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Confidence in Apartment and Condo Housing Sectors Weakens in First Quarter of 2019

WASHINGTON, May 23 – Confidence in the market for new multifamily housing weakened in the first quarter of 2019, 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. The Multifamily Production Index (MPI) dropped seven points to 40 compared to the previous quarter, which is the lowest reading since the third quarter of 2010. Meanwhile, the Multifamily Vacancy Index (MVI) rose three points to 48, with higher numbers indicating more vacancies.

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

The MPI is a weighted average of three key elements of the multifamily housing market: construction of low-rent units—apartments that are supported by low-income tax credits or other government subsidy programs; market-rate rental units—apartments that are built to be rented at the price the market will hold; and for-sale units—condominiums. All three components were below 50 in the first quarter: The component measuring low-rent units fell one point to 47, the component measuring market rate rental units decreased seven points to 42 and the component measuring for-sale units dropped 13 points to 31.

The MVI measures the multifamily housing industry's perception of vacancies in existing apartments. It is a weighted average of current occupancy indexes for class A, B, and C multifamily units, and can vary from 0 to 100, where a number under 50 indicates more property managers believe vacancies are decreasing than increasing. With a reading of 48, this is the highest reading since the first quarter of 2010.

"Builders and developers are being cautious to see what happens with projects that were recently completed," Gary Campbell, CEO of Gilbert G. Campbell Real Estate in Lowell, Mass., and chairman of NAHB's Multifamily Council. "However, we're seeing that developers are reasonably optimistic about what's ahead for units on the affordable end of the spectrum."

"The recent weakness in the MPI is consistent with our forecast for 2019," said NAHB Chief Economist Robert Dietz. "Multifamily housing starts experienced a gain in 2018. Even after a slight decline for starts in the first quarter of 2019, permit growth is occurring, and production should level off moving forward. The market remains dominated by rental production, with a 94 percent share at the start of 2019."

Historically, the MPI and MVI have performed well as leading indicators of U.S. Census figures for multifamily starts and vacancy rates, providing information on likely movement in the Census figures one to three quarters in advance.

For data tables on the MPI and MVI, visit www.nahb.org/mms.

For more information on the NAHB Multifamily program, please visit NAHB Multifamily:
<https://www.nahb.org/en/members/committees-and-councils/councils/multifamily-council/nahb-multifamily.aspx>.

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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 percent of the new housing units projected for this year.



Multifamily Market Survey

First Quarter 2019

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 Vacancy Index (MVI). The first quarter 2019 Multifamily Market Survey was sent to 1,061 multifamily builders. Responses were received from 36 multifamily builders.

To generate the MPI, the survey asks multifamily builders to rate if the production of new apartments for three key market elements (low-rent, market rent, and for-sale) is “stronger”, “about the same”, or “weaker”, compared to the previous quarter. The overall MPI is a weighted average of the 3 elements ($.3533 \times \text{Low Rent} + .2806 \times \text{Market Rent} + .3661 \times \text{For Sale}$) and sits 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.

To calculate the MVI, the survey asks multifamily builders to rate if the occupancy of multifamily units is “higher”, “about the same”, or “lower” for three classes of apartments (class A, class B, and class C apartments), compared to the previous quarter. The overall MVI is a weighted average of the three components: $.3632 \times \text{Class A} + .4630 \times \text{Class B} + .1738 \times \text{Class C}$ and is also calculated on a scale ranging from 0 to 100 with lower numbers indicating fewer vacancies

Historically, the MPI has served as a leading indicator of Census multifamily starts, while the MVI has served as a leading indicator of Census multifamily 5+ vacancy rates.



Multifamily Production Indices - Q1 2019
(Seasonally Adjusted)

PRODUCTION OF NEW APARTMENTS IN CURRENT VS. PRIOR QUARTER

	2014				2015				2016				2017				2018				2019
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Multifamily Production Index	53	58	54	54	54	55	56	52	53	50	53	55	48	56	46	53	53	51	48	47	40
MPI Components:																					
Low Rent Starts	48	52	51	52	54	54	55	50	54	52	54	54	48	53	54	56	54	57	59	48	47
Market Rent Starts	59	68	64	62	59	60	64	59	58	53	57	58	55	60	43	54	56	50	46	49	42
For Sale Starts	54	56	50	50	50	53	50	49	48	45	49	52	43	57	40	49	49	46	39	44	31

EXPECTED PRODUCTION: NEXT 6 MONTHS VS. CURRENT QUARTER

	2014				2015				2016				2017				2018				2019
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Low Rent Starts	47	51	57	55	54	54	57	53	53	48	54	49	52	56	50	55	58	59	60	54	60
Market Rent Starts	57	60	57	58	56	63	59	58	52	44	60	52	56	55	45	48	57	47	45	48	44
For Sale Starts	58	55	53	51	56	56	56	51	50	44	57	54	46	57	47	50	50	49	37	44	35

MPI components are based on questions asking if production is stronger, about the same, or weaker in the current vs. prior quarter.

Expected production indices are based on similar questions about production during the next 6 months vs. the current quarter.

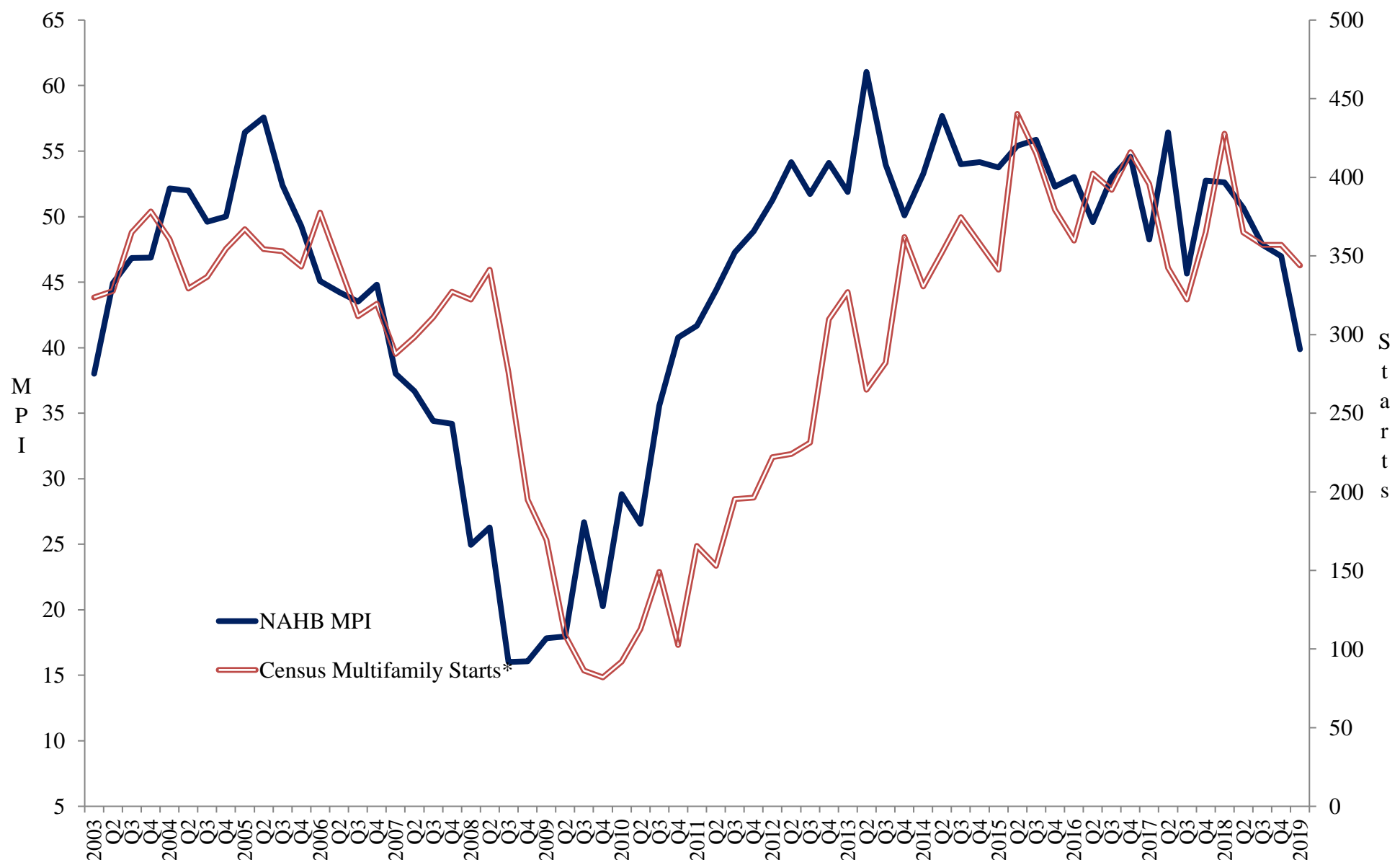
Numbers in the table are diffusion-type indices - calculated from the percentage responses using the formula (Stronger - Weaker + 100) / 2.

