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Multifamily Developer Confidence Reflected Mixed Results in the Fourth Quarter

WASHINGTON, Feb. 13 – Confidence in the market for new multifamily housing reflected mixed results year-over-year in the fourth quarter, according to results from the Multifamily Market Survey (MMS) released today by the National Association of Home Builders (NAHB). The MMS produces two separate indices. While the Multifamily Production Index (MPI) increased seven points to 48 year-over-year, it is still below the break-even point of 50. The Multifamily Occupancy Index (MOI) had a reading of 81, up four points year-over-year.

The MPI measures builder and developer sentiment about current production conditions in the apartment and condo market on a scale of 0 to 100. The index and all its components are scaled so that a number below 50 indicates that more respondents report conditions are poor than report conditions are good.

The MPI is a weighted average of four key market segments: three in the built-for-rent market (garden/low-rise, mid/high-rise and subsidized) and one in the built-for-sale (or condominium) market. Three of the four components increased year-over-year: the component measuring garden/low-rise increased one point to 52, the component measuring mid/high-rise units increased 13 points to 39, the component measuring subsidized units rose 11 points to 52 and the component measuring built-for-sale units posted a one-point decline to 42.

The MOI measures the multifamily housing industry's perception of occupancies in existing apartments on a scale of 0 to 100. The index and all its components are scaled so that a number above 50 indicates more respondents report that occupancy is good than report it is poor. The reading of 81 indicates existing apartment owners are positive about occupancy.

The MOI is a weighted average of three built-for-rent market segments (garden/low-rise, mid/high-rise and subsidized). All three components remain solidly in positive territory above 50: the component measuring garden/low-rise units increased one point to 81, the component measuring mid/high-rise units rose 10 points to 74 and the component measuring subsidized units posted a three-point increase to 91.

“Multifamily developers are slightly less pessimistic than they were at this time last year, but supply-chain problems and high interest rates remain serious barriers to a stronger market,” said Tom Tomaszewski, president of The Annex Group and chairman of NAHB’s Multifamily Council. “Occupancy rates for owners of rental properties have remained solid, although they are struggling with high operating costs.”

“An MPI below 50 is what we would expect given that multifamily starts declined in both 2023 and 2024,” said NAHB Chief Economist Robert Dietz. “We are projecting that multifamily construction will

decline again in the first half of 2025 before stabilizing toward the end of the year, with the industry supported by a low national unemployment rate.”

The MMS was re-designed last year to produce results that are easier to interpret and consistent with the proven format of other NAHB industry sentiment surveys. Until there are enough data to seasonally adjust the series, changes in the MMS indices should only be evaluated on a year-over-year basis.

For additional information on the MMS, visit www.nahb.org/mms.

For more information on the NAHB Multifamily program, please visit NAHB Multifamily:
www.nahb.org/NAHB-Community/Community-Home/Multifamily.

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ABOUT NAHB: The National Association of Home Builders is a Washington-based trade association representing more than 140,000 members involved in home building, remodeling, multifamily construction, property management, subcontracting, design, housing finance, building product manufacturing and other aspects of residential and light commercial construction. NAHB is affiliated with 700 state and local home builders associations around the country. NAHB's builder members will construct about 80% of the new housing units projected for this year.



Multifamily Market Survey

Fourth Quarter 2024

Economics & Housing Policy Group

Introduction:

The National Association of Home Builders (NAHB) conducts a quarterly survey of its multifamily builder members that is used to generate the NAHB Multifamily Production Index (MPI) and the Multifamily Occupancy Index (MOI). The fourth quarter 2024 Multifamily Market Survey was sent to 1,349 multifamily developers. Responses were received from 72 of them.

To generate data for the MPI, the survey asks multifamily builders to rate the current conditions for multifamily starts in markets where they are active for four key market segments; three in the built-for-rent space (garden/low-rise, mid/high-rise, subsidized) and the built for sale; as “good”, “fair”, or “poor”. A component index is calculated from the percentage responses for each market segment using the formula $(\text{Good} - \text{Poor} + 100) / 2$. Each component index and lies on a scale ranging from 0 to 100 with readings above 50 indicating that more respondents report conditions are improving than report conditions are getting worse. The overall MPI is a weighted average of the 4 components $(0.50 \times \text{Garden/Low-Rise} + 0.33 \times \text{Mid/High-Rise} + 0.12 \times \text{Subsidized} + 0.05 \times \text{Built-for-Sale})$.

