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MULTIFAMILY
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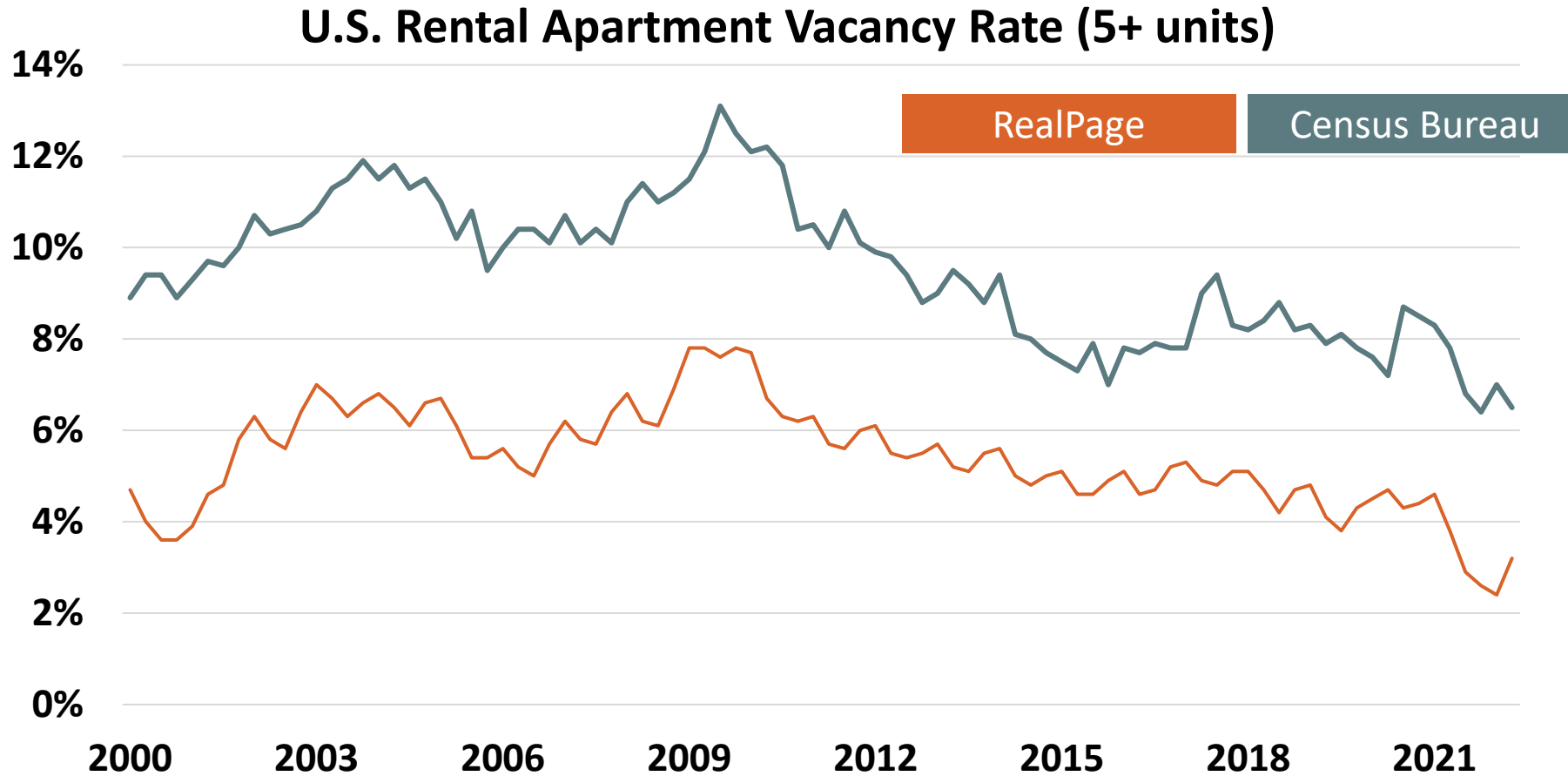
Supply-Side Obstacles in the Apartment Market

