

Austin 2024 Market Forecast

MARKET SNAPSHOT



AVERAGE RENT
\$1,560 4Q 2023
\$1,570 4Q 2024



2024 RENT CHANGE
0.6%



OCCUPANCY RATE
91.4% 4Q 2023
91.0% 4Q 2024



2024 OCCUPANCY CHANGE
-40 POINTS



EMPLOYMENT*
1.32M 2023
1.34M 2024



UNEMPLOYMENT RATE**
3.5% 2023
3.5% 2024

* Please note that these employment figures have been adjusted for seasonal variations and are based on Moody's Analytics forecast as of January 1, 2024.

** Please note that these unemployment rates are estimates that have not been adjusted for seasonal variations, and they are derived from Moody's Analytics forecast as of January 1, 2024.

KEY TAKEAWAYS

- Despite another year of high unit completions, Austin's multifamily market is projected to maintain strong absorption rates, with only a slight dip in occupancy forecasted by year-end 2024.
- The influx of units will likely moderate rent growth across Austin for a second year, with the downtown area most under pressure from a high concentration of units delivering this year while owners and operators in peripheral submarkets will likely see more pricing power due to a lower share of new inventory delivering this year.
- Transaction volume for conventional multifamily assets in 2023 ended on a subdued note, with a 44% year-over-year decrease. However, should interest rates stabilize or decline, Austin's strong economic drivers position the market as an attractive long-term investment destination for multifamily investors.
- Despite rising construction and financing costs, developers initiating projects now may reap benefits in 2025 and 2026, as the Austin economy continues its explosive growth and new unit deliveries slow down.

Supply & Demand

2024 FULL YEAR FORECAST

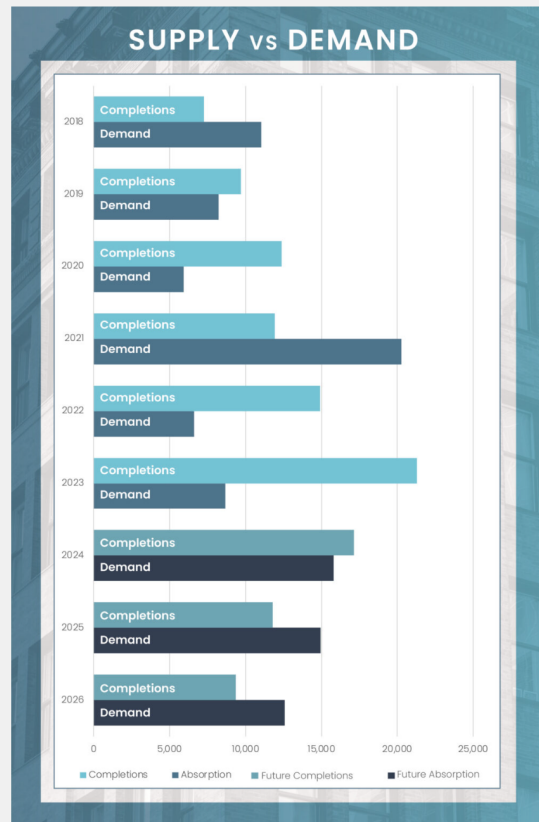


15,812 Units
 FORECASTED ABSORPTION



17,156 Units
 FORECASTED NEW SUPPLY

Annual Demand Vs Completions



Demand / Occupancy Outlook

In 2024, Austin's apartment market is poised for continued strong demand, driven by significant economic and demographic factors. The challenge lies in absorbing the 17,156 new units set for completion in the next four quarters. A second year of unprecedented addition of units will test the market's ability to absorb the record number of units coming online. However, several factors bolster the forecast for strong apartment demand. Firstly, Austin's continued job growth, though slightly tempered compared to previous years, remains a significant driver. Additionally, Austin's reputation as a cultural trendsetter among major U.S. metropolitan areas adds to its appeal among young professionals.

Austin's robust demographic trends will continue to bolster the absorption of new apartments. However, absorption rates are projected to fall somewhat short of the heightened volume of new apartments entering the market this year, but the gap is expected to be somewhat minor. By the end of the year, apartment occupancy is anticipated to be only marginally lower, with a decrease of about 40 basis points compared to the fourth quarter of 2023.

