



Multifamily Construction Update (November 2020)

Multifamily construction delays continue to impact the industry, largely due to permitting delays and a lack of materials. Markets known for outsized 2010-2020 deliveries have seen significant decreases, with markets like Denver down 51% year-over-year. One pre-covid trend that might persist in 2020 and beyond: recent data shows that in 2019 smaller multifamily buildings gained a meaningful share of the overall new construction market.

Below are key takeaways from the following reports:

NMHC Multifamily Construction Survey Indicates Persisting Construction Delays – *YieldPro* – [Link](#)

US Construction is Down, Denver Decreases 51% – *CREJ* – [Link](#)

Smaller Multifamily Buildings Gain Market Share in 2019 – *National Association of Home Builders* – [Link](#)

NMHC Multifamily Construction Survey Indicates Persisting Construction Delays

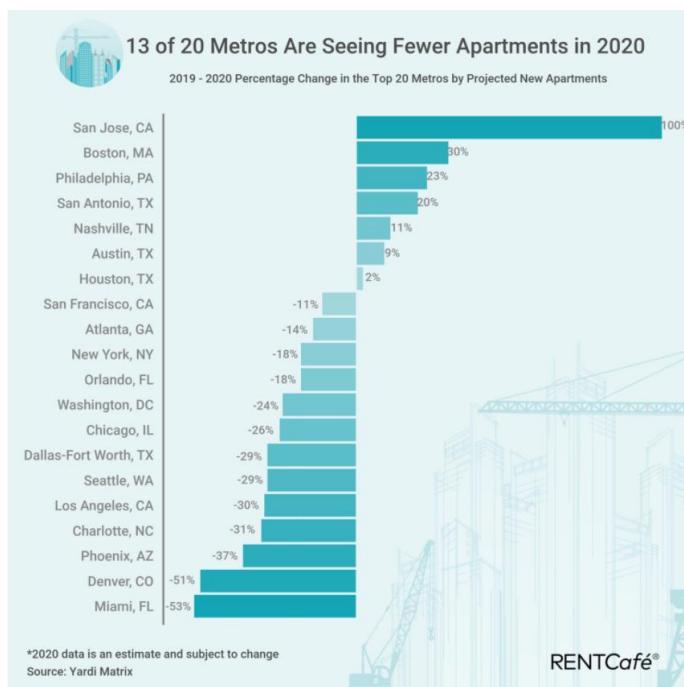
YieldPro

- Although construction delays have remained consistent throughout the pandemic, respondents reported a greater impact on the availability and price of materials
 - More than half (57%) reported construction delays
 - Of this group, 90% reported delays in permitting due to COVID-19
 - Greatest share to indicate delays since the inception of the survey in late March
 - 77% indicated a significant pause in starts
 - The primary reasons were permitting, entitlement and professional services (67%); economic uncertainty (58%); and availability of construction financing (46%).
 - Over three-quarters (80%) reported a lack of materials
 - An increase of 44% points since the last round and by far the highest share recorded since the survey began

US Construction is Down, Denver Decreases 51%

CREJ

- Nationwide, apartment construction is experiencing a considerable slowdown this year with 293,000 new apartments projected to hit the market
 - 12% drop compared to last year's deliveries
 - The decline is primarily due to fewer construction crews and permits, coupled with reduced funding and temporary bans on construction due to the COVID-19 pandemic
- Compared to last year, 13 of the 20 most-active metros are witnessing a slowdown
 - Denver was surpassed only by the Miami metro



Smaller Multifamily Buildings Gain Market Share in 2019

National Association of Home Builders

- Data from the 2019 Census Bureau Survey of Construction (SOC) show a gain in the number of multifamily units built in smaller properties, reversing a trend that favored larger buildings over recent years
- The number of multifamily units completed in buildings with 9 or fewer units and 10 to 29 units increased in both relative and absolute terms in 2019
- The number and percentage of multifamily units completed in buildings with 30-49 units or 50 or more units decreased
- Development of smaller multifamily properties, such as duplexes, quadraplexes and detached townhomes also reflects the burgeoning “light-touch” density housing market, which are also the “missing middle” market in America
 - Restrictive zoning laws that ban the missing middle may have an outsized impact on housing underproduction, according to a study by AEI