Chris Bruen

Senior Director, Research

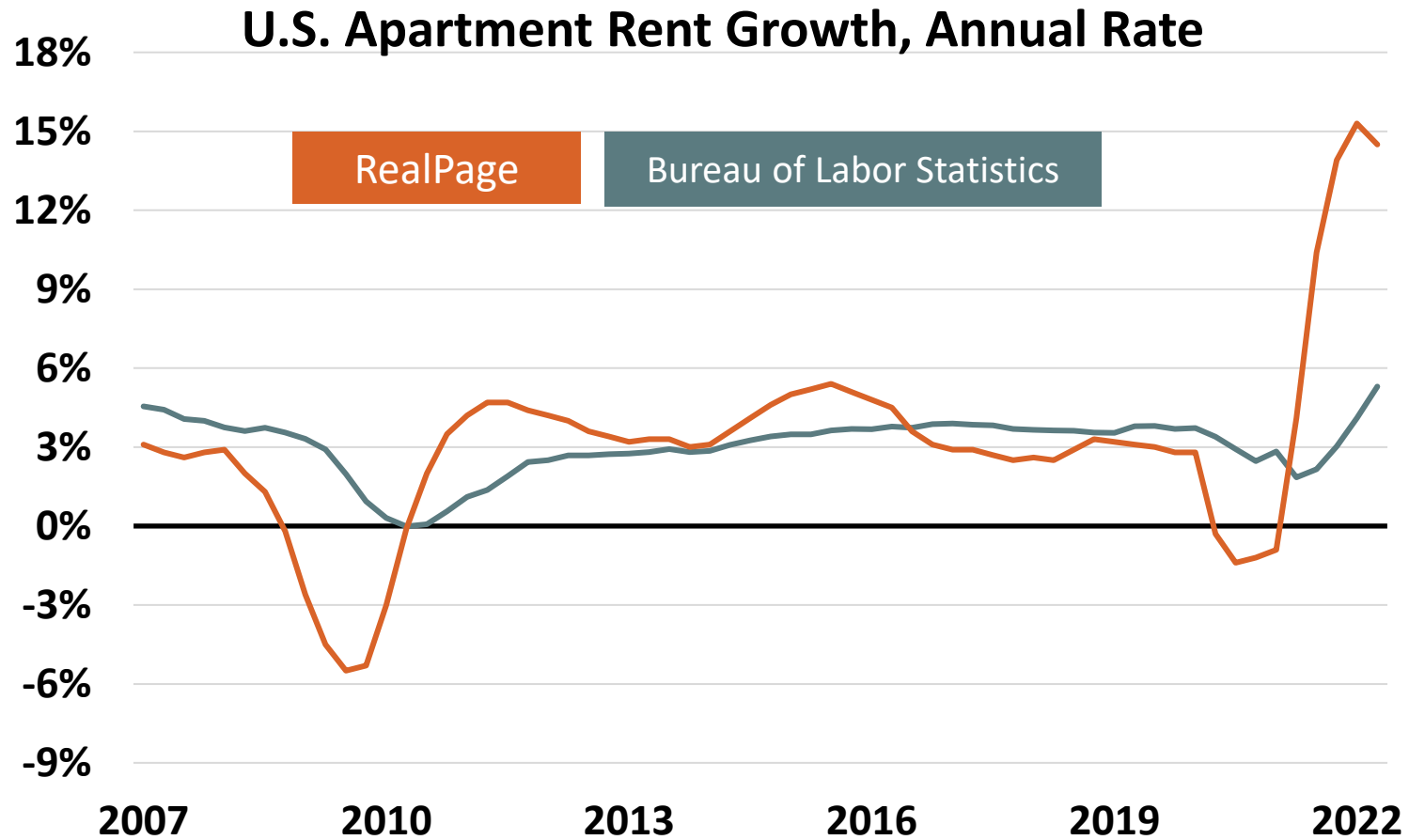
September 29, 2022

Apartment vacancy rates reach record lows



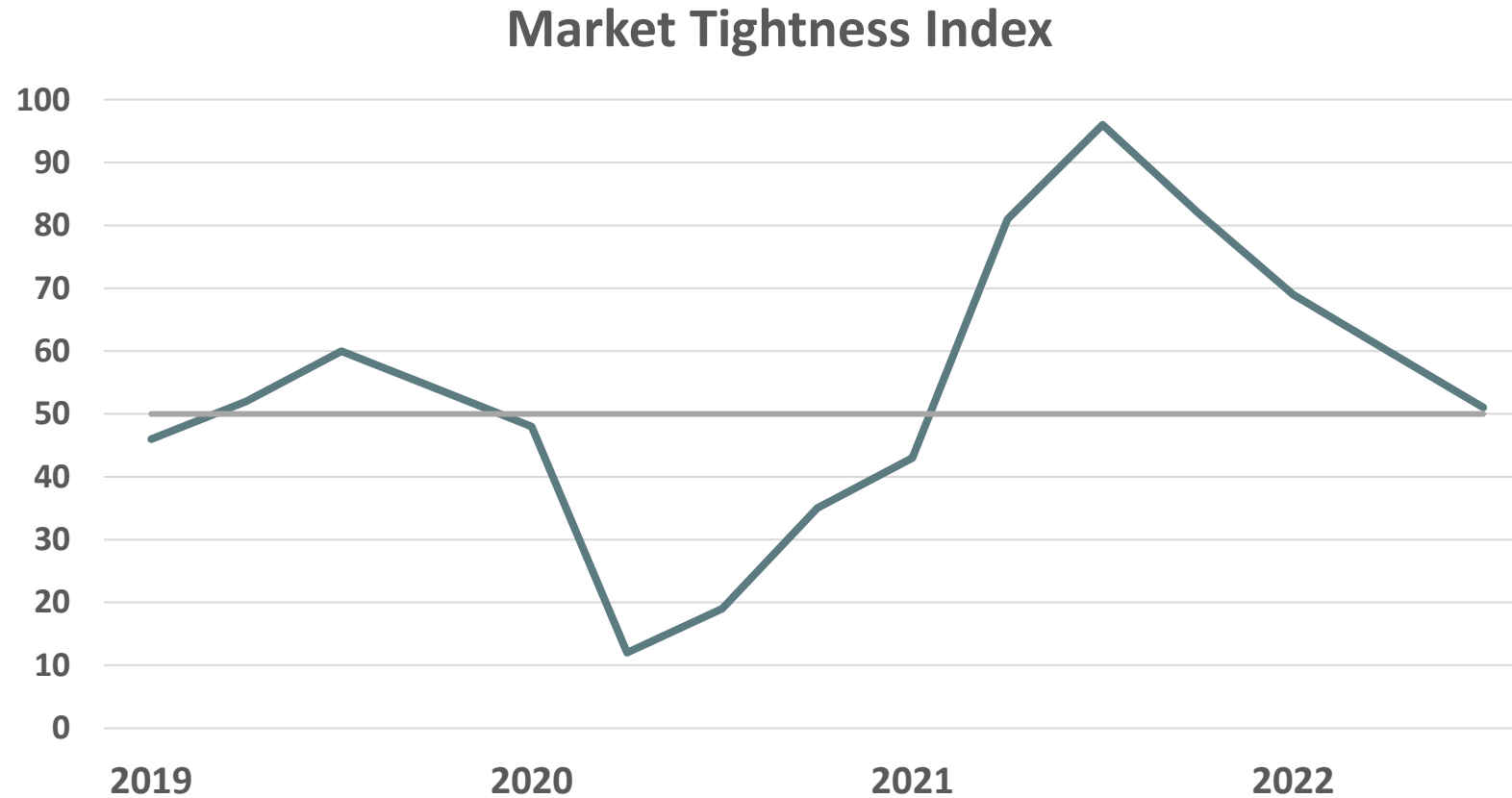
Source: RealPage, U.S. Census Bureau.

