



YARDI MATRIX MULTIFAMILY

Q2 2023 Multifamily Supply Forecast

For the Q2 2023 update, the Yardi Matrix Multifamily supply forecast has been increased slightly for 2023 and 2024, while the forecast has decreased in 2025 and relatively unchanged thereafter. The Q2 2023

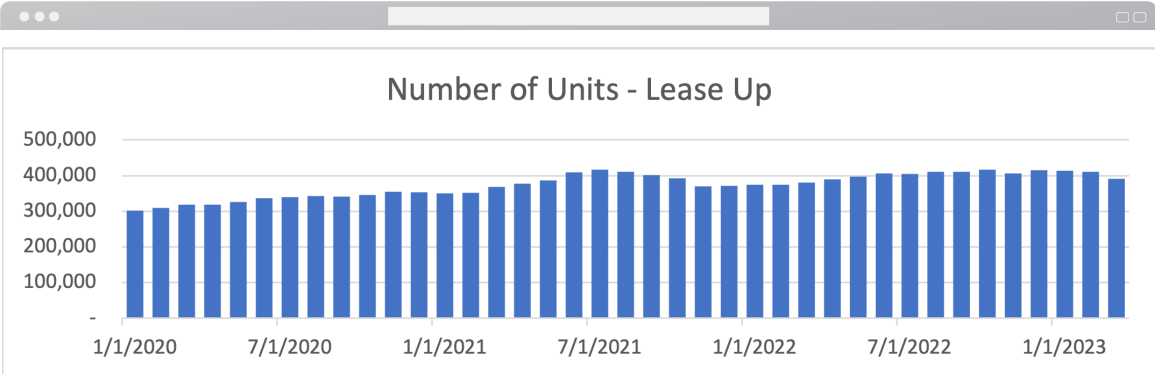
update has essentially pulled the new supply bottom from 2026 into 2025, while leaving the previously forecast modest recovery in 2027 and 2028 unchanged.

| Year | 2Q 2023 | 1Q 2023 | % Chg |
|------|---------|---------|-------|
| 2023 | 453,730 | 440,818 | 2.9% |
| 2024 | 475,703 | 460,424 | 3.3% |
| 2025 | 412,047 | 424,270 | -2.9% |
| 2026 | 422,340 | 414,818 | 1.8% |
| 2027 | 426,252 | 425,254 | 0.2% |
| 2028 | 436,225 | 435,812 | 0.1% |

Near-Term Forecast: 2023 and 2024

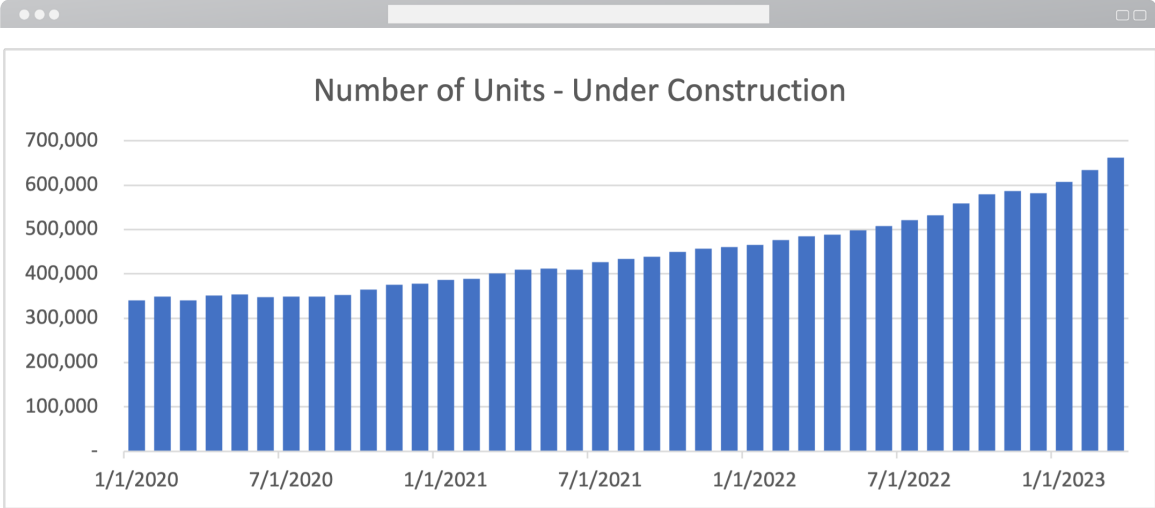
The Q2 2023 supply forecast update has increased new supply for 2023 and 2024 by 2.9% and 3.3% respectively. The near-term forecast was marginally increased as the under-construction pipeline continues to grow.