The overall Multifamily Production Index is a weighted average of the 3 components: .3533×Low Rent + .2806×Market Rent + .3661×For Sale.

The weights are derived from a statistical analysis of the historical relationship between the components and the Census series on multifamily starts.

Source: Multifamily Market Survey, NAHB Economics and Housing Policy Group.

NAHB Multifamily Production Index (MPI) and Multifamily Starts (in thousands)



*Multifamily Starts: U.S. Census Bureau, New Residential Construction (<http://www.census.gov/construction/nrc/index.html>).

The quarterly Multifamily Starts is the average of the three months of seasonally adjusted multifamily housing starts from that quarter.



Multifamily Vacancy Indices - Q1 2019
(Seasonally Adjusted)

RENTAL VACANCY IN CURRENT VS. PRIOR QUARTER

	2014				2015				2016				2017				2018				2019
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Multifamily Vacancy Index	37	38	41	39	36	34	39	40	39	42	42	42	41	38	41	41	42	45	47	45	48
MVI Components:																					
Class A apartments	38	39	40	39	35	34	41	40	39	44	44	44	47	41	42	44	46	48	53	54	49
Class B apartments	35	36	41	37	36	33	36	38	38	40	40	39	37	37	40	39	39	43	46	40	48
Class C apartments	41	40	46	41	38	37	42	42	39	41	41	45	38	34	40	40	40	41	38	38	44

EXPECTED VACANCY: NEXT 6 MONTHS VS. CURRENT QUARTER

	2014				2015				2016				2017				2018				2019
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Class A apartments	36	42	44	36	38	33	37	39	47	48	44	45	43	48	45	52	52	48	59	53	57
Class B apartments	41	38	41	38	38	36	35	40	36	46	41	39	38	40	41	41	41	42	48	46	50
Class C apartments	42	45	45	42	42	40	42	43	45	46	44	45	35	42	37	40	35	39	42	42	46

MVI components are based on questions asking if occupancy is higher, about the same, or lower in the current vs. prior quarter.

Expected vacancy indices are based on similar questions about occupancy during the next 6 months vs. the current quarter.

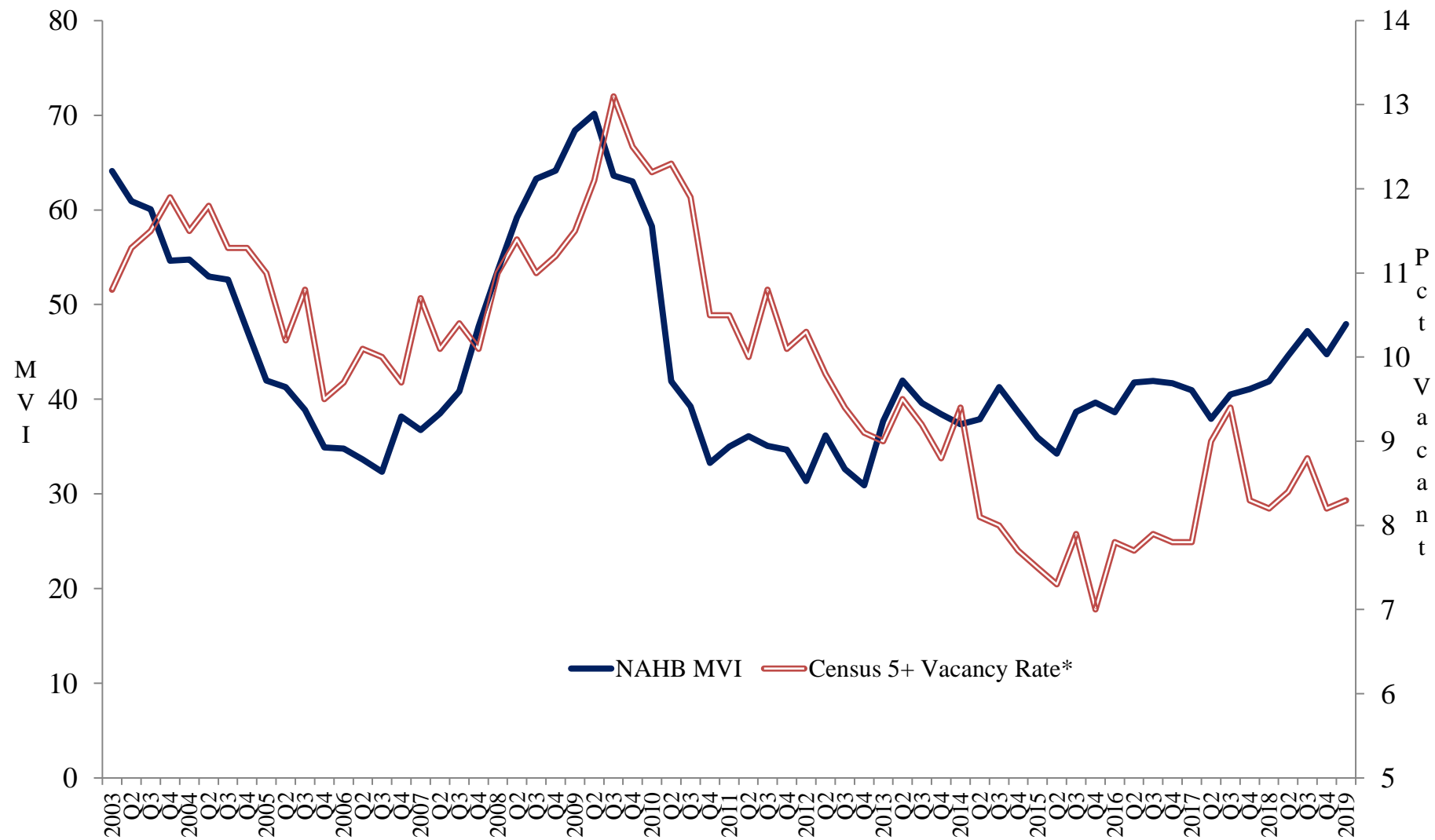
Individual vacancy indices are calculated from the percentage responses using the formula $(\text{Lower Occupancy} - \text{Higher Occupancy} + 100) / 2$.

The overall Multifamily Vacancy Index is a weighted average of the three components: $.3632 \times \text{Class A} + .4630 \times \text{Class B} + .1738 \times \text{Class C}$.

The weights are derived from a statistical analysis of the historical relationship between the components and Census rental vacancy rates.

Source: Multifamily Market Survey, NAHB Economics and Housing Policy Group.

NAHB Multifamily Vacancy Index (MVI) and 5+ Rental Vacancy Rate



*Source: U.S. Census Bureau, Housing Vacancies and Homeownership (<http://www.census.gov/hhes/www/housing/hvs/hvs.html>)

The rental vacancy rate is the number of vacant rental units divided by the number of vacant rental units plus the number of rental units occupied plus the number of rental units rented but not yet occupied.

