Yardi®Matrix

Austin Pushes On

July 2023

Job Gains Top Other Major Metros

Short-Term Rent Growth Rebounds

Development Activity Breaks Records

Yardi Matrix

Rent Growth Inches Up, Occupancy Lags

Multifamily fundamentals are improving in Austin, sustained by one of the strongest economic expansions in the U.S. and robust in-migration. Rents grew, albeit slowly, after eight consecutive months in negative territory, up 0.1% on a trailing three-month basis through May, 20 basis points behind the U.S. rate. At $1,717, the average rent in the Texas capital was virtually on par with the U.S. figure ($1,716). Occupancy was down 120 basis points year-over-year in April, to 94.0%.

Austin unemployment stood at 3.1% in April, outperforming the state (4.0%), the U.S. (3.4%) and all other major Texas metros. Employment growth posted the fastest pace among the country's top 30 markets tracked by Yardi Matrix, up 6.0%, or 64,300 jobs, in the 12 months ending in March, double the U.S. rate. Leisure and hospitality and professional and business services added the most new positions, totaling a combined 37,200. Both sectors are poised for sustained growth, as officials are discussing a $1.6 billion redevelopment of the metro's downtown convention center, while the office sector continues to expand, with 7.6 million square feet underway.

Developers delivered 3,365 units in 2023 through May and had another 60,450 units under construction, accounting for the country's largest pipeline. This volume of growth is particularly impressive because Austin is not one of the country's top 20 metros by population.

Market Analysis | July 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

On the cover: Photo by stellalevi/iStockphoto.com

Recent Austin Transactions

Bridge at Henley

City: Austin, Texas
Buyer: Housing Authority of the
City of Austin
Purchase Price: $106 MM
Price per Unit: $287,928

The Dalton

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

Bridge at Indigo

City: Austin, Texas
Buyer: Belveron Partners
Purchase Price: $80 MM
Price per Unit: $246,773

Park at Crestview

City: Austin, Texas
Buyer: Nord Group
Purchase Price: $56 MM
Price per Unit: $225,946

➤ Austin rents rose 0.1% on a trailing three-month (T3) basis through May to $1,717, shifting to expansion mode for the first time, after eight months in negative territory. Meanwhile, the average asking U.S. rent increased 0.3%, to $1,716. On a year-over-year basis, Austin posted the third-weakest performance among major metros, down 1.0%. This is mostly part of the correction following the unprecedented growth in 2021 and 2022.

➤ Working-class Renter-by-Necessity rents led growth, up 0.2% on a T3 basis through May, to $1,447. Meanwhile, Lifestyle rates inched up 0.1%, to $1,839. Cooling demand and robust supply have dented the occupancy rate in stabilized properties, down by 140 basis points in the 12 months ending in April, to 94.0%. Unlike the rent growth dynamic, occupancy in the RBN segment had a sharper drop, down 190 basis points to 93.6%, while Lifestyle occupancy decreased 120 basis points, to 94.2%.

➤ On an annual basis, rents contracted in half of the 42 submarkets tracked by Yardi Matrix, with the largest decline registered in Pershing (-6.3% to $2,249) and West End (-3.5% to $2,287). Rates also depreciated in Austin's most expensive area, Downtown-North. The average asking rent decreased 2.3%, but remained slightly above the $3,000 mark, at $3,004 in May.

➤ The single-family rental segment remained steady, with rents sliding 0.3% year-over-year through May, to $2,314. Yet occupancy marked the third-largest decline among major metros, down 5.5% in the 12 months ending in April.

