


# US Property Portfolio Sales Volume and Buying Trends - May 2020



The globally renowned 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 five months of 2020 suggest investors have pulled back from making large investments in property portfolios. This report analyzes trends in investment sales for portfolio transactions throughout the US from January 2019 through May 2020.

## **FEATURE: COVID-19 and its Impact on the Commercial Real Estate Market**

The US real estate market was stable during the first two months of 2020 showing normal and consistent trends. The global COVID-19 pandemic surfaced in the United States in Mid-March and Federal, State, and local governments responded by issuing strict stay-at-home orders to help to reduce the spread of the virus. The crisis has caused short and long-term effects across the country's CRE landscape, which are highlighted below.

### **Short Term Impact**

Prior to the Pandemic, most commercial real estate segments were either stable or performing well, with the possible exception of certain types of retail. However, by Mid-March the Pandemic began to interrupt the US economy in a significant way. With the closure of businesses and strict social distancing rules, market participants have been quite tentative in making investment decisions, which is causing a dramatic impact on the industry on a month to month basis.

With more data now available to analyze, it is quite apparent that there has been a huge decline in sales volume for property portfolios. During 2019, investors were buying US property portfolios at an average monthly rate of \$10.3 billion. In January and February of 2020, the average increased to nearly \$15.2 billion. There has been a precipitous decline since then, with results for May 2020 showing total investment in property portfolios of \$612 million. This is a stark contrast, and this provides evidence that investors remain extremely wary of making investments in property portfolios.

### **Long Term Impact**

The impact of COVID-19 on the commercial real estate industry has been significant, and it is difficult to predict when exactly the recovery will take place. Some sectors will rebound faster than others, and fundamentals will vary greatly between property types and markets. Over recent months, the number of transactions and dollar volume of sales have plummeted month by month, indicating a lack of demand due to the uncertainty. Additionally, a new wave of coronavirus cases seen in other parts of the country could threaten the industry throughout 2020, and possibly beyond. These are some of the pressing issues caused by the Pandemic. While highly uncertain currently, the long-term impact on the property portfolio market will unfold over time.

## Overview

We tracked investment sales for property portfolios throughout all 50 states over a 17-month period beginning in January 2019 and ending in May 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 46% of the market's dollar volume over the study period. Over the 17-month period, we identified the top buyers and sellers, along with top brokers. The Blackstone Group and Prologis represented the top buyers, accounting for more than \$50 billion worth of transactions combined. The top sellers in the market include Global Logistic Properties and Liberty Property Trust, making up \$30 billion worth of transactions for the given period. Additionally, JLL and Marcus & Millichap represented the top buying brokers, along with Eastdil Secured and CBRE representing the top seller brokers.

## 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 17-month period, there have been a total of 1,861 portfolio transactions. Over 85 percent of these transactions were below \$100 million; roughly 12 percent were between \$100 million and \$1.0 billion; and 1.3 percent were above \$100 billion.

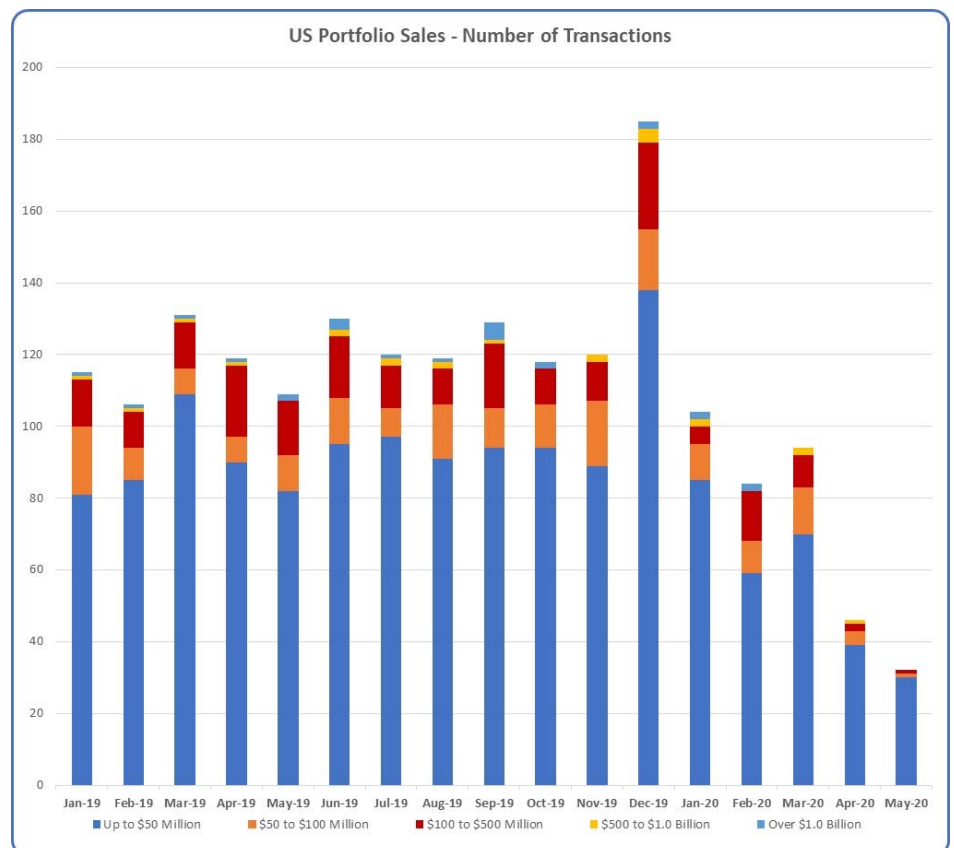
### Historical Transaction Volume - US Portfolio Sales

