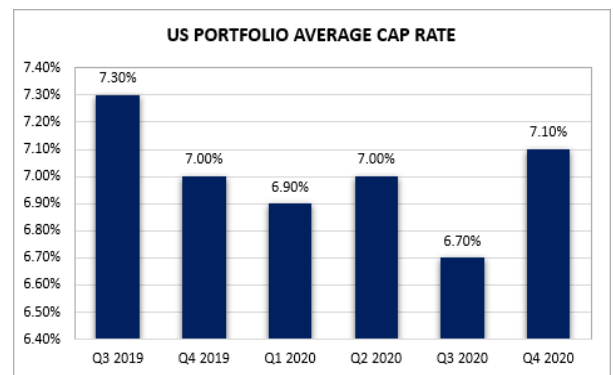


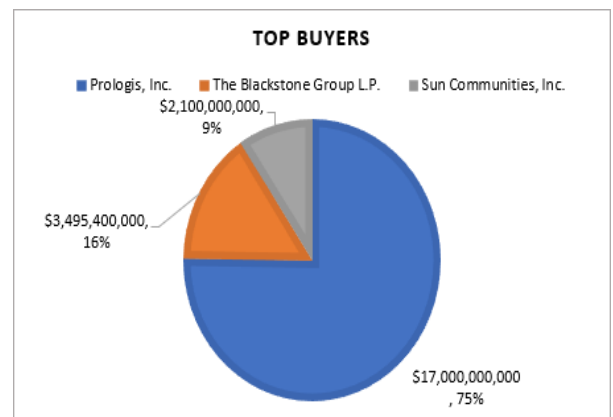
# US Property Portfolio Sales Volume and Buying Trends - December 2020

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 2020 suggest investor activity for large property portfolio investments slowed significantly during Q2 and has since been battling back. This report analyzes trends in investment sales for portfolio transactions throughout the US from January 2019 through December 2020. Notably, dollar volume and the number of transactions in December 2020 increased from the prior month.

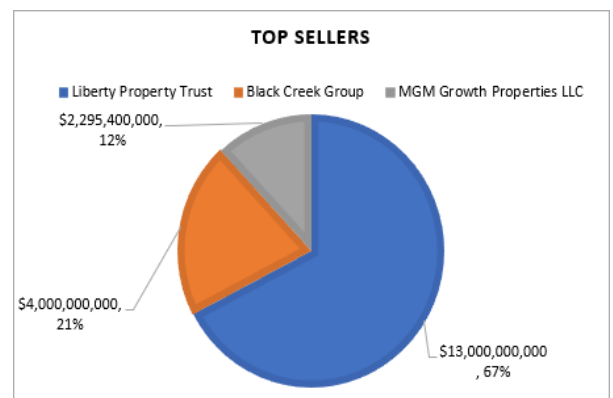
The graphic to the right shows the average cap rate for US Portfolio Sales over the past six quarters. Portfolio transactions have fluctuated and trended downward over the given period, with the most recent quarter reflecting an increase. The Q4 2020 average cap rate increased by 40 basis points from the prior quarter. This is an indication of increased risk and/or continued uncertainty in the US commercial real estate markets.



Within the year of 2020, Prologis, Inc. was the top buyer accounting for 75% of the market, which equates to approximately \$17 billion. The second and third largest buyers were The Blackstone Group, representing 16% of the market and Sun Communities, Inc. representing a 9% stake.



The top sellers of 2020 include Liberty Property Trust, Black Creek Group and MGM Growth Properties LLC. Together these three accounted for \$19.2 billion in dispositions.



Overview

We tracked investment sales for property portfolios throughout all 50 states over a 2-year period beginning in January 2019 and ending in December 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 42.7% of the market's dollar volume over the study period. Over the 24-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