Causing higher rent growth



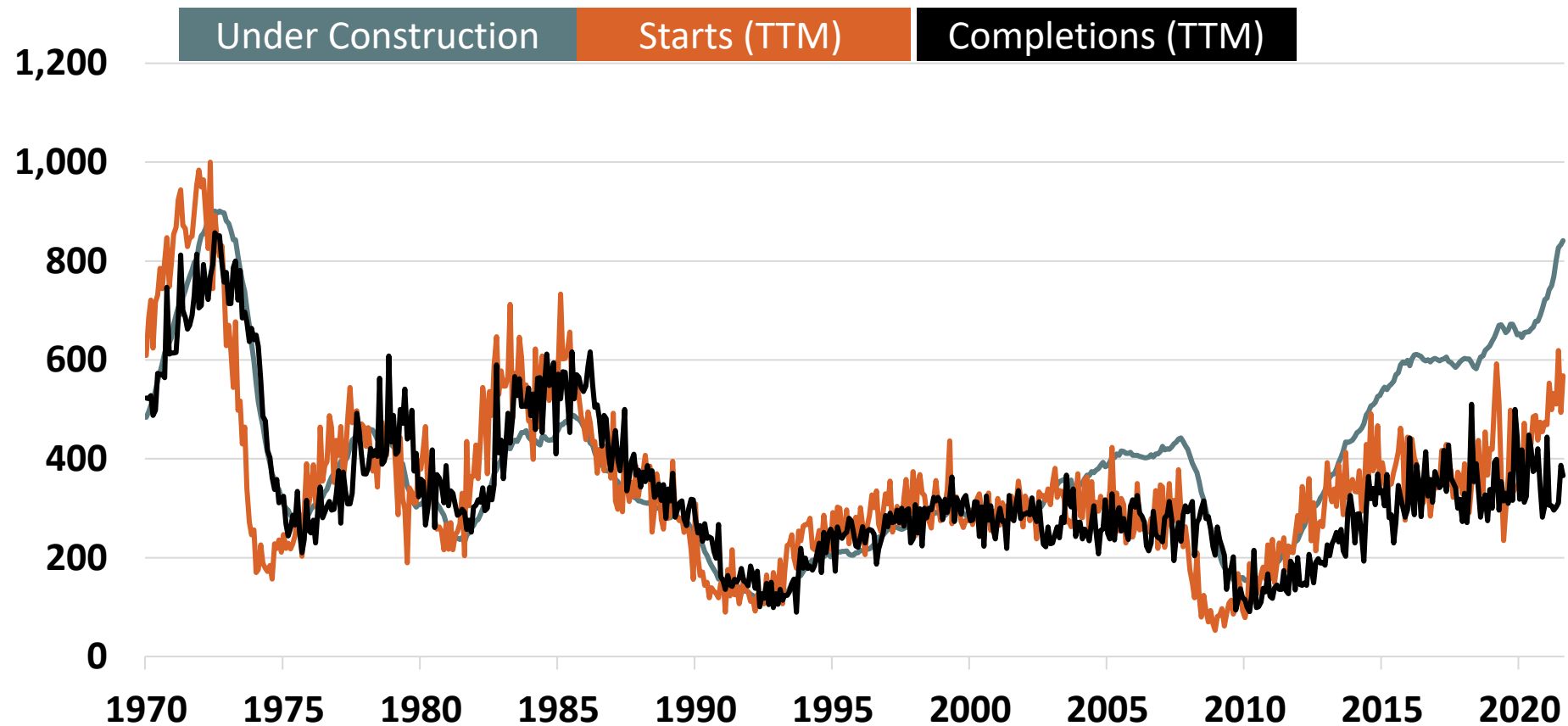
Source: RealPage, U.S. Bureau of Labor Statistics.

Apartment market tightens in 2021/2022



Source: NMHC Quarterly Survey of Apartment Conditions.

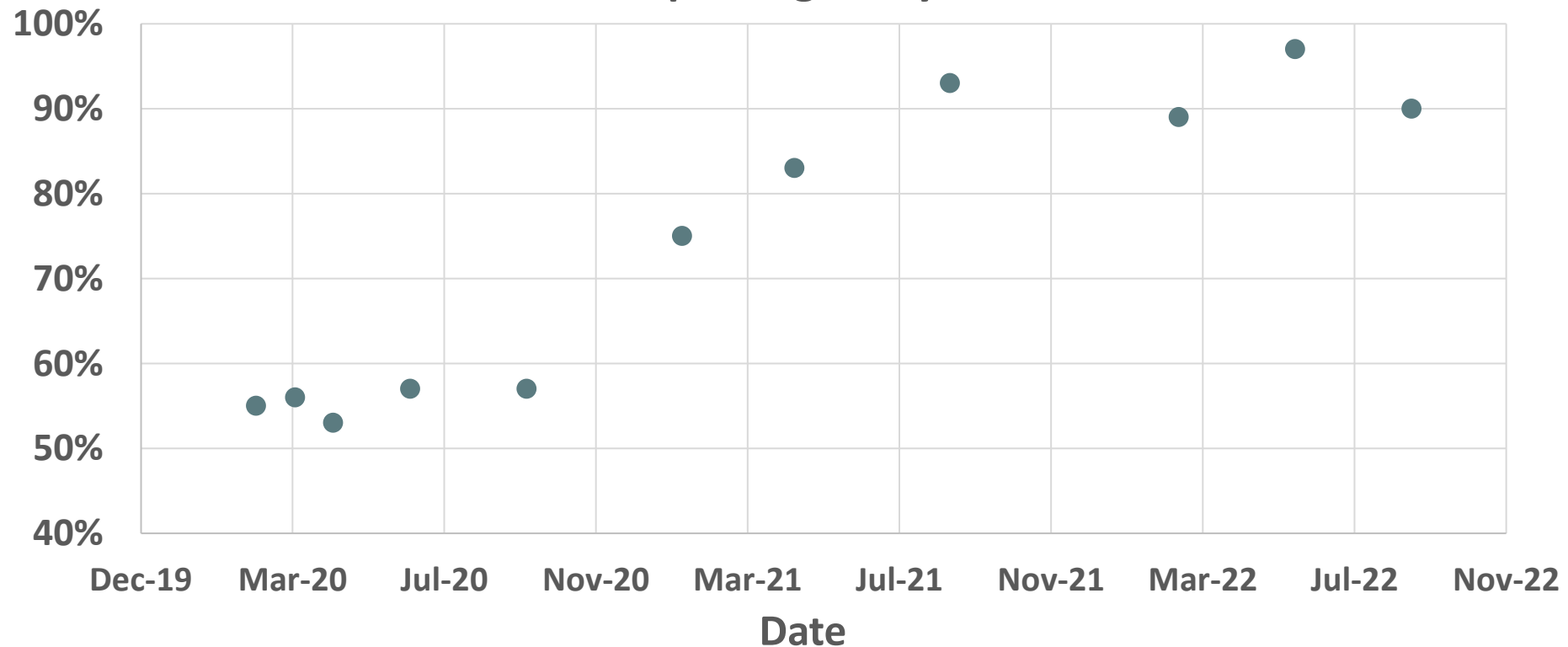
Multifamily construction times remain at all-time highs