TABLE 1
Derivation of Multifamily Production Index and Components (Production in Current Compared to Prior Quarter)

Period	For Rent - Low Rent					For Rent - Market Rent					For Sale					Multifamily Production Index
	Stronger	Same	Weaker	NSA Index	SA Index	Stronger	Same	Weaker	NSA Index	SA Index	Stronger	Same	Weaker	NSA Index	SA Index	
1st Qtr. 2003	10	60	29	41	38	10	43	48	31	29	18	58	24	47	44	38
2nd Qtr. 2003	14	58	28	43	42	13	51	37	38	38	26	55	19	53	53	45
3rd Qtr. 2003	7	64	29	39	42	13	54	33	40	40	29	49	22	53	57	47
4th Qtr. 2003	14	59	28	43	43	12	46	43	35	35	28	62	9	60	60	47
1st Qtr. 2004	15	69	16	49	47	22	51	26	48	48	40	48	12	64	60	52
2nd Qtr. 2004	21	58	21	50	49	22	51	27	47	47	29	60	11	59	58	52
3rd Qtr. 2004	15	51	34	40	43	15	53	31	42	42	34	46	20	57	62	50
4th Qtr. 2004	18	51	31	44	44	22	54	24	49	49	29	57	14	57	57	50
1st Qtr. 2005	19	66	15	52	49	27	61	12	57	57	45	44	11	67	63	56
2nd Qtr. 2005	19	64	17	51	51	36	51	13	61	61	33	58	10	61	61	58
3rd Qtr. 2005	10	76	14	48	51	21	54	25	48	48	26	53	21	52	57	52
4th Qtr. 2005	21	64	16	53	53	23	50	27	48	48	20	55	25	47	46	49
1st Qtr. 2006	26	53	21	52	49	26	57	17	55	55	15	43	41	37	34	45
2nd Qtr. 2006	24	50	26	49	49	29	51	20	54	54	14	36	50	32	32	44
3rd Qtr. 2006	24	59	17	54	57	33	44	23	55	55	8	23	69	20	22	44
4th Qtr. 2006	24	49	27	49	49	37	46	17	60	60	13	33	54	30	29	45
1st Qtr. 2007	17	59	24	47	43	28	52	21	53	53	10	26	64	23	21	38
2nd Qtr. 2007	9	69	23	43	43	26	54	20	53	53	8	21	72	18	18	37
3rd Qtr. 2007	16	56	28	44	47	11	66	23	44	44	0	27	73	14	15	34
4th Qtr. 2007	23	44	33	45	46	20	40	40	40	40	8	21	71	19	19	34
1st Qtr. 2008	10	43	47	32	29	13	44	44	34	34	4	22	74	15	13	25
2nd Qtr. 2008	13	39	47	33	33	14	48	38	38	38	0	20	80	10	10	26
3rd Qtr. 2008	5	35	60	22	23	3	25	72	16	16	1	13	85	8	9	16
4th Qtr. 2008	4	37	59	22	23	6	25	69	19	19	4	8	88	8	8	16
1st Qtr. 2009	7	39	54	26	24	3	26	70	16	16	3	23	74	15	13	18
2nd Qtr. 2009	9	24	67	21	22	7	20	73	17	17	2	26	72	15	15	18
3rd Qtr. 2009	12	37	51	30	32	4	31	65	19	19	14	20	66	24	27	27
4th Qtr. 2009	7	39	54	27	27	5	34	60	22	22	0	24	76	12	12	20
1st Qtr. 2010	14	49	37	38	35	8	46	47	31	30	6	38	56	25	22	29
2nd Qtr. 2010	10	51	39	36	33	11	47	42	35	34	2	30	68	17	14	27
3rd Qtr. 2010	21	49	30	46	46	14	47	39	37	39	0	42	58	21	23	36
4th Qtr. 2010	16	65	19	49	49	21	60	19	51	52	5	40	55	25	25	41
1st Qtr. 2011	20	58	22	49	46	40	43	17	61	60	5	44	51	27	23	42
2nd Qtr. 2011	15	64	20	48	52	36	46	18	59	57	5	43	52	26	28	44
3rd Qtr. 2011	22	56	21	51	50	37	48	15	61	64	5	49	46	30	32	47
4th Qtr. 2011	25	61	14	55	56	36	53	11	63	64	4	53	43	31	31	49
1st Qtr. 2012	21	62	17	52	53	45	44	11	67	69	8	57	35	37	37	51
2nd Qtr. 2012	21	68	11	55	61	46	36	18	64	63	9	55	36	36	41	54
3rd Qtr. 2012	14	65	21	47	46	44	44	13	66	69	15	57	28	44	44	52
4th Qtr. 2012	20	67	13	54	53	38	52	10	64	65	15	63	22	46	46	54
1st Qtr. 2013	28	59	13	58	55	44	43	14	65	61	22	49	29	47	42	52
2nd Qtr. 2013	21	68	11	55	60	39	54	7	66	67	23	60	17	53	58	61
3rd Qtr. 2013	14	70	16	49	50	36	50	13	62	64	24	54	23	51	50	54
4th Qtr. 2013	15	66	19	48	47	31	56	13	59	60	14	66	20	47	46	50
1st Qtr. 2014	14	71	15	49	48	35	53	12	62	59	28	55	17	55	54	53
2nd Qtr. 2014	16	69	15	51	52	42	50	8	67	68	22	62	16	53	56	58
3rd Qtr. 2014	8	80	12	48	51	35	55	10	62	64	21	61	18	51	50	54
4th Qtr. 2014	21	64	15	53	52	31	60	9	61	62	19	61	20	49	50	54
1st Qtr. 2015	25	58	17	54	54	36	47	16	60	59	24	55	21	51	50	54
2nd Qtr. 2015	23	65	12	55	54	30	61	9	61	60	20	65	15	52	53	55
3rd Qtr. 2015	24	57	20	52	55	43	40	17	63	64	21	60	19	51	50	56
4th Qtr. 2015	19	62	18	51	50	30	56	15	57	59	19	56	25	47	49	52
1st Qtr. 2016	27	56	17	55	54	38	42	20	59	58	17	65	18	49	48	53
2nd Qtr. 2016	26	55	19	53	52	31	47	21	55	53	20	52	29	46	45	50
3rd Qtr. 2016	25	53	22	52	54	31	52	17	57	57	24	50	26	49	49	53
4th Qtr. 2016	24	60	16	54	54	29	53	17	56	58	17	65	17	50	52	55
1st Qtr. 2017	21	58	21	50	48	32	46	22	55	55	18	53	29	45	43	48
2nd Qtr. 2017	26	56	18	54	53	38	48	15	61	60	35	45	20	58	57	56
3rd Qtr. 2017	27	49	24	52	54	15	56	29	43	43	12	57	31	40	40	46
4th Qtr. 2017	23	66	11	56	56	31	46	24	53	54	20	54	26	47	49	53
1st Qtr. 2018	28	53	19	55	54	30	51	19	55	56	18	64	18	50	49	53
2nd Qtr. 2018	22	71	6	58	57	18	64	18	50	50	12	68	20	46	46	51
3rd Qtr. 2018	22	69	9	57	59	16	61	22	47	46	14	49	37	38	39	48
4th Qtr. 2018	16	66	18	49	48	15	67	18	48	49	15	57	28	44	44	47
1st Qtr. 2019	13	68	19	47	47	17	51	31	43	42	6	52	42	32	31	40

Each MPI component is based on a survey question asking if production conditions are stronger, about the same, or weaker in the current compared to the prior quarter.

An MPI component is then calculated from the percentage responses using the diffusion-index formula (Stronger - Weaker + 100) / 2.

The Multifamily Production Index is a weighted average of the three component indices: .3533×Low Rent + .2806×Market Rent + .3661×For Sale.

The weights are derived from a statistical analysis of the historical relationship between the components and the Census series on multifamily starts.

Source: Multifamily Market Survey, NAHB Economics and Housing Policy Group.

Q1 2019 results based on 36 responses.