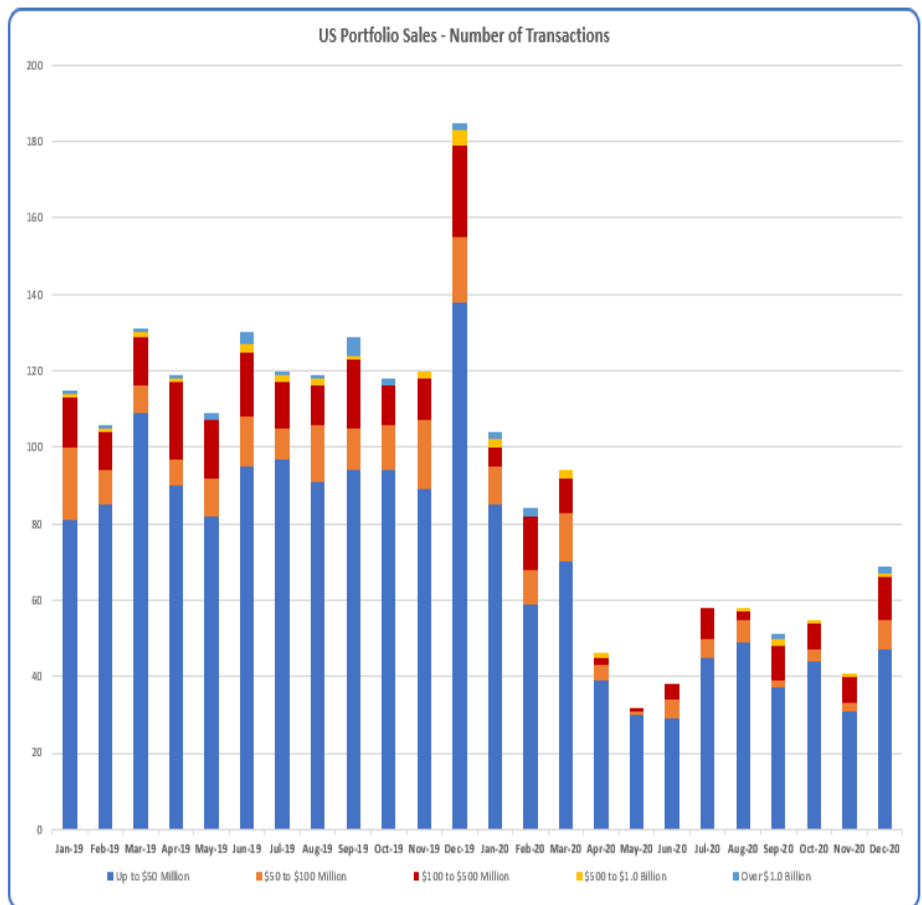
The number of monthly sales for all portfolio sales recorded in the US are segmented into tranches as seen below. Over the 2-year period, there have been a total of 2,231 portfolio transactions. Approximately 86.2 percent of these transactions were below \$100 million; roughly 12 percent were between \$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	Nov-20	Dec-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	31	47	1,710	76.6%
\$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	2	8	214	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	7	11	252	11.3%
\$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	1	1	28	1.3%
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	0	2	27	1.2%
Total # Transactions	115	106	131	119	109	130	120	119	129	116	120	185	104	84	94	46	32	38	58	58	51	55	41	69	2,231	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%	-25.5%	68.3%	-	-

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 December 2020 were similar, experiencing a 68.3% increase from the prior month, which is now the largest percent increase we have seen over the 2-year period.

Most activity in the last two months is comprised of property portfolios below \$50 million. In December 2020, 47 of the 69 transactions that occurred were in the "Up to \$50 Million" category.

As transaction volume fluctuated throughout 2020, December had the largest number of transactions since March of 2020. This positive sign may be tied to the rollout of vaccines for COVID-19 that are expected to commence in Q1 2021.



