

US Property Portfolio Sales Volume and Buying Trends - October 2020

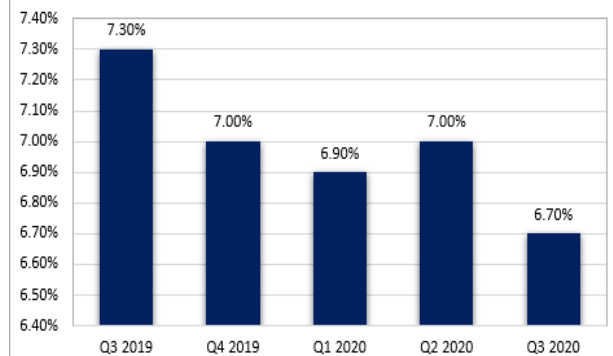
The US Commercial Real Estate Market has always been considered a safe haven for investment, and property portfolio transactions are a leading benchmark of investor sentiment. Statistics for the first ten months of 2020 suggest investor activity for large property portfolio investments has waned. This report analyzes trends in investment sales for portfolio transactions throughout the US from January 2019 through October 2020. October 2020 registered a lower dollar volume from the prior month but slightly increased in number of sales.

The graphic to the right shows the average cap rate for US Portfolio Sales over the past five quarters. Portfolio transaction cap rates have fluctuated and trended downward over the given period, with the most recent quarter showing a decline. The Q3 2020 average cap rate decreased by 30 basis points from the prior quarter. This is primarily due to strong performance of the industrial sector, which is skewing the rates downward overall.

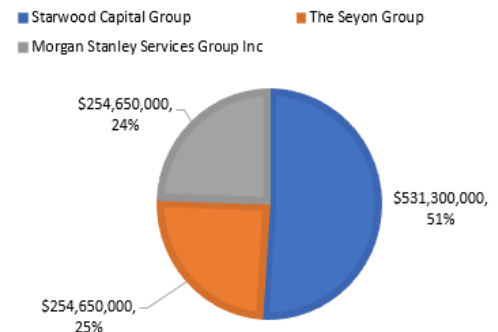
Within the month of October, Starwood Capital Group was the top buyer accounting for 51% of the market, which is approximately \$531 million. The second and third largest buyers were The Seyon Group, representing 25% of the market and Morgan Stanley Services Group Inc. with a 24% stake.

The top sellers of October 2020 include National Housing Corporation, Artesia Real Estate and The Seyon Group. Together these three accounted for approximately \$1.32 billion sold in portfolio sales

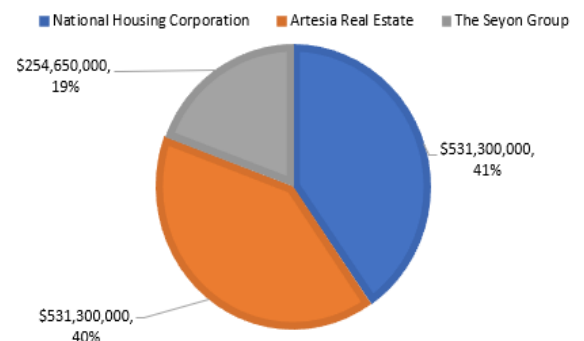
US PORTFOLIO AVERAGE CAP RATE



TOP BUYERS



TOP SELLERS



Overview

We tracked investment sales for property portfolios throughout all 50 states over a 22-month period beginning in January 2019 and ending in October 2020. In order to find the primary drivers, we broke the market into multiple tranches. The following tranches include: "Under \$50 Million", "\$50 Million to \$100 Million", "\$100 Million to \$500 Million", "500 Million to \$1.0 Billion", and "Over \$1.0 Billion". While performing this study, we uncovered that one tranche (Over \$1.0 billion) has been a major driving force accounting for approximately 44% of the market's dollar volume over the study period. Over the 22-month period, we also identified top brokers within the market. JLL and Marcus & Millichap represented the top buyers in the market, while Eastdil Secured and CBRE represented the top sellers in the market