Chart 1
Components of the Multifamily Production Index (MPI)
(production in current vs. prior quarter)

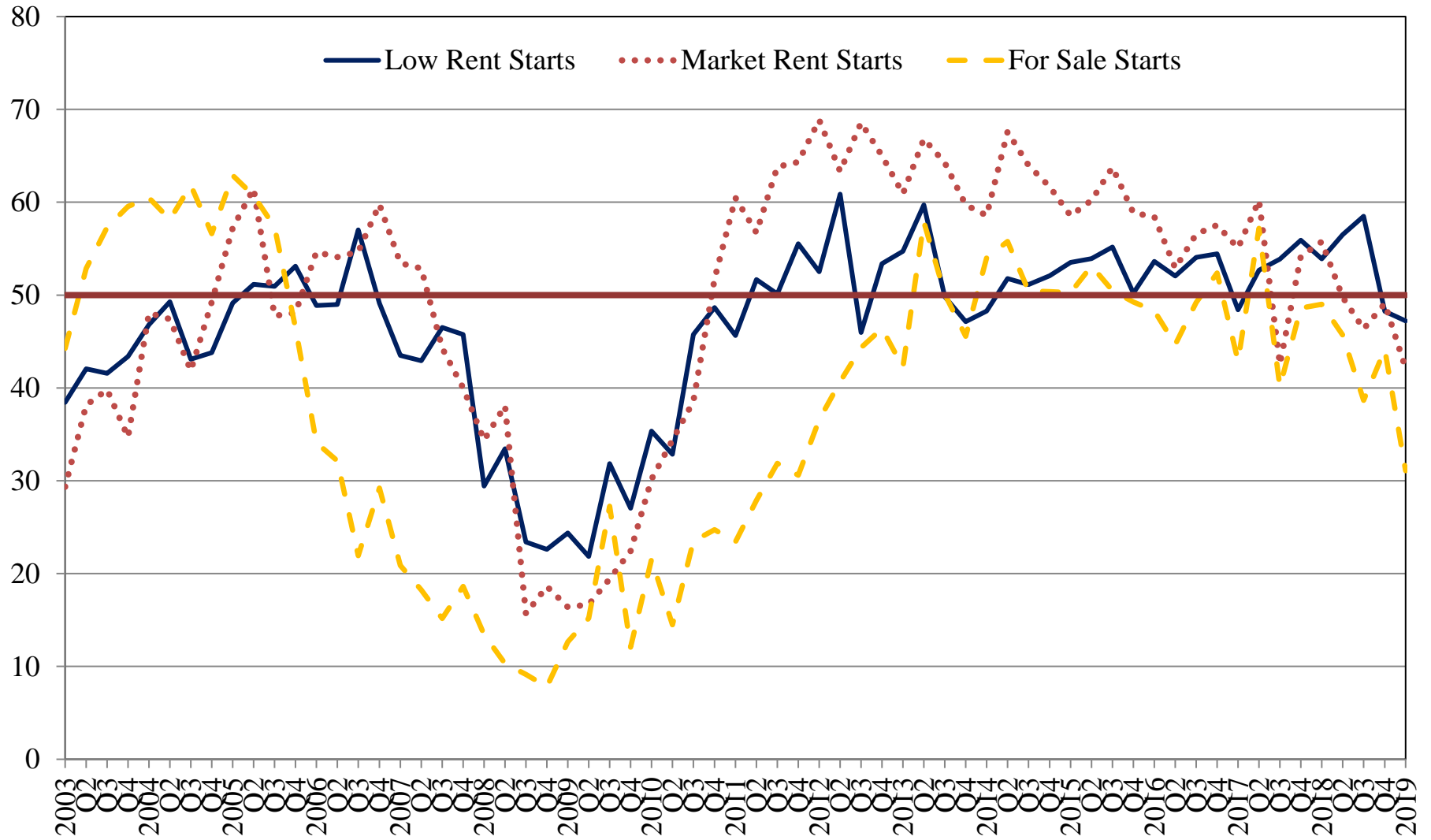


TABLE 2
Derivation of Indices for Production Expected During the Next 6 Months (Compared to Current Quarter)

Period	For Rent - Low Rent					For Rent - Market Rent					For Sale				
	Stronger	Same	Weaker	NSA Index	SA Index	Stronger	Same	Weaker	NSA Index	SA Index	Stronger	Same	Weaker	NSA Index	SA Index
1st Qtr. 2003	17	67	17	50	49	14	55	31	41	40	19	58	22	49	49
2nd Qtr. 2003	17	64	19	49	49	15	61	23	46	45	23	60	17	53	55
3rd Qtr. 2003	11	71	18	46	50	15	60	25	45	49	23	61	16	54	55
4th Qtr. 2003	19	67	13	53	51	23	57	19	52	50	35	54	11	62	58
1st Qtr. 2004	20	64	16	52	50	29	56	15	57	55	27	57	16	55	56
2nd Qtr. 2004	31	57	12	59	59	30	51	19	55	55	13	60	27	43	44
3rd Qtr. 2004	16	56	28	44	48	22	55	23	49	54	29	50	21	54	56
4th Qtr. 2004	23	56	21	51	49	32	51	17	58	55	33	56	12	60	57
1st Qtr. 2005	21	65	14	53	51	24	62	14	55	54	21	62	17	52	51
2nd Qtr. 2005	25	55	20	53	53	31	56	14	58	58	26	58	16	55	56
3rd Qtr. 2005	15	75	10	52	57	23	61	17	53	58	22	53	24	49	53
4th Qtr. 2005	30	54	16	57	55	33	52	15	59	57	13	53	34	39	38
1st Qtr. 2006	24	51	24	50	47	32	51	17	58	55	9	56	36	37	35
2nd Qtr. 2006	28	52	20	54	55	39	45	16	61	60	13	42	45	34	34
3rd Qtr. 2006	29	51	20	55	61	37	47	16	60	67	11	33	56	28	31
4th Qtr. 2006	35	49	16	59	57	51	37	12	70	68	31	35	33	49	48
1st Qtr. 2007	32	57	11	61	56	38	52	10	64	60	11	45	45	33	30
2nd Qtr. 2007	11	69	20	46	47	31	50	19	56	55	13	26	61	26	26
3rd Qtr. 2007	9	59	31	39	44	24	47	29	47	52	8	25	67	21	24
4th Qtr. 2007	27	43	30	49	47	30	39	30	50	50	17	25	58	29	29
1st Qtr. 2008	18	54	28	45	41	34	34	31	52	47	16	28	57	30	26
2nd Qtr. 2008	8	51	41	33	35	24	33	43	40	40	6	30	64	21	21
3rd Qtr. 2008	8	25	67	20	23	7	24	69	19	21	0	20	80	10	12
4th Qtr. 2008	8	41	51	29	28	6	33	61	23	23	4	18	78	13	13
1st Qtr. 2009	19	39	42	38	34	11	39	49	31	27	8	35	57	25	21
2nd Qtr. 2009	13	51	36	38	40	7	52	42	33	32	7	41	53	27	27
3rd Qtr. 2009	13	56	31	41	47	9	47	44	33	37	14	33	53	30	37
4th Qtr. 2009	11	54	35	38	37	9	51	40	34	36	2	49	49	26	27
1st Qtr. 2010	20	49	30	45	40	22	44	35	43	38	11	44	45	33	27
2nd Qtr. 2010	17	50	33	42	37	22	43	35	43	38	9	37	54	27	22
3rd Qtr. 2010	27	46	27	50	57	24	53	23	51	58	2	49	49	27	33
4th Qtr. 2010	23	65	12	55	54	40	48	12	64	67	10	56	34	38	39
1st Qtr. 2011	27	56	17	55	49	46	37	17	64	57	11	46	44	33	28
2nd Qtr. 2011	20	65	16	52	53	43	43	14	64	62	9	48	44	32	31
3rd Qtr. 2011	17	59	23	47	50	41	42	18	62	67	3	56	41	31	37
4th Qtr. 2011	30	56	14	58	57	47	40	13	67	68	11	55	34	38	39
1st Qtr. 2012	23	59	18	52	52	44	42	15	65	65	9	63	28	41	41
2nd Qtr. 2012	25	64	11	57	59	42	44	14	64	63	13	59	28	43	41
3rd Qtr. 2012	20	65	14	53	56	43	48	9	67	72	20	60	21	49	57
4th Qtr. 2012	21	68	11	55	53	43	45	12	66	65	23	61	16	53	50
1st Qtr. 2013	33	54	14	60	57	42	47	11	66	62	29	55	16	56	51
2nd Qtr. 2013	28	61	12	58	60	41	50	9	66	67	30	56	14	58	60
3rd Qtr. 2013	25	58	18	54	56	37	51	11	63	65	24	58	17	54	58
4th Qtr. 2013	23	64	14	55	53	33	55	13	60	58	24	59	16	54	50
1st Qtr. 2014	15	67	18	48	47	35	47	19	58	57	34	52	14	60	58
2nd Qtr. 2014	15	71	14	50	51	33	51	16	59	60	22	62	16	53	55
3rd Qtr. 2014	19	70	11	54	57	29	55	16	56	57	22	57	22	50	53
4th Qtr. 2014	25	64	12	56	55	33	52	15	59	58	26	54	20	53	51
1st Qtr. 2015	23	62	15	54	54	32	47	21	55	56	28	58	13	57	56
2nd Qtr. 2015	26	60	14	56	54	39	49	12	63	63	25	60	15	55	56
3rd Qtr. 2015	24	61	15	55	57	35	46	18	59	59	25	59	16	54	56
4th Qtr. 2015	20	69	11	55	53	31	56	13	59	58	18	66	16	51	51
1st Qtr. 2016	25	56	19	53	53	28	47	25	52	52	22	62	17	53	50
2nd Qtr. 2016	18	61	21	48	48	20	51	30	45	44	19	49	32	44	44
3rd Qtr. 2016	22	63	15	53	54	35	48	17	59	60	27	56	17	55	57
4th Qtr. 2016	23	55	22	51	49	26	53	21	53	52	18	68	14	52	54
1st Qtr. 2017	21	61	18	52	52	29	53	19	55	56	18	63	19	49	46
2nd Qtr. 2017	33	46	21	56	56	34	43	23	56	55	31	51	18	57	57
3rd Qtr. 2017	24	55	22	51	50	19	51	31	44	45	16	61	24	46	47
4th Qtr. 2017	30	53	17	57	55	24	51	25	49	48	17	65	19	49	50
1st Qtr. 2018	33	49	19	57	58	34	43	23	55	57	20	64	16	52	50
2nd Qtr. 2018	24	68	8	58	59	20	57	23	48	47	12	71	16	48	49
3rd Qtr. 2018	26	65	9	59	60	16	53	31	43	45	12	49	40	36	37
4th Qtr. 2018	23	63	14	54	54	20	57	23	48	48	13	60	26	43	44
1st Qtr. 2019	32	55	13	60	60	11	66	23	44	44	3	67	30	37	35

