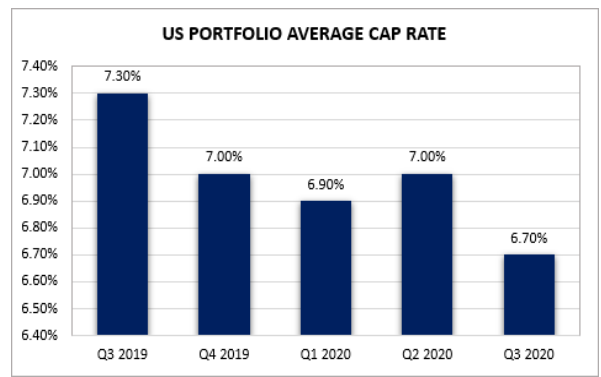


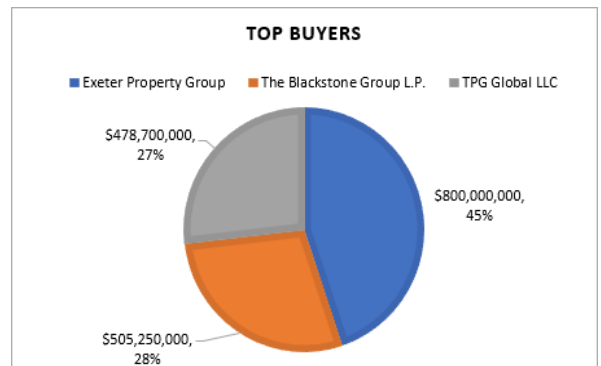
# US Property Portfolio Sales Volume & Buying Trends - November 2020

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 eleven 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 November 2020. Dollar volume in November 2020 had increased from the prior month but slightly decreased in number of sales.

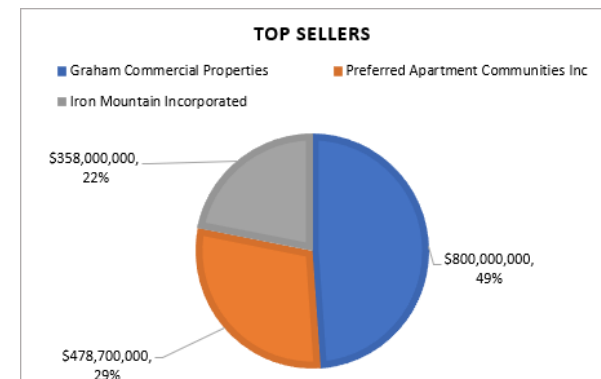
The graphic to the right shows the average cap rate for US Portfolio Sales over the past five quarters. Portfolio transactions have fluctuated and trended downward over the given period, with the most recent quarter experiencing a decline. The Q3 2020 average cap rate decreased by 30 basis points from 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 November, Exeter Property Group was the top buyer accounting for 45% of the market, which equates to approximately \$800 million. The second and third largest buyers were The Blackstone Group, representing 28% of the market and TGP Global LLC, representing a 27% stake.



The top sellers in November 2020 include Graham Commercial Properties, Preferred Apartment Communities and Iron Mountain Incorporated. Together these three accounted for roughly \$1.64 billion in portfolio sales volume.



Overview

We tracked investment sales for property portfolios throughout all 50 states over a 23-month period beginning in January 2019 and ending in November 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 23-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

