

# Multifamily Metro Outlook:

## Austin - Q1 2022

### Overview:

- Austin's diverse local economy has helped the metro weather the worst effects of COVID-19. According to CoStar, as of Q1 2022, year-over-year, Austin's local job market has grown by 6.6% compared to 4.5% nationally. The rapid recovery in the Austin metro has led to employment being 7% higher than its pre-COVID peak in February 2020.
- The apartment market in Austin continues to recover after a tumultuous period as a result of the virus. During Q1 2022 apartment market fundamentals improved and continue to trend in the right direction, coming in at 5%. Rent growth also continues to expand at an impressive rate as it was 2% year-over-year during the same period.

### Market Strengths:

- The Information/Technology sector continues to serve as the crowning jewel of the local economy. According to Moody's Analytics, the local Tech sector in Austin makes up nearly 10% of the local labor market which is more than double the national share of 5%. Furthermore, many tech employers already had employees working remotely and as a result the tech industry was minimally impacted by the virus as they were able to pivot to full remote working.
- Even though supply has ramped up significantly in a short amount of time, Austin likely has the necessary demographic profile to provide demand for the incoming glut of supply. According to Moody's Analytics, the local population expanded by 2% as of year end of 2021 and will expand by nearly 2% over the next five years compared to 0.5% nationally. Furthermore, due to the presence of the University of Texas – Austin, which enrolls more than 40,000 students, Austin also has a high presence of the prime renting cohort (ages 20-34). The prime renting cohort will also expand by nearly 2% in the metro compared to -0.3% nationally over the next five years.
- According to CoStar, the metro's local tech scene combined with lower business costs and friendlier state taxes, will continue to lure big tech heavyweights such as Oracle, Tesla, and potentially TikTok and Samsung who have decided to move from California to Austin. Furthermore, the relocation of Tesla is expected to create more than 5,000 jobs by 2025 as the company has elected to build a factory in the metro where they will be producing electric vehicles according to Moody's Analytics.

### Market Weaknesses:

- Austin is an expensive place to live. Although it is much cheaper than other tech metros such as San Francisco, San Jose, Seattle, etc., the cost of living in Austin is 17% higher than the national average, and business costs are also 11% higher than the national average.
- While Austin has become the new lure for Tech heavyweights, there is some concern that the metro could be susceptible to the volatility that exists within the Tech sector. As a result of ongoing supply chain disruptions and elevated inflation, many tech employers have begun to cut jobs and there is some fear that some tech jobs could be cut in the metro since tech expansion has occurred so swiftly.
- Even though the local economic recovery has been trending in the right direction, there is some cause for concern in the local apartment market. There are nearly 35,000 units in the pipeline scheduled to deliver through 2024. Furthermore, there is some concern that as new supply comes online vacancies, which are still lagging pre-pandemic rates, albeit slightly, could increase again. Additionally rent growth which had a very turbulent 2020 has also just fully rebounded but will not be able to maintain the elevated levels seen in the middle of 2021. However, as supply continues to deliver to the metro and the economy continues to recover, vacancies and rent growth should moderate and return to pre-pandemic rates.

### Development:

- There has been a big uptick in the amount of supply delivered to the Austin metro over the last few years. Since 2017 more than 57,000 units have completed, an additional 34,000 units are underway, and 31,000 units are in planning. Condo development has not presented as much of an issue as nearly 8,300 units have completed since 2006 and not many units are in the pipeline.

### Outlook:

- High supply has been a constant for the Austin metro over the last few years. However, even with the presence of the virus, the demographic profile will continue to have enough demand to absorb the incoming supply. The recent uptick in supply should be carefully watched even though apartment fundamentals have fully recovered from the turbulence the virus brought.
- Even though the local job market has been performing robustly for consecutive years, there is some concern. The over reliance on Tech is concerning due to the Tech sector's volatility. 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.

## Five Year Metro Area Growth Forecast

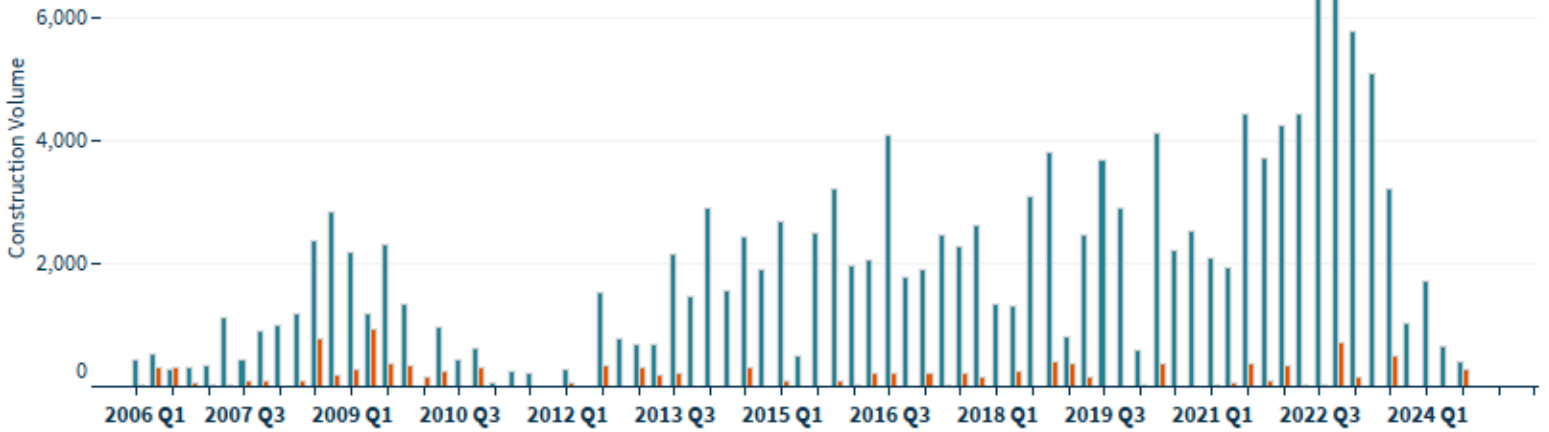
	Q4 2021	Q4 2026	Austin (5-Year Annual Average Change)	National (5-Year Annual Average Change)
Population (000s)	2,330	2,569	1.97%	0.47%
Households (000s)	894	1,003	2.31%	0.90%
Renting Cohort (Ages 20-34) (000s)	564	619	1.90%	-0.30%
Total Employment (000s)	1,171	1,303	2.16%	1.08%
Median Household Income	\$84,348	\$99,495	3.36%	3.30%
Median SF Home Price	\$509,093	\$461,944	-1.92%	1.93%
Net Migration	34,598	31,678		

