

# Multifamily Metro Outlook:

## Austin - Q3 2023

### Overview:

- Austin's diverse local economy continues to expand at an above-average rate even though the torrid pace of growth has remarkably slowed since 2021 and early 2022. The period of slowdown that the Tech/Information sector endured throughout the earlier part of the year seems to be over. Overall, the local job market expanded by approximately 2.4% compared to 1.4% nationally.
- Apartment fundamentals are continuing to ease as the rate of supply delivered to the metro has not slowed down. For the period ending Q3 2023 vacancies continue to expand and are now at 8.75% and rent growth continues to contract as it was -1.0% during the same period.

### Market Strengths:

- Even though supply has ramped up significantly and continues to stay elevated, Austin boasts a very strong demographic profile that will aid in the absorption of the high levels of supply. Currently, the general population is expected to expand by nearly 1.9% compared to 0.4% nationally through 2027. Furthermore, the prime renting cohort, which consists of residents aged 20-34, is expected to expand by nearly 1.8% whereas nationally this cohort will contract by nearly -0.4% through 2027.
- The period of slowdown that the Tech/Information sector endured seems to be over as during the period ending Q3 2023 the sector expanded by nearly 0.8% compared to -2.7% nationally. Furthermore, according to Moody's Analytics, since March 2023, local tech/information employment is up nearly 7% year-over-year.

### Market Weaknesses:

- The Government sector in the metro continues to be a hinderance on the local economy. According to Moody's Analytics, the sector was underperforming before the arrival of the virus, and currently, payrolls in this sector are at their lowest point in nearly 15 years. Furthermore, as long as Gov. Abbot is still in power, it does not appear that the fortunes of the Government sector will improve as his administration continues to make cuts that directly impact the sector.
- The elevated levels of supply are beginning to impact the apartment fundamentals in the metro despite a very strong demographic profile that will aid in absorption. Since 2017, approximately 82,000 units have been completed and an additional 43,000 units coupled with an additional 60,000 units in the planning stages are underway. Since 2021, vacancies have inched up by nearly 400 bps as supply continues to be delivered to the metro.

### Development:

- There has been a big uptick in the amount of supply delivered to the Austin metro over the last few years. Since 2017 approximately 82,000 units have completed, and an additional 43,000 units are underway. Condo development has not presented as much of an issue as nearly 3,700 units have been completed since 2017 and few units are in the pipeline.

### Outlook:

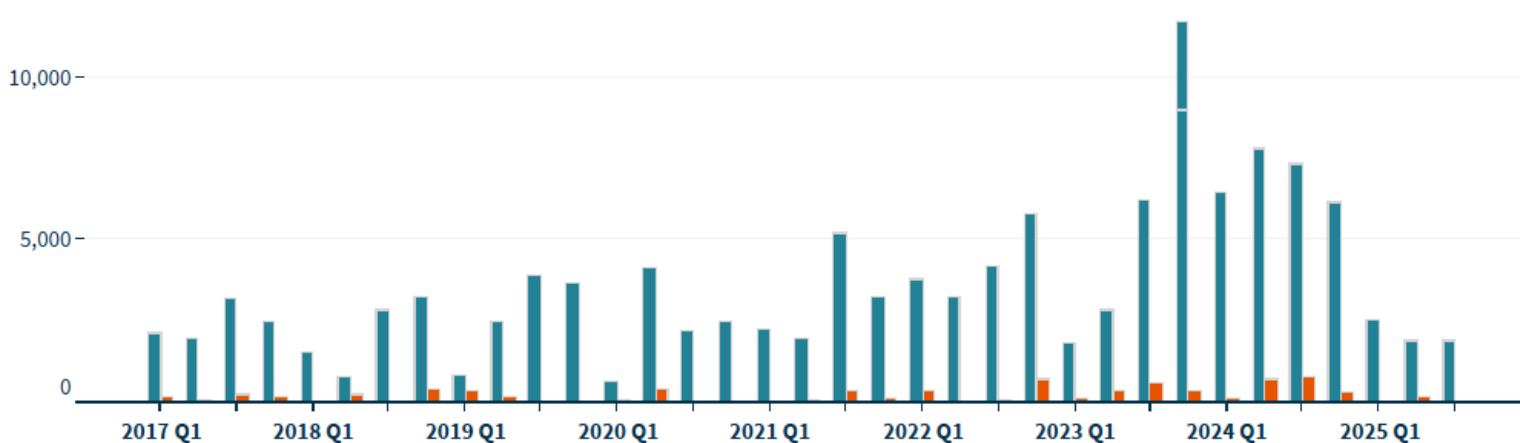
- Apartment fundamentals continue to soften despite strong demand in the metro. Elevated levels of supply continue to be a consistent and this quarter was no exception. Although Austin will fair better with the presence of a strong demographic profile, net positive migration trends, and an above average job growth, the continuous waves of supply will cause vacancies to rise.
- There is some cause for concern in the Austin metro. The over reliance on Tech is concerning due to the Tech sector's volatility and although annual job growth is positive, there is anxiety due to the recent period of slowdown. Furthermore, the high number of corporate relocations by Tech heavyweights could lead to increased unaffordability in the metro. However, Austin does have a good amount of industrial diversity and a desirable demographic profile that should help aid the recovery.