Number of Sales Transactions

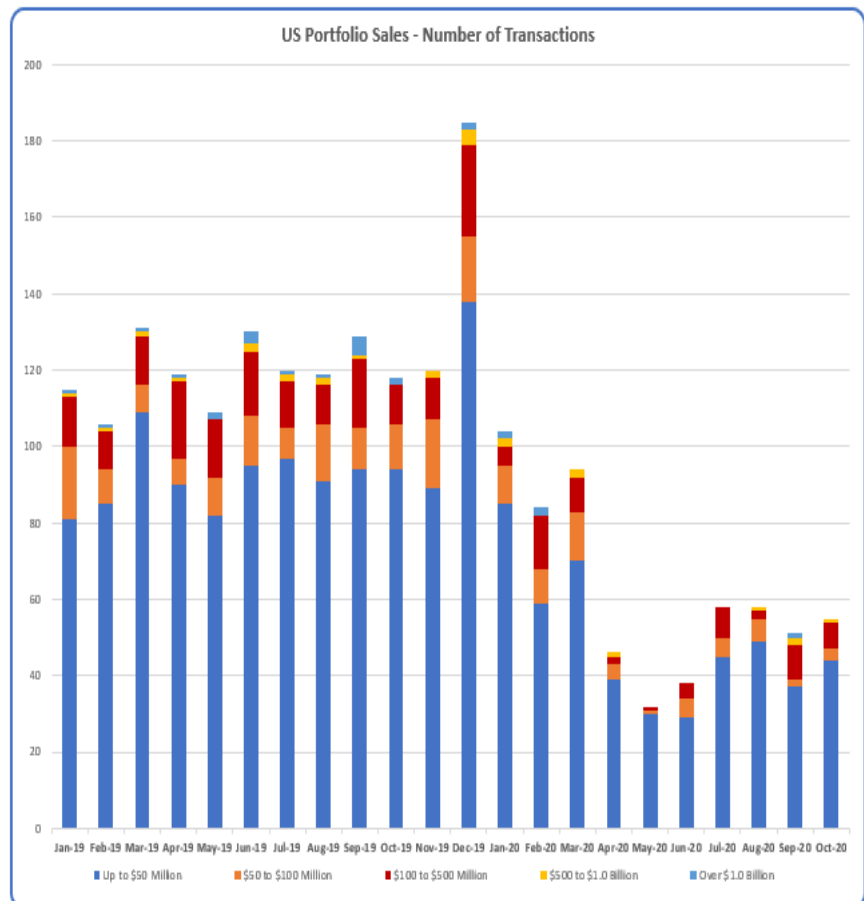
The number of monthly sales for all portfolio sales recorded in the US are segmented into tranches as seen below. Over the 22-month period, there have been a total of 2,121 portfolio transactions. Approximately 87 percent of these transactions were below \$100 million; roughly 12 percent were between \$100 million and \$1.0 billion; and 1.2 percent were above \$1.0 billion.

Historical Transaction Volume - US Portfolio Sales																								
Number of Transactions	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Total	% of Total
Up to \$50 Million	81	85	109	90	82	95	97	91	94	94	89	138	85	59	70	39	30	29	45	49	37	44	1,632	76.9%
\$50 to \$100 Million	19	9	7	7	10	13	8	15	11	12	18	17	10	9	13	4	1	5	5	6	2	3	204	9.6%
\$100 to \$500 Million	13	10	13	20	15	17	12	10	18	10	11	24	5	14	9	2	1	4	8	2	9	7	234	11.0%
\$500 to \$1.0 Billion	1	1	1	1	0	2	2	2	1	0	2	4	2	0	2	1	0	0	0	1	2	1	26	1.2%
Over \$1.0 Billion	1	1	1	1	2	3	1	1	5	2	0	2	2	2	0	0	0	0	0	0	1	0	25	1.2%
Total # Transactions	115	106	131	119	109	130	120	119	129	118	120	185	104	84	94	46	32	38	58	58	51	55	2,121	100.0%
% Change from Prior Month	-	-7.8%	23.6%	-9.2%	-8.4%	19.3%	-7.7%	-0.8%	8.4%	-8.5%	1.7%	54.2%	-43.8%	-19.2%	11.9%	-51.1%	-30.4%	18.8%	52.6%	0.0%	-12.1%	7.8%	-	-

In terms of number of transactions, the largest number of monthly transactions occurred in December 2019, which is also the month that experienced the most significant % increase from the prior month, at 54.2%. Compared to the % increase in December 2019, the results in July 2020 were similar, experiencing a 52.6% increase from the prior month. As shown in the graph, the number of sales for October 2020 reflect similar amounts to July and August and had a slight increase of 7.8% from the prior month.

Most activity in the last two months comprised of property portfolios below \$50 million. In October 2020, 44 of the 55 transactions that occurred were in the "Up to \$50 Million" category. Following September 2020, October showed significant activity in the "\$100 Billion to \$500 Billion" category.

With continued uncertainty related to COVID-19 and the resultant economic malaise, market participants are expecting these trends to continue.



