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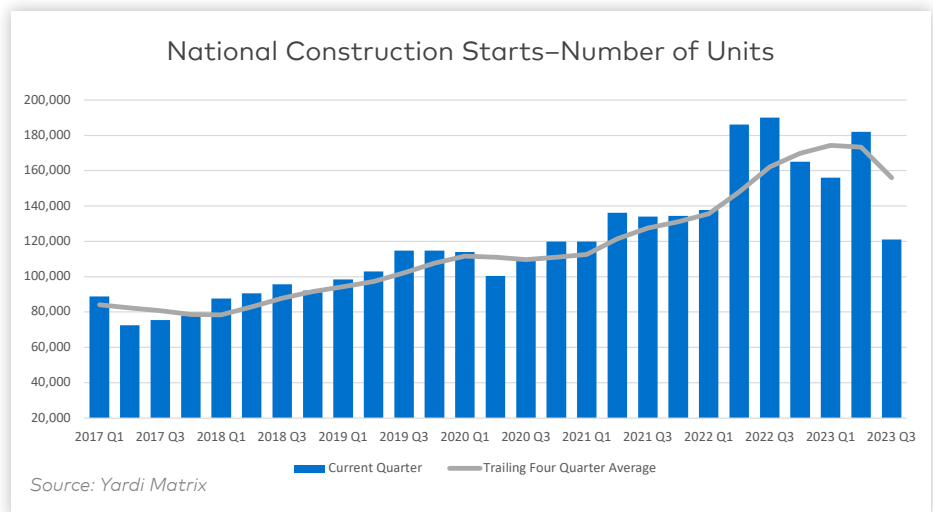
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Multifamily Construction Starts

Despite a problematic financing environment, 2023 multifamily construction starts held up remarkably well. Currently, Yardi Matrix has identified 506,742 multifamily units that started construction in 2023, 25.3% below the 678,771 units that started construction in 2022. Our data is collected with a lag; therefore, full year 2023 comparisons are misleading. But even though 2023's full year data is incomplete, the 506,742 units identified to date would rank third, behind only 2022 and 2021.

Through the first three quarters of 2023, Yardi Matrix identified 454,182 multifamily units that started construction, an 11.6% decrease from the 514,025 units recorded over the same period in 2022. At a national level, construction starts did not materially decline until the third quarter of 2023.



While full year 2023 data is still somewhat incomplete, we do have enough data to draw some insights:

- Single-family rental (SFR) and affordable housing have become increasingly popular product types;
- Markets with high levels of development in 2022 in many cases saw substantial declines in new construction starts in 2023;
- Much of 2023's new-development activity was driven by smaller and midsize markets.

Development's Changing Composition

From 2013 to 2022, total multifamily construction starts expanded 162%, increasing from 258,591 units in 2013 to a peak of 678,771 units in 2022. Over that period, affordable housing and single-family rentals became increasingly important multifamily product types.

In 2013, market rate units comprised 86.0% of all new multifamily construction starts, falling to 77.0% in 2023. Affordable and SFR product now comprise a larger share of the multifamily product mix.

In 2013, SFR constituted less than 1% of all new multifamily construction. In 2023, SFR's share had increased to 5.8%. For full year 2022, 32,599 SFR units started construction, a 1,246% increase over 2013 levels, and 2023 is on track to surpass 2022.

Likewise, affordable housing made up 8.4% of 2013's construction starts, growing to 13.4% in 2023. Full year 2022 saw 83,131 affordable housing units start construction, a 283% increase over the 21,722 units started in 2013.

Where Construction Starts Are Declining

Nationally, construction starts declined modestly through the first three quarters of 2023 compared to the same period in 2022. Many observers expected new construction to fall off by 40% or more. Yardi Matrix has identified 454,182 multifamily units that started construction in the first three quarters of 2023, an 11.6% decrease from the 514,025 units recorded over the same period in 2022.

At a market level, however, there have been sizeable declines. Full year 2022 saw 678,771 units start construction, a 29.4% increase over 2021 levels. Half of those starts were contained in just 22 markets. For the first three quarters of 2023, 18 of those markets saw starts decline compared to the same period in 2022.

For some of the markets, the decline has been sizeable. Indianapolis, Salt Lake City, Austin and Seattle had declines in starts of more than 40%, while Suburban Atlanta, the Southwest Florida Coast, Suburban Dallas and Denver saw starts decline by more than 25%.

