

Multifamily Market

Vision

January 31, 2023

National and regional perspectives on multifamily construction

BCI | BuildCentral

welcome back to multifamily market vision

We at BuildCentral are excited to announce the second edition of Multifamily Market Vision, a detailed, quarterly report on developments, trends, and market leaders in multifamily housing construction.

Sourced with data from our MultiFamilyData product, Multifamily Market Vision offers a comprehensive overview of the multifamily market, including its various segmentations: affordable, market-rate, luxury, senior, student, and military. In this report, you'll find that we measure multifamily construction starts in terms of the number of units on which construction has begun in a given market segment. Although we update our projects daily, this report's data can be considered to have been updated as of January 3, 2023.

The first edition of our Multifamily Market Vision report was met with a warm reception and great feedback; we're eager to continue enhancing it to serve you, our audience.

Additionally, that positive engagement has prompted the rollout of our Hotel and Medical Market Vision reports. Check for those in the coming days as we stagger their respective publications.

If you or your business think you could benefit from BuildCentral's suite of planned construction database products—or if you'd simply like to learn more—please visit us at www.buildcentral.com.



what's inside

Table of Contents

| | |
|---|----|
| The Three I's: Inflation, Interest Rates, and Eyes on the Fed by Dr. Anirban Basu..... | 4 |
| BuildCentral Research Desk: Built-for-rent, Single-family Subdivisions National Pipeline..... | 5 |
| Multifamily Construction Starts..... | 6 |
| Affordable, Market-Rate, and Luxury Multifamily..... | 7 |
| Senior, Student, and Military Multifamily..... | 8 |
| The Cities Building the Future of Multifamily Housing..... | 9 |
| Market-Leading Multifamily Developers..... | 10 |
| Market-Leading Multifamily Architects..... | 11 |
| Project Spotlights..... | 12 |
| Acknowledgements..... | 13 |

BuildCentral Marketing

Chris Gibson, Daniel Jenkins,
Jacquie Pirnie, Jackson Satz, &
Marc So

BuildCentral Data Team

Todd Atkins, Kevin Drake, &
Andrew Jerrick

Anirban Basu, MPP, MA, JD, PhD

Sage Policy Group

Executive Leadership

Damian Eastman & Kyle Camp

the three i's: inflation, interest rates, and eyes on the fed by dr. anirban basu

How is it that so many people, including a majority of economists, are so pessimistic about 2023 when the year commences with so much economic momentum? America's unemployment rate ended last year at 3.5 percent, precisely where joblessness stood prior to the pandemic, which was a 50-year low. Despite a number of high-profile layoff announcements, including at firms like Goldman Sachs, Amazon, and Twitter, demand for workers remains high coming into the year. In November, there were 10.5 million available, unfilled jobs, or 1.8 job openings for every unemployed American.

Despite complaining about shortages of available workers, U.S. employers managed to collectively add 223,000 employees in December, extending a monthly job growth streak that stretched to two years. American now supports more than 1.2 million additional jobs than it did when the pandemic undid the economy in March and April 2020. The 4.5 million jobs added in 2022 were the second most ever added in a year, trailing only 2021.

For its part, the nation's construction industry enters 2023 with abundant momentum. Many contractors indicate that they are operating at capacity, enter the New Year with substantial backlog (see ABC's Construction Backlog Indicator, for instance), and expect both sales and employment to climb through at least the year's first half. The leading challenge for these contractors continues to be a structural shortage of sufficiently skilled construction workers as opposed to demand for their services.

Despite gloomy forecasts for 2023, there are reasons for the industry to be upbeat. Though contractors continue to face lengthy lead times for switchgear and other inputs, supply chain challenges abated last year.

The New York Federal Reserve publishes a Global Supply Chain Pressure Index, which indicates that supply chains are approaching their healthiest level since early 2020. Shipping costs have declined, putting further downward pressure on input prices.

But the outlook is gloomy for a reason. Higher interest rates tend to frustrate real estate development, and while the multifamily segment has held up significantly better than the single-family market, weakness is beginning to appear in the data. Authorizations for construction of new multifamily units (those with 5 units or more) plunged 17.9 percent in November 2022 and are now at the lowest level since September 2021.