Source: U.S. Census Bureau, New Residential Construction.

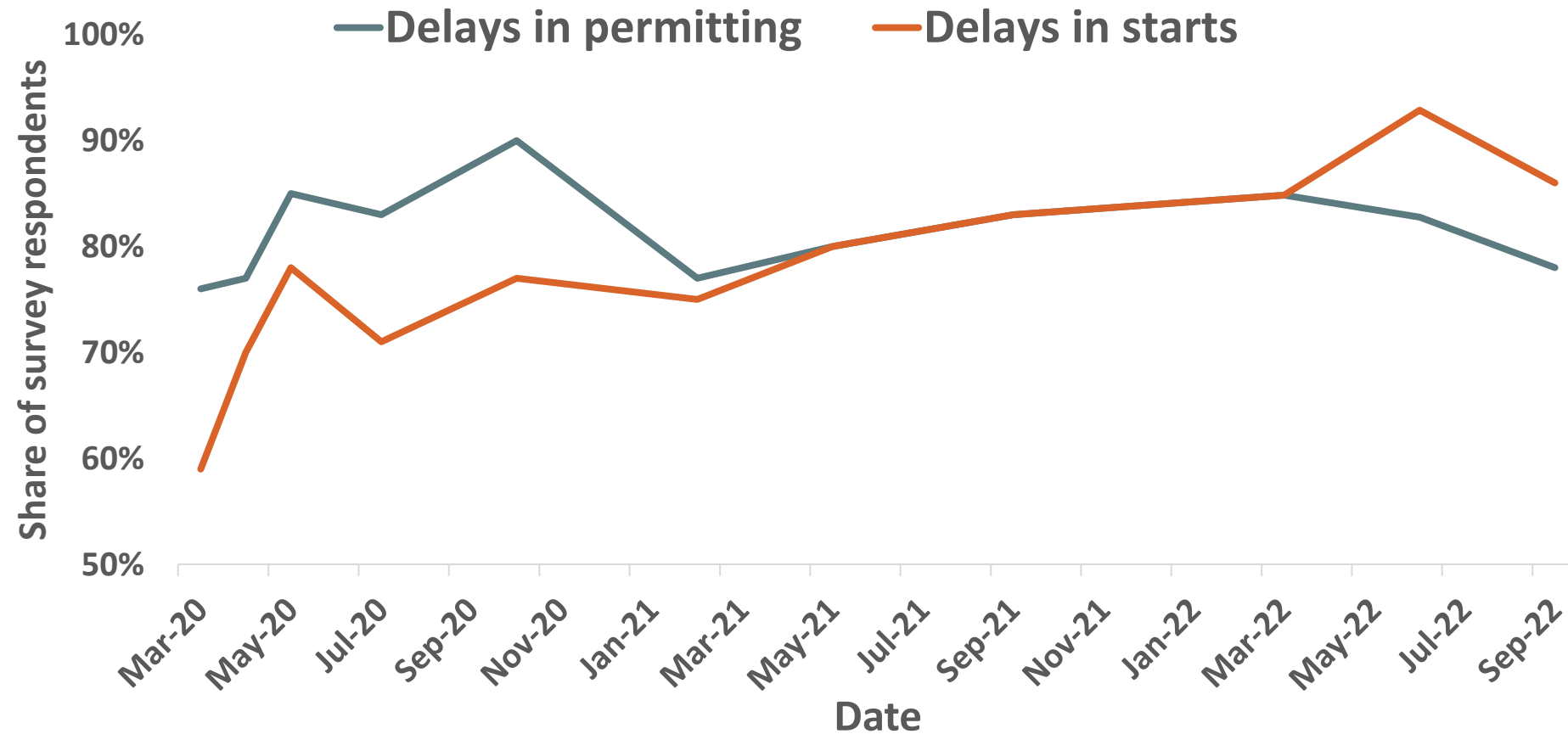
Construction delays increase during COVID