Austin vs. National Rent Growth (Trailing 3 Months)
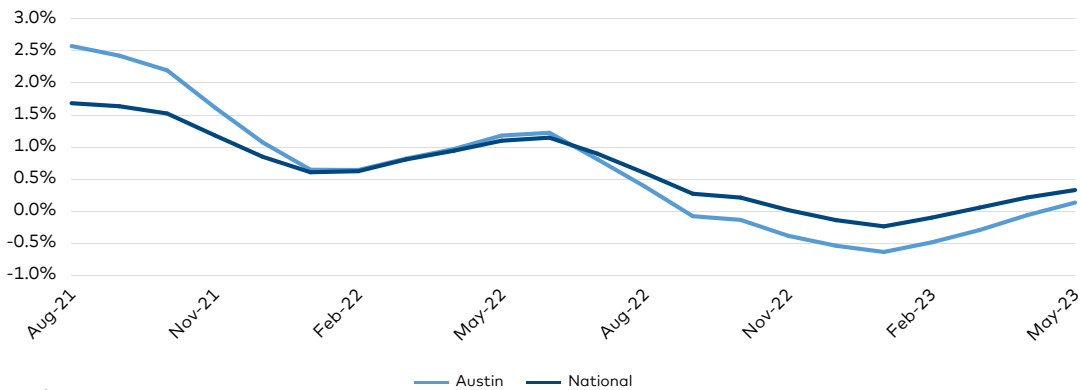
Source: Yardi Matrix

Austin Rent Growth by Asset Class (Trailing 3 Months)
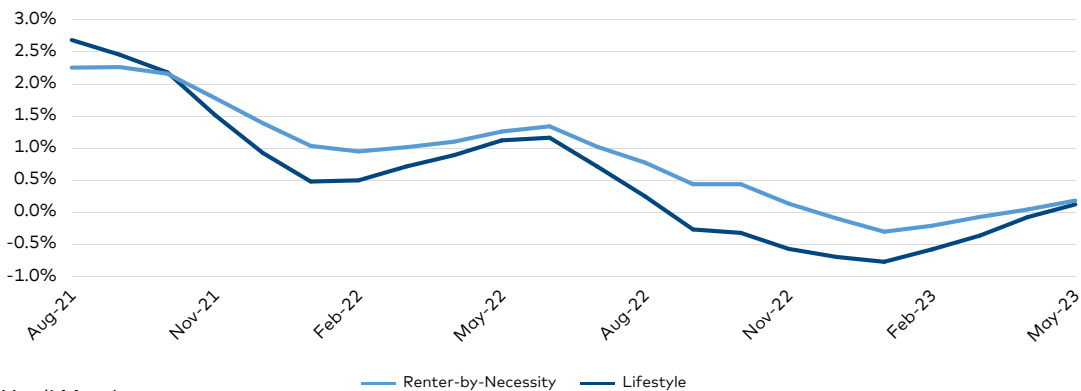
Source: Yardi Matrix

ECONOMIC SNAPSHOT

➤ After a two-month spike above 3.5%, Austin un-employment dropped to 3.1% in April, according to data from the Bureau of Labor Statistics. The figure outperformed the state (4.0%), the U.S. (3.4%) and all other major Texas metros—Dallas (3.4%), Houston (4.0%) and San Antonio (3.4%).

➤ Austin employment expanded by 6.0%, or 64,300 jobs, in the 12 months ending in March. Although on a moderating trend, the metro's performance remained the strongest among major U.S. cities and nearly double the 3.1% national rate. All sectors gained positions, with leisure and hospitality (19,300 jobs) in the lead. The sector is poised to keep growing, fueled by a multitude of events such as South by Southwest, Austin City Lim-

its Music Festival and the Formula One United States Grand Prix. To sustain growth, the city is pushing ahead with its $1.6 billion expansion/ redevelopment of the downtown convention center, set to double rentable space. Actual work could begin in 2025 and last some five years.

➤ Professional and business services added 17,900 jobs and, despite the work-from-home lifestyle going strong, the metro posted the largest amount of office completions among similar Sun Belt metros in 2022, at 4.3 million square feet. Moreover, it had 7.6 million square feet of additional space underway, representing a significant 7.2% of total stock and placing it ahead of all other U.S. metros by pace of growth.

