

MAA: When should the next apartment project start?

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The decision

In early August 2026, MAA's strategy team had a difficult sequencing question. The company had six multifamily developments in its disclosed pipeline, five additional projects in lease-up, and several recent or planned site actions. At the same time, its Same Store net operating income was declining, even as lease pricing had improved sequentially. How much further should MAA extend its development commitments?

The decision in this case is a teaching scenario, not a reported MAA board vote. Assume you are advising a strategy committee asked to recommend how MAA should handle **new starts beyond its six-project pipeline**. Your choices include continuing selective starts, pausing major new commitments while existing projects lease up, or proceeding through market-specific gates. The assignment does not assume that the disclosed projects can be canceled or that their remaining costs are freely available for reallocation.

A portfolio with a long memory

MAA owned and operated apartment communities across 16 states and the District of Columbia. Its footprint emphasized the Southeast, Southwest and Mid-Atlantic. A decision about another development therefore depended on more than the national apartment cycle: local employment, new deliveries, household formation, concessions, construction costs and competitors could differ substantially among MAA's markets.

For the second quarter of 2026, MAA reported Same Store revenue down 0.3% year over year, property expenses up 0.8%, and net operating income (NOI) down 1.0%. For the first half, Same Store revenue declined 0.3%, expenses rose 1.1%, and NOI fell 1.2%. Average physical occupancy was 95.3% for Q2.

Lease pricing offered a more mixed signal. In Q2, effective blended pricing was +0.7%, with new leases at -5.3% and renewals at +5.2%. The prior-year and year-to-date comparisons differed: first-half blended pricing was +0.3%, new leases -6.0%, and renewals +5.3%. Residents renewing at higher rents and new residents receiving concessions could coexist with high occupancy and falling Same Store NOI. (MAA Q2 release: "Same Store Operating Results," "Operating Statistics," and "Net Effective Lease Pricing.")

The terms describe distinct views of the portfolio. **Same Store** is MAA's stabilized-property cohort that meets its ownership and occupancy criteria. New development, lease-up, recent acquisitions and other properties outside those criteria appear in Non-Same Store results until

they qualify. Thus, the Q2 Same Store figures do not describe every MAA property, and the lease-up occupancy below should not be blended into Same Store performance.

The pipeline already in motion

At June 30, MAA reported six development projects comprising 1,749 units. The company estimated total project costs of about \$597.5 million, of which about \$360.4 million had been incurred; the reported remaining cost was about \$237.1 million. Two projects were expected to complete in each of 2026, 2027 and 2028.

Separately, five projects totaling 1,759 units were in lease-up and 74.4% physically occupied. Their costs to date totaled about \$623.7 million. MAA expected two to stabilize in Q3 2026, two in Q4 2026 and one in Q3 2027. These were forecasts, not completed stabilization results. MAA also said it had spent approximately \$81 million in Q2 on current and planned development projects, including predevelopment. *(MAA Q2 release: "Development and Lease-Up Activity," development-pipeline and lease-up tables.)*

Recent activity showed that MAA had not stopped pursuing opportunities. It began construction on a 312-unit Nashville development and a 263-unit Kansas City development; a Northern Virginia project of 306 units was planned for a Q3 start. In May, it sold a 194-unit Raleigh community for approximately \$40 million net and reported a roughly \$35 million gain. These announcements establish activity, but do not disclose the project-level expected yields, land basis, return hurdles or ability to defer each commitment. **The public release does not establish whether the Nashville, Kansas City and Northern Virginia actions overlap with the six-project pipeline above; do not treat them as incremental to its totals.** *(MAA Q2 release: "Development and Lease-Up Activity," pipeline, acquisitions and dispositions.)*

Improvement-or a pause in the pressure?

Management said Q2 results exceeded its expectations, citing steady demand, disciplined expenses and sequential improvement in new-lease pricing. It attributed improving conditions in some markets to steady demand increasingly outweighing the pressure from new deliveries, and expected better pricing to broaden. These were management's interpretations and expectations. The company-wide figures did not show whether a particular submarket had moved past peak supply or whether improvement would persist.

MAA corrected its full-year 2026 Same Store NOI outlook in a July 30 filing: the range was **-1.70% to -0.10%, with a midpoint of -0.90%**. The upper end was a negative number. This outlook was management guidance, not a realized result. *(MAA Q2 release: 2026 guidance table; July 30 corrective Form 8-K.)*

The academic evidence also pointed in more than one direction. A study of German housing markets found that increases in new supply can lower local asking rents beyond the newly built properties through moving chains. A U.S. study of residential development documented long and widely varying development periods and argued that those lags weaken the immediate response of supply to changing conditions. Both studies help explain why market-level spillovers and timing matter. Neither predicts MAA's apartment rents or project returns: their samples and methods do not provide MAA-specific underwriting inputs.

The strategy committee's options

1. **Continue selective starts.** MAA could proceed where a particular market's expected demand, land basis, construction costs and delivery timing support the investment case. This may preserve a future pipeline if current supply pressure eases before projects deliver. It also adds exposure if pricing and lease-up remain weak.
2. **Pause major new commitments.** MAA could prioritize its existing development and lease-up work, operating performance and selective reinvestment, then reconsider starts when local indicators improve. This preserves flexibility but risks losing attractive sites or having too little new supply when conditions recover.
3. **Stage the next commitments.** MAA could continue diligence or maintain site options where contractually possible, then release construction capital by project only after explicit local-market and project-return tests. A staged approach depends on actual contractual flexibility; the public information does not establish that MAA can pause any specific site or project without cost.

These approaches are not simply “grow” versus “stop.” Students should consider how local exposure, development lead times, existing lease-up and the value of flexibility interact. MAA's reported cash and available credit do not alone determine the best use of capital among development, redevelopment, acquisitions, debt reduction, dividends or repurchases.

Questions for discussion

1. Which evidence suggests that MAA's operating environment is improving, and which evidence cautions against treating the improvement as durable?
2. What additional project- and submarket-level data would you need before recommending a start, a pause or a gate?
3. What decision gates should MAA use, and who should be accountable for testing them? Which gates are assumptions for this case rather than disclosed MAA policy?
4. How should MAA compare the option value of waiting with the risk of losing a site or delivering too late? What could make a staged strategy infeasible?
5. Recommend a portfolio approach for new starts beyond the disclosed pipeline. State the assumptions that would change your recommendation.

Sources and conventions

The case cutoff is August 4, 2026. The primary company sources are MAA's July 29, 2026 Q2 earnings release and its July 30 corrective Form 8-K. The corrected full-year Same Store NOI range is -1.70% to -0.10%, midpoint -0.90%; the erroneous July 29 upper bound is not used. The July 30 Q2 Form 10-Q and FY2025 Form 10-K provide definitions and operating context. Source versions and precise locators are in the companion research source register and evidence extraction.

Academic sources: Andreas Mense, “The Impact of New Housing Supply on the Distribution of Rents,” *Journal of Political Economy: Macroeconomics* 3, no. 1 (2025), <https://doi.org/10.1086/733977>; Hyunseung Oh, Choongryul Yang, and Chamna Yoon, “Land Development and Frictions to Housing Supply over the Business Cycle,” Federal Reserve Finance and Economics Discussion Series 2024-010 (2024), <https://doi.org/10.17016/FEDS.2024.010>. Both studies provide mechanisms and limitations, not MAA forecasts. All financial and operating figures retain the scope and definitions reported by MAA. The committee scenario and any proposed gates are instructional assumptions, not claims

about an actual internal process.