

U.S. CRE Price Declines Continue Deceleration in March

By Paul Bubny

The pace of decline in U.S. commercial real estate prices decelerated in March for the eighth month in a row, led by improvements for industrial sector, MSCI Real Assets said Thursday. The RCA CPPI National All-Property Index fell 3.0% from a year ago and 0.2% from February.

In the current high interest rate environment, certain property sectors with stronger fundamentals have outperformed others, said MSCI Real Assets. Industrial prices have rebounded in recent months, while higher borrowing costs coupled with the uncertainty around the future for space have continued dragging down office prices.

The office sector again registered the largest monthly and annual declines of the property sectors. The CBD office index fell 33.2% from a year ago and 2.1% from February, while suburban office prices dropped 11.4% from a year earlier and 0.3% month-over-month.

The industrial sector was the only sector to post positive annual growth in pricing. Industrial prices rose 5.7% from a year earlier and 0.7% from February. Meanwhile, the pace of decline for apartment prices has decelerated in each of the past seven months, but the index fell 8.4% in March from a year earlier. Nonetheless, apartment prices are still 11% above the level seen in April 2020.