Yardi® Matrix

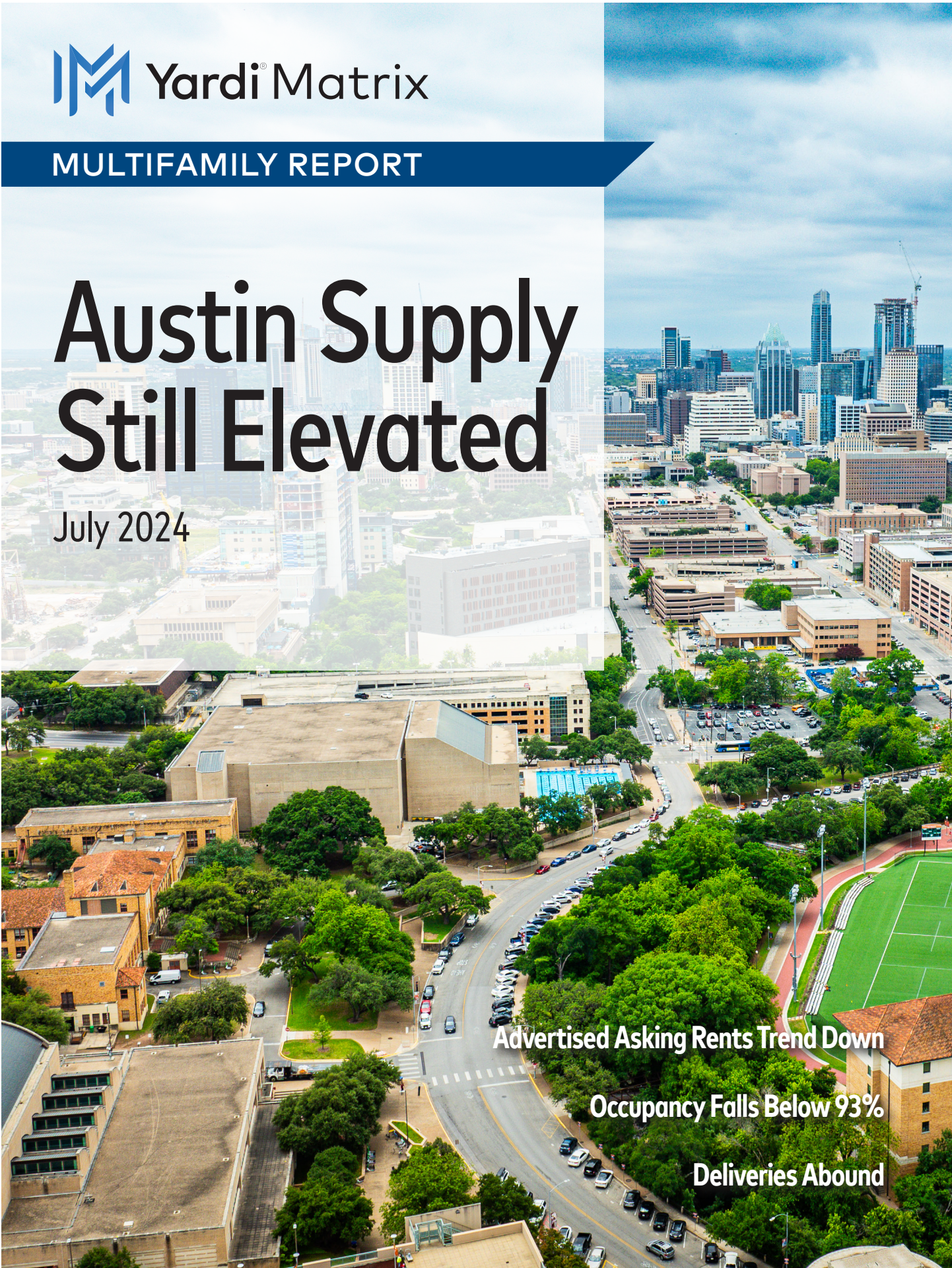# Austin Supply Still Elevated

July 2024

Advertised Asking Rents Trend Down

Occupancy Falls Below 93%

Deliveries Abound

Yardi Matrix

Austin's Rental Supply Leads Nation

Austin's multifamily fundamentals were a mixed bag in the second quarter of 2024, due to the continued high influx of new supply. Some 60,000 units have come online in the metro since 2020 and despite strong demand and population growth, supply outperformed rent growth and occupancy. On a year-over-year basis through May, Austin advertised asking rents contracted 5.8%, to $1,620, while the national rate rose 0.6%, to $1,733. Meanwhile, occupancy declined to 92.9% in April, while the national average stayed flat, at 94.5%.

