



NATIONAL
MULTIFAMILY
HOUSING
COUNCIL

Apartment Shortages - Do they Still Exist?

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How Many Apartments Do We Need?

- Research conducted by Hoyt Advisory Services & Eigen10 Advisors, LLC (2022)
- Need to build 4.3 million apartments at a variety of price points by 2035
 - Includes a 600,000 unit shortage from underbuilding after the 2008 financial crisis
 - Locations that require the most inventory: Dallas-Ft. Worth, Houston, New York, Phoenix, Austin, and Atlanta



PREPARED BY:
HOYT ADVISORY SERVICES, EIGEN10 ADVISORS, LLC

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But There Are Many Types of Cost-Burdened Renters

- **Low Earners** (*23% of all burdened apartment households*):

These are apartment households that are cost burdened because they have so little income. Members of this group will likely never be able to afford market-rate housing without some form of financial assistance or government subsidy, no matter how inexpensive.

- **Geographically-Burdened Households** (*15% of all burdened apartment households*):

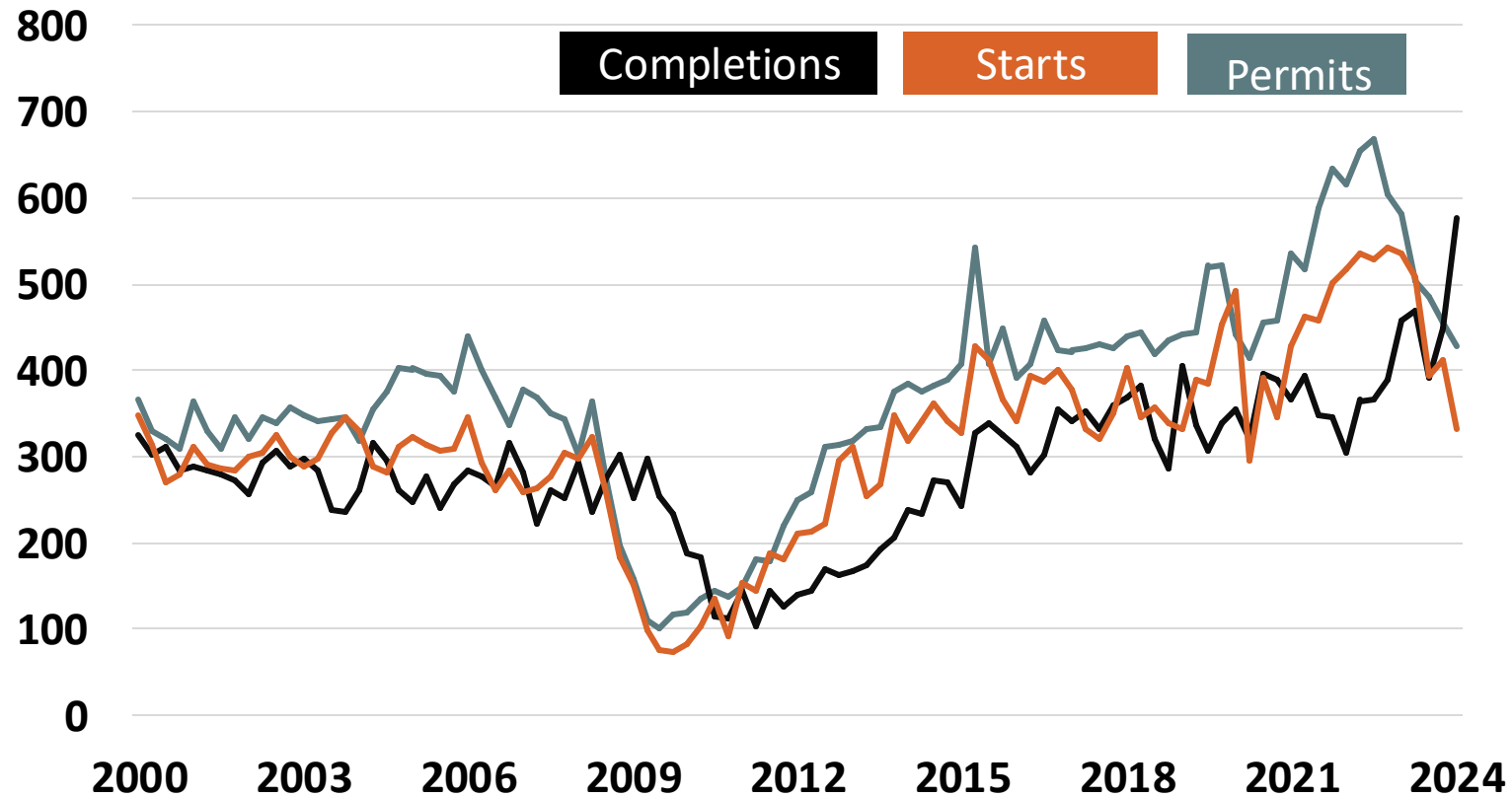
Members of this group earn a moderate income, but because they live in more expensive markets where there is a notable supply-demand mismatch, they are housing cost burdened. If they were able to live in more inexpensive housing markets or, alternatively, if more units were built in their existing housing markets, alleviating pricing pressures, it's likely many would not be burdened.

