



MULTIFAMILY REPORT

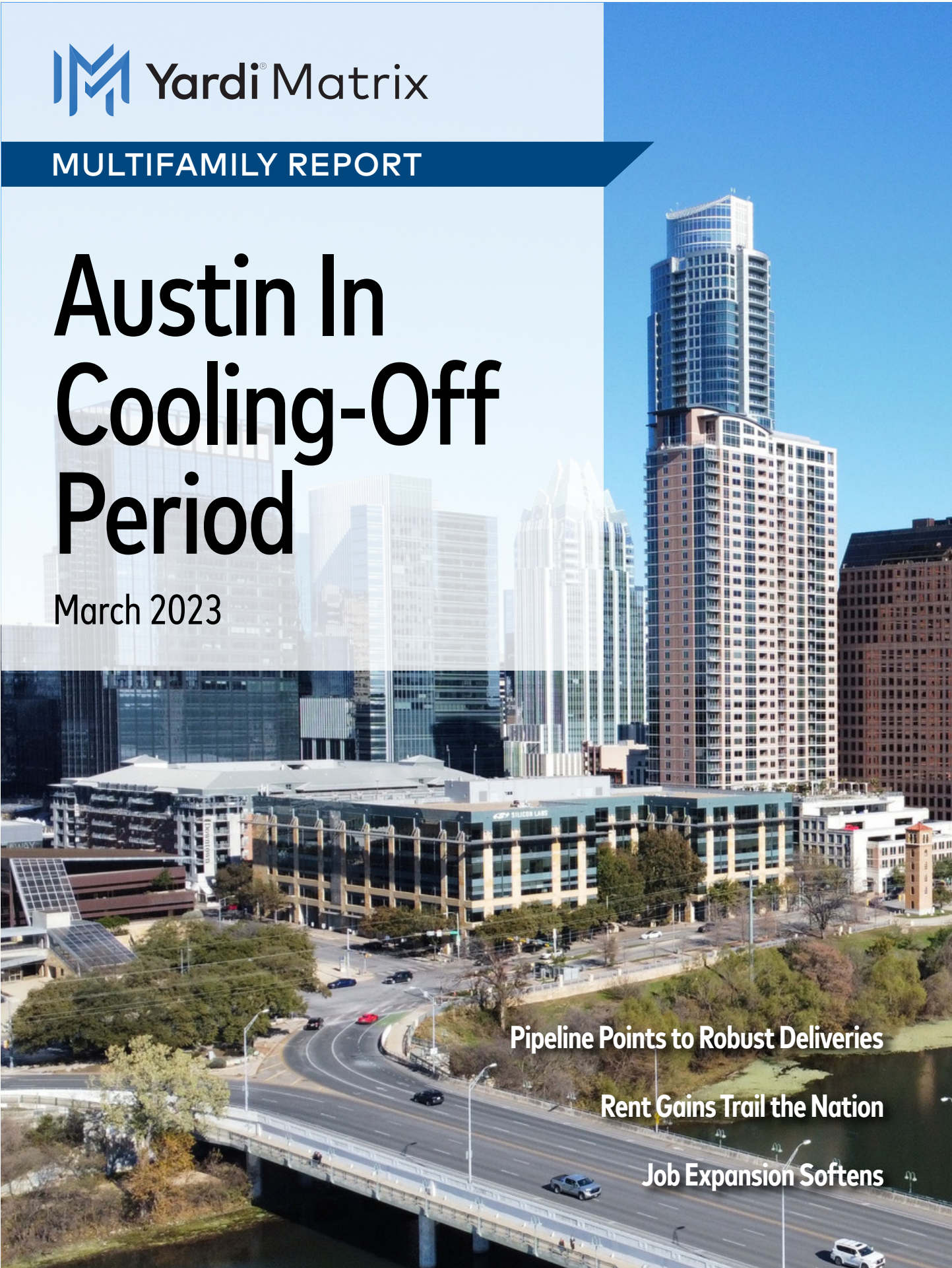
Austin In Cooling-Off Period

March 2023

Pipeline Points to Robust Deliveries

Rent Gains Trail the Nation

Job Expansion Softens



AUSTIN MULTIFAMILY



Strong Supply Additions Continue

With an ongoing economic slowdown that's cooling investment nationwide, one of the country's most active housing markets is ready for its test. While Austin is well positioned to weather what's ahead, caution is still advised. The robust deliveries of 2022 have yet to be absorbed, and coupled with a seasonal slowdown, this has led rents to trend downward for five consecutive months, contracting by 0.5% on a trailing three-month basis as of January, lagging the -0.3% U.S. rate. Occupancy declined 120 basis points year-over-year in December, to 94.5%.

