

# TRANSACTION ACTIVITY CONTINUES TO INCREASE

## RESEARCH ARTICLE

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Commercial real estate transaction activity was up significantly in 2013 in response to strong U.S. real estate market fundamentals & the relative attractiveness that the market provides for investment. Real Capital Analytics (RCA) reports that sales of commercial property around the world totaled over \$1.1 trillion in 2013, exceeding the trillion dollar mark for the first time since 2007. Most of the activity is attributed to the strength of the U.S. market, increasing transactions in Europe & numerous land transactions in China.

The U.S. accounted for approx. 27% of global deals, similar to the number in 2012, with volume of \$301.6 billion, up 21% from 2012. Property prices also posted a strong gain with Moody's/RCA CPPI posting a 15% increase nationally. Positive investment trends were experienced by all property types & markets. These trends suggest that the investment environment has almost fully recovered from the recession as investors & lenders are facing increasing competition for deals.

One common theme in 2013 was a strong rebound for the property types & markets that had the weakest recovery. Investors are in an increased "risk on" mode & are being attracted by discounted prices & higher yields provided by previously overlooked markets.

This year is off to a strong start with sales up 36% year-over-year in January. Results have been mixed by property type. Volume in the office sector was more than double year-ago levels & the industrial sector posted a 47% year-over-year increase. The retail sector experienced a 27% year-over-year increase while the apartment & hotel sectors saw volume down 5% - 6% from a year earlier. Average cap rates continue to trend lower for office (6.4%) & apartment properties (5.5%). Rates were relatively unchanged in January for the other property types.

Cross-border capital flows increased across all property types last year & are starting to move outside the well-known gateway markets. Foreign investors accounted for 15% of transaction volume in December. U.S. property investment from China tripled last year & acquisitions by Middle Eastern buyers doubled. These trends are expected to continue as we move through the remainder of 2014 & should provide for another relatively attractive year of performance.



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