Austin Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
70	Leisure and Hospitality	151	11.5%
60	Professional and Business Services	280	21.4%
40	Trade, Transportation and Utilities	209	16.0%
65	Education and Health Services	147	11.2%
30	Manufacturing	73	5.6%
80	Other Services	50	3.8%
50	Information	52	4.0%
90	Government	189	14.4%
15	Mining, Logging and Construction	79	6.0%
55	Financial Activities	77	5.9%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

➤ Austin gained 53,301 residents in 2021, up 2.3%, one of the highest population increases in the U.S. Meanwhile, the nation posted a 0.1% expansion. Between the 2010 Census and 2021, Austin's population increased by 36.2%, nearly five times the 7.3% U.S. rate.
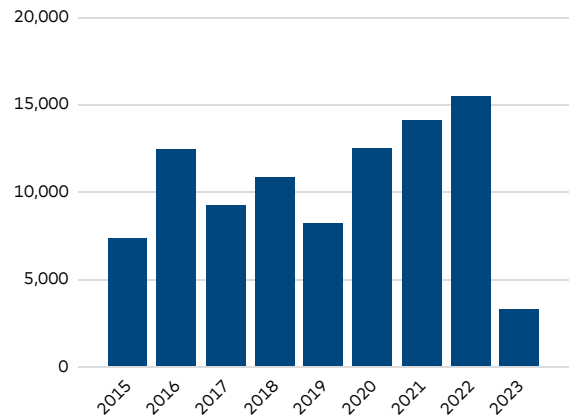
Austin vs. National Population

|	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

➤ Despite recording a population of less than 2.5 million, metro Austin had the largest multifamily pipeline in the U.S. as of May, with 60,450 units underway and another 97,000 apartments in the planning and permitting stages. The pipeline consists of 81% Lifestyle projects and more than 15% fully affordable properties, while the remainder are RBN developments.

➤ Yardi Matrix expects a total of 22,310 apartments to come online in metro Austin in 2023 and roughly 25,000 units in 2024. This would mark Austin's strongest years in our data set.

➤ Developers brought online 3,365 units this year through May, the equivalent of 1.2% of existing stock and double the 0.6% U.S. average. Lifestyle properties accounted for 88% of these deliveries and the remaining 12% were fully affordable communities.

➤ Austin remained hot when it came to construction starts, as well, with 10,318 units breaking ground in 2023 through May. While the figure is below the volume registered during the same interval last year (14,137 units), it is more than double the 4,343-unit volume in the first five months of 2021.

➤ Construction was widespread across the map, with 35 of the 42 submarkets tracked by Yardi Matrix having at least 100 units underway as of May. Areas with the highest volume of units under construction were Dessau (5,965 units), San Marcos/Kyle (4,871 units) and Cedar Park (4,227 units). The largest project delivered through May was St. Elmo Living, a 387-unit asset in Pleasant Hill-West, built by Maker Bros. with aid from a $75 million HUD loan issued by Gershman Mortgage.

Austin Completions (as of May 2023)

Source: Yardi Matrix

### Austin vs. National Completions as a Percentage of Total Stock (as of May 2023)
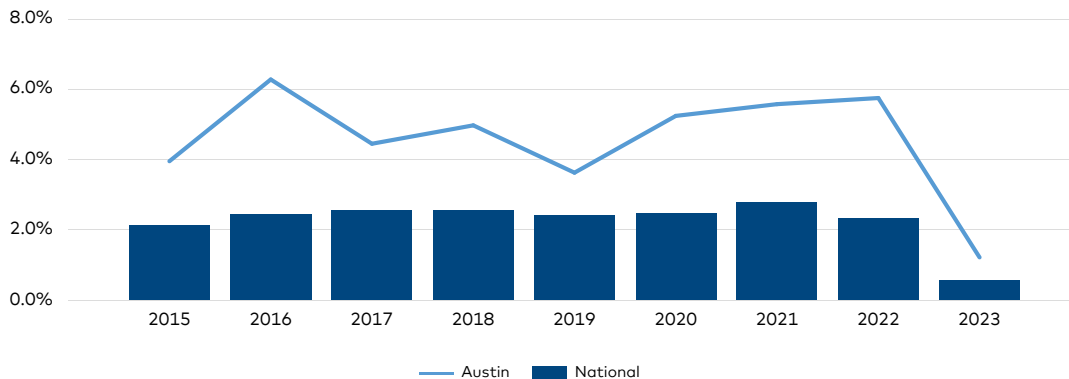
Source: Yardi Matrix

