Q2 2025

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Multifamily Supply Forecast Notes

For the Q2 2025 update, the Yardi Matrix Multifamily Supply Forecast was increased marginally for 2025 through 2027. The forecast for the later years is unchanged.

Year	2Q 2025	1Q 2025	% Chg
2025	536,278	524,933	2.2%
2026	422,301	414,134	2.0%
2027	350,257	341,020	2.7%
2028	406,856	405,870	0.2%
2029	426,461	425,046	0.3%
2030	451,670	450,765	0.2%

Source: Yardi Matrix

Near-Term Forecast: 2025 and 2026

Compared to last quarter's forecast, the Q2 update increased forecast completions for 2025 through 2027 by roughly 2.0%. The modest increase was driven by a slightly larger-than-expected under-construction pipeline at the close of Q1 2025.

The overall under-construction pipeline peaked in March 2024 and has since declined for 12 consecutive months. Despite the past year's contraction, the under-construction pipeline still contains a large inventory that easily supports new supply in excess of 500,000 units in 2025 and 400,000 units in 2026.

Construction starts moderated significantly in 2024. Compared to 2023's level, 2024 starts declined by 36.4%. Compared to 2022's level, 2024 starts declined 40.7%. The large decline will drive a slowdown in new supply in 2026. However, elevated completion times and a still-large under-construction inventory imply that supply will not completely bottom until 2027.

Forecast Coverage

The supply forecast covers market rate, partially and fully affordable, senior housing, and single-family rental multifamily property types. Since most under-construction and planned properties have identified property types, the first three years of the forecast can be broken out by property type.

	Actual Completions						Forecast Completions		
	2019	2020	2021	2022	2023	2024	2025	2026	2027
Market*	308,328	323,405	374,331	325,586	400,743	507,846	411,826	317,126	268,578
Affordable	41,359	44,903	47,640	57,949	67,919	90,306	79,549	68,335	51,673
Senior**	9,964	11,228	10,457	9,196	13,046	12,467	9,586	7,696	10,781
SFR	6,510	7,575	10,421	17,770	33,509	39,738	35,038	29,144	19,225
Total	366,161	387,111	442,849	410,501	515,217	650,357	535,999	422,301	350,257

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

Completions for all property types peaked in 2024 and are forecast to decline through 2027. The decline is not forecast to be evenly distributed. Forecast supply for market and partially affordable properties is expected to decline by 37.6% in 2026 compared 2024's peak. Units supplied by affordable properties, on the other hand, are forecast to decline by 24.3% compared to their 2024 peak, while SFR is forecast to decline by 26.7%.

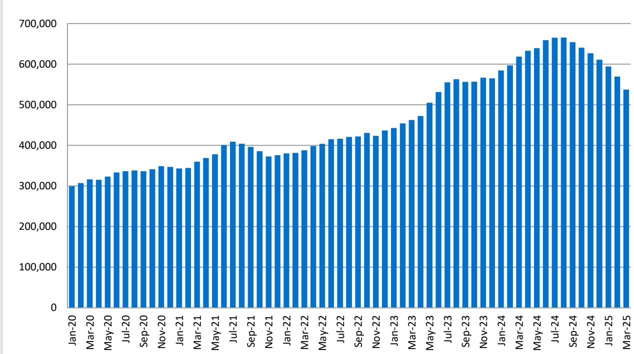
The relative differences in forecast new supply underscore a longer-term trend. Market and partially affordable properties will comprise a smaller share of the overall multifamily product mix. In 2019, these property types represented 84.2% of all units delivered. By 2026, their share is forecast to decline to 75.1%.

Under-Construction Pipeline

For markets tracked by Yardi Matrix for at least 24 months, the under-construction pipeline ended Q1 2025 with 1.105 million units, a 5.1% decline quarter-over-quarter and a 13.3% decline year-over-year. The under-construction pipeline peaked in March 2024 with 1.274 million units.

At the close of Q1, 537,716 under-construction units were in pre-lease, a 12.0% decline quarter-over-quarter and a 13.1% decline year-over-year. Most of this inventory should be complete by the end of Q1 2026. Under-construction units in pre-lease peaked in September 2024.

Number of Units—Pre-Leased

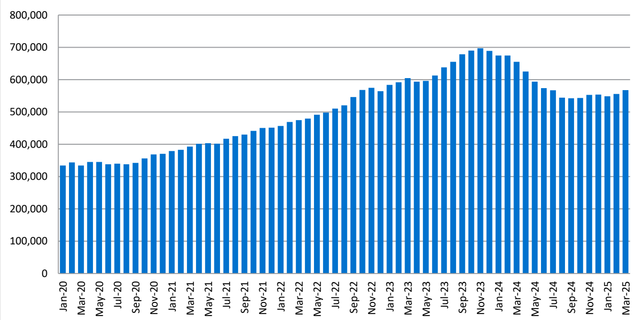


Source: Yardi Matrix

Although construction starts have materially decreased, units under construction but not in pre-lease increased at the end of Q1 to 567,539, a 2.5% increase quarter-over-quarter but a 13.4% decrease year-over-year. Completion times continue to creep higher. This phenomenon may be driving last quarter's increase in under-construction inventory but should be temporary.

