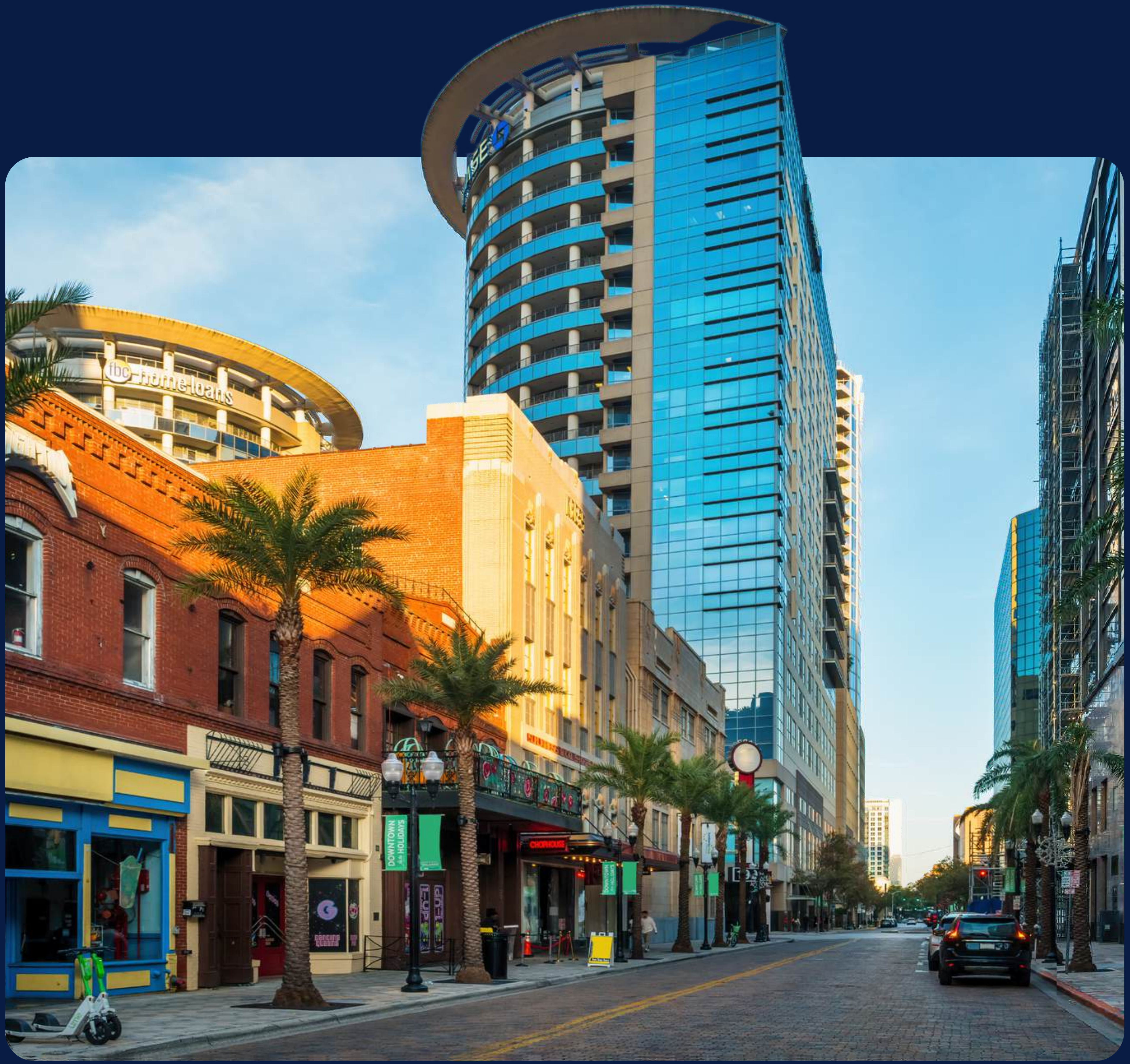
SitusAMC Insights

Top 3 Bottom 3 Metros

1Q 2025

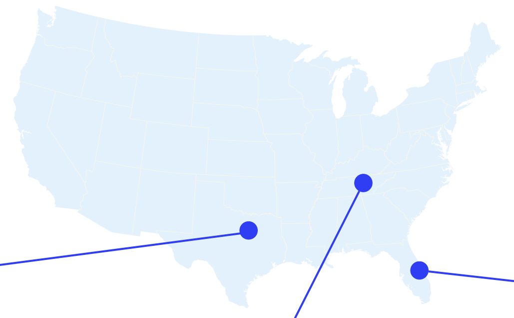
SLIDESHOW



INTRODUCTION

Our Top 3 markets, located in the Southeast, are benefitting from strong short-term economic momentum and total returns almost 100 bps or higher than the national average. Unlike recent previous quarters, performance was not determined by one specific segment. Along with subpar long-term economic growth prospects, all three bottom markets, based in California, had total returns at least 75 bps below the national average.

TOP 3 METROS 1Q 2025



HOUSTON, TX

NASHVILLE, TN

ORLANDO, FL

Top 3 Metros 1Q 2025

#1 NASHVILLE, TN

Nashville's CRE market is as lively as its music scene, and it remained our top market for the second straight quarter. Total NPI Classic CRE returns were unchanged at a strong 3%, the highest among the major markets and highest for the Nashville market since the 2Q 2022. Nashville owes its top ranking to strong performance in the industrial segment (5.3%), which comprises 47% of the metro's total CRE market. Retail also performed well at 4%, though the segment only accounts for 3% of the total market. Nashville's retail performance was the third highest among the metros in our analysis.

INDUSTRIAL FUNDAMENTALS

Nashville industrial occupancies are down 80 bps year-over-year (YoY), but 690 bps above their pre-pandemic level, per Reis. Effective rents remain strong, up 2.6% YoY, 100 bps ahead of the U.S. pace. Industrial occupancies are forecast to rise 130 bps by 2029, according to SitusAMC Insights. Effective rents are projected to rise by an average of 2.4% per year through 2029, 50 bps above the national average. Industrial completions are expected to average 1.6 million SF per year through 2029, 12.1% lower than their annual average over the past 10 years.

1Q 2025 BY THE NUMBERS

Total Returns	Capital Returns	Income Returns
+3%	+1.9%	+1.1%

