Q4 2024

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Multifamily Supply Forecast Notes

For the Q4 2024 update, the Yardi Matrix Multifamily Supply Forecast was increased for 2025 and 2026. The remaining years are unchanged.

Year	4Q 2024	3Q 2024	% Chg
2024	554,288	550,799	0.6%
2025	508,089	469,998	8.1%
2026	371,509	350,331	6.0%
2027	326,911	328,197	-0.4%
2028	404,559	405,784	-0.3%
2029	426,485	425,609	0.2%

Source: Yardi Matrix

Near-Term Forecast 2024 Through 2026

At the close of Q3 2024, Yardi Matrix development pipeline data continues to indicate declining multifamily development activity. New-construction starts have bottomed at an approximate annualized rate of 325,000 units. This is roughly 50% below the levels recorded in 2022 and early 2023. However, elevated completion times leave a still-sizable under-construction pipeline. Multifamily completions will remain elevated in 2025 and early 2026, before significantly declining in the second half of 2026 and 2027.

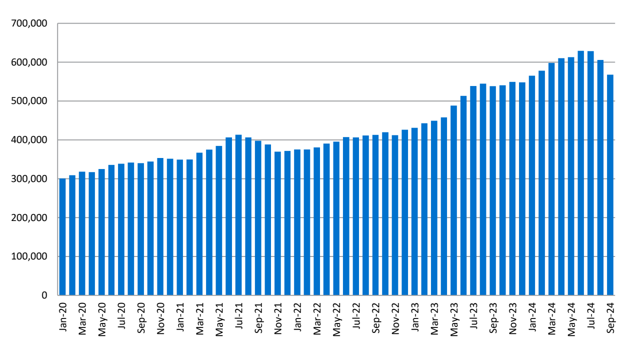
Compared to last quarter's update, the Q4 forecast for 2025 has been increased by 8.1% to 508,089 units. For 2026, the forecast has been increased by 6.0% to 371,509 units.

Under-Construction Pipeline

Among multifamily markets tracked by Yardi Matrix on or before January 2020, the under-construction pipeline declined 3.8% quarter-over-quarter to 1.16 million units. From September 2023 to June 2024, the under-construction pipeline was at or above 1.2 million units.

A total of 567,997 units in the under-construction pipeline are in lease-up. Lease-up units declined 9.7% quarter-over-quarter but increased 5.5% year-over-year. The current level of lease-up units is below the trailing 12-month average of 586,000 units. These units should be complete in 2024 or the first half of 2025.

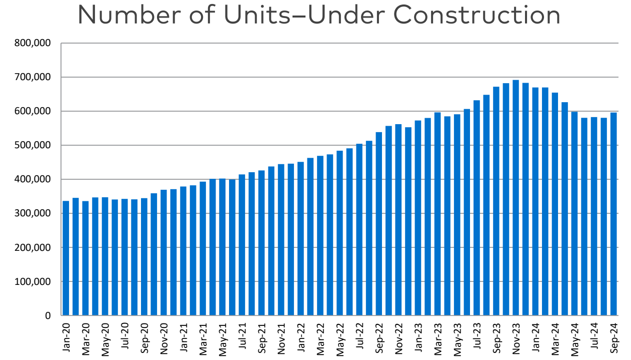
Number of Units–In Lease-Up



Source: Yardi Matrix

Units under construction but not in lease-up increased 2.7% quarter-over-quarter to 595,945. Year-over-year, the segment decreased 11.3%. Units under construction but not in lease-up peaked at nearly 700,000 in November 2023. These units should be complete in the second half of 2025 or early 2026.

Number of Units–Under Construction



Source: Yardi Matrix

While development activity overall is declining, it is declining at a slower rate than anticipated in previous forecasts. Under-construction inventory has dropped off the most in the Sun Belt, while under-construction inventory has expanded in multiple markets in the Northeast and California on a year-over-year basis.

For example, 40 Yardi Matrix markets currently contain at least 5,000 units in their under-construction pipeline. Of these markets, 13 have seen their under-construction pipeline increase year-over-year. Four of these 13 (Boston, Brooklyn, Manhattan and Northern New Jersey) are in the Northeast. Five are in California (the Inland Empire, Metro Los Angeles, Orange County, San Diego and the San Fernando Valley/Ventura). Brooklyn's under-construction inventory has nearly doubled to 19,420 units.

