



MULTIFAMILY REPORT

Austin Presses On

November 2023

Short-Term Rent Gains Remain Negative

Sales Volume Down, Still Above \$1B

Development Activity Stays Strong

AUSTIN MULTIFAMILY



Robust Supply Impacts Rents and Occupancy

Austin rents entered their third consecutive month in negative territory, as the market continues to see rates moderate. Rents across the metro were down 0.7% on a trailing three-month basis, as of September. Meanwhile, the U.S. figure also went into negative territory, at -0.1%. On an annual basis, however, Austin rates were still up 0.5%, even with headwinds created by robust incoming stock.

As of July, the metro's unemployment rate stood at 3.8%, according to data from the Bureau of Labor Statistics. The figure was ahead of the Texas average (4.1%) as well as other metros in the state, such as Houston (4.8%), San Antonio (4.2%) and Dallas-Fort Worth (4.1%). Austin's job market expanded 4.3%, or 39,500 positions, in the 12 months ending in July. Only the information sector recorded losses. According to the *Austin American-Statesman*, Accenture, an Irish-American professional services company plans to cut 350 jobs in Austin, marking the third time this year that the corporation has contracted its Central Texas workforce.

The supply wave has not abated and in the first nine months of the year, 7,346 units came online across Austin. Developers had 61,051 units under construction, while more than 100,500 units were in the planning and permitting stages. Through September, Austin saw \$1.3 billion in multifamily transactions, a significant drop compared to the same period in 2022.

Market Analysis | November 2023

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Recent Austin Transactions

The Warner



City: Round Rock, Texas
Buyer: Harbor Group International
Purchase Price: \$66 MM
Price per Unit: \$197,627

Villas Tech Ridge



City: Pflugerville, Texas
Buyer: Pegasus Real Estate
Purchase Price: \$58 MM
Price per Unit: \$166,152

Treehouse



City: Austin, Texas
Buyers: Disrupt Equity, Open Door Capital
Purchase Price: \$49 MM
Price per Unit: \$164,852

Parkview Terraces



City: Austin, Texas
Buyer: Strategic Property Investment
Purchase Price: \$47 MM
Price per Unit: \$70,257

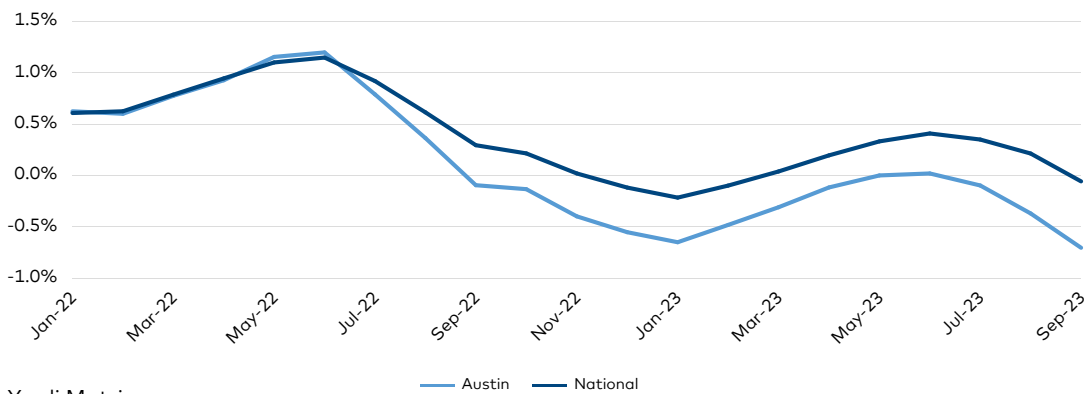
RENT TRENDS

- ▶ Austin rents were down 0.7% on a trailing three-month (T3) basis through September, to \$1,681, marking the sharpest decrease since rent growth veered into negative territory in September 2022. Meanwhile, the U.S. rate also turned negative, declining 0.1%, on par with other major Texas metros, such as Dallas-Fort Worth and Houston. On a year-over-year basis, Austin rents increased 0.5%, while national rates improved by 4.1%, reaching \$1,722.
- ▶ Rents in the Renter-by-Necessity segment were down 0.6% on a T3 basis through September, to \$1,408. Lifestyle figures also contracted, down 0.7%, to \$1,802. On an annual basis, the difference between the segments is more pronounced, with RBN rents up 0.5%, while Lifestyle figures contracted 0.7%. The abundance of new sup-

ply, the majority of which falls into the Lifestyle category, has hindered rent growth as well as the average occupancy in stabilized assets, which as of August fell 120 basis points year-over-year to 93.6%, below the U.S. average of 95.0%.