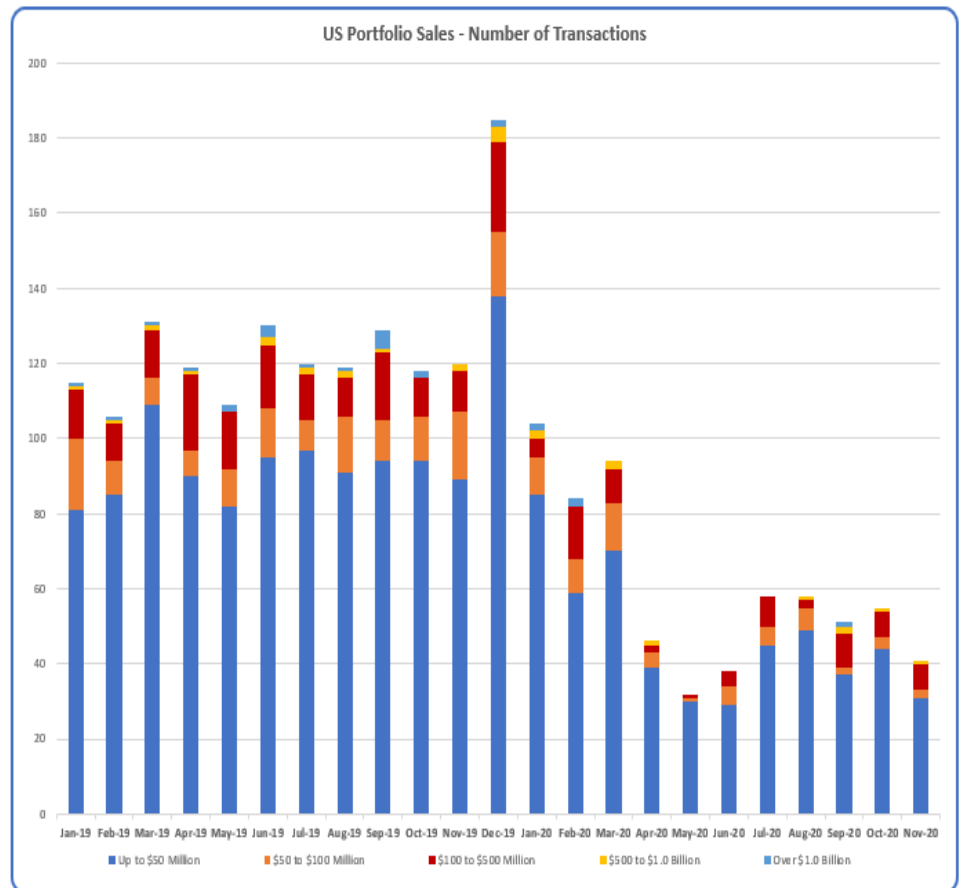
The number of monthly sales for all portfolio sales recorded in the US are segmented into tranches as seen below. Over the 23-month period, there have been a total of 2,162 portfolio transactions. Approximately 87 percent of these transactions were below \$100 million; roughly 12 percent were between \$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	Nov-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	1,663	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	2	206	9.5%
\$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	241	11.1%
\$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	27	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	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	41	2,162	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%	-	-

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 to the right, the number of sales for November 2020 reflect similar volume to April and June and also experienced a decrease of 25% from the prior month.

Most activity in the last two months is comprised of property portfolios below \$50 million. In November 2020, 31 of the 41 transactions that occurred were in the "Up to \$50 Million" category.

