

U.S. Multifamily Supply and Demand Forecasts by Metro

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Yardi® Matrix

Supply and Demand by Metro

Multifamily Development Pipeline Creates Near-Term Risks

Yardi Matrix studied demand and supply trends in the top 30 U.S. metros by population over the next five years to determine which markets might be at risk of oversupply—and conversely which might need new units. The results found:

- With significant supply expected to be delivered over the next two years, multifamily deliveries may outpace demand in some of the top 30 metros in the U.S. Expect volatility, as some markets and submarkets with outsize development activity experience rising vacancy rates and stagnating rent growth.
- In the near term, markets at risk of oversupply include Denver, Seattle, Charlotte, Dallas, Phoenix and Miami, where deliveries are expected to outpace demand. Investors and developers can still find attractive deals in those markets, but submarket and site selection will become even more important.
- The converse holds true in markets where supply and demand appear to be in balance. In many markets, the majority of development is taking place in the urban core, which may create opportunities in growing and urbanizing suburban areas.
- Over the longer term, the supply picture is more balanced. We expect construction will moderate after the more than 600,000 units currently under construction are completed.
- Most of the metros that are at short-term risk of oversupply have strong economies and healthy multifamily demand, so units coming online should be absorbed by growing populations. Plus, developers will pull back the throttle if occupancy rates wane much.
- Metros with the most deliveries relative to projected demand long term include Seattle, Charlotte, Dallas and St. Louis. Metros with the most favorable demand/supply metrics include Los Angeles, the Inland Empire, San Diego, Houston and Chicago.

The study demonstrates that the market must be thoughtful in its approach to development. The recent increase in deliveries—620,000 units were completed in 2016 and 2017 combined, per Yardi Matrix—has helped compensate for the construction shortage in the wake of the Great Recession. But demand is not unlimited, and developers must intelligently calibrate the amount and location of new projects.