

Multifamily Completions On Track For Strongest Year Since The 1980s

By Dees Stribling

Multifamily completions are on track to top 520,000 units this year, which would be the most since the late 1980s, according to a projection by CoStar Analytics. Most of the increase will be in the southern U.S., the company predicts.

That total may be the result of construction in roughly the first half of the year, since there are indications that multifamily starts may taper off later in 2023.

Multifamily permitting, a leading indicator of construction volume, was down in May 2023 by 11.9% compared with a year earlier, the Census Bureau reported last month, to an annualized rate of 542,000 units. The slowdown is likely tied to economic and capital markets hurdles for multifamily that will slow the pipeline in coming years.

Multifamily construction starts were still strong this spring, however, up 39.6% in May compared with the same month last year, according to the Census Bureau, to an annualized rate of 624,000 units. The most recent multifamily total is in contrast to a drop in single-family construction of 6.6% in May year-over-year, the bureau reported.

Multifamily starts tend to be volatile from month to month, but even so the strength in starts in May is probably a function of financing that was in place before the recent tumult in the capital markets made construction loans much more difficult to obtain, Multifamily Dive reports.

In general, the multifamily market is experiencing a shift as property owners and investors reckon with the impacts of higher interest rates. Construction loans are more expensive for developers, and property owners with variable-rate mortgages on their properties are searching for ways to cope with swelling payments.

For example, Los Angeles-based Tides Equities said last month that it will have to begin calling investors to request funds to help deal with its debt load.