

Q1 2024

Contacts

**Jeff Adler**

Vice President & General  
 Manager of Yardi Matrix  
 Jeff.Adler@Yardi.com  
 (303) 615-3676

**Ben Bruckner**

Senior Research Analyst  
 Ben.Bruckner@Yardi.com  
 (800) 866-1124 x2387

**Doug Ressler**

Media Contact  
 Doug.Ressler@Yardi.com  
 (480) 695-3365

# Multifamily Supply Forecast Notes

For the Q1 2024 update, the Yardi Matrix Multifamily supply forecast is substantially unchanged compared to the Q4 2023 update.

## Multifamily New Supply Forecast Q1 2024 vs. Q4 2023

Year	1Q 2024	4Q 2023	% Chg
2024	539,696	536,145	0.7%
2025	458,687	451,430	1.6%
2026	376,923	377,622	-0.2%
2027	395,035	397,650	-0.7%
2028	401,690	403,683	-0.5%
2029	426,641	n/a	n/a

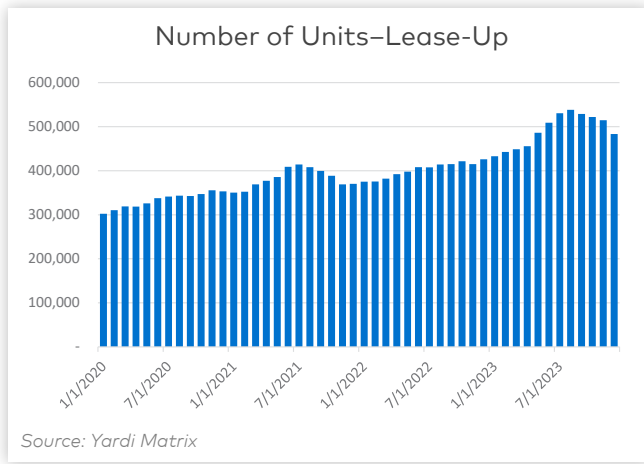
Source: Yardi Matrix

## Near-Term Forecast: 2024 Through 2026

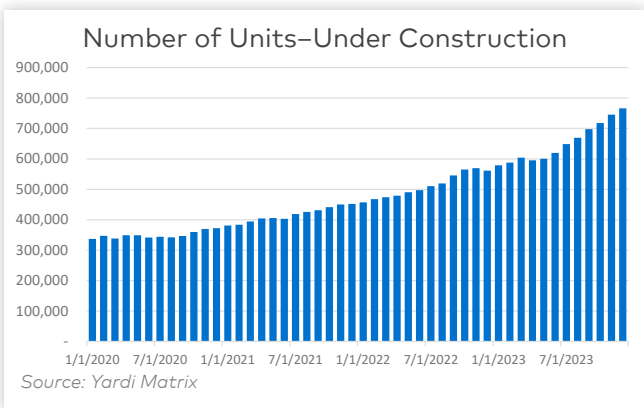
Over the past quarter, Matrix construction pipeline data has evolved in a way that is consistent with previous quarters' forecasts: A gradual but not disastrous slowdown in multifamily development activity is taking hold. Forecast completions for 2024 through 2026 are therefore unchanged. A still-sizable under-construction pipeline will support a high level of completions in 2024 and 2025. New construction began to slow in Q3 2023 and should continue to moderate into 2024, resulting in new supply bottoming in 2026.

## Under-Construction Pipeline

For multifamily markets tracked by Yardi Matrix on or before January 2020, there are currently 1.249 million units in the under-construction pipeline. Of these units, 483,207 are currently in lease-up, modestly below the trailing six-month average of 518,075 units and 8.7% below the levels seen a quarter ago. These units should be complete in 2024.



The number of units under construction but not in lease-up currently stands at 766,353. This represents a 9.9% quarter-over-quarter increase and a 36.6% increase year-over-year. Continued elevated completion times are most likely contributing to the high levels of under-construction units. These units should be complete later in 2024 or in 2025 and early 2026.