In the 12 months ending in March, Austin's employment market expanded 2.8%, or 28,800 jobs, marking the second-best performance among Yardi Matrix's top 30 metros. Unemployment stood at 3.0% in April, surpassing the U.S. (3.9%), the state (4.0%) and all other major Texas metros. Two sectors underperformed—information (down 2,900 jobs) and professional and business services, which remained flat. Government (7,300 jobs) and education and health services (7,000 jobs) led job gains.

Developers delivered 5,499 units in 2024 through May and had another 54,722 under construction. While record deliveries are expected this year, new construction shows signs of softening. Investment activity remained tepid, with transaction volume at $344 million in May, and the per-unit price down 17.8% year-over-year, to $148,454, trailing the $176,968 U.S. figure.

Market Analysis | July 2024

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Recent Austin Transactions

Mia Riverside

City: Austin, Texas
Buyer: LXMI Capital
Purchase Price: $67 MM
Price per Unit: $119,103

Broadstone North Ridge

City: Round Rock, Texas
Buyer: Manulife Investment
Management
Purchase Price: $61 MM
Price per Unit: $178,466

Terra

City: Austin, Texas
Buyer: Azure Partners
Purchase Price: $58 MM
Price per Unit: $156,326

3Waller

City: Austin, Texas
Buyer: Placemakr
Purchase Price: $48 MM
Price per Unit: $184,813

RENT TRENDS

➤ After 10 consecutive months of contractions, Austin's average advertised asking rent remained flat in May, at $1,620. Meanwhile, the U.S. rate rose 0.3% on a trailing three-month (T3) basis through May, to $1,733. On a year-over-year basis, Austin rents continued to feel the pressure of high supply, decreasing 5.8%, while the U.S. rate improved 0.6%.

➤ Movement was flat across quality segments on a T3 basis through May, clocking in at $1,370 for the working-class Renter-by-Necessity component and $1,726 for Lifestyle. Overall, for most of the past year, advertised asking rents in the upscale segment posted weaker performance.

➤ Austin was one of the four metros with the average occupancy rate in stabilized assets below 93.0%, down 90 basis points year-over-year, to 92.9% as of April. The decline was steeper in the RBN segment, down 150 basis points to 91.7%, while Lifestyle occupancy was down 70 basis points, to 93.3%.

➤ On a year-over-year basis, advertised asking rents increased in just six submarkets, with the best performance recorded in Berkman Dr. (5.5% to $1,479) and Dripping Springs (1.0% to $1,843). The latter was the metro's fourth most expensive submarket, behind Downtown — North (-5.6% to $2,836), the West End (-5.1% to $2,186) and Pershing (-5.7% to $2,101).

➤ Austin's single-family rental segment performed slightly better, with the average advertised asking rent down 4.0% year-over-year through May to $2,212, while occupancy inched up 0.2%.

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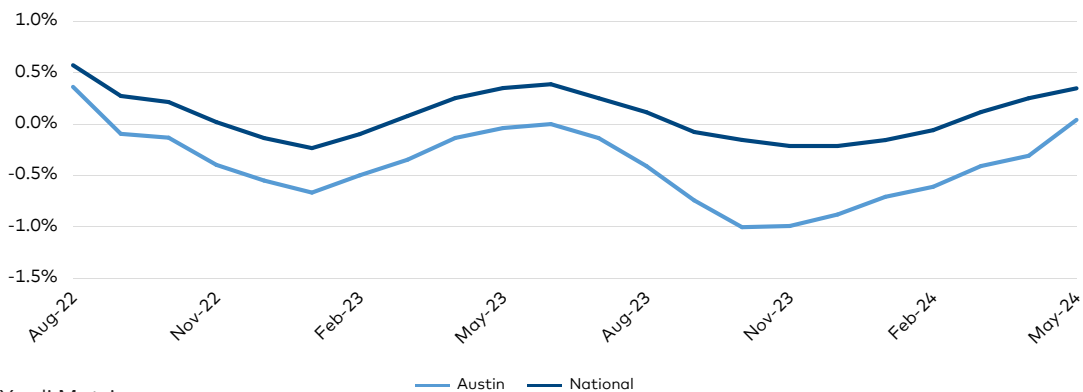
Source: Yardi Matrix