New Supply Outlook

Austin, a leading example of apartment construction over the past three years, is now experiencing a normalization of its once soaring market fundamentals. By the end of Q4 2023, the metro area recorded over 40,000 units under construction. This significant level of activity is distributed relatively evenly across both urban and suburban areas, with construction underway in 21 of the 25 submarkets. Notably, the North Austin submarket holds the distinction for the largest proportion of these developments, accounting for 12.2% of the total units under construction, or nearly 5,000 units. This area is currently experiencing a boom, driven by its excellent educational facilities and a burgeoning job market. These factors contribute to making North Austin an increasingly sought-after location for residents.

Despite the challenges of stringent underwriting standards, rising capital costs, and elevated construction expenses, which have led many developers to postpone projects in the current year, there's a rationale to remain optimistic. Developers breaking ground now are likely to be well-positioned to introduce new products in 2025 and 2026. This timing could coincide with a potential economic rally and a slowdown in new deliveries, offering a strategic advantage in the market. Ultimately, Austin will maintain its ranking and reputation as one of the fastest growing metros and those investors and developers who can weather a short-term flux will be well positioned in 2025 and beyond.

Occupancy & Rent Trends

RENT VS OWN MONTHLY PAYMENT



\$3,674

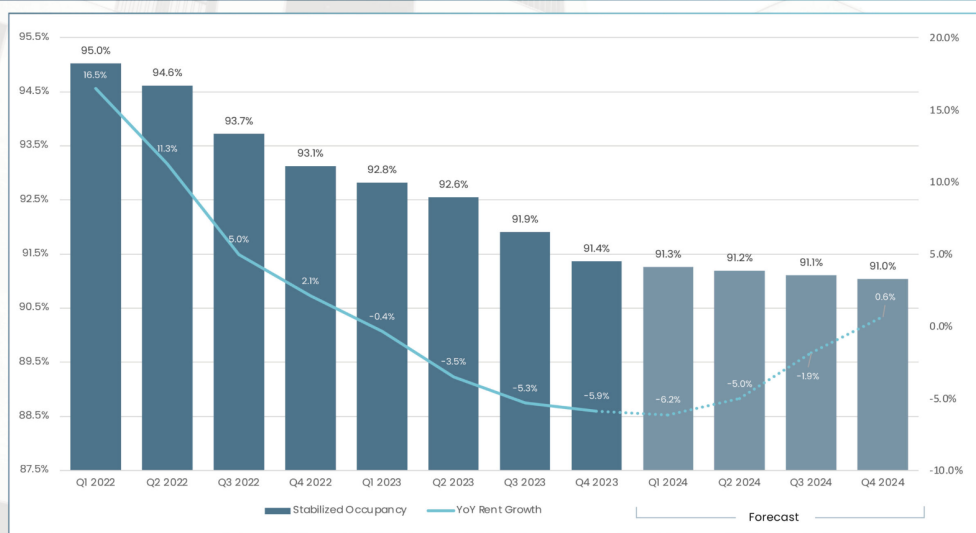
Average Monthly Mortgage Payment



\$1,560

Average Monthly Rent

RENT vs OCCUPANCY



2024 RENT TRENDS OUTLOOK

The influx of new units expected in Austin in 2024 is poised to moderate average rents across the market for a second straight year. The Class A property segment is set to experience the most significant effects due to the bulk of new unit deliveries. This will increase competition among property operators, leading to a potential continuation of modest rent appreciation for owners. Downtown Austin is particularly vulnerable to further rent deceleration. With approximately 3,200 units under construction, nearly 50% of the 6,695 units currently operational in the submarket, this area is likely to experience significant downward pressure on rent growth. However, it's important to note that rent declines in Austin in 2024 are expected to be more of an exception than the norm. Out of Austin's 25 submarkets, 21 are projected to achieve positive rent gains by the fourth quarter of 2024, indicating a generally positive outlook for the majority of the Austin market despite the challenges in specific areas like Downtown Austin.