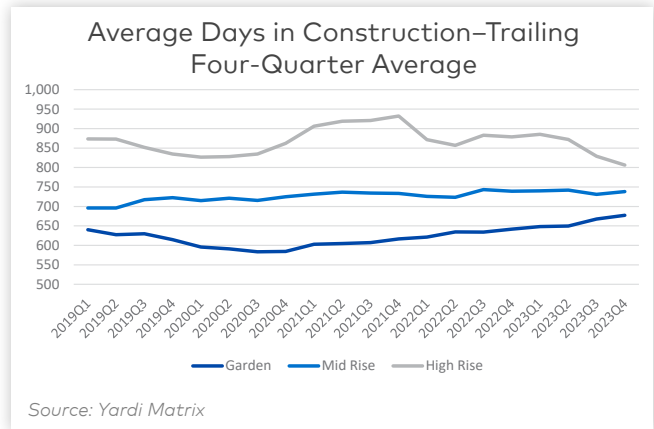


Days in construction for both garden and mid-rise properties continue to remain at or near record levels. In Q4 2023, the national average for garden-level properties stood at 697 days, a series high for our database and above the trailing four-quarter average of 678 days.

Likewise, mid-rise properties completing in Q4 2023 averaged 770 days in construction, another series high and above the trailing four-quarter average of 738 days.

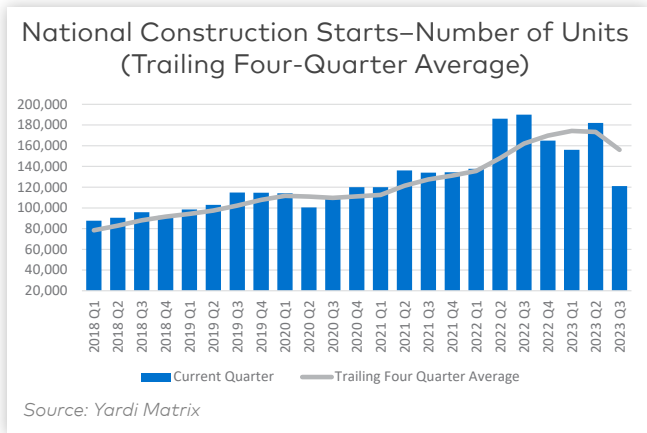
High-rise property completion times have now fallen back to pre-pandemic levels.

Elevated completion times for garden and mid-rise properties are likely driving the continued growth in the under-construction pipeline noted above.

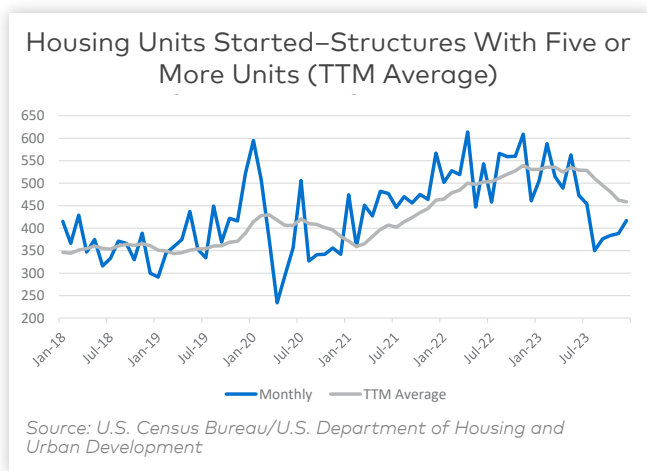


## Construction Starts

Construction starts finally look to be slowing down but remain at a healthy level. Through Q3 2023, Yardi Matrix identified 447,206 units that had started construction. As our construction start data is collected with a lag, this number will increase, but it is currently 12.5% below the 511,463 units started in the first three quarters of 2022. For full-year 2023, the Yardi Matrix research team identified 518,869 units that started construction; only 2021 and 2022 saw a higher level of construction starts.



The U.S. Census Bureau's Residential Construction report is a more current measure of multifamily construction activity. While it does not closely track our data in levels, it does a reasonable job of tracking the change. Seasonally adjusted annualized Census starts data peaked in May 2023, bottomed in September 2023, and rebounded marginally to end the year. Census data suggests Yardi Matrix starts data should continue to show declines for Q4 2023.