Austin unemployment dropped to 2.7% in December, outperforming the state (3.9%) the nation (3.5%), and all other major Texas metros—Dallas (3.2%), Houston (3.9%) and San Antonio (3.3%)—according to preliminary data from the Bureau of Labor Statistics. Job growth softened, posting a 5.5% expansion in the 12 months ending in November, still 150 basis points above the U.S. rate, and the equivalent of 57,300 new jobs. Leisure and hospitality led gains, adding 24,900 positions, powered by major events supporting the sector's resurgence.

As of January 2023, developers hadn't delivered any new projects and had 57,031 units under construction. Last year, stock expansion amounted to 5.4% of total inventory, ranking Austin first in the country. Meanwhile, investors traded \$148 million in assets in January, for a price per unit that rose 12.6% above the December rate.

Market Analysis | March 2023

Contacts

Jeff Adler

Vice President & General Manager of Yardi Matrix
Jeff.Adler@Yardi.com
(303) 615-3676

Ron Brock, Jr.

Industry Principal, Matrix
JR.Brock@Yardi.com
(480) 663-1149 x2404

Doug Ressler

Media Contact
Doug.Ressler@Yardi.com
(480) 695-3365

Author

Anca Gagiuc

Senior Associate Editor

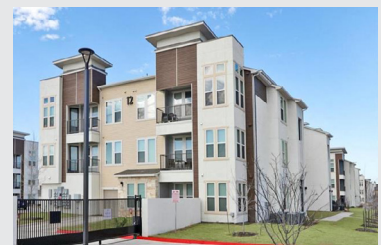
Recent Austin Transactions

Heritage Woods



City: Austin, Texas
Buyer: Austin Affordable Housing Corp.
Purchase Price: \$91 MM
Price per Unit: \$305,951

The Dalton



City: Pflugerville, Texas
Buyer: TerraCap Management
Purchase Price: \$85 MM
Price per Unit: \$243,810

The Village at Gracy Farms



City: Austin, Texas
Buyer: IDEAL Capital Group
Purchase Price: \$52 MM
Price per Unit: \$170,299

Creekstone

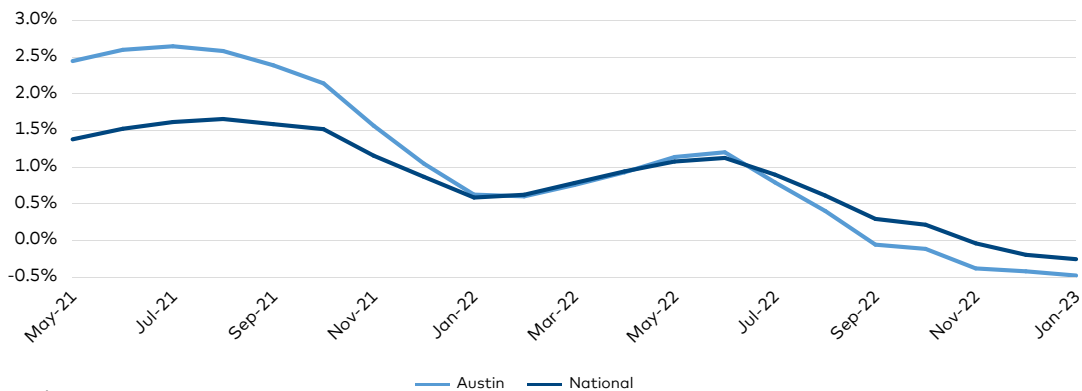


City: Austin, Texas
Buyer: Rockwood Capital
Purchase Price: \$52 MM
Price per Unit: \$184,014