Source: NCREIF Classic NPI, 1Q 2025. The sum of capital and income returns may not equal total returns due to rounding.

#2 HOUSTON, TX

Space City has long set its sights on the skies, and Houston's CRE performance is also flying high. The market's NPI Classic return of 2.8% was the best in three years. At 3.7%, apartment was the top-performing segment in Houston and the strongest apartment performance across the metros in our analysis. Apartment accounts for 27% of Houston's total CRE market. Industrial, which makes up 24% of the total CRE market, was also solid, scoring the third highest industrial returns among the metros in our analysis, at 3.4%.

APARTMENT FUNDAMENTALS

Houston apartment occupancies are down 50 bps YoY, 320 bps below their pre-pandemic level, according to Reis. Though occupancy has weakened following years of strong supply, effective rent growth is up 2.6% YoY, 100 bps ahead of the U.S. pace. Apartment occupancies are forecast to fall 340 bps by 2029, per SitusAMC Insights. Effective rents are projected to rise by an average of 2.4% per year through 2029, on par with the national average. Apartment completions look to be constrained at about 5,000 units per year through 2029, 65.8% lower than their annual average over the past decade.

1Q 2025 BY THE NUMBERS

Total Returns	Capital Returns	Income Returns
+2.8%	+1.5%	+1.3%

Source: NCREIF Classic NPI, 1Q 2025. The sum of capital and income returns may not equal total returns due to rounding.

Top 3 Metros 1Q 2025

#3 ORLANDO, FL

Orlando temperatures are burning hot and so is its CRE performance. The metro posted a 2.2% total return, according to NCREIF. Orlando owes its third place ranking in our analysis to strong retail performance. Retail accounts for 23% of the total CRE market, and at 4.2%, its performance ranked second among the metros in our analysis. Orlando's CRE market is dominated by the apartment segment, which accounts for 50% of the market's total value; however, multifamily performance was mediocre at 1.2%.

