Yardi Matrix

MULTIFAMILY REPORT

Austin Rents Trail Nation

March 2024

Investment Remains Tepid

YoY Rate Growth Lags Major Metros

Pipeline Solid as New Construction Slides

AUSTIN MULTIFAMILY

Yardi Matrix

Rents Impacted By Strong Supply Gains

At the start of 2024, Austin's multifamily fundamentals were unsteady, but overall, the state capital is well equipped to overcome its challenges. The biggest concern is supply, which is expected to further impact rent growth, with figures in negative territory since last July. The average asking rent decreased 0.7% on a trailing three-month basis through January, to $1,623, lagging the $1,710 U.S. average. The occupancy rate in stabilized properties also reflects the robust supply additions, decreasing 0.9% in the 12 months ending in January, to 93.0%.

Austin boasts a diversified and stable economy, with unemployment at 3.0% in December, above the national (3.7%) and state (4.0%) rates as well as all other major Texas metros, according to data from the Bureau of Labor Statistics. Additionally, in the 12 months ending in November, the employment market expanded 3.2%, or 36,800 jobs, 100 basis points above the U.S. rate. The professional and business services sector (13,400 jobs) continued to lead gains, followed by education and health services (8,700 jobs) and mining, logging and construction (8,100 jobs).

Developers delivered 14,600 units in 2023 and the pipeline remained robust, with 57,937 units under construction as of January. However, construction starts fell 35% in 2023. Meanwhile, transaction activity remained tepid. Just one sale was recorded at the start of the year—an RBN asset valued at $117,717 per unit.

Market Analysis | March 2024

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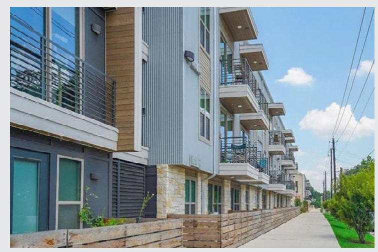
On the cover: Photo by peeterv/iStockphoto.com

Recent Austin Transactions

Bridge at Waters Park

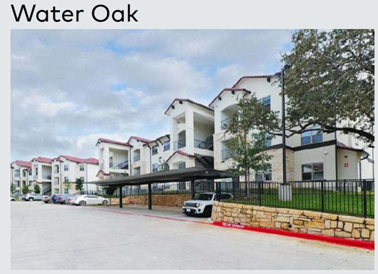
City: Austin, Texas
Buyer: Austin Affordable Housing Corp.
Purchase Price: $93 MM
Price per Unit: $210,133

Trailhead



City: Austin, Texas
Buyer: ParkProperty Capital
Purchase Price: $53 MM
Price per Unit: $170,996

Water Oak



City: Austin, Texas
Buyer: Sherman Residential
Purchase Price: $38 MM
Price per Unit: $131,279

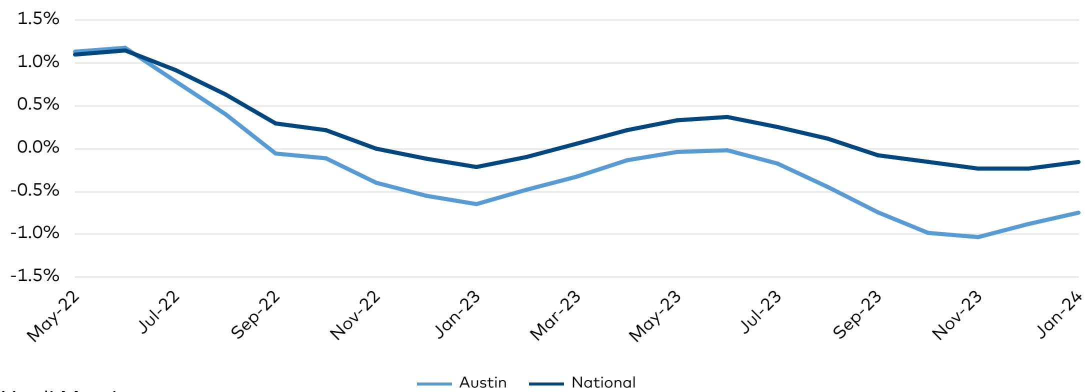
The Element at Austin

City: Austin, Texas
Buyer: Narrow Road Group
Purchase Price: $34 MM
Price per Unit: $120,159