Dollar Volume of Sales Transactions

In 2019, the average monthly sales volume was over \$10.3 Billion, with the peak occurring in September 2019 at more than \$31.2 Billion. Comparatively, the average monthly sales volume in 2020 is roughly \$5.1 Billion, reflecting a decrease of approximately 50 percent. As seen below, we have tracked the dollar volume of monthly portfolio sales by tranches.

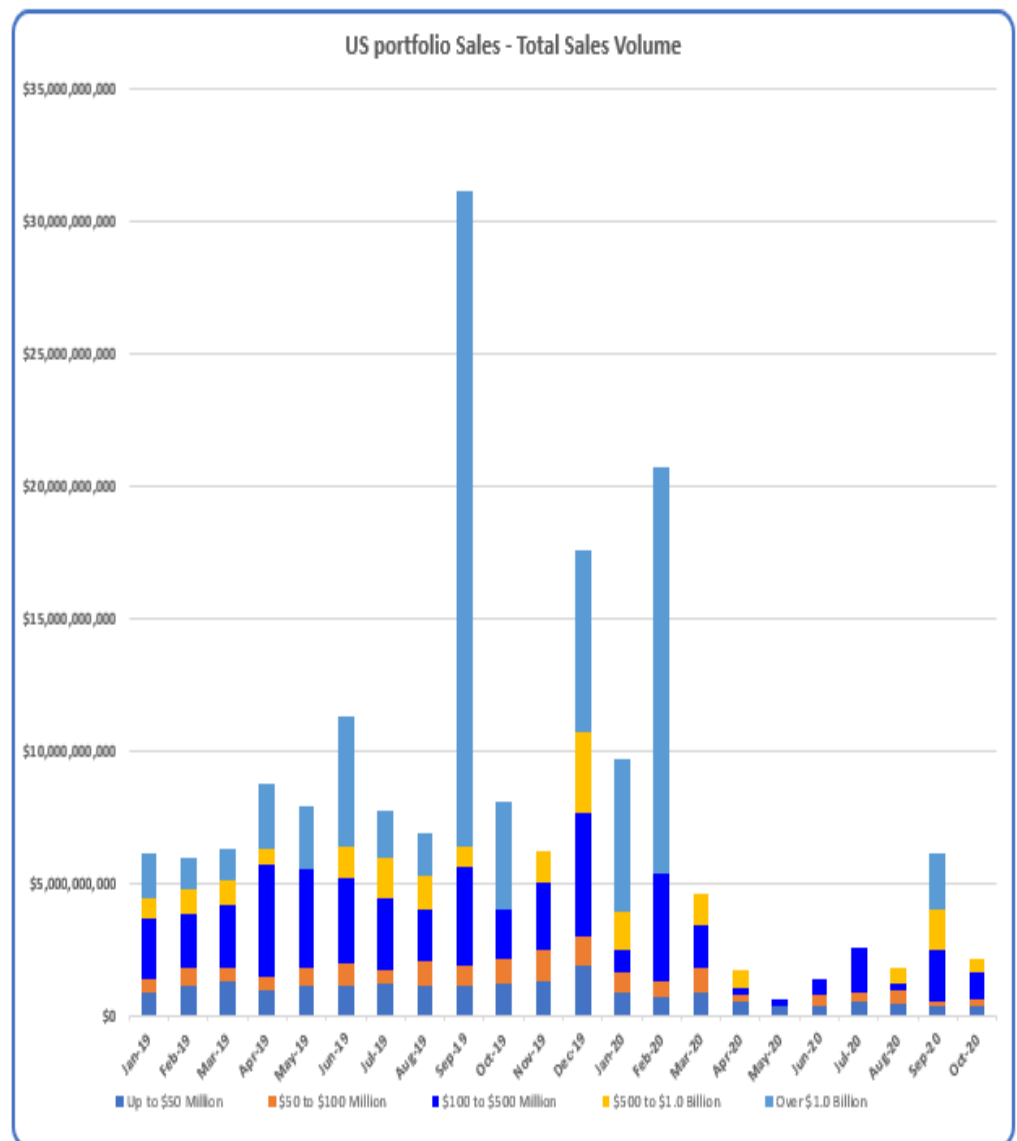
Historical Transaction Volume - US Portfolio Sales (in Millions)

