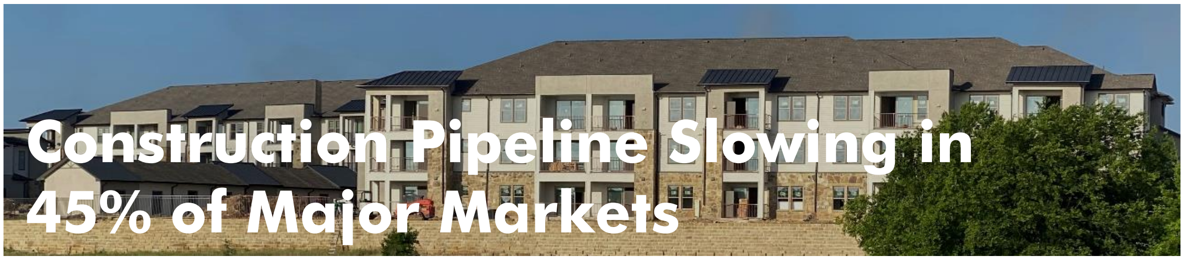
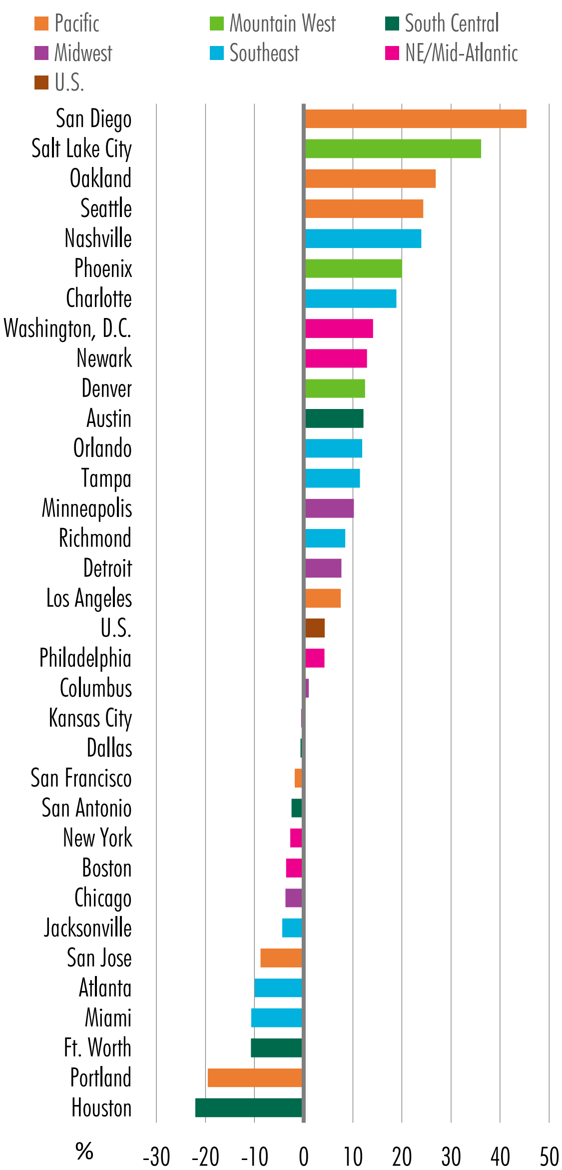
THE WAY FORWARD - NEW SUPPLY



Construction Pipeline Slowing in 45% of Major Markets

Photo by J. Rice, May 2020

Figure 1: Six-Month Change in Under-Construction Totals



Source: CBRE Research, CBRE Econometric Advisors, January 2021. Metros with 5,500+ units under construction. January 2021 compared to July 2020.

The central multifamily market theme in 2021 is recovery: when will it start, how quickly will it proceed, which markets and submarkets will recovery earlier or later.

Key ingredients to answer these questions include the pace of 1) economic/employment recovery, 2) WFH transitioning to "work from office" (WFO), 3) rebound of urban amenities and 4) new supply in 2021.

With respect to the latter criteria, construction remains very active (and the forecast for completions in 2021 is higher than 2020). In January, 709,200 multifamily units were under construction in all markets tracked by CBRE Econometric Advisors, the highest total in the 18-year history of the data series. January was up 4.2% from July 2020 and 6.2% year-over-year.

The current under-construction data is somewhat elevated from the construction moratoriums impacting some markets in Q2 and Q3 2020, longer construction timetables due to COVID-related site work restrictions and from some slowdowns in materials deliveries. Yet, the statistics also include a steady stream of new projects started in recent months. (Developer sentiment appears to be on the "build" side of the discussions of whether to build or not.)

January under-construction pipeline statistics revealed slowing in 45% of the 53 markets with at least 2,000 units in the pipeline, leaving 55% with rising pipelines.

Among the 33 metros with 5,500 or more units under construction in January (Figure 1), San Diego had the largest increase followed closely by Salt Lake City. Other markets with 20+% increases were Oakland, Seattle, Nashville and Phoenix.

