

# US Property Prices Tick Up After Months of Declines

Gains May Not Reverse Longer Term Negative Trend, CoStar Analysis Indicates



Consistent completion of new properties as demand falls is adding to property pricing woes. (Getty Images)

By **Mark Heschmeyer**

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U.S. commercial property prices turned up slightly in May after four straight months of declines, according to the latest CoStar pricing analysis.

The gains may not persist, however. [The CoStar Commercial Repeat Sale indices](#), based on data from repeat sales of commercial properties, are still edging lower on an annual basis.

“The recent few months are a head fake,” said Chad Littell, national director of U.S. capital markets analytics for CoStar and author of monthly reports on the indices. “If you look at the trend in year-over-year performance, it’s been steadily falling from the high teens to now close to zero, or negative.”

The value-weighted U.S. Composite Index, which reflects large property sales common in major cities, advanced 1.3% over the prior month after nine consecutive months of declines. The index, though, is down 8.5% for the 12 months ended in May.

The equal-weighted U.S. Composite Index, which shows lower-priced property sales more common to deals in smaller markets, rose 0.6% over the prior month. The index gained 0.8% in the 12 months. However, the current 12-month trend of annual price gains would suggest that price declines are in store, according to Littell.

“Consistent supply deliveries, slowing demand, and soon-to-be even higher interest rates remain headwinds to any meaningful appreciation ahead,” he said.

## Weakening Demand

Commercial nonresidential property demand for the second quarter is expected to be negative, just as it was in the first quarter with tenants giving back more space than they leased, according to CoStar.

This marks the first time the market probably will post two consecutive quarters of negative demand since the third quarter of 2020, when the pandemic sent uncertainty rippling through commercial property markets.

Since peaking in the third quarter of 2021, demand has been slowing for seven straight quarters, CoStar data shows.

Supply, in the meantime, is rising. New property completions across the office, retail and industrial segments are projected to reach 798.1 million square feet in the 12 months ending in June, up 12.9% from the same time in 2022.

# Apartment Prices Decelerate

The apartment index was flat in May, after nine months of declines from a peak in July 2022.

But over the 12 months ended in May, the index contracted 15.3%, its steepest price drop since December 2009.

Demand for multifamily units reached historic highs in 2021 in response to pandemic-era effects on the housing market, motivating double-digit annual price gains and making the sector an attractive asset class.

However, higher interest rates and a wave of new supply have muted leasing and sales activity.

The May CCRSI report is based on 1,173 repeat sale pairs and more than 291,518 repeat sales since 1996.