RENT TRENDS

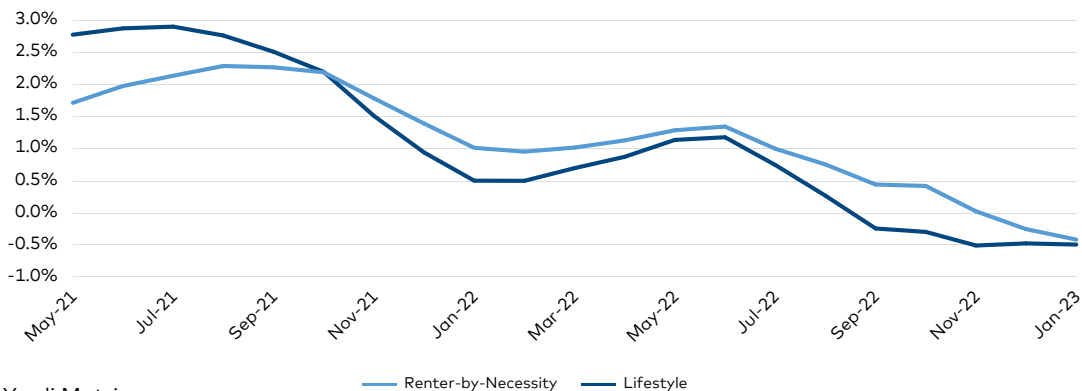
- ▶ Austin rates contracted for the fifth month in a row in January, posting a 0.5% decline on a trailing three-month (T3) basis, lagging the -0.3% U.S. figure. Texas' capital trailed the nation on a year-over-year basis, too, posting a 3.4% rent increase, while the U.S. rate decelerated to 5.5%. By dollar amount, the average asking rent in Austin (\$1,728) was just slightly above the \$1,701 national rate.
- ▶ Lifestyle rents contracted 0.5% on a T3 basis through January, to \$1,865, and Renter-by-Necessity rents by 0.4%, to \$1,432. The metro's rental market was trending down mainly due to a disparity between the cooling demand and consistent stock expansion, despite the strong in-migration recorded in recent years. Specifically, for a 5.4% expansion of existing stock, the metro posted a 4.1% absorption rate.
- ▶ The average occupancy rate in stabilized properties dropped 120 basis points in 2022, to 95.7%, in December. Surprisingly, RBN occupancy declined 1.4% year-over-year, to 94.5%, while Lifestyle occupancy fell just 1.1%, to 94.5%.
- ▶ Rates decreased in four of the 42 submarkets tracked by Yardi Matrix. In one, rent gains remained above the 10% mark. The most sought-after areas were Downtown-North (5.0% to \$3,114), Pershing (1.0% to \$2,310) and West End (1.4% to \$2,299).
- ▶ Austin's single-family rental segment also softened, with annual rents rising just 2.9% in January and occupancy declining 0.7% year-over-year through December.

Austin vs. National Rent Growth (Trailing 3 Months)



Source: Yardi Matrix

Austin Rent Growth by Asset Class (Trailing 3 Months)



Source: Yardi Matrix

ECONOMIC SNAPSHOT

- ▶ Austin unemployment ended the year at a solid level—2.7% as of December—following three consecutive months at 2.8%. The metro outperformed the state (3.9%), the U.S. (3.5%) and all other major Texas metros—Dallas (3.2%), Houston (3.9%) and San Antonio (3.3%).
- ▶ Austin’s job market expanded by 5.5%, or 57,300 jobs, in the 12 months ending in November, outperforming the U.S. rate by 150 basis points. Leisure and hospitality led gains with the addition of 24,900 jobs, boosted by major events including South by Southwest, Austin City Limits Music Festival and Formula One racing. The metro has added 6,000 hotel rooms since 2019, according to Visit Austin, ranking it second in new hotels opened in 2022, behind New York, according to a Lodging Econometrics report.
- ▶ Education and health services and professional and business services expanded by a combined 18,000 jobs. While there are concerns regarding the metro’s inordinate degrees of exposure to housing and high tech—two of the main national trouble areas—Austin is in a stable position, sustained by its status as the state capital and its strong education sector. Moreover, although some tech companies have been cutting jobs, the metro has a strong presence in the sector and is not high on the list of places where these companies are looking to reduce operations.

