

Capital Trends

US Apartment

July 2021

13.5% YOY price change

\$13.7b Transaction volume

122% YOY volume change

Apartment deal activity in July was above normal levels for this time of the year. There was a rebound in volume in the month for assets that had fallen out of favor early in the Covid-19 pandemic, but all subtypes were up from a year earlier.

Many young workers left cities in the early days of the Covid-19 pandemic and rode out the uncertainty living with family members in the suburbs. This move was misread by many as permanent, cities were dead, and that an urbanization investment thesis was a bad call. As the early stages of the pandemic waned, deal volume rebounded first for garden apartments in Q4'20. Investment in mid/highrise assets lagged, but is finally getting some attention.

Sales of mid/highrise assets have climbed faster than those for garden apartments over the last two months. Two months may not be a trend, but it fits stories that have proliferated of strong growth in rent and occupancy for assets in urban locations where one can find mid/highrise assets.

Deal activity in July stood at \$6.5b for mid/highrise assets, outdistancing the average \$2.9b pace for every July since 2005. Sales involving garden apartments were up sharply from a year ago, but deal volume was closer to the historical average for July. Sales of garden apartments totaled \$7.1b in July versus an average \$5.6b since 2005.

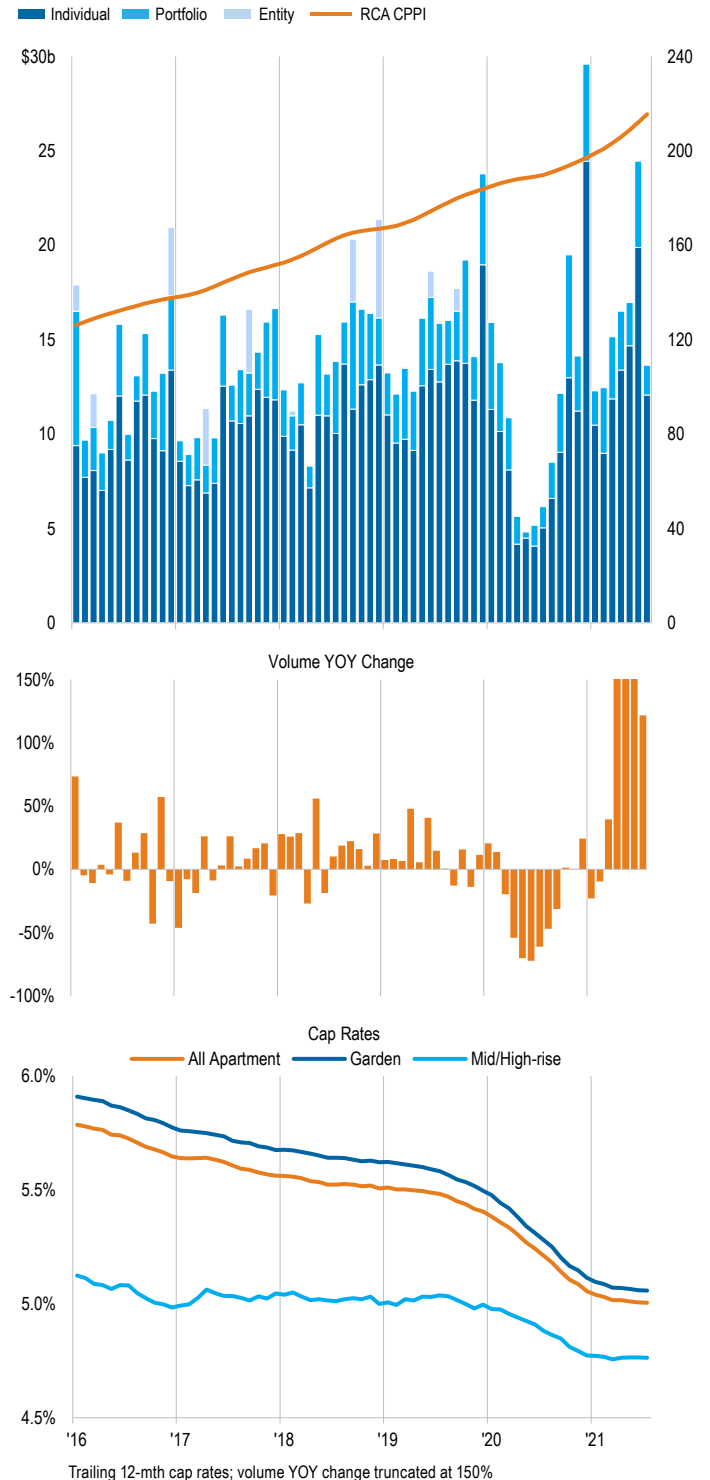
For all segments of the apartment market, it was the sale of individual apartment assets that drove activity. Such individual asset sales were up 140% YOY in July versus a 39% YOY pace of growth for portfolio sales.