RENT TRENDS

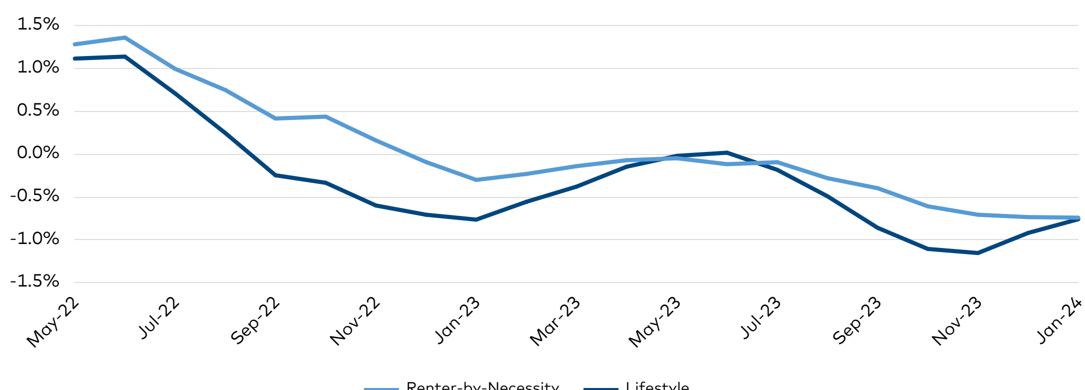
- Austin rents contracted 0.7% on a trailing three-month (T3) basis in January, remaining in negative territory for the seventh consecutive month. Meanwhile, the U.S. average decreased 0.2%. On a year-over-year basis, Austin's average rent was down 6.0% year-over-year as of January, while the national rate gained 0.5%. The metro posted the steepest drop among the top 30 U.S. metros. The average asking rent was $1,623, still below the $1,710 U.S. figure.
- Lifestyle rates contracted 0.8% on a T3 basis through January, to $1,730, but depreciation is softening. Meanwhile, Renter-by-Necessity rents were down 0.7% for the third consecutive month—to $1,377—and have been contracting for the past 14 months except in May 2023, when they stayed flat. The occupancy rate in stabilized properties mirrored rent performance and declined 90 basis points year-over-year as of January, to 93.0%. The decline was steeper in the RBN segment, down 1.2% to 92.3%, while Lifestyle occupancy decreased 0.8%, to 93.0%.
- In January, three submarkets had average rents above the $2,000 mark—Downtown–North (-7.1% year-over-year to $2,786), the West End (-5.8% to $2,153) and Pershing (-5.3% to $2,141). Austin's substantial delivery volume, slated to come online by year-end, will likely continue to dent the metro's rent growth potential.
- Single-family rents fell 5.2% year-over-year through January, to $2,212, but occupancy rose 0.9%, to 90.1%.

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 2023 at 3.0% but had a highly irregular year, with the rate at or above the 3.5% mark for seven months straight. Still, the jobless rate indicates a tight market, outperforming the 3.7% U.S. and 4.0% state figures, as well as all other major Texas metros—San Antonio (3.1%), Dallas (3.3%) and Houston (3.8%).

- In the 12 months ending in November, Austin's employment market expanded 3.2%, adding 36,800 jobs and outpacing the national rate of improvement by 100 basis points. The metro's economic cornerstone, professional and business services, led growth with 13,400 jobs, followed by education and health services (8,700 jobs) and construction (8,100 jobs). Three sectors saw contractions: leisure and hospitality (-3,400 jobs), manufacturing (-1,500 jobs) and information (-800 jobs).

- Austin continued to benefit from a substantial influx of business growth, albeit at a slower pace. Last year, Tesla expanded by 10,000 jobs, Oracle added 1,000 jobs and ZT Systems added 1,500 jobs at the NorthPark35 Building 6 in Georgetown. Amazon's Pflugerville fulfillment center added 1,417 positions, according to the Austin Chamber of Commerce. Extensive growth has boosted demographics and multifamily construction, and Austin has one of the largest volumes of deliveries as a percentage of existing stock, trailing Raleigh and Charlotte.

