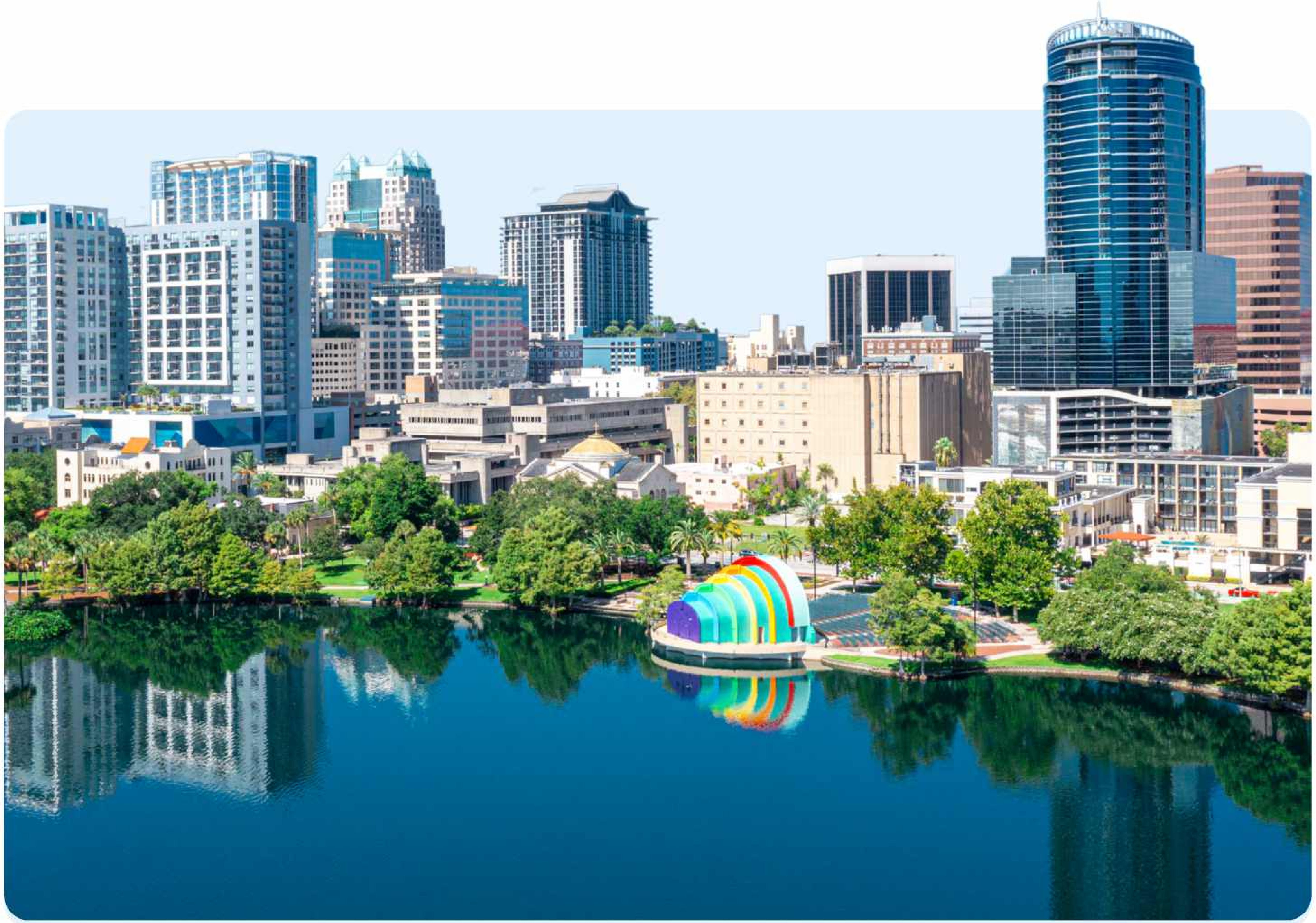
Top 3 Bottom 3 Metros

4Q 2024

SLIDESHOW

INTRODUCTION

Our Top 3 markets hail from the Sunbelt and boast solid short-term economic outlooks and population growth ahead of the national average. The industrial segment was the biggest determiner of performance in our rankings. The Top 3 market industrial returns were between 140 bps and 350 bps above the national average. All three bottom markets had industrial returns below the national average, with two California cities registering negative returns in the fourth quarter.



