

# Capital Trends

## US Apartment

**Q1 2022**

**22.4% YOY price change**

**\$63.0b Transaction volume**

**56% YOY volume change**

The interest rate spike in March had little visible impact on apartment sale activity in Q1'22, with volume up at double-digit rates from a year earlier. Transactions close over multiple weeks, so the level of activity through the end of March reflects more the sentiment for the sector from the beginning of the year rather than recent concerns. The impact on deal volume from spiking interest rates, if any, will likely be seen in the coming months.

As deal activity was growing in Q1'22 however, price growth was decelerating, though it is not clear that this deceleration is a function of interest rate increases. The rate of price growth had been up an additional 330 bps every quarter over 2021 on average, climbing the most in Q3'21. Price growth has been decelerating since Q3'21, well before interest rate spikes, and in Q1'22 was up only 120 bps from the pace set in Q4'21.

Price growth accelerated in 2021 in part because there was a fear-based element in pricing for apartments in 2020, particularly for mid/highrise assets in urban areas where tenant demand trends were shaky. Late into 2020 as it became clear that vaccines were on the way and tenant demand was rebounding, price growth spiked with the growing clarity in the market. Over time as that removal of fear was accounted for in pricing, it would be reasonable to see the price growth slow even without the interest rate shocks underway.

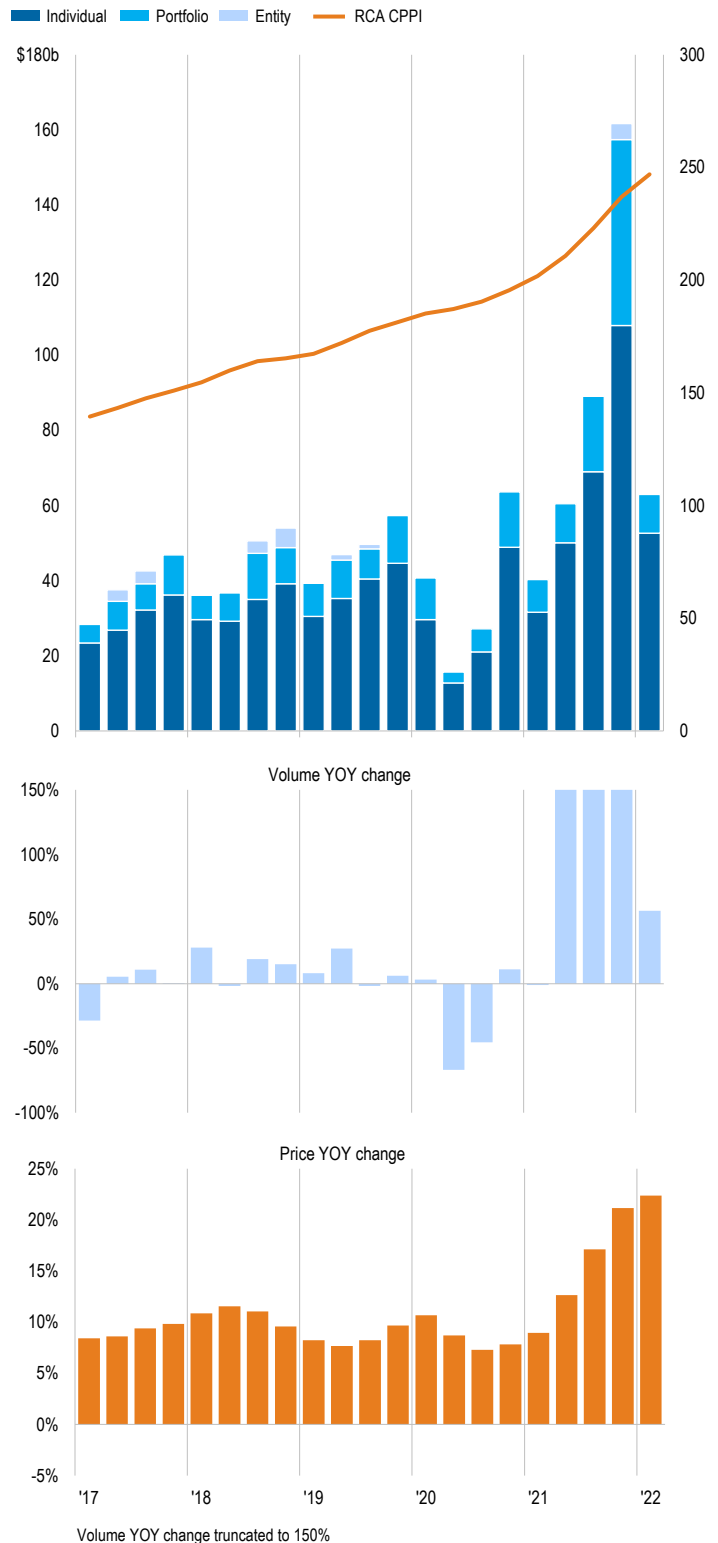
Sales volume for the quarter was stronger for individual transactions than for the total market. The sale of individual assets reflects investor sentiment of the market as these market participants assess the health of one building, the tenants, local demand and so forth without the effects of a broader portfolio to paper over mistakes. Transaction volume involving such structures rose 67% from a year earlier in Q1'22.