To generate data for the MOI, the survey asks multifamily builders to rate the current conditions for occupancy of existing rental apartments in markets where they are active for three built-for-rent space market segments (garden/low-rise, mid/high-rise, subsidized) as “good”, “fair”, or “poor”. A component index is calculated from the percentage responses for each apartment class using the formula $(\text{Good} - \text{Poor} + 100) / 2$. Again, each component index lies on a scale ranging from 0 to 100 with a break-even point at 50, where higher numbers indicate increased occupancy. The overall MOI is a weighted average of the three components $(0.60 \times \text{Garden/Low-Rise} + 0.25 \times \text{Mid/High-Rise} + 0.15 \times \text{Subsidized})$.



TABLE 1
Multifamily Market Survey - Q4 2024
Multifamily Production Index (MPI)

(Not Seasonally Adjusted)

PRODUCTION OF NEW APARTMENTS

	Components				Multifamily Production Index
	Garden/ Low-Rise	Mid/ High-Rise	Subsidized	Built for Sale	
Q1 2023	57	41	51	42	50
Q2 2023	64	47	55	45	56
Q3 2023	45	28	39	32	38
Q4 2023	51	26	41	43	41
Q1 2024	55	36	50	39	47
Q2 2024	53	29	51	38	44
Q3 2024	48	28	46	29	40
Q4 2024	52	39	52	42	48

MPI components are based on questions asking if current conditions for multifamily starts are good, fair, or poor. Numbers in the table are diffusion-type indices - calculated from the percentage responses using the formula (Good - Poor + 100) / 2. The overall Multifamily Production Index is a weighted average of the 4 components:
 $0.50 \times \text{Garden/Low-Rise} + 0.33 \times \text{Mid/High-Rise} + 0.12 \times \text{Subsidized} + 0.05 \times \text{Built for Sale}$
 The weights are derived from a statistical analysis of the relationship between the components and the American Housing Survey (AHS).
 Source: Multifamily Market Survey, NAHB Economics and Housing Policy Group.

Multifamily Occupancy Index (MOI)

(Not Seasonally Adjusted)

OCCUPANCY OF EXISTING RENTAL APARTMENTS

	Components			Multifamily Occupancy Index
	Garden/ Low-Rise	Mid/ High-Rise	Subsidized	
Q1 2023	84	74	87	82
Q2 2023	91	83	91	89
Q3 2023	84	74	89	82
Q4 2023	80	64	88	77
Q1 2024	84	74	94	83
Q2 2024	82	76	85	81
Q3 2024	77	66	86	75
Q4 2024	81	74	91	81

MOI components are based on questions asking if current conditions for occupancy of existing rental apartments are good, fair, or poor. Individual occupancy indices are calculated from percentage responses using the formula (Good - Poor + 100) / 2. The overall Multifamily Occupancy Index is a weighted average of the 3 components:
 $0.60 \times \text{Garden/Low-Rise} + 0.25 \times \text{Mid/High-Rise} + 0.15 \times \text{Subsidized}$
 The weights are derived from a statistical analysis of the relationship between the components and the American Housing Survey (AHS).
 Source: Multifamily Market Survey, NAHB Economics and Housing Policy Group.

Change in Overall Market Conditions

Percent of Respondents

	Better	About the Same	Worse
Q1 2023	5	67	28
Q2 2023	15	70	15
Q3 2023	5	61	33
Q4 2023	14	63	23
Q1 2024	9	64	27
Q2 2024	12	63	26
Q3 2024	7	71	22
Q4 2024	10	69	21

Source: Multifamily Market Survey, NAHB Economics and Housing Policy Group.
 Q4 2024 results based on 72 responses.

Figure 1: NAHB Multifamily Market Survey (MMS)
Multifamily Production Index (MPI)
(Not Seasonally Adjusted)