Submarket Rent & Occupancy

Submarket	Q4 2023 Stabilized Occupancy	Q4 2024 Stabilized Occupancy (f)	Annual Occupancy Change (2024/2023)	Q4 2023 Average Monthly Rent	Q4 2024 Average Monthly Rent (f)	Annual Rent Change (2024/2023)
Caldwell County	96.0%	95.7%	-0.2%	\$1,132	\$1,188	4.9%
Buda	92.6%	92.4%	-0.2%	\$1,492	\$1,531	2.6%
Cedar Park	92.8%	92.7%	-0.1%	\$1,508	\$1,542	2.2%
Bastrop County	95.6%	95.4%	-0.2%	\$1,396	\$1,419	1.6%
Far West Austin	95.5%	95.3%	-0.1%	\$1,430	\$1,453	1.6%
Midtown Austin	91.7%	91.2%	-0.4%	\$1,533	\$1,555	1.4%
Lake Travis	92.3%	92.0%	-0.4%	\$1,775	\$1,799	1.3%
South Central Austin	90.8%	90.4%	-0.3%	\$1,688	\$1,706	1.1%
Northwest Austin	90.6%	90.2%	-0.5%	\$1,452	\$1,465	0.9%
Northeast Austin	88.4%	88.2%	-0.2%	\$1,408	\$1,419	0.8%
Pflugerville	91.5%	91.1%	-0.4%	\$1,488	\$1,499	0.8%
Georgetown	92.8%	92.6%	-0.2%	\$1,550	\$1,561	0.7%
West Austin	94.1%	93.9%	-0.2%	\$2,028	\$2,042	0.7%
South Austin	92.2%	91.8%	-0.3%	\$1,480	\$1,489	0.6%
Central Austin	93.4%	93.1%	-0.2%	\$1,647	\$1,657	0.6%
North Austin	91.3%	91.0%	-0.3%	\$1,503	\$1,511	0.5%
San Marcos	92.5%	92.2%	-0.3%	\$1,288	\$1,294	0.5%
Riverside	88.0%	87.5%	-0.5%	\$1,458	\$1,463	0.3%
Round Rock	92.1%	91.9%	-0.3%	\$1,523	\$1,526	0.2%
Far North Austin	97.4%	97.3%	-0.1%	\$1,566	\$1,569	0.2%
Southwest Austin	92.3%	92.1%	-0.3%	\$1,647	\$1,649	0.1%
Southeast Austin	91.4%	91.1%	-0.3%	\$1,419	\$1,416	-0.2%
East Austin	91.1%	90.8%	-0.3%	\$1,745	\$1,740	-0.3%
Downtown Austin	91.6%	91.5%	-0.1%	\$3,063	\$3,050	-0.4%
Hill Country	94.3%	94.5%	0.2%	\$1,694	\$1,642	-3.1%
Market	91.4%	91.0%	-0.4%	\$1,560	\$1,570	0.6%

Submarket Construction Pipeline



286,218

3Q 2023 Unit Inventory



40,470

Number of Units Under Construction



17,156

Number of Units UC Delivering
In the Next 4 Quarters

Submarket	Unit Inventory: 3Q 2023	Units Under Construction	% of Existing Inventory UC	% of Total UC	Units UC Delivering In the Next 4 Quarters
Northwest Austin	34,151	1,215	3.6%	3.0%	643
North Austin	27,630	4,936	17.9%	12.2%	1,207
Pflugerville	22,168	1,608	7.3%	4.0%	855
South Austin	19,293	2,034	10.5%	5.0%	1,069
Riverside	17,415	693	4.0%	1.7%	451
Round Rock	17,286	3,702	21.4%	9.1%	1,445
Midtown Austin	15,098	2,174	14.4%	5.4%	1,374
East Austin	15,029	3,926	26.1%	9.7%	1,424

Cedar Park	14,104	2,278	16.2%	5.6%	1,101
Northeast Austin	13,607	2,997	22.0%	7.4%	1,008
Southeast Austin	13,197	1,972	14.9%	4.9%	1,032
Southwest Austin	13,094	374	2.9%	0.9%	369
South Central Austin	13,083	612	4.7%	1.5%	346
Georgetown	12,347	3,221	26.1%	8.0%	1,037
Buda	9,016	1,439	16.0%	3.6%	794
San Marcos	7,353	2,881	39.2%	7.1%	1,036
Downtown Austin	6,695	3,198	47.8%	7.9%	1,101
Central Austin	4,195	0	0.0%	0.0%	0
Lake Travis	3,656	0	0.0%	0.0%	0
Far North Austin	2,598	276	10.6%	0.7%	274
West Austin	2,149	0	0.0%	0.0%	0
Bastrop County	1,279	342	26.7%	0.8%	0
Hill Country	1,018	447	43.9%	1.1%	446
Caldwell County	584	145	24.8%	0.4%	144
Far West Austin	173	0	0.0%	0.0%	0
Market	286,218	40,470	14.1%	100.0%	17,156