Increasing Under-Construction Pipeline Markets

Market	Oct-24	Oct-23	Change	%
Brooklyn	19,420	9,731	9,689	99.6%
Inland Empire	5,951	3,864	2,087	54.0%
Southwest Florida Coast	12,069	8,236	3,833	46.5%
San Fernando Valley–Ventura County	5,831	4,473	1,358	30.4%
Manhattan	7,847	6,208	1,639	26.4%
Columbus	6,158	5,290	868	16.4%
Orange County	5,485	4,776	709	14.8%
New Jersey–Northern	20,413	17,798	2,615	14.7%
Boston	10,963	9,562	1,401	14.7%
Fort Lauderdale	8,886	7,861	1,025	13.0%
Las Vegas	6,210	5,756	454	7.9%
San Diego	6,441	6,324	117	1.9%
Los Angeles–Metro	14,436	14,236	200	1.4%

Source: Yardi Matrix

Fourteen markets have seen their under-construction pipeline decrease by 20% or more year-over-year. Of these, only three (Denver, Portland and Seattle) are located outside of the Southeast, Florida or Texas.

Decreasing Under-Construction Pipeline Markets

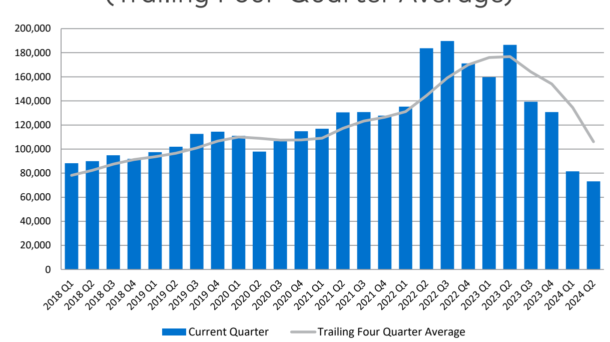
Market	Oct-24	Oct-23	Change	%
Atlanta– Suburban	7,629	9,599	(1,970)	-20.5%
Dallas–North	13,793	17,917	(4,124)	-23.0%
Jacksonville	6,748	8,833	(2,085)	-23.6%
Tampa–St Petersburg–Clearwater	8,893	12,124	(3,231)	-26.6%
Houston–West	10,774	14,741	(3,967)	-26.9%
Dallas–Suburban	8,962	12,288	(3,326)	-27.1%
Nashville	11,043	15,705	(4,662)	-29.7%
Raleigh–Durham	12,190	18,459	(6,269)	-34.0%
Atlanta–Urban	9,805	14,946	(5,141)	-34.4%
Seattle	13,172	21,673	(8,501)	-39.2%
Denver	17,102	28,665	(11,563)	-40.3%
Portland	5,321	8,968	(3,647)	-40.7%
Austin	22,909	40,895	(17,986)	-44.0%
San Antonio	6,109	10,949	(4,840)	-44.2%

Source: Yardi Matrix

Construction Starts

Construction starts through mid-year 2024 have fallen more than 50% below the levels set in 2022 and 2023. In Q2 2024, Yardi Matrix identified 73,158 units starting construction. Our starts data is collected with a lag, so this number will increase. However, Q1 and Q2 combined starts currently stand at 154,607 units. This is 55.3% fewer construction starts compared to the same period in 2023, and 51.5% lower than the same period in 2022.