RETAIL FUNDAMENTALS

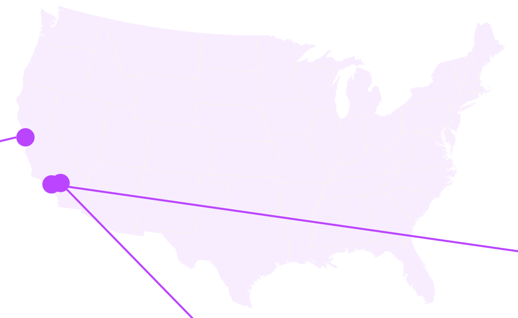
Orlando retail occupancies are up 20 bps YoY, but remain 60 bps below their pre-pandemic level, per Reis. Effective rents are up 1% YoY, though 10 bps behind the U.S. pace. Retail occupancies are forecast to rise 110 bps by 2029, according to SitusAMC Insights. Effective rents are projected to rise by an average of 1.4% per year through 2029, the same as the national average. Retail completions are expected to average 131,000 SF per year through 2029, 64.7% lower than their annual average over the past decade.

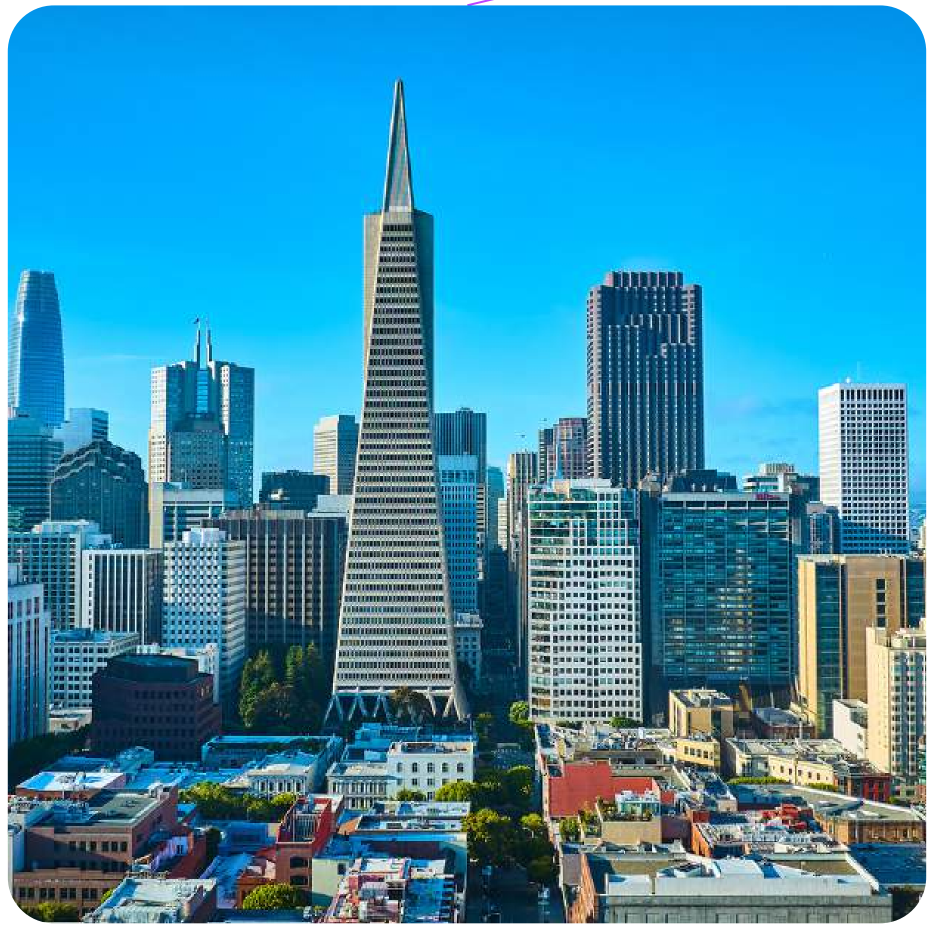
1Q 2025 BY THE NUMBERS

Total Returns	Capital Returns	Income Returns
+2.2%	+1.0%	+1.2%

Source: NCREIF Classic NPI, 1Q 2025. The sum of capital and income returns may not equal total returns due to rounding.

