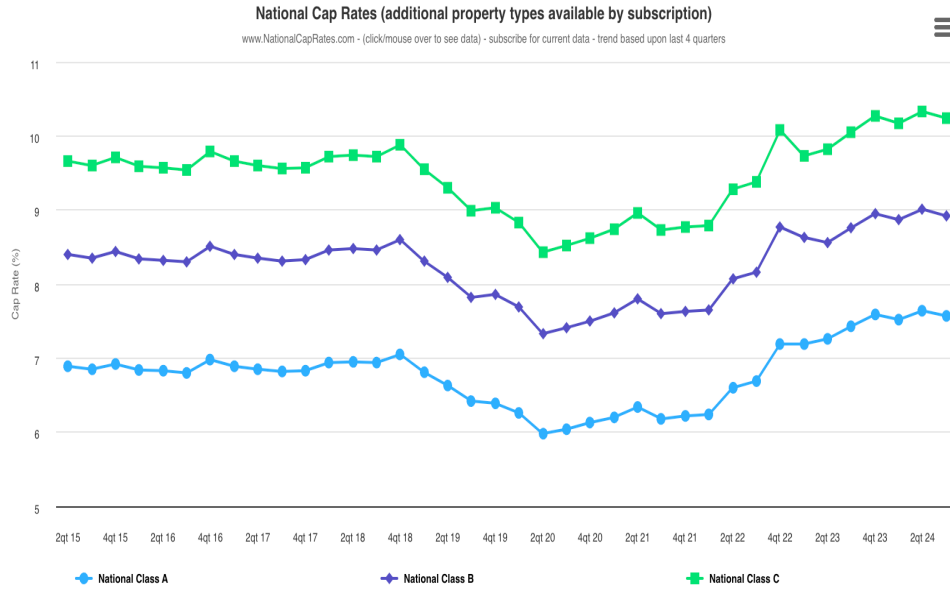




“Cap Rates have increased for last 8 of the last 10 quarters”



Market Overview

By Larry Schnepf, MAI

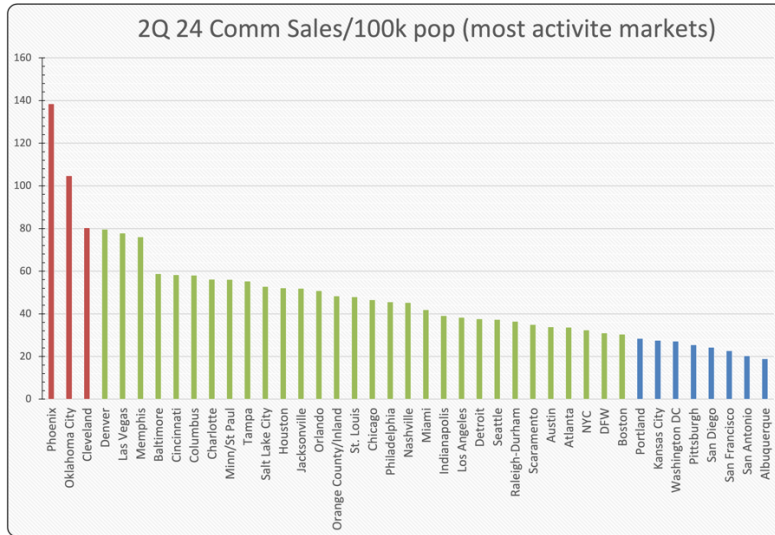
The national average Cap Rate increased 8 of the last 10 quarters. Hopefully this upward trend is beginning to stabilize leading into Q3 2024. We track 45 geographical areas and 27 property types so across the board averages are only broad-brush indicators.

The upward trend started in Q1 2022. For Class A properties, between Q1 24 and Q2 24 apartments were +13 bps, Industrial +15 pbs, retail +8 bps and office +12 bps. There were differences between property types with, for example, the cap rate Q2 2024 for Class A suburban apartments at 6.21% compared to 7.81% for senior housing. Warehouse space 6.60% outpaced flex space 7.99%. Suburban offices (7.14%) and medical offices (7.14%) performed better than CBD office space (7.90%).

