

## What's Changed in CRE Sales Trends

**Prices per square foot, cap rates, and occupancies were some of the top trends during May 2024.**

By Erik Sherman

Crexi's National Commercial Real Estate Report for May saw some overall positive changes for property owners.

At the top, they saw the asking price per square foot climb by 3.76% across the marketplace, accompanied by a cap rate compression from 6.82% to 6.6%. While that is good news on the surface, asking rents aren't necessarily what tenants pay. Negotiations could result in lower numbers. Landlords might offer concessions to get tenants to commit to a lease, which reduces net rent over the term.

Percentage growth varied by asset type: retail (7.33%), office (4.41%), multifamily (3.69%), hospitality (3.06%), and industrial (-1.26%).

"The rising popularity of e-commerce has boosted demand for industrial and warehouse space throughout the U.S. in recent years," Crexi wrote about industrial. "In response, supply surged, leading to a record number of warehouse completions entering the market over the past few years. However, even as asking rates had stabilized earlier in the year, industrial's asking rate gains look on track to pick up as more space is absorbed and comes off the market."

The strength of retail may be somewhat overstated. Supply is falling and development has slowed. The reduction in available space will have the natural result of pushing prices upward. Those factors will eventually reverse. In addition, "tenants only have so much flexibility amid current macroeconomic factors," so there is a limit on how high rents can go before tenants hit a ceiling of what their businesses can support.

On the occupancy side, figures were up almost 3%, which, as Crexi put it, "is a positive sign for landlords' prospective NOI." Also, increased rents, occupancy, and NOI mean the potential for better valuations and possibly a smoother path to financing.

"Positive job reports are hinting at a tailwind for office leasing, especially in high-density markets with newer construction," Crexi wrote. "According to Placer.ai, office visits have increased year-over-year, with office foot traffic in May 2024 rising by 8.6%, primarily driven by newer, amenity-rich office facilities."

Average multifamily pricing has seen two consecutive quarters, even with ongoing inflation and high interest rates. The asset type is "well-positioned to serve as a more affordable alternative for individuals who would otherwise enter the housing market."

Then there is growth in per-square-foot asking prices for property sales. There are differences by

asking prices and also by percentage growth. Here are the top 10: New York City (\$644.18, 4.65%); San Diego (\$652.75, 10.04%); San Francisco (\$614.08, 37.59%); Miami (\$528.49, 46.77%); Los Angeles (\$454.15, 11.63%); Austin (\$424.34, 12.87%); Las Vegas (\$366.56, 7.91%); Denver (\$364.73, -1.58%); Houston (\$353.55, 34.90%); and Phoenix (\$353.39, 6.04%).