

Conditions steady a bit in 3Q

CONSTRUCTION ACTIVITY



UNDER CONSTRUCTION **37,046**

UNITS DELIVERED (YTD) **14,367**

MARKET FUNDAMENTALS



VACANCY RATE **9.6%**

YEAR-OVER-YEAR CHANGE **+190bps**

ASKING RENTS **\$1,564**

YEAR-OVER-YEAR CHANGE **-3.3%**

TRANSACTION ACTIVITY (YTD)



MEDIAN PRICE PER UNIT **\$193,500***

** Transactions where pricing is available*

AUSTIN MULTIFAMILY
3Q 2024

HIGHLIGHTS

- Property performance in the Austin multifamily market posted slight improvements in the third quarter, with vacancies inching lower and rents posting modest gains. Development has maintained its rapid pace to this point in the year, with more than 14,000 units completed thus far in 2024.
- The vacancy rate in Austin inched lower in recent months after rising in recent periods. Area vacancy improved by 10 basis points during the third quarter to 9.6 percent. Year over year, local vacancy has risen by 190 basis points.
- Rents reversed course and ticked higher in recent months after declining in prior periods. Asking rents advanced 0.5 percent in the last three months to \$1,564 per month. Year over year, rents are down 3.3 percent.
- Activity in the Austin multifamily investment market remains steady, but modest. Transaction volume to this point in 2024 is down 37 percent from levels recorded in the same period of last year. In transactions where pricing was available, the median price year to date has been \$193,500 per unit.

AUSTIN MULTIFAMILY MARKET OVERVIEW

Operating conditions in the Austin multifamily market improved in recent months after property fundamentals had softened during the first half of 2024. Prior to the third quarter, vacancy had been climbing for the past two years, as elevated supply growth has been applying upward pressure on the vacancy rate. Improved renter demand in recent months led to the first quarterly vacancy improvement since the second quarter of 2022. Area vacancy inched lower by 10 basis points in the last three months to 9.6 percent. A steady pace of renter demand has also allowed for some stabilization in rental rates, but with vacancies still about 400 basis points higher than the market's long-term averages, competitive pressures still drag on rents. New projects continue to come online at a rapid clip, as more than 14,000 units have been delivered to this point in the year.

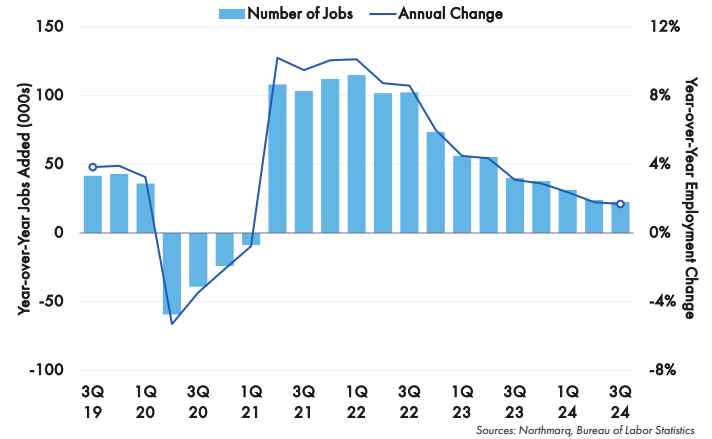
The number of sales that have taken place to this point in the year in Austin is modest compared to recent years, as multifamily properties have been trading at a slow but steady pace since the beginning of 2024. Austin is one of the many high-growth Sunbelt markets that is being impacted by a steep acceleration in new supply, and investors are taking a cautious approach to new acquisitions until conditions stabilize. In transactions where pricing was available, the median price year to date has been \$193,500 per unit, down 9 percent from last year. Cap rates have inched higher, but have not posted steep increases, averaging about 5 percent.

EMPLOYMENT

- Employment growth in Austin has been slowing at a gradual pace since late 2022. Year over year, 22,700 positions were created, an annual increase of 1.7 percent.
- Leisure and hospitality employment in Austin has been the leading sector for growth in recent periods. Employers in the sector increased payrolls by 5.4 percent over the past 12 months with the addition of 7,900 workers.
- While leisure and hospitality has been the source of thousands of new jobs, technology is a leading industry in Austin. Recently, X, the company formerly known as Twitter, announced plans to move its corporate headquarters from San Francisco to Austin. The social media company’s move is expected to result in about 1,000 new jobs.
- **FORECAST:** Employment growth in Austin is expected to continue expanding at its current pace through the end of the year. Local employers are forecast to add 25,000 workers to payrolls in 2024, an annual increase of 1.9 percent.