For multifamily markets tracked by Yardi Matrix on or before January 2020 there are currently 1,053,758 units in the under-construction pipeline. Of these units, 390,838 are currently in lease up, slightly below the trailing twelve month average of 405,000 units. Most of these units should complete in 2023.



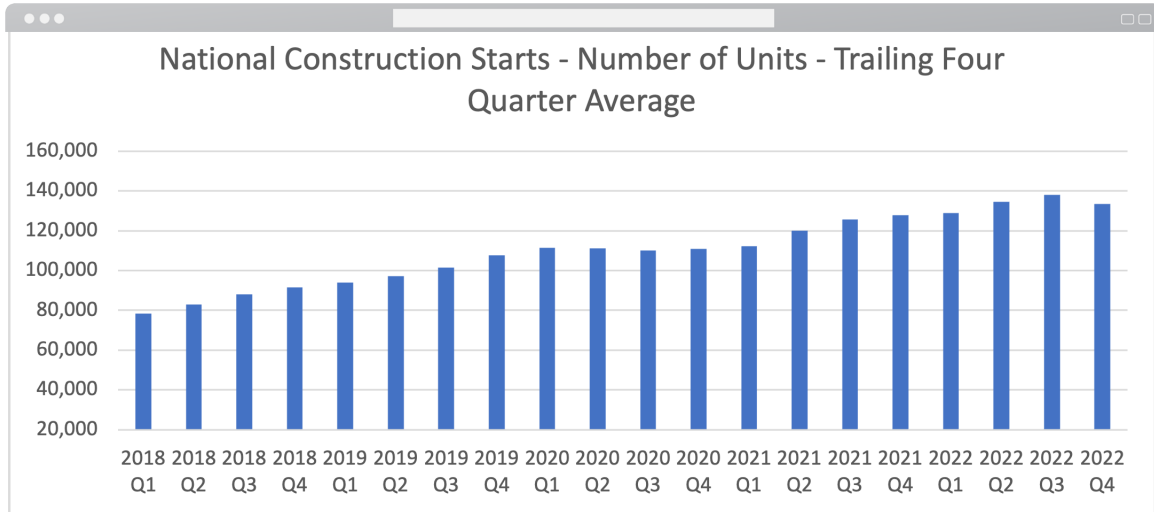
Source: Yardi Matrix

Currently Yardi Matrix is tracking 662,920 under-construction units that are not in lease up. This represents a 36.9% increase over year ago levels and a 94.9% increase over pre pandemic levels.