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



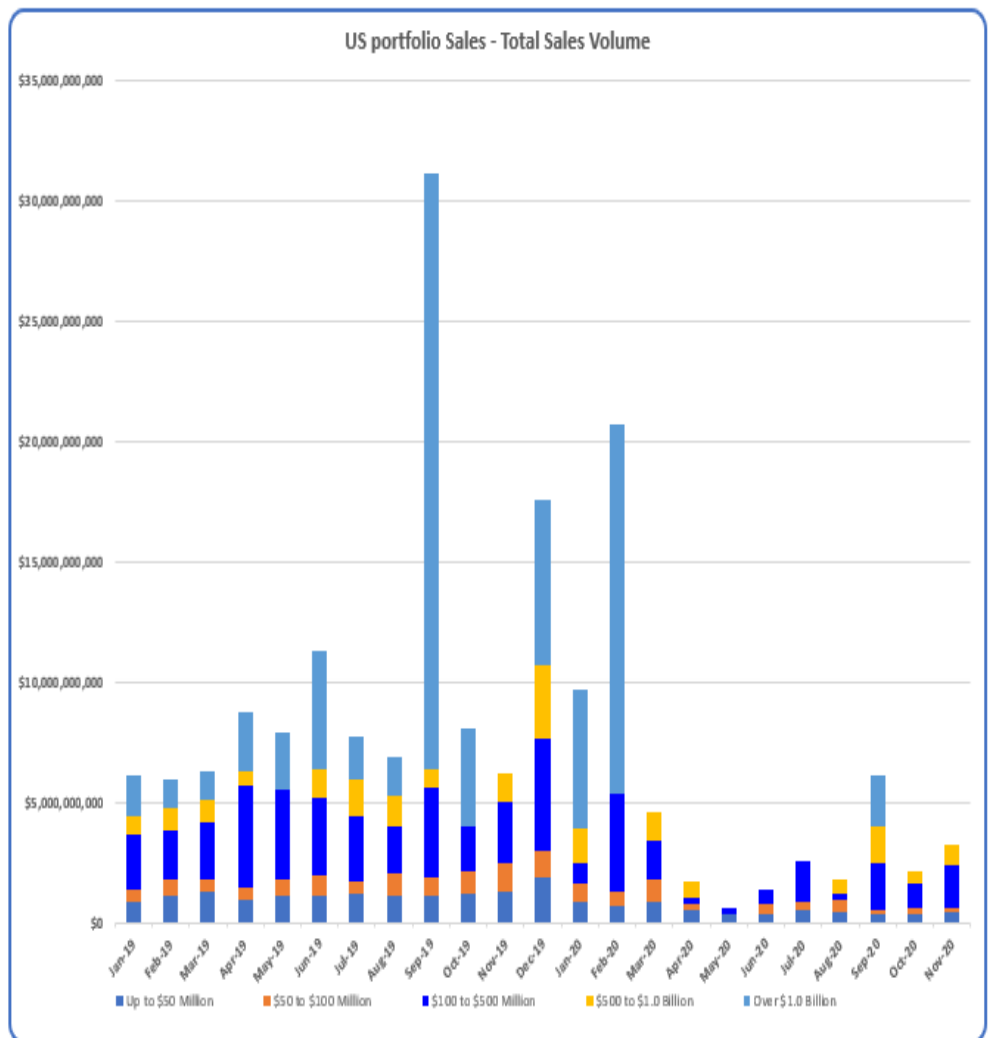
Dollar Volume of Sales Transactions

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 \$4.9 Billion, reflecting a decrease of approximately 52 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	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	\$486.0	\$20,236.0	11.3%
\$50 to \$100 Million	\$527.0	\$668.0	\$463.0	\$487.0	\$699.0	\$872.0	\$543.0	\$1,000.0	\$813.0	\$910.0	\$1,200.0	\$756.0	\$597.0	\$893.0	\$285.0	\$70.0	\$377.0	\$329.0	\$464.0	\$140.0	\$222.0	\$128.0	\$13,564.0	7.6%	
\$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	\$1,800.0	\$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	\$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	\$24,000.0	\$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	\$75,300.0	42.7%
<b>Total Dollar Volume</b>	<b>\$5,114.0</b>	<b>\$5,934.0</b>	<b>\$6,274.0</b>	<b>\$8,801.0</b>	<b>\$7,899.0</b>	<b>\$11,272.0</b>	<b>\$7,743.0</b>	<b>\$6,900.0</b>	<b>\$31,207.0</b>	<b>\$8,111.0</b>	<b>\$6,200.0</b>	<b>\$17,600.0</b>	<b>\$5,686.0</b>	<b>\$20,710.0</b>	<b>\$4,597.0</b>	<b>\$1,704.0</b>	<b>\$619.0</b>	<b>\$1,409.0</b>	<b>\$2,584.0</b>	<b>\$1,797.0</b>	<b>\$6,097.0</b>	<b>\$2,150.0</b>	<b>\$3,214.0</b>	<b>\$178,622.0</b>	<b>100.0%</b>
% Change from Prior Month	-	-2.3%	5.7%	40.3%	-10.2%	42.7%	-31.3%	-10.9%	352.3%	-74.0%	-23.6%	183.3%	-45.0%	113.8%	-77.8%	-62.9%	-63.7%	127.6%	83.4%	-30.5%	239.3%	-64.7%	49.5%	-	-