Portfolio sales were up only 19% from a year earlier in Q1'22, but the \$10.4b in sale activity was spread across numerous deals. The largest portfolio deal was priced around \$700m, suggesting that there is still broad-based interest in such deals rather than one transaction driving activity.

### Transaction Volume Summary

	Mar '22		Q1 '22	
	Vol (\$b)	YOY	Vol (\$b)	YOY
Apartment Total	25.4	64%	63.0	56%
Garden	15.1	36%	41.4	45%
Mid/Highrise	10.3	132%	21.6	85%
Single Asset	21.3	79%	52.6	67%
Portfolio	4.0	13%	10.4	19%

### Quarterly Transaction Volume & Pricing



# Recent Trends

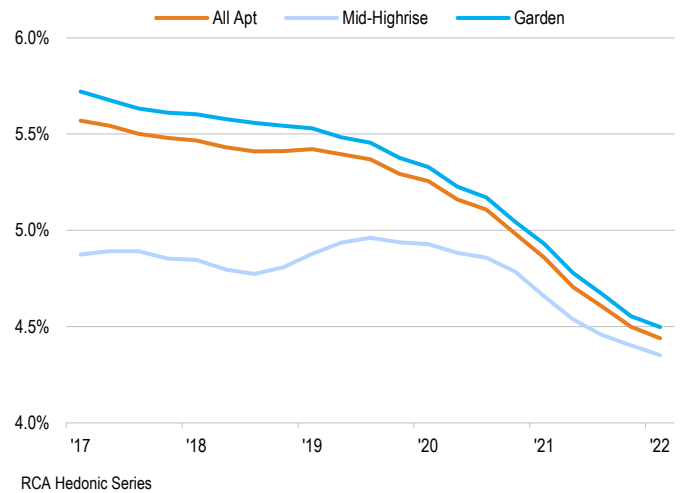
Price growth decelerated into Q1'22 for the apartment sector yet the relative change was similar for both the garden segments and mid/highrise space. The RCA CPPI for garden apartments climbed 24.8% YOY in Q1'22 yet the one quarter change suggests an annualized pace of growth at 20.5%. The RCA CPPI for mid/highrise space grew at only an 11.4% YOY pace in Q1'22 but the annualized pace of growth relative to Q4'21 stood at 5.5%. So although prices are growing more slowly for mid/highrise space overall, each was down close to 500 bps for the shorter-term measure of price growth.

In line with the high pace of price growth into Q1'22, cap rates continued to compress relative to a year ago for both major segments of the market. Cap rates have fallen more for the garden apartment segment since the end of 2018, however. What was a 90 bps spread between these two segments of the market from 2014 to 2018 has compressed to only 10 bps in Q1'22. Cap rates for garden apartments have fallen 100 bps since the end of 2018 but only 40 bps for mid/highrise assets.

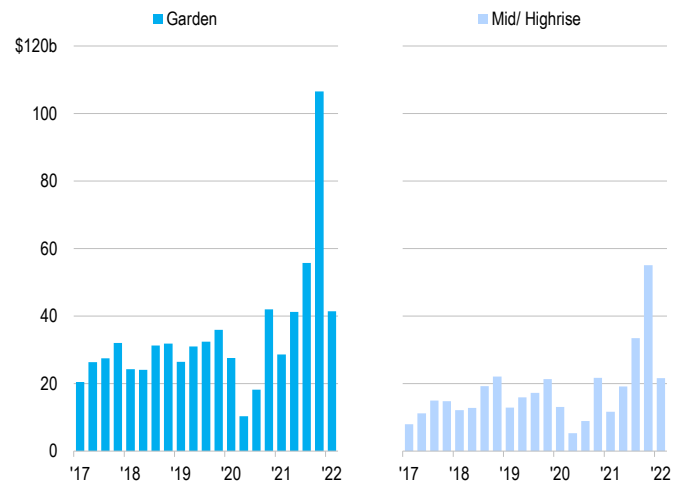
Deal volume did grow faster for the mid/highrise segment of the market in Q1'22 than for garden apartments, with sale activity up 85% YOY. Garden apartments still posted hefty growth in sales for the quarter, up 45% YOY, but the turnaround for mid/highrise apartments was sharper. The mid/highrise segment of the market was still facing uncertainty over tenant demand early in 2021 and as those fears eased later into 2021, activity trended back to something like normal.