TRANSACTIONS

➤ Investors traded $519 million in multifamily assets in Austin through May, less than half the $1.2 billion recorded during the same period last year. With the Federal Reserve's pause on interest-rate increases in June, transaction activity could gain a modicum of momentum.

➤ Despite the slowdown, transaction values continued to increase, with the average per-unit price in Austin rising 2.4% year-over-year, to $220,963 in May, while the U.S. figure decreased to $179,358. Sales composition was balanced between asset classes, with nine of the 17 sales involving RBN properties.

➤ Several buyers stood out in Austin in the 12 months ending in May. Considering assets of more than 50 units, the list included the Austin Affordable Housing Corp. (1,464 apartments in four assets), Berkshire Residential Investments (1,454 units, four assets), TerraCap Management (945 units, three assets) and LivCor (914 units, three assets).

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

Source: Yardi Matrix

— Number of Properties ■ Volume in Millions
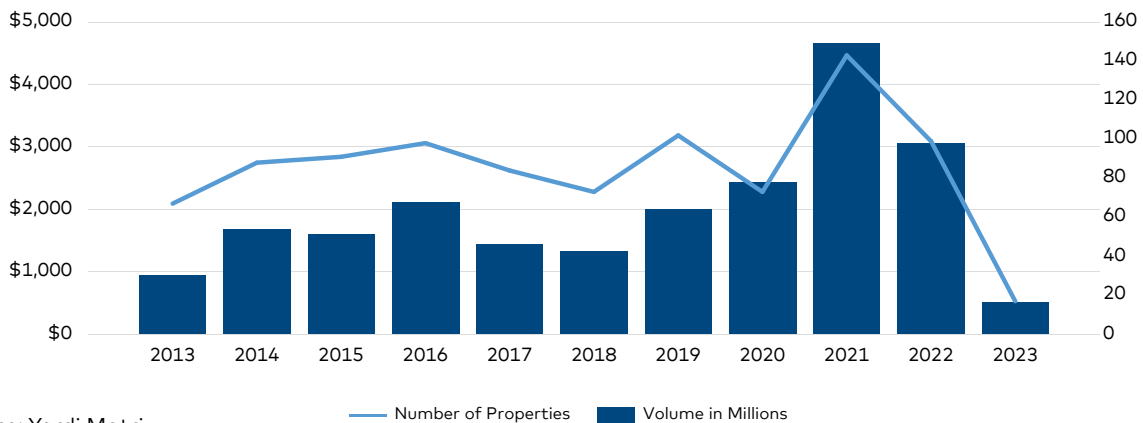
Top Submarkets for Transaction Volume[1]

Submarket	Volume ($MM)
East Central Austin	488
Round Rock-South	239
Cedar Park	228
Pleasant Hill-East	169
Pflugerville	148
Wells Branch	119
University of Texas	107