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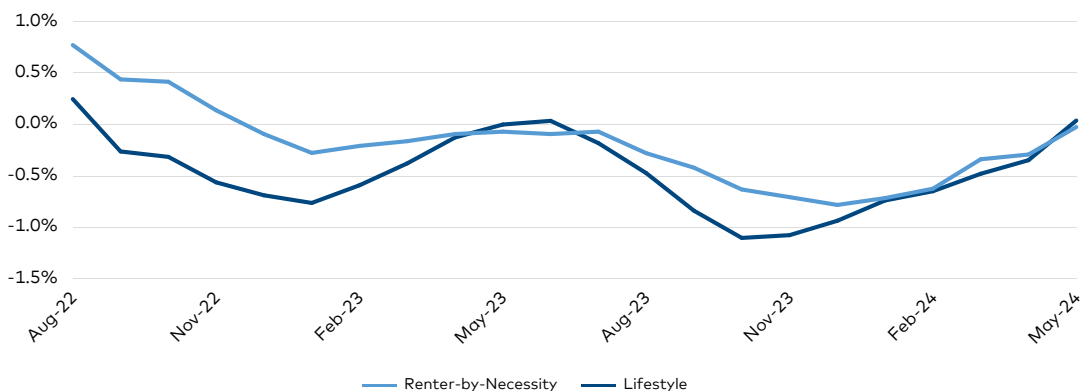
Source: Yardi Matrix

ECONOMIC SNAPSHOT

➤ Austin's unemployment rate was 3.0% in April, according to preliminary data from the Bureau of Labor Statistics, a 50-basis-point improvement month-over-month and on par with the rate at the end of 2023. It outperformed the U.S. (3.9%), Texas (4.0%) and other major Texas metros—Dallas (3.4%), Houston (3.8%) and San Antonio (3.3%). For most of last year, Austin's jobless rate stayed around the 3.5% mark.

➤ In the 12 months ending in March, the metro's job market expanded 2.8%, or 28,800 jobs, trailing only Las Vegas among Yardi Matrix's top 30 metros. Despite the robust performance, global trends are affecting the local economy. Office-using jobs are dwindling—information lost 2,900 jobs during the period, while professional and business services, which often led growth over the past few years, remained flat. However, the office sector had 4.3 million square feet of space under construction in February, maintaining its status as one of the more robust pipelines in the U.S.

➤ Persisting economic volatility pushed the government sector to the leading position for jobs added in the 12 months ending in March, up by 7,300 jobs. Next in line was education and health services (7,000 jobs). Texas Children's Hospital Austin, a $485 million facility, opened in February, while Austin State Hospital completed a $305 million renovation in May.

Austin Employment Share by Sector

Code	Employment Sector	Current Employment (000)	% Share
90	Government	200	14.8%
65	Education and Health Services	159	11.8%
40	Trade, Transportation and Utilities	209	15.5%
15	Mining, Logging and Construction	85	6.3%
80	Other Services	54	4.0%
70	Leisure and Hospitality	149	11.0%
55	Financial Activities	83	6.2%
30	Manufacturing	74	5.5%
60	Professional and Business Services	286	21.2%
50	Information	51	3.8%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

➤ Austin gained 62,077 residents in 2022, a substantial 2.8% population expansion, while the national rate inched up 0.4%. The metro has maintained its appeal, as in 2021 the rate of growth was also 2.8%.

➤ Between 2019 and 2022, Austin's population rose 8.6%.
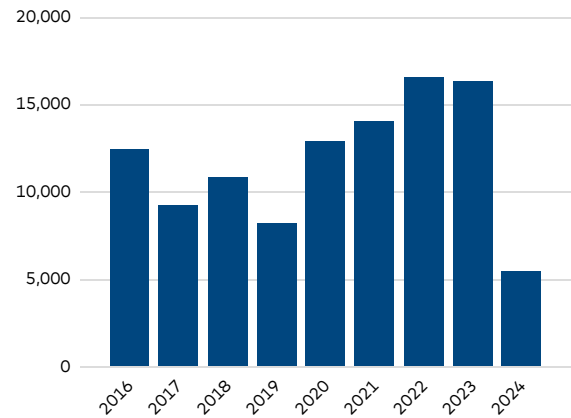
Austin vs. National Population

|	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

➤ Austin's rental inventory grew by 5,499 units in 2024 through May, 1.9% of existing stock and more than double the U.S. rate. The metro boasts one of the most active development pipelines in the country, which has outpaced demand and driven down rents. The newly added supply remained heavily tilted toward upscale properties, accounting for 79% of deliveries. The share of RBN properties was small (1.5%) while the remaining 19.5% were units in fully affordable communities.