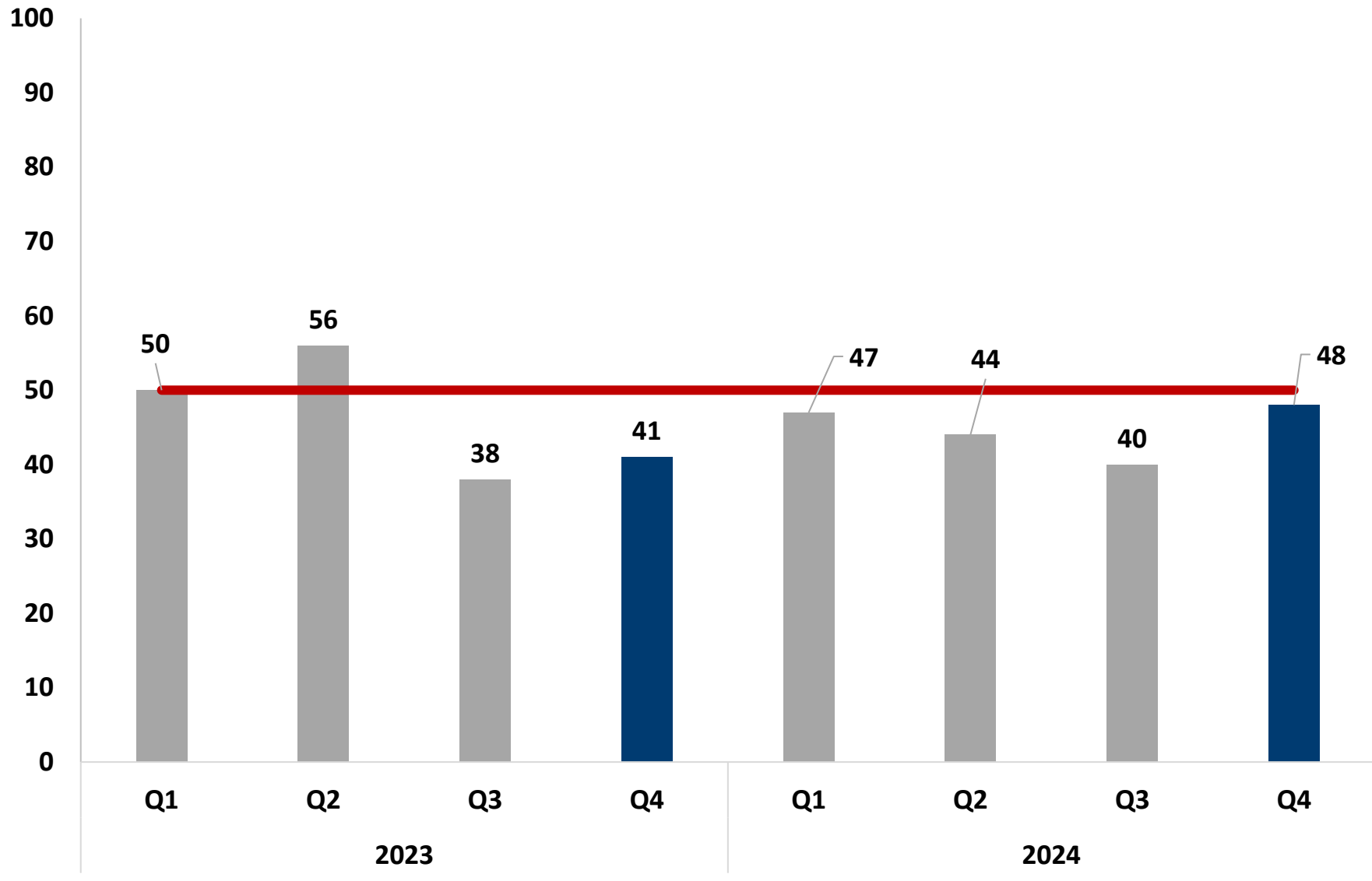
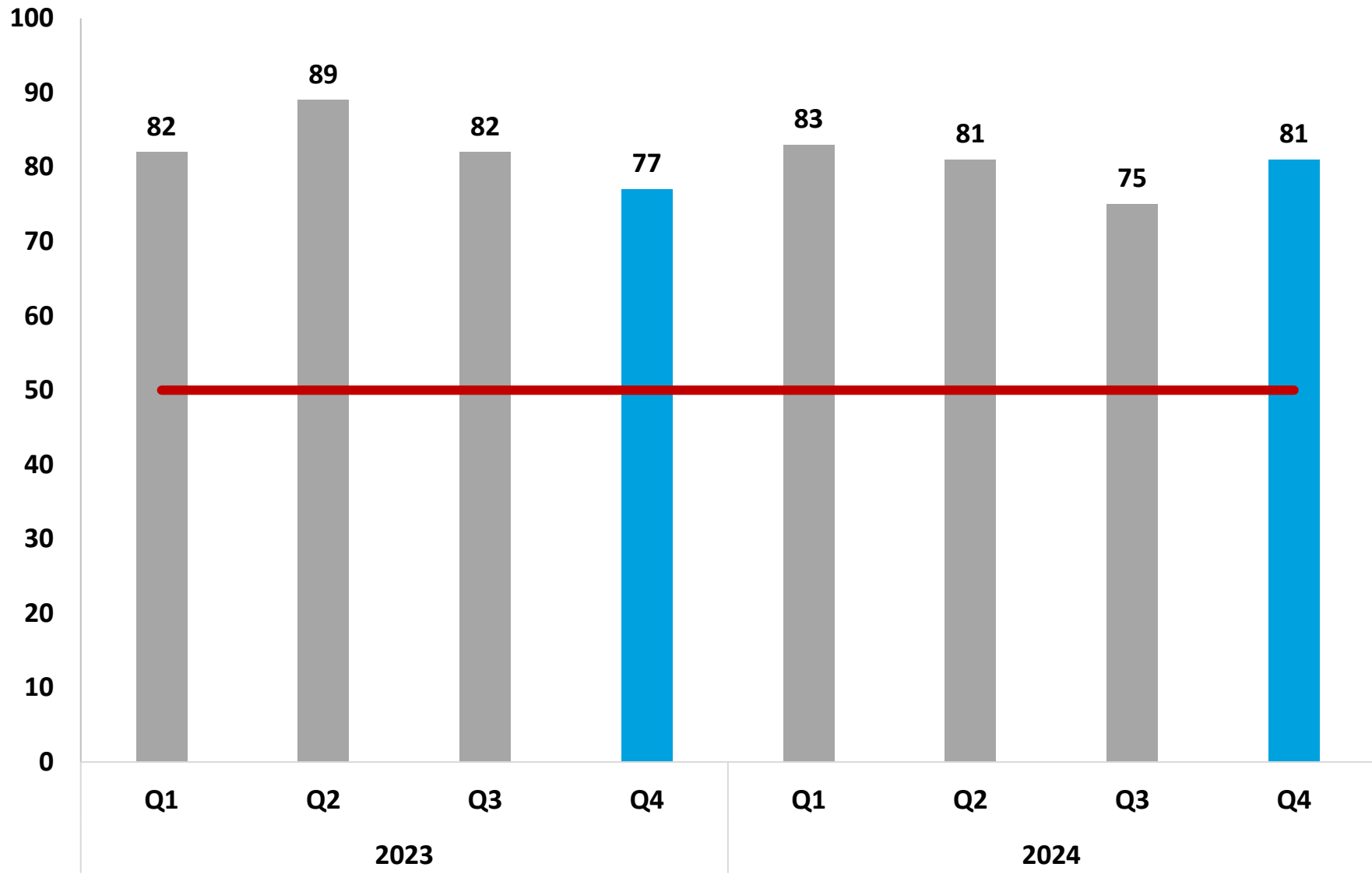


