

Austin's Growing Pains

November 2024

Construction Pipeline Sets New Record

Rent Movement Remains Negative

Occupancy Stays Healthy in Upscale Segment

AUSTIN MULTIFAMILY



Strong Supply Still Dominates Market

High supply continued to affect Austin multifamily, even as rental demand remained healthy. Advertised asking rents slid 10 basis points on a trailing three-month basis through September, to \$1,614. Year-over-year, the rate fell 4.9%, the largest decline among Yardi Matrix's top 30 metros, but the figure was still an improvement compared to a year ago. Meanwhile, the national rate rose 0.9% on a yearly basis, to \$1,750. Austin's occupancy in stabilized properties fell 20 basis points year-over-year, to 93.1%, with the working-class segment taking a significant hit.

Austin job growth moderated to 2.0%, or 18,900 net positions, in the 12 months ending in July. However, the metro still led the U.S. average by 70 basis points. Government (8,000 jobs) and leisure and hospitality (5,200 jobs) led gains, while professional and business services and information lost 7,500 positions combined. Meanwhile, Austin unemployment stood at 3.4% as of September, better than the U.S. and Texas (both at 4.1%), according to preliminary Bureau of Labor Statistics data.

Austin's historic pipeline remained its top headline-worthy metric, with 15,666 units delivered in the first three quarters of 2024 and another 50,248 apartments under construction as of September. Transaction activity, however, slowed down. Just \$740 million in assets traded year-to-date through September, a little over half the volume recorded during the same months of 2023.

Market Analysis | November 2024

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 x14006

Doug Ressler

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

Author

Anca Gagiuc

Senior Associate Editor

Recent Austin Transactions

Bridge at Arella Lakeline



City: Cedar Park, Texas
Buyer: Belveron Partners
Purchase Price: \$81 MM
Price per Unit: \$227,766

Toscana



City: Austin, Texas
Buyer: Comunidad Partners
Purchase Price: \$70 MM
Price per Unit: \$195,628

Citizen House Pflugerville



City: Pflugerville, Texas
Buyer: Decron Properties
Purchase Price: \$61 MM
Price per Unit: \$183,034

Alister Sunset Valley

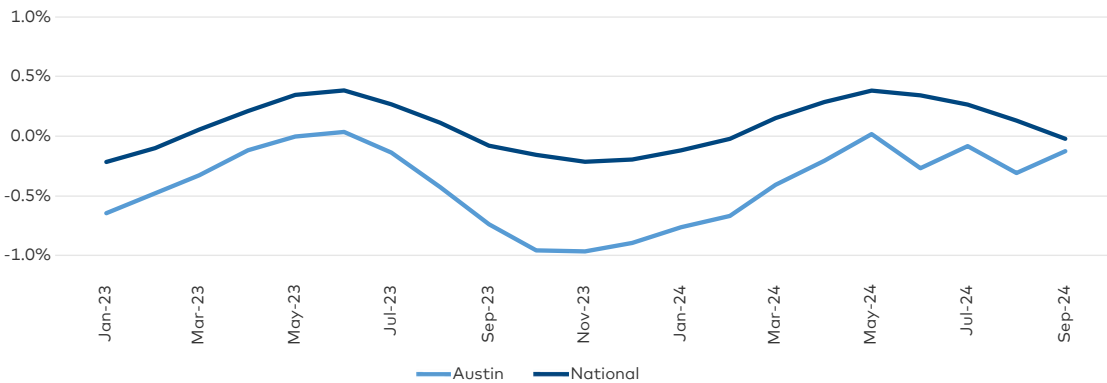


City: Austin, Texas
Buyer: Mill Creek Residential
Purchase Price: \$49 MM
Price per Unit: \$168,083

