



Austin 3Q23 Multifamily Market Report



\$1,650
AVERAGE RENT



93.3%
AVERAGE OCCUPANCY RATE



\$1.8B
YTD SALES VOLUME



-4.8%
YOY RENT CHANGE



-130 POINTS
YOY OCCUPANCY CHANGE



43 YTD
INDIVIDUAL TRANSACTIONS

Supply & Demand

3Q23

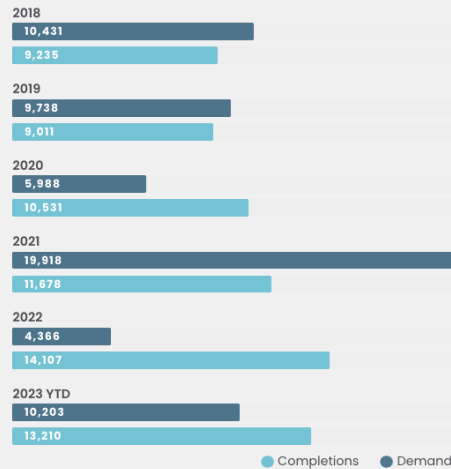


4,758 Units
QUARTERLY DEMAND
YTD: 10,203



6,931 Units
QUARTERLY COMPLETIONS
YTD: 13,210

Annual Demand Vs Completions



Demand Trends

- Transitioning into the typically slower fall leasing season, the Austin apartment market demonstrated robust demand, registering a significant net demand of 4,758 units. This performance positioned Austin third nationally in terms of raw absorption.
- Among the 16 submarkets within Austin, 13 showcased positive absorption, with the Round Rock/Georgetown submarket emerging prominently. This can largely be attributed to a surge in employment activities and the introduction of new projects in the area, which have driven lease-up rates.



Completion Trends

- The third quarter of 2023 saw the addition of 6,931 units to Austin's apartment inventory, bringing the total to 13,210 units over the past three quarters of 2023, fulfilling 65% of the year's projected additions.
- The inventory growth was significantly driven by the Round Rock/Georgetown and East Austin submarkets, together accounting for over 37.3% of the increase of units over the past year.



Demand Outlook

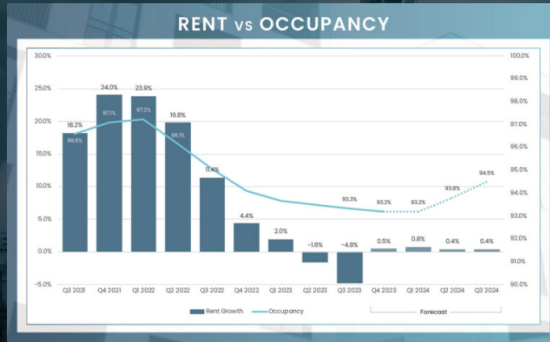
- Formidable economic and demographic factors are expected to drive demand. However, the absorption of the upcoming 32,690 units – the highest in 29 years – scheduled for delivery over the next four quarters, poses a substantial challenge, even for a vigorous high-demand market like Austin.
- While Austin is projected to see a temporary dip in occupancy due to a surge in completions, the apartment market's performance is anticipated to rebound to its typically robust level once operators effectively manage the increased unit supply.



New Supply Outlook

- As of the close of Q3 2023, a total of 42,804 units were under construction, with a significant portion projected for completion in the upcoming four quarters, tripling the past five-year average.
- The East Austin submarket, housing the new Tesla facility, is anticipated to receive the largest number of new apartment units over the forthcoming quarters.

Occupancy & Rent Trends



RENT VS OWN MONTHLY PAYMENT



\$3,713

Average Monthly Mortgage Payment



\$1,650

Average Monthly Rent

OCCUPANCY TRENDS

In Q3 2023, the Austin rental market encountered varying occupancy rates amidst a rising inventory and shifting market conditions. Class A units showcased notable stability, achieving a commendable occupancy rate of 93.6%, despite a minor quarter-to-quarter decrease of 14 basis points. Interestingly, seven submarkets bucked the broader trend, witnessing improved occupancy—San Marcos led the charge with a 50-basis point quarter-over-quarter increase, reaching a rate of 93.9%. It was closely followed by Southeast Austin and Northwest Austin, each registering a 40-basis point uptick. This disparity underscores the significance of examining submarket-specific data to unveil localized trends and opportunities within the Austin area.