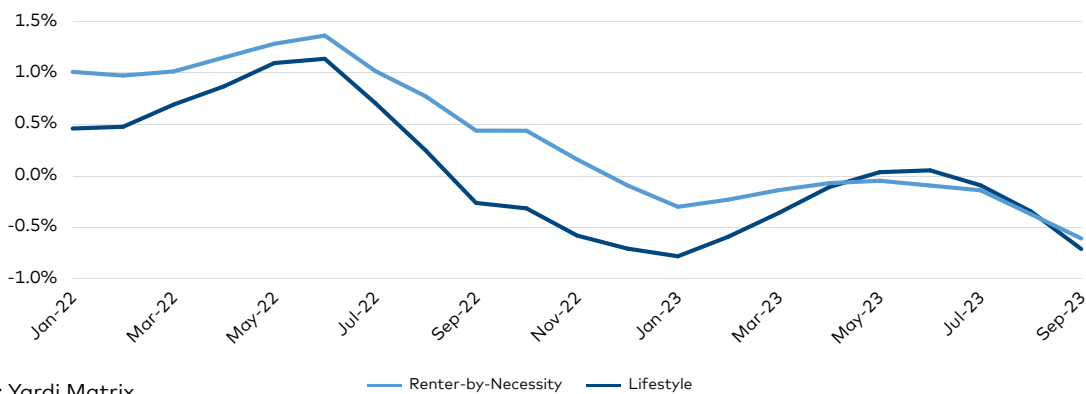
- ▶ Of the 42 submarkets tracked by Yardi Matrix, 10 saw rents rise year-over-year. The average asking rent increased 2.8%, to \$1,636, in the Daffan submarket, while other notable areas included St. Johns Park (up 2.6% to \$1,335) and Bastrop (up 1.8% to \$1,379). At the other end of the spectrum, the West Travis County submarket had the largest decline, down 12.6%, to \$1,851. Downtown-North remained one of the most-sought-after areas, even with rents falling 1.4%, to \$3,049, along with the West End (-3.4% to \$2,291) and Pershing (-5.6% to \$2,222).

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's unemployment rate was 3.8% as of July, an 80-basis-point increase, according to data from the Bureau of Labor Statistics. Despite the surge, the metro outperformed the state average (4.1%) as well as other major Texas metros, such as Houston (4.8%), San Antonio (4.2%) and Dallas-Fort Worth (4.1%). However, the metro's average remained above the national figure (3.5%).
- ▶ Austin employment expanded by 4.3%, or 39,500 jobs, in the 12 months ending in July. Although on a softening trend, the metro's performance remained well above the national rate of 2.6%. Only the information sector lost jobs, while at the other end of the spectrum professional and business services had the largest gains (10,100 jobs). Other notable sectors included leisure and hospitality as well as education and health services, which gained 9,800 and 4,800 jobs, respectively.
- ▶ The allure of the capital of Texas remains strong and the skyline of downtown Austin keeps changing. Among mixed-use towers, such as Tishman Speyer and Ryan Co.'s ATX Tower and Lincoln Property Co.'s Sixth and Guadalupe, Austin developers are also working on hospitality. According to Visit Austin, two operators will add to their inventory, with the Dutch CitizenM Austin Downtown and the EVEN Hotel Austin Uptown, near the Domain, due by year-end.

Austin Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
60	Professional and Business Services	288	21.8%
70	Leisure and Hospitality	151	11.4%
65	Education and Health Services	149	11.3%
15	Mining, Logging and Construction	85	6.4%
40	Trade, Transportation and Utilities	209	15.8%
30	Manufacturing	73	5.5%
90	Government	182	13.8%
80	Other Services	52	3.9%
55	Financial Activities	81	6.1%
50	Information	53	4.0%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- ▶ In 2021, the metro gained 53,301 residents. According to the U.S. Census Bureau, Greater Austin was among the top 10 metro areas for numeric growth. The metro placed fourth, after DFW (97,290 residents), Phoenix (78,220 residents) and Houston (69,094 residents).