Share of multifamily construction & development firms reporting delays



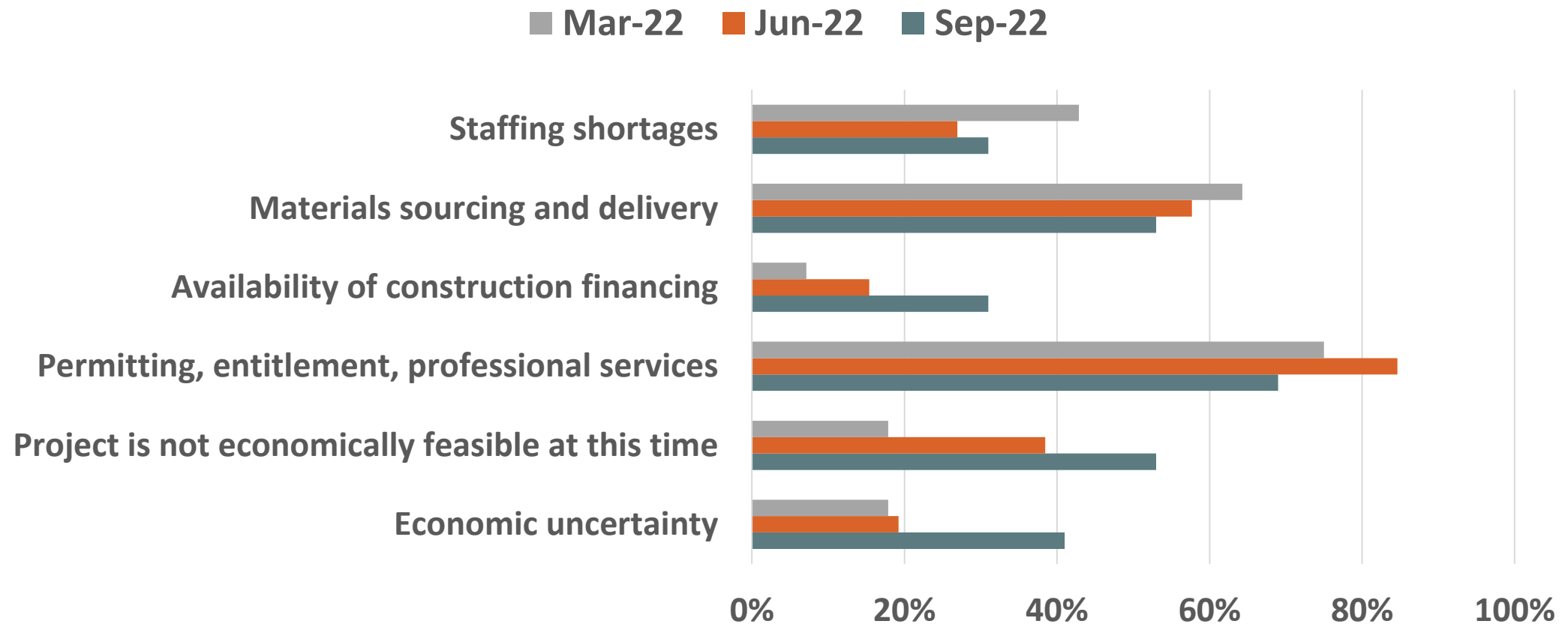
Source: NMHC Covid Construction Survey; NMHC Construction Quarterly Survey.

Construction delays increase during COVID



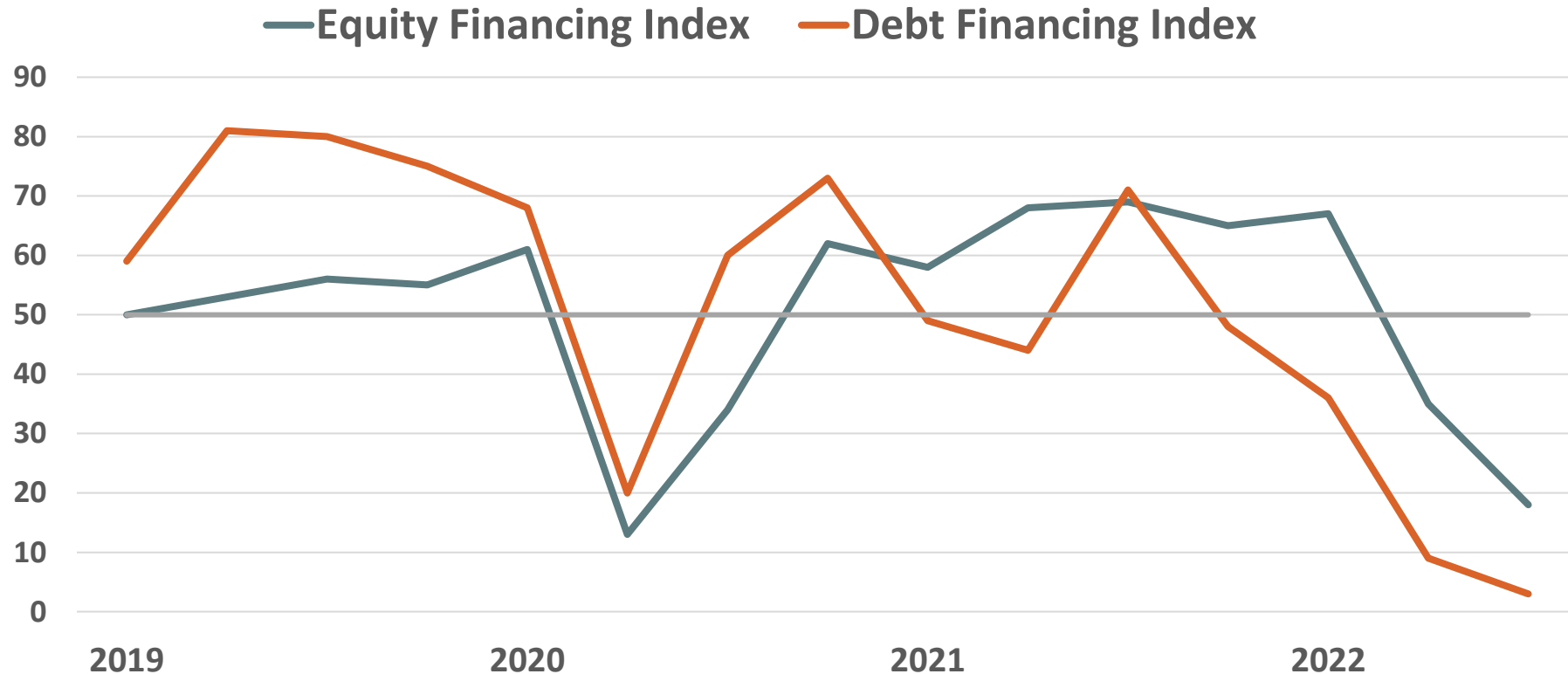
Source: NMHC Covid Construction Survey; NMHC Construction Quarterly Survey.