- **High Earners** (*4% of all burdened apartment households*):

These are very high-income apartment households who choose to pay more than 30% of their income on rent, even though more affordable housing options are available to them. Despite appearing cost burdened, these households typically are not in need of any form of assistance; they could simply choose to live in a cheaper apartment.

Multifamily Completions Have Reached Historic Levels

U.S. Multifamily Permits, Completions and Starts (in 000s)



Source: U.S. Census Bureau

Construction Looks Different by Area – Those With High Completions Seeing Slowed Rent Growth

Metro Area	Completions as % of Apartment Stock	Total Completions (1Q 2024)	Annual Effective Apartment Rent Growth
Myrtle Beach – SC	24.2%	4,401	-2.7%
Huntsville – AL	16.5%	6,062	-4.6%
Lakeland – FL	13.4%	3,313	-3.1%
Provo – UT	12.4%	2,285	-0.4%
Pensacola – FL	9.9%	1,849	-3.5%
Austin – TX	9.8%	26,264	-6.2%
Sioux Falls – SD	9.3%	2,390	-0.9%

Source: CoStar



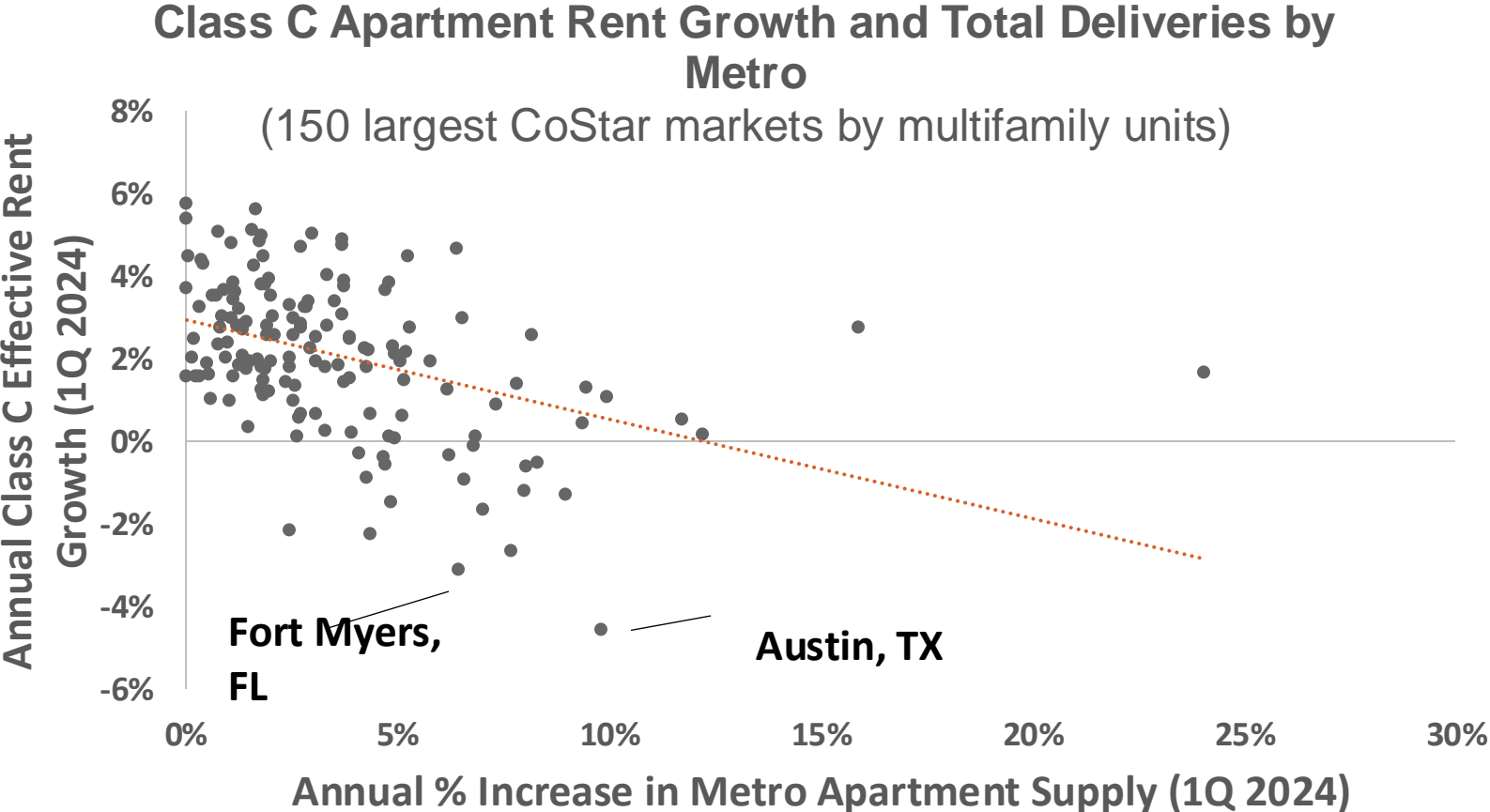
Putting This Data Into the Context of Filtering