➤ Developers had 54,722 units under construction as of May and another 101,000 in the planning and permitting stages. Projects favored Lifestyle properties (80.4%), followed by fully affordable communities (17.6%) and a very small amount of RBN assets (2.0%). Yardi Matrix expects that deliveries for the entire year will reach 24,643 units, the highest volume in the country by number of units and by percentage of existing stock (8.5%).

➤ Although still elevated, construction activity has started to slow down. In 2024 through May, 3,558 units across 16 properties broke ground in the metro, well below the 11,324 units across 40 properties recorded during the same period last year.

➤ As of May, developers were active in 40 of the 44 submarkets tracked by Yardi Matrix. The top five submarkets had more than 3,000 units underway, led by Dessau (5,967 units), San Marcos/Kyle (4,726 units) and Daffan (3,985 units).

➤ The largest project delivered in 2024 through May was AMLI Branch Park, a 406-unit Lifestyle asset in Capital Plaza. AMLI Residential's property is partially affordable and includes 23,483 square feet of retail space.

Austin Completions (as of May 2024)

Source: Yardi Matrix

### Austin vs. National Completions as a Percentage of Total Stock (as of May 2024)
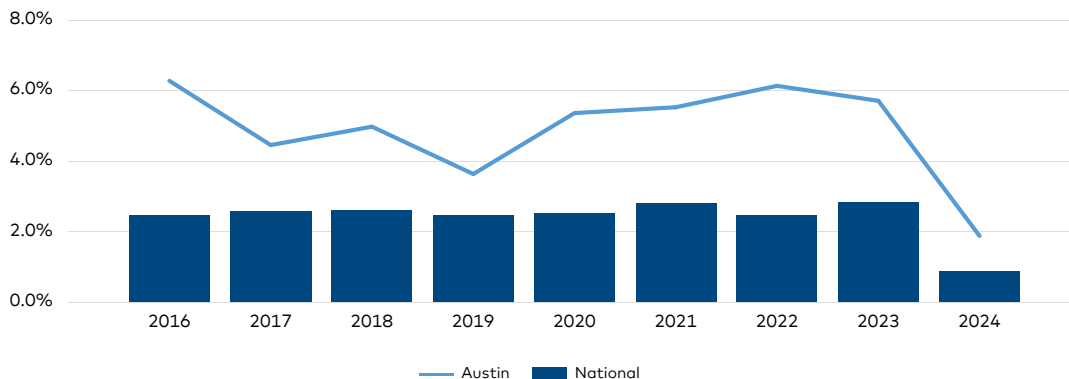
Source: Yardi Matrix

TRANSACTIONS

➤ Investment remained tepid in Austin, with multifamily sales totaling just $344 million in 2024 through May, across 12 transactions. Last year, investment volume reached $1.5 billion, slightly below pre-pandemic volumes.

➤ Sales distribution was even across quality segments. The price per unit recorded a substantial 17.8% year-to-date decrease to $148,454, widening the gap to the national figure, at $176,968 in May.

➤ In the 12 months ending in May, investors traded $1.2 billion in multifamily assets. Only three submarkets had investment volumes above $100 million, led by Dessau ($185 million).

➤ Notable sales through May included Mia Riverside, a partially affordable community in East Central Austin. LXMI Capital acquired it for $67 million from Presidium Group, with aid from a $50 million loan originated by Newmark.

