

# Capital Trends

## US Apartment

**23.0%** YOY price change  
**\$17.9b** Transaction volume  
**7%** YOY volume change

The headline figures for apartment investment in April are a bit misleading. Deal volume was up from a year ago, but only because of the impact of portfolio activity. The story on investment activity at the bedrock of the market – individual asset sales – was weaker.

Portfolio and entity-level transactions sometimes happen despite concerns in the broader market given short term financial opportunities. Portfolio sales volume in April was up 71% from a year earlier thanks largely to one deal. The \$2.1b recapitalization of a portfolio of 7,241 apartment units by Camden Property Trust represented 27% of all portfolio activity for the month.

Without that one deal, portfolio sales would have been up 25% from a year earlier for the month. Combine that more-limited increase with the decline seen in individual asset sales in April, and total deal volume for the month would have been 1% lower than a year earlier.

By apartment subtype, activity was stronger for mid/highrise properties in the month than for garden apartments. Individual asset sales pulled back more for the sale of garden apartments in April, with volume down 11% YOY.

Some sort of moderation in the pace of deal activity was expected, with the recovery from the worst fears of the pandemic already in the books. An outright decline, however, is a shock and speaks to the severity of the speed of change in the interest rate environment.

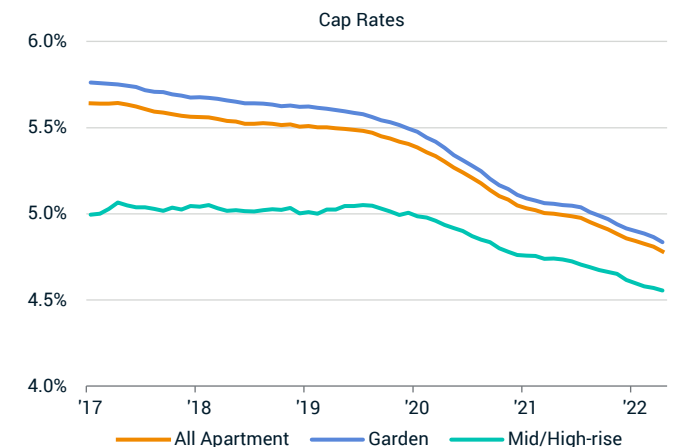
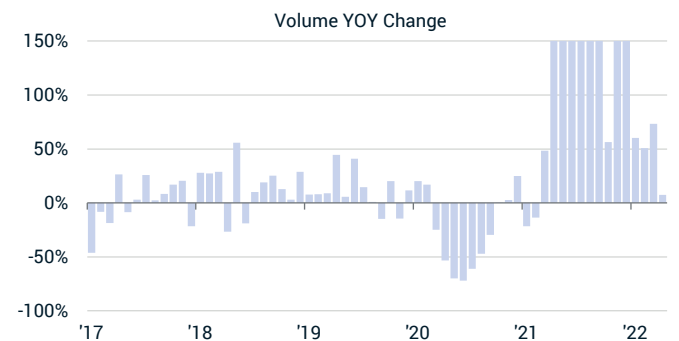
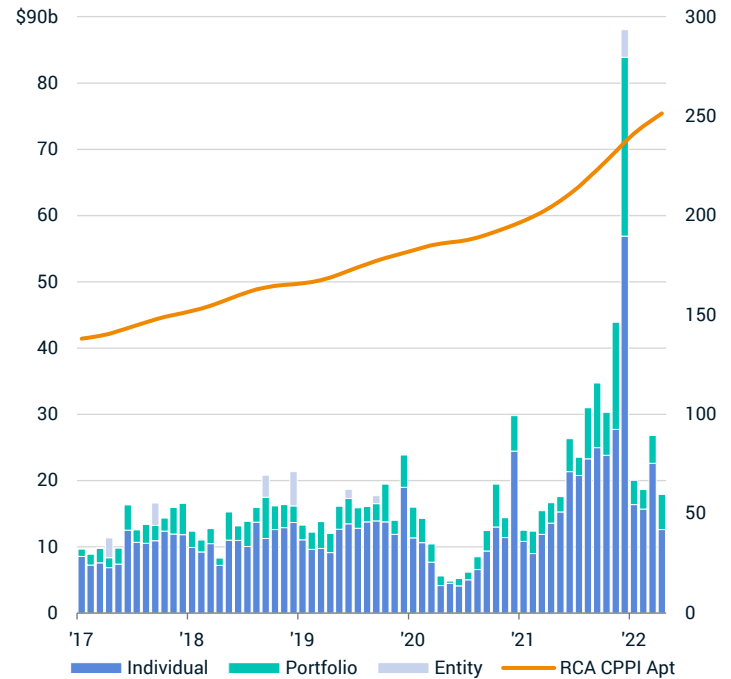
Once the 10yr UST pushed past the 2% level on a consistent basis in the second half of March, investors began to fret over underwriting for new acquisitions. Deal volume has become the first sign of market difficulty as potential buyers and lenders reassessed their ability to put capital to work in the apartment sector.

Despite these shocks to deal activity, pricing measures show little evidence of stress. The RCA CPPI for apartments climbed 23.0% YOY in April. The change in this price measure from March to April suggests only a 16.6% annualized pace of growth. In any normal period, a double-digit pace of price growth would be great news, but price growth is decelerating. Cap rates stood at 4.8% in April, down 20 bps from a year earlier.

### Transaction Volume Summary

	April 2022		YTD 2022	
	Vol (\$b)	YOY	Vol (\$b)	YOY
Apartment Total	17.9	7%	83.4	46%
Garden	11.5	0%	54.8	36%
Mid/Highrise	6.4	25%	28.6	70%
Single Asset	12.6	-7%	67.2	48%
Portfolio	5.3	71%	16.2	38%

### Monthly Transaction Volume and Pricing



Trailing 12-mth cap rates; volume YOY change truncated at 150%

**Jim Costello**

Chief Economist, Real Estate Research

**Alexis Maltin**

Vice President, Real Estate Research

**Bryan Reid**

Executive Director, Real Estate Research

**Haley Crimmins**

Vice President, Real Estate Research

**Wyatt Avery**

Senior Associate, Real Estate Research

**Michael Savino**

Senior Associate, Real Estate Research

**Cole Barker**

Analyst, Real Estate Research

**Methodology**

Data based on properties and portfolios \$2.5m and greater unless otherwise stated. Data as of May 24, 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.

**About MSCI**

MSCI is a leading provider of critical decision support tools and services for the global investment community. With over 50 years of expertise in research, data and technology, we power better investment decisions by enabling clients to understand and analyze key drivers of risk and return and confidently build more effective portfolios. We create industry-leading research-enhanced solutions that clients use to gain insight into and improve transparency across the investment process. To learn more, please visit [www.msci.com](http://www.msci.com).