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	Total	% of Total
Up to \$50 Million	81	85	109	90	82	95	97	91	94	94	89	138	85	59	70	39	30	1,428	76.7%
\$50 to \$100 Million	19	9	7	7	10	13	8	15	11	12	18	17	10	9	13	4	1	183	9.8%
\$100 to \$500 Million	13	10	13	20	15	17	12	10	18	10	11	24	5	14	9	2	1	204	11.0%
\$500 to \$1.0 Billion	1	1	1	1	0	2	2	2	1	0	2	4	2	0	2	1	0	22	1.2%
Over \$1.0 Billion	1	1	1	1	2	3	1	1	5	2	0	2	2	2	0	0	0	24	1.3%
Total # Transactions	115	106	131	119	109	130	120	119	129	118	120	185	104	84	94	46	32	1,861	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%	-	-

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 185 sales in December 2019, the results for April and May 2020 were significantly lower, at 46 and 29. As shown in the graph, the number of sales began to decrease markedly in April 2020, with further erosion experienced in May 2020.

Most activity in the last two months appears focused on property portfolios below \$50 million. In fact, 30 of the 32 transactions that occurred in May 2020 were in the category "Up to \$50 Million".

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 \$7.4 Billion, reflecting a decrease of nearly 28 percent. As seen below, we have tracked the dollar volume of monthly portfolio sales by tranches.

