Q1 2025

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Multifamily Supply Forecast Notes

For the Q1 2025 update, the Yardi Matrix Multifamily Supply Forecast was increased for years 2025 through 2027. The forecast for the remaining years is substantially unchanged.

Year	1Q 2025	4Q 2024	% Chg
2024	–	554,288	–
2025	524,933	508,089	3.3%
2026	414,134	371,509	11.5%
2027	341,020	326,911	4.3%
2028	405,870	404,559	0.3%
2029	425,046	426,485	-0.3%
2030	**450,765**	**–**	–

Source: Yardi Matrix

Near-Term Forecast: 2025 and 2026

Compared to last quarter's forecast, the Q1 multifamily supply forecast update has increased completions for 2025 and 2026 by 3.3% and 11.5%, respectively.

The number of units under construction tracked by Yardi Matrix is declining. The decrease in the under-construction pipeline, however, is starting from a high level and falling at a much slower rate than its expansion from 2021 through 2023. And in 2025 the still-large under-construction pipeline will deliver the second-highest amount of annual new supply since the 2008 financial crisis, trailing only 2024's record volume.

Construction starts moderated significantly in 2024. This drives a slowdown in new supply for 2026. However, due to continued elevated construction completion times, some amount of the current under-construction inventory will not be completed until 2026. The current forecast update, therefore, anticipates new supply will not fully bottom until 2027.

Forecast Coverage

The supply forecast covers market-rate, partially and fully affordable, senior housing and single-family rental (SFR) multifamily property types. Since nearly all under-construction and planned properties have their sectors identified, the first three years of the forecast can be broken out by property sector.

	Actual Completions						Forecast Completions		
	2019	2020	2021	2022	2023	2024	2025	2026	2027
Market*	308,182	321,247	373,145	325,283	398,811	488,621	402,896	312,761	264,419
Affordable	40,793	44,953	47,383	57,388	66,607	78,209	78,660	65,347	47,457
Senior**	10,114	11,164	10,457	9,775	12,618	11,613	10,303	7,891	10,365
SFR	6,510	7,575	10,117	16,761	33,164	35,071	33,074	28,135	18,779
Total	365,599	384,939	441,102	409,207	511,200	613,514	524,933	414,134	341,020

*Notes: *Market: Includes both market-rate and partially affordable properties. **Senior: Includes both fully and partially age-restricted properties.*
Source: Yardi Matrix

Market-rate and partially affordable properties' share of overall new supply has been declining. In 2019, these property sectors supplied 84.3% of new units. By 2024, their share of overall new supply fell to 79.6%, and it is forecast to fall to 77.5% by 2027. The 264,419 units forecast for 2027 are 14.2% below what was delivered in 2019.

Conversely, affordable and SFR property types are now a larger component of new multifamily supply. Affordable properties are forecast to deliver 47,457 units in 2027, a 16.3% increase over 2019 levels, while SFR is forecast to deliver 18,779 units in 2027, a 188.5% increase over 2019 levels.

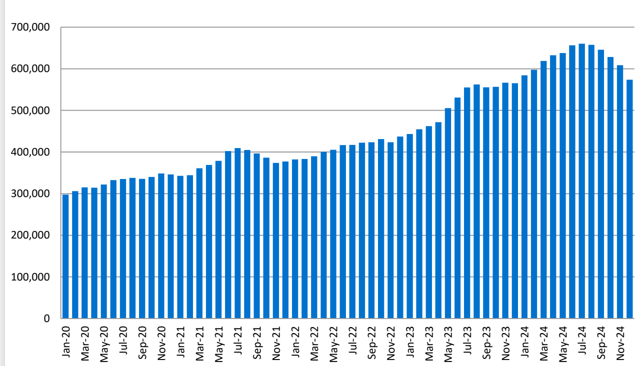
Under-Construction Pipeline

For markets tracked by Yardi Matrix for at least 24 months, the under-construction pipeline ended Q4 2024 with a 2.9% decline quarter-over-quarter to 1.165 million units. On a year-over-year basis, the under-construction pipeline declined 7.2%.

