

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.