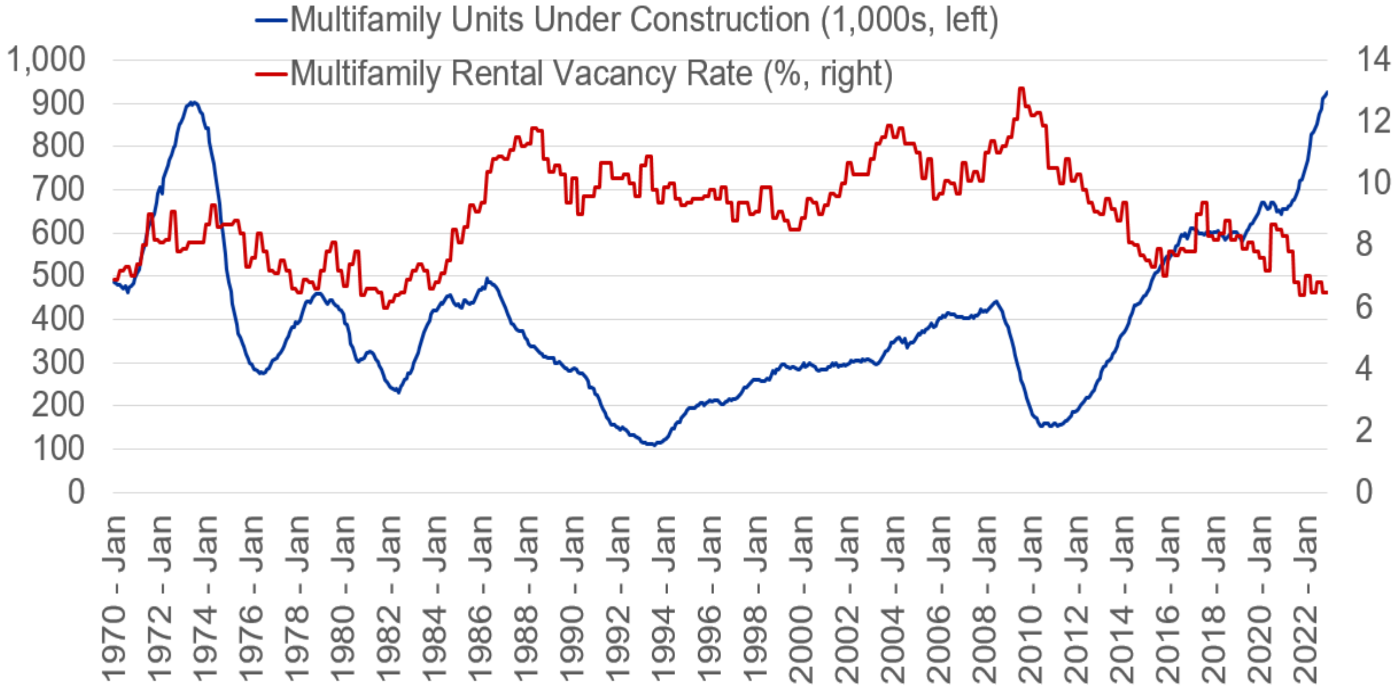
MBa

RESEARCH AND ECONOMICS

Chart of the Week – February 3, 2023

Multifamily Units Under Construction and Rental Vacancy Rate



Source: U.S. Census Bureau

At the end of next week, many of us will begin our annual migration to San Diego and to MBA's Commercial/Multifamily Finance Convention & Expo (CREF23). There will be no lack of topics to discuss – from return to the office, to the return of retail, and interest in cap rates to interest rate caps.

On Monday, February 13, Mike Fratantoni, Reggie Booker and I will discuss MBA's economic forecast, the latest numbers on commercial real estate (CRE) finance, and what that means for the outlook for CRE. We will also share this year's CREF Bingo card on the topics we expect to be the most overheard in sessions and hallway conversations.

Central to the discussions we expect to hear are the changing tides in different property markets. This week, the Census Bureau released the latest numbers from their quarterly Housing Vacancy Survey (HVS). In response to an S&P commentary on the HVS release titled "US housing markets remain super tight in the fourth quarter", our internal email chain responses were "Indeed. Tight Housing market," and "Agreed. Also worth noting that seasonality matters:"

The "tight housing market" comment derives from the fact that the multifamily vacancy rate in Q4 2022 was 5.8 percent, one of the lowest readings since the mid-1980s and down 20 basis points from Q3. The US housing market remains essentially full, the key driver for Harvard's Joint Center for Housing Studies recent finding that the "number of renters burdened by housing costs reached a record high in 2021."

The "seasonality matters" comment hits at the fact that on a year-over-year basis (taking into account the seasonal ebbs-and-flows of demand) the 0.2 percentage point increase may signal that the tide of tightening in multifamily markets we've seen over the last decade may be beginning to reverse – as the demand from millennials naturally (markets willing) shifts to homeownership from renting and a wave of additional multifamily supply waits in the wings.

We’ve been noting that CRE today sits at the center of changes in the space, equity and debt markets – all of which face questions that are affecting transaction volumes. CREF23 will be a great opportunity for all of us to learn more about where the markets are likely to go from here.

- Jamie Woodwell (jwoodwell@mba.org)