SitusAMC Insights

Top 3 Bottom 3 Metros

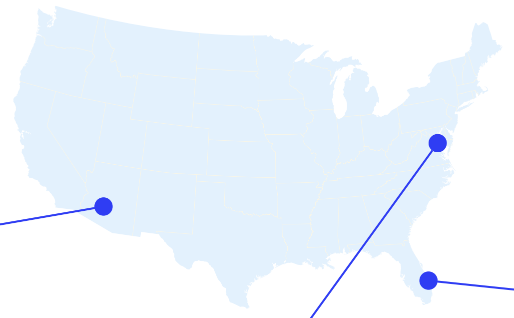
2Q 2025

SLIDESHOW

INTRODUCTION

Our Top 3 markets, which span from the East Coast to the Southwest, are benefitting from recent population booms, helping to drive total returns of almost 100 basis points (bps) or more than the national average. All Bottom 3 markets hail from the West Coast, and posted total returns at least 70 bps below the national average. Industrial was a big determinant of poor performance among the bottom metros. All data are for second quarter 2025, unless otherwise noted.

TOP 3 METROS 2Q 2025



PHOENIX, AZ

WASHINGTON, D.C.

MIAMI, FL

Top 3 Metros 2Q 2025

#1 WASHINGTON, D.C.

Washington, D.C., earned the top spot through strong CRE performance, especially in the dominant multifamily sector. Total NPI Classic CRE returns increased 150 bps to 2.3%, the highest in more than three years. The metro performed relatively well across all segments, but owes its number one ranking to the 2.8% total return in apartment, which accounts for 56% of the total CRE market. D.C.'s apartment performance was the third highest among metros in our analysis.

APARTMENT FUNDAMENTALS

Washington, D.C., apartment occupancies are down 180 bps year-over-year (YoY) and are 370 bps below their pre-pandemic level, per Reis. However, effective rents remain strong, up 3.1% YoY and 140 bps ahead of the U.S. pace. Washington, D.C., apartment occupancies are forecast to rise 470 bps by 2029, according to SitusAMC Insights. Effective rents are projected to rise by an average of 2% per year through 2029, but that's 90 bps below the national average. Apartment completions are expected to average 2,909 units per year through 2029, 36% below their annual average over the past 10 years.

2Q 2025 BY THE NUMBERS

Total Returns	Capital Returns	Income Returns
+2.3%	+1%	+1.3%

Source: NCREIF Classic NPI, 2Q 2025. The sum of capital and income returns may not equal total returns due to rounding.

#2 MIAMI, FL

Miami's CRE returns this quarter were as stellar as its beaches. Total returns soared to the highest level in nearly three years, increasing almost 20 bps to about 2.2%, according to NCREIF. Though office was the strongest segment for Miami -- and the third highest returns among the metros in our analysis -- the segment comprises just 9% of its total CRE market. The relatively strong industrial return of 2.3% propelled the city into the Top 3. Industrial comprises about 50% of Miami's CRE market and has been the metro's top-performing segment for the past three years.

INDUSTRIAL FUNDAMENTALS

Miami industrial occupancies fell 70 bps YoY, but remain 340 bps above their pre-pandemic level, per Reis. Effective rents grew 1.7% YoY, 40 bps ahead of the U.S. pace. Industrial rents are projected to rise by an average of 2.7% per year through 2029, 30 bps above the national average, according to SitusAMC Insights. Industrial completions are expected to average 2.5 million square feet (msf) per year through 2029, about 20% lower than their annual average over the past decade. Still, occupancies are forecast to decline 200 bps by 2029 amid the new supply.

2Q 2025 BY THE NUMBERS

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

Source: NCREIF Classic NPI, 2Q 2025. The sum of capital and income returns may not equal total returns due to rounding.

Top 3 Metros 2Q 2025

#3 PHOENIX, AZ

Phoenix rounds out the Top 3 metros with a total return of 2.1%, an 80 bps increase from the previous quarter. That's the metro's strongest performance since the second quarter of 2022. Industrial and apartment comprise the largest shares of Phoenix's total CRE market, at 39% and 34%, respectively. Phoenix scored the highest industrial returns among the metros in our analysis. However, following a more than 100 bps increase, retail turned in the strongest returns among metro's property types at 2.8%. Retail accounts for 22% of Phoenix's total CRE market value.

RETAIL FUNDAMENTALS

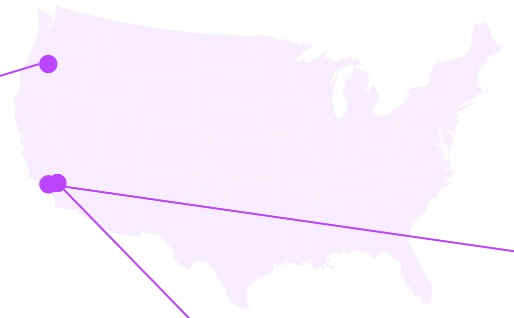
Though Phoenix retail outperformed most markets in our analysis, occupancies dipped 50 bps YoY, per Reis. Effective rents rose 0.4% YoY, 60 bps behind the U.S. pace, but 2.1% above their pre-pandemic levels. However, retail occupancies are forecast to grow 50 bps by 2029, according to SitusAMC Insights. Retail completions are expected to average 137,500 square feet per year through 2029, 56% lower than their annual average over the past decade. Still, effective rents are projected to rise by an average of 1.1% annually through 2029, 50 bps below the national average.