Despite the decline in authorizations, the number of multifamily units started in November increased nearly 5 percent and now sits at its highest level since the start of the second quarter. Authorizations trended higher than starts during much of the pandemic, and with supply chains increasingly untangled, pent-up demand for multifamily construction services will continue to be released in the coming months. Indeed, the 915,000 multifamily units currently under construction are the most ever, surpassing the previous high established in July 1973.

Higher borrowing costs, labor scarcity, and a weakening economy may eventually carve into multifamily construction activity, but with the owner-occupied housing market virtually frozen by lofty borrowing costs, demand should remain relatively strong for multifamily space.



About the author

Anirban Basu is Chairman and CEO of Sage Policy Group, a Baltimore, Maryland-based economic and policy consulting firm, which he founded in 2004.

Chair, Maryland Economic Development Commission

2014-21, appointed by Governor Larry Hogan

Distinguished Economist in Residence, Goucher College

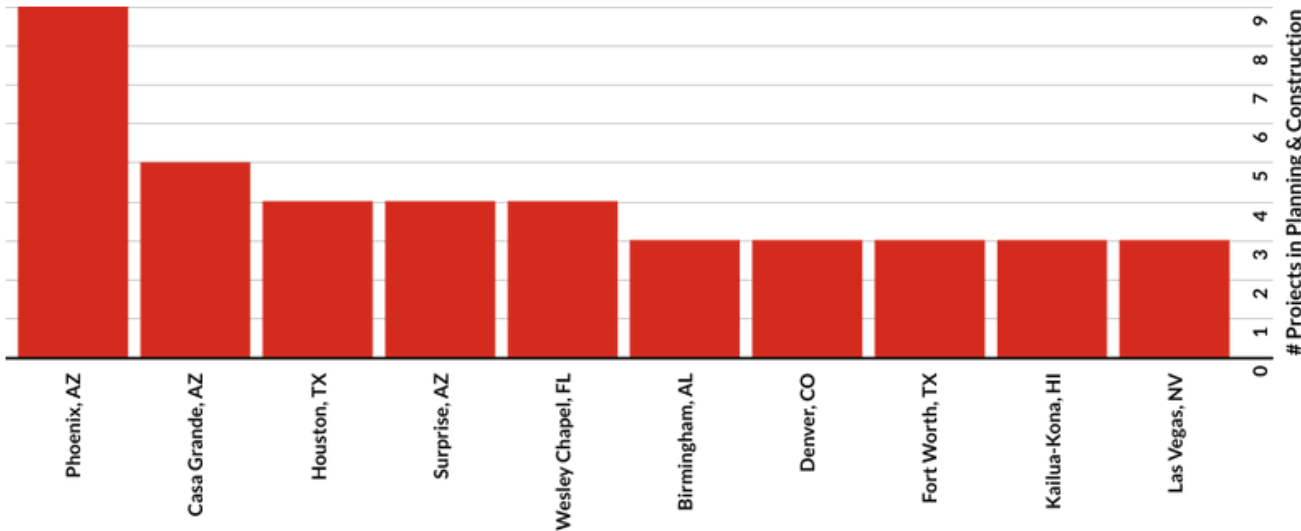
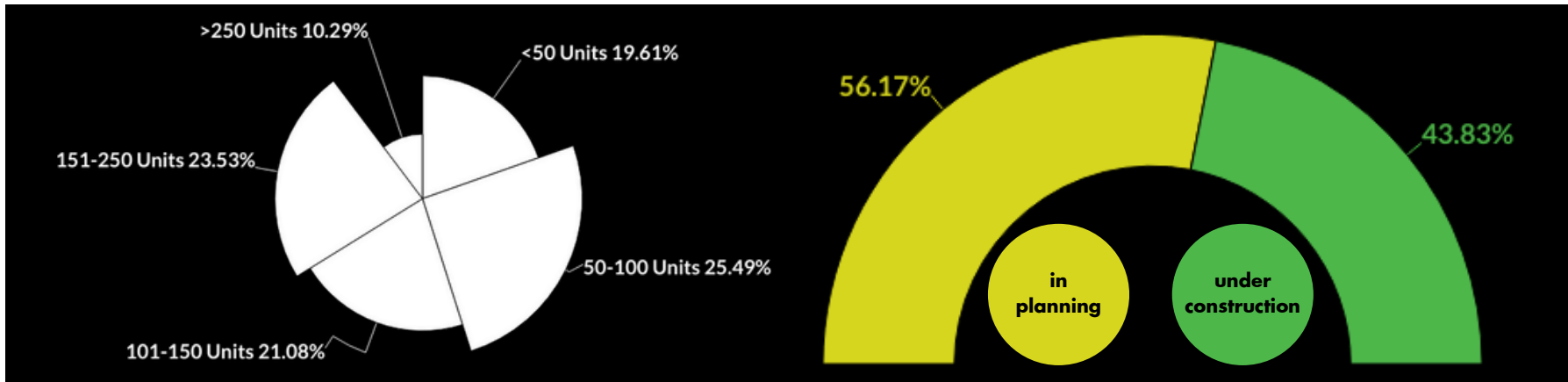
Dr. Basu has taught at multiple schools, most frequently at Johns Hopkins University