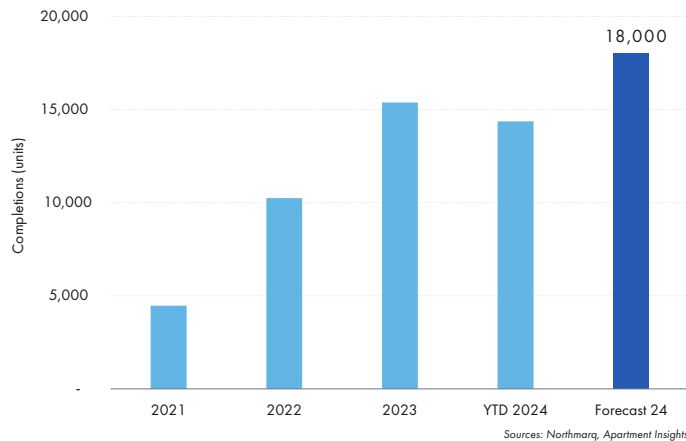
Year over year, 22,700 positions were created.

EMPLOYMENT OVERVIEW



Year to date, more than 14,300 units have been completed.

DEVELOPMENT TRENDS

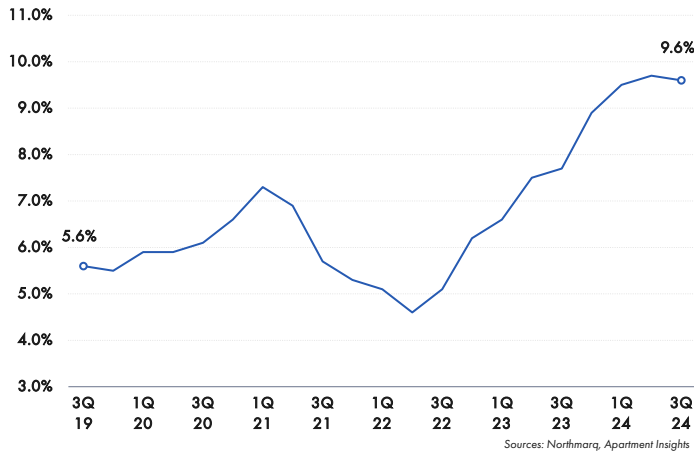


DEVELOPMENT & PERMITTING

- Developers in Austin have continued their rapid pace of deliveries in the third quarter. Year to date, more than 14,300 units have been completed in the area.
- Projects totaling approximately 37,000 units are currently under construction in the Austin area, making it one of the most active markets for multifamily construction in the country. While construction is taking place across most submarkets, the Dessau submarket leads the region in development with over 5,600 units currently under way.
- Multifamily permitting picked up in recent months, after a slow start to the year. Developers pulled permits for nearly 4,500 units during the third quarter, after permits for only 2,500 units were issued during the second quarter.
- **FORECAST:** Multifamily development in Austin will remain elevated in 2024, topping last year’s total. Roughly 18,000 units are scheduled for completion in 2024, up 17 percent from last year’s high.

Vacancy decreased by 10 basis points in the past three months.

VACANCY TRENDS



VACANCY

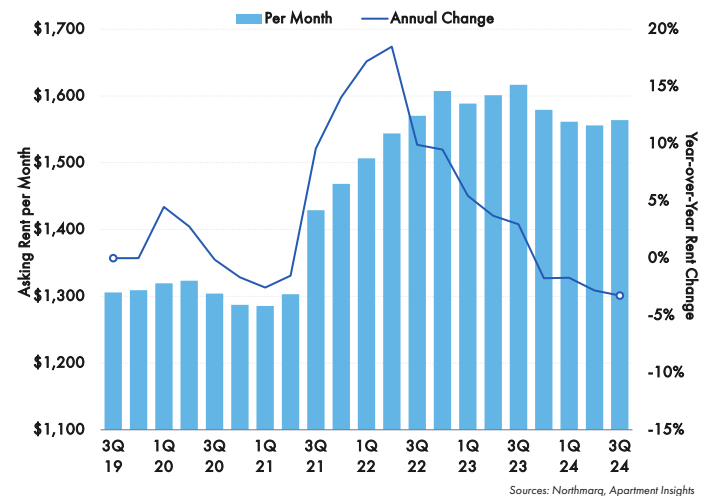
- The vacancy rate in Austin inched lower in the third quarter, after trending higher for a period of nearly two years. The local vacancy rate decreased by 10 basis points in the past three months to 9.6 percent.
- While the rate tightened slightly in recent months, area vacancy rose 190 basis points year over year as deliveries came online at a rapid pace. The current vacancy rate is roughly 300 basis points higher than the five-year average.
- While the vacancy rate has trended higher across most submarkets in recent periods, vacancy in the North Travis submarket has declined from peak levels. Vacancies in this submarket decreased by 50 basis points over the past 12 months to 11.6 percent.
- **FORECAST** The vacancy rate in Austin is expected to end the year at 9.8 percent, an annual increase totaling 90 basis points. This would mark the second consecutive year where vacancy has pushed higher after nearly a decade of fairly stable conditions.