Austin Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
70	Leisure and Hospitality	153	12.0%
65	Education and Health Services	148	11.6%
60	Professional and Business Services	262	20.5%
40	Trade, Transportation and Utilities	206	16.2%
30	Manufacturing	71	5.6%
50	Information	51	4.0%
55	Financial Activities	78	6.1%
90	Government	187	14.7%
80	Other Services	47	3.7%
15	Mining, Logging and Construction	73	5.7%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- ▶ Austin’s population expanded by 124,320 residents between 2019 and 2021, for a 5.6% expansion during the peak of the pandemic, while the U.S. rate rose 1.1%. Since the 2010 Census, the metro grew by nearly 625,000 residents, up 36.2% and well above the 7.3% U.S. rate.

Austin vs. National Population

	2018	2019	2020	2021
National	326,838,199	328,329,953	331,501,080	331,893,745
Austin	2,166,805	2,228,106	2,299,125	2,352,426

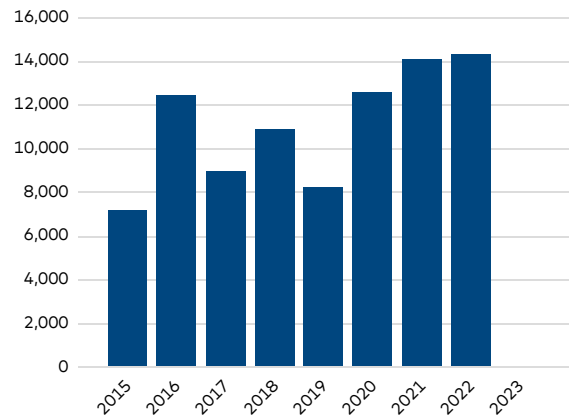
Source: U.S. Census

SUPPLY

- No units were delivered in the first month of 2023, but last year, Austin's multifamily stock expanded by 14,317 units, or 5.4% of existing inventory, placing it in the lead among major metros across the country.
- Austin also occupies the first spot among all markets for volume of construction starts, with a substantial 34,374 units in 121 properties breaking ground in 2022, double the volume registered in the previous year—17,438 units in 66 properties. Moreover, considering the nearly 27,500 units that are slated for completion by the end of the year, the metro could take the lead again in stock expansion. Still, the delivery dates for many of these projects will likely be delayed due to current economic challenges, including labor shortages, as Austin lost 1,400 construction jobs last year.
- The construction pipeline consisted of 57,031 units underway and 98,000 units in the planning and permitting stages. The composition of the projects under construction comprised 72% upscale Lifestyle properties and 28% Renter-by-Necessity units. Furthermore, most of the RBN projects underway—the equivalent of 25% of the overall pipeline—were units in fully affordable communities.

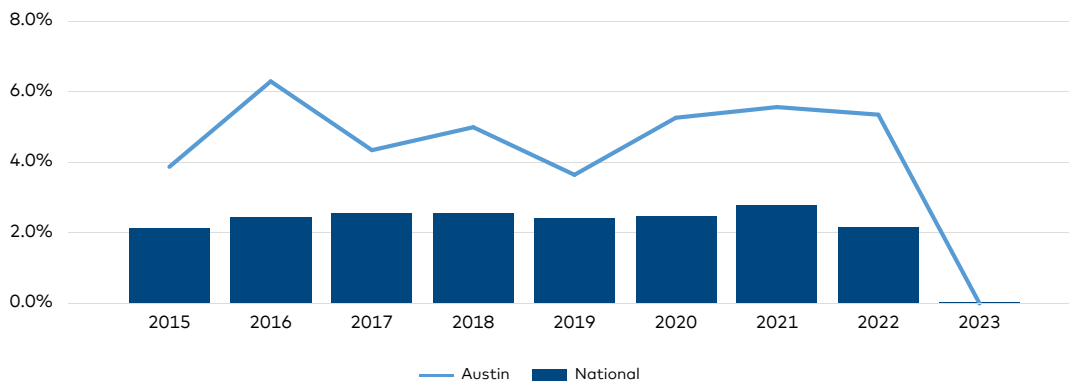
- Construction was widespread across the map, present in 35 of the 42 submarkets tracked by Yardi Matrix. Moreover, 19 of these had more than 1,000 units underway, led by Dessau (6,093 units), San Marcos/Kyle (4,714 units) and Cedar Park (3,974 units). Dessau also has the largest project underway, the 504-unit Parker. A JEM Holdings asset, the property is being built with aid from a \$43.5 million construction loan issued by Bank OZK.

