022	
	Vol (\$b)	YOY	Vol (\$b)	YOY
Apartment Total	18.1	-24%	179.2	44%
Garden	10.6	-25%	118.4	41%
Mid/Highrise	7.5	-22%	60.8	50%
Single Asset	14.7	-29%	135.5	32%
Portfolio & Entity	3.3	20%	43.6	100%

Monthly Transaction Volume and Pricing



Trailing 12-mth cap rates; volume YOY change truncated at 150%

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Methodology

Data based on properties and portfolios \$2.5m and greater unless otherwise stated. Data as of August 23, 2022 unless otherwise stated.

About Capital Trends

Capital Trends reports analyze and interpret trends in the global real estate market. US Capital Trends is a monthly edition comprising an overview of the U.S. market and separate reports on the five main property types. Asia Pacific, Australia, Europe and Global Capital Trends are published quarterly.

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