RENTAL TRENDS

In the third quarter, Austin's rental market experienced a sharp turn, registering an annual decline of 4.8%, bringing the average rent for new leases to \$1,650 by the quarter's end. While this downturn may seem startling, it primarily stems from an influx of new supply entering the market within a close timeframe, rather than a waning in demand. In fact, a closer examination unveils varied performance across different submarkets and asset classes within Austin. The Round Rock/Georgetown submarket witnessed a noteworthy increase in rent for Class A properties, with a substantial 5.0% annual rise in Q3 2023. Conversely, the Downtown/University submarket reaped the benefits of robust demand for Class B properties, propelling the annual rent growth to an impressive 5.7%, and elevating the average monthly rents in the submarket to a notable \$2,666.

Submarket Rent & Occupancy

Show entries

Search:

Submarket	Average Occupancy	Annual Occupancy Change	Average Monthly Rent	Annual Rent Change
East Austin	92.3%	-1.5%	\$1,778	-2.3%
Pflugerville/Wells Branch	93.3%	-2.0%	\$1,526	-3.6%
Riverside	91.9%	-3.4%	\$1,568	-2.6%
Far West Austin	92.7%	-2.6%	\$1,625	-7.2%
Southeast Austin	93.5%	-2.0%	\$1,525	-3.8%
Cedar Park	93.9%	-1.1%	\$1,611	-7.5%
South Austin	93.7%	-1.3%	\$1,974	-4.9%
Round Rock/Georgetown	93.2%	-1.4%	\$1,576	-4.3%
Far South Austin	93.6%	-1.5%	\$1,566	-5.6%
San Marcos	93.8%	-2.3%	\$1,439	-0.2%

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Units by Submarket Delivering in 2023



42,804

Number of Units Under Construction



32,690

Number of Units UC Delivering in the Next 4 Quarters

Percentage of Units Under Construction

Arboretum - 796
Cedar Park - 4,213
Downtown / University - 3,391
East Austin - 6,804
Far South Austin - 2,436

Percentage of Units Delivering Next 4Q

Arboretum - 796
Cedar Park - 3,785
Downtown/University - 1,786
East Austin - 5,108
Far South Austin - 1,963

Far West Austin - 895	Far West Austin - 514
Near North Austin - 1,274	Near North Austin - 987
North Central Austin - 5,896	North Central Austin - 4,892
Northwest Austin - 356	Northwest Austin - 356
Pflugerville / Wells Branch - 2,484	Pflugerville/Wells Branch - 1,770
Riverside - 745	Riverside - 745
Round Rock / Georgetown - 6,474	Round Rock/Georgetown - 4,551
San Marcos - 2,985	San Marcos - 2,549
South Austin - 655	South Austin - 616
Southeast Austin - 2,224	Southeast Austin - 1,306
Southwest Austin - 1,176	Southwest Austin - 966

Sales Activity

At the end of September 2023, the total value of individual conventional multifamily transactions in Austin, TX, for the year amounted to approximately \$1.8 billion, marking a 44.9% decline compared to the same period in the preceding year. Simultaneously, there was a 52% decrease in the number of properties traded, with 43 properties changing hands, indicating a cautious investment environment amid stringent financial conditions. Despite this downturn, Austin's average price per unit experienced a notable annual rise of 9.0%, escalating to around \$237,100. Institutional buyers remain the primary drivers of acquisitions thus far, and amidst fluctuating conditions, international buyers are maintaining steady interest, making up 5.4% of the buyer composition in the Austin market (a notable increase from the five-year average of 3.2%).

▲ Most Active Buyers (Previous 24 Months)

1. City of Austin
2. Belveron RE Partners
3. Terracap Mgmt Corp
4. Tides Equities
5. Austin Affordable Housing Corp

▲ Most Active Sellers (Previous 24 Months)

1. Endeavor RE Group
2. Thompson Realty
3. Carlyle Group
4. Slate Real Estate Partners
5. MetLife

*Most Active Buyers and Sellers are based on the sale volume of apartment units.