Austin Completions (as of January 2023)



Source: Yardi Matrix

Austin vs. National Completions as a Percentage of Total Stock (as of January 2023)



Source: Yardi Matrix

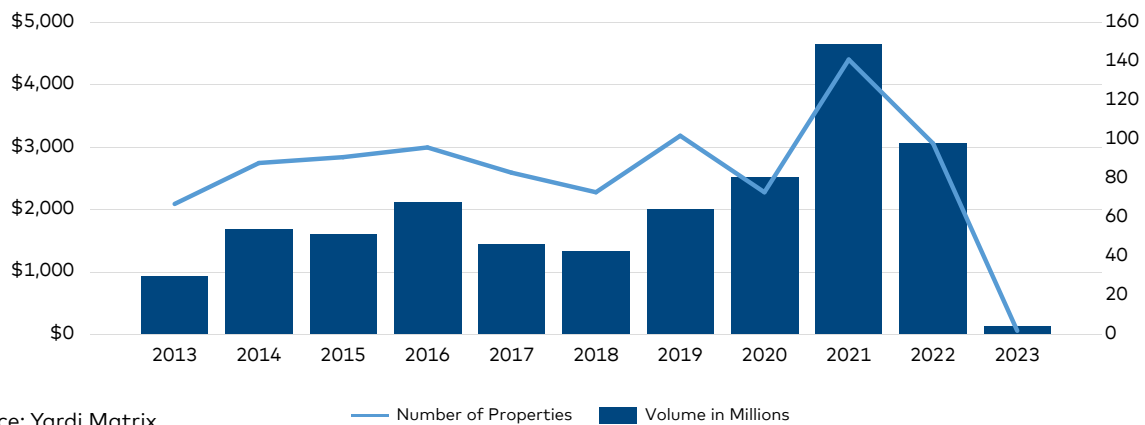
TRANSACTIONS

- ▶ Just two Lifestyle assets traded in Austin in the first month of 2023, for \$148 million, at an average price per unit of \$243,421, ahead of the \$235,621 U.S. rate and 12.6% above the average that the metro recorded in 2022. Last year, nearly \$3.1 billion in multifamily assets traded in Texas' capital, the second highest volume on record.
- ▶ Rental properties in Austin have seen substantial growth throughout the last economic cycle. In

2010, the metro's average asking price per unit stood at \$54,130, which, when compared to the current value, translates to a 350% rise in property values.

- ▶ One of the assets that traded in January 2023 was the 350-unit The Dalton, in Pflugerville. TerraCap Management acquired it from Trez Capital for \$85.3 million, or \$243,810 per unit, with aid from a \$64 million loan issued by ACRE.

Austin Sales Volume and Number of Properties Sold (as of January 2023)



Source: Yardi Matrix

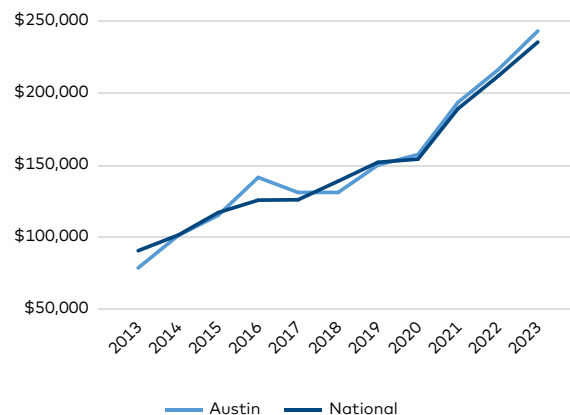
Top Submarkets for Transaction Volume¹

Submarket	Volume (\$MM)
East Central Austin	661
Pleasant Hill–East	279
Round Rock–South	239
Cedar Park	148
Pflugerville	148
Walnut Forest	122
University of Texas	107