After expanding by 20.8% in 2022 and 25.2% in 2023, the under-construction pipeline peaked in March 2024 at 1.275 million units. Despite the decline recorded in 2024, the under-construction pipeline remains comparatively large and is capable of delivering well in excess of 500,000 units in 2025.

At the close of Q4 2024, 573,568 units in the under-construction pipeline were in pre-lease. That represented an 11.2% decline quarter-over-quarter but a 1.4% increase year-over-year. Most of these units will be completed in 2025. The number of under-construction units in pre-lease peaked in July 2024 at 660,207 units. Pre-leased units should continue to decline throughout 2025.

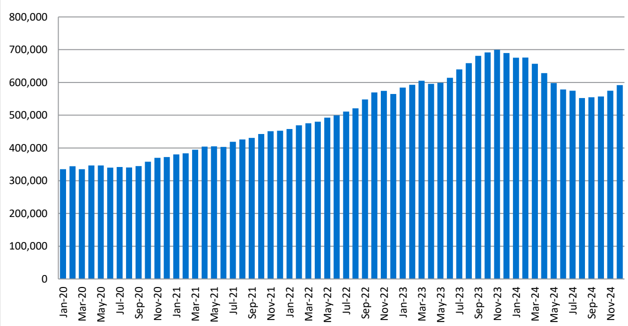
Number of Units–Pre-Leased



Source: Yardi Matrix

Units under construction but not in pre-lease totaled 591,625 at year-end, a 6.7% increase quarter-over-quarter and a 14.2% decrease year-over-year. Under-construction units peaked in November 2023 at 699,577. This inventory should be completed in 2026 or early 2027.

Number of Units–Under Construction



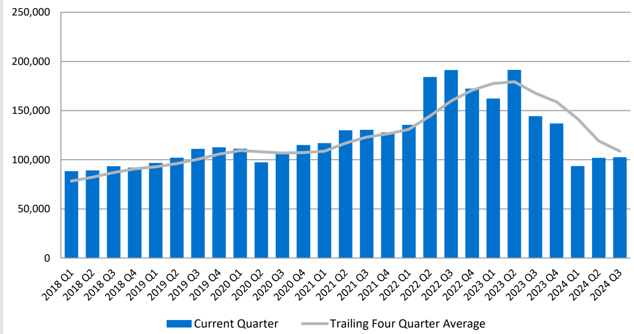
Source: Yardi Matrix

Construction Starts

In the first three quarters of 2024, Yardi Matrix has identified 298,023 multifamily units started construction. This is roughly 40% below the level recorded in the first three quarters of 2022 and 2023. The research team has confirmed 59,601 units beginning construction in Q4, bringing the current known starts for 2024 to 357,624 units. Our starts data is collected with a lag, so this figure will increase in the months to come.

Market-based expectations for further reductions in the federal funds rate have greatly diminished since mid-year 2024. As a result of this new higher-for-longer monetary policy regime, the forecast anticipates construction starts in 2025 will be at a similar pace to 2024.

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

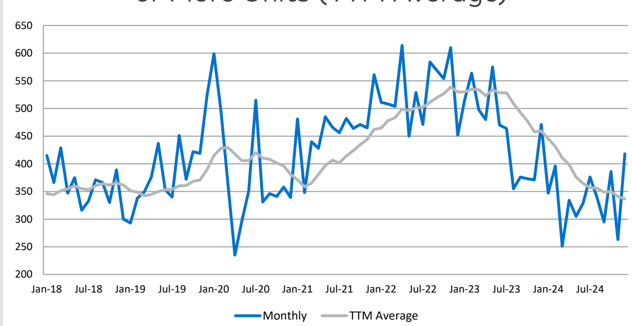


Source: Yardi Matrix

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 do a reasonable job tracking the change. After declining to 263,000 seasonally adjusted annualized units in November, December starts increased to 418,000 units. The trailing 12-month average is currently 336,000.

