

Capital Trends

US Industrial

28.6% YOY price change
\$7.2b Transaction volume
-20% YOY volume change

Sales of industrial assets totaled \$7.2b in May, falling 20% from the prior year and marking the second straight month of double-digit declines. Comparisons against the pre-pandemic average for the month show a return to those norms, with sales in 2022 eclipsing that of the May average between 2015 and 2019 by just 2%.

To the extent that there was weakness in the month, it was in megadeal activity. Assessed against the average May for the five years leading up to the pandemic, May of 2022 came in 63% below the previous level. Single asset activity, by contrast, was 53% higher than the pre-pandemic norm for the month.

There was a small difference in the scale of the pullback for deal volume across industrial subtypes. Investment activity for flex assets fell 8% YOY, while that for warehouse assets was down 23%. For flex assets, single asset sales were a bright spot. Sales of this deal structure totaled \$1.6b, climbing 9% above the prior year's tally and setting a record level for a May.

Deal volume can sometimes cloud the true picture of demand. Despite volume levels through May of 2022 outpacing 2021 by 21%, other measures of transaction activity have trailed 2021 throughout the first five months of the year. Not only has the number of transactions fallen behind the prior year level, but the number of assets sold has as well, suggesting that price growth has much to do with elevated sales volume levels.

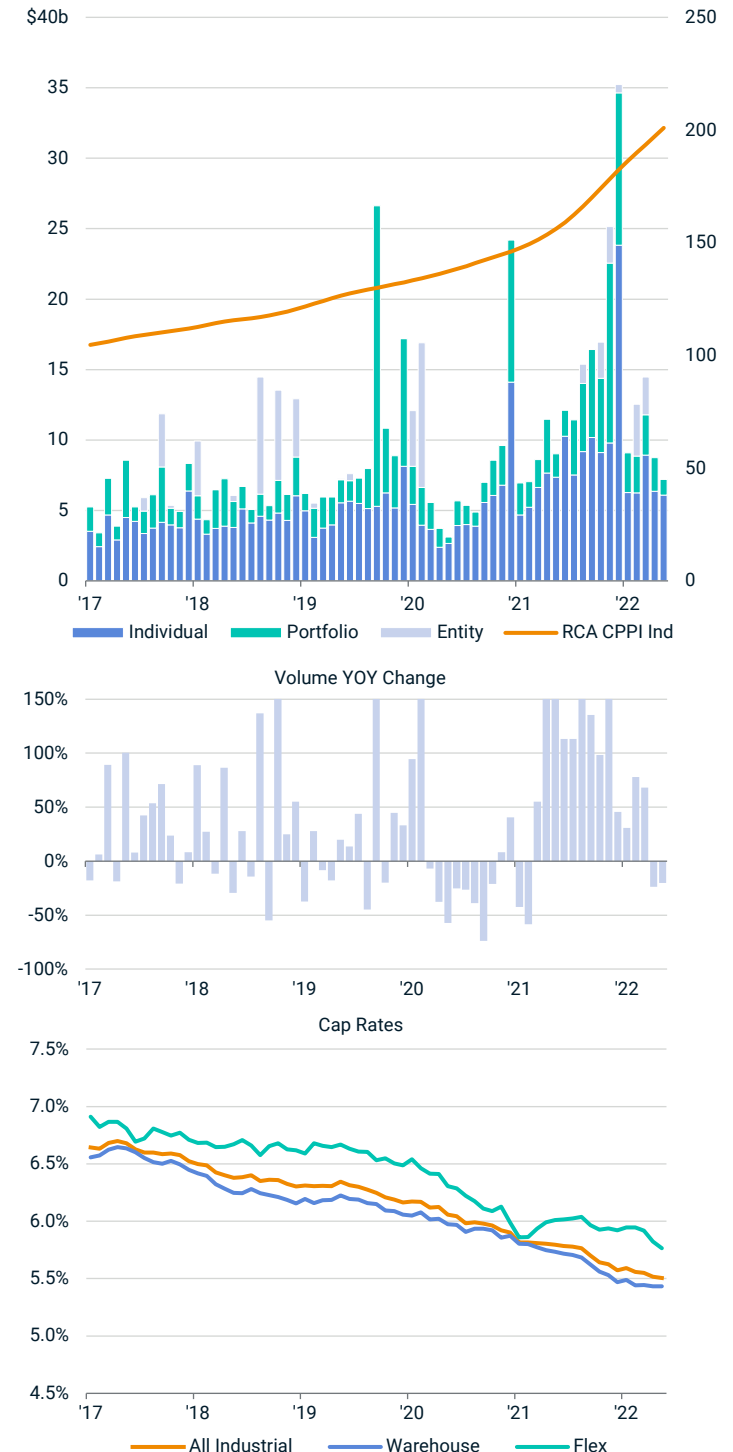
The RCA CPPI for industrial again climbed further than any other property type in May, with growth reaching a record 28.6% YOY. The RCA CPPI National All-Property Index increased 18.6%.

Cap rates compressed 30 bps from the prior year to 5.5%. With the 10yr UST at 2.9%, the spread between the average cap rate and 10yr UST was around 270 bps, nearly 150 bps narrower than the spread in May of 2021. For some investors, it may be the case that the economics of industrial investment simply no longer make sense.

Transaction Volume Summary

	May 2022		YTD 2022	
	Vol (\$b)	YOY	Vol (\$b)	YOY
Industrial Total	7.2	-20%	52.0	21%
Flex	1.7	-8%	11.9	35%
Warehouse	5.5	-23%	40.1	17%
Single Asset	6.1	-17%	33.9	8%
Portfolio	1.1	-33%	18.1	57%

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 June 21, 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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