Source: Yardi Matrix

¹ From February 2022 to January 2023

Austin vs. National Sales Price per Unit



Source: Yardi Matrix

Top Markets for Multifamily Deliveries 2022

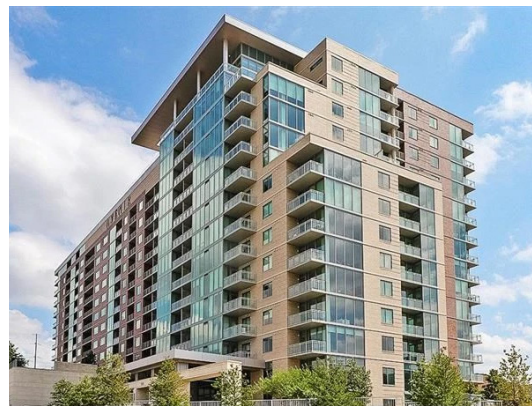
By Anca Gagiuc

Rising inflation and interest rates have softened the amount of incoming multifamily stock in 2022. The record amount delivered in 2021—when 433,838 units were brought online—was always going to be tough to outdo, but few expected the drop-off to be as significant in 2022, which ended with 348,714 units delivered nationally, Yardi Matrix data shows. By asset class, developers remained focused on the upscale Lifestyle segment, which accounted for 86 percent of units delivered nationally.

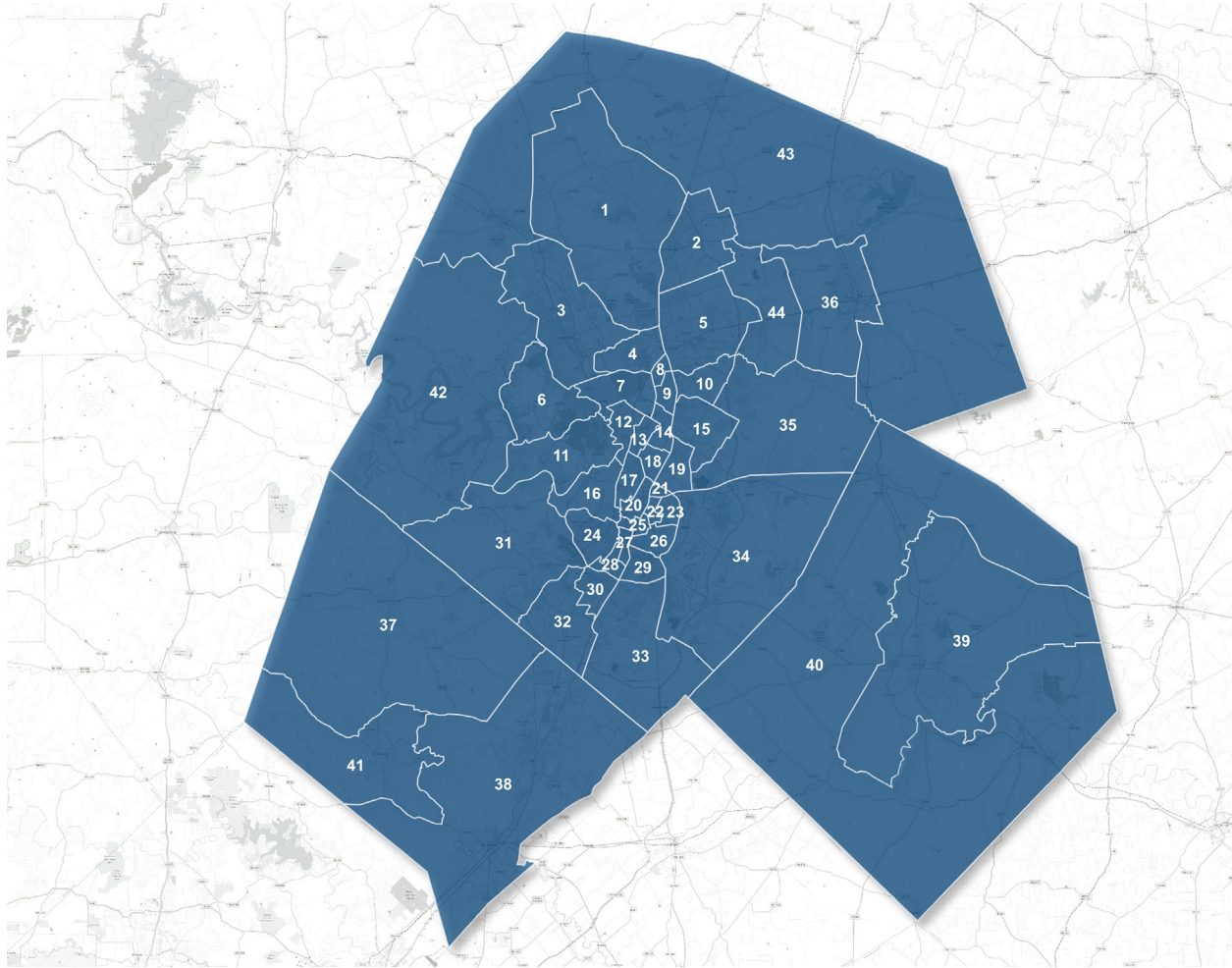
Rank	Metro	Units Delivered 2022	Properties Delivered 2022	2022 Unit Deliveries as % of Inventory
1	Dallas	23,137	89	2.7%
2	Houston	18,450	71	2.6%
3	Austin	15,002	58	5.3%
4	Miami	13,325	56	3.9%
5	Seattle	13,301	58	4.6%
6	Washington, D.C.	12,357	48	2.1%
7	Phoenix	12,355	52	3.6%
8	Atlanta	11,808	56	2.3%
9	Denver	11,726	55	3.7%
10	Twin Cities	11,439	77	4.7%