RENT TRENDS

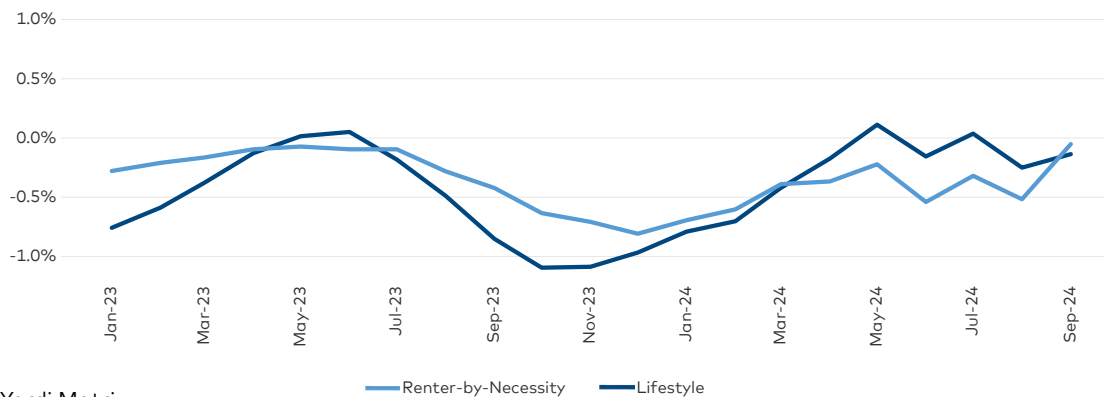
- ▶ Austin rent movement remained negative at the end of 2024's third quarter, marking 25 consecutive months of declines or flat performance on a trailing three-month (T3) basis. The average advertised asking rent slid 0.1%, on a T3 basis through September, to \$1,614, while the national rate remained flat, at \$1,750. Year-over-year, rents fell 4.9%, trailing the other metros across Yardi Matrix's top 30 metros. The U.S. rate posted a 0.9% increase for the third straight month.
- ▶ Working-class Renter-by-Necessity advertised asking rents remained flat on a T3 basis through September, at \$1,342, following 21 straight months of contractions. Lifestyle rents inched down 10 basis points, to \$1,722. Despite very strong supply, the occupancy rate in stabilized properties declined just 20 basis points year-over-year, to 93.1%, in September. That was the third-lowest rate among Matrix's top 30 metros. Demand actually matched supply for upscale units, with occupancy in the segment gaining 10 basis points in 12 months, to 93.7%. However, RBN occupancy fell a swift 110 basis points, to 91.5%.
 - ▶ Year-over-year rent growth was positive in just four of the 44 submarkets tracked by Matrix, including Berkman Drive (1.7% to \$1,418) and Dripping Springs (1.7% to \$1,847). Three submarkets had average advertised asking rents above the \$2,000 mark, led by Downtown-North (-1.5% to \$2,907).
 - ▶ Year-over-year through September, Austin advertised asking rents in the SFR segment fell 2.7%, to \$2,261. Occupancy remained flat, at 91.3%.

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 job gains softened to 2.0% in the 12 months ending in July, still 70 basis points ahead of the U.S. rate. Two sectors lost positions—professional and business services (-4,400 jobs) and information (-3,100), while the bulk of the 18,900 net jobs added coming from the government (8,000), leisure and hospitality (5,200), education and health services (4,400) and construction (3,700) sectors.
- Meanwhile, unemployment clocked in at 3.4% in September, according to preliminary data from the BLS, faring better than Texas and the U.S. (both at 4.1%). Austin's job market proved tighter than all other major Texas metros: Dallas (3.9%), San Antonio (3.8%) and Houston (4.4%).
- The metro's economy has diversified significantly over the past two decades—matching the area's rapid expansion—with a particular push toward tech, life sciences and automotives. While its business climate and quality of life remain attractive, the influx of tech jobs that led to Austin's sustained growth has simmered down. Even so, development activity is telling: The metro added some 17 million square feet of office to its inventory since the beginning of 2020. That accounts for a whopping 14.7% of existing stock.
- The Journey with AUS expansion program at Austin-Bergstrom International Airport reached a major milestone. In September, the project received key approvals.

Austin Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
90	Government	192.6	14.3%
70	Leisure and Hospitality	154	11.4%
65	Education and Health Services	159.8	11.9%
15	Mining, Logging and Construction	87.7	6.5%
40	Trade, Transportation and Utilities	210.3	15.6%
80	Other Services	54.6	4.0%
55	Financial Activities	84.8	6.3%
30	Manufacturing	74.1	5.5%
50	Information	50.1	3.7%
60	Professional and Business Services	280.3	20.8%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- Austin gained 62,077 residents in 2022, the equivalent of a 2.8% expansion and the same rate it recorded in 2021. The U.S. rate was far behind, at 0.4% in 2022 and 1.0% in 2021.
- Between 2010 and 2022, metro Austin's population grew by an impressive 41.1%.