Austin Employment Share by Sector

		Current Employment	
Code	Employment Sector	(000)	% Share
60	Professional and Business Services	296	22.0%
65	Education and Health Services	154	11.4%
15	Mining, Logging and Construction	87	6.5%
90	Government	195	14.5%
80	Other Services	52	3.9%
40	Trade, Transportation and Utilities	214	15.9%
55	Financial Activities	79	5.9%
50	Information	52	3.9%
30	Manufacturing	72	5.3%
70	Leisure and Hospitality	147	10.9%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- Austin added more than 60,000 residents in 2022, for a 2.7% rate of demographic growth. That's one of the fastest expansion rates in the nation, which registered 0.4% population growth during the same interval.

Austin vs. National Population

	2019	2020	2021	2022
National	324,697,795	326,569,308	329,725,481	331,097,593
Austin	2,114,441	2,173,804	2,234,300	2,296,377

Source: U.S. Census

SUPPLY

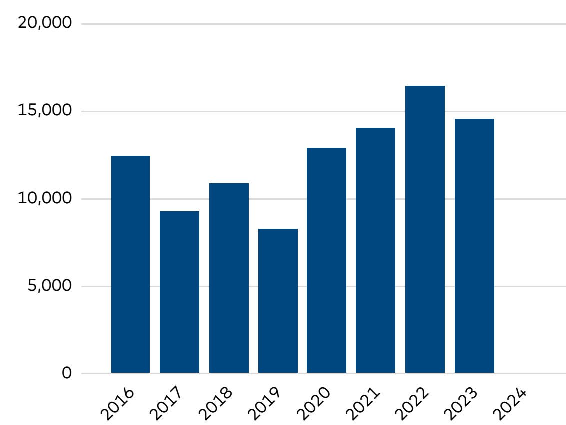
- Developers added 14,600 units in metro Austin last year, making it the third highest delivery total in the past decade. That accounted for 5.1% of the market's existing rental stock and was double the 2.6% national rate. Roughly 85% of new supply focused on the Lifestyle segment, while fully affordable communities accounted for 13.5% of the total delivery volume.

- The construction pipeline remained robust, with 57,937 units underway in January and another 103,000 units in the planning and permitting stages. The pipeline composition is similar to last year's deliveries—83.5% in Lifestyle units and 15% in fully affordable communities. Yardi Matrix expects Austin's inventory to grow by a record 9.5% in 2024, the highest percentage of stock among all major U.S. markets.

- New construction moderated considerably in 2023, due to financing hurdles and difficulty in signing deals, as rent growth turned negative and rising construction and labor costs continued to balloon. Last year, 19,655 units across 73 properties started construction, marking a 35% drop from 2022's volume of new construction, when 30,391 units across 102 properties had broken ground.

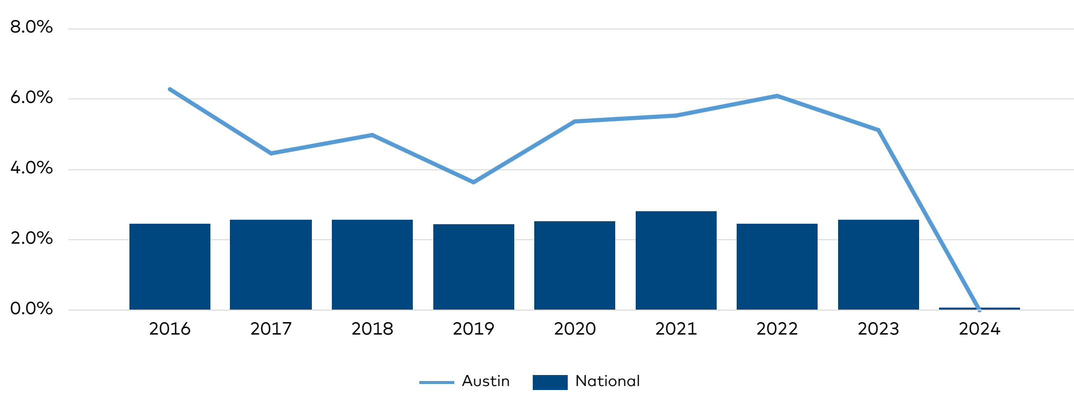
- As of January, developers were active in 38 of the 44 submarkets tracked by Yardi Matrix. San Marcos/Kyle (5,366 units) and Dessau (5,224 units) led by a far margin, with the latter among the leaders in sales activity, as well. Another six submarkets had more than 3,000 units underway, three had more than 2,000 units and five surpassed the 1,000-unit mark.

