Low-Value Properties Show Persistent Price Gains

Transaction Volume Slides While Average Time on Market Falls, According to CoStar Data

By Mark Heschmeyer

U.S. commercial property prices in January bumped up against the same hurdles of the prior year: high borrowing costs and a depressed number of property sales that dragged on valuations.

But buyers showed a preference for more affordable properties, driving up prices. And the average time on the market got shorter, a positive sign for investment.

The findings, the most recent pricing data available, are part of CoStar's Commercial Repeat-Sale Indices that track when a previously sold property is sold again in a process called a repeat sale.

The January CCRSI report is based on 923 repeat-sale pairs and 301,975 repeat sales since 1996. The tally marked the third-lowest monthly total in 11 years.

Historically, it is common to see a large drop in sales volume in January compared to the December closing rush. However, when pitted against monthly transaction volumes from the prior year, January sales fell 25.3%, or $1.7 billion, compared to January 2023.

Composite pair volume of $96.2 billion during the 12 months that ended in January was 49.4% lower than the 12 months ended in January 2023.

Property sales pricing diverged between high-dollar deals versus low-dollar deals.

The value-weighted U.S. composite index, reflecting big property sales common in major cities, declined for the fifth consecutive month — a fall of 1.1% over the prior month. In addition, the index was down 10% in the 12 months ended in January and was off by 17.1% from the July 2022 all-time high.

Meanwhile, the equal-weighted U.S. composite index, showing the more numerous, lower-priced property deals typical in small markets, climbed 1.4% higher in January. The index jumped 3.3% in the 12 months ended in January but was 1.7% below the September 2023 all-time high.

"The divergent price action among the value-weighted and equal-weighted indices in January 2024 likely reflects continued interest rate volatility," said Chad Littell, national director of U.S. capital markets analytics for CoStar Group and author of the CCRSI report. "It illustrates the propensity for high-value trades to rely on debt markets, where interest rates have been rising since December 2023."

While transaction volume was down year over year in January, the average time on the market for for-sale properties dropped 4.3% in the 12 months ended in January, a sign of the potential for improved liquidity in the market, according to Littell.