Each expected production index is based on a survey question asking if production is expected to be stronger, about the same, or weaker during the next 6 months compared to the current quarter.
An individual index is calculated from the percentage responses using the diffusion index formula (Stronger - Weaker + 100) / 2.
Source: Multifamily Market Survey, NAHB Economics and Housing Policy Group. Q1 2019 results based on 36 responses.



Chart 2

Expected Production Indices

(production next 6 months vs. current quarter)

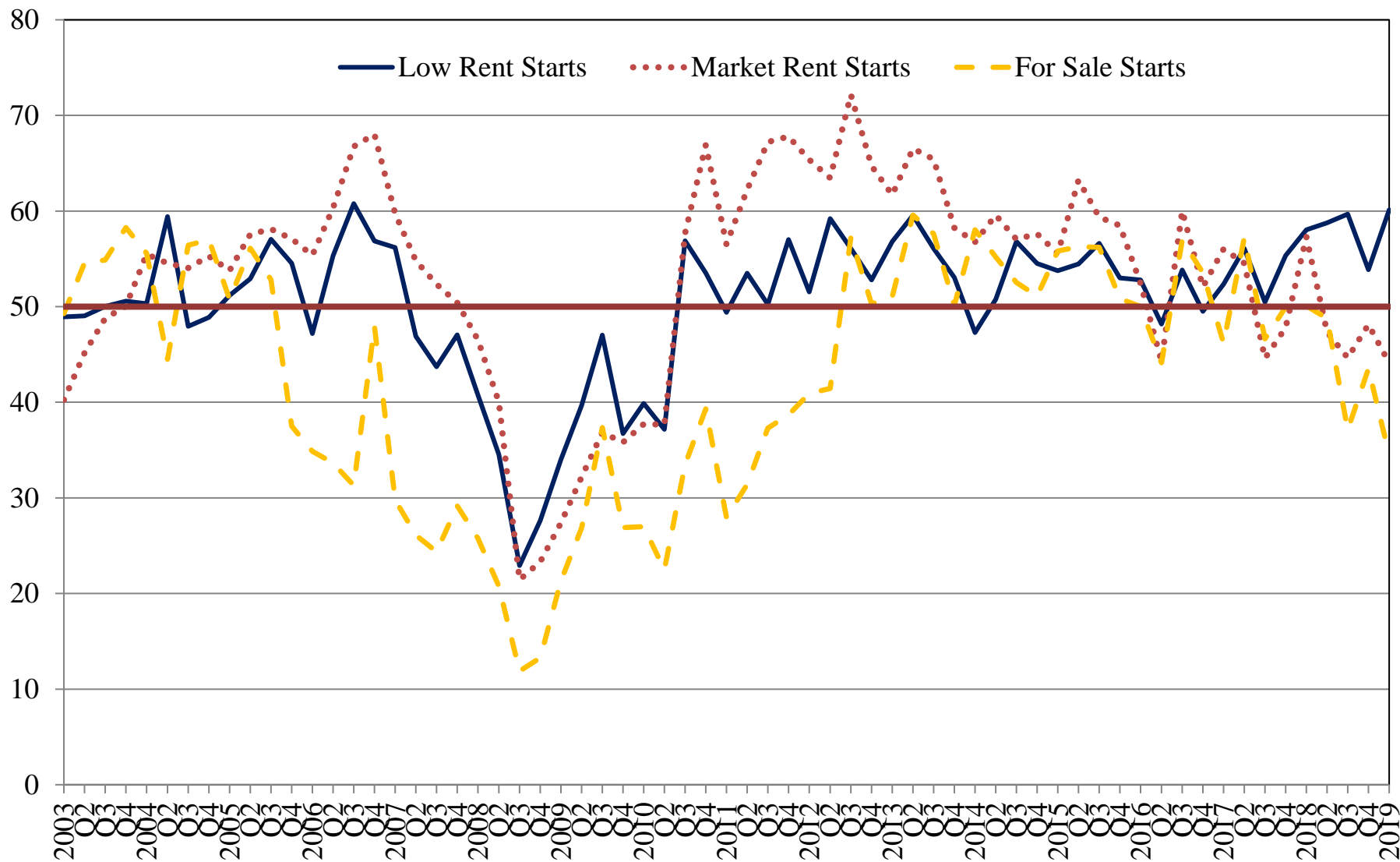


TABLE 3
Derivation of Multifamily Vacancy Index and Components (Rental Vacancy in Current vs. Prior Quarter)