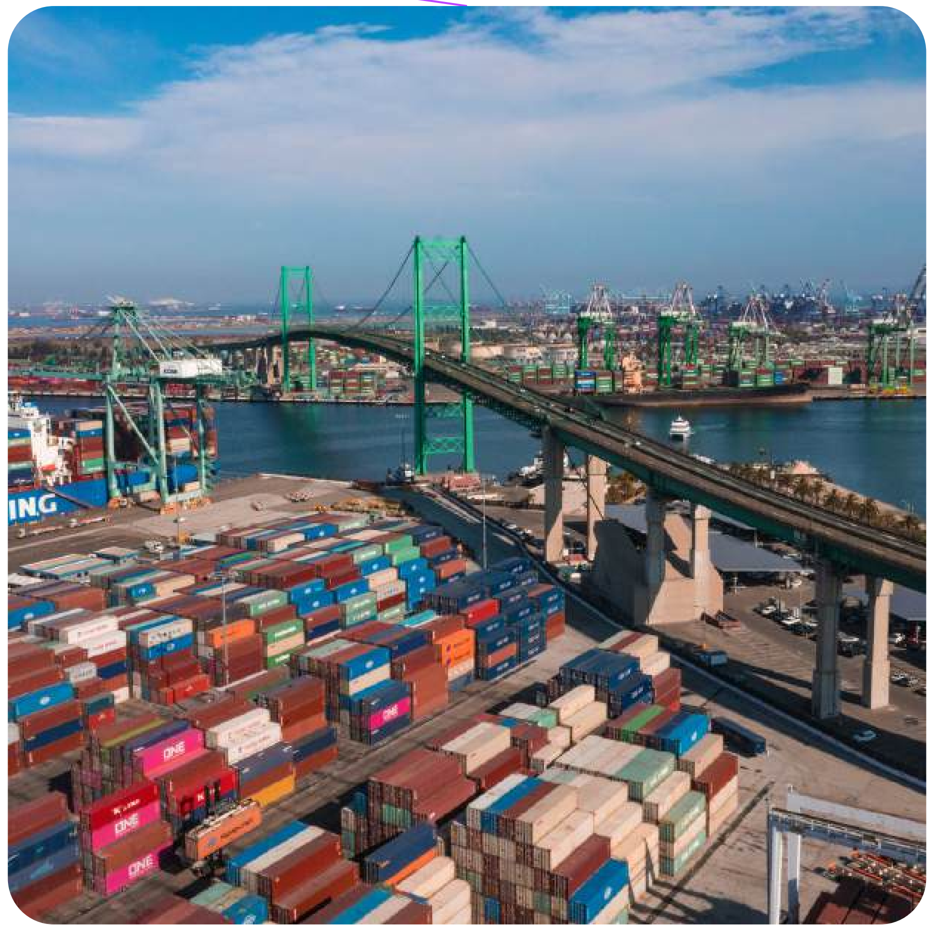
BOTTOM 3 METROS 1Q 2025





SAN FRANCISCO, CA

RIVERSIDE-SAN BERNARDINO, CA



LOS ANGELES, CA

Bottom 3 Metros 1Q 2025

#1 RIVERSIDE-SAN BERNARDINO, CA

San Bernardino and Riverside rank worst in the nation for ozone pollution, according to the American Lung Association -- and also hover at the bottom for CRE performance among the metros in our analysis. Riverside-San Bernardino was the sole market with a negative total return, per NCREIF. At -0.2%, Riverside-San Bernardino has endured 10 consecutive quarters of negative returns, though the market has been steadily improving over the past year. Industrial accounts for 88% of the total CRE market and the segment's -0.3% return was the second weakest among the metros in our analysis. Riverside-San Bernardino's strongest segment was apartment, though it accounts for just 7% of the total CRE market. Still, Riverside-San Bernardino's multifamily performance was middle-of-the-pack among the metros in our analysis at 1.3%.

