

Industrial, Apartment Prices Set More Records As Demand For Both Persists

By Dees Stribling

Prices for industrial properties nationwide set another record for year-over-year increases, up 28.6% in May, according to MSCI on Friday. Prices were up 1.8% in May compared with a month earlier.

Industrial posted the increases despite a slowdown in deal volume for the second consecutive month, the investment research firm reported, and news recently that Amazon is slowing down the opening of new fulfillment centers, a major part of industrial activity in the last few years.

Thus there are hints that the strong run for industrial might be slowing. Since the beginning of the pandemic, pricing growth in the sector has been tied to growth in e-commerce activity, though that has slowed down recently.

"The industrial sector also may face some challenges in the near term from this period of readjustment in the allocation of retail activity between e-commerce and in-store channels," MSCI Research Executive Director Jim Costello wrote earlier in June.

"The sale of industrial properties fell sharply in April following shocks to the 10-year Treasury and mortgage-financing costs," Costello noted.

MSCI also reported on Friday that apartment asset prices set an all-time high rate of growth in May, up 23.3% compared with the same month in 2021.

Demand for apartments is still rising as household formation has started to increase again, while at the same time for-sale housing has grown more expensive.

Other property sectors saw annual gains as well in May, though they weren't quite as robust. Retail asset prices increased 18.8% from a year ago, while office properties registered a year-over-year gain of 12.2%, driven by CBD properties, which were up 13.4%, according to the company.

Overall, U.S. commercial property prices climbed 18.6% from a year ago, down from the record annual growth of 19.3% recorded in January, MSCI reported.