Sale activity involving mid/highrise assets was also slightly more weighted towards the sale of individual assets than were the garden apartments. Such individual asset sales represented 89% of the mid/highrise market and 81% of the garden apartment market. In both cases, portfolio sales grew less than individual asset sales for the quarter. Such transactions were up only 22% YOY for garden apartments in Q1'22 and up 12% YOY for mid/highrise buildings.

## Cap Rates



## Quarterly Transaction Volume by Subtype



## Q1'22 Deal Volume and Pricing Summary

	Quarterly Volume				RCA CPPI		Price Averages		
	\$b	YOY Chg	#Props	YOY Chg	1-qtr Chg	1-yr Chg	\$/unit	Cap Rate	YOY Chg (bps)
Apartment	63.0	56%	2,170	13%	4.2%	22.4%	229,796	4.4%	-40
Garden	41.4	45%	1,703	7%	4.8%	24.8%	195,114	4.5%	-40
Mid/Highrise	21.6	85%	467	43%	1.4%	11.4%	339,532	4.4%	-30
6 Major Metro	13.1	57%	509	10%	2.6%	11.6%	345,285		
Non-Major Metro	49.9	56%	1,661	14%	4.7%	24.8%	208,517		

RCA Hedonic Series cap rates

# Top Brokers Q1 2022

## By Region

### Mid-Atlantic

JLL  
CBRE  
Cushman & Wakefield  
Newmark  
Eastdil Secured

### Midwest

CBRE  
Berkadia  
Newmark  
JLL  
Cushman & Wakefield

### Northeast

Cushman & Wakefield  
CBRE  
JLL  
Marcus & Millichap  
Newmark

### Southeast

Newmark  
Cushman & Wakefield  
Berkadia  
CBRE  
Marcus & Millichap

### Southwest

CBRE  
Newmark  
Marcus & Millichap  
JLL  
NorthMarq

### West

Marcus & Millichap  
CBRE  
JLL  
Eastdil Secured  
Berkadia

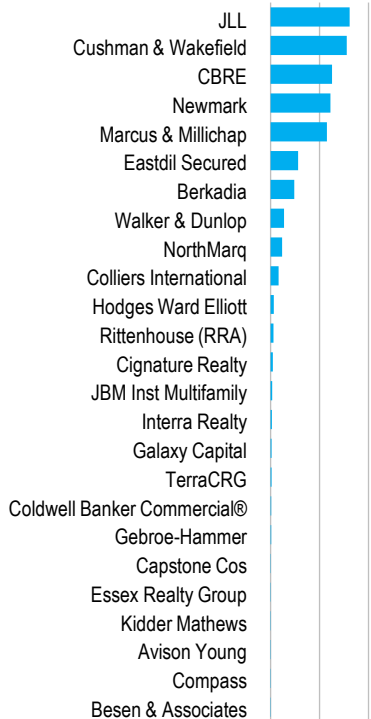
Ranked by investment volume

## By Apartment Investment Volume

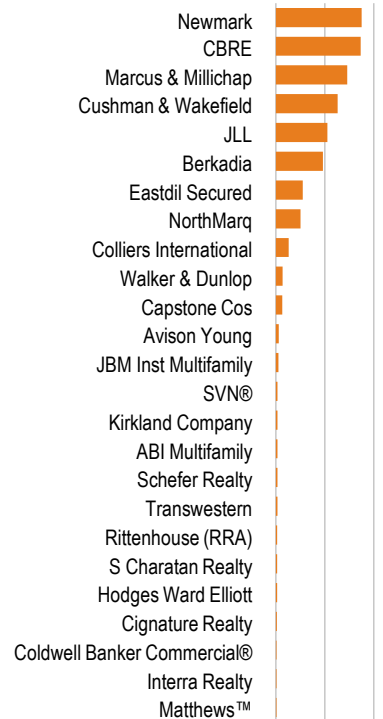
### Garden



### Mid/Highrise

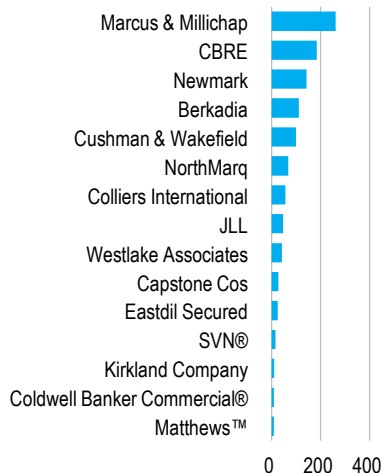


### All Apartment

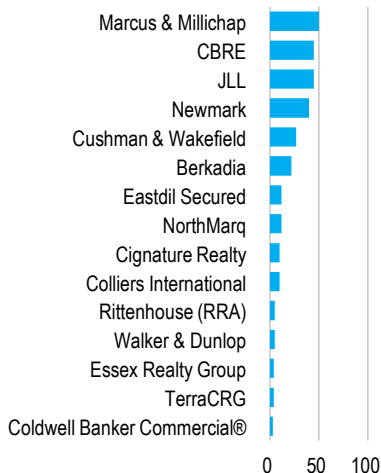


## By Number of Apartment Properties

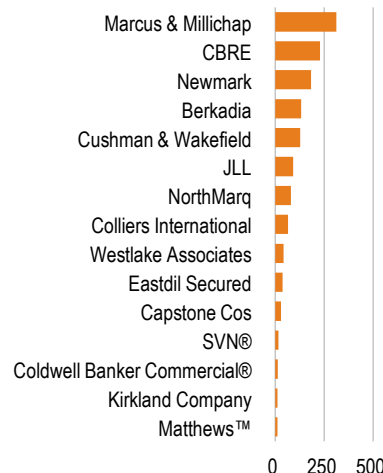
### Garden



### Mid/Highrise



### All Apartment



**Methodology:** Full credit assigned to each broker when multiple brokers involved. For partial-interest, volume is based on the pro-rated share of the total property or portfolio value. Based on sell-side representation. The transaction volume of brokerage firms that have merged are left unconsolidated before the merger date and are attributed to the surviving or newly formed company after the merger date. For more information on rankings please visit the RCA website.

# Top Deals Q1 2022

## Property Sales

	Property	Location	Size	Type	Volume(\$m) <sup>A</sup>	\$/unit	Buyer	Seller
