

## APARTMENT ADVISORY

JANUARY 2022

The 2021 calendar year saw unprecedentedly strong apartment market fundamentals. National performance excelled through essentially every lens of analysis. No shortage of superlatives can be doled out for individual markets too. Even with market-level fundamentals in exceptional shape across the country, several individual submarkets stand out as leaders for various metrics.

## ANNUAL RENT GROWTH

**#1: Boynton Beach/Delray Beach in West Palm Beach – 33.2% Rent Growth**

No other major U.S. submarket saw more rent growth than Boynton Beach/Delray Beach's hike. The West Palm Beach metro experienced outstanding apartment demand in 2021, fueled by a huge influx of residents from other parts of the nation. While South Florida has long been a destination market, these beachfront markets (and submarkets such as Boynton Beach/Delray Beach) have been further boosted by the work-from-anywhere phenomenon.

**#2: Town and Country/Westchase in Tampa – 31.7% Rent Growth**

Nestled just northwest of the Tampa International Airport, Town and Country/Westchase benefited from Tampa's strong market-wide performance in 2021. Tampa claimed the #3 rent growth in the nation among major markets. Town and Country/Westchase's central location and proximity to both downtown Tampa (about 20 minutes from the urban core) and downtown St. Petersburg (only 30 minutes away) keeps it desirable for commuters and young renters.

**#3: Northeast Phoenix in Phoenix – 31.6% Rent Growth**

The lone non-coastal submarket featured on the rent growth leaderboard, Northeast Phoenix is a primarily blue-collar neighborhood where the dominant housing product is 30 to 40 years old. As such, investors have heavily focused on value-add opportunities here. Monthly rents fall about \$100 below the market average, keeping Northeast Phoenix comparatively affordable even considering the rapid rise in rents. That value-add investment and operational play amid Phoenix's rapid rent growth has been a successful endeavor in recent years.

**Honorable Mention: La Jolla/University City in San Diego – 31.2% Rent Growth**

While just outside the top three rent growth submarkets in the country, the picturesque La Jolla/University City submarket deserves a mention as its 31.2% rent growth was accompanied by superb occupancy improvement. This neighborhood, where monthly rents run about \$600 above the market average, grew occupancy by 550 basis points (bps) year over year, ending 2021 at 98.9% occupancy. Together, increases in occupancy and rents made La Jolla/University the nation's #1 revenue growth market.



## OCCUPANCY RATE

### #1: Ocean County in Newark – 99.9% Occupancy

Located on the far southern reach of the Newark market, Ocean County has essentially zero availability among its existing base of about 18,000 units. At 99.9% occupancy, an estimated 10 available units existed in the entire submarket at the end of 2021. While not a beach market comparable to those in Florida, Ocean County's proximity to Atlantic City and New York City has likely driven demand into this neighborhood in recent months. With monthly rents of just over \$1,600, it remains more affordable than the Newark average of about \$2,200.

### #2: Westmoreland/Fayette Counties in Pittsburgh – 99.8% Occupancy

Located on the far southeastern edge of the Pittsburgh MSA, the Westmoreland/Fayette Counties submarket of about 15,000 existing units is characterized by older, smaller properties. Monthly rents in this submarket run about \$500 below the already-affordable market average. Average rents in this submarket rank the third lowest among major U.S. metros, higher than only one Memphis and one St. Louis submarket.

### #3: North Lake County in Orlando – 99.7% Occupancy

In far northern Orlando adjacent to The Villages retirement community, North Lake County has grown rapidly in recent years to stand at about 8,000 existing units. Concurrently, the Orlando MSA improved market fundamentals massively in 2021. As a result, North Lake County's 99.7% occupancy ranks among the nation's tightest occupancy rates in the country. Rent here run about \$400 below the Orlando market average.

### #1: Lower East Side in New York – 850 Basis Points

The Lower East Side was hit hard by the 2020 downturn, but demand has rebounded in Manhattan as occupancy climbed 850 bps in this submarket in 2021. Indeed, no other neighborhood gained more occupancy than the Manhattan's Lower East Side, where about 79,000 units exist at an average rent of about \$700 more than the New York norm. This rebound puts the Lower East Side occupancy rate finally back to its pre-pandemic level.

### #2: Central DC in Washington, D.C. – 590 Basis Points

Like so many other urban core submarkets, Central DC was greatly impacted in the 2020 downturn. In Central DC, as in the rest of the country, demand is flowing back into urban areas now. Rent growth has yet to catch up to U.S. norms, but an occupancy rebound bodes well for this urban core's future. Rents in this submarket of about 50,000 units run about \$500 above the market average. High resident retention further boosted occupancy rates in Central DC. Roughly 58% of residents renewed their expiring leases as of December 2021 – far higher than the unthinkable low rate of 27% this time last year.

### #3: Riverside in Austin – 560 Basis Points

The only submarket among the top three occupancy increases that falls outside an urban core, Austin's Riverside runs south of the Colorado River, just southeast of downtown. Heavy construction in Riverside over the last several years caused it to be more impacted than many other Austin neighborhoods in the 2020 downturn. Some 2,000 units have delivered here since the start of 2020, accounting for an incredible 10% of the neighborhood's total stock. Even as new Class A units deliver, rents here run about \$100 below the Austin average. Occupancy growth is encouraging here too, considering another 2,300 or so units should deliver in the coming two years.



## YEAR-OVER-YEAR OCCUPANCY CHANGE

## MISCELLANEOUS METRICS

### OCCUPANCY RATE

Jersey City in Newark saw a whopping 4,370 units delivered in 2021, accounting for almost 7% of its existing stock. Most of those 2021 deliveries were concentrated just off the Hudson River waterfront, which is also true for most ongoing construction in this submarket.

No stranger to new construction, Northeast DC in Washington, D.C. ranked #2 for new deliveries with almost 3,100 units delivering in 2021. That accounted for 13% of the neighborhood's existing stock.

### ANNUAL DEMAND

Emblematic of its ongoing recovery – and perhaps even renaissance – the Lower East Side in New York led the nation for demand in 2021. Some 6,855 units were absorbed, accounting for almost 9% of its overall inventory.

Supply leader Jersey City ranked #2 in the country with 6,458 units absorbed in 2021, indicating recent construction probably helped capture some pent-up demand in the metro.

### UNITS UNDER CONSTRUCTION

Brooklyn in New York has nearly 11,200 units under construction – although on a relative basis that construction total is somewhat modest, accounting for just 2.3% of existing inventory.

Conversely, the #2 spot, Central Nashville in Nashville has about 9,100 units underway. That accounts for a whopping 36% of existing inventory. Put another way, for every 100 existing units in that neighborhood, 36 are currently being built.

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