

Report: U.S. Commercial Real Estate Pricing Growth Cools In Late 2018

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Growth in U.S. commercial property prices decelerated in October to the slowest annual pace in 2018 so far, according to a new report by **Real Capital Analytics**.



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Dallas skyline. According to RCA, pricing is still stronger in secondary markets like Dallas, as opposed to the largest metros.

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FEATURED SPEAKER
FRED PIERCE
CEO, Pierce Education
Properties (PEP)



The company's U.S. National All-Property Index was up 6.4% from a year ago. The pace of annual price growth has been gradually slowing since a 2018 high of 8.4% in February, but in fact, price growth as measured by annual gains has been slowing down for about three years, RCA reports.

Year-over-year gains in 2014 and early 2015 were well over 10% each month for all assets, which represented a strong comeback from the recession, when property prices during much of 2009 contracted by over 20% compared with a year earlier. Since mid-2015, annual gains have slowed considerably.

According to the report, easing growth in major U.S. metros placed the largest drag on national prices, presumably as investors perceive that prices in some major markets have bubble-like aspects. For the purpose of the report, major metros include Boston, Chicago, Los Angeles, New York, San Francisco and Washington, D.C.

Prices in U.S. major metros were growing an average 8.8% year over year at the beginning of 2018, but as of October, that growth was down to 3.1%.

Growth in the non-major metros has also slowed since a high in the summer, though the change is more modest than in the major metros, RCA reports. Prices rose 7.8% year over year in non-major metros in October, down from 8.4% in May.

Apartments are still leading the way in price growth, up 9.6% year over year, but even that property type has seen a slowdown. In April, the annual gain for apartments was 12.4%.

The next strongest property type was suburban offices, which enjoyed annual price growth of 9.2% in October. In the case of suburban office, annual price growth has accelerated each month throughout 2018 as investors have turned their attention to the sector.