

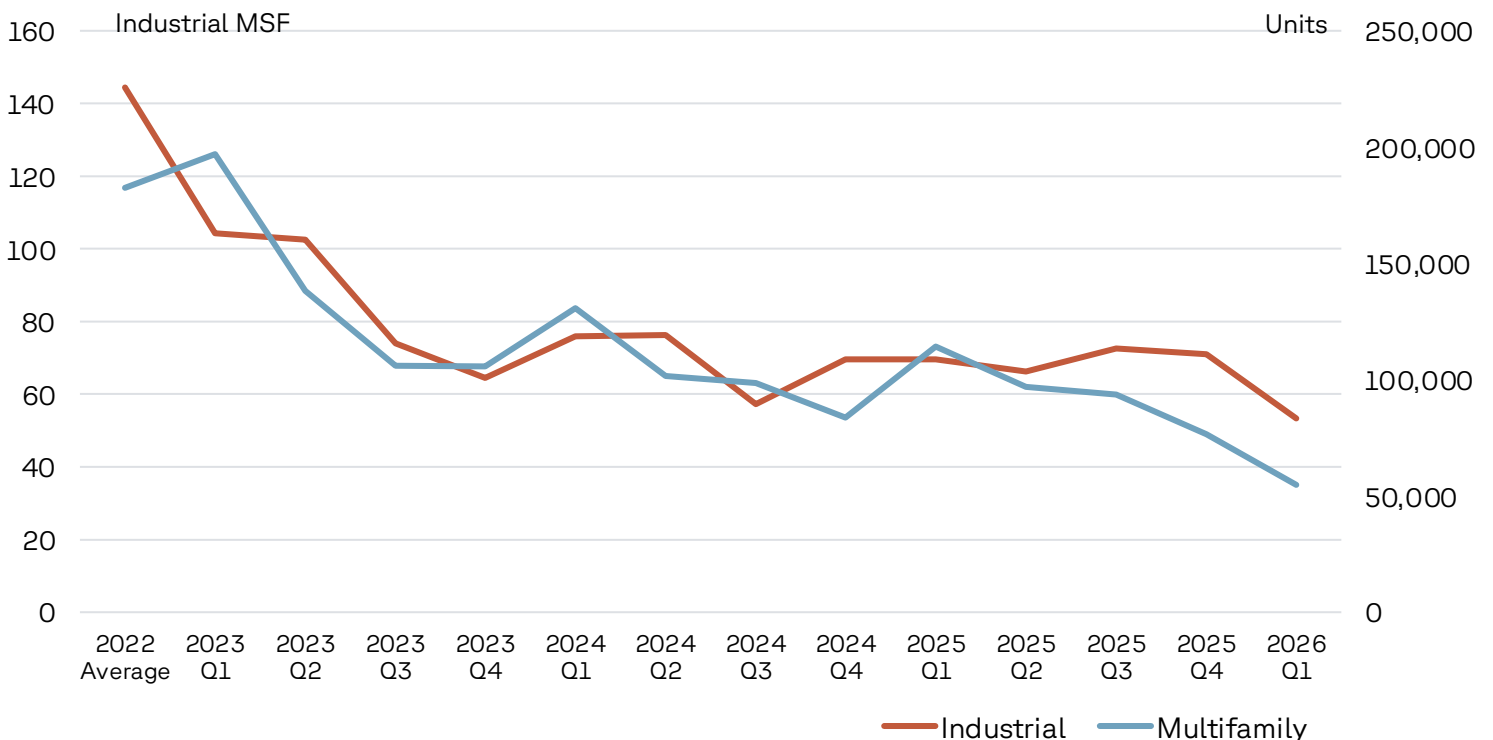
CONSTRUCTION STARTS SIGNAL CONTINUED TIGHTENING

JUNE 2026

After several years of historically elevated development activity, both the multifamily and industrial sectors have entered a different phase of the cycle. The record wave of projects delivered between 2022 and 2025 are largely in the rearview mirror, and both property types are positioned to see meaningfully lower new supply over the next several years. In multifamily, net delivered units peaked at just under 700,000 units nationally in 2024, representing the largest wave of new supply in decades. Deliveries are now projected to decline by more than 60% over the coming years, falling to approximately 234,000 units by 2028, the lowest annual level since the market emerged from the Global Financial Crisis. Industrial is following a similar trajectory. Deliveries are expected to average approximately 170 MSF annually across 2026 and 2027, down roughly 67% from recent peaks.

Meaningful declines in new construction starts in Q1 2026 indicate this deceleration will continue. Multifamily starts totaled just 54,000 units in the first quarter of 2026, the lowest quarterly level since 2012 and less than one-third of the roughly 180,000-unit quarterly average recorded during 2022. Industrial starts totaled just 56 MSF in the first quarter of 2026, well below the 140 MSF quarterly pace averaged during 2021 and 2022, and meaningfully below the 108 MSF quarterly average recorded between 2019 and 2023. Q1 2026 cyclical lows are shown in **Exhibit 1**.

