



# Expectations for U.S. Multifamily Construction Pipeline in 2024

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THOUGHT LEADERSHIP

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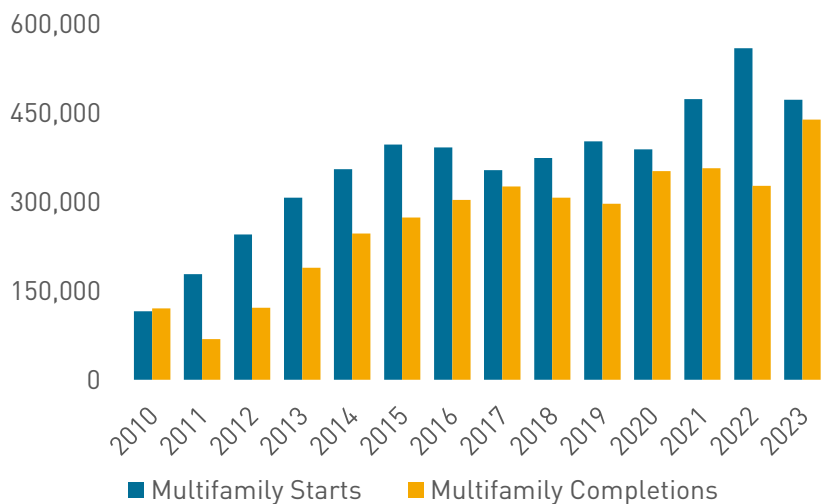
# Gradual, Near-Term Slowdown Expected for Multifamily Construction Activity

With a historic 672,300 multifamily units scheduled to come online by year-end 2024, current construction trends may shift many additions into 2025 and beyond.

Driving the influx of new inventory this year can be traced back to 2022, when construction began on nearly 560,000 units.

Leading up to the peak in starts, apartment operators recorded a surge in absorption as the average U.S. occupancy rose above 97% by year-end 2021. And in 2022, Fannie Mae reported the weighted average of multifamily loan rate was 4.20%.

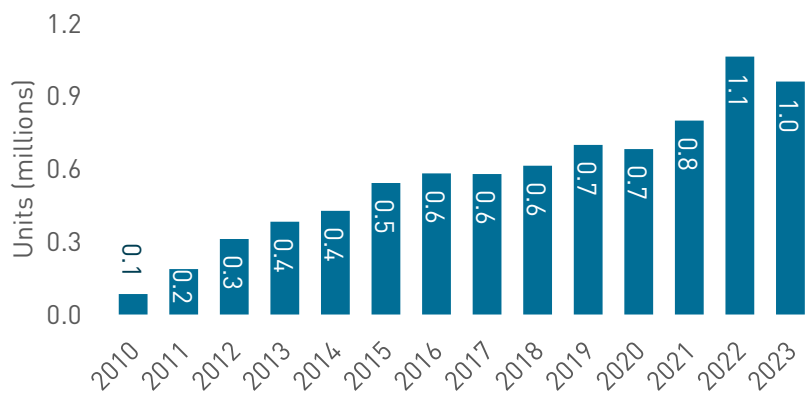
**FIGURE 1: MULTIFAMILY STARTS VS. COMPLETIONS**



Sources: U.S. Census Bureau; RealPage

Of the 2022 starts, almost all the units were still under construction at the beginning of 2024. This total represents the largest share of units currently under construction by kickoff year.

**FIGURE 2: UNITS UNDER CONSTRUCTION**



Source: RealPage

# Lengthy Completion Times

While nearly half of units under construction trace back to 2022, nearly 18% began construction in 2021 or earlier. Some projects even date back to 2016.

The lengthy process can be attributed to a prolonging of time to completion. The latest figures from the U.S. Census Bureau put construction timelines for 10 or more units at their longest point on record.