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Market Rate	222,292	276,730	281,963	283,745	263,859	304,586	355,349	349,318	407,545	539,263	390,369
% of total	86.0%	88.2%	86.0%	83.6%	83.4%	82.8%	82.4%	78.5%	77.7%	79.4%	77.0%
Affordable	21,722	21,545	28,295	35,252	34,202	43,051	50,875	60,895	71,711	83,131	67,716
% of total	8.4%	6.9%	8.6%	10.4%	10.8%	11.7%	11.8%	13.7%	13.7%	12.2%	13.4%
SFR	2,422	3,286	4,981	4,166	4,205	4,795	6,164	15,037	25,347	32,599	29,397
% of total	0.9%	1.0%	1.5%	1.2%	1.3%	1.3%	1.4%	3.4%	4.8%	4.8%	5.8%
Senior	1,224	2,264	3,001	4,944	3,021	5,495	6,379	7,691	8,357	9,822	8,835
% of total	0.5%	0.7%	0.9%	1.5%	1.0%	1.5%	1.5%	1.7%	1.6%	1.4%	1.7%
Student	10,931	9,977	9,560	11,164	11,010	10,071	12,233	12,271	11,308	13,956	10,425
% of total	4.2%	3.2%	2.9%	3.3%	3.5%	2.7%	2.8%	2.8%	2.2%	2.1%	2.1%
Total	258,591	313,802	327,800	339,271	316,297	367,998	431,000	445,212	524,268	678,771	506,742

*2023 full year data is incomplete; 2023 results will be revised higher. Source: Yardi Matrix

Other markets have also seen sizeable declines. In the Bay Area–South Bay, construction starts declined by 72.4% in 2023 from 2022 levels. And starts were off by 55.0% in Urban Chicago and 45.8% in Las Vegas.

Market	2022 Full Year Starts	2023 Q3 Change
Austin	34,120	-40.7%
Denver	24,011	-25.5%
Charlotte	20,215	-20.8%
Phoenix	20,049	3.0%
Houston–West	18,215	-9.9%
Orlando	17,562	-17.0%
Dallas–North	16,515	48.2%
Seattle	15,457	-40.4%
Atlanta–Suburban	15,195	-39.7%
Dallas–Suburban	14,651	-34.2%
New Jersey–Northern	14,291	-0.7%
Miami	14,259	-15.3%
Nashville	13,474	-9.4%
Raleigh–Durham	13,202	48.7%
San Antonio	12,564	-4.1%
Washington DC	12,237	-4.9%
Atlanta–Urban	11,918	-12.1%
Tampa–St Petersburg–Clearwater	11,366	62.5%
Southwest Florida Coast	10,722	-34.2%
Indianapolis	9,290	-57.4%
Richmond–Tidewater	9,224	-36.5%
Salt Lake City	9,169	-44.0%

Source: Yardi Matrix

Where Construction Starts Are Increasing

In all, 63 markets in Yardi Matrix’s database recorded an increase in construction starts through the first three quarters of 2023 over 2022 levels. These markets tended to be smaller, averaging 2,161 units, with a median of 1,392 units. In general, markets that did not participate in the post-pandemic development surge were better able to sustain new construction in 2023.

Interestingly, four of 2022’s strongest development markets continued to build at a faster pace in 2023. Phoenix, North Dallas, Raleigh–Durham, and Tampa–St. Petersburg–Clearwater all saw increasing levels of new development in 2023.

Several larger markets outside of the top 22 saw development hold up in 2023. Boston starts increased by 35.1% to 6,860 units, while Kansas City’s increased by 41.6% to 4,210 units. In both markets, 2023 new development was at or below levels seen pre-pandemic.

Bottom Line

New multifamily development in 2023 exceeded expectations. This was driven in part by a stronger-than-expected first half of the year and the fact that affordable and single-family housing have become increasingly important parts of the multifamily new-development mix.

In general, markets that experienced significantly higher levels of new construction in 2021 and 2022 led declines in 2023. Markets that never experienced a large post-pandemic development surge were more likely to maintain new-construction levels.

Multifamily construction starts should continue to decline into 2024. The Yardi Matrix development pipeline data plateaued in 2023. The prospective-development pipeline has remained flat since April 2023, while growth in the planned-development pipeline stalled mid-year. A declining pre-development pipeline combined with continued tight financial conditions suggests fewer projects will break ground in 2024.

However, the current under-construction inventory is at or near record levels. Even with a slowdown in new development, multifamily completions will remain robust in 2024 and early 2025, and will not bottom until 2026.

—Ben Bruckner, Senior Research Analyst

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