

Capital Trends

US Industrial

26.0% YOY price change
 \$6.5b Transaction volume
 -43% YOY volume change

Industrial investment fell relative to last year in April after 13 months of double-digit or stronger growth in sales volume. Some sort of pullback in growth would not be surprising as the market moved past the bounceback from the fear-induced lows of 2020. That said, the outright decline in sales relative to last year was a shock.

The market is responding to the change in the interest rate environment that hit in the second half of March. There was a surprising earnings release from Amazon in late April where earnings per share fell well below analyst expectations. Such a surprise from Amazon could call tenant demand for industrial properties into question, but that timing was far too late in the month to impact deal activity.

The lower deal activity for the month was a story of potential buyers and lenders reassessing their ability to put capital to work in industrial properties. The 10yr UST pushed higher than the 2% level in mid-March and averaged 2.75% in April. Investors and lenders have been able to complete deals in the past with the 10yr UST at these levels, but the speed of change introduces additional caution.

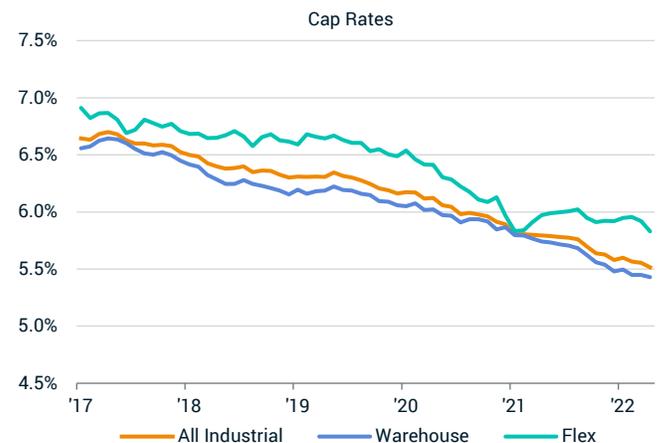
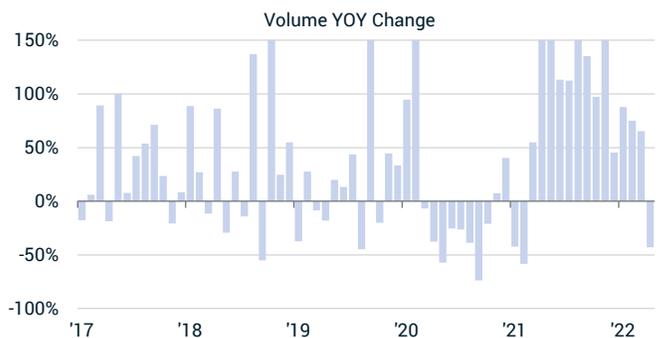
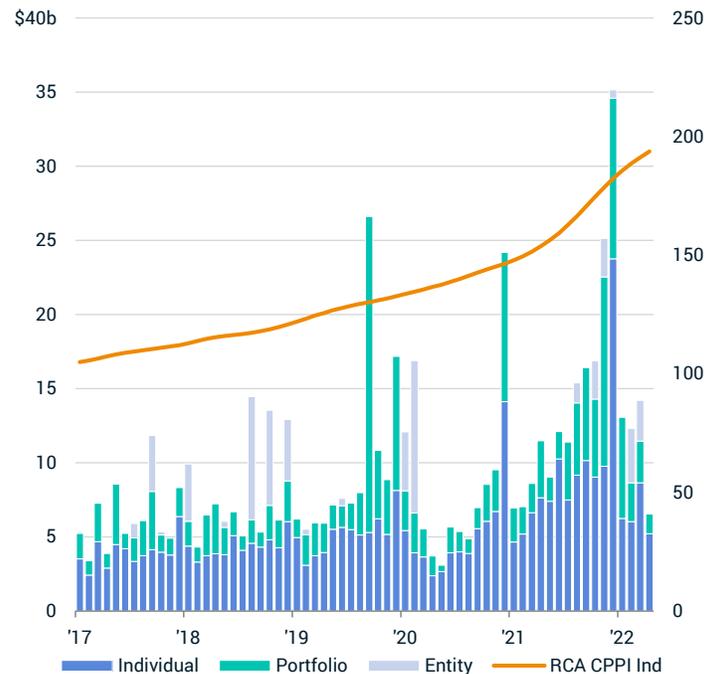
The scale of the decline in April did not wipe out the gains seen since the worst parts of the pandemic faded. Industrial investment volume averaged \$5.2b for each April in the five years before the pandemic. The \$6.5b in sales this year then, is still well ahead of the pre-pandemic levels of activity. This level is simply down from the frenzied \$11.5b pace set last year as investors came to grips with changes in the structure of supply chains. Activity was lower for both flex and warehouse assets: down 55% and 40% YOY, respectively.

Despite these shocks to deal activity, pricing measures show little evidence of stress. The RCA CPPI for industrial properties climbed 26.0% YOY in April. The change in this price measure from March to April suggests only a 17.0% annualized pace of growth, however. In any normal period, a double-digit pace of price growth would be great news, but growth is decelerating. Cap rates stood at 5.5% in April, down 30 bps from a year earlier.

Transaction Volume Summary

	April 2022		YTD 2022	
	Vol (\$b)	YOY	Vol (\$b)	YOY
Industrial Total	6.5	-43%	46.1	35%
Flex	1.1	-55%	10.4	51%
Warehouse	5.5	-40%	35.8	31%
Single Asset	5.2	-32%	26.2	8%
Portfolio	1.3	-66%	20.0	101%

Monthly Transaction Volume and Pricing



Trailing 12-mth cap rates; volume YOY change truncated at 150%

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Methodology

Data based on properties and portfolios \$2.5m and greater unless otherwise stated. Data as of May 24, 2022 unless otherwise stated.

About Capital Trends

Capital Trends reports analyze and interpret trends in the global real estate market. 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.

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