

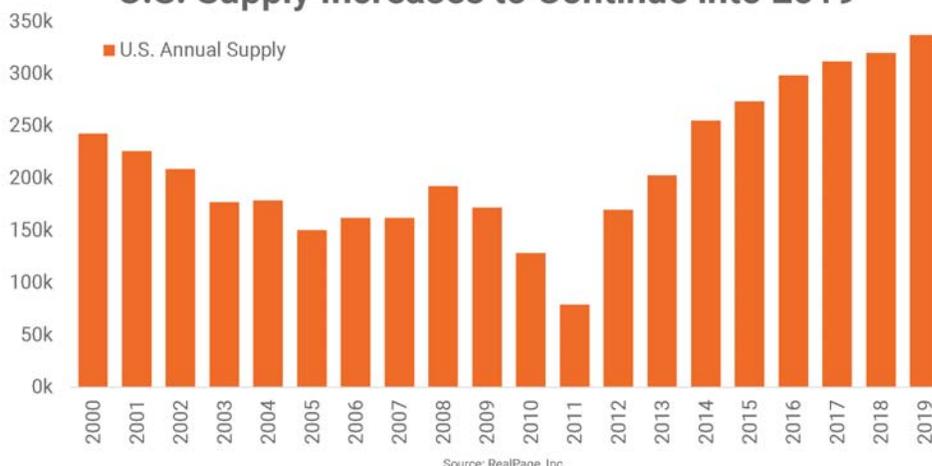
While the U.S. apartment market has logged record-breaking completion volumes in the past five years, relief is not on the near horizon. Scheduled deliveries in 2019 point to a continuation of elevated completion volumes, with some markets expected to see substantial increases.

In 2014, annual apartment completions in the U.S. reached the 250,000-unit mark, the biggest annual supply volume the country had seen in 30 years. Every calendar year since, completions have increased, and deliveries have reached new peaks. As 2018 comes to a close, annual new apartment completions total nearly 320,000 units, well ahead of the historical average of the past three decades. Additionally, another 337,000 or so units are on tap for 2019.

As the nation continues to churn out new apartments, individual markets are seeing completion numbers fluctuate. As developers seek new opportunities, some markets are seeing scheduled supply volumes surge in 2019. Among the top 10 largest increases expected in major markets, five are in California.

All three Bay Area metros rank among the top 10 major markets for supply increases in the coming year.

### U.S. Supply Increases to Continue into 2019



A chronically undersupplied region, the Bay Area has very few existing vacancies, and apartment demand during the current economic cycle has been focused on the submarkets that have received the largest amount of new apartment units. With each metro in the Bay Area being a high barrier-to-entry market, new supply has been concentrated in only a handful of submarkets.

In the coming year, Oakland is expected to see the nation's most extreme supply increase. This market is scheduled to record the completion of about 6,600 units in 2019, a volume that is nearly five times the number of apartments delivered in

2018. In fact, the new units on tap for this area are well beyond what is typical. In the past 10 years, completion volumes here have averaged at roughly 1,300 units annually. The 2019 tally places Oakland in the same ballpark with neighboring San Jose and San Francisco, which generally log much bigger completion volumes than East Bay.

San Jose is also set to see a sizable increase in the coming year. After delivering a little over 3,000 units in 2018, the market is scheduled to gain about twice that amount - more than 6,000 units - in 2019. That number is above the 2015 peak, when about 4,400 units were delivered. The other Bay Area metro - San Francisco - should see supply volumes increase by 43.9%, going from about 2,600 units in 2018 to just over 3,700 units in 2019. While significant compared to the long-term average, anticipated supply is not as heavy as the volumes seen in 2016, at a peak of about 5,000 units.

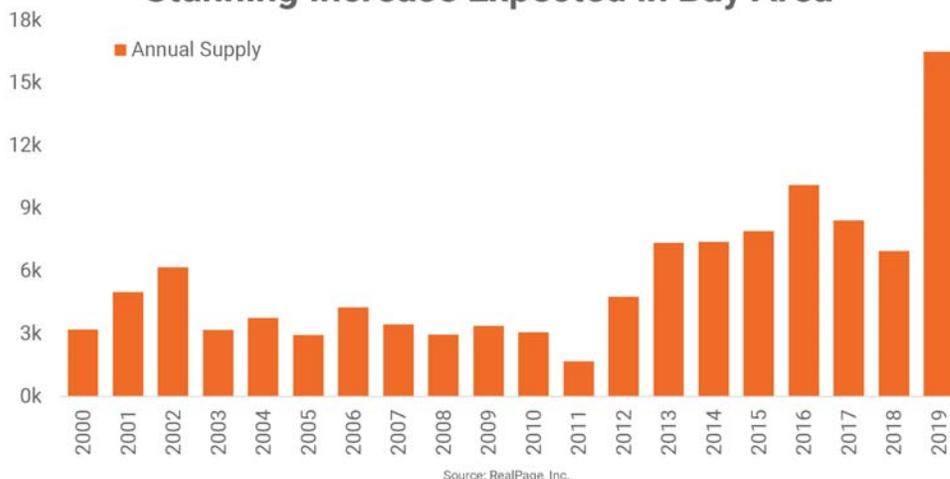
Together, the three Bay Area markets are expected to receive nearly 15,500 new apartments in 2019, a volume that ranks the region in the national top five for anticipated annual deliveries, alongside Dallas/Fort Worth, New York, Los Angeles and Washington, DC.