Causes of delayed starts



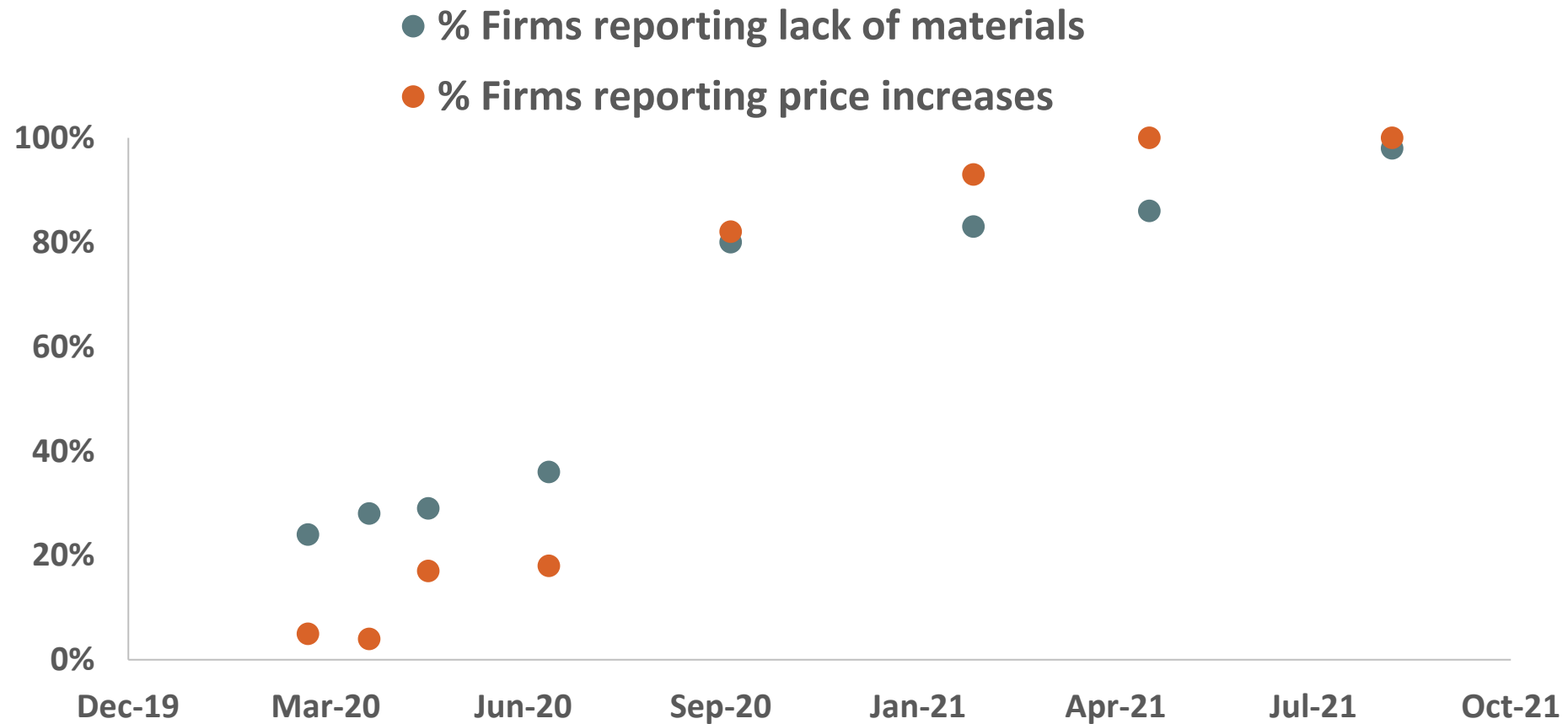
Source: NMHC Quarterly Survey of Construction & Development Activity.

Higher cost of debt & equity financing



Source: NMHC Quarterly Survey of Apartment Conditions.

Role of materials prices in delays



Source: NMHC Covid Construction Survey.