Source: Yardi Matrix
[1] From June 2022 to May 2023

Austin vs. National Sales Price per Unit

— Austin — National

Source: Yardi Matrix

MHN
MULTI-HOUSING **NEWS**

data by
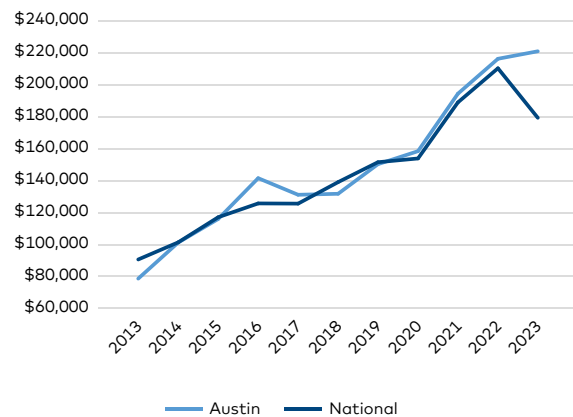
IM Yardi Matrix

Top 10 Markets for Multifamily Construction

By Anca Gagiuc

U.S. multifamily construction was robust at the start of the new leasing season, with the pipeline amounting to nearly 1.1 million units underway across 4,910 properties, according to Yardi Matrix. However, deliveries were slow, with just 73,506 units coming online this year through April. That's less than 7% of the national pipeline and accounts for 20% of last year's 369,827-unit total.

Metro	Units Under Construction	Units Completed Year-to-Date	Construction Starts/Units January - March 2023
Austin	61,873	2,547	6,013
Dallas	60,532	2,016	5,864
Miami	44,533	2,732	3,612
Atlanta	41,204	2,679	4,120
Phoenix	39,875	3,811	1,985
New York City	38,859	137	3,304
Denver	35,893	1,696	1,580
Houston	34,709	1,686	1,660
Los Angeles	32,306	1,926	814
Charlotte	32,188	1,538	1,459