1	American Copper	New York, NY	761 units	APT	837.0	1,099,869	Black Spruce Props JV Orbach Group	JDS Development JV Baupost Group
2	ParkLine Miami	Miami, FL	816 units	APT	435.0	533,088	Harbor Group Int'l JV AB Asset Mgmt	Fortress
3	Skylark	Larkspur, CA	455 units	APT	300.0	659,341	Prime Group	Pell Development
4	West Edge Apartments	Seattle, WA	340 units	APT	292.8	861,265	PGIM Real Estate	Mitsui Fudosan JV Urban Visions
5	Yorba Linda Apartments	Yorba Linda, CA	400 units	APT	205.5	513,750	Interstate Equities Corp	Resource REIT
6	The Sophia at Abacoa	Jupiter, FL	390 units	APT	202.5	519,231	Berkshire Group	Heitman
7	The Millennium at Metropolitan Pk	Arlington, VA	300 units	APT	200.3	667,500	Urban Invmt Ptnrs JV Churchill Living	Clarion Partners
8	Sofi Ocean Hills	Oceanside, CA	404 units	APT	196.0	485,149	Pacific Urban Investors	AIR
9	Motif	Fort Lauderdale, FL	385 units	APT	195.0	506,494	Tomanek Group LLC	ArchCo Residential JV Bluerock RE LLC
10	Roadrunner on McDowell	Scottsdale, AZ	356 units	APT	193.5	543,539	KB Investment Development Co	JLB Partners
11	Gulfstream Isles (The Island)	Fort Myers, FL	936 units	APT	191.9	205,000	Cardinal Capital Partners	Lurin Capital
12	Vela on OX Apartments	Los Angeles, CA	379 units	APT	183.0	482,850	Essex Property Trust JV SWIB	Brookfield AM
13	Vitagraph	Brooklyn, NY	302 units	APT	180.0	596,026	Dermot Co JV Principal Financial	Hampshire Properties
14	Crown Court	Scottsdale, AZ	416 units	APT	175.0	420,673	Sunroad Enterprises	Almon Investment Group
15	Arras Apartments	Bellevue, WA	279 units	APT	175.0	627,185	Lakevision Capital LLC	Security Properties
16	Elysian at Hughes Center	Las Vegas, NV	368 units	APT	174.9*	500,272	NexPoint	Calida Group JV Cypress Equity Invts
17	Plaza Square	New Brunswick, NJ	415 units	APT	173.5	417,952	Renaissance Management	Manulife Financial
18	The Talisman	Redmond, WA	286 units	APT	173.0	604,895	Hines	LOWE
19	Lake Castleton Apartments	Indianapolis, IN	1,261 units	APT	171.0	135,607	Pepper Pike Capital Partners	Sterling Group JV Virtus RE Capital
20	Alexan Gallerie	San Diego, CA	284 units	APT	-	-	R&V Management Corp	Crow Holdings JV Invesco Real Estate
21	Oasis at Waipahu	Waipahu, HI	406 units	APT	163.5	402,709	Waterton Associates	DiNapoli Cap Ptnrs
22	Broadstone Knox District	Dallas, TX	333 units	APT	-	-	BlackRock	Alliance Residential JV Goldman Sachs
23	3700M	Dallas, TX	381 units	APT	-	-	Elite Street Capital	Brookfield AM
24	Volta on Pine	Long Beach, CA	271 units	APT	156.0	575,646	Gelt Inc	Holland Partners JV Sekisui House
25	11 North At White Oak	Richmond, VA	1,184 units	APT	154.5	130,448	AION Partners	C-III Investment Mgmt

