

Global CRE Pricing Continues to Slip in Q1

By Paul Bubny

Global commercial real estate pricing continued to fall in the first quarter of 2024 as deal activity remained sluggish across most major global cities, MSCI Real Assets reported. The Global Cities Composite Index fell 5.7% from a year earlier, bringing the cumulative decline from 2022's peak to 11%.

"On the surface, the pace of decline appears to have slowed from two quarters ago," according to MSCI Real Assets. "However, transactional pricing indicators can only reflect what is trading at a given point. The acute slowdown in office dealmaking means the index understates the true extent of price declines for commercial pricing."

Industrial was solely responsible for an apparent increase in commercial pricing averages in the four leading cities for price growth, MSCI said. Office volumes fell to their lowest levels in more than a decade, "meaning the few office deals that did close were drowned out by industrial trades." Although Sydney and Los Angeles were among the global leaders for pricing growth, the CBDs in both cities were down 20% from their peaks.

Flattish price growth trends in Singapore and Seoul, which ranked in fifth and sixth place, were better supported by investment volumes. Office valuations didn't fall for these cities last year, while deal activity continues to be healthy across the major sectors.

At the other end of the spectrum, "price declines have come thick and fast for several global cities," MSCI reported. They include the metro areas of Hong Kong, Amsterdam, London, Boston, Chicago, San Francisco and Washington, DC.