Period	Class A Apartment					Class B Apartment					Class C Apartment					Multifamily Vacancy Index
	Occupancy			Vacancy		Occupancy			Vacancy		Occupancy			Vacancy		
	Higher	Same	Lower	NSA Index	SA Index	Higher	Same	Lower	NSA Index	SA Index	Higher	Same	Lower	NSA Index	SA Index	
1st Qtr. 2003	7	45	48	70	71	10	60	30	60	62	15	61	24	55	56	64
2nd Qtr. 2003	13	53	34	60	64	17	52	31	57	60	17	57	26	55	57	61
3rd Qtr. 2003	7	58	35	64	62	9	58	33	62	61	14	59	27	57	56	60
4th Qtr. 2003	13	54	33	60	58	14	57	29	57	53	13	63	23	55	52	55
1st Qtr. 2004	20	53	27	53	54	16	59	25	55	57	22	58	21	49	51	55
2nd Qtr. 2004	24	51	25	51	55	19	63	18	49	53	21	68	11	45	48	53
3rd Qtr. 2004	11	56	33	61	58	18	59	23	53	51	33	43	25	46	45	53
4th Qtr. 2004	14	62	24	55	52	24	54	22	49	44	31	41	28	48	45	47
1st Qtr. 2005	34	51	14	40	40	28	65	7	39	42	27	60	13	43	45	42
2nd Qtr. 2005	38	50	13	38	43	34	61	5	35	40	31	62	8	38	42	41
3rd Qtr. 2005	33	55	13	40	37	34	49	17	42	40	31	56	14	42	40	39
4th Qtr. 2005	44	37	19	38	34	35	49	16	41	35	34	48	18	42	38	35
1st Qtr. 2006	37	49	14	38	38	50	43	7	29	31	43	49	9	33	36	35
2nd Qtr. 2006	54	39	7	27	33	46	50	4	29	34	44	48	8	32	35	34
3rd Qtr. 2006	42	50	8	33	31	36	60	4	34	32	27	69	4	38	36	32
4th Qtr. 2006	29	61	11	41	37	21	69	10	45	39	23	71	6	41	38	38
1st Qtr. 2007	36	50	14	39	39	46	42	12	33	35	40	56	4	32	36	37
2nd Qtr. 2007	34	59	7	36	41	41	53	6	32	37	36	60	4	34	36	38
3rd Qtr. 2007	24	56	20	48	47	34	52	14	40	38	36	54	11	38	35	41
4th Qtr. 2007	18	50	32	57	54	21	55	24	51	46	33	50	17	42	39	48
1st Qtr. 2008	17	48	35	59	59	22	54	24	51	53	33	52	15	41	44	54
2nd Qtr. 2008	12	44	44	66	69	26	46	28	51	55	21	59	21	50	51	59
3rd Qtr. 2008	9	44	47	69	69	16	44	40	62	61	15	50	35	60	58	63
4th Qtr. 2008	3	41	56	76	75	9	57	34	63	59	15	55	30	58	56	64
1st Qtr. 2009	2	41	57	78	77	8	56	36	64	65	13	65	23	55	58	68
2nd Qtr. 2009	6	42	52	73	75	8	49	43	68	70	14	52	34	60	60	70
3rd Qtr. 2009	10	39	51	71	71	6	64	30	62	61	16	52	32	58	56	64
4th Qtr. 2009	9	47	44	67	65	4	56	40	68	64	16	53	30	57	56	63
1st Qtr. 2010	11	61	28	58	58	11	65	24	57	58	14	59	28	57	59	58
2nd Qtr. 2010	30	58	12	41	40	32	55	12	40	42	31	57	12	40	43	42
3rd Qtr. 2010	35	46	18	41	42	39	47	15	38	37	34	45	21	44	41	39
4th Qtr. 2010	28	60	12	42	37	35	60	5	35	28	29	62	9	40	38	33
1st Qtr. 2011	38	52	10	36	34	50	36	14	32	34	42	44	15	36	40	35
2nd Qtr. 2011	46	47	7	30	36	50	44	5	27	34	28	60	13	42	43	36
3rd Qtr. 2011	40	50	10	35	35	38	52	10	36	34	28	62	10	41	38	35
4th Qtr. 2011	34	55	10	38	33	34	54	11	39	34	34	52	14	40	39	35
1st Qtr. 2012	44	44	11	34	29	42	48	10	34	30	29	55	15	43	42	31
2nd Qtr. 2012	49	44	7	29	35	43	49	7	32	38	42	50	8	33	33	36
3rd Qtr. 2012	41	52	7	33	33	41	53	6	33	31	36	55	9	37	35	33
4th Qtr. 2012	37	56	6	35	30	38	56	6	34	30	35	58	8	36	37	31
1st Qtr. 2013	35	51	13	39	38	32	61	7	37	37	32	59	8	38	40	38
2nd Qtr. 2013	34	56	9	38	42	34	60	6	36	41	26	60	14	44	43	42
3rd Qtr. 2013	35	57	8	36	36	25	66	10	42	42	26	64	10	42	41	40
4th Qtr. 2013	32	57	11	39	36	27	63	10	42	39	24	65	11	43	43	38
1st Qtr. 2014	34	54	12	39	38	36	57	7	36	35	32	54	14	41	41	37
2nd Qtr. 2014	39	53	8	34	39	39	56	4	32	36	29	63	8	40	40	38
3rd Qtr. 2014	30	60	9	40	40	23	71	6	42	41	18	71	10	46	46	41
4th Qtr. 2014	28	60	12	42	39	28	65	7	39	37	28	62	10	41	41	39
1st Qtr. 2015	40	49	11	36	35	37	54	9	36	36	33	57	10	38	38	36
2nd Qtr. 2015	46	47	8	31	34	46	49	6	30	33	35	56	9	37	37	34
3rd Qtr. 2015	35	49	15	40	41	34	58	9	38	36	27	59	14	43	42	39
4th Qtr. 2015	31	53	16	43	40	29	60	11	41	38	24	68	8	42	42	40
1st Qtr. 2016	31	58	11	40	39	32	62	7	38	38	31	61	8	39	39	39
2nd Qtr. 2016	31	55	14	42	44	34	59	7	37	40	31	57	12	40	41	42
3rd Qtr. 2016	30	50	20	45	44	27	63	11	42	40	26	61	13	44	41	42
4th Qtr. 2016	25	58	18	47	44	23	70	7	42	39	20	68	12	46	45	42
1st Qtr. 2017	23	58	18	48	47	34	59	7	36	37	39	49	12	37	38	41
2nd Qtr. 2017	37	51	12	37	41	42	51	7	32	37	45	44	11	33	34	38
3rd Qtr. 2017	25	64	11	43	42	27	63	11	42	40	31	55	15	42	40	41
4th Qtr. 2017	25	58	18	46	44	29	57	14	42	39	25	65	9	42	40	41
1st Qtr. 2018	24	58	18	47	46	33	59	9	38	39	37	49	14	38	40	42
2nd Qtr. 2018	28	56	17	44	48	33	56	12	39	43	29	65	6	38	41	45
3rd Qtr. 2018	14	63	22	54	53	12	80	8	48	46	21	74	4	41	38	47
4th Qtr. 2018	17	55	28	56	54	25	63	12	43	40	34	50	16	41	38	45
1st Qtr. 2019	20	60	20	50	49	18	70	12	47	48	23	71	6	42	44	48

Each MVI component is based on a survey question asking if occupancy is higher, about the same, or lower in the current compared to the prior quarter.
An MVI component is then calculated from the percentage responses using the diffusion-index formula (Lower Occupancy - Higher Occupancy + 100) / 2.
The Multifamily Vacancy Index is a weighted average of three component indices: .3632×Class A + .4630×Class B + .1738×Class C.
The weights are derived from a statistical analysis of the historical relationship between the components and the Census series on rental vacancy rates in structures with at least 5 apartments.
Source: Multifamily Market Survey, NAHB Economics and Housing Policy Group. Q1 2019 results based on 36 responses.