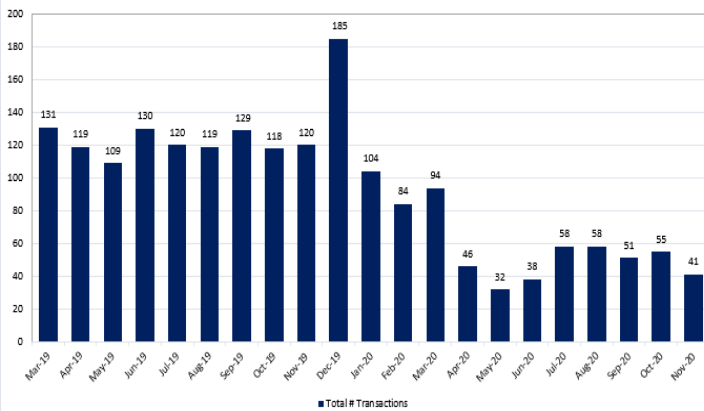
Over the analysis period, the category with the highest transaction volume is in the "Over \$1.0 Billion" tranche, which comprises 42.7 percent of the total dollar volume over the study period. We note that for the first time in six months, there was a sale in this tranche during September. Considering this tranche is a major contributor to the market, this sale could be indicative of an increase in activity within this tranche in the foreseeable future. However, despite the positive results experienced in September, there was no activity in this tranche in October and November. This is indicative of market participants' hesitancy to acquire in bulk. Although there were no 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 50%.

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
Min	\$619,000,000
Max	\$31,207,000,000
2019 Ave	\$10,337,916,667
2020 Ave	\$4,960,636,364

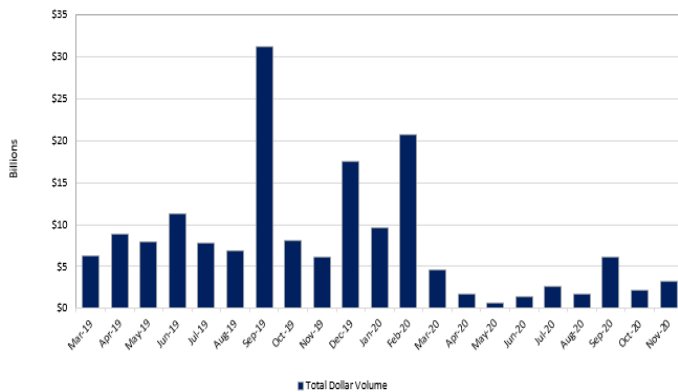


Portfolios worth over \$1 Billion are major contributors in the commercial real estate market, which is responsible for 42.7% of total dollar volume. Due to continuous economic uncertainty, participants in this space have been hesitant to act. As shown in the table and graph, November experienced a 50% increase from the prior month, despite having no transactions occur in the "Over \$1 Billion" tranche.

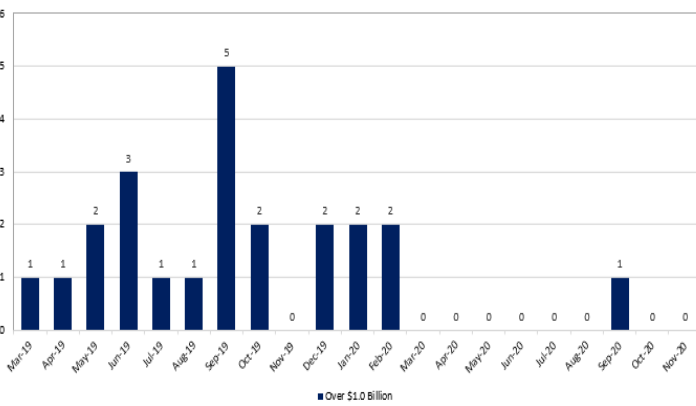
TOTAL NUMBER OF TRANSACTIONS - US PORTFOLIO SALES



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 five 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 activities.

**Dollar Volume of Sales**

The dollar volume of US property portfolio sales has experienced a significant decrease over the past seven 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 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. Due to the current Pandemic, total sales volume is expected to continue fluctuating.

**Transactions over \$1.0 Billion**

There were significant declines in sales exceeding \$1.0 billion beginning in March 2020, indicating that investment in large portfolios has dissipated with the exception of one portfolio sale in September 2020. With the ongoing pandemic and resulting lockdowns, investors continue to wait on the sidelines until the markets turn around. The recent news of a COVID-19 Vaccine provides a glimmer of hope that a market recovery will commence at some point in 2021.

SOURCE: CoStar and Marshall & Stevens



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