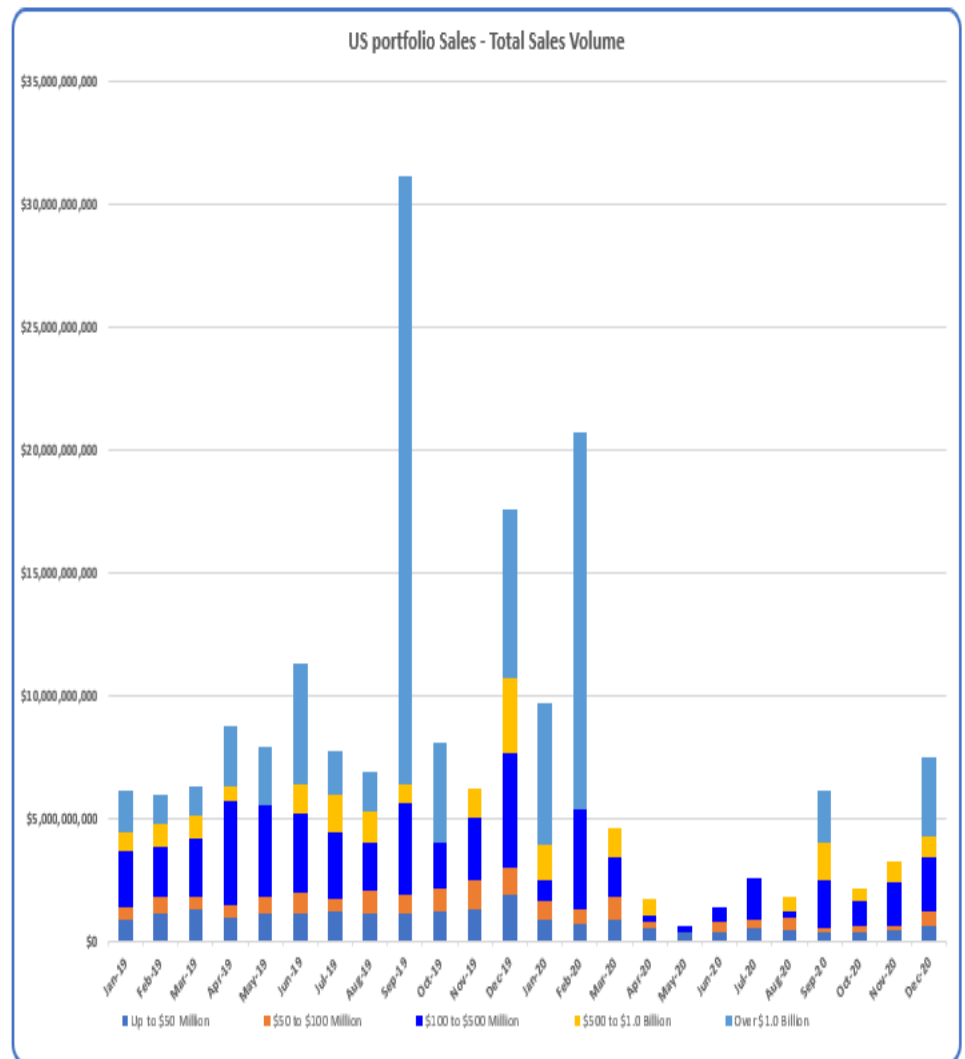
Dollar Volume of Sales Transactions

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 for 2020 is roughly \$5.17 Billion, reflecting a decrease of approximately 50 percent. As seen below, we have tracked the dollar volume of monthly portfolio sales by tranches.

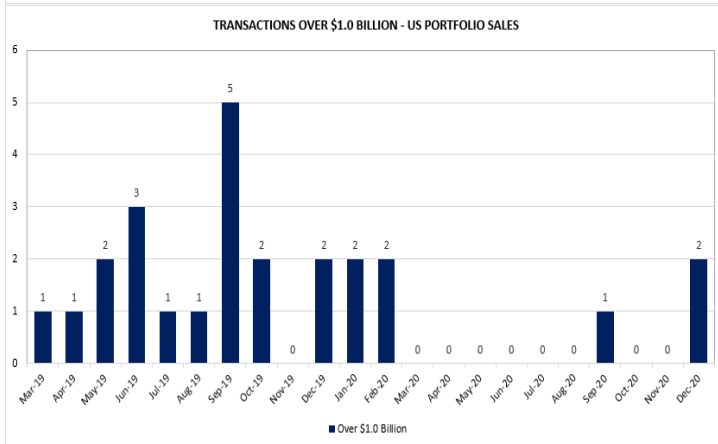
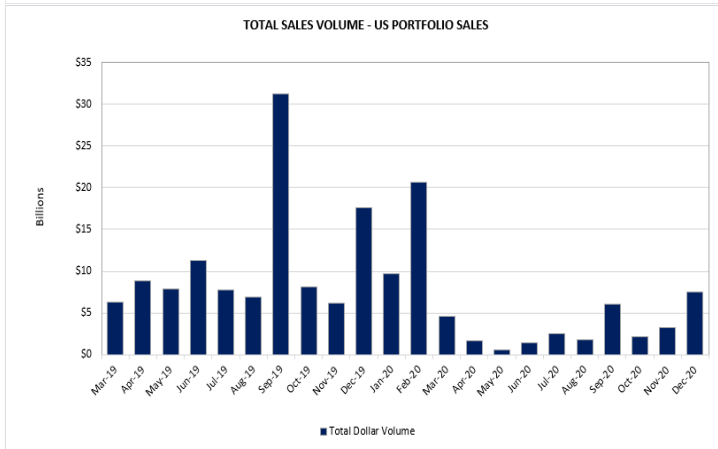
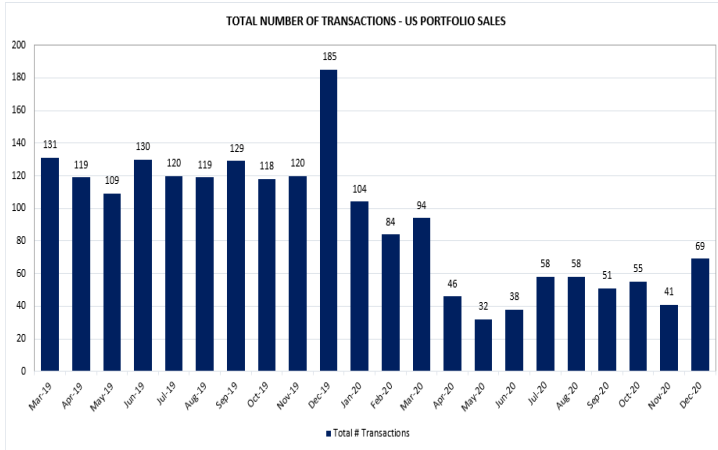
Historical Transaction Volume - US Portfolio Sales (in Millions)																										
Dollar Volume	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Total	% of Total
Up to \$50 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	\$1,300.0	\$891.0	\$713.0	\$904.0	\$497.0	\$328.0	\$382.0	\$555.0	\$455.0	\$357.0	\$401.0	\$498.0	\$596.0	\$20,235.0	11.3%
\$50 to \$100 Million	\$527.0	\$688.0	\$483.0	\$487.0	\$699.0	\$872.0	\$543.0	\$1,000.0	\$813.0	\$911.0	\$1,200.0	\$1,000.0	\$756.0	\$597.0	\$893.0	\$285.0	\$70.0	\$377.0	\$329.0	\$464.0	\$140.0	\$222.0	\$128.0	\$642.0	\$13,564.0	7.8%
\$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	\$596.0	\$1,800.0	\$2,200.0	\$49,766.0	27.9%
\$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	\$0.0	\$590.0	\$1,500.0	\$531.0	\$800.0	\$835.0	\$18,757.0	10.5%
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	\$0.0	\$0.0	\$0.0	\$2,100.0	\$0.0	\$0.0	\$3,200.0	\$176,300.0	42.7%
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	\$3,214.0	\$7,473.0	\$178,622.0	100.0%
% Change from Prior Month	-	-2.9%	6.7%	40.3%	-10.2%	42.7%	-31.3%	-10.9%	362.3%	-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%	49.5%	132.5%	-	