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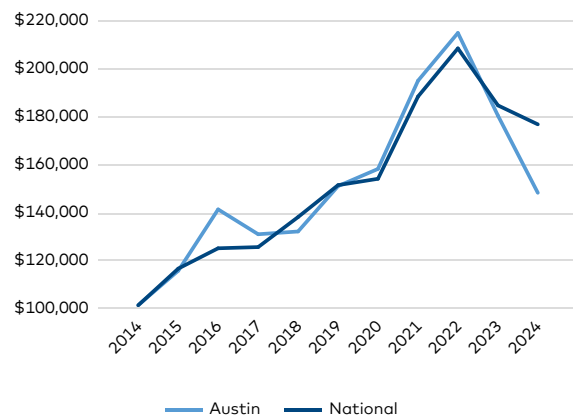

Source: Yardi Matrix

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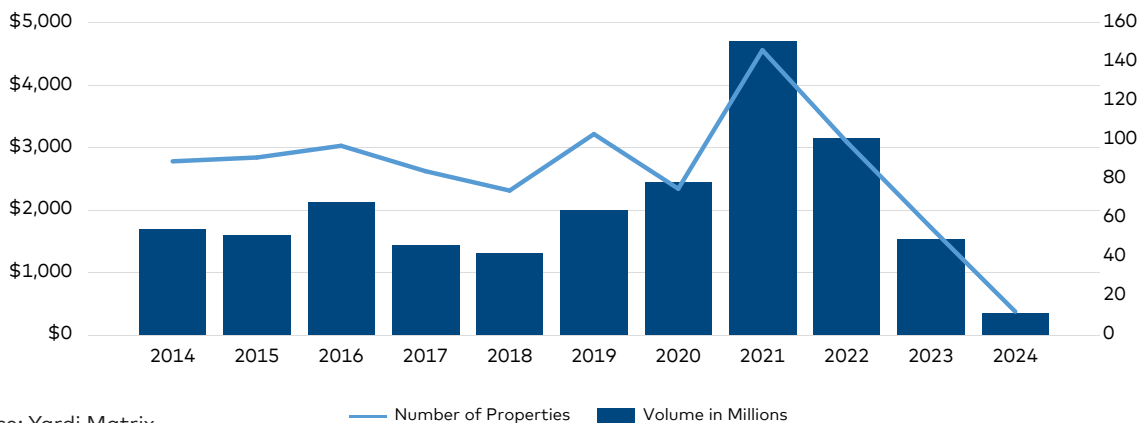
Top Submarkets for Transaction Volume[1]

Submarket	Volume ($MM)
Dessau	185
East Central Austin	150
Round Rock–East	138
IBM Area	93
St. Edwards Park	86
Sunset Valley	85
San Marcos/Kyle	62