You can read Dr. Basu's Sage Economics newsletter [here](#)

17.9%

Authorizations for new multifamily-unit construction plunged 17.9 percent in November 2022.

built-for-rent, single-family subdivision national construction pipeline



ResidentialData is currently keeping tabs on 162 built-for-rent, single-family construction projects that are in planning or already under construction in the U.S.

trends

Andrew Jerrick
residential research lead

10% of properties

experienced water leaks costing up to 90 gallons per day. Keep an eye out for smart water-management systems

like leak-detection devices, automated shut-off valves, and water-flow monitors to grow in popularity in 2023.

7.4 percent

Indianapolis is home to the nation's highest year-over-year multifamily housing rent growth: 7.4 percent.

7.5 percent

Year-over-year price gains on single-family rentals fell to 7.5 percent in November 2022, the lowest mark since May 2021.

multifamily construction starts

MULTIFAMILYMARKETVISION

construction starts (units)
12-month rolling mean

What kind of vision is this, exactly?

You'll find that all of our multifamily construction starts graphs are in terms of units of construction starts by month, which we think offers the best idea of how much multifamily construction activity is taking place. We'd also like to call attention to our particularly eagle-eyed readers, who might compare this edition to the first and find slight fluctuations in our data during the three months or so between the first report's publication and this one. As far as we're concerned, that means we're doing our job well! We go back to update data for past projects as we get them in order to provide the most comprehensive market snapshot possible.

As you can see from the above graph, multifamily starts overall have started to rebound on a national scale, with what we think to be the worst of the COVID-19 pandemic behind us. The dip at the New Year can surely be explained by, well, the New Year, since much of the country's weather patterns tend to make the winter months a slower period of activity. Read on for segmented statistics!