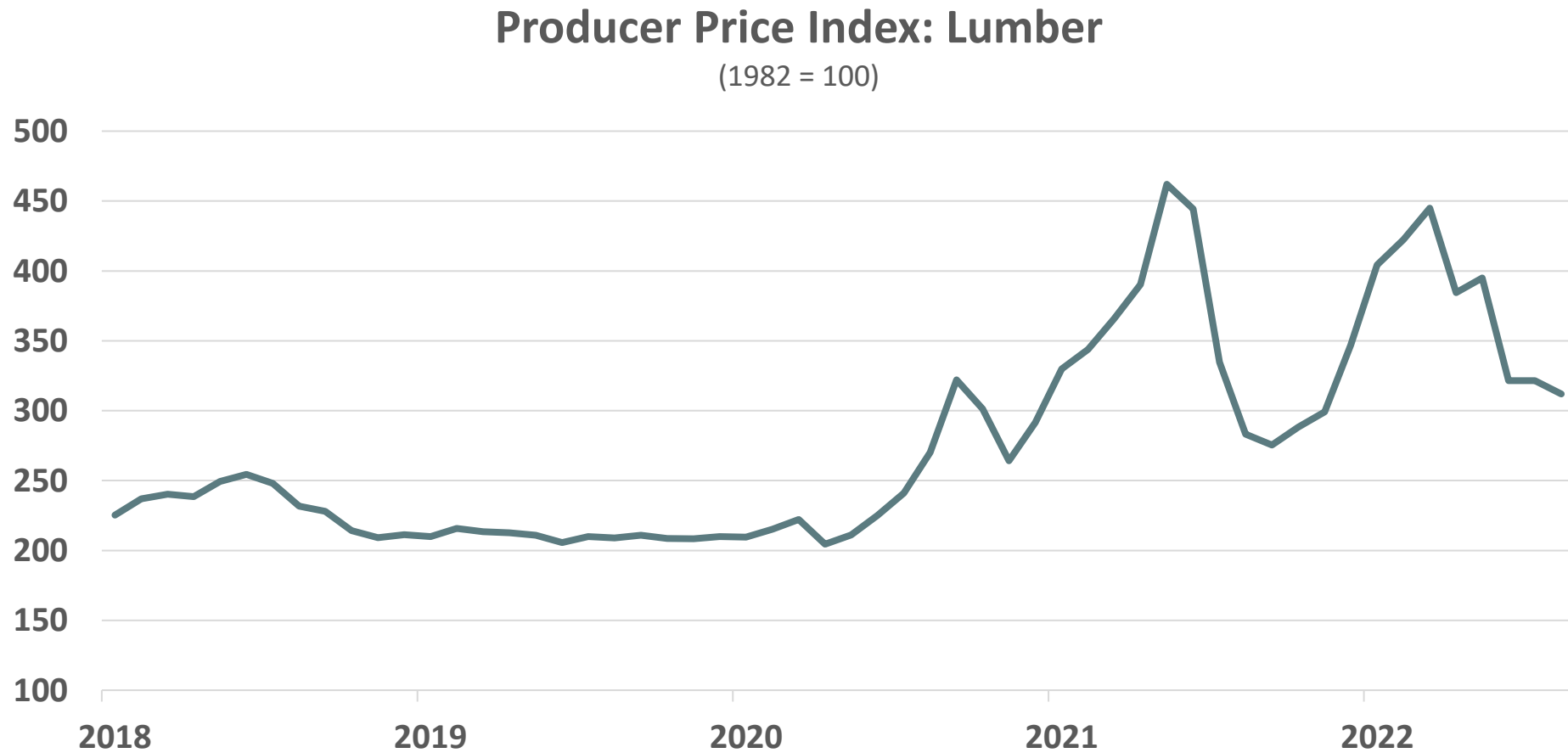
Material prices continue to increase

(price increases over past 3 months)

Materials	March 2022	June 2022	September 2022
Exterior Finishes & Roofing	+14%	+11%	+8%
Electrical Components	+15%	+12%	+12%
Appliances	+5%	+5%	+6%
Insulation	+12%	+10%	+6%
Lumber	+45%	-5%	-2%

Source: NMHC Quarterly Survey of Construction & Development Activity.

Material prices continue to increase



Source: U.S. Bureau of Labor Statistics.