Austin

Texas' capital, although small compared with Dallas and Houston, rounds out the top three with 15,002 units added to the multifamily inventory in 2022. The metro posted a trajectory similar to Houston's, slightly below last year's volume when 15,471 units came online but surpassing the 13,626 units completed in 2020. Last year's deliveries are the equivalent of 5.3% of existing stock.



AUSTIN SUBMARKETS



Area No.	Submarket
1	Georgetown-West
2	Georgetown-East
3	Cedar Park
4	Brushy Creek
5	Round Rock-East
6	Anderson Mill
7	Jollyville-North
8	Round Rock-South
9	Wells Branch
10	Pflugerville
11	St. Edwards Park
12	Jollyville-South
13	IBM Area
14	Eubank Acres-North
15	Dessau
16	Far West Blvd
17	Abercrombie
18	Eubank Acres-South
19	Walnut Forest
20	Hyde Park
21	St. Johns Park
22	Capital Plaza

Area No.	Submarket
23	Berkman Drive
24	West End
25	University of Texas
26	Pershing
27	Downtown-North
28	Downtown-South
29	East Central Austin
30	Pleasant Hill-West
31	Oak Hill
32	Sunset Valley
33	Pleasant Hill-East
34	Daffan
35	Elgin
36	Taylor
37	Dripping Springs
38	San Marcos/Kyle
39	Bastrop
40	Outlying Bastrop County
41	Woodcreek-Wimberley
42	West Travis County
43	Outlying Williamson County
44	Hutto

DEFINITIONS

Lifestyle households (renters by choice) have wealth sufficient to own but have chosen to rent. Discretionary households, most typically a retired couple or single professional, have chosen the flexibility associated with renting over the obligations of ownership.

Renter-by-Necessity households span a range. In descending order, household types can be:

- *A young-professional*, double-income-no-kids household with substantial income but without wealth needed to acquire a home or condominium;
- *Students*, who also span a range of income capability, extending from affluent to barely getting by;
- *Lower-middle-income ("gray-collar") households*, composed of office workers, policemen, firemen, technical workers, teachers, etc.;
- *Blue-collar households*, which barely meet rent demands each month and likely pay a disproportionate share of their income toward rent;
- *Subsidized households*, which pay a percentage of household income in rent, with the balance of rent paid through a governmental agency subsidy. Subsidized households, while typically low income, extend to middle-income households in some high-cost markets, such as New York City;
- *Military households*, subject to frequency of relocation.

