

This Firm Suggests Property Sellers May Be Gaining More Bargaining Power

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By **Philippa Maister** | August 29, 2023

Commercial property sellers appear to be gaining more bargaining power as average asking prices move up and inventory slows, according to a new report from CREXI that examines trends within its customer base.

Across all CRE types, the average asking price rose 4.7% in July, following a slow Q2. Simultaneously, CREXI's marketplace saw a slight decline in new assets available for sale in July and an 11.2% drop in inventory compared to June.

"Sellers who can wait out potential market shifts realize they can be patient for the right price and buyer, especially those possessing good real estate and solidly-proven asset classes," CREXI commented.

The report also noted, however, that there was wide variation in performance among the metros analyzed. Several cities experienced falls in sales prices per square foot, some steep, others milder, with a similar spread among the gainers.

By property type, there was some variation in the change in month over month average asset sale prices per square foot. Land leapt 28.36%. Multifamily rose 4.45% to \$275.94, office was up 4.11% to \$240.65, and retail increased 6.52% to \$308.20. Industrial sales were the sole loser, down 2.4% from June averages to \$159.24 per square foot, showing "some correction and mildly cooled demand due to new deliveries," the report commented. This latter observation illustrates the limitations of basing observations on a finite data set as **other reports have found (<https://www.globest.com/2023/08/28/interest-rate-hikes-havent-made-a-dent-in-industrial-prices/>)** that industrial pricing has remained steady.

Occupancy on average remained static, "just shy of 80% marketwide and across asset classes," the report noted. The rise in office prices came in spite of a 2% slippage from June's 63% occupancy average. Retail occupancy remained at an average 84% — its performance further demonstrating "the sector's quiet resilience to macroeconomic factors," CREXI stated.

The rental market also saw overall gains. Leasing rates bounced up 3.1% in July to an average of \$1.20 per square foot monthly, accompanied by a significant 28.8% dip in new listings compared to June. Industrial leases beat the overall average, however, rising 8.9% in July, or \$0.96 per square foot. Office leases also jumped 6.3% from June levels, while 21% fewer new lease offerings were posted. These two asset classes accounted for most of the overall improvement in leasing rates.

In contrast, restaurant average asking lease rates fell 2.9% in July, while retail rates remained unchanged.