Nationwide, total commercial sales volume was down, -11.3% from prior quarter and the average DOM increased by 16%. Interest rate and political uncertainty appear to be major factors fueling investors' concerns. Sellers with upcoming loan maturities are adding to market uncertainty.

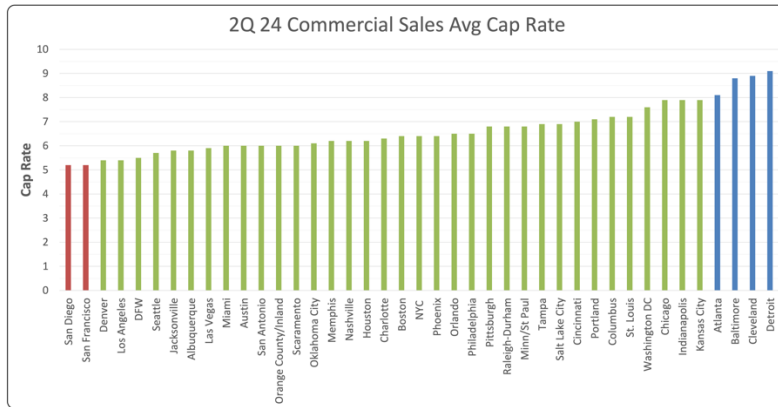


Rank of Sales Activity



Rather than look at just the total number of sales that occur in a market, in order to get a comparable picture, we took the total commercial sales and divided it by the population to get a better picture of what markets are hot and which ones are soft.

Four metro areas score an 80+ sales per 100k population with Phoenix topping the list at 138.5 with Oklahoma City. Cleveland, Denver and Las Vegas filling out the top 5.



Eight metro areas score below 30/100k population with Albuquerque, San Antonio, San Francisco and Pittsburgh the bottom 5.

The average was 47.88 sales per 100k population.

Cap Rates by City

Each month we add thousands of data points. For this past quarter, 4 markets (San Diego, San Francisco, Denver and Los Angeles), had an average cap rate of below 5.5% while 4 markets (Detroit, Cleveland, Baltimore and Atlanta) were above 8%. This is an overall market average and can vary widely between property types. Cap rates swing with changing interest rates, lending requirements and elements of demand. The average was 6.63% for Q2 2024.

City Rankings

The data indicates an increase of 56 basis point during the 2nd quarter 2024. The trend has been up for 8 of the past 10 quarters, although it looks to be stabilizing slightly based upon 1st quarter projections.

Nationwide, total commercial sales volume was down -11.3% from the prior quarter and days on the market increased from 155 to 180.

In order to get a clearer picture of the metro areas, we ranked the areas by average cap rate and sales volume per population. Combining the rankings gives us a picture of market strength (lower cap rate) and momentum (highest sales volume). Some markets appear to have high quality sales with strong tenants but otherwise a low volume of activity. The combined rankings

City	Ranking	City	Ranking
Denver	1	Columbus	21
Las Vegas	2	San Francisco	22
Oklahoma City	3	Salt Lake City	23
Jacksonville	4	Scaramento	24
Memphis	5	Cleveland	25
Phoenix	6	Philadelphia	26
Los Angeles	7	Baltimore	27
Charlotte	8	Albuquerque	28
Orange County/Inland	9	St. Louis	29
Houston	10	NYC	30
Miami	11	San Antonio	31
Seattle	12	Boston	32
DFW	13	Raleigh-Durham	33
Cincinnati	14	Chicago	34
Minn/St Paul	15	Indianapolis	35
Nashville	16	Pittsburgh	36
Orlando	17	Portland	37
San Diego	18	Detroit	38
Austin	19	Atlanta	39
Tampa	20	Washington DC	40
		Kansas City	41

For more information:

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