- Filtering is the aging and obsolescence that produces naturally-occurring affordable rental homes.
- Previous research by Dr. Dowell Myers and Dr. Jungho Park found:
 - Pre-Great Recession: New construction of middle- and high-income housing enabled older middle- and high-income housing to become more affordable
 - Post-Great Recession: The slowdown in new construction led to the opposite situation developing



Preliminary Data Indicate Filtering is Taking Place

with a Few Exceptions

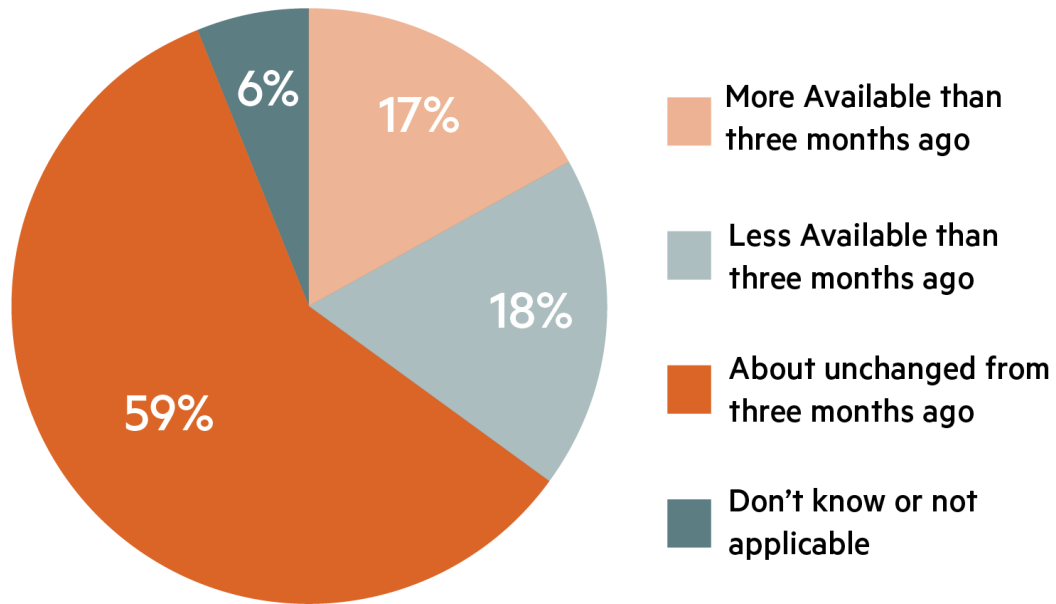


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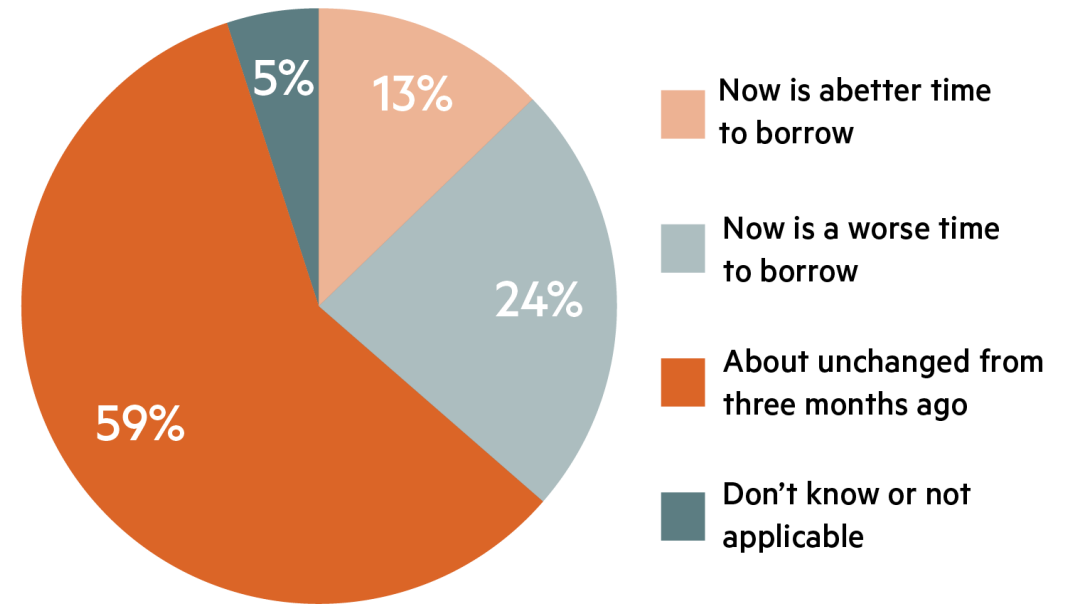


Interest Rates Continue to Make it Difficult to Obtain Financing

What about equity financing for apartment acquisition or development? Considering both price and non-price terms, equity financing today is...



What about the conditions for multifamily mortgage borrowing? Considering both interest rates and non-rate terms, compared to three months ago...



Source: NMHC Quarterly Survey of Apartment Market Conditions

Many of these Delays are Due to Financial Constraints

In jurisdictions where you operate, are you experiencing construction delays?