Austin vs. National Population

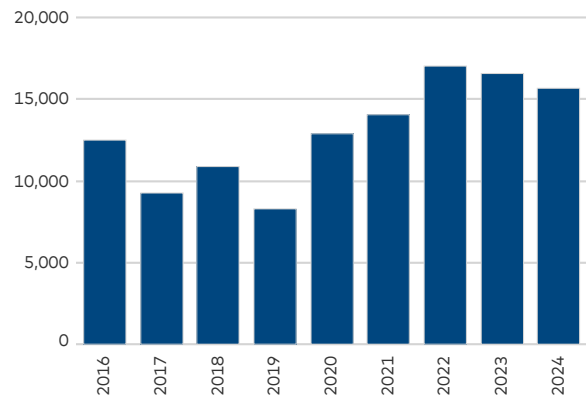
	2019	2020	2021	2022
National	324,697,795	326,569,308	329,725,481	331,097,593
Austin Metro	2,114,441	2,173,804	2,234,300	2,296,377

Source: U.S. Census

SUPPLY

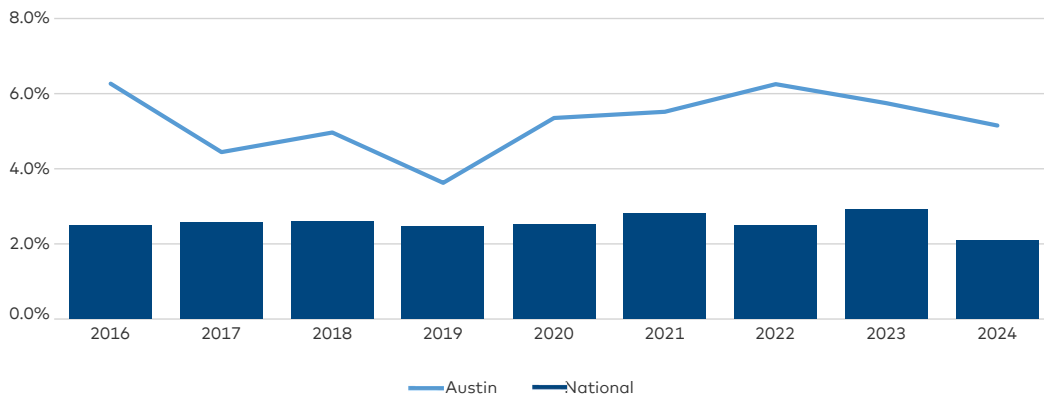
- Development remained elevated in Austin, both by volume of deliveries and ongoing pipeline. During the first three quarters of 2024, a total of 15,666 units came online in Texas' capital. That equated to 5.2% of existing stock, well above the 2.1% national average. The composition of newly delivered stock was heavily tilted toward upscale assets, with Lifestyle accounting for 82% of deliveries. Fully affordable communities represented just 16%, providing little aid to the metro's affordability challenges.
- The construction pipeline encompassed 50,248 units underway and 110,000 apartments in the planning and permitting stages as of September. The composition mirrored recent deliveries—81% Lifestyle, 2% RBN and 17% fully affordable. Yardi Matrix expects Austin multifamily deliveries to total 24,643 units in 2024, which would mark a decade-high for the area.
- New development softened in Austin, however, matching the overall national trend. In 2024 through September, developers broke ground on 11,225 units across 44 properties. During the same period in 2023, work began on 15,445 units in 54 multifamily properties. The figure marked a 27% slowdown.
- Of the 44 submarkets tracked by Yardi Matrix, 16 had more than 1,000 units under construction each. Core submarkets Dessau (6,081 units) and Daffan (3,750 units) led, followed by San Marcos/Kyle (3,715 units).
- The largest project completed in 2024 through September was LC Pflugerville, a 409-unit garden-style property by Lifestyle Communities. It came online with the help of \$63 million in construction financing from First Merchants Bank.