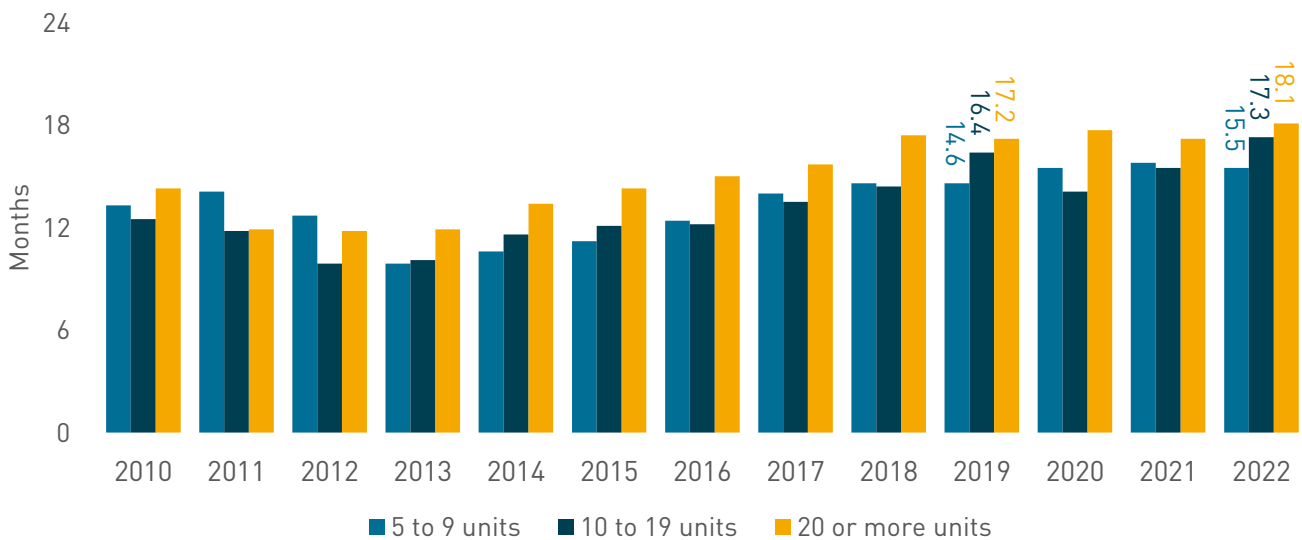
In the decade leading up to the pandemic, the average time for completion for multifamily buildings with 10 to 19 units averaged 12.5 months. In the most recent year, the timeline averaged 17.3 months.

Comparatively, the average time for completion for multifamily buildings with 20 or more units averaged 14.3 months from 2010 to 2019. The average increased 3.8 months to 18.1 months in the most recent available data.

The extended schedule could affect properties that began construction in the second quarter of 2023 or later. This could shift up to 67,900 units that are scheduled to be completed this year to come online in 2025.



**FIGURE 3: U.S. AVERAGE NUMBER OF MONTHS FROM START TO COMPLETION**



Source: U.S. Census Bureau

# Regional Variation

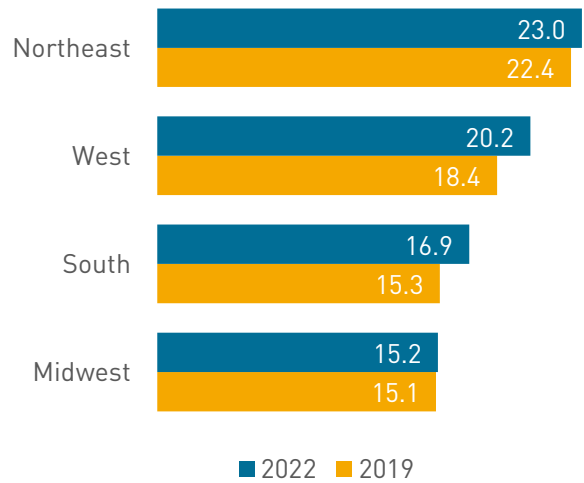
Average completion timetables for 20 or more units have grown across all regions since the pandemic. The greatest increases were in the West and the South.

Contributing to the slowdown was an increase in projects for these two regions. In 2019, a total of 187,200 units and 359,400 units were under construction in the West and the South regions, respectively.

Nearly 270,400 units in the West region and 575,800 units in the South region were under construction by 2022. The active pipelines for both areas have dipped by the close of 2023 but were still higher than the 2019 levels.