TOP 3 METROS 4Q 2024

DALLAS - FT. WORTH, TX

NASHVILLE, TN

ORLANDO, FL

Top 3 Metros 4Q 2024

#1 NASHVILLE, TN

Similar to the Opry, it was the Grand Ol' CRE market in Nashville in the fourth quarter, with total NPI Classic CRE returns at 3%, the highest among the major markets. Nashville's returns were the highest since the second quarter 2022, following four consecutive quarters of growth. Nashville owes its lofty ranking to strong performance in the industrial segment (4.7%), which accounts for 46% of the metro's total CRE market. Office also performed well at 2.3%. Nashville took the top spot among the major markets for industrial and office in the fourth quarter.

INDUSTRIAL FUNDAMENTALS

Nashville industrial occupancies are up 50 bps YoY, 740 bps above their pre-pandemic average. Effective rents are up 2.3% YoY, 70 bps ahead of the U.S. pace. Effective rents are now 37.2% above their pre-pandemic level. However, tempering supply should help occupancies rise, reaching 97.3% by 2029, a 60 bps increase, according to SitusAMC Insights' forecast. Effective rents are projected to rise by an average of 4.1% per year through 2029, 80 bps above the national average. Nashville industrial deal volume was down 73% from a year ago, according to MSCI Real Assets. However, deal activity has totaled $1.4B over the past four quarters, 37% higher than the previous four quarters.

4Q 2024 BY THE NUMBERS

Total Returns	Capital Returns	Income Returns
+3.0%	+1.8%	+1.3%

Source: NCREIF Classic NPI, 4Q 2024. The sum of capital and income returns may not equal total returns due to rounding.

#2 DALLAS-FT. WORTH (DFW), TX

DFW lassoed the second spot on our list. The market's NPI Classic return of 2.3% was the highest in more than two years. At 3.5%, retail was the top performing sector in DFW, though the segment only accounts for 12.2% of the metro's CRE market. DFW had the second-best retail performance among the major metros. Industrial comprises nearly 70% of the metro's CRE market and at 2.6%, was formidable in the fourth quarter. DFW industrial performance ranked in the top 10 of all major markets.

RETAIL FUNDAMENTALS

DFW retail occupancies are up 50 bps YoY and are 60 bps above their pre-pandemic level. Effective rents are up 1.7% over the year, 60 bps ahead of the U.S. pace. SitusAMC Insights forecasts DFW retail occupancies to rise 150 bps by 2029 to 89.9%. With completions expected to be slightly above their historic levels, effective rents are projected to rise by an average of 2.3% per year through 2029, 50 bps above the national average. Fourth-quarter retail deal volume was up 3% from a year ago, per MSCI Real Assets. DFW retail volume has totaled $1.6B over the past four quarters, 8% lower than the previous four quarters.

4Q 2024 BY THE NUMBERS

Total Returns	Capital Returns	Income Returns
+2.2%	+1.1%	+1.1%

Source: NCREIF Classic NPI, 4Q 2024. The sum of capital and income returns may not equal total returns due to rounding.

#3 ORLANDO, FL

The thrill of theme parks may be spilling over into Orlando's CRE market, with the metro placing third in our rankings. Orlando NPI Classic returns were 2.1% -- the best performance for the metro since second quarter 2022. Orlando CRE market is dominated by apartment, which accounts for 50% of the market's total value; however, it was not the top-performing property type in the fourth quarter. At 2.9%, industrial took that honor, though it accounts for just 25% of the CRE market.

APARTMENT FUNDAMENTALS

Orlando apartment occupancies are down 20 bps YoY and 240 bps below their pre-pandemic level. However, effective rents are up 1.3% YoY, 50 bps ahead of the U.S. pace. Occupancies are expected to grow 440 bps by 2029, according to Situs AMC's forecast. Apartment completions are expected to be well below their historical average, helping effective rents to rise by an average of 3.5% per year through 2029, 10 bps above the national average. Orlando deal volume was up 65% from a year ago. Transaction volume has totaled $2.3B over the past four quarters, 21% higher than the previous four quarters.

4Q 2024 BY THE NUMBERS

Total Returns	Capital Returns	Income Returns
+2.1%	+0.8%	+1.3%

Source: NCREIF Classic NPI, 4Q 2024. The sum of capital and income returns may not equal total returns due to rounding.