Over the analysis period, the category with the highest transaction volume is in the “Over \$1.0 Billion” tranche, which comprises 42.7 percent of the total dollar volume. We note that there was limited activity in this tranche throughout 2020, although two sales occurred in December 2020. Considering this tranche is a major contributor to the market, these two sales could be indicative of a change in investor sentiment leading into 2021. With the two sales in the “Over \$1.0 Billion” tranche, this sector experienced an increase in dollar volume from the prior month, reflecting an increase of approximately 133%.

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
Nov-20	\$3,214,000,000
Dec-20	\$7,473,000,000
Min	\$619,000,000
Max	\$31,207,000,000
2019 Ave	\$10,337,916,667
2020 Ave	\$5,170,000,000



Portfolios worth over \$1 Billion are major contributors in the commercial real estate market, which is responsible for approximately 42.7% 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, December 2020 experienced a 133% increase from the prior month, primarily due to the two transactions in the “Over \$1 Billion” tranche. This was the largest percent increase seen in 2020.



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

According to the graphic on the left, monthly transaction volume fluctuated from 32 to 104 sales per month throughout 2020. In April, May, and June 2020 the number of transactions declined significantly, before a modest correction in July 2020. The range in monthly transactions from July to December was 41 to 69, showing signs of improvement. The uptick in the number of sales in December 2020, 69 in total, is a positive sign for this segment. We note that December had the highest amount of transactions since March, which is a positive indication that investment activity could potentially continue to trend upward in 2021.

**Dollar Volume of Sales**

The dollar volume of US property portfolio sales has experienced a significant decrease over the past year with the largest decline occurring in March 2020, reflecting a decline from the prior month of approximately 78 percent. From April 2020 to December 2020, sales volume has fluctuated. October 2020 experienced a decrease of over 60% from September 2020. Following October 2020, November 2020 experienced a 50% increase in total dollar volume, similar to what occurred from August 2020 to September 2020. However, 2020 experienced its largest percent increase in dollar volume in December 2020.

**Transactions over \$1.0 Billion**

In the \$1.0 billion tranche, there has been minimal activity since March 2020, which ties to the onset of COVID-19 in Mid-March. Since March 2020, there have been only three sales of property portfolios in this tranche, with one occurring in September and two occurring in December 2020. These transactions are a major contributor accounting for nearly half of the market’s dollar volume over the study period. With news that a COVID-19 vaccine will be distributed in 1Q 2021, there is hope for a return to pre-pandemic levels during 2021.

SOURCE: CoStar and Marshall & Stevens



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