These units will most likely be complete in 2026 or early 2027.

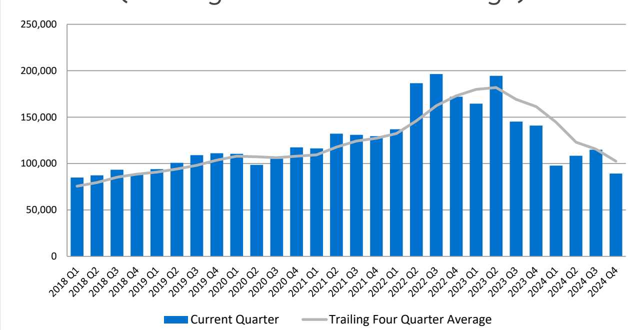
Number of Units—Under Construction



Source: Yardi Matrix

Construction Starts

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



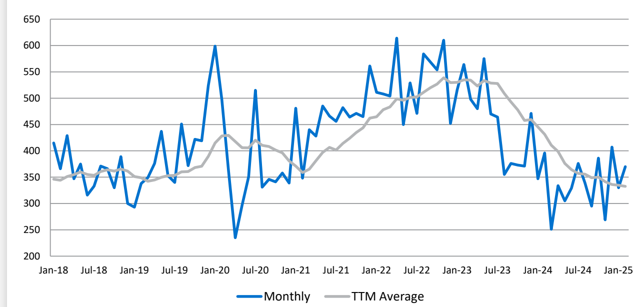
Source: Yardi Matrix

Multifamily construction starts tracked by Yardi Matrix currently total 410,324 units for full-year 2024. This is 36.4% below full-year 2023 results and 40.7% below 2022's development cycle peak. The research team has so far confirmed that construction was started on 32,929 units in Q1 2025. Our starts data is collected with a lag, so this number will rise in the coming months.

A more current measure of new multifamily development is the U.S. Census Bureau's Residential Construction Report. While it does not closely track Yardi Matrix data in levels, it does track the change and can provide some insight into where our starts data will eventually land. Despite the monthly noise, Census Bureau data has been relatively flat since bottoming in March 2024, averaging 352,000 units. Census data suggests that starts tracked by Yardi Matrix for Q1 2025 will likely be at levels similar to those recorded over the past year: around 100,000 units.

Tariff policy has added a great deal of uncertainty to how multifamily construction starts will unfold in the remainder of 2025. The forecast assumes starts will be at a similar-to-slightly-lower pace than what was recorded in 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

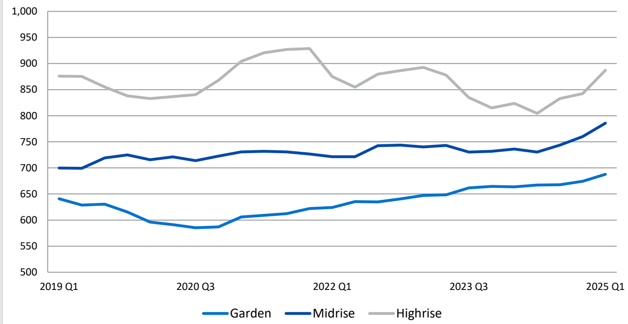
Days in construction increased markedly in Q1 2025 for garden, mid-rise and high-rise build types. Q1 national average completion times for all three build types rose to the highest level since 2018. The continued growth in days in construction is likely driving the recent unexpected increase in the under-construction pipeline.

For garden properties, the Q1 average completion time increased to 718 days (23.9 months), a series high and above the trailing four-quarter average of 688 days (22.9 months).

Mid-rise properties completed in Q1 also set a series high, at 837 days (27.9 months), above the trailing four-quarter average of 786 days (26.2 months).

Completion times for high-rise properties increased dramatically in Q1, to 1,043 days (34.8 months), well above the trailing four-quarter average of 887 days (29.6 months). Twenty high-rise properties were completed in Q1; the relatively small sample could be biasing the results upwards.

Average Days in Construction—Trailing Four-Quarter Average



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 2.7% to 350,257 units. This was driven by a slightly larger-than-expected under-construction pipeline combined with elevated completion times. The remaining years are substantially unchanged.

The new administration's policy objectives and execution have introduced greater-than-normal uncertainty into the longer-term forecast. On the one hand, higher tariff rates will result in a one-off increase in import prices and construction costs, a potential headwind for new multifamily development. Additionally, higher tariff rates also imply a near-term slowdown in economic activity that depresses rental rate growth and thereby new-development interest. On the other hand, a weaker growth environment would also lead to easing monetary policy and provide a tailwind for new multifamily development.

At the time of this writing, few hard datapoints exist to suggest how new construction has reacted to current policy. By mid-summer, more data points will be available, and the direction of travel will become clearer.

