

Multifamily Metro Outlook:

Austin - Q4 2023

Overview:

- Austin's diverse 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 2.8% compared to 1.5% nationally during the period ending Q4 2023.
- Apartment fundamentals are continuing to ease as the rate of supply delivered to the metro has not slowed down. For the period ending Q4 2023 vacancies continue to expand and are now at 10% and rent growth continues to contract as it was -2.5% 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 Q4 2023 the sector expanded by nearly 0.7% compared to -1.8% nationally. Furthermore, according to Moody's Analytics, since December 2023, local tech/information employment is up nearly 3% year-over-year.

Market Weaknesses:

- Despite being one of the better performing housing markets, the Austin metro has gone through a period of "market correction" throughout 2023. Both the single-family and multifamily housing markets are experiencing a period of nadir after record breaking performance in 2020 and 2021. According to Moody's Analytics, single-family home building has taken a drastic dip and home values in the metro are negative.
- The elevated levels of supply continue to negatively impact the apartment fundamentals in the metro despite a very strong demographic profile that will aid in absorption. Since 2017, approximately 90,000 units have been completed and an additional 38,000 units coupled with an additional 65,000 units in the planning stages are underway. Since 2021, vacancies have inched up by more than 500 bps and rent growth is also moving in the wrong direction 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.
- As a result of the current economic environment, demand for single-family has decreased rather rapidly as SF permits have decreased by nearly -22% year-over-year.

Outlook:

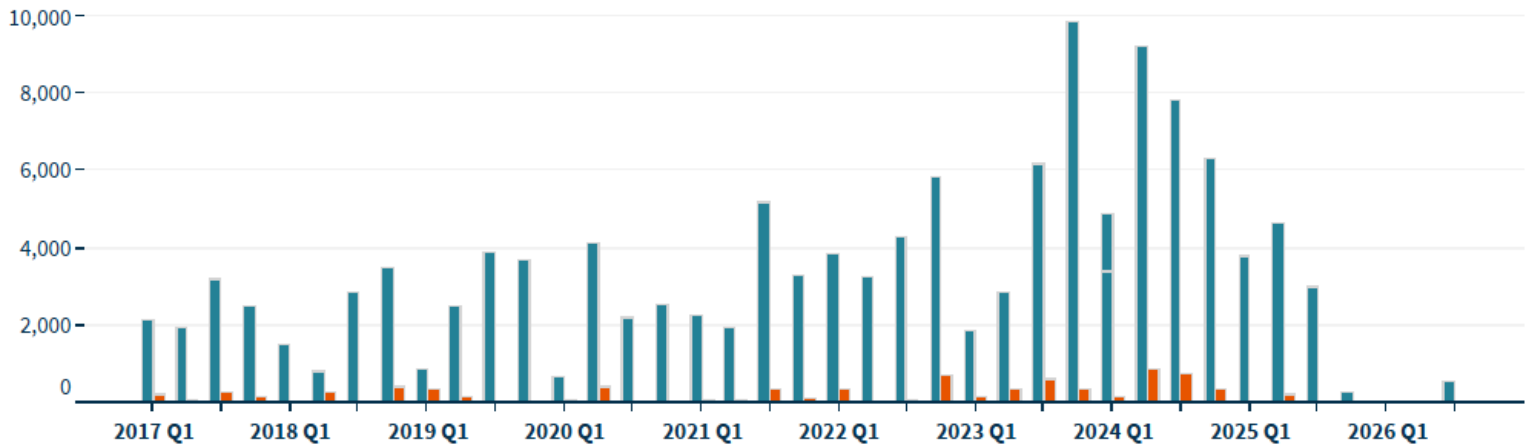
- Apartment fundamentals continue to soften despite strong demand in the metro. Elevated levels of supply continue to be consistent, and this quarter was no exception. Although Austin will fair better with the presence of a strong demographic profile, net positive migration trends, and an above average job growth, the continuous waves of supply will keep vacancies soft.
- 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