Austin Completions (as of January 2024)



Source: Yardi Matrix

Austin vs. National Completions as a Percentage of Total Stock (as of January 2024)

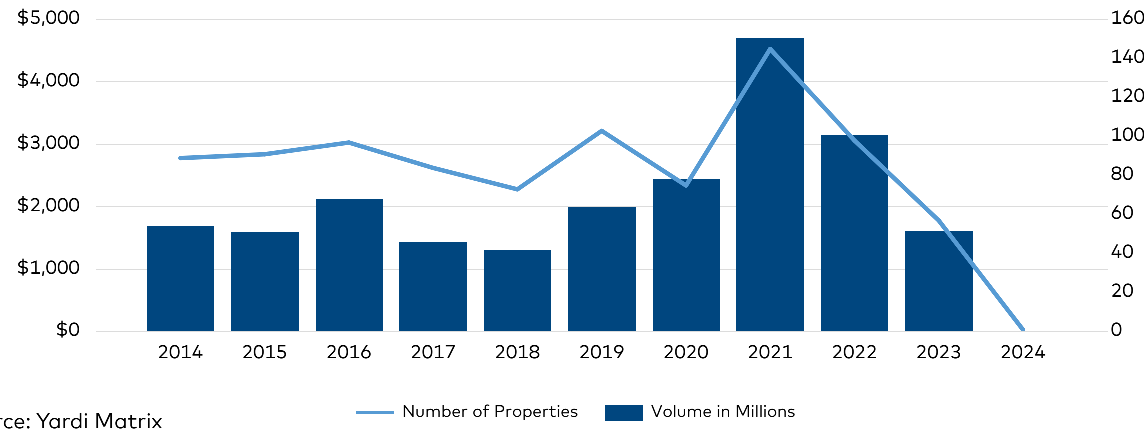


Source: Yardi Matrix

TRANSACTIONS

- Last year, the transaction volume for multifamily properties in Austin fell to $1.6 billion. Through the first month of 2024, just one asset traded—an RBN property sold for $18.8 million or $117,717 per unit. This came on the heels of tempering investor activity, as last year posted the lowest number (57) of rental property deals in a decade.
- Austin's price per unit at the end of 2023 was $180,727, closely mirroring national trends, with the U.S. figure at $185,563. Last year was the first time since 2019 that the metro's average per-unit price fell below the national average.
- Investment was strongest in the East Central Austin ($189 million) and Dessau ($185 million) submarkets in the 12 months ending in January. The only asset sold in January 2024 was North Burnet, acquired by Ansonia Properties from Hertz Investment Group. The sale was subject to a $14.1 million CMBS loan funded by Fannie Mae, with an interest rate of 5.75%.

Austin Sales Volume and Number of Properties Sold (as of January 2024)



Source: Yardi Matrix

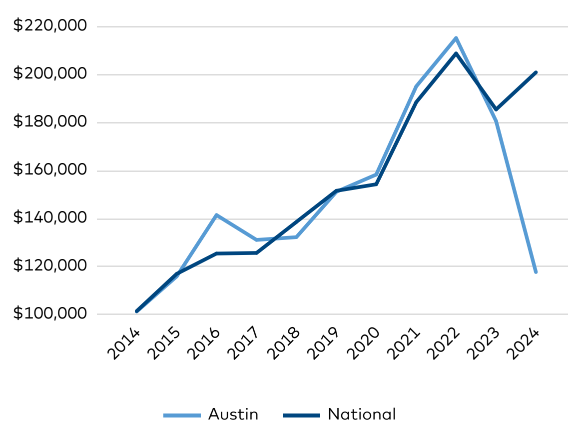
Top Submarkets for Transaction Volume[1]