INDUSTRIAL FUNDAMENTALS

Riverside-San Bernardino industrial occupancies fell 260 bps YoY, 120 bps below their pre-pandemic level, per Reis. Alongside muted demand, effective rents declined 0.7% YoY, 230 bps behind the US pace. Industrial occupancies are forecast to grow 160 bps by 2029, according to SitusAMC Insights. Effective rents are projected to decrease by an average of 1% per year through 2029, 100 bps below the national average. Following elevated completions in 2023 and 2024, industrial completions are expected to average 9.8 million SF per year through 2029, 44.9% lower than their annual average over the past decade.

1Q 2025 BY THE NUMBERS

Total Returns	Capital Returns	Income Returns
-0.2%	-1.1%	+0.9%

Source: NCREIF Classic NPI, 1Q 2025. The sum of capital and income returns may not equal total returns due to rounding.

Bottom 3 Metros 1Q 2025

#2 SAN FRANCISCO

The fog has not lifted for San Francisco CRE, with the metro in the bottom 3 rankings for the last two years. San Francisco total returns turned positive for the first time since second quarter 2022, according to NCREIF. The majority (64%) of San Francisco's CRE market is office, which at -0.1%, was the third-worst performing office market in our analysis. Though accounting for just 5% of the total CRE market, San Francisco retail is struggling, with a return of -3.2%, the worst retail performance among the metros studied.

FUNDAMENTALS

San Francisco office occupancies were down 290 bps YoY, 1,400 bps below their pre-pandemic level, according to Reis. Effective rents were also down by 1.6% YoY, 220 bps behind the U.S. pace. With office occupancies are forecast to decline 240 bps by 2029, effective rents are projected to fall by an average of 1.0% per year through 2029, 80 bps below the national average, per SitusAMC Insights. Office completions are expected to average 221,000 SF per year through 2029, 85.1% lower than their annual average over the past decade.

1Q 2025 BY THE NUMBERS

Total Returns	Capital Returns	Income Returns
+0.1%	-1.2%	-1.3%

Source: NCREIF Classic NPI, 1Q 2025. The sum of capital and income returns may not equal total returns due to rounding.

Bottom 3 Metros 1Q 2025

#3 LOS ANGELES, CA

Los Angeles is home to the famous Oscar statue, but its CRE market is not so golden. CRE performance was weak at 0.5% -- the first positive total returns since the third quarter of 2022. With industrial comprising 45% of LA's total CRE performance, the metro's -0.4% industrial return dragged on its overall performance. Los Angeles had the worst-performing industrial market among the metros analyzed. Office comprises 21% of the total CRE market, and with a return of 1.7%, the segment buoyed the metro's total returns. Still, LA had the third-worst performing office segment among the metros in our analysis.

FUNDAMENTALS

Los Angeles industrial occupancies dipped 160 bps YoY, 40 bps below their pre-pandemic level, according to Reis. Anemic demand is weighing on rent growth, with effective rents down 2.7% YoY, 420 bps behind the U.S. pace. Industrial occupancies are forecast to fall 130 bps by 2029, per SitusAMC Insights. Effective Rents are projected to tumble by an average of 0.4% per year through 2029, 150 bps below the national average. Industrial completions are expected to average 3.7 million SF per year through 2029, 7.3% higher than their annual average over the past decade.

1Q 2025 BY THE NUMBERS

Total Returns	Capital Returns	Income Returns
+0.5%	-0.6%	+1.1%

Source: NCREIF Classic NPI, 1Q 2025. The sum of capital and income returns may not equal total returns due to rounding.

RANKING RECAP

Top 3 Metros 3Q 2024

#1 NASHVILLE, TN

#2 HOUSTON, TX

#3 ORLANDO, FL

Bottom 3 Metros 3Q 2024

#1 RIVERSIDE-SAN BERNARDINO, CA

#2 SAN FRANCISCO, CA

#3 LOS ANGELES, CA

SitusAMC Insights

To learn more about SitusAMC's research, data, and analytic tools, email:

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