### Historical Transaction Volume - US Portfolio Sales (in Millions)

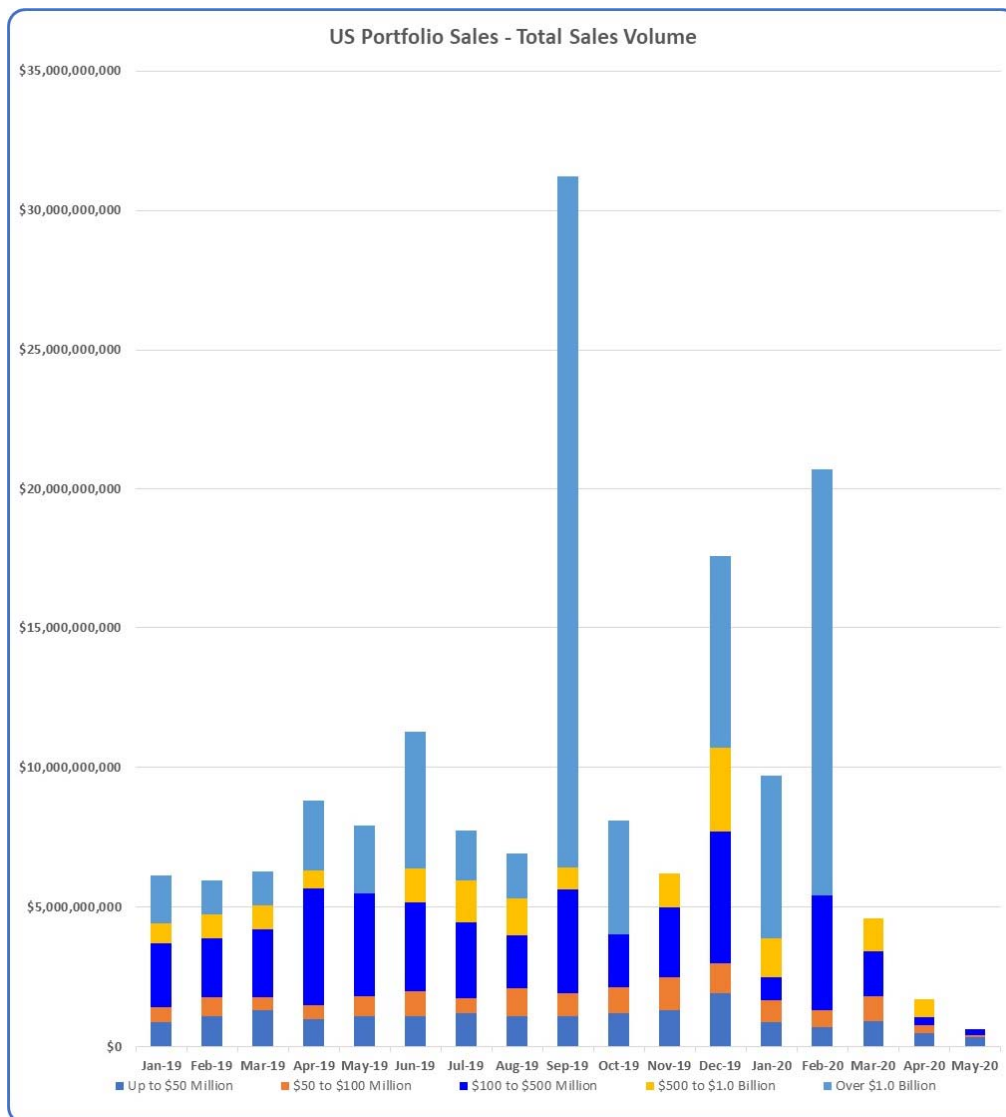
Dollar Volume	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Total	% of Total
Up to \$50 Million	\$877.0	\$1,100.0	\$1,300.0	\$989.0	\$1,100.0	\$1,100.0	\$1,200.0	\$1,100.0	\$1,100.0	\$1,200.0	\$1,300.0	\$1,900.0	\$891.0	\$713.0	\$904.0	\$497.0	\$328.0	\$17,599.0	10.9%
\$50 to \$100 Million	\$527.0	\$668.0	\$483.0	\$487.0	\$699.0	\$872.0	\$543.0	\$1,000.0	\$813.0	\$911.0	\$1,200.0	\$1,100.0	\$756.0	\$597.0	\$893.0	\$285.0	\$70.0	\$11,904.0	7.4%
\$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	\$42,332.0	26.2%
\$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	\$15,336.0	9.5%
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	\$74,200.0	46.0%
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	\$161,371.0	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%	-	-

Over the analysis period, the category with the highest transaction volume is in the “Over \$1.0 Billion” tranche, which comprises 46 percent of the total dollar volume over the study period. We note that in March, April, and May 2020, there were no sales in the largest tranche. Considering this tranche is the main contributor to the market, severe decline in activity indicates a cautious trend into the foreseeable future. These past three months represent the lowest amount of dollar volume over the last 17 months. There was a total dollar volume of \$619 million in May 2020, which is the first time the dollar volume has dropped under a billion during the study period, as seen below.

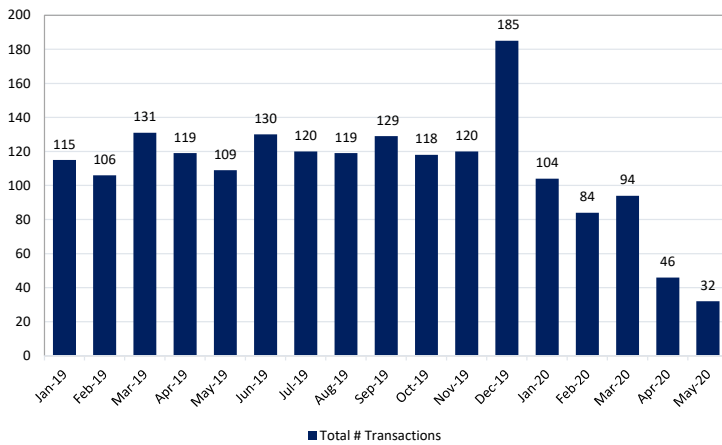
### Total Dollar Volume - US

Jan-19	\$6,114,000,000
Feb-19	\$5,934,000,000
Mar-19	\$6,136,000,000
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
Min	\$619,000,000
Max	\$31,207,000,000
2019 Ave	\$10,326,416,667
2020 Ave	\$7,463,200,000