Yes	81%
No	15%
N/A	4%

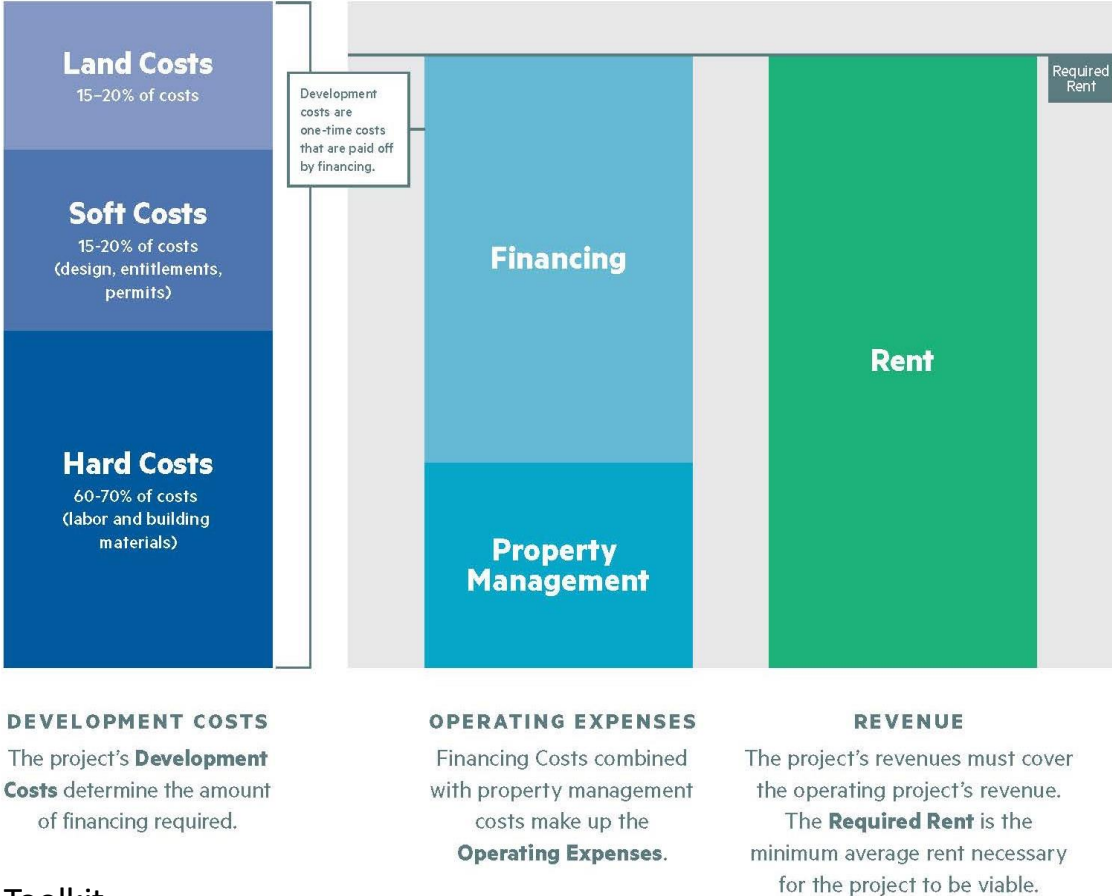
Are you experiencing delays in starts? (asked of those who answered "Yes" on #1)

Yes	87%
No	13%
N/A	0%

Over the past three months, what has caused the delay in starts? (asked of those who answered "Yes" on #4; multiple selection - totals will not equal 100%)

Economic uncertainty	62%
Project is not economically feasible at this time	74%
Permitting, entitlement, professional services	53%
Health and safety concerns	0%
Availability of construction financing	68%
Materials sourcing and delivery	15%
Staffing shortages	0%
Other/specific delays	3%

Financial Viability Depends on Many Different Factors