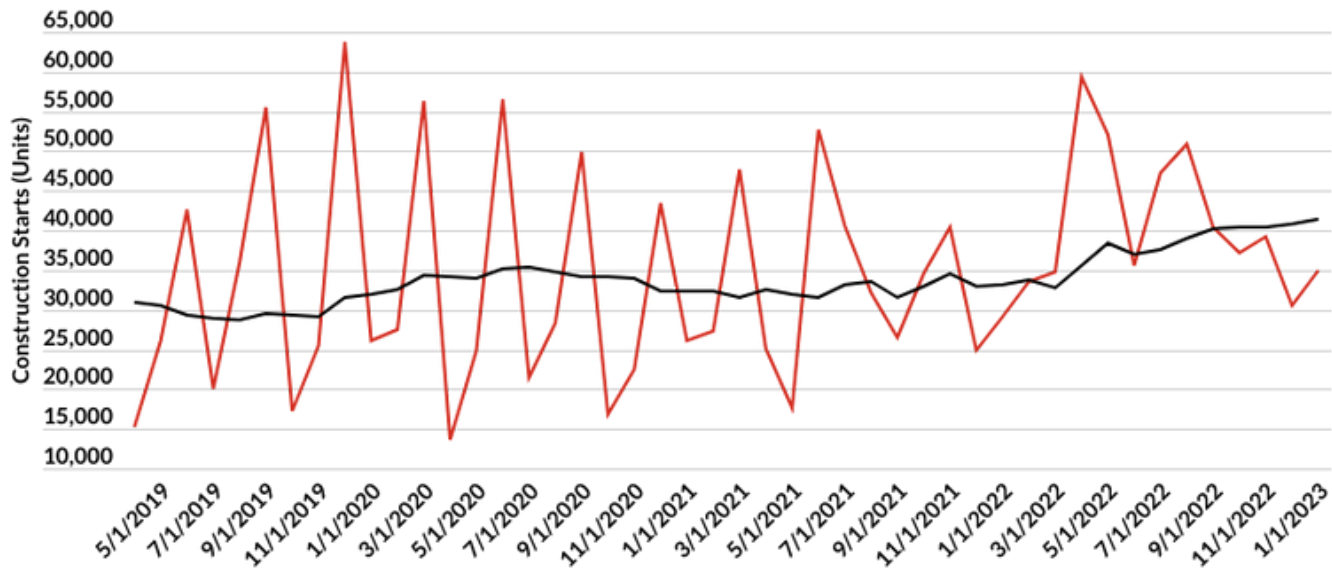
13.4%

Orlando, FL, paced the U.S. for single-family rental price increases at 13.4 percent. Phoenix, AZ, was lowest, at 2.4%.

affordable, market-rate, and luxury multifamily housing

"Despite the decline in authorizations, the number of multifamily units started in November increased nearly 5 percent and now sits at its highest level since the start of the second quarter. Authorizations trended higher than starts during much of the pandemic, and with supply chains increasingly untangled, pent-up demand for multifamily construction services will continue to be released in the coming months. Indeed, the 915,000 multifamily units currently under construction are the most ever, surpassing the previous high established in July 1973."

— Anirban Basu,
"The Three I's: Inflation, Interest Rates, and Eyes on the Feds"



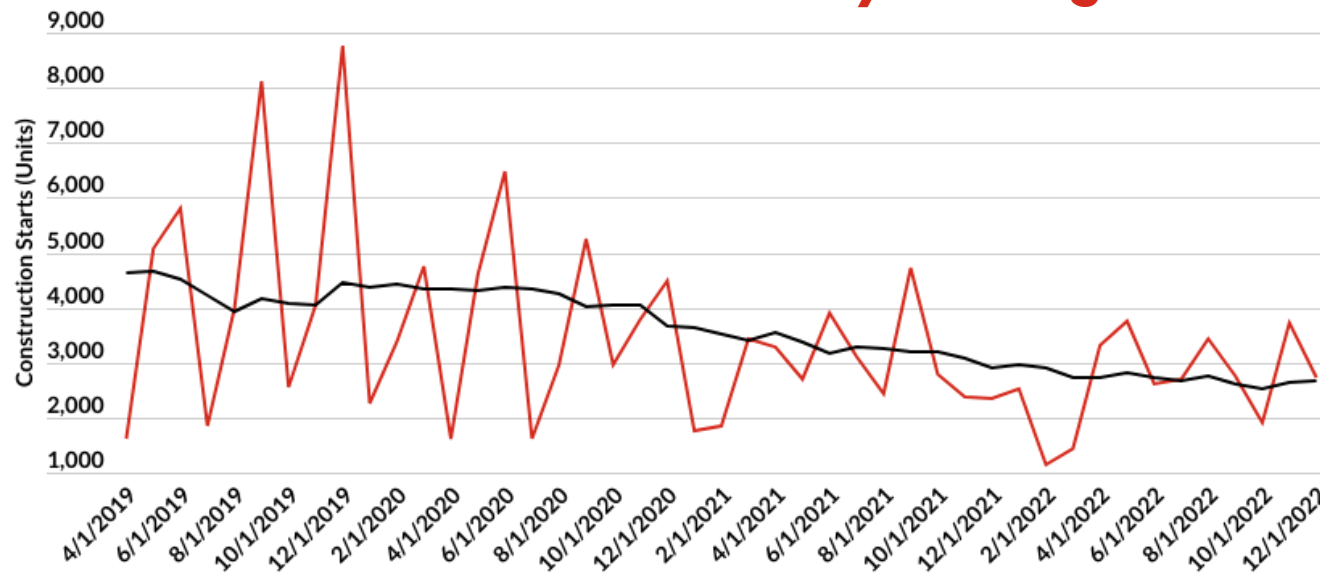
construction starts (units)