Austin Completions (as of September 2024)



Source: Yardi Matrix

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

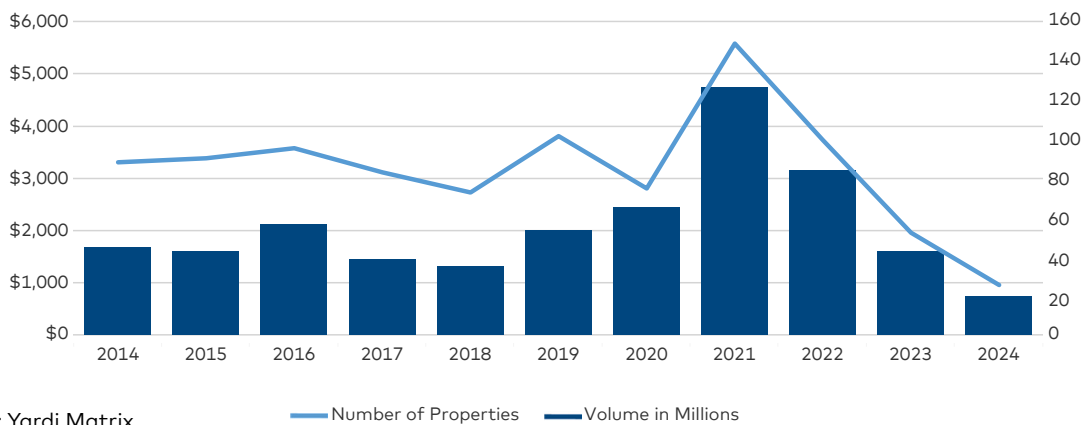


Source: Yardi Matrix

TRANSACTIONS

- ▶ Investment activity saw further declines in Austin, with the sales volume totaling \$740 million in 2024 through September.
- ▶ Sales were nearly evenly distributed across quality segments, with 15 of 28 confirmed single-asset deals through September involving up-scale assets. Per-unit prices continued to drop, down 7.2% year-to-date, to \$165,890. Meanwhile, the national average saw a 0.9% uptick, to \$188,379. The current average Austin price per unit is down 23.5% from 2022's record high. However, it's still higher than all yearly averages during the 2011-2020 decade.
- ▶ The largest Austin community to trade during the first three quarters of 2024 was Mia Riverside, a 562-unit, 10-acre asset. LXMI bought the 1970-completed, East Central Austin property from Presidium Group. Newmark originated a \$50.2 million Freddie Mac, seven-year loan for the acquisition.

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



Source: Yardi Matrix

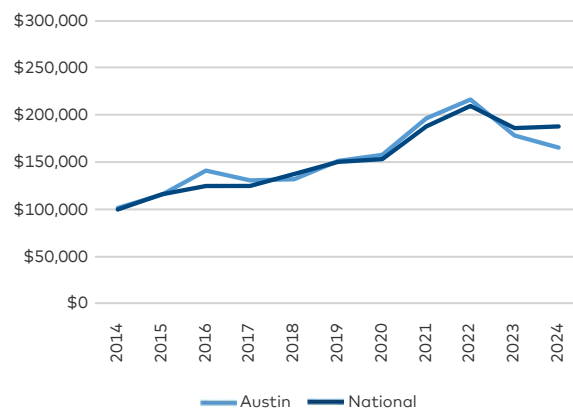
Top Submarkets for Transaction Volume¹

Submarket	Volume (\$MM)
East Central Austin	101
IBM Area	93
Sunset Valley	87
Jollyville–North	83
Cedar Park	81
Downtown–North	64
Pflugerville	61

Source: Yardi Matrix

¹ From October 2023 to September 2024

Austin vs. National Sales Price per Unit



Source: Yardi Matrix

Top 10 Markets for Multifamily Deliveries

By Tudor Scolca

With 2 million units expected to be completed across the U.S. from 2024 to 2028, multifamily development is peaking, the latest Yardi Matrix data shows. The supply surge is already in full swing, as these high-performing 10 cities had a combined 85,055 units come online in the first half of this year, about 20,000 more than they did during the first half of 2023.

