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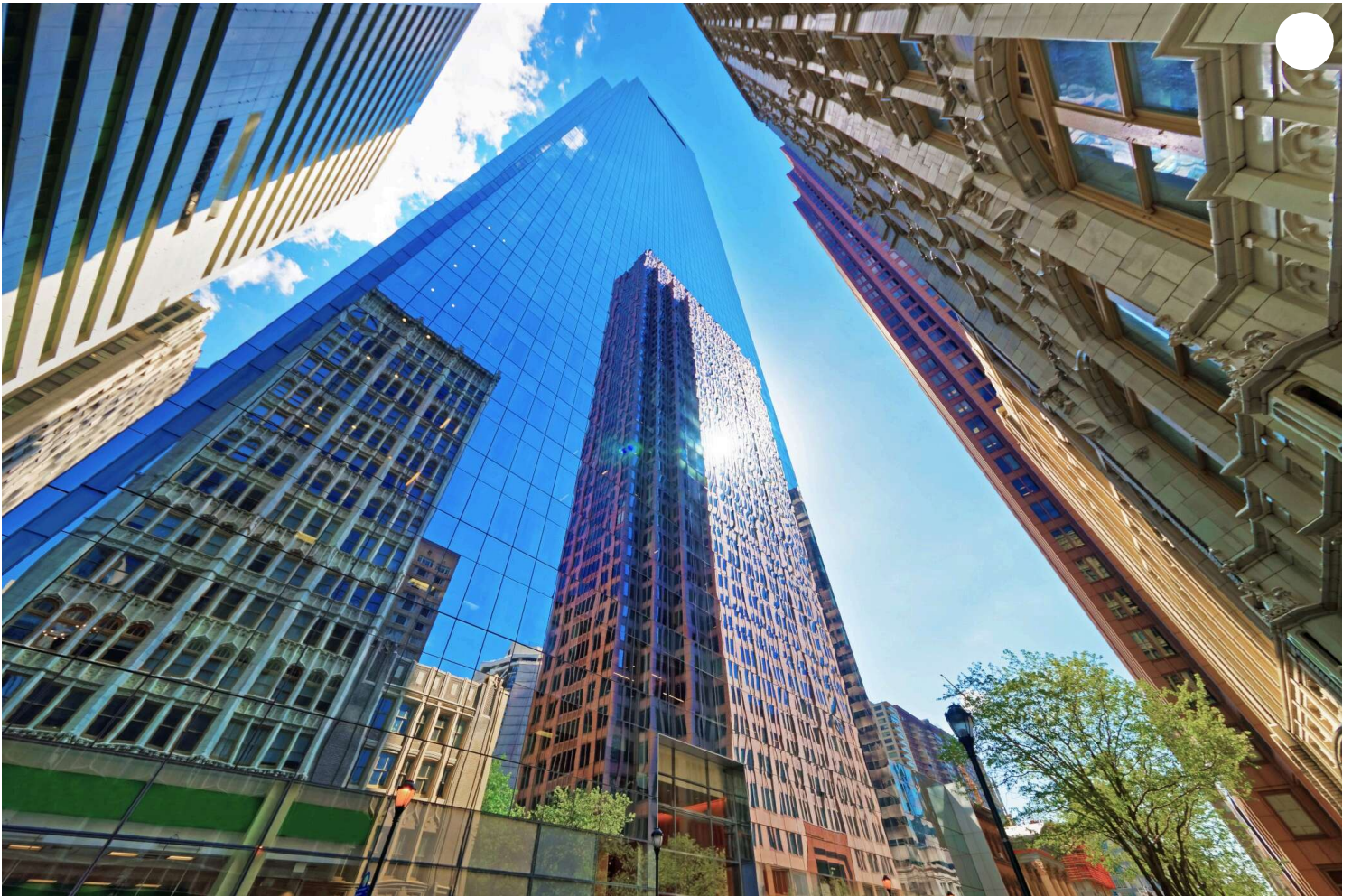
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Commercial property pricing begins to find its footing

Several measures of data show consecutive monthly growth, according to CoStar



CoStar Group's latest property price index reflects an improving outlook for commercial real estate. (Getty Images)

By **Mark Heschmeyer**

CoStar News

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U.S. commercial property prices are nearing the end of the year on a hot streak in some categories not seen since 2022.

The November [CoStar Commercial Repeat Sale Indices](#) report indicated multiple positive trends of back-to-back monthly growth that could bode well for markets heading into next year.

The CCRSI value-weighted U.S. composite index, a measure of mostly high-dollar trades common in major cities, rose 1.3% over October, the fourth consecutive monthly increase. The last string of growth for four months in a row occurred from April to July 2022.

The index is still down 2.5% in the 12-month period ended in November compared to the prior year. However, the speed of decline is decelerating. For example, the index lost 12.4% of its value from July 2023 to July 2024.

“The trending improvement in pricing may reflect lower policy rates since the third quarter of 2024, as market participants have noted that investor preference has shifted back toward short-term financing, which was last commonly seen in 2021,” said Chad Littell, national director of U.S. capital markets analytics for CoStar Group and the author of the report.

The preference for short-term financing is a sign of confidence that borrowing rates will come down further and drive price increases. The Federal Reserve in December [made its third reduction](#) to the interest rate in recent months but signaled a slowdown in cuts as inflation lingers.

Gains in small markets

CoStar also tracks the more numerous, low-priced property deals typical in small markets using the equal-weighted U.S. composite index. It has an investment-grade sub-index that’s more heavily influenced by high-value assets in those areas.

That sub-index has strung together consecutive gains for three months, rising 1.4% in November. Year-over-year pricing climbed 3.4%, the largest yearly increase since October 2022.

The CCRSI report's other equal-weighted U.S. general commercial sub-index, reflecting numerous but low-value trades, increased 1.1% in November for the fourth month in a row of price gains. Resembling the price growth of the high-value assets in the investment-grade sub-index, it saw values rise 3.3% on a yearly basis.

November's CCRSI report is based on 1,149 repeat-sale pairs and 315,668 repeat sales since 1996. The indicator tracks when a previously sold property trades hands again in a process called a repeat sale.

The trades represented a 17.2% month-over-month sales volume decline. November repeat-sales activity is typically the lowest monthly tally of any fourth quarter going back to 2000.

Repeat-sales volume of \$109 billion during the 12 months ended in November was 7.4% higher than a year earlier, another positive sign for the market.

“The increase was more prominent in the investment-grade segment, which leaped 13.2%” on an annual basis, Littell said. The segment “accounted for 61.7% of the 12-month transaction volume.”

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