Submarket	Volume ($MM)
East Central Austin	189
Dessau	185
Round Rock–East	117
San Marcos/Kyle	103
IBM Area	93
Cedar Park	93
St. Edwards Park	86

Source: Yardi Matrix

[1] From February 2023 to January 2024

Austin vs. National Sales Price per Unit



Source: Yardi Matrix

LISTICLE

MULTI-HOUSING NEWS

data by Yardi Matrix

Top 10 Markets for Multifamily Deliveries in 2023

By Tudor Scolca-Seusan

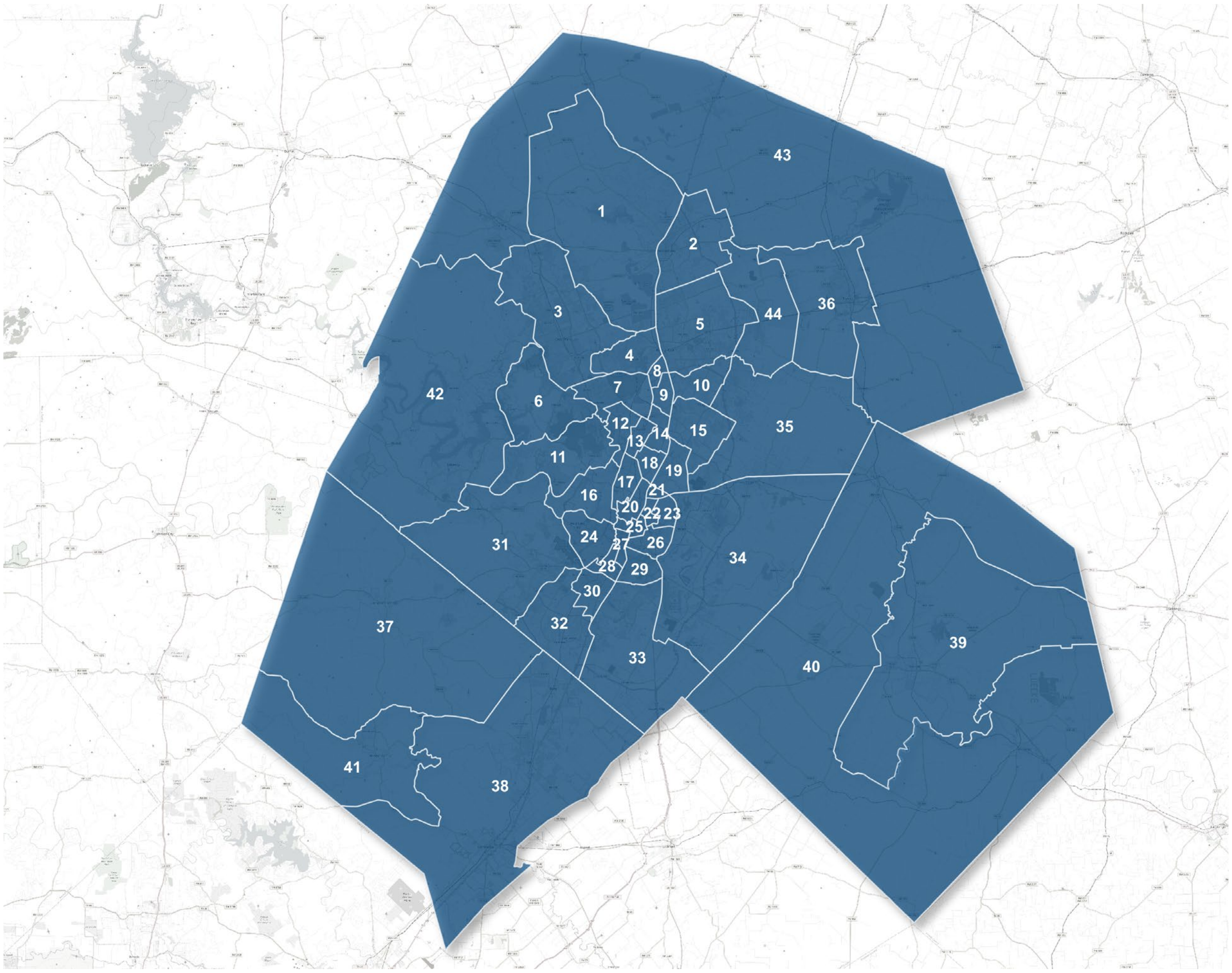
Supply growth nationwide reached a decade-long peak, with more than 1.2 million units under construction, Yardi Matrix data shows. Multifamily deliveries remained strong in 2023, despite economic headwinds. This year, tighter lending circumstances and rising material, maintenance and labor costs will impact new construction starts, but the supply pipeline remains strong. Roughly 500,000 units are expected to come online in 2024, with markets in the South and West likely to stay at the top.