Dollar Volume	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Total	% of Total
Up to \$50 Million	\$877.0	\$1,000.0	\$1,300.0	\$989.0	\$1,000.0	\$1,000.0	\$1,200.0	\$1,000.0	\$1,000.0	\$1,200.0	\$1,300.0	\$1,900.0	\$891.0	\$713.0	\$904.0	\$497.0	\$328.0	\$382.0	\$555.0	\$455.0	\$357.0	\$401.0	\$19,749.0	11.3%
\$50 to \$100 Million	\$527.0	\$668.0	\$483.0	\$487.0	\$699.0	\$872.0	\$543.0	\$1,000.0	\$913.0	\$911.0	\$1,200.0	\$1,100.0	\$756.0	\$597.0	\$893.0	\$285.0	\$70.0	\$377.0	\$323.0	\$464.0	\$140.0	\$222.0	\$13,436.0	7.7%
\$100 to \$500 Million	\$2,300.0	\$2,100.0	\$2,400.0	\$4,200.0	\$3,700.0	\$3,200.0	\$2,700.0	\$1,900.0	\$3,700.0	\$1,900.0	\$2,500.0	\$4,700.0	\$839.0	\$4,100.0	\$1,600.0	\$272.0	\$221.0	\$650.0	\$1,700.0	\$288.0	\$2,000.0	\$996.0	\$47,966.0	27.3%
\$500 to \$1.0 Billion	\$710.0	\$866.0	\$891.0	\$625.0	\$0.0	\$1,200.0	\$1,500.0	\$1,300.0	\$794.0	\$0.0	\$1,200.0	\$3,000.0	\$1,400.0	\$0.0	\$1,200.0	\$650.0	\$0.0	\$0.0	\$590.0	\$1,500.0	\$531.0	\$17,957.0	10.2%	
Over \$1.0 Billion	\$1,700.0	\$1,200.0	\$1,200.0	\$2,500.0	\$2,400.0	\$4,900.0	\$1,800.0	\$1,600.0	\$24,800.0	\$4,100.0	\$0.0	\$6,900.0	\$5,800.0	\$15,300.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$2,100.0	\$0.0	\$76,300.0	43.5%
Total Dollar Volume	\$6,114.0	\$5,934.0	\$6,274.0	\$8,801.0	\$7,899.0	\$11,272.0	\$7,743.0	\$6,900.0	\$31,207.0	\$8,111.0	\$6,200.0	\$17,600.0	\$9,686.0	\$20,710.0	\$4,597.0	\$1,704.0	\$619.0	\$1,409.0	\$2,584.0	\$1,797.0	\$6,097.0	\$2,150.0	\$175,408.0	100.0%
% Change from Prior Month	-	-2.9%	5.7%	40.3%	-10.2%	42.7%	-31.3%	-10.9%	352.3%	-74.0%	-23.6%	183.9%	-45.0%	113.8%	-77.8%	-62.9%	-63.7%	127.6%	83.4%	-30.5%	239.3%	-64.7%	-	-

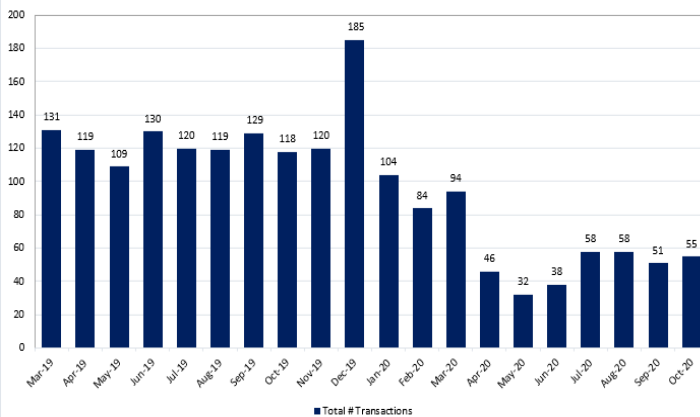
Over the analysis period, the category with the highest transaction volume is in the “Over \$1.0 Billion” tranche, which comprises 44 percent of the total dollar volume over the study period. We note that for the first time in six months, there was a sale in this tranche during September. Considering this tranche is a major contributor to the market, this one sale could be indicating an increase in activity within this tranche in the foreseeable future. October 2020 had no transactions in this tranche, indicative of market participants’ hesitancy to acquire in bulk. This sector experienced a decrease in dollar volume from the prior month of approximately 65%.