Austin vs. National Population

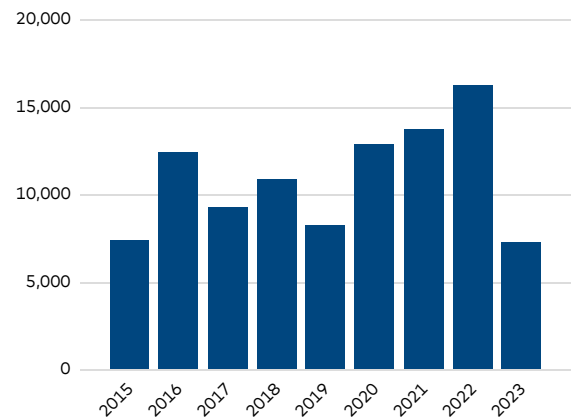
	2018	2019	2020	2021
National	326,838,199	328,329,953	331,501,080	331,893,745
Austin	2,166,805	2,228,106	2,299,125	2,352,426

Source: U.S. Census

SUPPLY

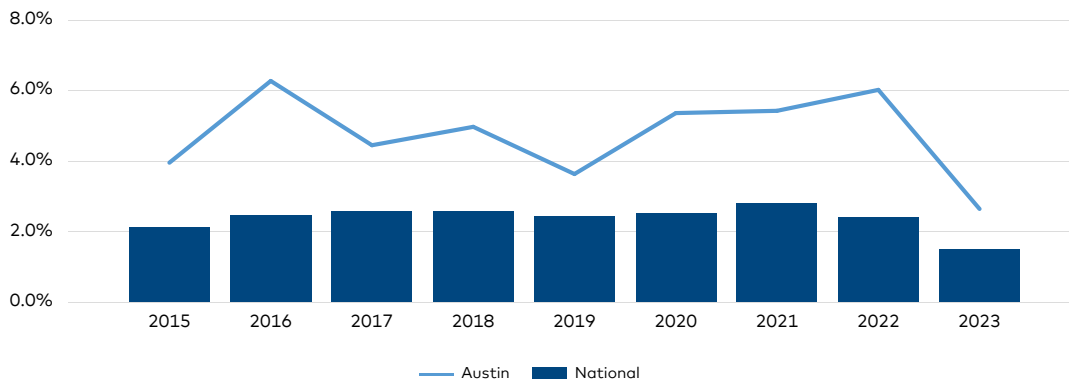
- In the first nine months of the year developers completed 7,346 units across Austin, amounting to 2.6% of existing stock, above the 1.5% national rate. Lifestyle properties accounted for nearly all completed units, with only three RBN communities coming online.
- Austin developers had 61,051 units under construction, while another 100,000 units were in the planning and permitting stages. Among the projects under construction, 62% were Lifestyle properties and 19% were in fully affordable communities.
- There were 37 submarkets with at least one property of 50-plus units underway in Austin, accounting for 88% of submarkets tracked by Yardi Matrix. The submarket with the highest volume of units under construction was Dessau, with 5,762 units underway. Two fully affordable projects, featuring 515 units were included in that figure.
- Notable submarkets included San Marcos/Kyle (5,159 units, including 1,004 fully affordable units) and Cedar Park (4,105 units, including 137 fully affordable units). Overall, 19 submarkets had more than 1,000 units underway.
- The 557-unit Paseo in Austin's Downtown-north submarket was the largest project underway. LV Collective broke ground this summer on the 48-story high-rise after securing a \$217 million construction loan financed by UMB Bank. The residential tower will include 28 units set aside as affordable housing. The property is expected to come online in 2025.

Austin Completions (as of September 2023)