RENTS

- Apartment rents in Austin ticked higher in recent months following three consecutive quarters of declines. Asking rents advanced by 0.5 percent during the third quarter to \$1,564 per month. Year over year, rents are down 3.3 percent.
- While asking rents are down over the past 12 months across all multifamily asset classes, Class A properties held up stronger than Class B and Class C properties. At \$1,757 per month, top-tier property rents in Austin are down just 2 percent from one year ago.
- A handful of submarkets in Austin posted rent gains over the past 12 months. The region’s highest-rent submarket, Central Austin, led the area in rent gains. Over the past 12 months asking rents in Central Austin increased by 1.7 percent to \$2,130 per month.
- **FORECAST:** Asking rents in Austin are expected to soften again by the end of the year, though the bulk of the annual decline has likely already taken place in earlier quarters. Local asking rents are forecast to finish the year at \$1,555 per month, down 1.5 percent annually.

Central Austin led the area in rent gains.

RENTS TRENDS

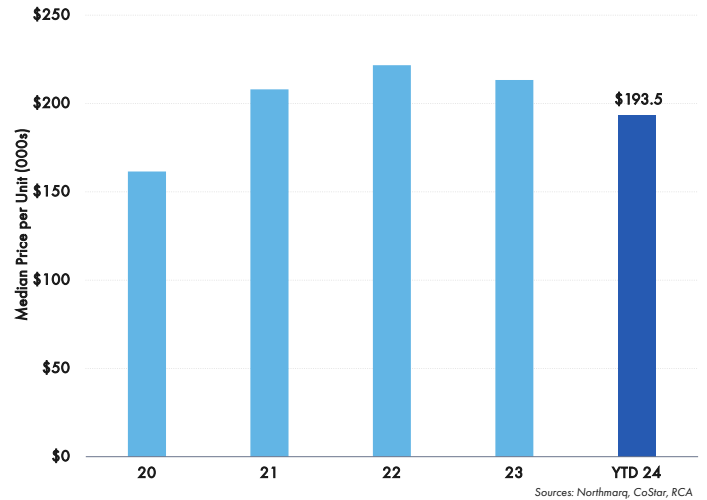


MULTIFAMILY SALES

- Transaction activity has kept a steady pace to this point in 2024, though the number of sales remains light compared to recent years. Total sales year to date are down 37 percent from levels recorded in the same period in 2023.
- Pricing has trended lower alongside transaction volume. Year to date, in transactions where pricing is available, the median sale price in Austin is \$193,500 per unit, down 9 percent from the median price in 2023.
- Mid-rise properties with greater density have generally been trading at higher per-unit pricing levels. Pricing for mid-rise projects has ranged from about \$215,000 per unit to \$240,000 per unit in 2024.
- Garden style properties are trading within a wider range. Most garden style communities are selling with prices between \$150,000 per unit and \$200,000 per unit, but a handful of properties with low vacancies and newer construction have sold for more than \$225,000 per unit.
- Despite the fluctuation in pricing, cap rates in Austin are only marginally higher this year than they were in 2023. In transactions where cap rates are available, cap rates in Austin have averaged approximately 5 percent cap rate thus far in 2024. Last year, cap rates were closer to 4.75 percent on average, but had approached 5 percent by the fourth quarter.

The median sale price in Austin is \$193,500 per unit.

