

U.S. revenue growth was stable at 3.7% in 2018. This performance was ahead of progress that hovered around the 3% mark throughout much of 2016 and 2017 but remained below the recent peak of 5.5% from 2015. The 2018 performance is right on par with the average annual revenue change the nation has recorded throughout the current economic cycle, which started in 2010.

While revenue growth in line with long-term trends might seem insignificant, keep in mind that the U.S. apartment market logged this stable performance during one of the biggest supply run-ups in history. Developers delivered a sizable 287,000 apartments in 2018, marking the fifth year of completion volumes above the 250,000-unit mark.

Rent growth generally makes up the bulk of the nation's revenue growth. In 2018, rents climbed 3.3%, while occupancy increased just 40 basis points (bps). This has been the trend throughout the current economic cycle, as demand has kept up with heightened supply volumes and occupancy hasn't moved around much. In fact, the only time during the cycle when occupancy changed significantly was in the final months of 2010 and in 1st quarter 2011 - before supply began its historic climb - when annual occupancy growth was at 150 bps. Even then, sizable rent increases were still responsible for about 70% of total revenue growth.

Among the largest 50 U.S. markets, western markets Phoenix and Las Vegas led the nation for revenue growth in 2018. These two locales were also the nation's clear rent growth leaders in the past year.

U.S. Revenue Growth is Respectable



Phoenix achieved impressive revenue growth of 8.3% in 2018, one of the best performances this market has seen during the current cycle, and essentially in line with the 8.4% peak from 2015. Revenue growth in Phoenix in the past year was the result of rent growth of 7.4% and occupancy improvement of 90 bps.

While rent growth has been notable throughout the past few years in Phoenix, momentum strengthened in the final three months of 2018, which is rare in a market that typically sees rent growth fade in the final quarter of the year. What makes this performance more impressive is that Phoenix has been an active construction center recently. More than 8,200 new apartments were delivered in Phoenix during 2018, placing the market in the top 10 list for completion volumes, just behind Los Angeles.

Las Vegas saw revenue growth reach 8.1% in 2018, a 13-year high for the market. This performance was heavy in rent growth at 7.4%, while occupancy climbed 70 bps. This is another market where com-

pletion volumes have been big in recent years, and Las Vegas has absorbed all this new product relatively well. Setting the market up for even more success in the coming year, Las Vegas is expected to receive 1,830 apartments in 2019, a 32.1% decline from 2018's completion volumes.

With revenue growth coming in more than two points below Phoenix and Las Vegas, Pittsburg claimed the #3 spot, with an increase of 5.9% in 2018. This market logged rent growth at an above average 4.2% in the past year, while also leading the nation's top 50 markets for occupancy growth, with an increase of 170 bps in 2018. Notably, Pittsburgh also claims one of the lowest rent-to-income ratios of all major U.S. metros.

A grouping of Southern markets - Atlanta, Greensboro, Memphis and Jacksonville - registered revenue growth of 5.2% to 5.6% in calendar 2018. Each of these markets registered impressive rent growth of 4.6% to 4.8% in the past year and most saw occupancy increases of 60 bps to 90 bps (Jacksonville's

progress was a little slower at 40 bps). Despite this growth, however, at the end of 2018, apartment occupancy in each of these markets still registered below the national average.

San Jose – one of the most expensive markets in the country – saw revenues go up by 4.8% in the past year. While ranking among the nation’s top 10, this performance was down a bit from the 5.2% annual increase the market logged in 3rd quarter. San Jose has been a national leader for rent growth during the current cycle, and its urban core in the heart of Silicon Valley has outpriced – and outpaced – every other submarket in the nation in the past 10 years. Rent growth in San Jose, however, has pulled back more recently. Prices were cut by a steep 3.1% in 4th quarter, specifically, pulling annual growth down to 4.5% in 2018. Again, that is not a bad national showing, but it did come in below recent San Jose standards.

Rounding out the nation’s top 10 large markets for revenue growth, Austin and Orlando recorded increases of 4.7% in 2018. Both these markets logged rent cuts in 4th quarter, with price grazes pulling back on previous progress, leaving annual rent growth at 5% in Orlando and 4.2% in Austin. Occupancy also fell in both these markets in 2018, but the 80-bps decline in Austin wiped out all this market’s progress, leaving annual change in slight negative territory at -10 bps. Even with these setbacks, occupancy and rent growth remain in good shape in Austin, as both are still well above long term norms for this area.

Only one metro among the nation’s 50 largest saw revenues decline in 2018. Houston suffered a 0.7%

2018 Revenue Growth Leaders

Rank	Market	Revenue Growth
1	Phoenix-Mesa-Scottsdale, AZ	8.3%
2	Las Vegas-Henderson-Paradise, NV	8.1%
3	Pittsburgh, PA	5.9%
4	Atlanta-Sandy Springs-Roswell, GA	5.6%
5	Greensboro/Winston-Salem, NC	5.5%
6	Memphis, TN-MS-AR	5.3%
7	Jacksonville, FL	5.2%
8	San Jose-Sunnyvale-Santa Clara, CA	4.8%
9 (t)	Austin-Round Rock, TX	4.7%
9 (t)	Orlando-Kissimmee-Sanford, FL	4.7%

Source: RealPage, Inc.

2018 Revenue Growth Laggards

Rank	Market	Revenue Growth
50	Houston-The Woodlands-Sugar Land, TX	-0.7%
49	Kansas City, MO-KS	1.9%
48	Dallas-Plano-Irving, TX	2.2%
47 (t)	Baltimore-Columbia-Towson, MD	2.3%
47 (t)	Newark-Jersey City, NJ-PA	2.3%
45	Nashville-Davidson--Murfreesboro--Franklin, TN	2.4%
44 (t)	St. Louis, MO-IL	2.7%
44 (t)	Virginia Beach-Norfolk-Newport News, VA-NC	2.7%
42 (t)	Anaheim-Santa Ana-Irvine, CA	2.8%
42 (t)	Chicago-Naperville-Elgin, IL-IN-WI	2.8%
42 (t)	Cleveland-Elyria, OH	2.8%

Source: RealPage, Inc.

decrease in the past year, marking the first time since 3rd quarter 2017 that revenue change fell into negative territory in this market. While annual rent growth in Houston was reined in a great deal, going from 3.7% in 3rd quarter 2018 to just 0.3% in 4th quarter, the real damage to revenues was the steep 100-bps occupancy decrease in 2018. This was by far the sharpest annual occupancy decline among the nation’s largest markets.

Logging modest revenue growth of 1.9% to 2.4% were Kansas City, Dallas, Newark, Baltimore and Nashville. In most of these markets,

annual rent growth was at 1.6% to 2.1%, while occupancy increases were mild at 10 bps to 70 bps. Nashville was the one exception. In this market, where new supply has been hitting the market way above long-term historical norms, annual rent growth was at 2.6%, a few ticks ahead of increases logged her in the past six consecutive quarters. Occupancy, however, fell 20 bps in 2018, placing Nashville among only a handful of markets with occupancy declines in the past year.

Annual revenue growth was at 2.7% to 2.8% in Virginia Beach, St. Louis, Cleveland, Chicago and Anaheim.

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