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December 27, 2022 |

Updated January 3, 2023

The potential for an economic downturn has not dampened rental housing industry executives' spirit or outlook.

The rental housing industry has gracefully adapted and evolved during the current economic climate and global atmosphere. Nearly three years ago, the world came to a halt, causing many, not just multifamily businesses and professionals, to re-imagine their lives through a different lens. This wave of change has affected the rental housing industry tremendously, ranging from supply and demand implications to technology implementation to workforce shortages.

Here's what rental housing industry professionals are looking forward to this year, and what they wish they knew last year.

Peter DiCorpo, Co-Founder and COO, Brook Farm Group, says, "We are underwriting our developments to factor in the current economic environment. This means accounting for higher annual operating expense increases and trying to determine which deals really make sense today. We are also letting some deals fall to the wayside to focus on the ones that have a higher potential for success."

Construction

Multifamily starts declined 4% in October, according to Dodge Data & Analytics. Despite the drop, multifamily starts are ahead of single-family starts 26% to 10%, respectively, during the first 10 months of 2022 compared to the same period in 2021.

Meanwhile, the National Association of Home Builders reports a decline in multifamily developer confidence during the third quarter as both its indices—the Multifamily Production Index, which measures the construction of affordable housing units, market-rate apartments and for-sale condominiums, and the Multifamily Occupancy Index—declined substantially to levels not seen since the Great Recession, excluding the initial onset of the pandemic.

One way DiCorpo and Brook Farm Group are combatting construction cost increases or materials issues is with advanced purchasing. "One of the benefits to the development pipeline slowing is that it will help bring down some of those costs," he says. "We're trying to mitigate this issue by meeting with general contractors well in advance and getting them involved early in the process. We're also buying products earlier in the development cycle and having them stored nearby so we can lock-in the costs and manage the variability."