

APARTMENT ADVISORY

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With apartment construction at a cycle high, it's worthwhile to analyze development trends in the industry. Particularly, who are the most active apartment developers in the nation and where are these developers building?

Most Active Apartment Developers

Rank	Developer	Units Under Construction
1	Alliance Residential Company	6,604
2	Mill Creek Residential	5,908
3	Lennar Multifamily Communities	5,837
4	Greystar	5,689
5	Trammell Crow Residential	5,540
6	JPI	5,529
7	AvalonBay Communities	4,166
8	Davis Development	4,045
9	Wood Partners	3,965
10	Holland Partner Group	3,176
Top 10 Developers		50,459
Total U.S. Units Under Construction		390,676

Source: RealPage, Inc.

As of March 2019, nearly 400,000 apartments were under construction, according to RealPage, Inc. The top 10 developers building the most new units account for over 50,000 of those units, or nearly 13% of the nation's total construction volume.

Looking at a list of the markets, these top 10 developers are most active in is equally telling. In short, these companies tend to focus on a few key markets.

This list of markets indicates that there are a handful of major metropolitan areas that the top 10 developers undoubtedly like regardless of their own strategies. Nearly 68% of the roughly 50,500 units being built among these companies are in just 10 markets. Whether focusing on short-term build-and-sell tactics or preferring a longer-term build-and-hold approach, these developers hold favorable sentiment in these markets due in no small part to strong growth in their local economies and young adult populations.

Dallas jumps out on the list as the clear-cut favorite, with the nation's top 10 developers currently building about 8,000 units in the market, which boasts a highly diversified economy and large num-

ber of millennials. Additionally, Dallas is a low barrier-to-entry market where its cheaper to build. Many of these characteristics are also present in neighboring Fort Worth. Including Fort Worth adds an additional 1,435 units, meaning the top 10 developers are currently building close to 9,500 units in the Dallas-Fort Worth Metroplex. That's about as much as Houston, Denver, and Atlanta - the next big markets on the list - combined.

Houston construction activity has sharply decreased from its peak level seen back in 2016, but the nation's largest developers have kept a keen eye on this Texas market - so much so that Houston ranks second in the nation for construction activity among the most active development companies. Despite recent economic stumbles, Houston is a big market with low barriers to entry and attractive pricing.

Oakland's development pipeline is nothing short of astounding when compared against the market's history. There were roughly 9,100 units under construction - with 3,298 of those by the nation's 10 most active developers - as of March 2019 in Oakland, where housing is chronically undersupplied. For comparison, the market's previous recorded high was 2,600 units under construction back in 2016.

Where the Most Active Developers Have the Most Units Underway

Market	Units Under Construction by Most Active Developers	% of Total Construction in Market
Dallas	7,997	15.8%
Houston	3,636	7.2%
Denver	3,625	7.2%
Atlanta	3,528	7.0%
Oakland	3,298	6.5%
Seattle	2,975	5.9%
Los Angeles	2,918	5.8%
Charlotte	2,434	4.8%
San Diego	2,184	4.3%
Washington, D.C.	1,667	3.3%
Total in Top 10 Markets	34,262	
Total in Top 150 Markets	50,459	

Source: RealPage, Inc.

Other highs were about 2,400 units in 2000 and 2008. But volumes in those years pale in comparison to current volumes. In fact, product currently underway in the Oakland urban core alone is about two and a half times construction levels from those previous highs. The area's proximity to San Francisco and its relative affordability are attractive to renters and developers alike.

The list of most active markets for the nation's top 10 developers reveals another interesting trend: the emergence of construction activity in many West Coast markets. Seattle and Los Angeles – both having construction focused in the urban core – join Oakland as markets that are also at 20-plus year construction peaks. Similarly, San Diego isn't far off its decade-high mark.

The prevalence of these top 10 developers nationally within the top 10 markets points to their overall influence in these markets.

In the case of Oakland, greater than one-third of all units currently under construction are attributable to one of the 10 most active developers. In fact, over one

Submarkets Where Most Active Apartment Developers are Focused

Submarket (Market)	Units Under Construction by Most Active Developers
Oakland/Berkeley (Oakland)	2,796
Greater Heights/Washington Avenue (Houston)	1,894
Five Points/Capitol Hill/Cherry Creek (Denver)	1,717
Frisco (Dallas)	1,271
Downtown/Highlands/Lincoln Park (Denver)	1,263
Uptown/South End (Charlotte)	1,241
East Anaheim/Orange (Anaheim)	1,079
Allen/McKinney (Dallas)	1,059
Hollywood (Los Angeles)	943
Downtown San Diego/Coronado (San Diego)	919

Source: RealPage, Inc.

attributed to the top 10 developers. In the case of Washington, D.C., development is dispersed among a lot of different companies, with no one developer garnering more than 8% of the 26,000-plus units under construction in that market.

Yet another clear trend emerges when looking at construction activity among these behemoths at a more localized level. Simply put, the nation's top 10 developers are extremely active in urban and urban-adjacent areas. These areas not only serve as employment and lifestyle hubs in most cases, but they are also perceived as being more stable in cases of economic downturns.

Oakland/Berkeley is an exceptionally active area. Almost all new Oakland development among the top 10 developers is concentrated in this downtown area. This urban core submarket provides easy access via Interstate 80 to downtown San Francisco, a primary employment hub in the Bay Area.

A cursory scan of the list reveals that effectively all these submarkets, barring Frisco, Allen/McKinney, and East Anaheim/Orange, are either urban or urban-adjacent. And in

the case of Frisco, the argument can easily be made that much of the ongoing construction is clustering around urban-like areas with lots of office space and an abnormal number of high-rise units in an otherwise suburban-functioning submarket.

Where the Most Active Developers Claim the Largest Share of Construction

Market	Units Under Construction in Market	Units Under Construction by Most Active Developers	Most Active Developer % of Market Construction
Oakland	9,114	3,298	36.2%
San Diego	7,171	2,184	30.5%
Denver	12,999	3,625	27.9%
Dallas	31,024	7,997	25.8%
Charlotte	9,444	2,434	25.8%
Atlanta	14,134	3,528	25.0%
Houston	17,824	3,636	20.4%
Seattle	16,941	2,975	17.6%
Los Angeles	23,221	2,918	12.6%
Washington, D.C.	26,156	1,667	6.4%

Source: RealPage, Inc.

in five units under construction in almost all of these markets belong to one of the top 10 developers.

The clear exceptions are Los Angeles and Washington, D.C., although the nation's capital is a clear anomaly on the list, with just 6.4% of product being built

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