Despite the monthly noise, Census Bureau data was relatively flat through the end of 2024 and suggests starts tracked by Yardi Matrix should end up around 380,000 units for full-year 2024.

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



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

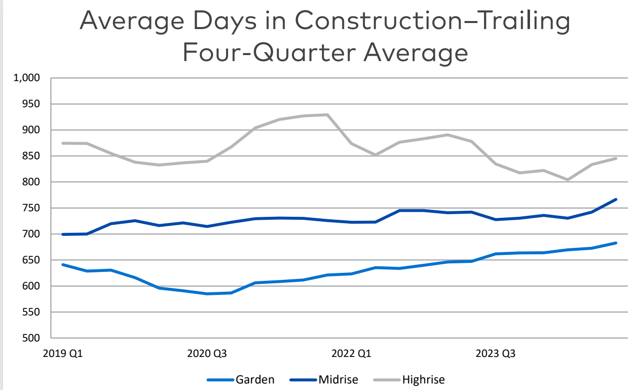
Days in Construction

Q4 2024 construction completion times increased for garden, mid-rise and high-rise build types. Completion times for both garden and mid-rise build types are currently at the highest level since 2015.

For garden properties, the Q4 2024 average completion time was 694 days (23.1 months), a series high and above the trailing four-quarter average of 676 days (22.6 months).

Mid-rise properties completing in Q4 on average spent 839 days (28.0 months) in construction. Again, this is a series high and well above the trailing four-quarter average of 768 days (25.6 months).

After trending down in 2022 and 2023, high-rise property completion times trended upwards in the second half of 2024. For Q4, the average completion time was 940 days (31.3 months). The trailing four-quarter average rose to 850 days (28.3 months).



Source: Yardi Matrix

Long-Term Forecast: 2027 Through 2030

Compared to the previous quarter's supply forecast update, forecast completions for 2027 have been increased by 4.3% to 341,000 units. The remaining later years are substantially unchanged.

The Federal Reserve signaled a shift to an accommodative policy stance in August 2024. This was followed by three rate cuts that totaled 100 basis points, as the Fed viewed the balance of risks had tilted from rising inflation to falling employment.

However, in the intervening six months, the data has not met the Federal Reserve's mid-summer expectations. The combination of continued solid job growth, a lower unemployment rate and rising inflation expectations have led the Federal Reserve to take a hawkish repositioning.

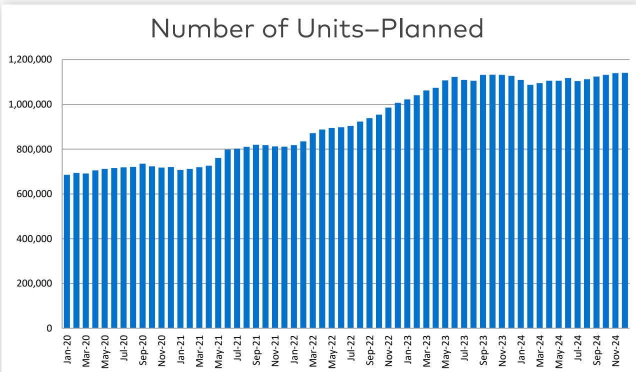
Accordingly, the long-term portion of the supply forecast does not anticipate a recession or growth slowdown that would precipitate a substantial reduction in interest rates. It assumes the current higher-for-longer policy environment will continue to constrain construction starts in 2025, with a gradual improvement in new development and completions taking hold in the later years.

Planned and Prospective Pipelines

Growth in the planned and prospective development pipelines has moderated since mid-year 2023. In 2024, the combined pipelines expanded by 8.0% to 4.411 million units at year-end. Most of the growth was driven by the prospective pipeline.