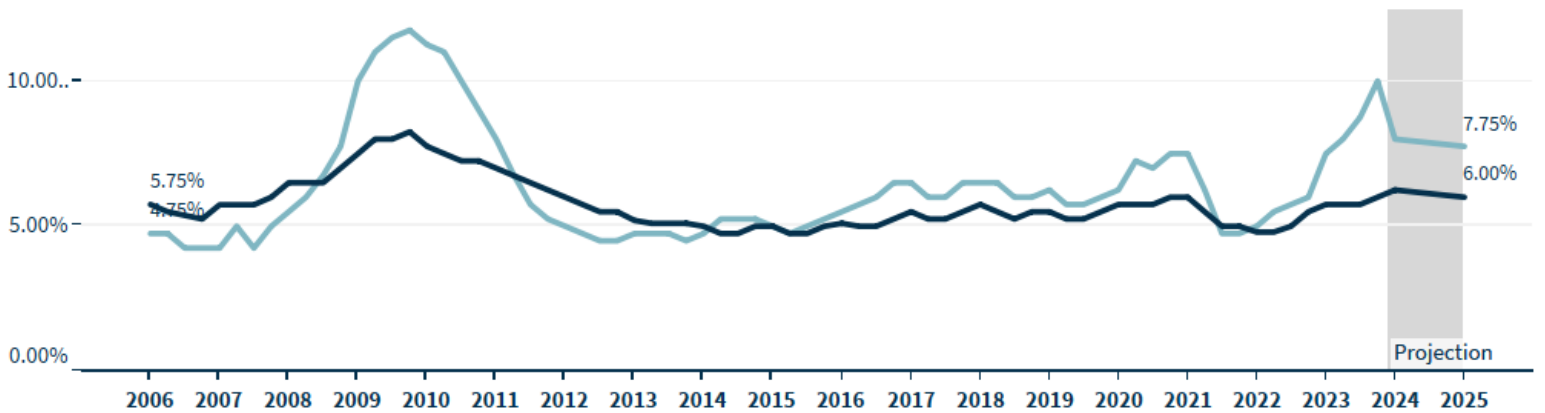
Multifamily Vacancy & Rent Estimates

Vacancy Rates

Austin | National

Q4 2023 Vacancy Rate:

10.00%



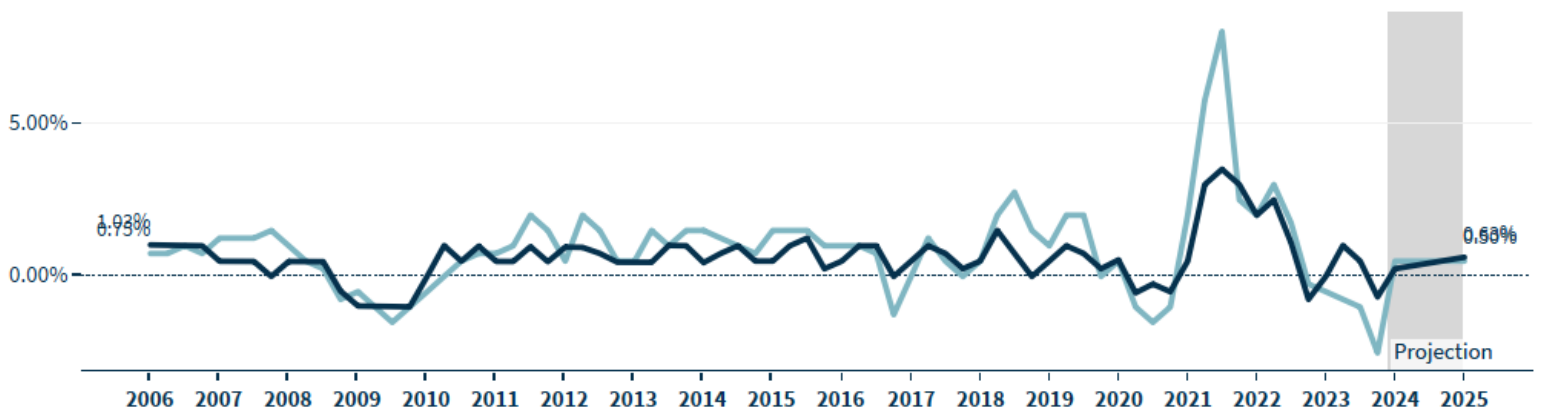
Projection

Asking Rent Growth

Austin | National

Q4 2023 Asking Rent:

\$1,580

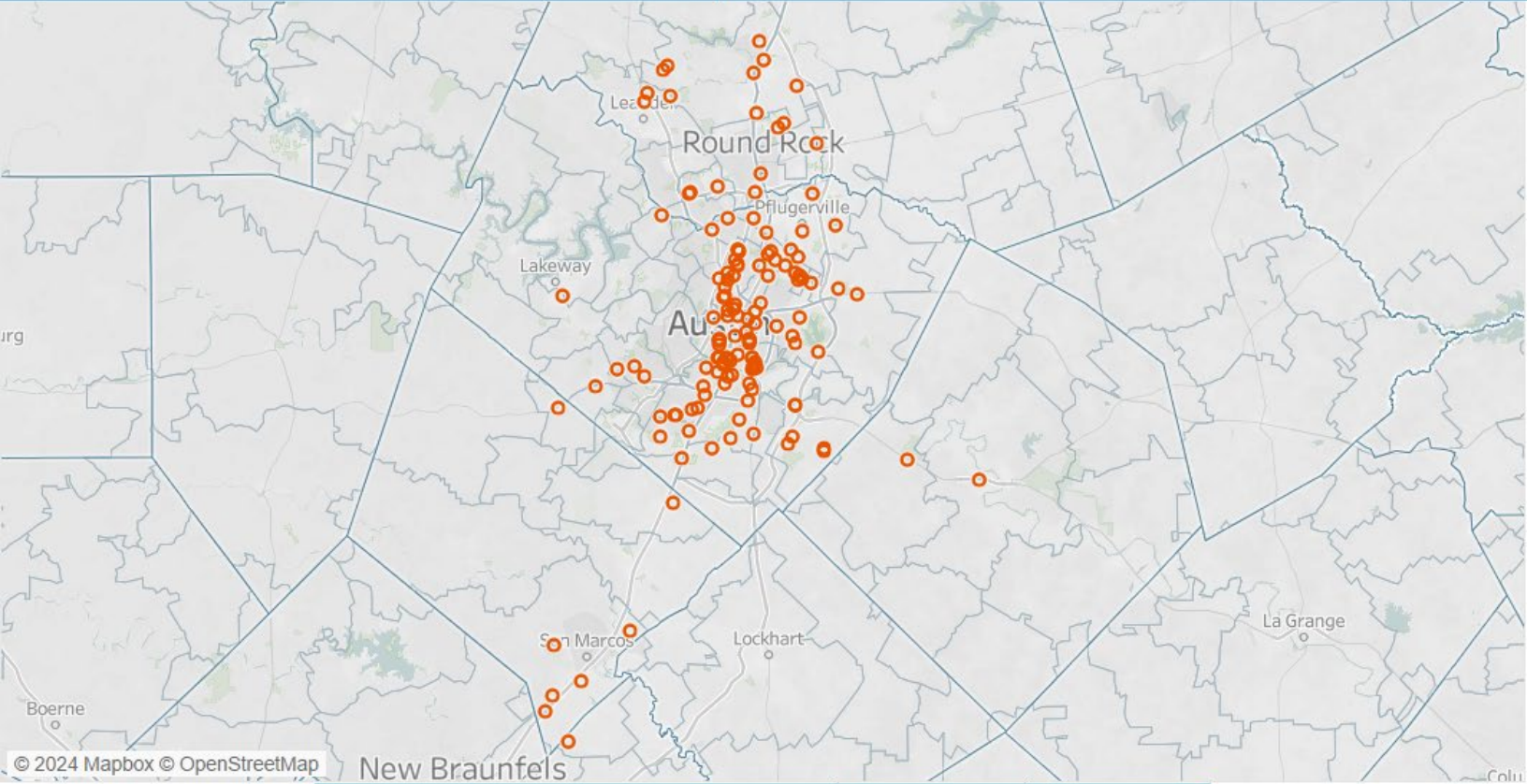


Projection

Source: Fannie Mae Multifamily Economics and Research



Multifamily Construction: Bidding & Underway



MultiHousingSubmarketName	Apartments	Units
Arboretum	2	625
Cedar Park	6	1,854
Downtown/University	8	2,882
East Austin	33	8,877
Far South Austin	9	2,105
Far West Austin	2	586
Near North Austin	9	2,270
North Central Austin	19	5,731
Northwest Austin	1	20
Pflugerville/Wells Branch	5	1,348
Riverside	5	852
Round Rock/Georgetown	12	3,425
San Marcos	7	2,043
South Austin	3	921
Southeast Austin	13	4,173
Southwest Austin	5	1,122
Grand Total	139	38,834

Source: Dodge Data & Analytics SupplyTrack Pipeline



Multifamily: ESR Team

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Multifamily Economics and Market Research Team

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Sources Used

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

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