Portfolios worth over \$1 Billion are major contributors in the commercial real estate market, which is responsible for 46% of total dollar volume. Due to economic uncertainty, participants in this space have dropped off significantly in March, April and May of 2020. As shown in the table and graph, there were ZERO sales above \$1 Billion, which is a startling trend. Market participants will be carefully watching the results for June and beyond.



TOTAL NUMBER OF TRANSACTIONS - US PORTFOLIO SALES

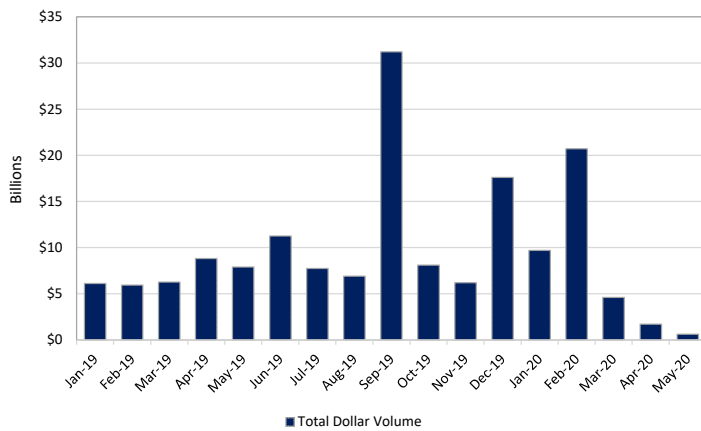
**SALES (2019-2020): Volume**

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 only 46 and 32 transactions, representing the lowest number of transactions over the given period. Comparing May 2019 to May 2020, the number of transactions decreased approximately 70 percent. Due to the current Pandemic, it is obvious that market participants are hesitant to engage in their normal activity.

**Dollar Volume of Sales**

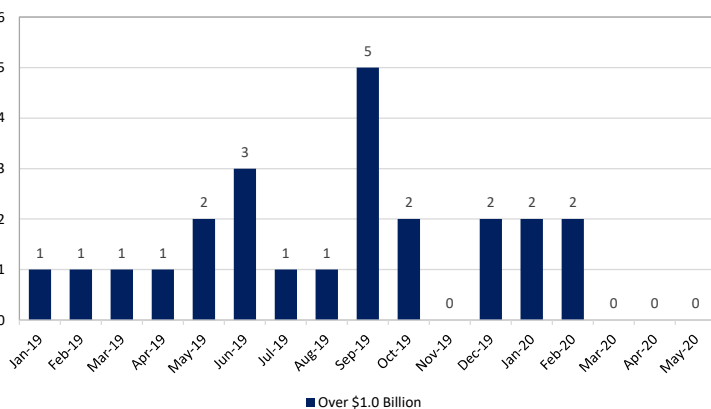
The dollar volume of US property portfolio sales has experienced a significant decrease over the past three months with the largest decline occurring in March of 2020, reflecting a decline from the prior month of approximately 78 percent. Month over month, April dollar volume declined by 62.9 percent, then it declined 64.1 percent in May. The total average of dollar volume for 2019 was over \$10.3 billion with a high of \$31.2 billion occurring in September 2019. The current average for 2020 is \$7.4 billion with a low of \$619 million, which is the most significant drop over the given time period. Throughout 2020, dollar volume has been on a sharp downward trend due to the Pandemic, indicating potential declines in the foreseeable future.

TOTAL SALES VOLUME - US PORTFOLIO SALES

**Transactions over \$1.0 Billion**

One of the most noticeable effects of the Pandemic on property portfolio sales has been the reluctance to commit to high-priced deals. There were significant declines in sales exceeding \$1.0 billion beginning March 2020, indicating that large transactions are 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 have been no transactions over \$1.0 billion in three months causing a significant drop in dollar volume.

TRANSACTIONS OVER \$1.0 BILLION - US PORTFOLIO SALES



SOURCE: CoStar and Marshall & Stevens



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