Rank	Metros	Projects Delivered 2023	Units Delivered 2023	% of Stock 2023
1	Dallas	95	24,303	5.2
2	Atlanta	94	21,007	4.5
3	Phoenix	79	17,189	3.7
4	Miami Metro	70	17,098	3.7
5	Houston	68	16,868	3.6
6	Austin	67	16,523	3.5
7	Washington, D.C.	54	14,538	3.1
8	Orlando	53	13,351	2.9
9	Los Angeles	84	12,304	2.6
10	New Jersey	67	11,857	2.5

Austin

Texas' capital rounded out the three entries from the Lone Star state. Austin continued to shine, with developers bringing 16,523 units online in 2023, representing a 3.5% expansion rate. Although completions were down from 2022's 17,172 total, they were above the total recorded in 2021—15,286 units. The largest property completed in 2023 was JEM Holdings' The Parker, in Pflugerville, Texas. Upon completion of the 504-unit asset, the developer secured a $65.5 million refinancing loan from Guardian Life Insurance Co.

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

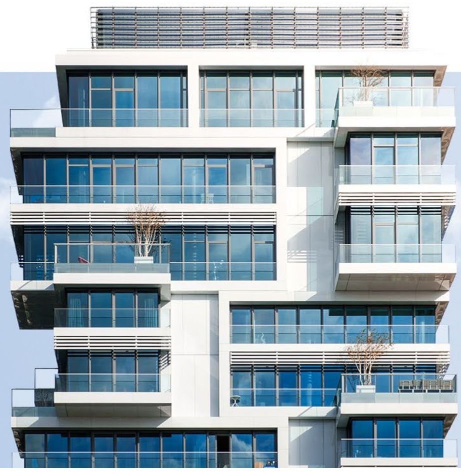
The value in application of the Yardi® Matrix Context rating is that standardized data provides consistency; information is more meaningful because there is less uncertainty. The user can move faster and more efficiently, with more accurate end results.

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.

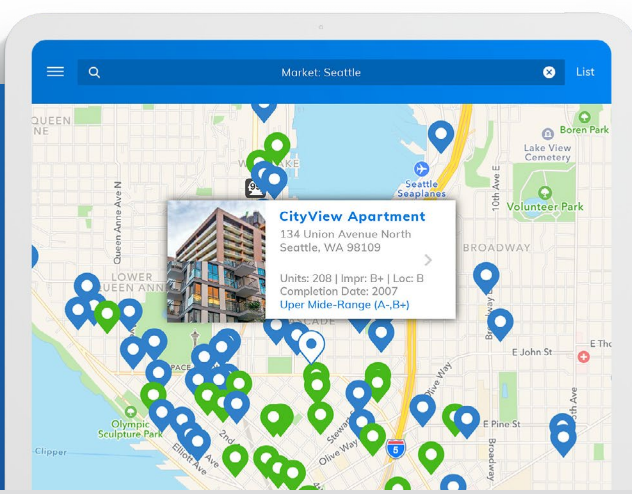
Yardi® Matrix

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.**

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