At a national level, new construction exceeded expectations in 2023. But at a market level, there have been sizable declines. Full-year 2022 saw 678,771 units start construction, with 50% of starts contained in just 22 markets. For the first three quarters of 2023, 18 of these markets saw starts decline compared to the same period in 2022.

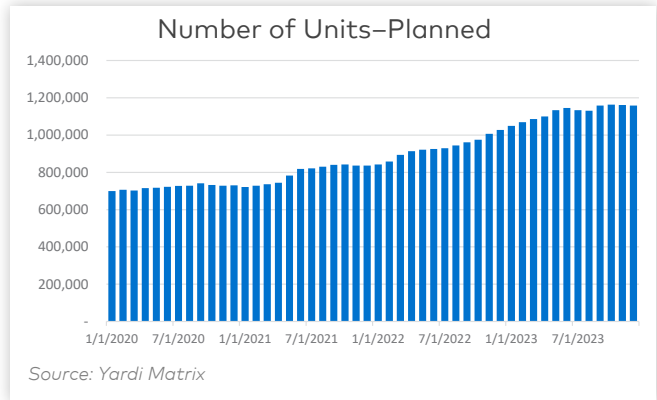
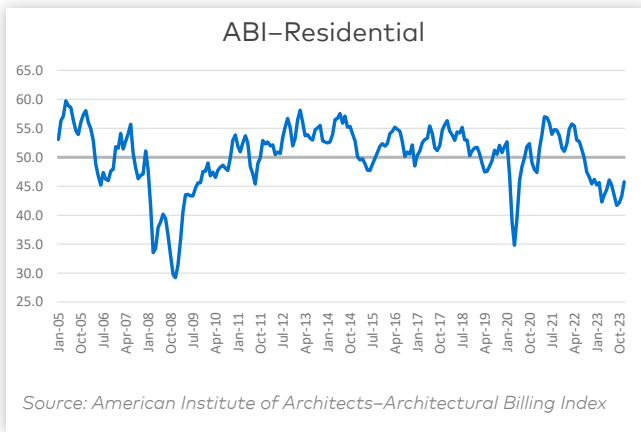
For some of these markets, the decline has been particularly large. Indianapolis, Salt Lake City, Austin and Seattle have all seen starts decline by more than 40%, while Suburban Atlanta, the Southwest Florida Coast, Suburban Dallas and Denver have seen starts decline by more than 25%.

### 2023 Change in Construction Starts

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	<b>11,918</b>	-12.1%
Tampa	11,366	62.5%
Southwest Florida Coast	<b>10,722</b>	-34.2%
Indianapolis	9,290	-57.4%
Richmond—Tidewater	<b>9,224</b>	-36.5%
Salt Lake City	9,169	-44.0%

Source: Yardi Matrix

The December Architectural Billing Index for residential design billings came in at 45.8. This is the 17th consecutive month that the index has been below 50. (A reading below 50 denotes billing contraction, while above 50 denotes billing expansion.) Historically, changes in the ABI precede changes in construction activity by roughly 12 to 18 months. This is another indicator that multifamily construction starts should continue to decline in 2024.



## Long-Term Forecast: 2027 Through 2029

Compared to the previous quarter's forecast update, the Q1 forecast update is substantially unchanged for the latter half of the forecast.

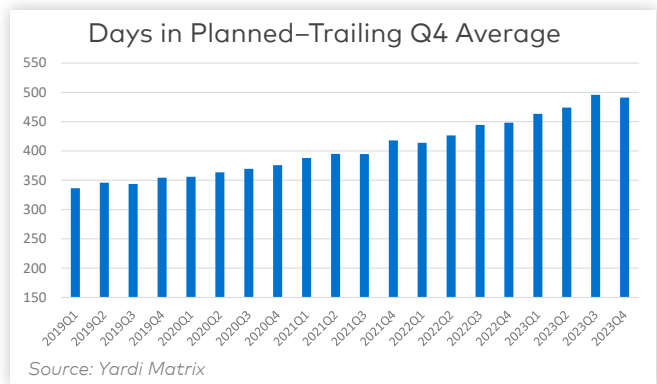
We continue to expect a mild recession in 2024. The combination of a weakening economic backdrop, still-tight financial conditions and record levels of new supply will materially depress new construction activity in 2024. This will result in new supply bottoming in 2026 at roughly 377,000 units. A modest recovery will take hold in 2027, bringing that to 395,000 units. Our forecast for the later years models annual new supply at around 2.25% of stock, or 402,000 units in 2028 and 426,000 units in 2029.