INVESTMENT TRENDS

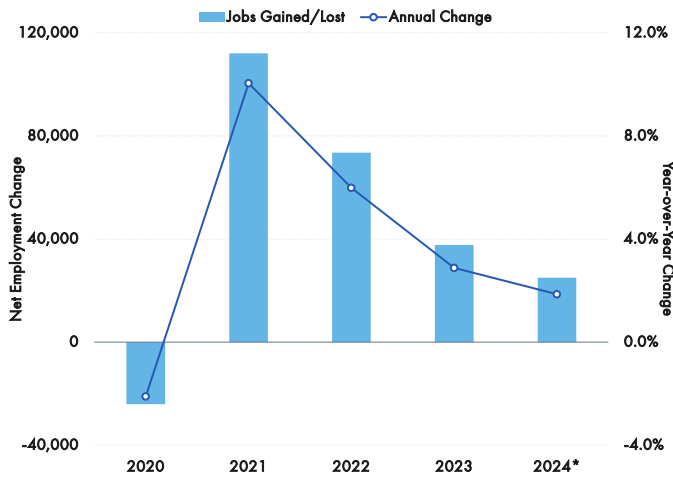


LOOKING AHEAD

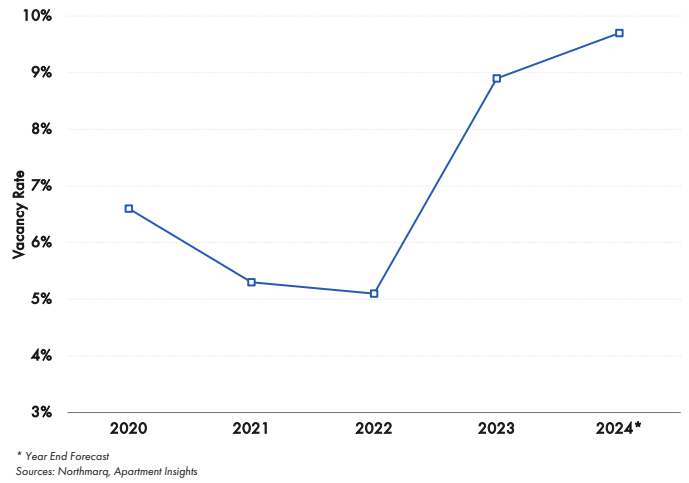
Property performance in the Austin multifamily market is likely to soften through the final months of the year as new supply continues hitting the market in large numbers, with projects totaling an additional 3,600 units scheduled for completion in the fourth quarter. However, recent stabilization in rents and vacancies suggest that much of the competitive impact from new construction has already been factored into performance, and operating fundamentals at the market level could level off in the coming quarters. Vacancies are forecast to end the year at 9.8 percent, considerably higher than long-term averages, but just 20 basis points higher than current levels. Current rents may prove tougher to maintain, although the region’s strong employment growth among high-wage sectors and continued renter demand will counter some of the supply-side pressures.

The uncertainty surrounding the rapid supply growth has weighed on multifamily investment conditions in Austin to this point in 2024, but the market is showing signs of stabilizing, which should ultimately translate to a more active investment climate. Supply growth has been one of the primary factors that has impacted investor sentiment in recent years, but the development pipeline will begin to thin through the remainder of this year and throughout 2025. Looking further out, the outlook brightens; multifamily permitting across the Austin region is on track to post the lowest numbers recorded since 2019, suggesting that the pace of deliveries will begin cooling in 2026. Cap rates have inched higher to this point in the year, but the area’s strong growth profile has limited upward movement and anticipated declines in interest rates could support flatter cap rates going forward.

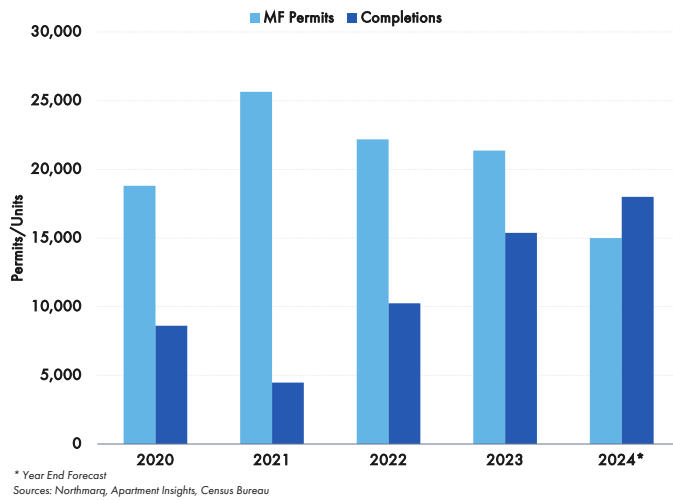
EMPLOYMENT FORECAST



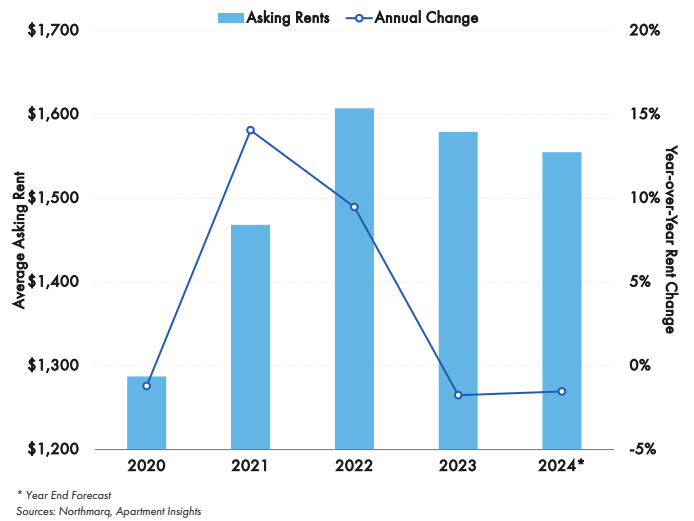
VACANCY FORECAST



CONSTRUCTION & PERMITTING FORECAST



RENTS FORECAST





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