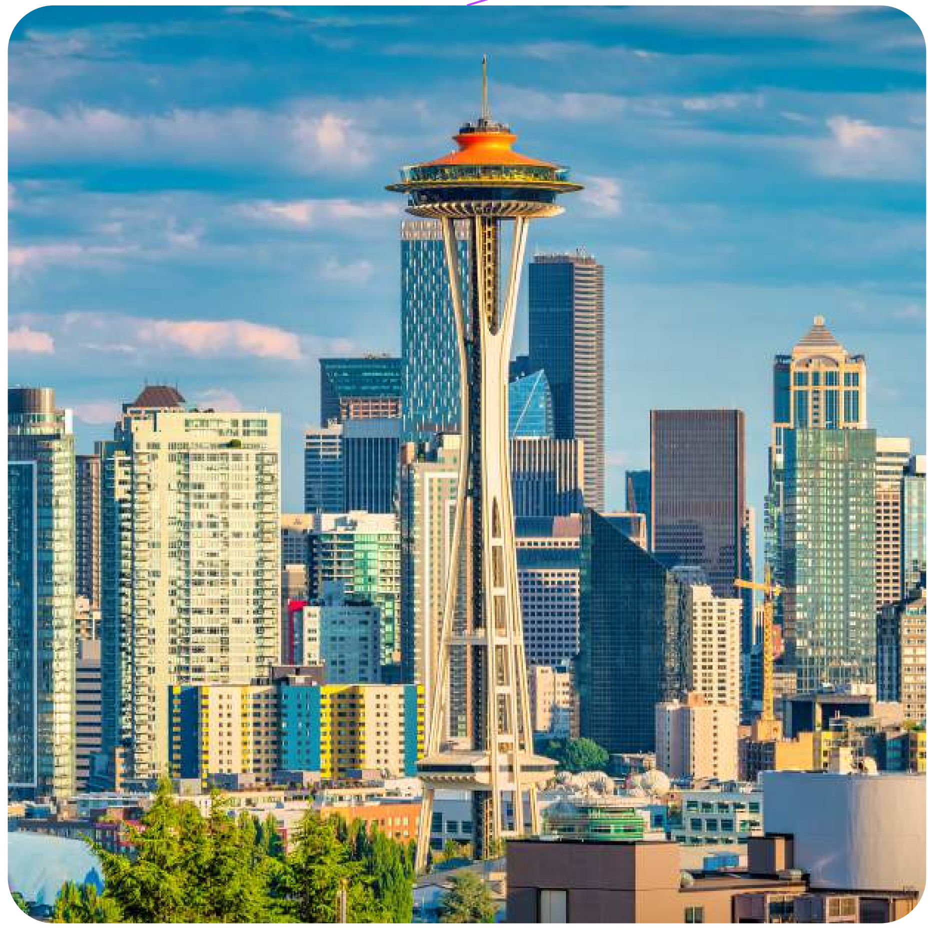
2Q 2025 BY THE NUMBERS

Total Returns	Capital Returns	Income Returns
+2.1%	+0.9%	+1.2%

Source: NCREIF Classic NPI, 2Q 2025. The sum of capital and income returns may not equal total returns due to rounding.

BOTTOM 3 METROS 2Q 2025





SEATTLE, WA

RIVERSIDE-SAN BERNARDINO, CA

LOS ANGELES, CA

Bottom 3 Metros 2Q 2025

#1 RIVERSIDE-SAN BERNARDINO, CA

Riverside-San Bernardino performed worst among the metros in our analysis for the second straight quarter. It was the only market with a negative total return, per NCREIF, though the metro did see a nearly 15 bps improvement from 1Q 2025. The industrial sector, which accounts for 88% of the metro's total CRE market value, declined slightly to -0.4%. Riverside-San Bernardino industrial returns have been in the red since the end of 2022. On the bright side, the metro ranked in the top five for retail returns. But because the segment only represents 5% of the metro's total CRE market value, it did little to offset the poor industrial performance.

INDUSTRIAL FUNDAMENTALS

Inland Empire industrial space market fundamentals are weak. Occupancies fell 170 bps YoY and sit 150 bps below their pre-pandemic levels, per Reis. Effective rents declined 1.4% YoY, 270 bps behind the U.S. pace. However, Riverside industrial occupancies are expected to improve by 260 bps by 2029, according to SitusAMC Insights. Completions are forecast to average 10.8 msf per year through 2029, 39% lower than their annual average over the past decade. This contraction in supply will help occupancies rebound. Nevertheless, effective rents are projected to fall by an average of 1.1% per year through 2029, 140 bps below the national average.