## Planned and Prospective Pipeline

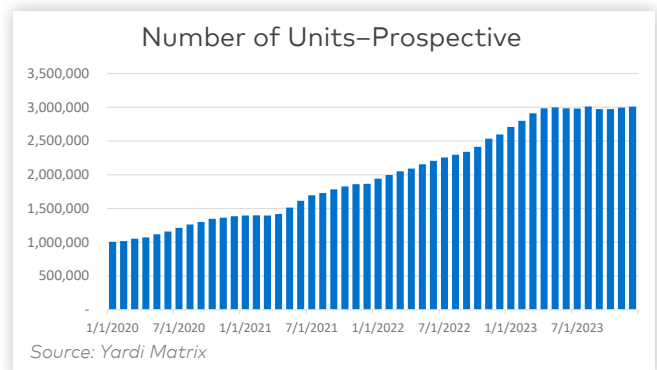
Both the planned and prospective development pipelines remained flat in Q4 2023, continuing a trend that began midyear.

Currently there are 1,158,120 units in the planned development pipeline. This represents a 0.03% decrease quarter-over-quarter and a 12.7% increase year-over-year. Post-pandemic, the planned pipeline grew dramatically. However, in Q3 and Q4 the planned pipeline remained nearly stationary, one potential sign that development interest may be moderating.

The number of days a project has stayed in planned status increased dramatically post-pandemic. For Q4 2023, the national average was 444 days, below the trailing average of 491 days. That was the first quarter since Q1 2022 that days in planned declined.



Currently, there are 3,009,798 units in the prospective development pipeline, a 1.24% increase quarter-over-quarter and a 15.9% increase year-over-year. Growth in the prospective pipeline has been nearly flat since March 2023.



## Alternative Downside Forecast

Our alternative downside forecast, summarized below, is unchanged for 2026 and later years.

Year	Baseline Forecast	Alternative Downside Forecast
2024	539,696	539,696
2025	458,687	458,687
2026	376,923	335,000
2027	395,035	350,000
2028	401,690	375,000
2029	426,641	400,000

Source: Yardi Matrix

The current baseline forecast assumes a relatively mild recession starting in 2024. In this scenario, multifamily fundamentals remain relatively solid while debt and equity finance is reduced but not completely unavailable. A reduction in new construction starts in the second half of 2023 extends into all of 2024, producing an approximately 30% decline peak-to-trough in new supply. Deliveries bottom in 2026, with a modest recovery in new supply taking hold in 2027.

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 falloff in new construction starts that extends into 2025. As a result, new supply declines

38% peak-to-trough. New supply begins to increase in 2027 and 2028, but at levels well below current cycle highs.

## Bottom Line

In Q4 2023, the multifamily development pipeline continued to exhibit several signs that a slowdown in development activity was taking hold. Q4 2023's activity was consistent with forecast expectations, and as a result the Q1 2024 forecast update is relatively unchanged compared to the previous quarter.

Several trends signaling a slowdown emerged in Q3 2023. These trends continued into Q4:

- Yardi Matrix construction start data was 12.5% below the same period in 2022.
- Growth in both the planned and prospective pipelines was flat in Q4.
- U.S. Census Bureau new multifamily construction starts data remained well below cycle highs.
- The Architectural Billing Index returned 17 consecutive months of readings below 50.

The large under-construction pipeline will deliver a record level of new supply in 2024, and a relatively large amount of new supply will come online in 2025, as well. Our baseline forecast envisions new supply bottoming in 2026 at around 377,000 units, while the alternative downside forecast models new supply bottoming in 2026 at 335,000 units.

—Ben Bruckner, Senior Research Analyst

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