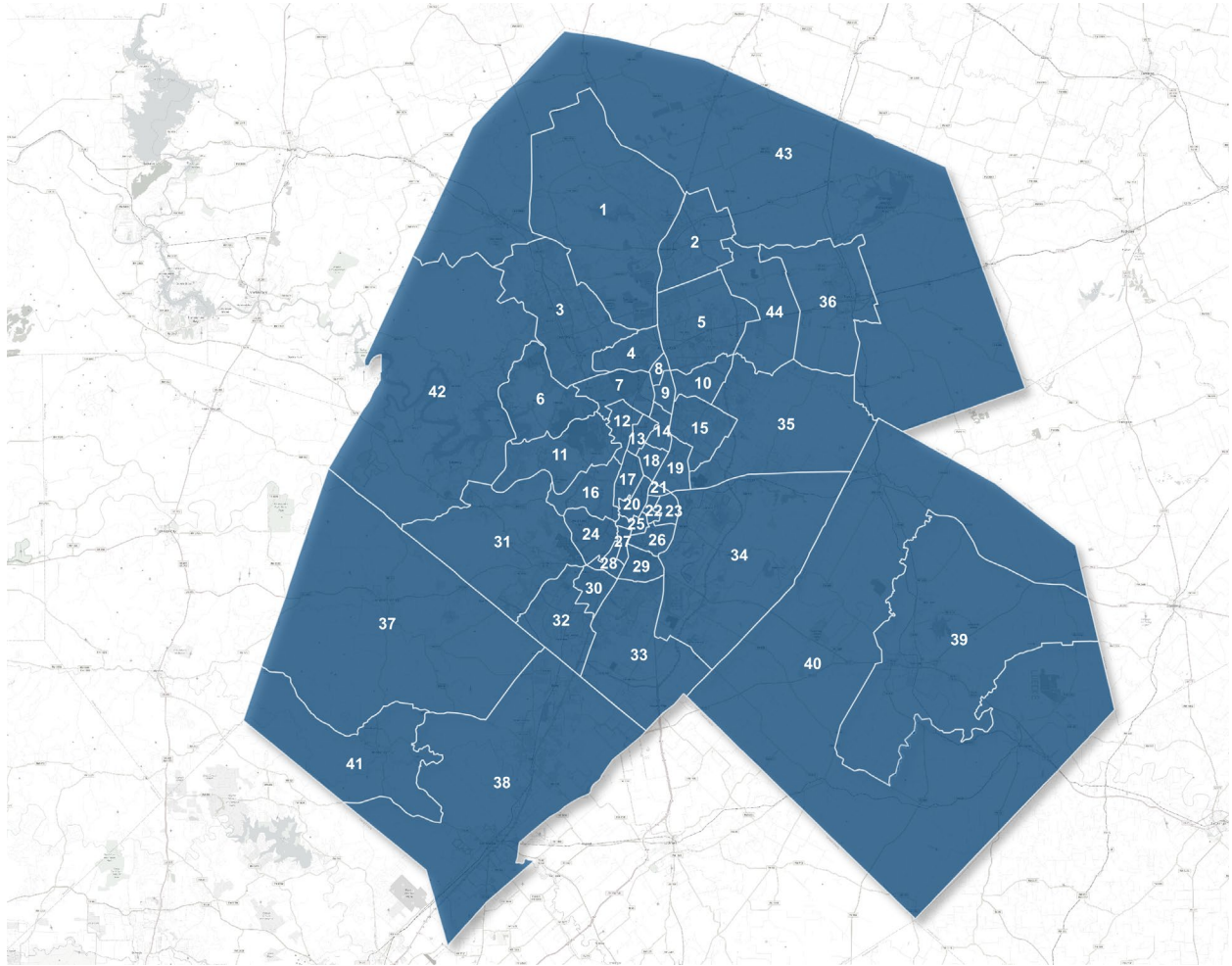
Rank	Metro	Properties Completed H1 2024	Units Completed H1 2024	Units Completed H1 2023
1	Dallas	48	12,830	7,787
2	Phoenix	44	10,048	8,413
3	Houston	35	9,258	4,641
4	Atlanta	41	8,857	7,611
5	Orlando	33	8,555	5,642
6	Austin	32	8,521	6,904
7	Miami Metro	31	6,897	7,913
8	Charlotte	31	6,890	5,803
9	Denver	34	6,623	5,522
10	Seattle	38	6,576	3,812

Austin, Texas

The third Texas metro to make the ranking, Austin held the sixth spot with 8,521 units completed year-to-date through June—up 23.4% when compared to 2023's first half. Developers completed 32 projects across the metro, 21 of which were upscale. Texas' capital followed the trend among its peers, with strong employment growth and major projects underway that promise to add even more jobs in the future. Still, the influx of new supply has contributed to stifling rent growth, the most recent Yardi Matrix Austin report shows.



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 x14006.



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.



(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.

© 2024 Yardi Systems, Inc. All Rights Reserved.