BOTTOM 3 METROS 4Q 2024

SAN FRANCISCO, CA

RIVERSIDE-SAN BERNARDINO, CA

BOSTON, MA

Bottom 3 Metros 4Q 2024

#1 SAN FRANCISCO, CA

San Francisco CRE continues to go downhill, with the metro performing worst in our analysis, as was the case throughout 2024. Though increasing almost 90 bps from last quarter, San Francisco had a first quarter return of -0.8%, according to NCREIF. Apartment was the only segment with a positive return of 1.1%; however, apartment accounts for just 24% of the total market. The majority (64%) of San Francisco's CRE market is office, which was the worst-performing segment for the metro at -1.6%. All San Francisco property types placed in the bottom 10 among the major markets.

OFFICE FUNDAMENTALS

San Francisco occupancies are down 340 bps YoY, a whopping 1,380 bps below their pre-pandemic level. Effective rents are down 2.7% YoY, 300 bps behind the U.S. pace. Office occupancies are forecast to decline by just 10 bps by 2029, according to SitusAMC Insights, despite completions being historically low over the next few years. Effective rents are projected to fall by an average of 0.1% per year through 2029, 70 bps below the national average. San Francisco office deal volume was up 137% from a year ago, according to MSCI Real Assets. Activity has totaled $1.2B over the past four quarters, 44% higher than the previous four quarters.

4Q 2024 BY THE NUMBERS

Total Returns	Capital Returns	Income Returns
-0.8%	-2.1%	+1.2%

Source: NCREIF Classic NPI, 4Q 2024. The sum of capital and income returns may not equal total returns due to rounding.

#2 RIVERSIDE-SAN BERNARDINO, CA

Though Riverside is at the heart of the Inland Empire, its CRE market is not. Returns improved by more than 70 bps QoQ, but were in the red at 0.8%. The market has seen negative returns every quarter for two years. The major driver of Riverside-San Bernardino CRE is industrial, comprising 88% of the total market. Industrial returns were -1.0%; Riverside-San Bernardino was the worst-performing industrial market in our analysis, with negative returns for two years. Apartment and retail returns lifted the metro, but each only account for about 5% of the total CRE market.

INDUSTRIAL FUNDAMENTALS

Riverside-San Bernardino occupancies are down 420 bps YoY, 120 bps below their pre-pandemic level. Effective rents are down 1.0% YoY, 260 bps behind the U.S. pace. SitusAMC Insights expects occupancies to rise by 320 bps by 2029 on the back of below-average completions. Effective rents are projected to rise by an average of 2% per year through 2029, 130 bps below the national average. Industrial deal activity was up 44% from a year ago, per MSCI Real Assets. Riverside-San Bernardino industrial volume has totaled $2.9B over the past four quarters, 42% lower than the previous four quarters.

4Q 2024 BY THE NUMBERS

Total Returns	Capital Returns	Income Returns
-0.8%	-1.6%	+0.9%

Source: NCREIF Classic NPI, 4Q 2024. The sum of capital and income returns may not equal total returns due to rounding.

Bottom 3 Metros 4Q 2024

#3 BOSTON, MA

Boston's baked beans may be hearty, but its CRE performance is weak. At -0.1%, the metro earned the third-worst ranking in our list. Except for the previous quarter, the metro's returns have been in the red for two years. With office accounting for 53% of the overall Boston market, the segment weighed on the metro with a return of -1.3%. It was the tenth consecutive quarter of negative office returns. Boston office was ranked in the bottom 10 across the major markets. Retail saw a respectable 2.3% return, though it accounts for just 4% of Boston's CRE market.

OFFICE FUNDAMENTALS

Boston office occupancies are down 150 bps YoY, more than 500 bps below their pre-pandemic level. Effective rents are down 1.1% YoY, 140 bps behind the U.S. pace. However, with completions expected to be substantially lower than their historical average, occupancies are forecast to rise by 110 bps by 2029, according to SitusAMC Insights. Effective rents are projected to rise by an average of 1.5% per year through 2029, 70 bps above the national average. Boston's office deal activity was up 75% from a year ago, per MSCI Real Assets. Volume has totaled $3.2B over the past four quarters, 26% higher than the previous four quarters.

4Q 2024 BY THE NUMBERS

Total Returns	Capital Returns	Income Returns
-0.1%	-1.4%	+1.2%

Source: NCREIF Classic NPI, 3Q 2024.

RANKING RECAP

Top 3 Metros 3Q 2024

#1 NASHVILLE, TN

#2 DALLAS-FT. WORTH (DFW), TX

#3 ORLANDO, FL

Bottom 3 Metros 3Q 2024

#1 SAN FRANCISCO, CA

#2 RIVERSIDE-SAN BERNARDINO, CA

#3 BOSTON, MA

SitusAMC Insights

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

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