

Q3 2024

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Multifamily Supply Forecast Notes

For the Q3 2024 update, the Yardi Matrix Multifamily Supply Forecast was reduced for 2026 and 2027. All other years are unchanged.

Multifamily New Supply Forecast Q3 2024 vs. Q2 2024

| Year | 3Q 2024 | 2Q 2024 | % Chg |
|------|---------|---------|--------|
| 2024 | 550,799 | 553,613 | -0.5% |
| 2025 | 469,998 | 468,958 | 0.2% |
| 2026 | 350,331 | 385,225 | -9.1% |
| 2027 | 328,197 | 396,037 | -17.1% |
| 2028 | 405,784 | 406,376 | -0.1% |
| 2029 | 425,609 | 426,283 | -0.2% |

Source: Yardi Matrix

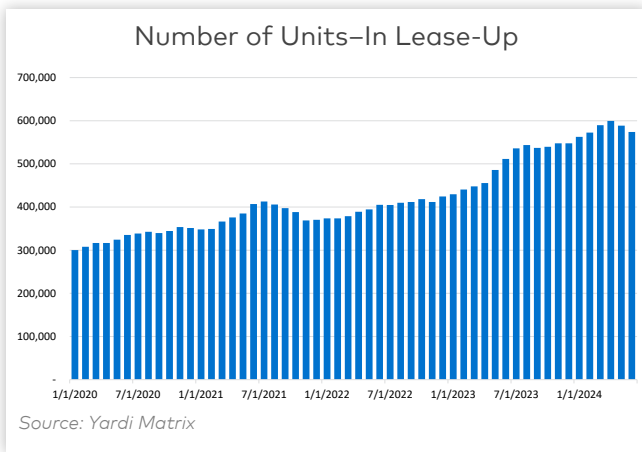
Near-Term Forecast: 2024 Through 2026

Q2 2024 Yardi Matrix development pipeline data continues to point to an overall deceleration in new multifamily development activity. New construction starts continued to decline, driving a quarter-over-quarter decrease in the under-construction pipeline. Despite this decline, the still-large under-construction inventory combined with elevated completion times guarantees new supply will be robust in 2024 and 2025. For these years, our forecast is unchanged compared to the Q2 update.

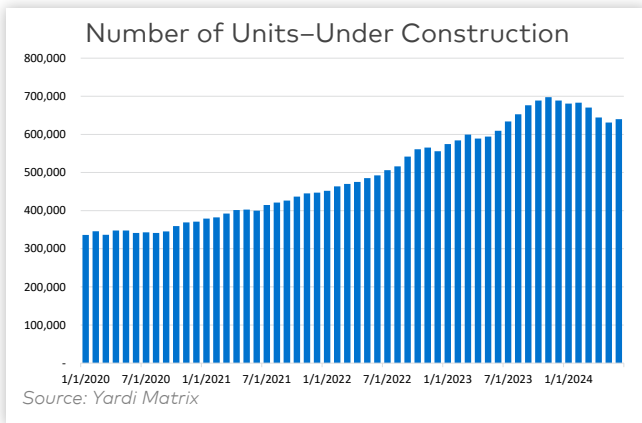
However, new construction activity has dropped off at a faster rate than anticipated in previous forecasts. As such, the forecast for 2026 has been reduced by 9.1% to 350,331 units compared to last quarter's update.

Under-Construction Pipeline

For multifamily markets tracked by Yardi Matrix on or before January 2020, there are currently 1.213 million units in the under-construction pipeline. Of these units, 573,811 are currently in lease-up, a modest 2.7% decrease quarter-over-quarter. For the first half of 2024, the lease-up pipeline averaged 581,184 units. These units should be completed later this year or in early 2025.

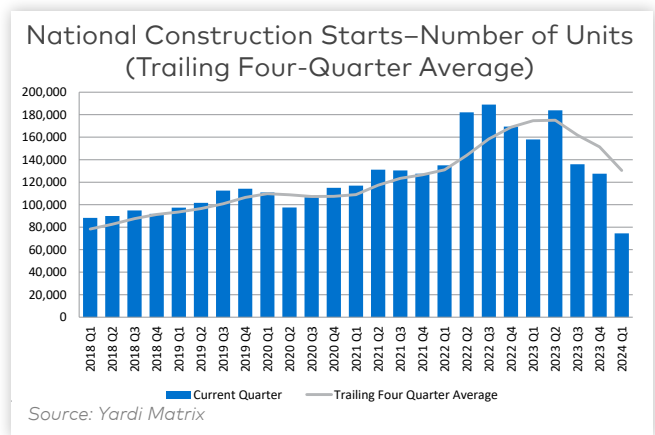


The number of units under construction but not in lease-up peaked at nearly 700,000 in late 2023. Currently, there are 639,841 under construction, a 4.6% decrease quarter-over-quarter and an 8.3% decline off the peak. A substantial proportion of these units should be completed in 2025. However, elevated construction completion times will also push some completions into 2026.