Apartment prices continue to outpace every other property sector. The RCA CPPI for apartments rose 13.5% YOY in July while the RCA CPPI US National All-Property Index rose 11.8%. Only in 2005 and 2006 did apartment prices grow at a faster pace, when developers pushed up pricing as they bought assets for conversion to condominiums.

Transaction Volume Summary

	July '21		YTD '21	
	Vol (\$b)	YOY	Vol (\$b)	YOY
Apartment Total	13.7	122%	111.5	79%
Garden	7.1	94%	74.7	80%
Mid/Highrise	6.5	163%	36.8	76%
Single Asset	12.1	140%	91.3	93%
Portfolio	1.6	39%	20.2	34%

Monthly Transaction Volume & Pricing



Spotlight on Manufactured Housing

Investors are increasingly active in alternative commercial real estate sectors. Manufactured housing (MHC) represents a small share of the commercial real estate market, at approximately 1% of total deal volume, but activity is gaining momentum.

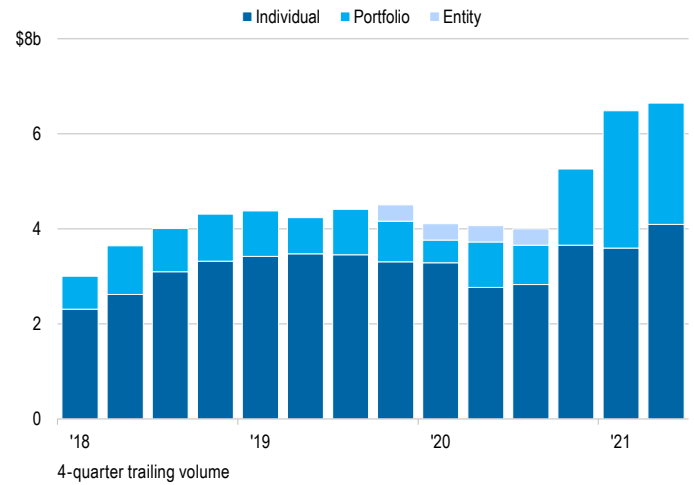
Sales of individual properties have reached the highest levels yet. Acquisitions in the four quarters through Q2'21 totaled \$4.1b, up 48% compared with the prior four quarters and 30% above the long-term average.

Pricing for these MHC assets, which are primarily located in suburban locales, has remained tight. RCA Hedonic Series cap rates, which control for quality and locational differences in the underlying sample, fell 30 bps year-over-year to reach the 5.0% level in Q2'21. For apartments located outside the 6 Major Metros, RCA HS cap rates have been compressing in recent years and also hit 5.0% last quarter. These are the lowest levels ever seen for both housing sectors.

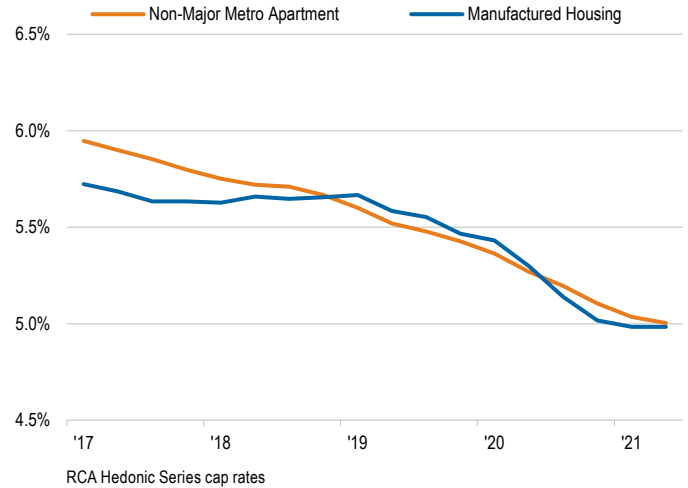
Since 2017, private buyers have dominated the MHC market. However, institutional players are gaining share in the sector and accounted for 23% of volume in the past 24 months, up from the 13% average seen during 2017-19. Looking at the top 10 buyers over the past 24 months, four are institutional investors. However, these players secured their spots by acquiring their MHC assets in bulk. On average, 83% of their total acquisition activity was portfolio transactions.

Phoenix ranked as the #1 manufactured housing market in the past 24 months. Acquisition activity was more than double that seen in Orange Co, the second largest market. Portfolio activity again bolstered overall investment activity in some markets. Excluding portfolio transactions would knock Detroit and Dallas out of the top 10.