Austin

Austin had the highest volume of multifamily construction activity in the country, counting 61,873 units underway as of May 2023, taking the first spot from fellow Texas metro Dallas by just 1,341 units. In addition, the metro had more than 106,000 units in the planning and permitting stages. Austin developers are building larger communities compared to other metros in this ranking as, by number of properties under construction, the metro occupies only third place, behind Dallas (229 properties) and Los Angeles (239 properties).
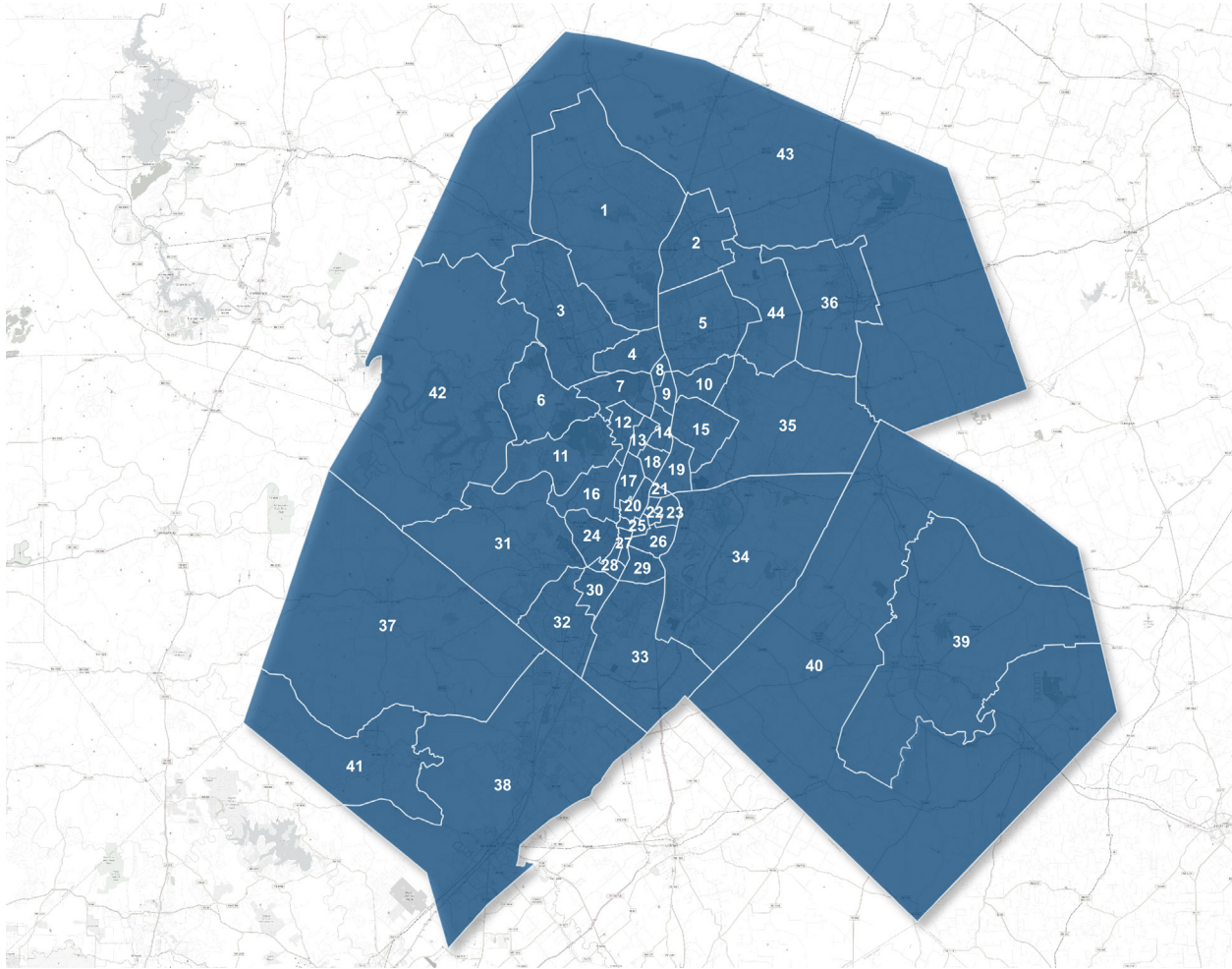
Area No.	Submarket
1	Georgetown–West
2	Georgetown–East
3	Cedar Park
4	Brushy Creek
5	Round Rock–East
6	Anderson Mill
7	Jollyville–North
8	Round Rock–South
9	Wells Branch
10	Pflugerville
11	St. Edwards Park
12	Jollyville–South
13	IBM Area
14	Eubank Acres–North
15	Dessau
16	Far West Blvd
17	Abercrombie
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

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.
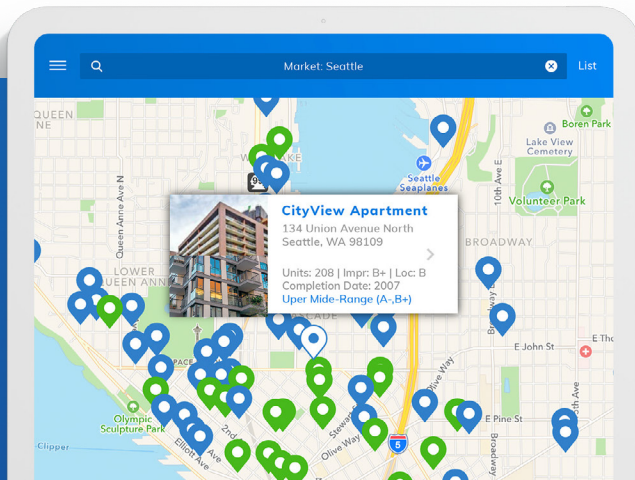
Yardi® Matrix

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

CityView Apartment
134 Union Avenue North
Seattle, WA 98109

Units: 208 | Impr: B+ | Loc: B
Completion Date: 2007
Uper Mide-Range (A-,B+)

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

⋎ YARDI

Contact us

(800) 866-1144
Learn more at yardimatrix.com/**multifamily**