Figure 2: NAHB Multifamily Market Survey (MMS)
Multifamily Occupancy Index (MOI)
(Not Seasonally Adjusted)



National Association of Home Builders

Multifamily Market Survey

Fourth Quarter 2024

1. Please rate current conditions for multifamily starts in markets where you are active.
(OK. To leave a particular line blank if you don't have sufficient knowledge about that part of the multifamily market.)

Multifamily Starts	Good	Fair	Poor
Built for Rent			
Garden/Low-Rise*	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Mid/High-Rise*	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Subsidized**	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Built for Sale	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

* Garden/Low Rise buildings are typically 1 to 4 stories; Mid/High-Rise buildings are typically 5 stories or higher.

** Subsidized apartments are those supported by tax credits, tax-exempt bonds, or other government subsidy programs.

2. Please rate current conditions for occupancy of existing rental apartments in markets where you are active.

(OK. To leave a particular line blank if you don't have sufficient knowledge about that part of the multifamily market.)

Multifamily Rental Occupancy	Good	Fair	Poor
Garden/Low-Rise Rental Apartments*	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Mid/High-Rise Rental Apartments*	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Subsidized Rental Apartments**	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

*Garden/Low Rise buildings are typically 1 to 4 stories; Mid/High-Rise buildings are typically 5 stories or higher.

** Subsidized apartments are those supported by tax credits, tax-exempt bonds, or other government subsidy programs.

3. How would you rate the overall market for multifamily housing in areas where you are active compared to three months ago?

Better	About the Same	Worse
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

4. Please let us know what is happening with multifamily housing in areas where you are active.