Exhibit 1: MULTIFAMILY & INDUSTRIAL QUARTERLY CONSTRUCTION STARTS



Source: CoStar, Affinius Capital Research

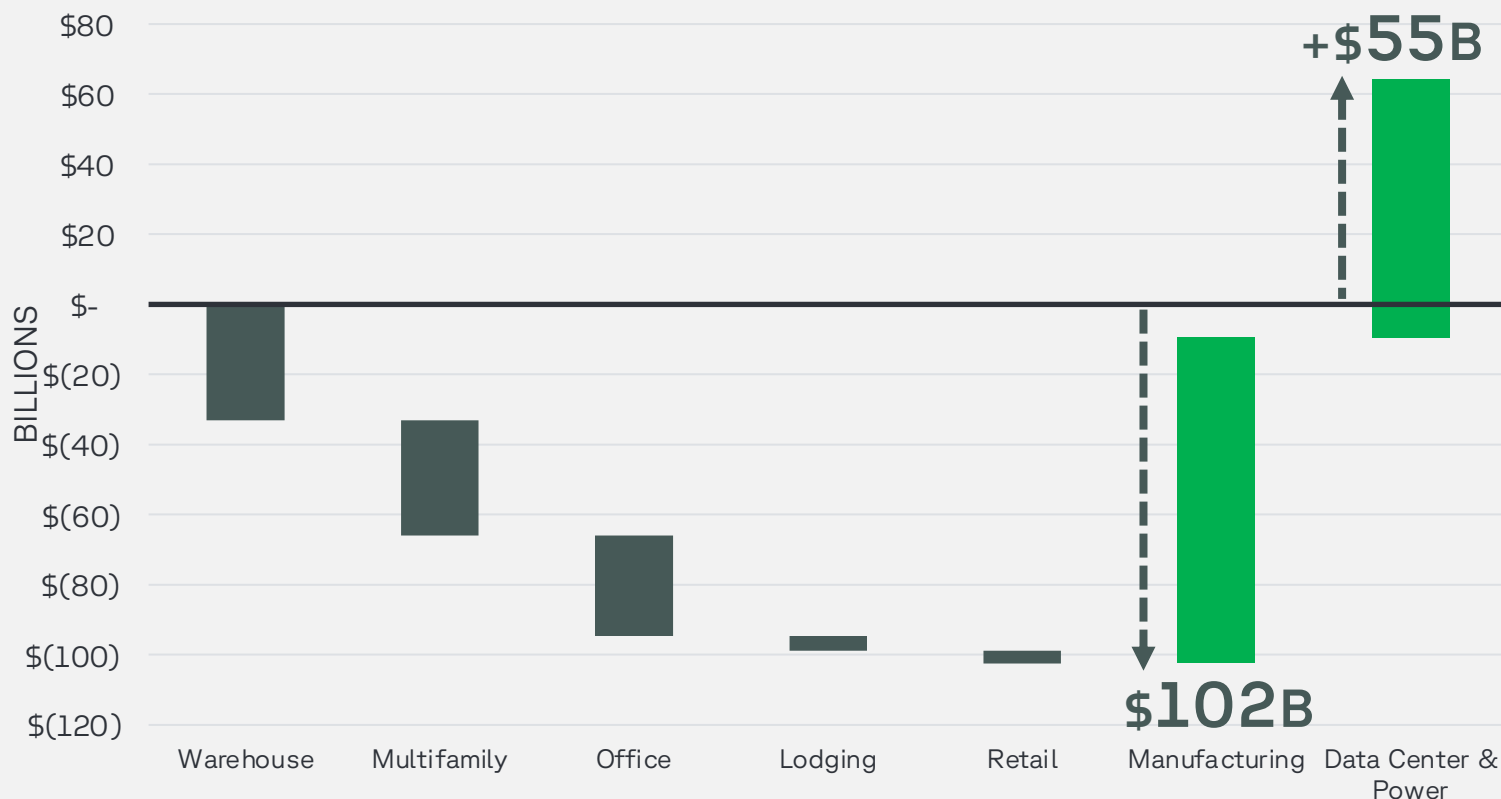
In a typical real estate cycle, a slowdown in construction activity of this magnitude would likely lead to broader easing in labor availability, contractor pricing, and materials costs as development demand weakens. This cycle, however, has unfolded differently. While multifamily and industrial construction activity has retrenched sharply, investment tied to manufacturing reshoring, data center development, and energy infrastructure has accelerated meaningfully, offsetting declines in traditional sectors, as shown in **Exhibit 2**.

Large-scale projects across these sectors continue to absorb labor, equipment, power infrastructure, and key construction materials, preventing the degree of cost normalization historically associated with a downturn in commercial development activity.

As a result, replacement costs across real estate sectors have remained elevated despite the pullback in traditional sector construction starts.

For multifamily and industrial owners, this dynamic should create an additional tailwind into the next cycle. The combination of reduced new product competition and structurally higher construction costs could ultimately provide a more constructive backdrop for rent growth and asset values as markets work through the current supply wave.

Exhibit 2: SHIFT IN CONSTRUCTION PUT IN PLACE OVER LAST FEW YEARS



Source: U.S. Census, Affinius Capital Research

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