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Sales Activity

Preliminary data from MSCI indicates that the sales volume for conventional multifamily assets concluded 2023 on a subdued note. Although it is common for sales to be recorded up to the final days of the year and for data services to take several weeks to consolidate these transactions, it is improbable that the expected uptick in volume will significantly alter the overall trend. The final quarter of 2023 saw sales volume dip to \$388.4 million, marking the lowest fourth quarter total in over a decade. Annual transaction volume reached \$2.3 billion across 58 individual asset sales, representing a 44% decrease in dollar volume from the previous year, yet aligning closely with the pre-pandemic annual average. The traded assets were predominantly high caliber, as evidenced by the increased price per unit (PPU) compared to 2022. Looking ahead to 2024, should interest rates stabilize or fall, the persistent tailwinds fueling Austin's exponential rise as a top multifamily investment destination could present savvy investors with long-term opportunities, particularly as more attractively priced deals emerge.

▲ Most Active Buyers (Previous 24 Months)

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

▲ Most Active Sellers (Previous 24 Months)

1. BREIT
2. Thompson Realty
3. Wood Partners
4. JCI Residential
5. Presidium Group

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

TRANSACTION VOLUME

\$2.3B (P)

2023 Transaction Volume

-44%

Y-O-Y Change

58 YTD

Individual Transaction Count

\$250.9k*

Price Per Unit

14%

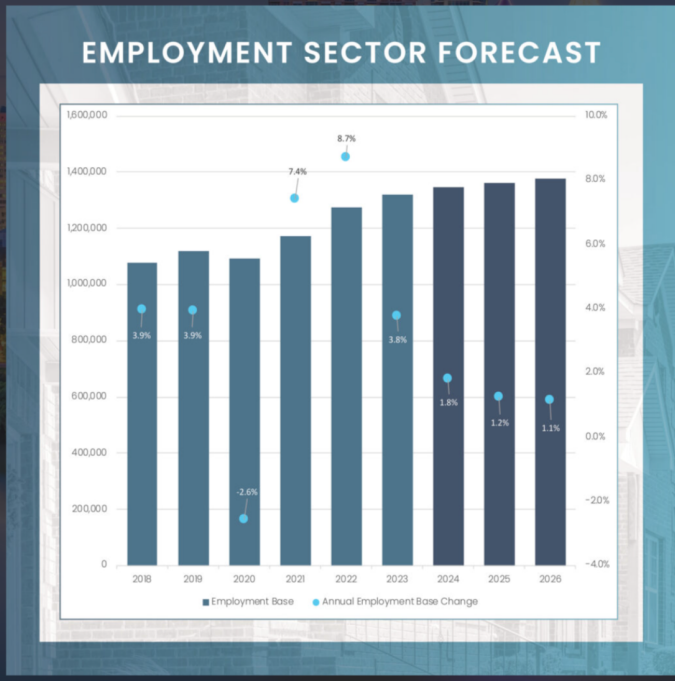
Annual PPU Price Change

* Trailing 4Q average PPU

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

P = Preliminary

Employment Forecast



Forecasted 2024 Employment Sector Growth

Sector	Employment Change 2023 to 2024	Percent Change
Manufacturing	200	0.3%
Construction	1,600	2.1%
Trade, Transport, & Utilities	1,100	0.5%
Information	200	0.4%
Financial Activities	700	0.9%
Professional & Business Services	8,100	2.8%
Education & Health Services	5,300	3.6%
Government	3,600	1.9%
Lesuire & Hospitality	2,700	1.8%
Natural Resources & Mining	400	11.1%
Other Services	700	1.4%
Overall Employment	24,000	1.8%

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Economic Outlook

Forecasting a slowdown in Austin's local economy for 2024 may be premature, despite the noticeable deceleration from its post-pandemic surge in 2023. The region continues to possess strong attractors for new residents and professionals. Notable among these is the \$17 billion semiconductor facility under construction in Taylor, just northeast of Austin, spearheaded by the electronics powerhouse Samsung. Additionally, the expanding presence of Tesla Inc., along with a host of other enterprises that have recently grown or relocated to the area, further solidifies its status as a hub of economic activity. These factors collectively suggest that Austin's growth trajectory is poised to remain vigorous in the upcoming year.

Sources: Costar; Yard Matrix; BLS; MSCI; Moody's Analytics

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



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