Source: NMHC Housing Affordability Toolkit

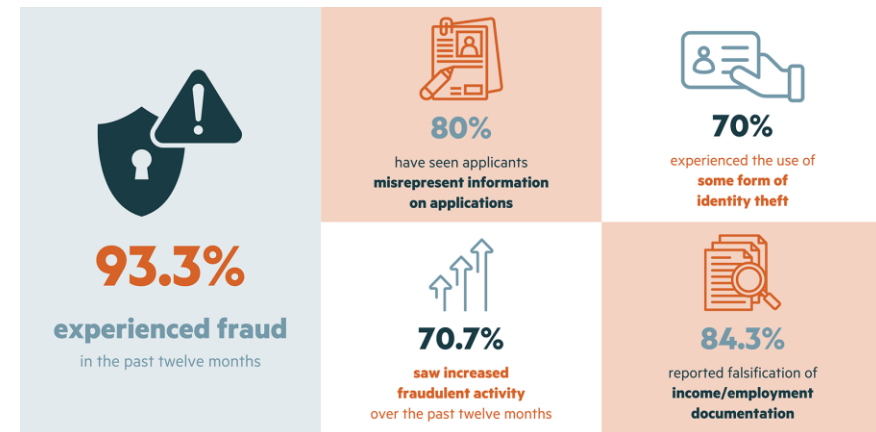


Some Property Management Costs are Rising as Well

INSURANCE COVERAGE **INCREASES** FROM PREVIOUS YEAR (AVG/MAX)

26.4% Property 120%	14.7% Liability 133%	16.6% Umbrella 226%	14.9% Earthquake 55%
6.2% Terrorism 80%	24.4% Cyber 220%	4.7% Crime 25%	

INCIDENCES OF RENTAL APPLICATION, FINANCIAL AND IDENTITY FRAUD ARE ON THE RISE



Source: NMHC State of Multifamily Risk Survey & Report

Source: NMHC Fraud Pulse Survey

NMHC Research Resources



Rent Regulation Policy in the
United States



Behind the Facade: The Feasibility
of Converting Commercial
Real Estate to Multifamily