National Construction Starts–Number of Units (Trailing Four-Quarter Average)

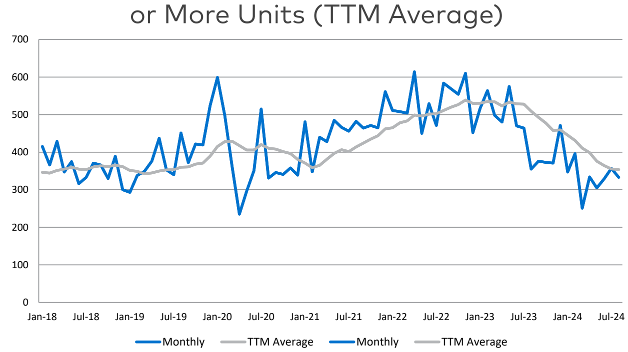


Source: Yardi Matrix

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 of tracking the change. Like Yardi Matrix data, the Census Bureau showed a decline in multifamily construction starts taking hold in the second half of 2023 that bottomed in Q1 2024. Since April 2024, multifamily construction starts have averaged an annualized pace of 332,000 units.

Census Bureau data suggests that starts tracked by Yardi Matrix have bottomed, and our starts data in Q3 will be at similar levels to Q1 and Q2. If this trend persists through year-end, full-year 2024 construction starts tracked by Yardi Matrix should be approximately 325,000 units.

Housing Units Started–Structures With Five or More Units (TTM Average)



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

Days in Construction

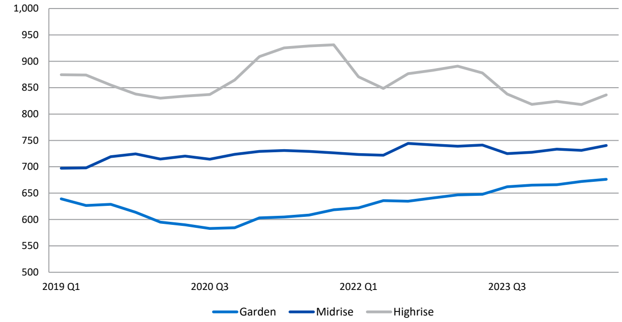
Days in construction remains elevated, with both garden and mid-rise build types at or near series highs. Elevated completion times are likely contributing to the slower-than-anticipated decrease in the under-construction pipeline.

For Q3 2024, average garden-level property completion times stood at 688 days (23 months), a series high and above the trailing four-quarter average of 676 days. This represents a 12.1% increase over 2019's average days in construction for garden properties.

Mid-rise properties on average spent 741 days (25 months) in construction, slightly above the trailing four-quarter average of 740 days, but below the series high of 770 days set in Q3 2022.

Completion times for high-rise properties averaged 815 days (27 months) in Q3 2024, below the trailing four-quarter average of 836 days. High-rise days in construction peaked in Q1 2021 at 1,042 days.

Average Days in Construction–Trailing Four-Quarter Average



Source: Yardi Matrix

Long-Term Forecast 2027 Through 2029

For the years 2027 through 2029, the Q4 Forecast Update is relatively unchanged compared to last quarter.

The U.S. economy was remarkably resilient in Q3 2024. Despite stronger-than-expected employment and economic growth over the last quarter, our longer-term economic outlook that underpins the long-term supply forecast remains the same: Yardi Matrix continues to expect a gradual deceleration in labor markets and inflation with economic growth decelerating, but a recession is avoided. The benign slowdown allows the Federal Reserve to continue to reduce policy rates at a gradual pace to close out 2024 and through 2025. Monetary policy should be materially less restrictive by mid-year 2025, which in turn should make capital conditions for new multifamily development considerably easier.

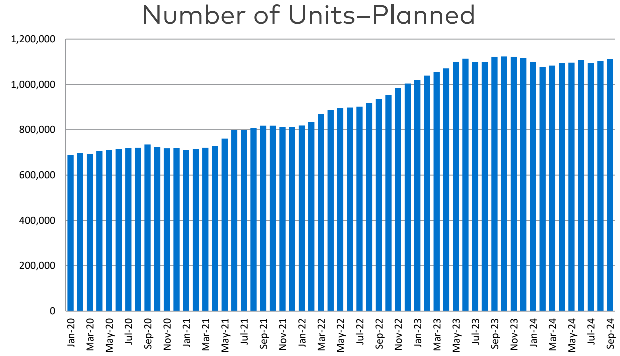
However, the long lead time between a project receiving a funding commitment and starting construction suggests the current level of multifamily construction starts will persist through 2025. The forecast does not anticipate new development to significantly rebound until 2026. Like last quarter, the Q4 update has new supply bottoming at 327,000 units in 2027, with a rebound taking place in 2028 and 2029 to around 2.25% of stock, or approximately 405,000 units in 2028 and 426,000 units in 2029.