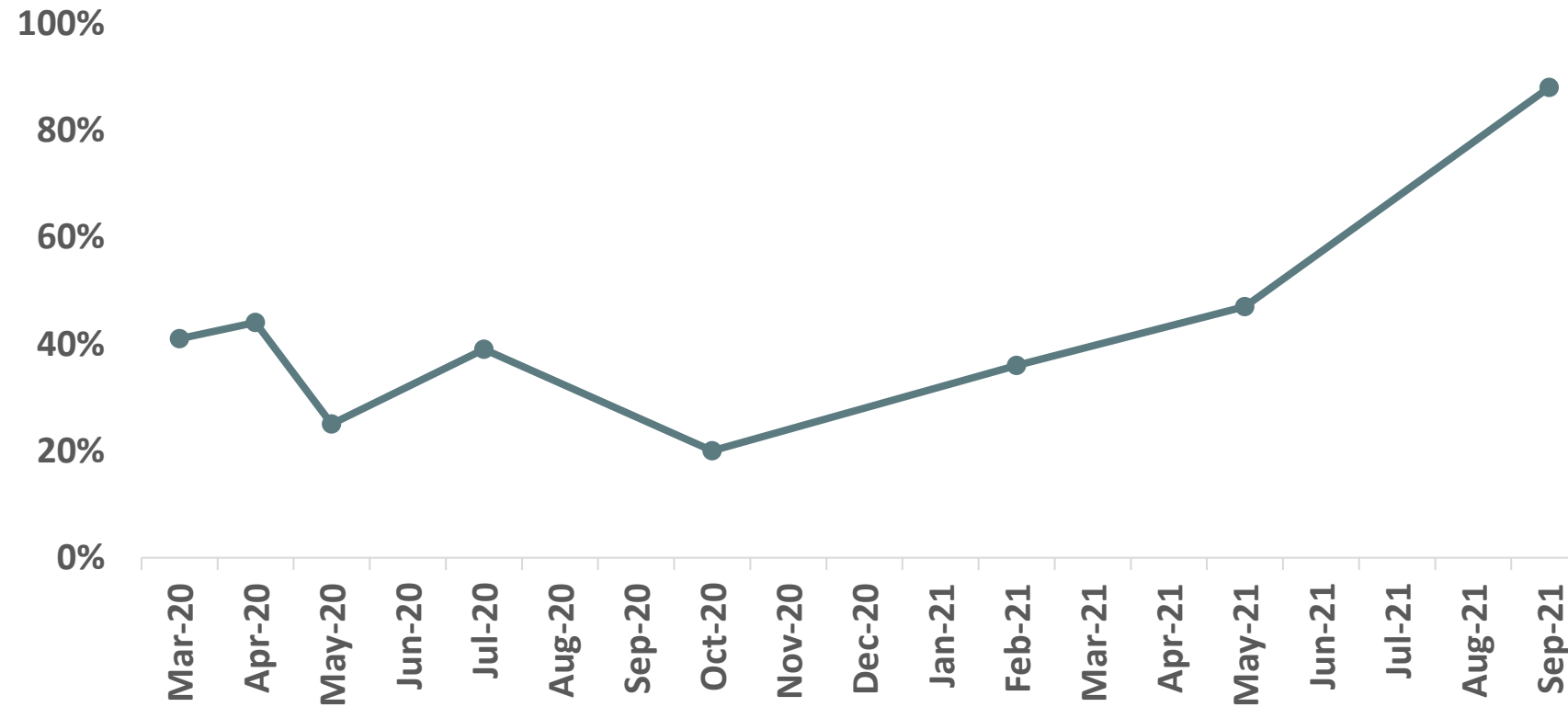
How firms are coping with higher prices

Mitigation strategies	Exterior finishes & roofing	Electrical components	Appliances	Insulation	Lumber
Alt. brands or suppliers	39%	37%	41%	29%	20%
Alt. product/material types	39%	29%	20%	24%	20%
Made design changes	34%	32%	12%	17%	15%
Changed purchasing schedules	46%	51%	34%	34%	41%
Greater focus on escalation clauses and acceptance of higher escalations	37%	37%	24%	34%	27%

Source: NMHC Quarterly Survey of Construction & Development Activity.

Labor became less available during COVID

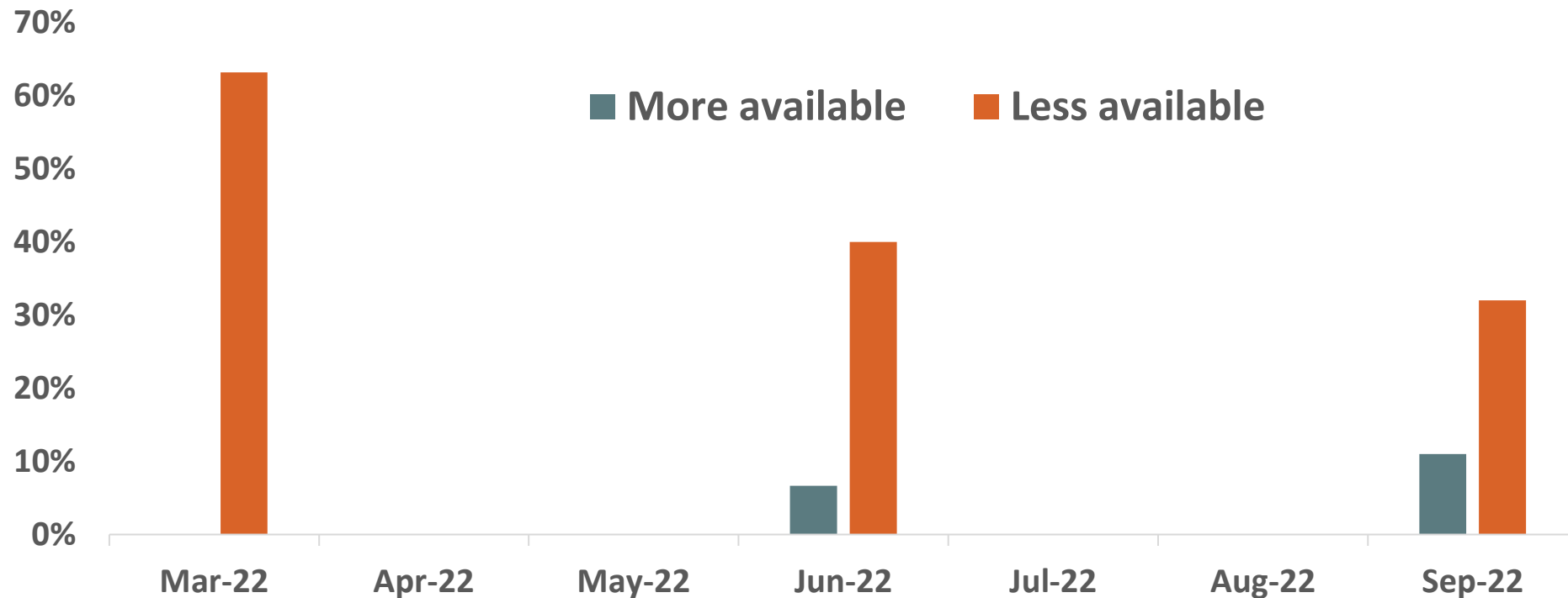
Share of respondents impacted by labor availability



Source: NMHC Covid Construction Survey.

Construction labor market showing signs of moderation in 2022

Share of respondents who saw labor as more/less available
(over the past three months)



Source: NMHC Quarterly Survey of Construction & Development Activity.

Supply obstacles - regulation

*Regulation imposed by all levels of government accounts for an average of **40.6%** of multifamily development costs.*

- **Inclusionary zoning**
 - Nearly half (47.9%) of developers said they avoid building in a jurisdiction with **inclusionary zoning requirements**.
 - Those developers subject to IZ must charge 7.6% higher rents, on average.
- **Rent control:** 87.5% of developers avoid working in jurisdictions with rent control.

Source: NMHC-NAHB Cost of Regulations Report (2022).

Supply obstacles - NIMBYism

Three quarters (74.5%) of respondents said they encountered NIMBY opposition to proposed development.

- Confronting that opposition adds an average of **5.6% to total development costs.**
- Delays the completions of those properties by an average of **7.4 months.**

Source: NMHC-NAHB Cost of Regulations Report (2022).

Questions?

Chris Bruen

Senior Director, Research

202-974-2331

cbruen@nmhc.org

www.nmhc.org