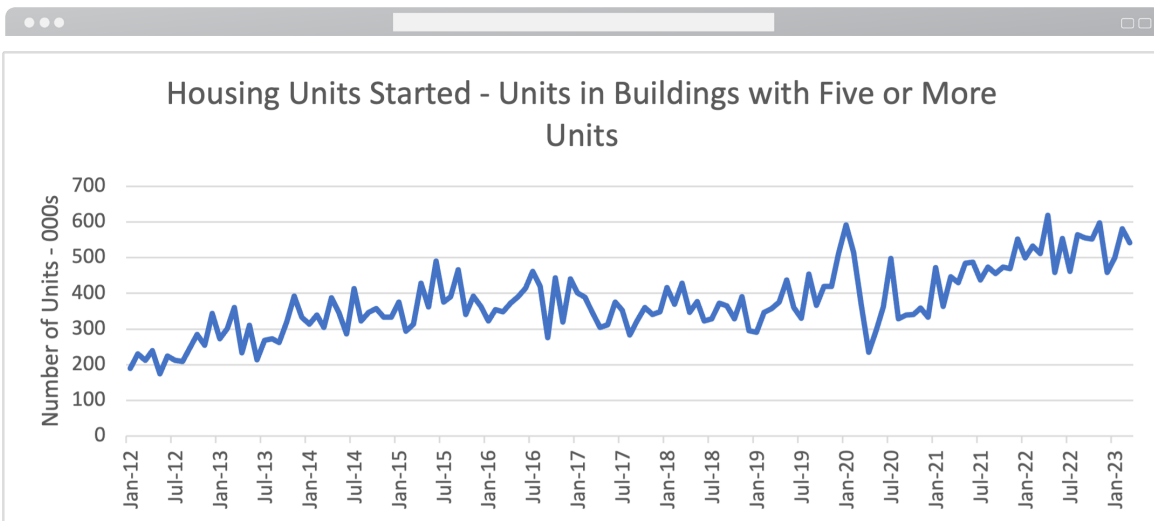
Source: Yardi Matrix

Multifamily construction starts remain robust. For Q4 2022 the trailing four quarter average stood at 133,344 units. For full year 2022, Yardi Matrix has identified 533,374 units starting construction, compared to 511,237 units in 2021, and 443,385 units in 2020. The more moderate expansion in construction starts noted here suggests that much of the expansion in the under-construction pipeline is due to elevated construction completion times.



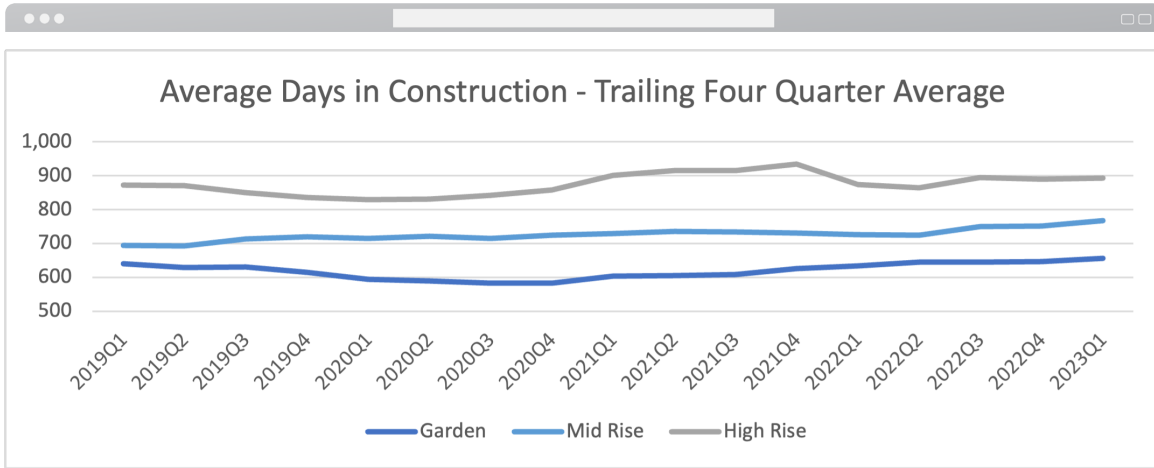
Source: Yardi Matrix

Our construction start data is collected with a lag, therefore Q1 2023 data is unavailable. Other broader measures of multifamily construction starts have remained stable through Q1 2023. The U.S. Census Bureau reported March 2023 seasonally adjusted, annualized construction starts for units started in buildings with five or more units stood at 542,000, slightly above the trailing twelve month average of 535,000. Over the past 18 months this data series has ranged between 458,000 and 619,000.



Source: U.S. Census Bureau / U.S. Department of Housing and Urban Development

Construction completion times remain elevated. As noted above elevated construction completion times are most likely driving the current increase in under construction inventory.



Source: Yardi Matrix

Top fifteen markets: Forecast new supply - total number of units

| Market | 2023 | | 2024 | |
|-------------------------------------|--------|---------|--------|---------|
| | Units | % Stock | Units | % Stock |
| Austin | 22,369 | 8.27% | 24,592 | 8.40% |
| Phoenix | 16,692 | 4.93% | 17,306 | 4.87% |
| Charlotte | 12,991 | 6.42% | 14,986 | 6.96% |
| Dallas - North | 11,715 | 2.94% | 9,444 | 2.30% |
| Miami | 11,606 | 7.53% | 10,219 | 6.17% |
| Denver | 11,101 | 3.60% | 14,808 | 4.63% |
| Orlando | 10,450 | 4.23% | 11,515 | 4.47% |
| Raleigh-Durham | 10,373 | 6.05% | 13,158 | 7.23% |
| Tampa - St. Petersburg - Clearwater | 10,248 | 4.31% | 8,125 | 3.28% |
| New Jersey - Northern | 9,873 | 3.90% | 9,049 | 3.44% |
| Houston - West | 9,460 | 1.90% | 11,220 | 2.21% |
| Atlanta - Suburban | 9,402 | 3.79% | 10,182 | 3.95% |
| Nashville | 9,269 | 5.47% | 10,438 | 5.84% |
| Brooklyn | 8,248 | 5.41% | 5,704 | 3.55% |
| San Antonio | 8,155 | 3.75% | 8,645 | 3.83% |