12-month rolling mean

Affordable, market-rate, and luxury multifamily housing

As the pressure to move from cities to the suburbs and nearby fringe communities mounts, the multifamily migration continues into 2022, all the while driving up the 12-month rolling mean of units.

senior living and student & military housing

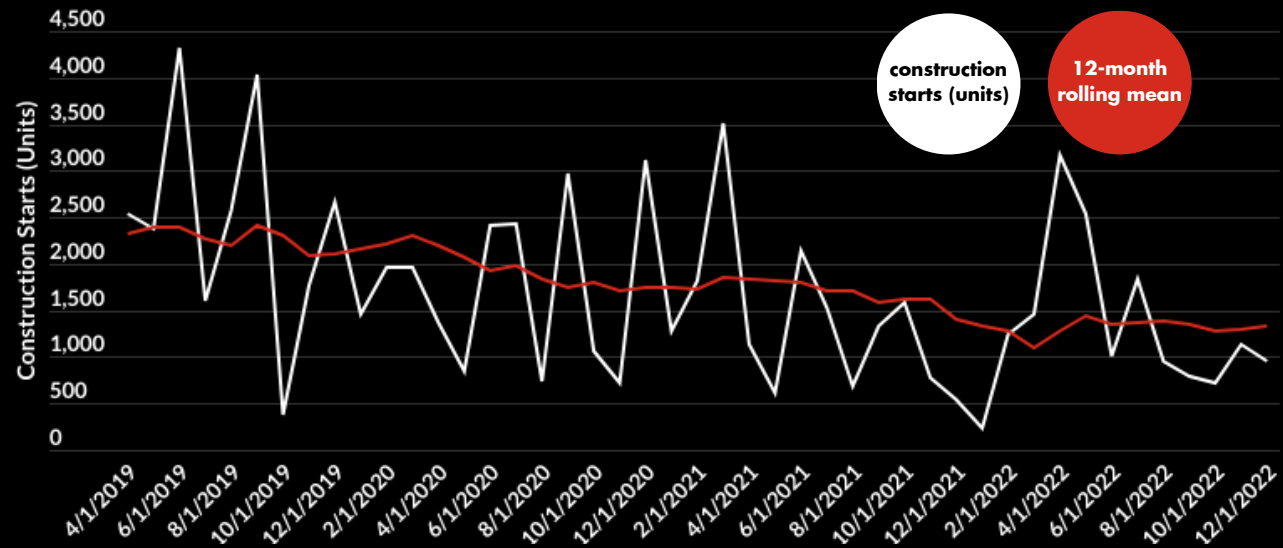


construction starts (units)

12-month rolling mean

Senior housing

Despite much of market discourse about senior living and the growing of seniors' population segment, fewer units are being created across the nation compared to 2019. Even so, a slight, post-pandemic upward trend for the first time since 2019 appears possible.



construction starts (units)

12-month rolling mean

Student and military housing

As universities and colleges continue to battle to reclaim the investment equation in the favor of advanced degrees, the student housing units are still falling but show signs of plateau. Secondly, as the private sector builds the living units around institutions of higher learning, student-specific developments on campuses continue to decline.