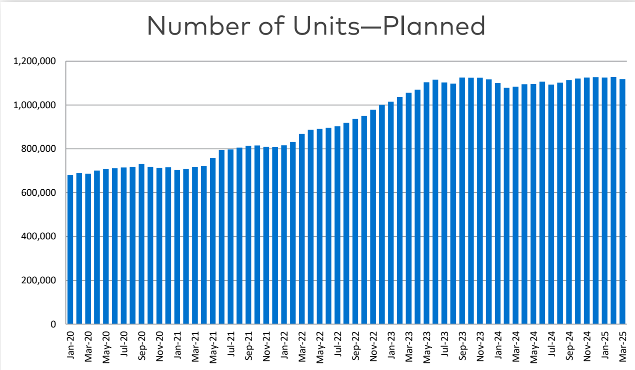
Until then, the Q2 forecast update assumes the current policy environment will have a negative effect on real GDP growth. However, given the relative strength of the current economy, one-off tariff shocks will not be strong enough on their own to force a recession. Slower growth results in moderate monetary easing and weaker rental rate growth.

Thus, the current forecast assumes new multifamily development in 2025 will muddle through this period of uncertainty at roughly the same pace as or slightly slower than was seen in 2024. Yardi Matrix continues to forecast new supply will bottom in 2027, with a gradual recovery taking hold in 2028 through 2030.

Planned and Prospective Pipelines

Combined, the planned and prospective pipelines held 4.463 million units at the end of Q1 2025. While the number of units in the planned pipeline was relatively flat throughout 2024, the prospective pipeline has exhibited steady growth.

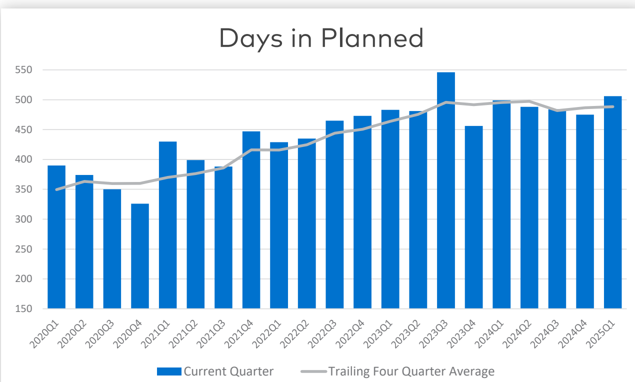
Currently, there are 1.117 million units in the planned pipeline, or roughly 2.7 times the number of units on



Source: Yardi Matrix

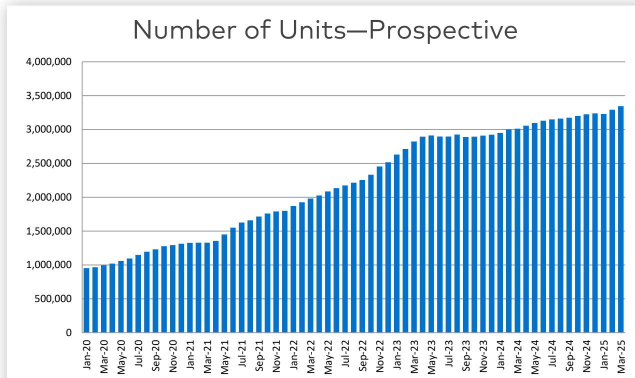
which construction was started in 2024. The planned pipeline contracted 0.8% quarter-over-quarter and expanded 3.1% year-over-year.

Projects starting construction in Q1 averaged 506 days in planned (16.9 months), slightly above the trailing four-quarter average of 488 days (16.3 months). Days in planned has been relatively stable since mid-year 2023.



Source: Yardi Matrix

The prospective pipeline continues to add inventory. At the end of Q1, the prospective pipeline contained 3.346 million units, a 3.4% increase quarter-over-quarter and an 11.1% increase year-over-year. Continued growth in the prospective pipeline suggests developers remain optimistic about long-term prospects. Given current development lead times, it will be some time before these projects are completed.



Source: Yardi Matrix

Bottom Line

Nationally, the under-construction pipeline has contracted 13.3% year-over-year. However, it still contains over 1.1 million units. This year will therefore deliver approximately 536,000 units, the second-highest level of new supply recorded since the Great Financial Crisis.

Construction starts materially declined in 2024, falling roughly 40% from the peak in 2022 to approximately 410,000 units. This implies new supply for 2026 should further decrease to around 422,000 units.

For the longer-term portion of the forecast, the administration's trade policies have introduced greater uncertainty into the economic outlook. The current forecast assumes the net effect of current policy goals is a reduction in real GDP growth and interest rates over the course of 2025, but a recession is avoided.

While a more accommodative interest rate environment is an unambiguous positive for multifamily development prospects, this will be offset by higher development costs and potentially weaker rent growth. This year's construction starts are forecast to be around the same as or slightly lower than was observed in 2024. The forecast therefore has new supply bottoming in 2027 at around 350,000 units. Completions rebound above 400,000 units in the later years.

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