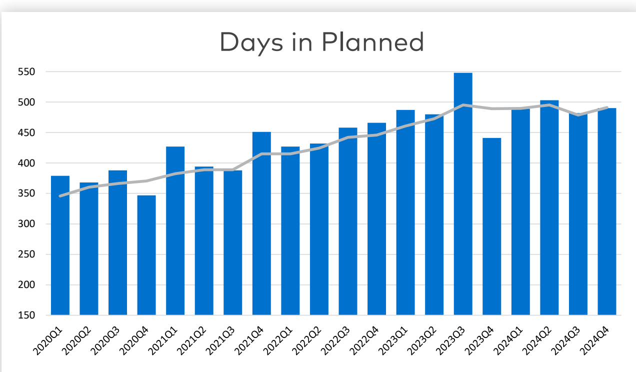
Since May 2023, the planned pipeline has averaged 1.12 million units. At the end of Q4 2024, the planned pipeline contained 1.14 million units, a 1.5% increase quarter-over-quarter and a 1.2% increase year-over-year.

The 1.14 million planned units represent nearly three times the number of construction starts recorded to date for 2024. Despite a difficult financing environment for new development, there is a large pool of potential projects for highly selective debt and equity providers to consider. New development will occur, but not at the rates seen in 2022 and 2023.



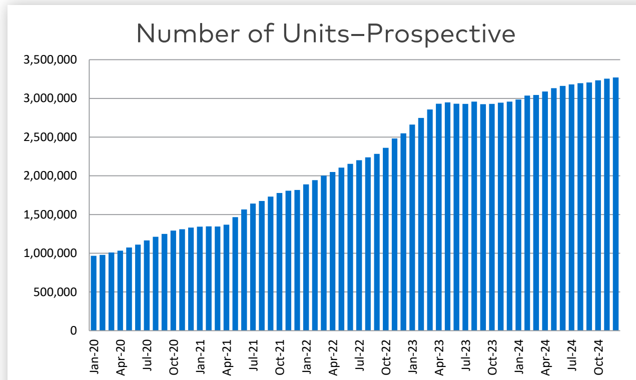
Source: Yardi Matrix

Projects starting construction averaged 490 days in planned in Q4, slightly above the 482 days recorded in Q3 and right in line with the trailing four-quarter average of 491 days. Days in planned peaked in Q3 2023 at 548. Despite moderating in 2024, days in planned is still roughly 30% above pre-pandemic levels. Elevated days in planned is an impediment to quickly increasing new development activity.



Source: Yardi Matrix

Quarter-over-quarter, the prospective pipeline grew 2.0% in Q4 2024 to 3.270 million units. On a year-over-year basis, the prospective pipeline has grown by 10.6%. Continued growth in the prospective pipeline suggests deal sponsors remain optimistic about the long-term prospects for multifamily development. However, given current elevated development lead times, it will be awhile before these projects become a reality.



Source: Yardi Matrix

Bottom Line

Multifamily construction starts through the first three quarters of 2024 declined roughly 40% below the level recorded through the first three quarters of 2022 and 2023. The slowdown in starts has begun to work its way into the under-construction pipeline, which has decreased 7.2% year-over-year. This decrease, however, comes from a very high starting level, and a still-large inventory of properties remains to be completed. As a result, forecast completions for 2025 have been increased by 3.3% to roughly 525,000 units, with 2026 forecast at an 11.5% increase to 414,000 units.

For the longer term, the current forecast assumes a higher-for-longer Federal Reserve policy will keep short- and longer-term interest rates elevated. Continued tight new development financing combined with long development lead times will cause construction starts to remain at the same level in 2025 as seen in 2024, resulting in new supply bottoming in 2027.

Healthy planned and prospective development pipelines suggest new development will rebound in 2026 and beyond, which increases new supply for 2028 and beyond.

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