the cities building the future of multifamily housing

MULTIFAMILYMARKETVISION



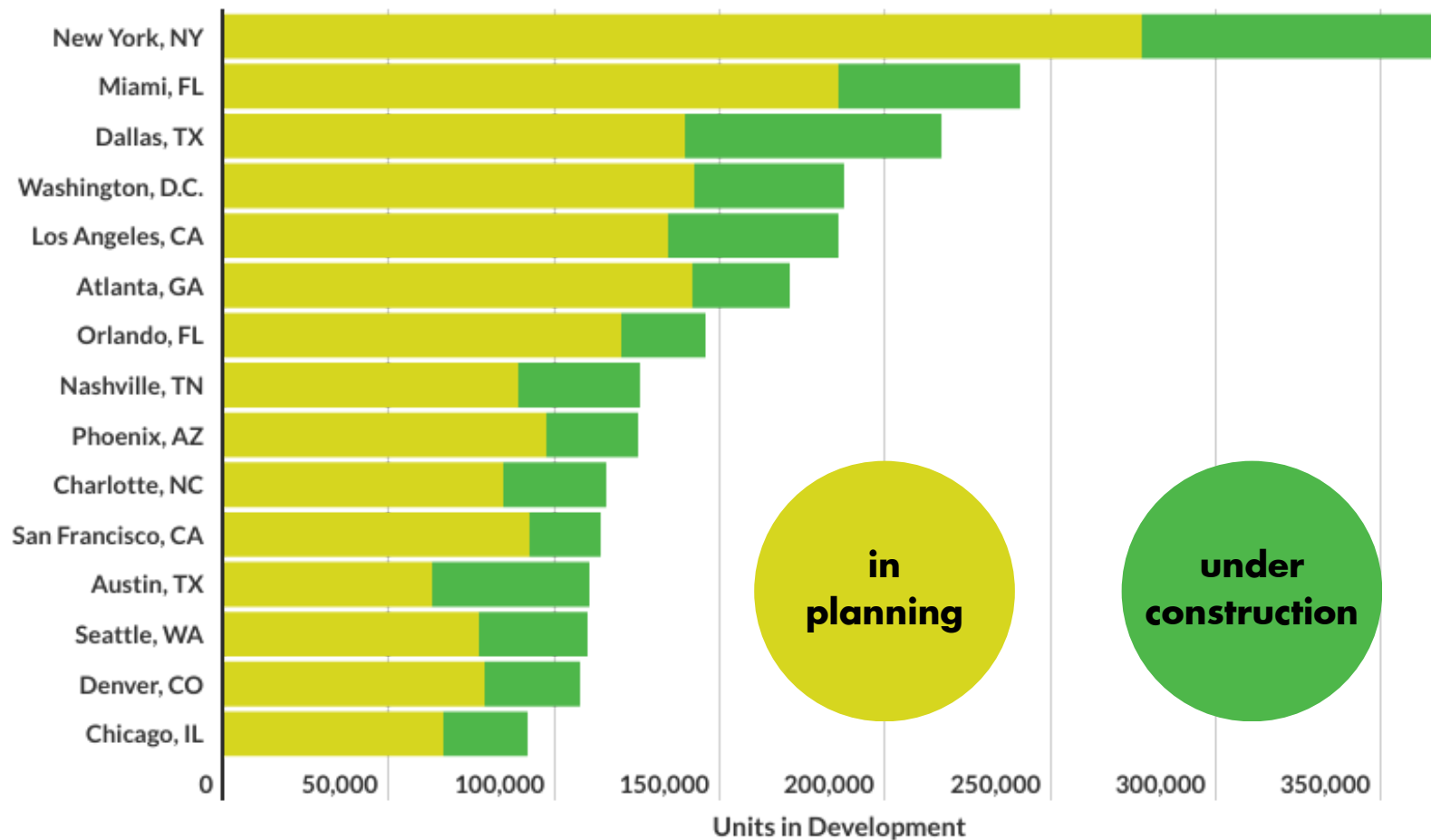
These are units per MSA:

That means that "Nashville, TN," for example, refers to Nashville's Metropolitan Statistical Area, which includes adjacent municipalities like Murfreesboro and Franklin because of their economic and social integration with the city of Nashville.

43%

of Austin, TX, multifamily projects in development are already under construction, as of 2023.

A relatively high proportion of Austin's pipeline is already under construction. It's possible that starts in the Austin MSA slow to make the most of a pipeline that lacks depth. The opposite, meanwhile, can be said for San Francisco, where the majority of projects remain planned and high demand is expected to persist.