Source: Yardi Matrix

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



Source: Yardi Matrix

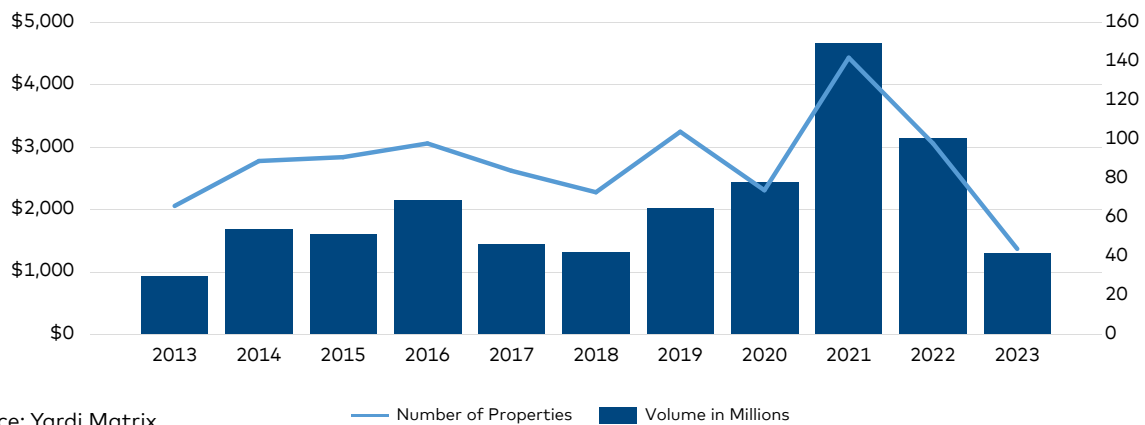
TRANSACTIONS

- ▶ Through September, Austin saw \$1.6 billion in multifamily transactions, marking a 53% decrease compared to the same period in 2022. Investment activity peaked following the pandemic—reaching \$4.7 billion in 2021—then moderated for both number of transactions and overall activity, to \$3.1 billion in 2022.
- ▶ The metro's average per-unit price stood at \$235,323 for transactions completed in 2023, some \$45,000 higher than the U.S. average. De-

spite a general slowdown in sales activity, the metro has seen its average property values increase, up 9.1% from 2022's figure.

- ▶ Although there have been several transactions since late February, when the Housing Authority of the City of Austin acquired the 368-unit Bridge at Henley, no deal has surpassed its \$106 million sale price. Abacus Capital Group's \$86 million purchase of the 502-unit Meritage at Steiner Ranch came in second for the year's first three quarters.

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



Source: Yardi Matrix

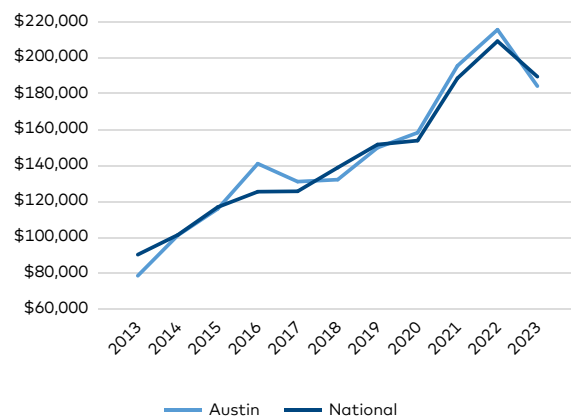
Top Submarkets for Transaction Volume¹

Submarket	Volume (\$MM)
East Central Austin	222
Pflugerville	209
Dessau	185
Cedar Park	173
Round Rock - East	133
San Marcos/Kyle	102
Jollyville - North	93

Source: Yardi Matrix

¹ From October 2022 to September 2023

Austin vs. National Sales Price per Unit



Source: Yardi Matrix

Top 10 Markets for Multifamily Deliveries in H1 2023

By Anda Rosu

Multifamily demand stayed elevated in 2023 despite major economic headwinds, although overall the sector was underperforming during the first six months of the year, compared to 2022. According to Yardi Matrix data, 154,366 units came online nationwide between January and June 2023. The volume of multifamily deliveries accounts for a 60-basis-point increase from the 153,314 units that were delivered last year during the same period.