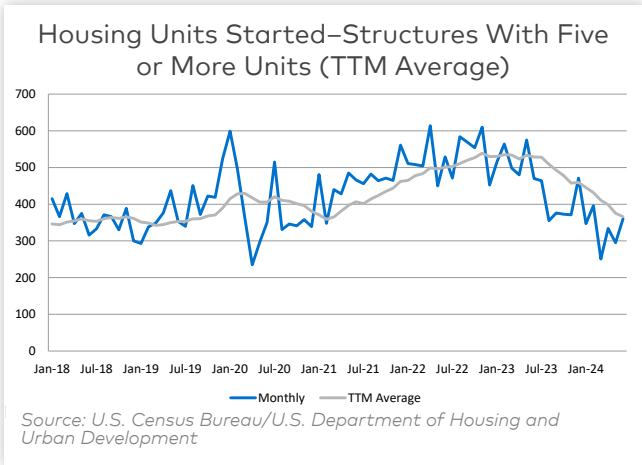
Construction Starts

Construction starts continued to decline into the start of 2024. Yardi Matrix has currently identified 74,556 units that started construction in Q1 2024. Our data is collected with a lag, so this number will increase. However, Q1's results are noticeably off the pace set in 2022 and the first half of 2023, when quarterly starts averaged roughly 165,000 units. Full-year 2022 starts totaled 673,761 units, while 2023 construction starts totaled 591,999 units.



The U.S. Census Bureau's Residential Construction Report is a more current measure of multifamily construction starts. While it does not closely track our data in levels, it does a reasonable job tracking the change. Like Yardi Matrix data, U.S. Census Bureau data started declining in the second half of 2023. The June release had seasonally adjusted, annualized starts at 360,000 units for buildings with five or more units, slightly below the trailing 12-month average of 366,000 units.

Continued weakness in this data series suggests Yardi Matrix starts data will also show a reduced level of new construction activity through mid-year 2024.



Long-Term Forecast: 2027 Through 2029

Compared to last quarter’s update, the forecast for 2027 has been reduced by 17.1% to 328,197 units. For 2028 and 2029, the forecast is substantially unchanged.

U.S. economic growth remains strong but is slowing. Yardi Matrix expects continued deceleration in inflation and softening labor markets will allow the Federal Reserve to reduce policy rates 25 basis points in September, followed by additional easing at the end of 2024 and continuing into 2025. We no longer expect a recession in 2025, but do expect annualized economic growth will decelerate to below 1.0%. Monetary policy should be materially less restrictive by mid-2025, making capital conditions for new development considerably easier than in the current environment.

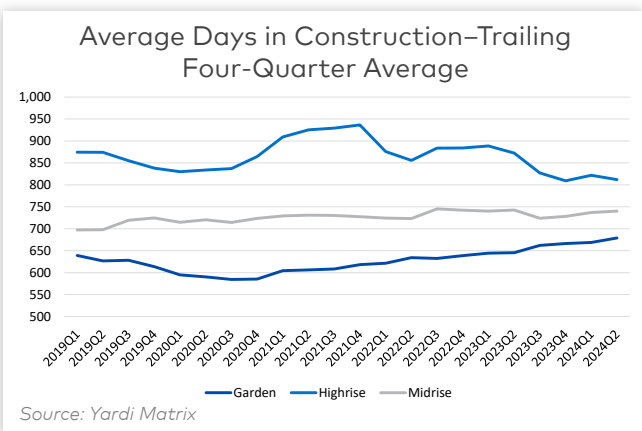
However, the long lead time between a project receiving a funding commitment and starting construction suggests current repressed levels of development activity will persist through 2025 and not significantly recover until 2026. New supply will therefore bottom in 2027 at around 328,000 units, with a rebound taking hold in 2028 and 2029 to around 2.25% of stock, or roughly 405,000 units for 2028 and 425,000 units for 2029.

Days in Construction

Days in construction remains elevated, with both garden and mid-rise building types at or near series highs.

For Q2 2024, the national average for garden-level property completion times came in at 693 days (23.1 months), a series high and above the trailing four-quarter average of 679 days (22.6 months). Mid-rise properties on average spent 760 days (25.3 months) in construction, near the series high of 773 days recorded in Q3 2022 and above the trailing four-quarter average of 740 days (24.6 months).