Rising demand in Salt Lake City and Phoenix likely warrants the increased pipeline, but the rising supply may be a concern in Oakland, Seattle and Nashville which were impacted more severely by the 2020 recession.

Houston had the largest six-month decline followed closely by Portland. Ft. Worth, Miami, Atlanta and San Jose had notable declines of about 10%.

New York had the largest construction pipeline at 68,200 units, followed by Washington, D.C. at 43,100 units, a new record level.

Dallas and Ft. Worth combined totaled 34,600 units which would place the market as third highest. Austin's 25,300-unit pipeline is high given Austin's smaller size and could moderate the market's recovery.

Figure 2: Multifamily Units Under Construction in Major Metros - Ranked by Total

Rank	Market	Jan-20	Jul-20	Jan-21	Pct Chg from 6 Mos	Pct Chg from 12 Mos
	U.S.	667,800	680,600	709,200	4.2	6.2
1	New York	68,500	70,200	68,200	(2.8)	(0.4)
2	Washington, D.C.	34,700	37,800	43,100	14.1	24.3
3	Los Angeles	21,800	26,600	28,600	7.5	31.1
4	Seattle	22,200	20,400	25,400	24.3	14.4
5	Dallas	25,700	25,500	25,300	(0.6)	(1.5)
6	Austin	18,000	22,600	25,300	12.2	40.8
7	Houston	28,900	25,800	20,100	(22.1)	(30.4)
8	Phoenix	11,700	16,000	19,200	20.0	63.5
9	Orlando	14,500	16,000	18,000	11.9	23.7
10	Denver	11,300	15,600	17,500	12.5	54.9
11	Boston	18,700	16,200	15,600	(3.6)	(16.6)
12	Minneapolis	14,800	14,100	15,500	10.2	4.5
13	Nashville	9,900	11,500	14,200	24.0	44.1
14	Miami	16,600	15,800	14,200	(10.7)	(14.7)
15	Atlanta	14,100	15,600	14,100	(10.0)	(0.1)
16	San Antonio	10,000	12,900	12,600	(2.5)	26.2
17	Chicago	14,100	11,600	11,200	(3.7)	(20.7)
18	Philadelphia	11,800	10,200	10,600	4.2	(10.0)
19	Charlotte	10,500	8,900	10,500	18.9	0.5
20	Tampa	7,800	8,700	9,700	11.5	24.1
21	Ft. Worth	8,100	10,400	9,300	(10.8)	15.5
22	San Diego	6,000	6,300	9,200	45.4	54.4
23	Newark	6,400	7,200	8,100	12.9	27.2
24	Oakland	9,300	6,100	7,800	26.9	(16.3)
25	Detroit	6,300	7,000	7,500	7.7	18.3
26	Portland	9,900	9,000	7,200	(19.5)	(27.3)
27	Kansas City	8,300	6,800	6,700	(0.5)	(18.8)
28	Columbus	5,700	6,300	6,300	1.0	11.9
29	San Francisco	7,800	6,300	6,200	(1.8)	(19.9)
30	Salt Lake City	4,400	4,500	6,200	36.1	41.6
31	Jacksonville	5,700	6,200	5,900	(4.4)	4.6
32	San Jose	6,700	6,200	5,700	(8.8)	(15.4)
33	Richmond	3,900	5,100	5,600	8.5	42.7
34	West Palm Beach	5,100	5,300	5,500	5.4	8.8
35	Orange County	2,900	3,500	5,400	55.0	84.0
36	Ft. Lauderdale	9,300	7,100	5,100	(27.5)	(45.3)
37	Raleigh	7,200	5,100	4,900	(3.5)	(32.7)
38	Sacramento	4,000	3,700	4,600	26.8	14.9
39	Stamford	4,400	5,200	4,400	(15.2)	(1.1)
40	Baltimore	6,000	4,000	4,000	(1.1)	(34.0)
41	St. Louis	2,800	3,800	4,000	3.2	43.4
42	Cincinnati	2,800	2,800	3,400	20.3	22.6
43	Honolulu	2,600	3,700	3,300	(10.1)	25.8
44	Greenville	2,100	2,300	3,300	42.7	53.8
45	Louisville	4,600	4,300	3,200	(26.4)	(31.8)
46	Las Vegas	3,200	3,100	3,100	(0.9)	(3.4)
47	Indianapolis	3,500	3,700	2,800	(24.9)	(20.5)
48	Cleveland	1,500	1,900	2,500	36.1	70.3
49	Norfolk	2,200	2,900	2,300	(18.6)	4.6
50	Milwaukee	1,700	2,000	2,300	15.3	34.8
51	Long Island	2,000	2,000	2,100	4.3	6.6
52	Inland Empire	1,200	1,800	2,100	17.2	77.8
53	Pittsburgh	3,300	2,800	2,000	(27.4)	(38.6)

Source: CBRE Research, CBRE Econometric Advisors, January 2021. For all metros with 2,000+ under construction. Calculations based on unrounded totals. Note that in less active markets, the start or the completion of a few larger properties can skew the change statistics.

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