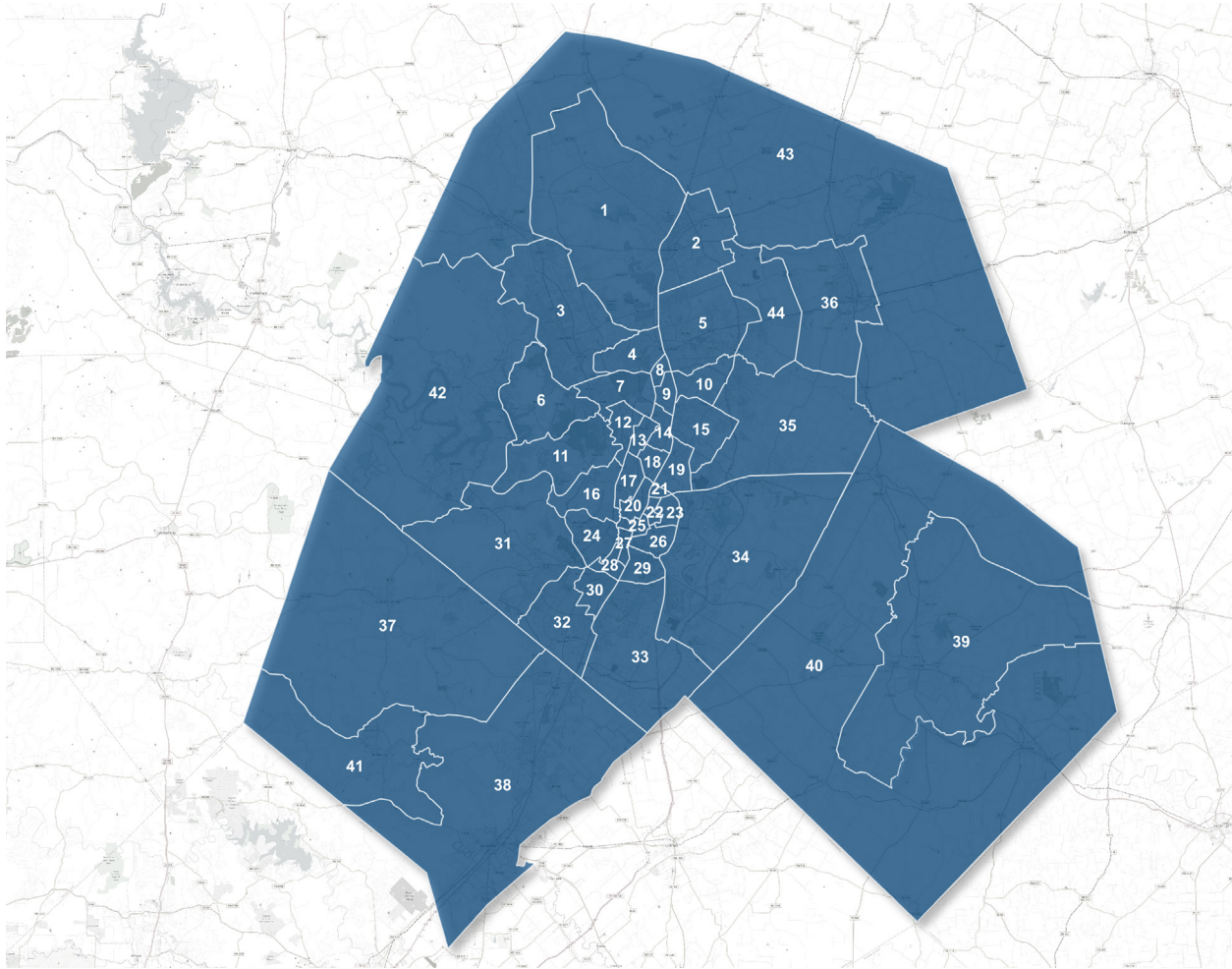
Rank	Metro	Projects Delivered 2023 H1	Number of Units Delivered 2023 H1	Construction Starts 2023 H1 Units
1	Phoenix	36	8,062	10,886
2	Washington, D.C.	25	6,333	5,288
3	Atlanta	29	6,178	10,380
4	Austin	23	5,473	11,220
5	Dallas	20	5,133	15,747
6	Miami Metro	22	5,109	9,969
7	Charlotte	21	4,595	6,441
8	Orlando	19	4,445	5,437
9	Denver	23	4,270	6,046
10	Houston	17	3,910	6,562

Austin

Austin managed to surpass both Houston and Dallas in this metric during the first six months of 2023. Developers brought online 5,473 units in Austin through June, representing 4.4% of the total stock. Despite having a population of less than 2.5 million, Austin had the largest multifamily pipeline in the U.S. as of May, eventually being surpassed by Dallas. Through June 2023, developers had 63,546 units under construction in the metro.



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.



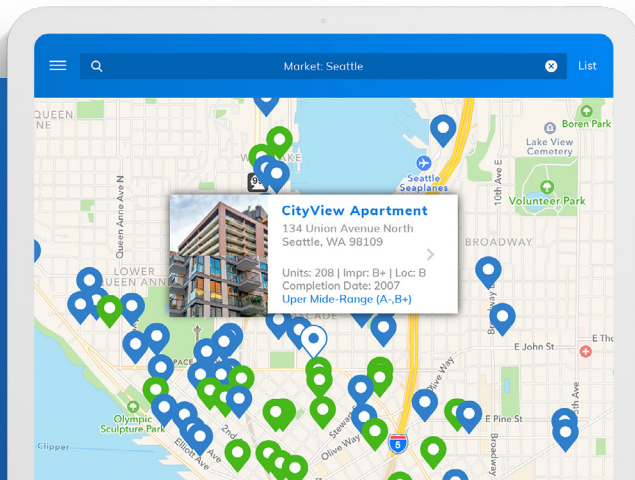
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MULTIFAMILY KEY FEATURES

- Pierce the LLC every time with true ownership and contact details
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- 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
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