### Where Supply Increases are Largest

Rank	Market	2018 Supply	2019 Supply	Increase
1	Oakland	1,332	6,637	398.3%
2	San Jose	3,057	6,126	100.4%
3	Detroit	1,037	1,855	78.9%
4	Riverside/San Bernardino	1,410	2,367	67.9%
5	Greensboro/Winston-Salem	1,179	1,819	54.3%
6	Miami	4,959	7,562	52.5%
7	San Francisco	2,583	3,718	43.9%
8	Los Angeles	11,839	16,651	40.6%
9	Washington, DC	11,319	15,682	38.5%
10	Seattle	9,517	12,955	36.1%

Source: RealPage, Inc.

**Stunning Increase Expected in Bay Area**



Los Angeles - another undersupplied California market - is expected to see apartment deliveries go from roughly 11,900 units in 2018 to 16,650 units in 2019, a 40.6% surge in completion volumes. This is well above the historical norm for Los Angeles. The last time new supply volumes were even close was in 2016, when about 10,000 units came online.

Riverside is the final major California market in the top 10 list for supply increases between 2018 and 2019. Deliveries scheduled for Riverside in the coming year represents a 67.9% increase, though the 2,370 units expected to complete in 2019 is not the worst this market has faced. The peak supply volume for Riverside came back in 2006, when deliveries totaled near 5,200 units.

Washington, DC and Seattle are expected to see supply levels increase by 32% to 39% between 2018 and 2019. The roughly 16,000 units scheduled to complete in Washington, DC in 2019 is almost as much as the peak this market hit in 2014, when about 16,500 units came online. The nearly 13,000 units slated for Seattle, however, represent a big premium over the long-term norm for this market, which is closer to about 6,000 units annually.

Miami is scheduled to receive completions totaling 7,562 units in 2019, well above this market's long-term average.

While Miami is expected to see delivery volumes go up by 52.5% in the coming year, neighboring West Palm Beach should record one of the steepest downturns, with about 1,100 units scheduled to complete in 2019, a 53% decrease from the 2018 volume. The projects under way in this market are well below the average of about 2,300 units seen in the past five years.

Las Vegas is expected to see delivery of 1,590 apartments in 2019, a 41%

decline from 2018's completion volumes. This is a market where rising completion volumes have been well received in recent years, and class A units have beaten the national trend with a normalized performance. Reduced supply for 2019 should allow Las Vegas to continue to perform well in this expensive product line.

Another major market expected to see supply levels drop is Houston, where the roughly 8,000 units delivered in 2018 is being followed by 5,600 units on tap for 2019, a 33% decline. This is not a surprise for the market, where supply volumes have already come down from the record levels seen in 2017. Still, scheduled completions are well below activity seen during the current economic cycle, when Houston has averaged deliveries for about 12,400 units annually.

In Nashville, where completion volumes have been very active, hovering around the 6,400-unit mark for the past three years, supply is expected to decline 30% in the coming year, with 4,400 units expected to come online in 2019. While moderated, this anticipated supply volume is still elevated when compared to long-term historical norms for this market.

**Where Supply Declines are Steepest**

Rank	Market	2018 Supply	2019 Supply	Decrease
1	Cleveland	1,915	514	-73.2%
2	West Palm Beach	2,298	1,081	-53.0%
3	Pittsburgh	1,354	688	-49.2%
4	Cincinnati	1,881	971	-48.4%
5	Las Vegas	2,694	1,590	-41.0%
6	St. Louis	2,196	1,356	-38.3%
7	Houston	8,313	5,563	-33.1%
8	Nashville	6,310	4,422	-29.9%
9	San Antonio	5,849	4,150	-29.0%
10	Virginia Beach	1,424	1,030	-27.7%

Source: RealPage, Inc.

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