Top fifteen markets: Forecast new supply - percent of stock

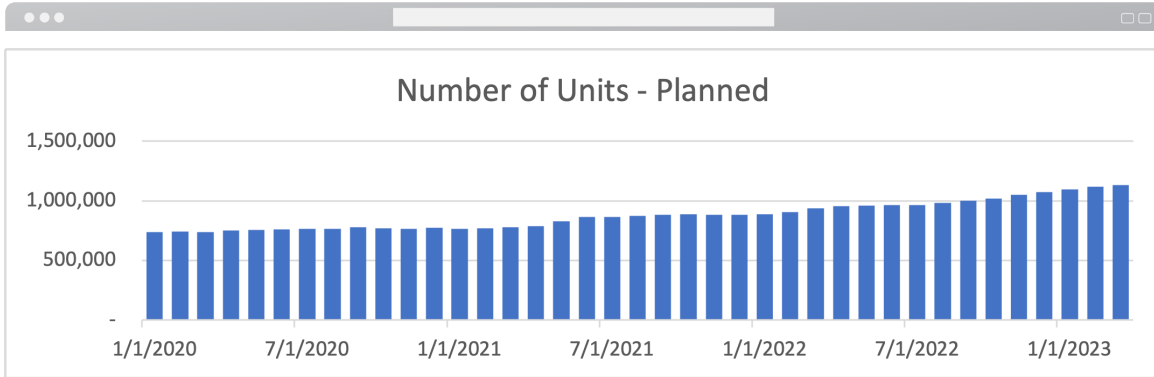
| Market | 2023 | | 2024 | |
|-------------------------|--------|---------|--------|---------|
| | Units | % Stock | Units | % Stock |
| Boise | 2,186 | 9.12% | 2,097 | 8.01% |
| Huntsville | 3,281 | 8.29% | 3,579 | 8.35% |
| Austin | 22,369 | 8.27% | 24,592 | 8.40% |
| Colorado Springs | 3,230 | 7.57% | 4,416 | 9.62% |
| Miami | 11,606 | 7.53% | 10,219 | 6.17% |
| Southwest Florida Coast | 6,232 | 7.48% | 6,053 | 6.76% |
| Salt Lake City | 7,728 | 6.70% | 6,018 | 4.89% |
| Jacksonville | 7,532 | 6.66% | 5,071 | 4.20% |
| Charlotte | 12,991 | 6.42% | 14,986 | 6.96% |
| Raleigh-Durham | 10,373 | 6.05% | 13,158 | 7.23% |
| Madison | 3,076 | 5.83% | 3,061 | 5.48% |
| Nashville | 9,269 | 5.47% | 10,438 | 5.84% |
| Brooklyn | 8,248 | 5.41% | 5,704 | 3.55% |
| Charleston | 4,105 | 5.25% | 3,597 | 4.37% |
| Phoenix | 16,692 | 4.93% | 17,306 | 4.87% |

Long Term 2025 thru 2028

For 2025 and beyond, our forecast shows a reduction in new supply in 2025 and 2026, with a gradual recovery in new supply for 2027 and 2028 to levels slightly below the current cycle highs. This is primarily driven by our expectation for a mild recession in late 2023 or early 2024 that will reduce multifamily construction starts over the next two years, depressing completions in 2025 and 2026.

Compared to the previous quarter, the Q2 2023 update has decreased forecast completions in 2025 by 2.9% to 412,047 units while 2026 forecast completions are marginally increased by 1.8% to 422,340 units. New supply increases to roughly 425,000 units in 2027 and expands to approximately 430,000 units in 2028.