Developers

multifamily market leaders: **developers**

MULTIFAMILYMARKETVISION

Lennar Leads The Way

Lennar, headquartered in Miami, FL, leads the way with 40,262 units currently in development. Lennar Executive Chairman Stuart Miller credits a strong housing demand for so many units in development: "Sales have clearly been impacted by rising interest rates, but there remains a significant national shortage of housing, especially workforce housing, and demand remains strong as we navigate the rebalance between price and interest rates."*

*Reuters

29%

Lennar reported 29 percent growth in quarterly revenue to \$8.93 billion in 2022.

| Developer | Units In Development (Planning + Construction) | Units Under Construction | Units In Planning |
|-------------------------------------|---|--------------------------|-------------------|
| Lennar | 40,262 | 8,350 | 31,912 |
| The Related Companies | 30,734 | 9,264 | 21,470 |
| Greystar | 30,336 | 14,234 | 16,102 |
| Toll Brothers, Inc. | 23,186 | 6,031 | 17,155 |
| DR Horton | 22,674 | 3,518 | 19,156 |
| Mill Creek Residential Trust | 18,127 | 7,396 | 10,731 |
| Hines | 17,096 | 9,653 | 7,443 |
| Wood Partners | 16,760 | 7,854 | 8,906 |
| Pulte Group/Pulte Homes Inc | 14,413 | 4,198 | 10,215 |
| Alliance Residential Company | 12,466 | 5,188 | 7,278 |



multifamily market leaders: architects

Just How KTGy Drew It Up

KTGY Architecture leads the group of architects influencing design choices in the Units in Development category of the multifamily construction pipeline. KTGy has been ranked #33 in the 2022 Architectural Record Top 300 Architectural Firms.

90%

Having worked in 45 U.S. states, KTGy has completed projects in 90 percent of the United States.

| Architect | Units In Development (Planning + Construction) | Units Under Construction | Units In Planning |
|--|--|--------------------------|-------------------|
| KTGY Architecture + Planning | 37,088 | 12,221 | 24,867 |
| Gensler | 34,936 | 9,936 | 25,000 |
| Humphreys & Partners Architects | 25,959 | 11,363 | 14,596 |
| AO -- Architects Orange | 22,274 | 8,052 | 14,222 |
| Arquitectonica | 20,803 | 7,982 | 12,821 |
| Solomon Cordwell Buenz & Associates, Inc. | 18,054 | 7,449 | 10,605 |
| Dynamik Design | 17,237 | 7,552 | 9,685 |
| Handel Architects | 17,210 | 5,183 | 12,027 |
| MSA Architects | 17,001 | 5,770 | 11,231 |
| Niles Bolton Associates | 14,908 | 5,651 | 9,257 |

project spotlights: multifamily construction

1001 Broad Street

Philadelphia, PA 19104

Starts: 9/2022

Ends: Q4/2026

\$306M



courtesy BKV Group

🕒 construction

Plans call for the construction of a 15-story, 1,390,680-square-foot tower with 59,897 square feet of retail space including a 40,000 square-foot Giant Food Store, 199,288 square feet of commercial space, 1,111 residential units, and 620 parking spaces.

One Beverly Hills

Beverly Hills, CA 90210

\$2.0B



courtesy RIOS

🕒 planning

The mixed-use development will include the demolition of an existing gas station and portions of the existing Beverly Hilton hotel. Construction of a development with condominium units and a luxury hotel will follow. Plans also call for a 127,324-square-foot promenade for amenities and support areas, a 2,179-vehicle underground parking space, a four-story, 72,697-square-foot structure for the Beverly Hilton, and an enhancement structure consisting of 36 hotel rooms, retail, restaurant, meeting, and office space.

acknowledgements

BuildCentral is looking forward to sharing more of its analytical insights across verticals. We've started with multifamily residential data, and in the days following this report's release, will expand to hotel and medical too.

We'd love to get in touch with you. What did you like about our report, and what's most valuable to you? On the other hand, we hope you'll also tell us what you didn't like, or at least what you'd appreciate more of! After all, we want to create an essential resource for you. Thanks for reading.

come say hello

If you or your business could benefit from BuildCentral's suite of planned construction database products — or if you'd simply like to learn more — please email customersuccess@buildcentral.com, call us at (866) 316-5300 or visit us at www.buildcentral.com. Let's get in touch!