## Portfolio and Entity Sales

	Buyer	Seller	Location	# Props	Type	Volume(\$m) <sup>A</sup>
1	GV&A RE Investments	Ares Management JV Cottonwood Residential	Multiple, USA	12	APT	702.7
2	Harbor Group Int'l	Dasmen Residential	Multiple, NC	9	APT	475.0
3	Laguna Point Properties	SB Properties	Los Angeles, CA	5	APT	-
4	Nitya Capital	Lighthouse Group	Multiple, USA	11	APT	-
5	Peak Capital Partners	Jamco Properties	Atlanta	12	APT	375.0
6	MG Properties	ERGS Properties	Reno	6	APT	302.5
7	Stoneweg SA	LC	Louisville	3	APT	230.0
8	ZMR Capital	NorthEnd Equities JV Residential Management	Brandon, FL	2	APT	-
9	Schweb Partners	Arch Companies	Southeast	6	APT	199.0
10	Greystar	Carlyle Group	Boulder, CO	2	APT	189.5

<sup>A</sup> When prices are not known, estimated prices are used in the ranking but are not shown. Volume is adjusted pro-rata for partial interests although \$/unit reflects 100% valuation.

\* Partial interest \*\* Forward sale

The number of buyers or sellers shown on a deal is truncated to two. For full deal and player information go to the RCA website.

## Jim Costello

Chief Economist [Contact](#)

## Alexis Maltin

Head of Americas Real Estate Research

## Haley Crimmins

Real Estate Research Manager

## Michael Savino

Associate, Real Estate Research

## Cole Barker

Analyst, Real Estate Research

---

## Methodology

Data based on properties and portfolios \$2.5m and greater unless otherwise stated. Data as of April 20, 2022 unless otherwise stated.

## About Capital Trends

Capital Trends reports analyze and interpret trends in the global real estate market using RCA's comprehensive data. US Capital Trends is a monthly edition comprising an overview of the U.S. market and separate reports on the five main property types. Asia Pacific, Australia, Europe and Global Capital Trends are published quarterly.

## About Real Capital Analytics

Real Capital Analytics (RCA) is the authority on the deals, the players and the trends that drive the commercial real estate investment markets. Covering all markets globally, RCA delivers timely and reliable data with unique insight into market participants, pricing and capital flows. The most active investors, lenders and advisors depend on RCA's market intelligence to formulate strategy and to source, underwrite and execute deals. An industry pioneer since 2000, RCA has offices in New York, San Jose, London, Singapore and Sydney. RCA is owned by MSCI, a leading provider of critical decision support tools and services for the global investment community. For more information, visit: [www.rcanalytics.com](http://www.rcanalytics.com)

## About MSCI

MSCI is a leading provider of critical decision support tools and services for the global investment community. With over 50 years of expertise in research, data and technology, we power better investment decisions by enabling clients to understand and analyze key drivers of risk and return and confidently build more effective portfolios. We create industry-leading research-enhanced solutions that clients use to gain insight into and improve transparency across the investment process. To learn more, please visit [www.msci.com](http://www.msci.com)