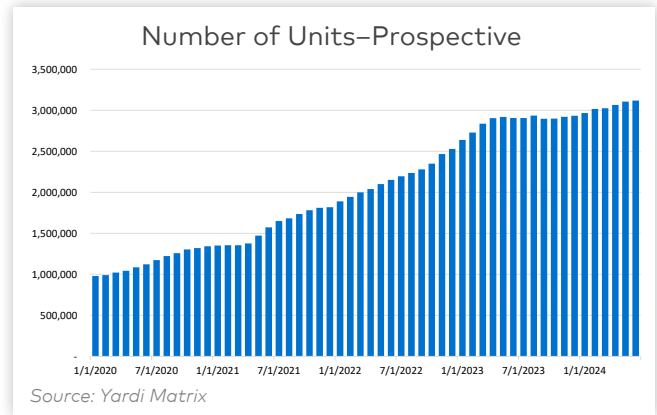
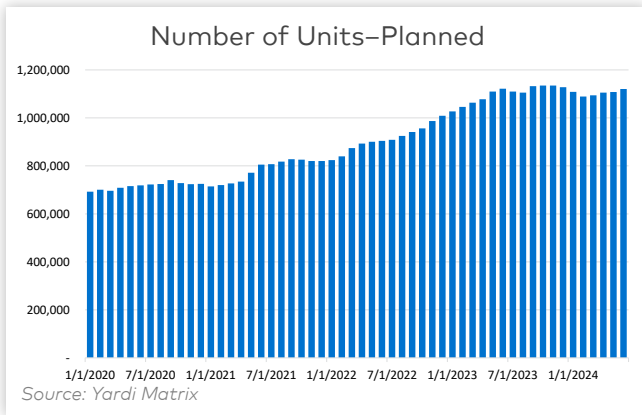
Despite the slowdown in new-construction activity, a still-large under-construction pipeline combined with elevated completion times will keep new supply in 2025 at a healthy level.



Planned and Prospective Pipeline

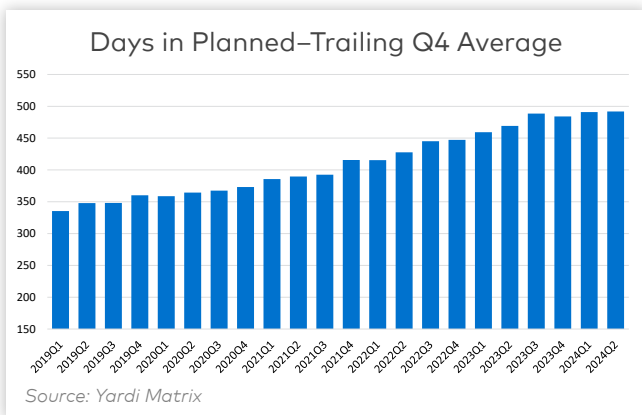
Changes in the planned and prospective development pipeline during Q2 2024 offered further evidence that overall development interest has leveled off. Both planned and prospective increased marginally quarter-over-quarter. On a year-over-year basis, the planned pipeline has slightly contracted while the prospective pipeline grew modestly.

Currently, there are 1.120 million units in the planned pipeline, a 2.4% increase quarter-over-quarter and a 0.1% decrease year-over-year.



Days in planned remains elevated. In Q2 2024, average days in planned for projects starting construction stood at 480 (16.0 months), slightly below the trailing four-quarter average of 492 days (16.4 months). Supply constraints most likely caused days in planned to expand rapidly post pandemic.

Extended days in planned likely explains why construction starts did not quickly decline in response to tighter financial conditions in early 2023. Likewise, extended days in planned will likely delay new construction activity as financial conditions normalize in 2025.



After expanding rapidly post-pandemic, the prospective development pipeline has been relatively flat for close to a year. Currently, there are 3.120 million units in the prospective development pipeline, a 3.1% increase quarter-over-quarter and a 7.3% increase year-over-year.

Bottom Line

In Q2 2024, the Yardi Matrix multifamily under-construction pipeline started to retreat from post-pandemic highs. The still-large inventory supports high levels of new supply for the remainder of 2024 and into 2025. This development was anticipated in previous forecasts, and as a result our forecast for 2024 and 2025 remains unchanged.

Multifamily construction starts for 2024 have fallen off faster than anticipated in previous forecast updates. Currently, Q1 2024 construction starts are more than 50% below levels achieved in 2022 and early 2023. As a result, the Yardi Matrix Multifamily Supply Forecast update for Q3 2024 was reduced for 2026 and 2027 by 9.1% and 17.1%, respectively. For 2028 and 2029, the forecast is relatively unchanged.

As always, Yardi Matrix is extremely focused on accurately maintaining our development pipeline data and identifying any changes in multifamily development activity.

—Ben Bruckner, Senior Research Analyst

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