TRANSACTION VOLUME

\$1.8B

YTD Transaction Volume

-49.9%

Y-O-Y Change

43 YTD

Individual Transaction Count

\$237.1k*

Price Per Unit

9.0%

Annual Price Change

* Trailing 4Q average PPU

* Preliminary Data from RCA - individual transaction \$2.5M +

Economy

According to the latest economic, Austin's job market is exhibiting remarkable vitality. By July 2023, 39,500 new roles had been generated from the same time last year, as per data from the Bureau of Labor Statistics (BLS). This reflects a substantial job growth rate of 3.1%. The region's various sectors witnessed noteworthy employment surges, especially the professional and business services sector, which introduced 10,100 positions, equating to a 3.6% growth. Significantly, the leisure and hospitality sector emerged as the swiftest growing sector, burgeoning by 7.0% and contributing 9,800 fresh opportunities. Regarding unemployment, Austin paralleled the national average at 3.8% in July. This statistical panorama underscores Austin's robust economic trajectory, marked by proliferating employment across diverse sectors and median wages that eclipse the national mean.



39.5k

JULY ANNUAL JOBS CREATED



3.1%

JULY 23 EMPLOYMENT GROWTH

Top 5 Employment Sector Annual Change



PROFESSIONAL & BUSINESS SERVICES



LEISURE & HOSPITALITY



EDUCATION & HEALTH SERVICES



MINING, LOGGING, & CONSTRUCTION



TRADE, TRANSPORTATION & UTILITIES



3.8%
 JULY 23 UNEMPLOYMENT RATE
 3.8% US MAY RATE

Sector	Change from May 2022 to July 2023	Percent Change
Professional and business services	10,100	3.6%
Leisure and hospitality	9,800	7.0%
Education and health services	4,800	3.3%
Mining, logging, and construction	3,900	4.8%
Trade, transportation, and utilities	3,300	1.6%
Government	2,600	1.4%
Manufacturing	2,600	3.7%
Other services	2,200	4.4%
Financial activities	700	0.9%
Information	(500)	-0.9%

Cost of Living Comparison

Austin, TX presents a cost of living with an index score of 98.8, indicating a market that is more affordable than the national average. However, its housing market is somewhat less affordable, bearing a housing index of 106.3 and a median home sales price of \$496,300. When juxtaposed with comparable tech hub, San Francisco, CA, Austin significantly undercuts costs in pivotal areas: housing is 62.0% less costly, and transportation expenses are reduced by 33.0%. This financial dynamic renders Austin an economically attractive destination for numerous individuals.

San Francisco, CA vs. Austin, TX

Cost of Living Comparison

Groceries:
26.3% Less

Housing:
62.0% Less

Utilities:
28.4% Less

Transportation:
33.0% Less

Health:
21.3% Less

98.8

Cost of Living Index

\$3,713

Average Mortgage
 (vs Average Rent: \$1,650)

106.3

Housing Index Score

90.1

Utilities Index Score

85.6

Gas Index Score

\$496,300

Median Home Sale Price
 (YoY Change: -19.1%)

Market Outlook

Despite cooling in the past year, Austin's multifamily market is witnessing a resurgence in demand. The city continues to showcase economic vigor, driven by a thriving job market and consistent growth. By the end of the third quarter, 42,804 housing units were in development, with 32,690 expected to be completed within a year. This surge may introduce temporary market challenges, yet the strong annual net absorption signals a resilient market. Particularly in East Austin, about 5,108 units are projected to be completed over the next 4 quarters. Even with potential market fluctuations, any impact on rent and occupancy is expected to be short-lived. Austin's suburban growth, driven by accessibility, affordability, and job opportunities, plays a pivotal role in this resurgence. Ranking third nationally for units under construction relative to inventory, developers remain optimistic about Austin's long-term prospects, gearing up for potential launches in 2024 and 2025.

Sources: RealPage; BLS; MSCI; The Council for Community And Economic Research (CZER)

TO GAIN FURTHER INSIGHTS INTO THE AUSTIN MARKET PLEASE REACH OUT TO OUR LOCAL TEAM



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