Chart 3
Components of the Multifamily Vacancy Index (MVI)
(rental vacancy in current vs. prior quarter)

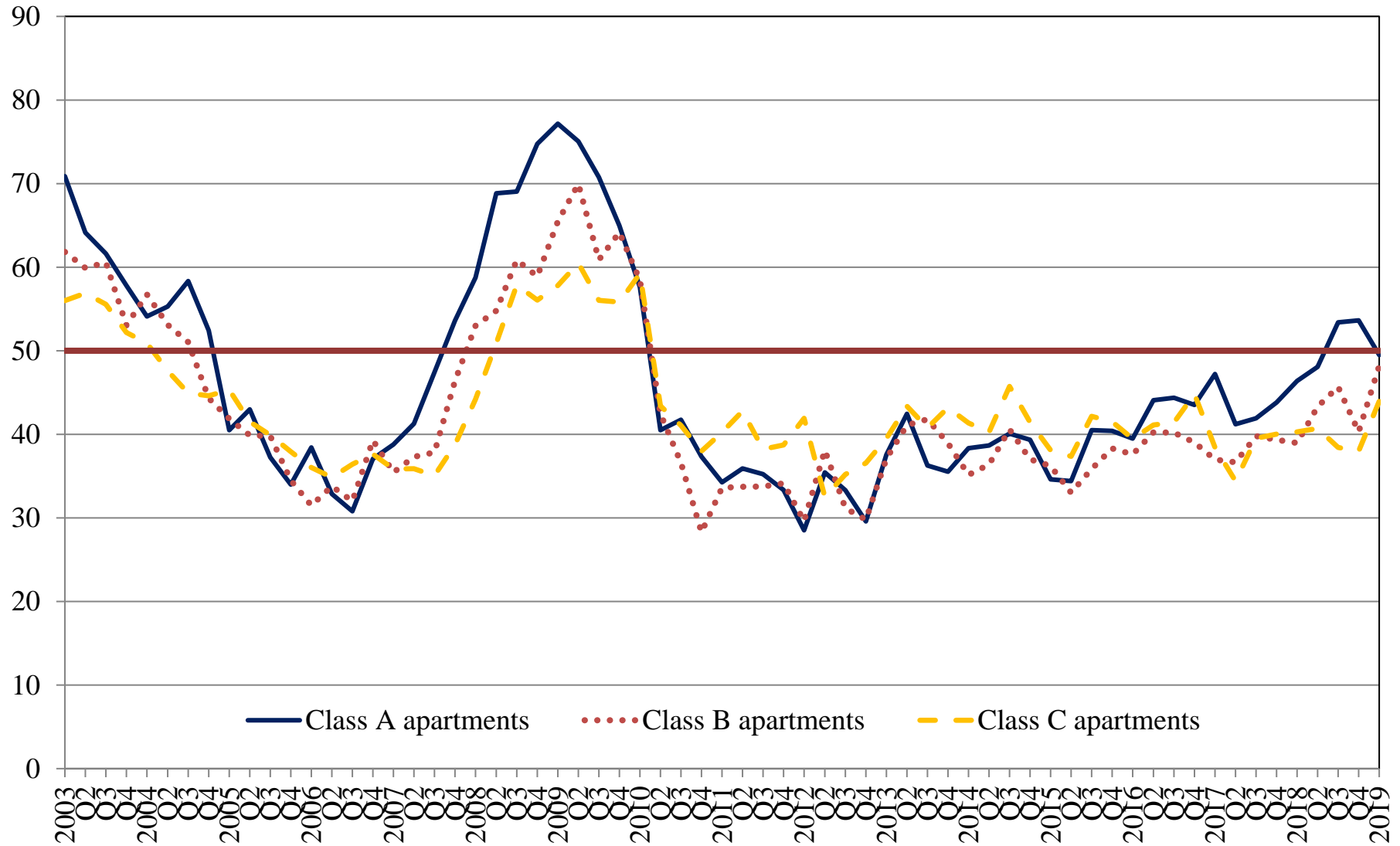


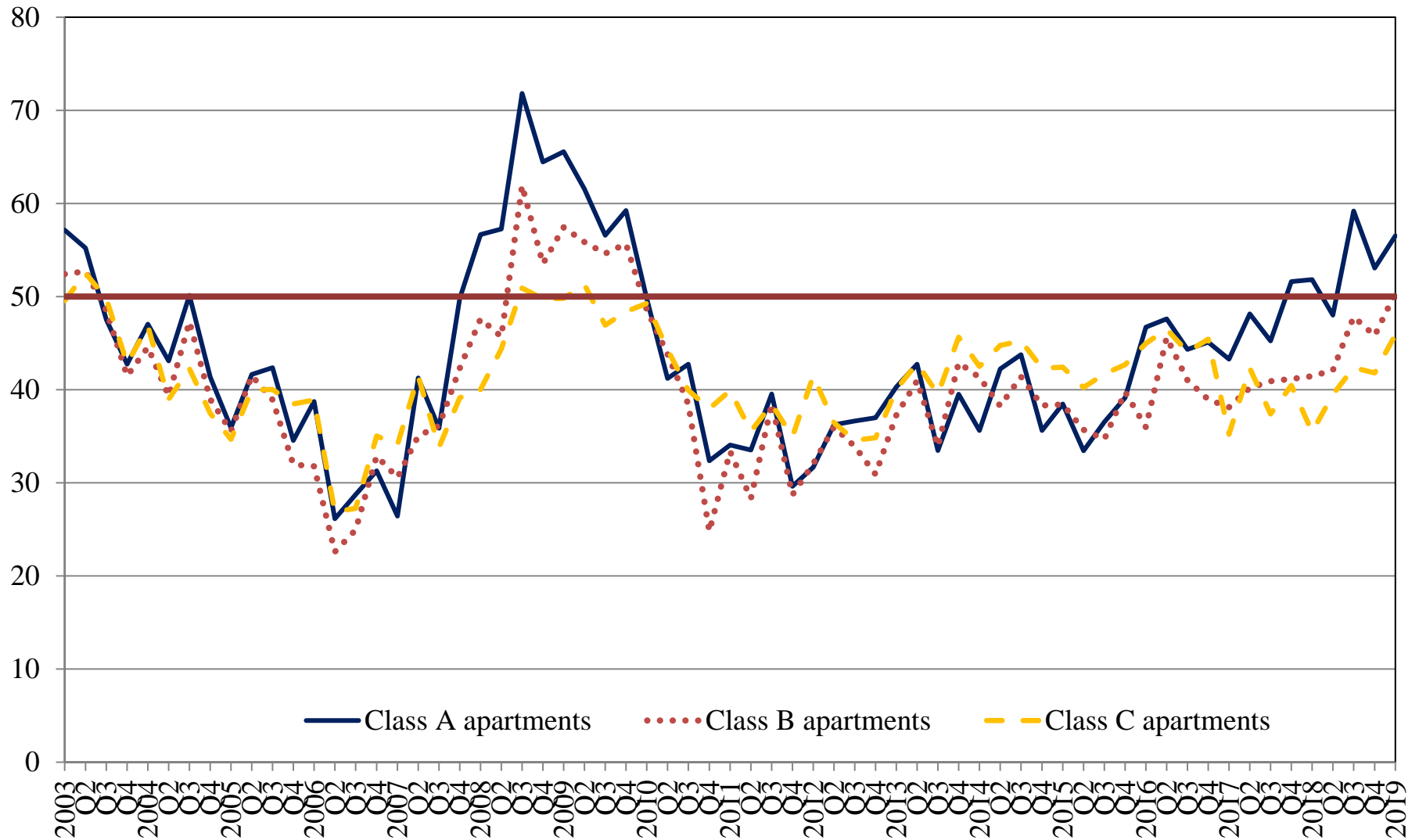
TABLE 4
Derivation of Indices for Expected Vacancy During the Next 6 Months (Compared to Current Quarter)

