Green Street
# Real Estate Alert
THE WEEKLY UPDATE ON THE INSTITUTIONAL MARKETPLACE

# Apartment Sales Surge Slows; CBRE Leads

Sales of large apartment properties skyrocketed to a fresh record in the first half, though soaring debt costs and rampant inflation have drastically curtailed momentum in recent weeks.

The six-month period saw $108.4 billion of trades worth at least $25 million, about 70% above the previous high-water mark of $63.9 billion set a year earlier, according to **Green Street's** Sales Comps Database. **CBRE** was again the sector's most active brokerage, though its lead over second-place **Newmark** narrowed further. **JLL, Cushman & Wakefield** and **Walker & Dunlop** rounded out the top five.

Despite the first-half's surging sales volume, one market pro bemoaned the result as "yesterday's news," given the market's subsequent slowdown.

"The market is looking for some direction," said **Brian McAuliffe,** president of CBRE's multifamily capital-markets division. "No one wants to make investments today that could be worth less in six to nine months, so investors are looking for data points to provide comfort levels as it relates to the stability of the market."

For much of the half, sales activity in the multifamily sector remained robust, with the bulk of volume in the period, some $63.5 billion, coming in the second quarter — after the **Federal Reserve** began raising interest rates to combat stubbornly high inflation.

But the torrid pace of sales hit a wall after the June release of the consumer price index for May, which at 8.6% marked the steepest jump since 1981. The higher-than-expected reading sent tremors through the capital markets and raised fears that the economy could tip into a recession.

"If there is one factor that is more correlated to rent growth than anything else, it's employment and wage growth," said **Kris Mikkelsen,** executive vice president of investment sales and equity capital-raising for multifamily properties at Walker & Dunlop. "That growth question came into play — front and center — after June 10."

Amid the turmoil, few believe annual volume will rival 2021's record $239.3 billion total. While fundamentals remain strong, they say, the exuberance and fear-of-missing-out mindset among investors have evaporated.

"Highly levered buyers are essentially out of the market, and fewer parties are showing up to bid on assets," said **Marshall Hayes,** who joined **Ares Management** this month as partner and head of U.S. multifamily acquisitions.

"Last year, when a deal went under contract, there were multiple buyers lined up at the strike price, making price adjustments during the contract period much less likely," said **Jeff Day,** Newmark's chief strategy officer and president of its multifamily capital-markets division. "To compare the market to Olympic diving, the degree of

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## Multifamily Broker Contest Heats Up

The race to be the biggest apartment-sales broker is tighter than ever.

**CBRE,** which has topped **Real Estate Alert's** annual multifamily league tables since 2005, remains on pace to retain its crown. But **Newmark** — CBRE's closest competitor since 2017 — is on the verge of closing the gap.

CBRE brokered $14.2 billion of sales in the first six months, good for a 14.1% market share. Newmark was a scant $251 million behind, advising sellers on $13.9 billion of trades and garnering a 13.9% market share.

Newmark has been winnowing CBRE's lead in each of the last several years. At yearend 2021, CBRE's market share was 18.2% and Newmark's was 16.6%. For 2020, CBRE topped the rankings with a 24.4% market share versus 20.2% for Newmark. And in 2019, CBRE led Newmark 26.9% to 15.8%.

The last other firm to finish in second place in a yearend table was **HFF** — now owned by **JLL** — in the 2016 ranking. JLL at midyear remained in third place, a spot it has held each year since it bought HFF in July 2019. The brokerage advised on $12.2 billion of sales, for a market share of 12.2%, up from 11.9% at the same time last year.

**Cushman & Wakefield** represented sellers on $11.3 billion of trades, good for an 11.3% market share and fourth place. **Walker & Dunlop** was in fifth place with $10.6 billion of sales, or a 10.6% market share.