These differences can weigh heavily in determining a property's ability to attract specific renter market segments. The five-star resort serves a very different market than the down-and-outer motel. Apartments are distinguished similarly, but distinctions are often not clearly definitive without investigation. The Yardi® Matrix Context rating eliminates that requirement, designating property market positions as:

Market Position	Improvements Ratings
Discretionary	A+ / A
High Mid-Range	A- / B+
Low Mid-Range	B / B-
Workforce	C+ / C / C- / D

The value in application of the Yardi® Matrix Context rating is that standardized data provides consistency; information is more meaningful because there is less uncertainty. The user can move faster and more efficiently, with more accurate end results.

The Yardi® Matrix Context rating is not intended as a final word concerning a property's status—either improvements or location. Rather, the result provides reasonable consistency for comparing one property with another through reference to a consistently applied standard.

To learn more about Yardi® Matrix and subscribing, please visit www.yardimatrix.com or call Ron Brock, Jr., at 480-663-1149 x2404.



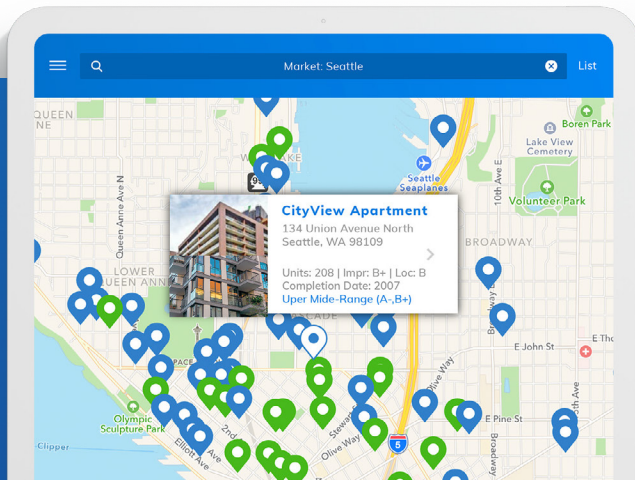
Yardi[®] Matrix

Power your business
with the industry's
leading data provider



MULTIFAMILY KEY FEATURES

- Pierce the LLC every time with true ownership and contact details
- Leverage improvement and location ratings, unit mix, occupancy and manager info
- Gain complete new supply pipeline information from concept to completion
- Find acquisition prospects based on in-place loans, maturity dates, lenders and originators
- Access aggregated and anonymized residential revenue and expense comps



Yardi Matrix Multifamily
provides accurate data on
19.7+ million units, covering over
92% of the U.S. population.



(800) 866-1144

Learn more at yardimatrix.com/multifamily

Contact
US



DISCLAIMER

Although every effort is made to ensure the accuracy, timeliness and completeness of the information provided in this publication, the information is provided "AS IS" and Yardi Matrix does not guarantee, warrant, represent or undertake that the information provided is correct, accurate, current or complete. Yardi Matrix is not liable for any loss, claim, or demand arising directly or indirectly from any use or reliance upon the information contained herein.

COPYRIGHT NOTICE

This document, publication and/or presentation (collectively, "document") is protected by copyright, trademark and other intellectual property laws. Use of this document is subject to the terms and conditions of Yardi Systems, Inc. dba Yardi Matrix's Terms of Use (<http://www.yardimatrix.com/Terms>) or other agreement including, but not limited to, restrictions on its use, copying, disclosure, distribution and decompilation. No part of this document may be disclosed or reproduced in any form by any means without the prior written authorization of Yardi Systems, Inc. This document may contain proprietary information about software and service processes, algorithms, and data models which is confidential and constitutes trade secrets. This document is intended for utilization solely in connection with Yardi Matrix publications and for no other purpose.

Yardi®, Yardi Systems, Inc., the Yardi Logo, Yardi Matrix, and the names of Yardi products and services are trademarks or registered trademarks of Yardi Systems, Inc. in the United States and may be protected as trademarks in other countries. All other product, service, or company names mentioned in this document are claimed as trademarks and trade names by their respective companies.

© 2023 Yardi Systems, Inc. All Rights Reserved.