Source: Yardi Matrix
[1] From June 2023 to May 2024

Austin vs. National Sales Price per Unit

Austin — National

Source: Yardi Matrix
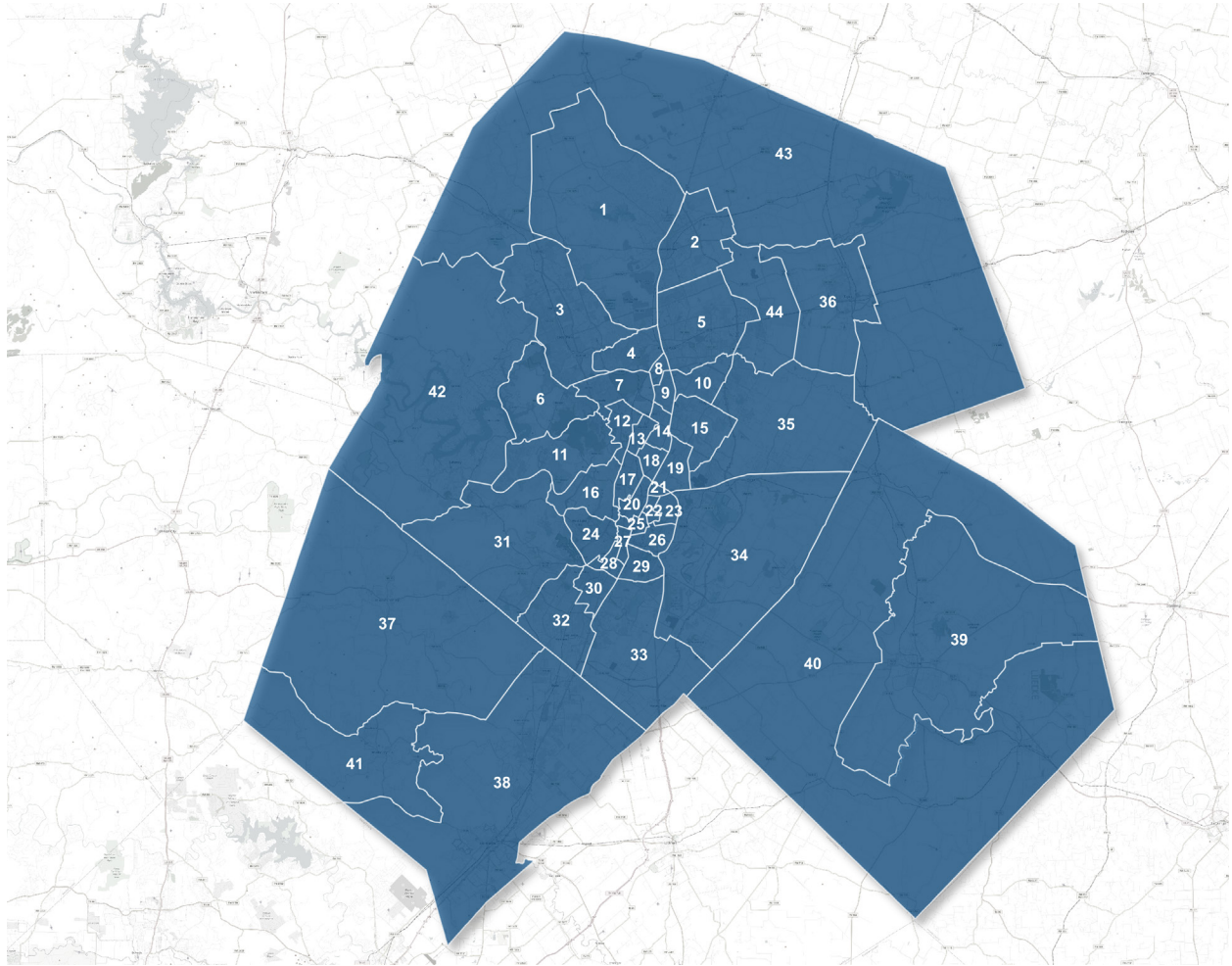
Area No.	Submarket		Area No.	Submarket
1	Georgetown–West		23	Berkman Drive
2	Georgetown–East		24	West End
3	Cedar Park		25	University of Texas
4	Brushy Creek		26	Pershing
5	Round Rock–East		27	Downtown–North
6	Anderson Mill		28	Downtown–South
7	Jollyville–North		29	East Central Austin
8	Round Rock–South		30	Pleasant Hill–West
9	Wells Branch		31	Oak Hill
10	Pflugerville		32	Sunset Valley
11	St. Edwards Park		33	Pleasant Hill–East
12	Jollyville–South		34	Daffan
13	IBM Area		35	Elgin
14	Eubank Acres–North		36	Taylor
15	Dessau		37	Dripping Springs
16	Far West Blvd		38	San Marcos/Kyle
17	Abercrombie		39	Bastrop
18	Eubank Acres–South		40	Outlying Bastrop County
19	Walnut Forest		41	Woodcreek–Wimberley
20	Hyde Park		42	West Travis County
21	St. Johns Park		43	Outlying Williamson County
22	Capital Plaza		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.
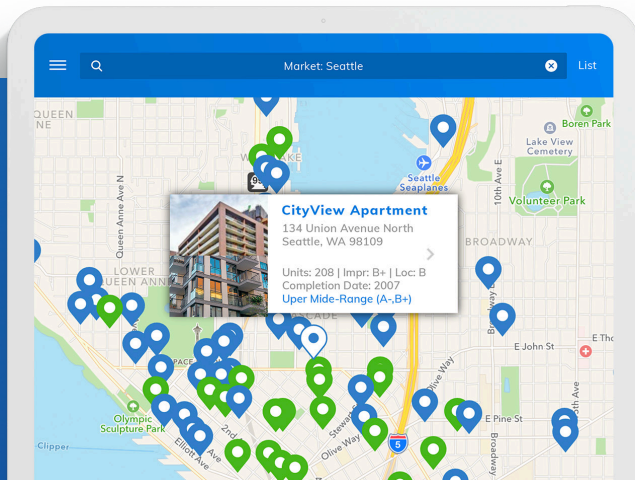
Yardi® Matrix

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 **22.3+ million units**, covering over **92% of the U.S. population.**

Market: Seattle — List

CityView Apartment
134 Union Avenue North
Seattle, WA 98109

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

⩒ YARDI

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Learn more at yardimatrix.com/**multifamily**

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