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Construction Slowdown Set to Accelerate

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A Sharp Pullback in U.S. Apartment Deliveries Is on the Way; Most Metros Will Add Manageable Blocks of New Supply

Active development has moved past peak. Multifamily completions climbed in 2024 to the highest level in decades at approximately 520,000 units. At the same time, construction starts have slowed notably throughout the year. While projects spanning more than 66,000 doors broke ground in the first quarter, by the July-to-September period, that tally had fallen to 36,000. This is a sharp contrast from the 2001–2022 span, when more than 100,000 units were starting per quarter. Ongoing development is now well past its cyclical peak as a result, setting the stage for a decline in deliveries, especially in 2026. Already, the country is anticipated to welcome 410,000 units this upcoming year, off sharply from 2024's total. Near-term completions are still substantial compared with the long-term norm, however, as annual new supply averaged 300,000 units for roughly a decade before spiking in 2023–2024.

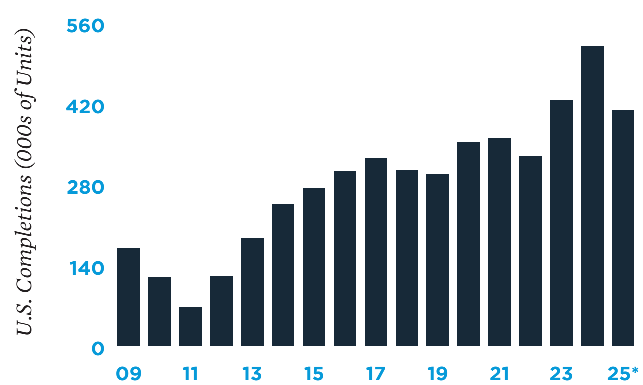
Select Sun Belt locations remain very active. Record blocks of apartments came on stream during the past two years in nearly every large metropolitan area in the Southeast and Southwest. Significant building remains in process, but only a handful of metros will continue to face deliveries at especially aggressive levels. Most notably, ongoing construction as of 2024's fourth quarter will yield near-term inventory growth of 13 percent in Charlotte and 9 percent to 10 percent in Phoenix, Austin and Raleigh. Completions will be widespread across numerous submarkets in each of these four metros, while Nashville's active pipeline, which will also grow stock by nearly 10 percent, is largely concentrated in its urban core.

Development cools more notably in some previous hot spots. In other markets, including Salt Lake City, Dallas-Fort Worth, Columbus, Denver and San Antonio, the ongoing construction volume will translate into inventory growth in the range of 5 percent to 6 percent. While these are still substantial increases, they are not considered over the top when these same markets tend to rank at the top of the charts for apartment demand due to robust job and population growth. The Florida trio of Miami-Dade, Orlando and Jacksonville also fall into this category. Even more striking, stock expansion will slide under 5 percent in earlier construction leaders like Atlanta, Seattle-Tacoma, Philadelphia, Houston and Minneapolis-St. Paul.

Look for stabilizing vacancy and improving rent growth. With new supply moving toward more easily digestible levels, vacancy now seems set to stabilize in what have been the most active apartment construction centers. In turn, operators of recently completed properties will likely become a little more aggressive on rents when discounted 2024 leases come up for renewal. This trend should broadly improve pricing power at least modestly, as it now seems likely that annual rent changes will reach positive territory in all major metros. Individual neighborhoods may still see some declines, though.

Starts should stay under the norm for a bit longer. Developers are eager to ramp up apartment construction once again in most locations. That is not surprising given big-picture housing shortages and that product started in 2025 will deliver when completions should be modest in late 2026 and into 2027. Building probably will not accelerate as rapidly as before, however, given there will likely be more capital available for acquisition than development. Also, additional clarity on the long-term interest rates could be needed to spur further construction deals, especially when the Trump administration's proposed policy positions create questions about the cost of building materials and availability of construction labor.

— Apartment Development Moves Past Peak —



* Forecast
Sources: IPA Research Services; RealPage, Inc.