

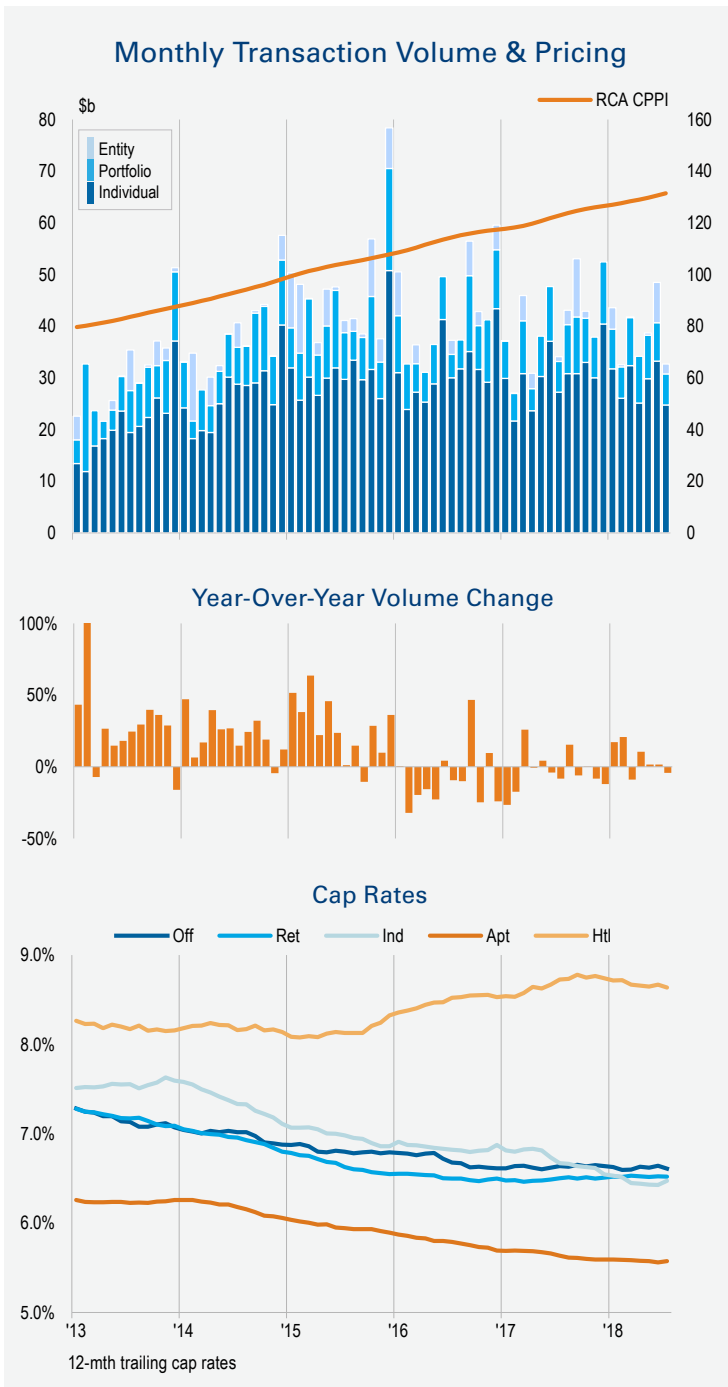
US CAPITAL TRENDS | THE BIG PICTURE

Headline deal volume fell in July driven by the third consecutive month of falling sales of individual assets. Despite this drop, deal activity is still ahead of the pace set in 2017 thanks to large portfolio and entity-level transactions.

\$32.7b Transaction volume

-4% YOY volume change

7.0% YOY price change



Portfolio and entity-level transactions have supported much of the deal volume in 2018. Into July itself, deals with these structures posted year-over-year growth in activity even as individual asset sales fell. However, this megadeal growth was driven largely by the apartment and seniors housing & care sectors. The gains from these two sectors were enough to offset declines in others.

The strongest relative growth came from the seniors housing sector, which was up 589% YOY in July. The growth was driven by four megadeals with volume totaling \$2.4b. Without these one-off transactions, deal volume for the sector would have fallen 8% YOY in July.

Across the major property types, the office sector turned in the strongest growth in the month. This growth was due to the sale of individual CBD office assets. Perhaps more notable, many of the assets which transacted are located outside of Manhattan, where CBD activity is typically concentrated.

Despite the drop in deal volume, prices continued to climb in July. The RCA CPPI for all property sectors was up 7.0% YOY in July. This pace of growth is down from the 7.4% YOY pace set in July last year. The strongest growth in prices came from the apartment sector which registered year-over-year growth of 12.0%.

The RCA CPPI for the CBD office and retail sectors each posted year-over-year increases of less than 2% in July. From an investment perspective this pace of growth is a form of decline. The FOMC is raising the fed funds rate to ward off greater inflationary pressures in the economy, with the consumer price index up 2.9% YOY in July. So, accounting for inflation, owners of CBD offices and retail properties are losing ground.

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About Real Capital Analytics

Real Capital Analytics (RCA) is the authority on the deals, the players and the trends that drive the commercial real estate investment markets. Covering all markets globally, RCA delivers timely and reliable data with unique insight into market participants, pricing and capital flows. The most active investors, lenders and advisors depend on RCA's market intelligence to formulate strategy and to source, underwrite and execute deals. An industry pioneer since 2000, RCA has offices in New York, San Jose, London and Singapore. For more information, visit: rcanalytics.com

About Capital Trends

Capital Trends reports analyze and interpret trends in the global real estate market using RCA's comprehensive data. US Capital Trends is a monthly edition comprising an overview of the U.S. market and separate reports on the five main property types. Asia Pacific, Europe and Global Capital Trends are published quarterly.

Methodology

Data based on office, retail, industrial, hotel, apartment, senior housing and development site properties and portfolios \$2.5m and greater unless otherwise stated.

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