Period	Class A Apartment					Class B Apartment					Class C Apartment				
	Occupancy			Vacancy		Occupancy			Vacancy		Occupancy			Vacancy	
	Higher	Same	Lower	NSA Index	SA Index	Higher	Same	Lower	NSA Index	SA Index	Higher	Same	Lower	NSA Index	SA Index
1st Qtr. 2003	16	55	30	57	57	19	61	21	51	52	21	61	18	49	50
2nd Qtr. 2003	13	65	22	54	55	16	64	20	52	53	14	68	17	52	53
3rd Qtr. 2003	17	67	17	50	48	19	61	20	50	49	18	59	23	53	50
4th Qtr. 2003	30	57	13	42	43	26	64	10	42	41	27	63	11	42	43
1st Qtr. 2004	24	58	18	47	47	28	58	14	43	45	24	60	16	46	47
2nd Qtr. 2004	33	51	16	42	43	35	52	13	39	39	35	55	11	38	39
3rd Qtr. 2004	21	55	25	52	50	20	63	18	49	47	30	49	21	45	42
4th Qtr. 2004	31	56	13	41	41	30	60	10	40	39	38	51	11	37	37
1st Qtr. 2005	38	52	10	36	36	36	61	4	34	36	41	52	7	33	35
2nd Qtr. 2005	33	54	13	40	42	30	59	11	41	42	33	55	12	39	40
3rd Qtr. 2005	26	60	13	43	42	34	52	14	40	39	29	57	14	43	40
4th Qtr. 2005	45	41	14	35	35	39	54	7	34	32	35	55	11	38	38
1st Qtr. 2006	32	59	10	39	39	45	49	5	30	32	33	61	7	37	39
2nd Qtr. 2006	59	34	7	24	26	57	43	0	21	23	52	44	4	26	27
3rd Qtr. 2006	48	44	8	30	29	63	25	13	25	25	46	46	8	31	27
4th Qtr. 2006	45	47	8	32	31	33	62	5	36	33	33	64	3	35	35
1st Qtr. 2007	54	39	7	27	26	50	42	8	29	31	36	64	0	32	34
2nd Qtr. 2007	34	52	14	40	41	41	50	9	34	35	33	52	15	41	41
3rd Qtr. 2007	39	48	13	37	36	30	70	0	35	36	30	67	4	37	34
4th Qtr. 2007	34	32	34	50	50	32	45	24	46	42	36	50	14	39	39
1st Qtr. 2008	16	53	31	57	57	25	57	18	46	48	36	52	12	38	40
2nd Qtr. 2008	15	58	27	56	57	26	58	16	45	46	30	52	18	44	44
3rd Qtr. 2008	9	38	53	72	72	18	42	40	61	62	21	52	27	53	51
4th Qtr. 2008	12	45	42	65	64	20	46	34	57	54	21	58	21	50	50
1st Qtr. 2009	6	56	38	66	66	14	59	27	56	57	21	63	17	48	50
2nd Qtr. 2009	6	67	27	60	62	16	58	26	55	56	16	65	18	51	51
3rd Qtr. 2009	10	68	22	56	57	9	77	15	53	55	18	66	16	49	47
4th Qtr. 2009	9	60	30	60	59	8	65	27	59	56	21	60	19	49	48
1st Qtr. 2010	21	57	22	50	50	26	54	20	47	49	25	55	20	47	49
2nd Qtr. 2010	28	61	11	42	41	27	63	10	42	44	27	62	11	42	44
3rd Qtr. 2010	29	61	10	40	43	34	59	7	36	38	29	59	13	42	40
4th Qtr. 2010	35	59	6	36	32	42	54	4	31	25	30	62	7	38	38
1st Qtr. 2011	38	53	8	35	34	47	44	10	31	33	37	50	13	38	40
2nd Qtr. 2011	40	55	5	32	34	50	47	4	27	28	36	57	7	35	36
3rd Qtr. 2011	37	50	13	38	40	37	51	12	37	38	29	62	9	40	38
4th Qtr. 2011	41	54	5	32	30	40	55	5	32	29	35	59	5	35	35
1st Qtr. 2012	43	46	11	34	32	39	51	10	36	32	30	57	13	42	41
2nd Qtr. 2012	39	55	6	34	36	37	59	5	34	36	36	56	8	36	36
3rd Qtr. 2012	37	53	10	37	37	38	54	8	35	34	34	59	7	37	35
4th Qtr. 2012	33	58	9	38	37	37	61	2	33	31	34	64	2	34	35
1st Qtr. 2013	33	52	15	41	40	32	62	6	37	37	28	64	8	40	40
2nd Qtr. 2013	31	57	12	41	43	29	65	6	39	41	24	69	7	42	43
3rd Qtr. 2013	39	54	7	34	33	34	61	5	35	34	28	62	10	41	40
4th Qtr. 2013	33	53	14	40	40	21	71	8	43	43	20	71	9	45	46
1st Qtr. 2014	37	53	10	36	36	26	66	8	41	41	21	72	7	43	42
2nd Qtr. 2014	37	45	18	40	42	32	63	5	37	38	23	66	11	44	45
3rd Qtr. 2014	26	60	14	44	44	24	68	8	42	41	19	69	12	46	45
4th Qtr. 2014	35	57	8	37	36	30	63	7	38	38	27	65	8	41	42
1st Qtr. 2015	39	45	16	39	38	33	56	11	39	38	29	56	15	43	42
2nd Qtr. 2015	43	48	9	33	33	34	63	3	35	36	30	61	9	40	40
3rd Qtr. 2015	36	52	12	38	37	33	61	6	37	35	25	63	12	43	42
4th Qtr. 2015	35	55	11	38	39	30	63	7	39	40	28	64	9	41	43
1st Qtr. 2016	27	52	21	47	47	31	64	5	37	36	23	62	15	46	45
2nd Qtr. 2016	28	51	22	47	48	26	60	14	44	46	25	57	17	46	46
3rd Qtr. 2016	21	65	14	46	44	23	69	8	42	41	21	66	13	46	44
4th Qtr. 2016	31	51	18	43	45	30	62	8	39	39	24	66	10	43	45
1st Qtr. 2017	33	45	22	44	43	34	56	10	38	38	40	48	12	36	35
2nd Qtr. 2017	29	47	24	47	48	31	60	9	39	40	33	50	17	42	42
3rd Qtr. 2017	25	57	18	46	45	27	63	11	42	41	33	56	11	39	37
4th Qtr. 2017	23	54	23	50	52	28	61	11	41	41	28	67	6	39	40
1st Qtr. 2018	25	45	30	52	52	24	69	7	41	41	36	57	7	36	35
2nd Qtr. 2018	28	48	24	48	48	33	52	15	41	42	31	60	10	39	39
3rd Qtr. 2018	11	60	30	60	59	15	73	13	49	48	22	69	9	43	42
4th Qtr. 2018	17	63	20	52	53	23	62	15	46	46	32	54	14	41	42
1st Qtr. 2019	12	62	26	57	57	13	75	13	50	50	17	77	7	45	46

Each expected vacancy index is based on a survey question asking if occupancy is expected to be higher, about the same, or lower during the next 6 months compared to the current quarter. An index number is calculated from the percentage responses using the diffusion index formula (Lower Occupancy - Higher Occupancy + 100) / 2. Source: Multifamily Market Survey, NAHB Economics and Housing Policy Group. Q1 2019 results based on 36 responses.



Chart 4
Expected Vacancy Indices
(vacancy next 6 months vs. current quarter)



National Association of Home Builders

Multifamily Market Survey

First Quarter 2019

1. Please rate the current conditions in your market area for production of new apartments during the current quarter, compared to the previous quarter. Also tell us your expectations for market conditions during the next six months compared to the current quarter.

Multifamily starts	Current Quarter vs. Prior Quarter			Expectations for next 6 months		
	Stronger	About the same	Weaker	Stronger	About the same	Weaker
a. For rent						
a1. Low Rent*	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
a2. Market Rent	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b. For sale	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

* Low-rent units are those supported by low-income tax credits or other government subsidy programs.

2. Please rate the current conditions in your market area for occupancy of multifamily units during the current quarter, compared to the previous quarter. Also tell us your expectations for market conditions during the next six months compared to the current quarter.

	Current Quarter vs. Prior Quarter			Expectations for next 6 months		
	Higher	About the same	Lower	Higher	About the same	Lower
Multifamily rental occupancy						
a. Class A apartment	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b. Class B apartment	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c. Class C apartment	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

3. Please let us know what is happening with multifamily housing in your area.

~~ THANK YOU ~~