Total Dollar Volume - US	
Jan-19	\$6,114,000,000
Feb-19	\$5,934,000,000
Mar-19	\$6,274,000,000
Apr-19	\$8,801,000,000
May-19	\$7,899,000,000
Jun-19	\$11,272,000,000
Jul-19	\$7,743,000,000
Aug-19	\$6,900,000,000
Sep-19	\$31,207,000,000
Oct-19	\$8,111,000,000
Nov-19	\$6,200,000,000
Dec-19	\$17,600,000,000
Jan-20	\$9,686,000,000
Feb-20	\$20,710,000,000
Mar-20	\$4,597,000,000
Apr-20	\$1,704,000,000
May-20	\$619,000,000
Jun-20	\$1,409,000,000
Jul-20	\$2,584,000,000
Aug-20	\$1,797,000,000
Sep-20	\$6,097,000,000
Oct-20	\$2,150,000,000
Min	\$619,000,000
Max	\$31,207,000,000
2019 Ave	\$10,337,916,667
2020 Ave	\$5,135,300,000

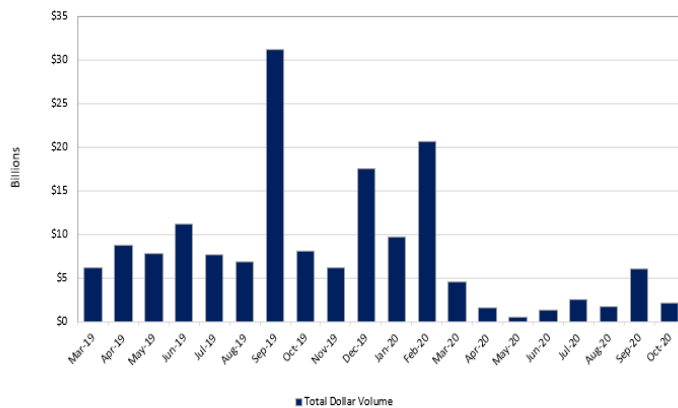
Portfolios worth over \$1 Billion are major contributors in the commercial real estate market, which is responsible for 44% of total dollar volume. Due to continuous economic uncertainty, participants in this space have been hesitant to act. As shown in the table and graph, October experienced a significant decrease from the prior month, partly due to having no transactions occur in the “Over \$1 Billion” tranche.



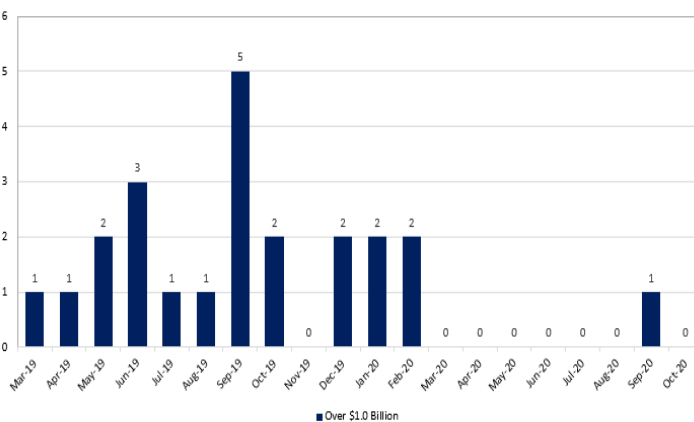
TOTAL NUMBER OF TRANSACTIONS - US PORTFOLIO SALES



TOTAL SALES VOLUME - US PORTFOLIO SALES



TRANSACTIONS OVER \$1.0 BILLION - US PORTFOLIO SALES



SALES (2019-2020): Volume

According to the graphic on the left, monthly transaction volume fluctuated from 94 to 185 sales per month from January 2019 through March 2020. In April and May 2020, the first two full months post-crisis, there were 46 and 32 transactions respectively, representing the lowest number of transactions over the given period. Over the past four months, the number of transactions has been relatively stable with minor fluctuations. Due to the current Pandemic, market participants are hesitant to engage in their normal investment activity.

Dollar Volume of Sales

The dollar volume of US property portfolio sales has experienced a significant decrease over the past six months with the largest decline occurring in March 2020, reflecting a decline from the prior month of approximately 78 percent. From April 2020 to September 2020, sales volume has fluctuated. October experienced a decrease of over 60% from September. This mirrors the same trend observed from September 2019 to October 2019.

Transactions over \$1.0 Billion

There were significant declines in sales exceeding \$1.0 billion beginning March 2020, indicating that high transaction volume is decreasing due to the uncertainty of the market. These transactions are a major contributor accounting for nearly half of the market's dollar volume over the study period. According to the graphic on the left, there has only been one sale in the over \$1.0 billion category in 8 months, which is a notable indication of market participants feeling cautious about investing in high dollar volume portfolios.

SOURCE: CoStar and Marshall & Stevens



Patrick T. Craig, MAI, MRICS
Executive Managing Director
Real Estate Valuation Practice
212.897.9481
ptcraig@marshall-stevens.com



Catherine Gu
Director
Real Estate Valuation Practice
646.438.7602
cgu@marshall-stevens.com



Mike Gies
Analyst
Real Estate Valuation Practice
609.613.2468
mgies@marshall-stevens.com