



# Sale Prices Diverge Between Large and Small Properties

Multifamily Deals Post Double-Digit Price Declines in April



Multifamily properties had the steepest drop in values in April. (Getty Images)

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The commercial real estate market is increasingly divided with larger properties seeing prices fall, while smaller properties gain in value, according to CoStar Group's latest [repeat-sales indices](#) report.

The report, based on data from repeat sales of commercial properties, shows that the value-weighted U.S. Composite Index, which better reflects large property sales common

in major cities, fell for the ninth consecutive month to 270 in April, a retreat of 1.4% over the prior month. The index was down 7.6% in the 12-month period that ended in April and was 11.7% lower than the recent high of 306 in July 2022.

Meanwhile, the equal-weighted U.S. composite index, which better reflects lower-priced property sales and sales in smaller markets, rose 2 points to 312 in April, an advance of 0.8% over the prior month. The index gained 2.8% in the 12-month period that ended in April and was 1% off its June 2022 high of 316.

Both composite indices have been decelerating year over year since the first half of 2022 as markets responded to rising interest rates.

“Institutional investors have pulled back and are exercising caution because of the uncertainty ahead, while private investors are more active and pricing through it as they see real estate as a good inflation hedge,” said Chad Littell, national director of U.S. capital markets analytics for CoStar and author of the report. “Private investors have also had drawdowns in their equity and fixed-income portfolios. Since private real estate markets don’t have to mark-to-market every quarter, this pricing lags public markets and investors with significant exposure to public markets.”

## Multifamily Declines

Double-digit annual price declines in multifamily properties, which haven't occurred since the Great Recession, resurfaced in April.

The multifamily sub-index fell 1.4% in April, its ninth consecutive month of declines since reaching a peak of 420 in July 2022. The index also erased 12.2% of value during the 12 months ending in April, its largest year-over-year pullback since February 2010.

“Falling net absorption, coupled with a surge in supply deliveries, is weighing on occupancy levels and restricting pricing power to move rents at the same pace as in 2021 and 2022,” Littell said.

# Transaction Volume

Transaction activity fell to \$5.3 billion in April, a 44.1% collapse from the prior month.

Investment grade transaction volume tumbled 49.3% over the prior month in April to \$2.7 billion, while the general commercial segment fared better, dropping 37.2% from the prior month to \$2.5 billion.

“Relentlessly soaring interest rates and a foggy economic backdrop led to a pronounced decline in trade volumes,” Littell said.

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