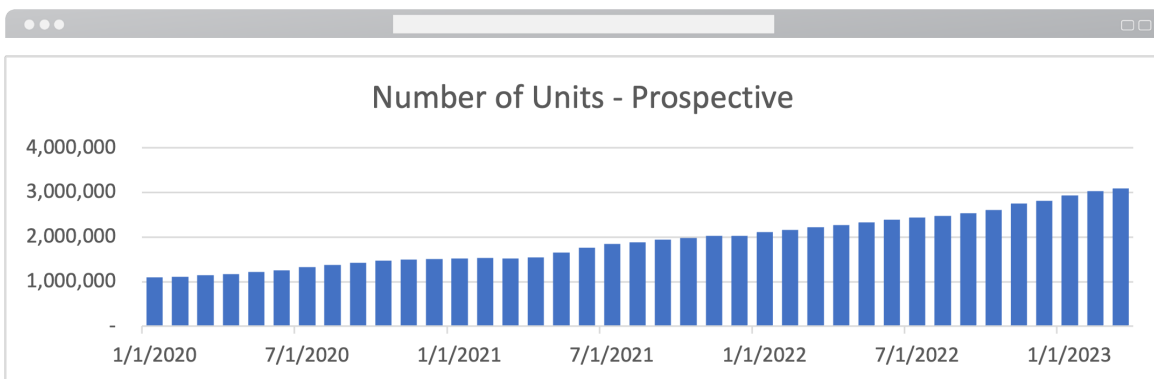
The number of planned units in March 2023 stood at 1.13 MM units a 20.5% increase over year ago levels and a 5.3% increase over the 1.07 MM planned units identified in December 2022.



Source: Yardi Matrix

Post pandemic, the trend has been a steady expansion of the planned pipeline as multifamily development has picked up and supply constraints elongated completion times. We are not yet seeing a sudden increase in the planned pipeline indicative of a material drop off in new construction starts. This is something we anticipate happening later in 2023 and will continue to monitor the evolution of the planned pipeline closely.

The prospective pipeline has expanded at a greater pace than the planned pipeline. The number of prospective units stood at 3.10 MM in March 2023. A 9.9% increase over the level recorded in December 2022, and a 39.6% increase over year ago levels.



Source: Yardi Matrix

The high level of prospective properties suggests there is still strong underlying interest in multifamily development. However, the prospective pipeline has expanded at a faster rate compared to the planned pipeline. This suggests developers are facing increasing headwinds in moving their projects forward through the early stages of the development process.

Alternative Downside Forecast

This quarters forecast update also has an alternative downside national forecast, summarized below:

| Year | Baseline Forecast | Alternative Downside Forecast |
|------|-------------------|-------------------------------|
| 2023 | 453,730 | 453,730 |
| 2024 | 475,703 | 475,703 |
| 2025 | 412,047 | 400,000 |
| 2026 | 422,340 | 355,000 |
| 2027 | 426,252 | 375,000 |
| 2028 | 436,225 | 395,000 |

The current baseline forecast assumes a relatively mild recession starting in late 2023. In this scenario multifamily fundamentals remain relatively solid while debt and equity finance is reduced but not completely unavailable. This results in a modest reduction in new construction starts in the second half of 2023 and all of 2024 that produces a 13.3% decline peak to trough in new supply. Deliveries bottom in 2025 with a modest recovery in new supply taking hold in 2026.

The alternative downside forecast assumes a deeper and longer recession where debt and equity finance is far less available and multifamily fundamentals materially weaken. This scenario models a deeper fall off in new construction starts starting in the second half of 2023 that remains through 2025. As a result new supply declines 25.4% peak to trough, with the trough occurring a year later in 2026. New supply starts to increase in 2027 and 2028, but at levels well below current cycle highs.

Bottom Line

To date multifamily new construction activity has been relatively unaffected by the Federal Reserve's rate hiking cycle. New supply completions will remain robust in 2023 and 2024, with 453,000 units completing in 2023 and an additional 475,000 units completing in 2024.

Our baseline forecast assumes a mild downturn in the national economy will depress construction starts in the second half of 2023 through 2024. Our baseline forecast also assumes continued strong multifamily fundamentals that limit the extent of the downturn with new supply deliveries bottoming in 2025 at approximately 412,000 units. A gradual recovery in new supply takes hold in 2026 and continues through 2028.

The alternative downside forecast models a sharper and deeper recession. In this scenario near term completions are unchanged. However new construction activity is more sharply reduced over a longer time horizon. In this scenario new supply bottoms in 2026 at 355,000 units.

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