## Multifamily Apartment Pipeline

### Apartments & Condos/Townhomes: Units Completed and Underway

Apartments | Condos



Source: Dodge Data & Analytics SupplyTrack Pipeline

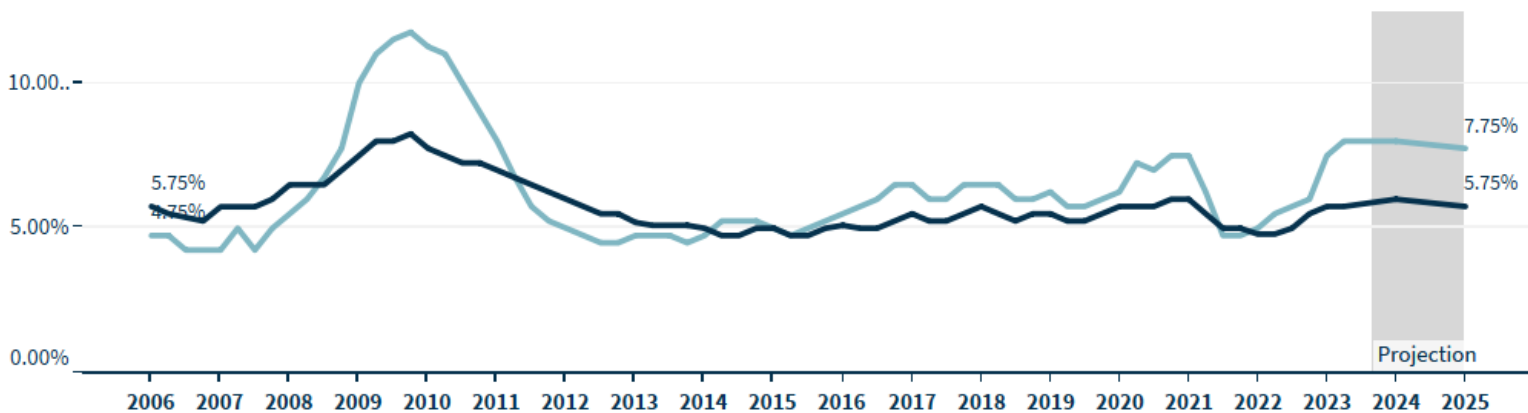
## Multifamily Vacancy & Rent Estimates

### Vacancy Rates

Austin | National

Q3 2023 Vacancy Rate:

8.75%



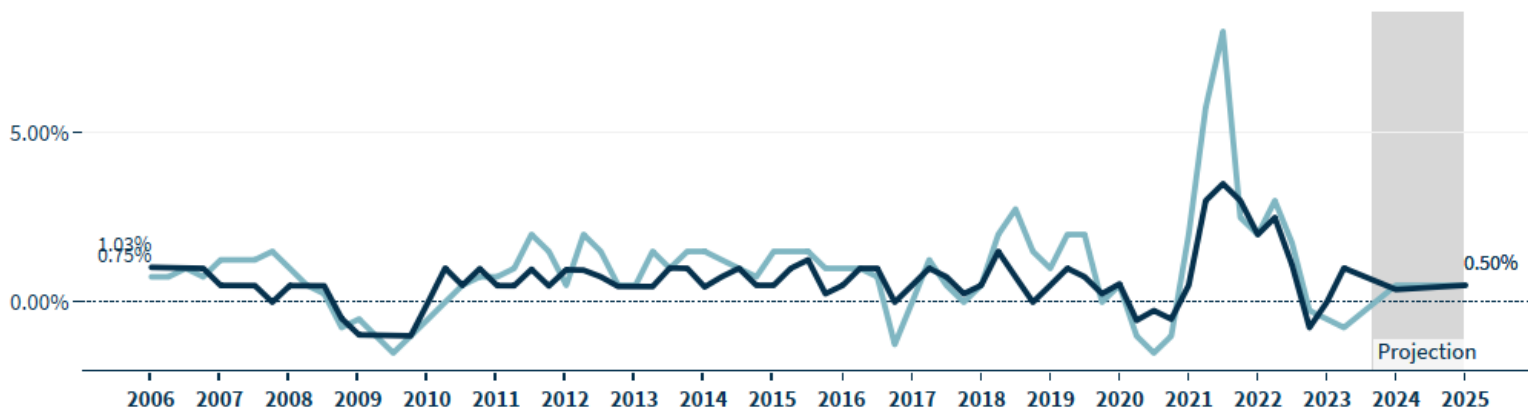
Projection

### Asking Rent Growth

Austin | National

Q3 2023 Asking Rent:

\$1,630

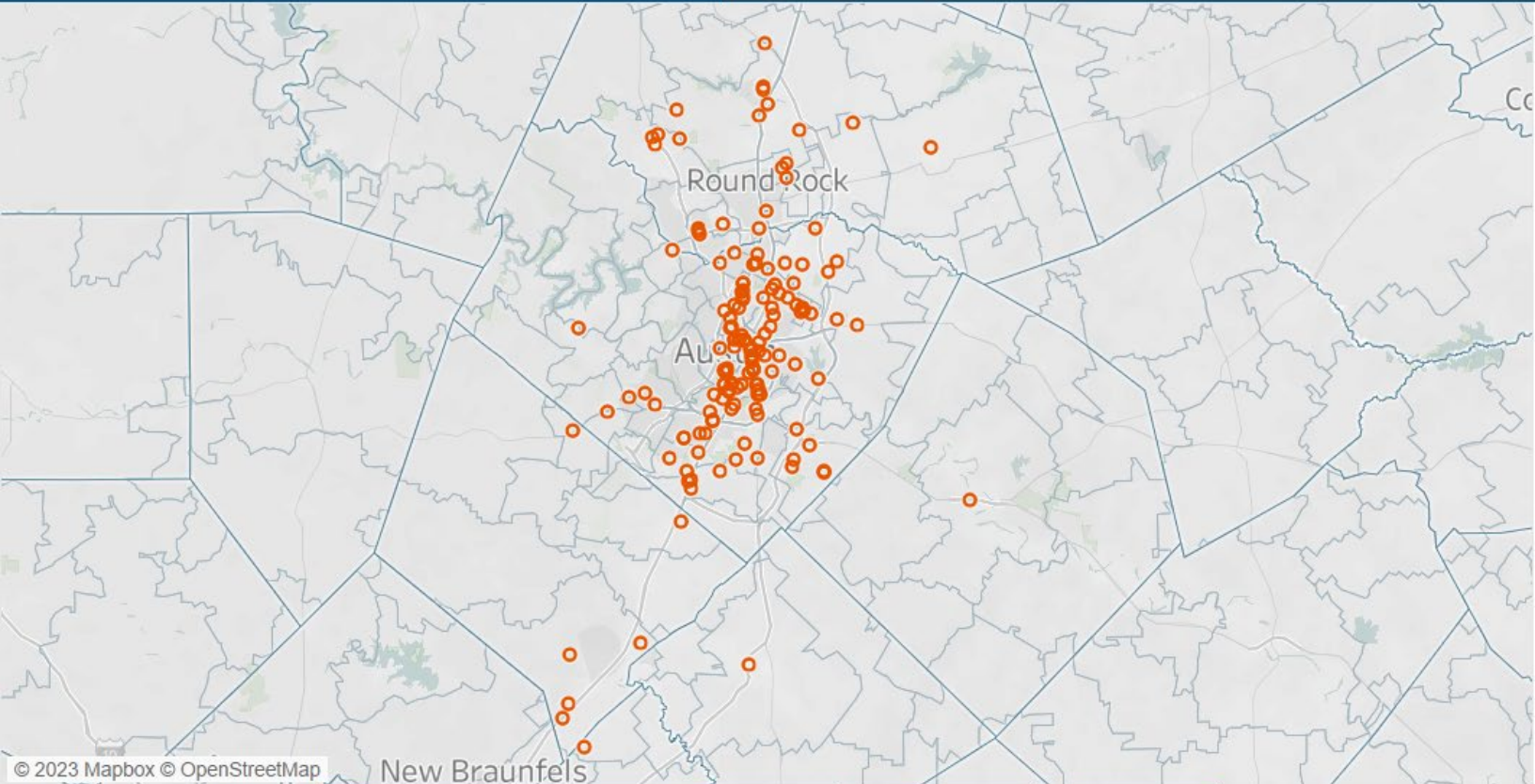


Projection

Source: Fannie Mae Multifamily Economics and Research



# Multifamily Construction: Bidding & Underway



<i>MultiHousingSubmarketName</i>	<i>Apartments</i>	<i>Units</i>
Arboretum	2	625
Cedar Park	7	2,174
Downtown/University	11	3,923
East Austin	37	9,325
Far South Austin	12	3,405
Far West Austin	2	586
Near North Austin	7	1,871
North Central Austin	21	6,322
Northwest Austin	4	879
Pflugerville/Wells Branch	6	1,826
Riverside	4	554
Round Rock/Georgetown	14	3,529
San Marcos	7	1,979
South Austin	3	921
Southeast Austin	12	3,997
Southwest Austin	5	1,122
<b>Grand Total</b>	<b>154</b>	<b>43,038</b>

Source: Dodge Data & Analytics SupplyTrack Pipeline



## Multifamily: ESR Team

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## Multifamily Economics and Market Research Team

Francisco Nicco-Annan, Economic and Strategic Research - Economics – Advisor

### Sources Used

- Moody's Economy.com
- Moody's CRE/REIS
- CoStar
- Real Capital Analytics
- RealPage
- Dodge Data and Analytics SupplyTrack Pipeline
- Axiometrics
- CBRE-Econometric Advisors
- Yardi

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