2Q 2025 BY THE NUMBERS

Total Returns	Capital Returns	Income Returns
-0.1%	-1%	+1%

Source: NCREIF Classic NPI, 2Q 2025. The sum of capital and income returns may not equal total returns due to rounding.

Bottom 3 Metros 2Q 2025

#2 LOS ANGELES, CA

Los Angeles CRE is gridlocked, just like its traffic. Progress toward appreciation stalled in the second quarter, leaving the metro with a 0.3% total return, down about 25 bps. L.A. owes the poor overall performance to negative returns in the industrial segment, which accounts for 45% of its total CRE market. Like Riverside-San Bernardino, L.A. is feeling the impact of the downshift in trade amid increased tariffs. L.A. turned in the weakest industrial returns among all metros in our analysis. Industrial returns have been in the red for almost three years.

INDUSTRIAL FUNDAMENTALS

Los Angeles industrial occupancies are down 130 bps YoY, and stand 90 bps below their pre-pandemic levels, per Reis. Effective rents tumbled 2.8% YoY, 420 bps behind the U.S. pace. Los Angeles industrial occupancies are expected to slide 60 bps by 2029, according to SitusAMC Insights. Industrial completions are forecast to average 3.3 msf per year through 2029, 3% lower than their annual average over the past decade. Effective rents are projected to fall by an average of 1.1% per year through 2029, 140 bps below the national average.

2Q 2025 BY THE NUMBERS

Total Returns	Capital Returns	Income Returns
+0.3%	-0.9%	+1.2%

Source: NCREIF Classic NPI, 2Q 2025. The sum of capital and income returns may not equal total returns due to rounding.

Bottom 3 Metros 2Q 2025

#3 SEATTLE, WA

Seattle saw overall CRE returns decline by 30 bps in the quarter to 0.5%. That's the highest in three years, but still more than 150 bps below the market's long-term average. Seattle's CRE market was weighed down by office, which fell 130 bps over the quarter to -0.9% -- the third worst-performing office segment among the metros in our analysis. Except for the previous quarter, Seattle office returns have been negative for almost three years. Apartment returns helped offset some of the poor performance in office. The segment accounts for 39% of Seattle's total CRE market and returns were moderately positive.

OFFICE FUNDAMENTALS

Seattle office occupancies are down 320 bps YoY, a whopping 910 bps below their pre-pandemic level, per Reis. Effective rents are down 2.7% YoY, 370 bps behind the U.S. pace. Office occupancies are forecast to fall another 150 bps by 2029, according to SitusAMC Insights. Completions are expected to average 780,833 square feet per year through 2029. That's 60% lower than their annual average over the past 10 years, but not slow enough to offset weak demand. Effective rents are projected to fall by an average of 0.9% per year through 2029, 170 bps below the national average.

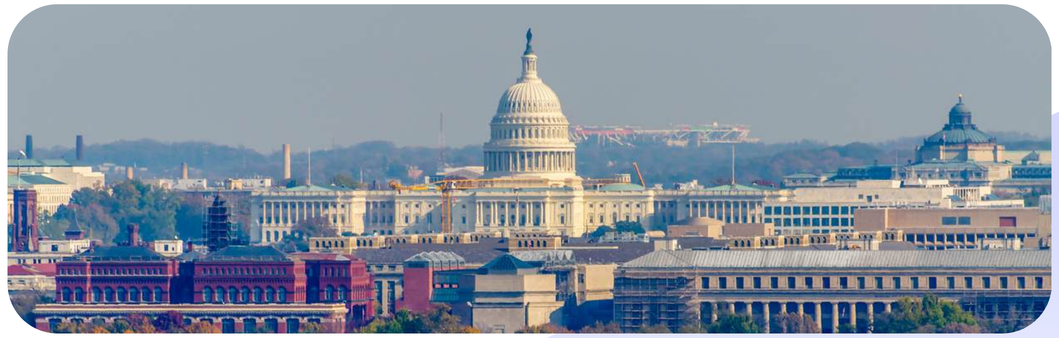
2Q 2025 BY THE NUMBERS

Total Returns	Capital Returns	Income Returns
+0.5%	-0.7%	+1.2%

Source: NCREIF Classic NPI, 2Q 2025. The sum of capital and income returns may not equal total returns due to rounding.

RANKING RECAP

Top 3 Metros 2Q 2025



#1 WASHINGTON, D.C.

#2 MIAMI, FL

#3 PHOENIX, AZ

Bottom 3 Metros 2Q 2025

#1 RIVERSIDE-SAN BERNARDINO, CA

#2 LOS ANGELES, CA

#3 SEATTLE, WA

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

Peter Muoio, PhD
Head of SitusAMC Insights
PeterMuoio@SitusAMC.com