Planned and Prospective Pipeline

After relentlessly expanding post-pandemic, growth in the planned and prospective development pipelines has moderated since the Federal Reserve's rate hiking cycle culminated in mid-2023. Currently, the combined planned and prospective pipelines contain 4.27 million units.

The planned pipeline has been essentially flat for over a year. In May 2023, the planned pipeline contained 1.1 million units for the first time. Since then, it has averaged 1.1 million units. At the close of Q3, the planned pipeline contained 1.11 million units, a 0.9% decrease quarter-over-quarter and a 0.3% increase year-over-year.

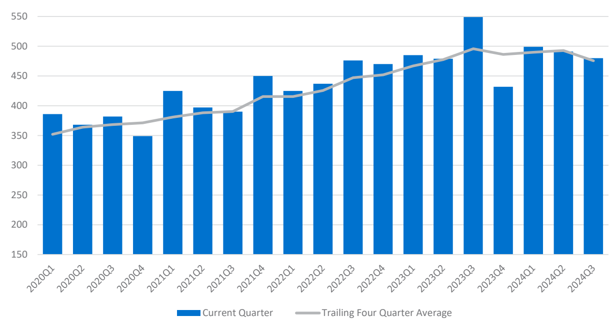
Number of Units–Planned



Source: Yardi Matrix

Days in planned for projects starting construction peaked in Q3 2023 at 549 (18 months). Since then, it has moderated slightly, with Q3 2024 days in planned coming in at 480 (16 months). Q3's reading is still 30% above pre-pandemic levels. Extended days in planned will likely delay new construction activity, despite expected easing financial conditions in 2025.

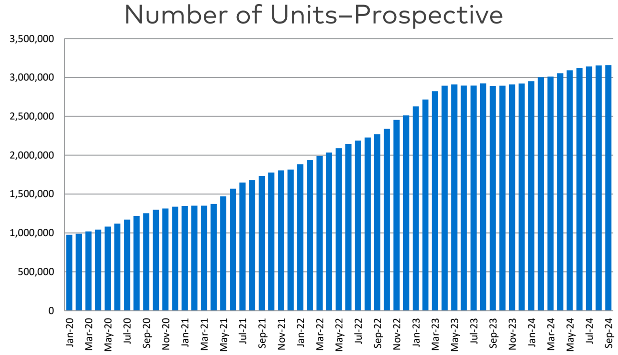
Days in Planned–Trailing Q4 Average



Source: Yardi Matrix

The prospective pipeline grew a modest 1.2% quarter over quarter to 3.160 million units. On a year over year basis the prospective pipeline expanded 9.3%. Like the planned pipeline, growth in the prospective pipeline has noticeably moderated since mid-year 2023.

Number of Units–Prospective



Source: Yardi Matrix

Bottom Line

Multifamily construction starts began to decline in the second half of 2023. Through mid-year 2024, construction starts have declined 55.3% compared to the same period in 2023. Despite the sharp decrease in new multifamily construction activity over the past year, 1.16 million units remain in the under-construction pipeline. As a result, the Yardi Matrix Multifamily Supply Forecast for 2025 and 2026 was increased 8.1% and 6.0%, respectively, to accommodate the still-sizable under-construction pipeline.

The current forecast anticipates that on a quarterly basis construction starts have bottomed, and for full-year 2024 approximately 325,000 units will break ground. Despite anticipated easing capital conditions in 2025, long development lead times suggest this low level of new construction activity will persist through 2025, before a rebound in new development activity takes hold in 2026.

In short, the forecast expects new-supply completions to remain relatively robust in 2025 at roughly 508,000 units, followed by a noticeable decline in 2026 to 372,000 units. New supply bottoms in 2027 at around 327,000 units, with a rebound in new supply in 2028 and 2029.

As always, Yardi Matrix is extremely focused on accurately maintaining our development pipeline data and identifying any changes in its evolution that will have a meaningful impact on future new supply.

—Ben Bruckner, Senior Research Analyst