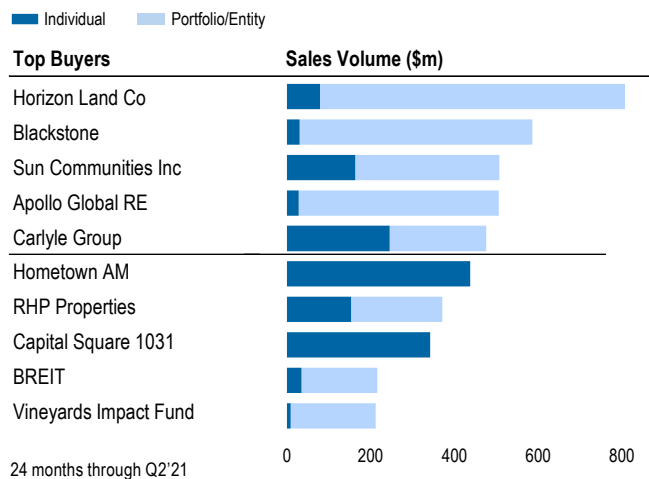
Transaction Volume



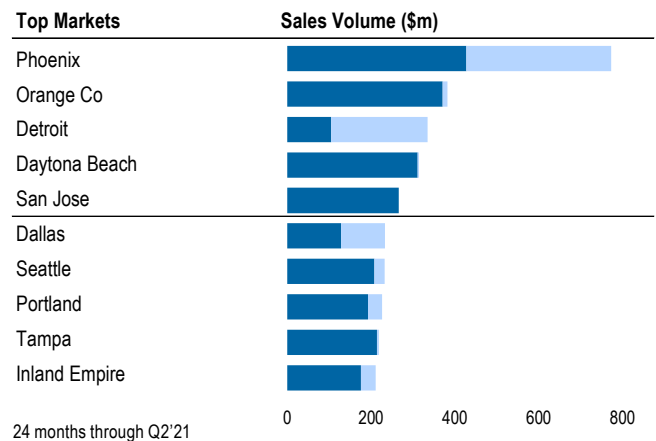
Cap Rates



Top Buyers



Top Acquisition Markets



Selected Recent Transactions

Property Name Address Location	Units Year Built Notes	Price \$/Unit Qualifier	Owner/Buyer Seller Broker
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Mid-Atlantic

Alexan Earl 1122 N Hudson St Arlington, VA	333 2021 Mid/Highrise	\$192,000,000 \$576,577 approximate	 Lincoln Property Co JV Cadillac Fairview from  Trammell Crow Res JV Shooshan Co by  JLL
Adara Herndon 2399 Glen Echo Rd Herndon, VA	392 2000 Mid/Highrise	\$140,000,000 \$357,143 confirmed	 GID from  DivcoWest JV Blackfin Real Estate Investors by  Eastdil Secured





Midwest

McClurg Court 333 E Ontario St Chicago, IL	1,058 1972 Mid/Highrise	\$175,000,000 \$165,406 approximate	 FPA Multifamily from  BentallGreenOak by  Newmark
Glenmuir 2604 Rockport Ln Naperville, IL	321 1999 Garden	\$103,700,000 \$323,053 confirmed	 BH Equities from  The Connor Group by  Newmark



Northeast

Sky Residences 563 Eleventh Ave New York, NY	1,176 2015 Mid/Highrise	\$858,100,000 \$729,677 confirmed	 Moinian Group from  SL Green by  Eastdil Secured
NEMA Boston 399 Congress St Boston, MA	414 2018 Mid/Highrise	\$332,000,000 \$801,932 confirmed	 KKR (KREF) from  Crescent Heights

Southeast

Camden Music Row 1515 Demonbreun St Nashville, TN	431 2016 Mid/Highrise	\$185,100,000 \$429,466 confirmed	 Camden Property Trust by  NorthMarq from  Childress Klein Props by  NorthMarq
The Osprey 954 Howell Mill Rd NW Atlanta, GA	320 2020 Mid/Highrise	\$148,500,000 \$464,063 approximate	 Equity Residential from  Toll Brothers JV Carlyle Group by  Cushman & Wakefield

Southwest

The Lex at Lowry 240 S Monaco Pkwy Denver, CO	710 1969 Garden	\$201,850,000 \$284,296 confirmed	 CIM Group from  TruAmerica Multifamily JV Guardian Life Insurance JV Allstate Life Insurance by  CBRE
The Pullman 1919 Wewatta St Denver, CO	168 2020 Mid/Highrise	\$174,250,000 \$1,037,202 approximate	 Lincoln Property Co JV Cadillac Fairview from  Greystar Management by  JLL

West

Ascent South Lake Union 425 Fairview Ave N Seattle, WA	433 2018 Mid/Highrise	\$301,759,212 \$696,903 confirmed	 Blackstone from  Greystar Management JV Goldman Sachs by  JLL
Union South Bay 21601 Avalon Blvd Carson, CA	357 2018 Mid/Highrise	\$220,000,000 \$616,246 approximate	 Standard Communities JV CSCDA from  Faring Capital JV Wolff Companies

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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. For more information, visit: rcanalytics.com

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, Europe and Global Capital Trends are published quarterly. Australia Capital Trends was launched in February 2021.

Methodology

Data based on properties and portfolios \$2.5m and greater unless otherwise stated.