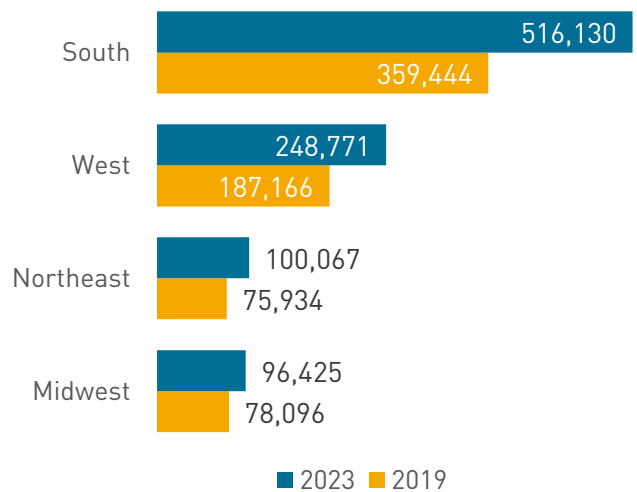
The shrinking national apartment pipeline in 2023 can be attributed to a 16% annual decrease in multifamily starts. The slowdown comes as construction loans become more expensive as Fannie Mae reported the weighted average rate of a multifamily loan increased to 5.46% in 2023.

**FIGURE 4: AVERAGE NUMBER OF MONTHS FROM START TO COMPLETION (20 OR MORE UNITS)**



Source: U.S. Census Bureau

**FIGURE 5: MULTIFAMILY UNITS UNDER CONSTRUCTION BY REGION**



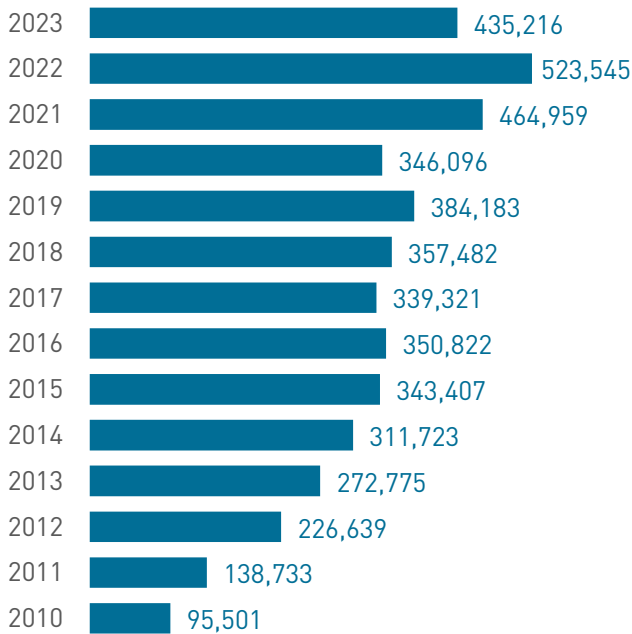
Source: RealPage

# Permits

Another portent that the multifamily pipeline will continue to shrink is deceleration in permitting issuance. Permits for more than 435,200 units were filed in 2023, down 17% from one year prior. Even so, the most recent activity was significantly higher than the pre-pandemic annual average of 282,100 units issued from 2010 to 2019.

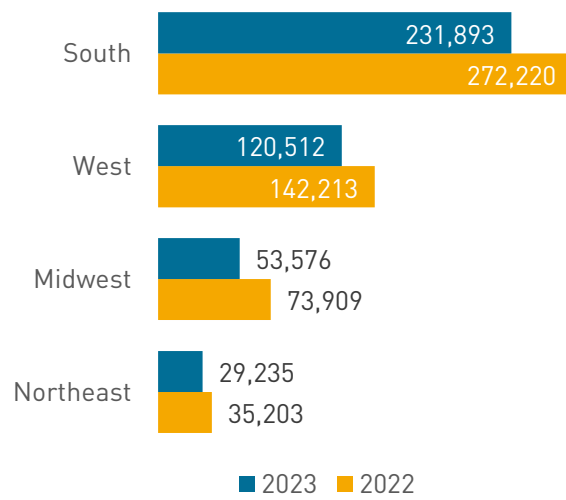
The sharpest annual reduction in multifamily permitting activity was in the Midwest region, down 28% in 2023. This reflects the historic conservative approach to development, as the region typically has the smallest units under construction in the country.

**FIGURE 6: U.S. MULTIFAMILY PERMITS**



Source: RealPage

**FIGURE 7: MULTIFAMILY PERMITS BY REGION**



Source: RealPage





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