

# Capital Trends

## US Industrial

**24.4%** YOY price change  
**\$10.5b** Transaction volume  
**-8%** YOY volume change

Industrial 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. Deal volume is still likely to be down from a year ago following these additions, if a typical pattern of revisions is seen. However, even with these declines, investor demand for industrial properties is healthy.

Taking the July figures at face value, it paints a picture of investor demand retreating from a frenetic pace to one that is merely well above average. Look at the bedrock of the market for instance: individual asset sales. Such deals had average pace of \$3.9b in every July from 2015 to 2019. The \$6.1b of individual asset sales recorded so far for July is well above that pre-pandemic pace.

Deal activity in July, though, was not just a story of individual asset sales. Entity-level transactions were important for the month and represented 22% of all deal activity. Blackstone closed a deal to take PS Business Parks private. Most of this deal involved industrial buildings but there were also suburban office buildings in these parks and even two apartment buildings as well.

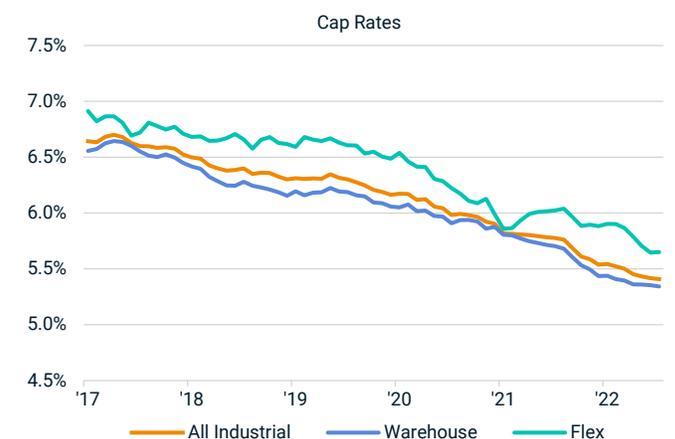
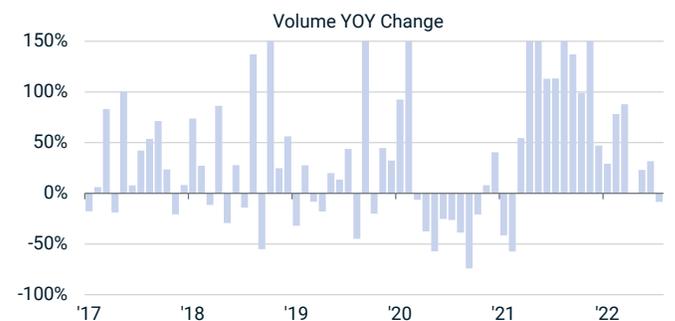
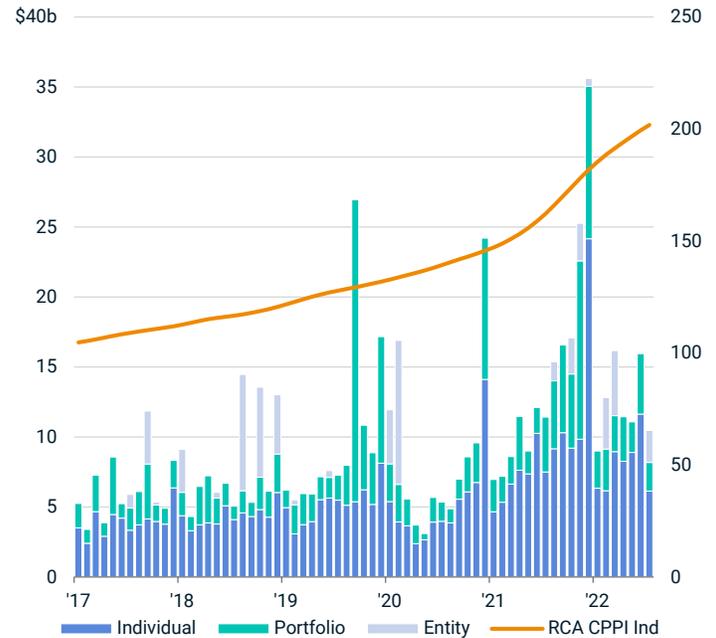
Activity was down from a year ago for investors looking to buy industrial properties at scale through portfolio purchases rather than buying whole operating companies. The \$2.0b pace of sales for the month was down 48% from a year earlier, a growth rate that might generate worries. Again though, the pace this year is elevated relative to normal times. In the five years before the pandemic, sales volume for portfolios averaged \$1.2b each July. Investor interest in portfolios is not at the frenetic pace seen last year but it is still elevated.

Cap rates averaged 5.4% in July, down 40 bps from a year earlier. Cap rates for warehouses averaged 5.3% while those for flex properties averaged 5.7%. Declines from a year earlier were similar for each subtype.

### Transaction Volume Summary

	July 2022		YTD 2022	
	Vol (\$b)	YOY	Vol (\$b)	YOY
Industrial Total	10.5	-8%	86.9	30%
Flex	2.6	29%	20.9	59%
Warehouse	7.8	-17%	66.0	23%
Single Asset	6.1	-18%	56.4	14%
Portfolio & Entity	4.3	10%	30.5	76%

### Monthly Transaction Volume and Pricing



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

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**Jim Costello**

Chief Economist, Real Assets Research

**Alexis Maltin**

Head of Americas Real Assets Research

**Haley Crimmins**

Vice President, Real Assets Research

**Wyatt Avery**

Senior Associate, Real Assets Research

**Michael Savino**

Senior Associate, Real Assets Research

**Cole Barker**

Analyst, Real Assets Research

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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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