Source: Moody's

## SupplyTrack Pipeline

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

Apartments | Condos



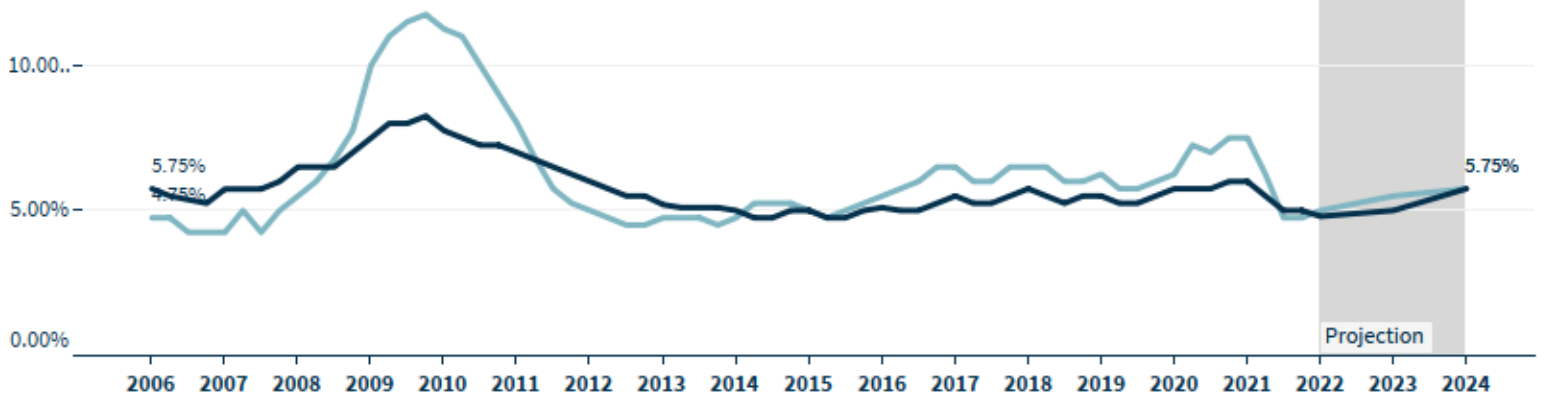
## Vacancy & Rent Composite Estimates

### Vacancy Rates

Austin | National

Q1 2022 Vacancy Rate:

5.00%

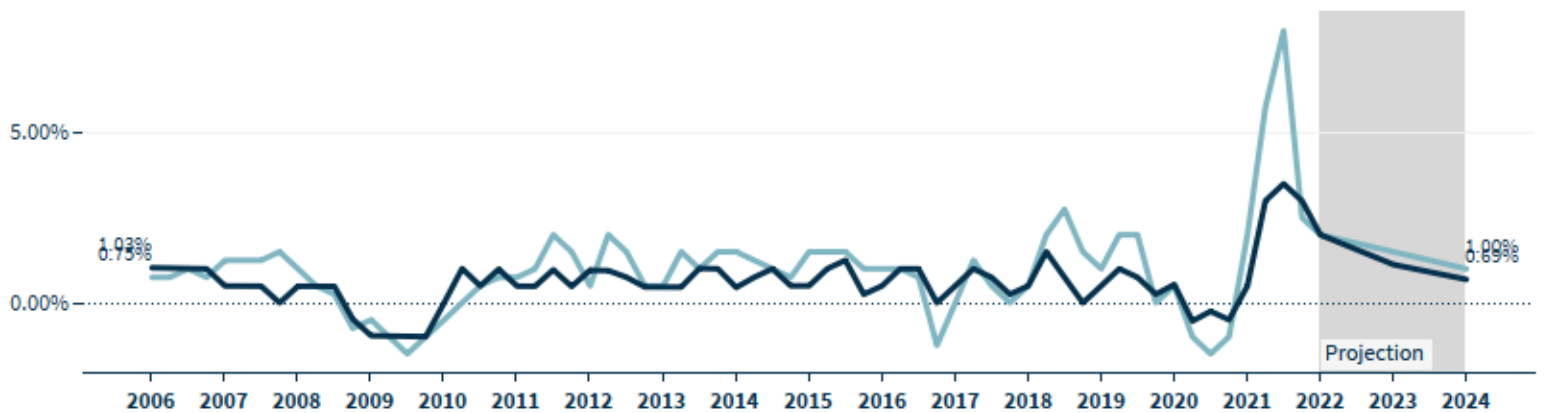


### Asking Rent Growth

Austin | National

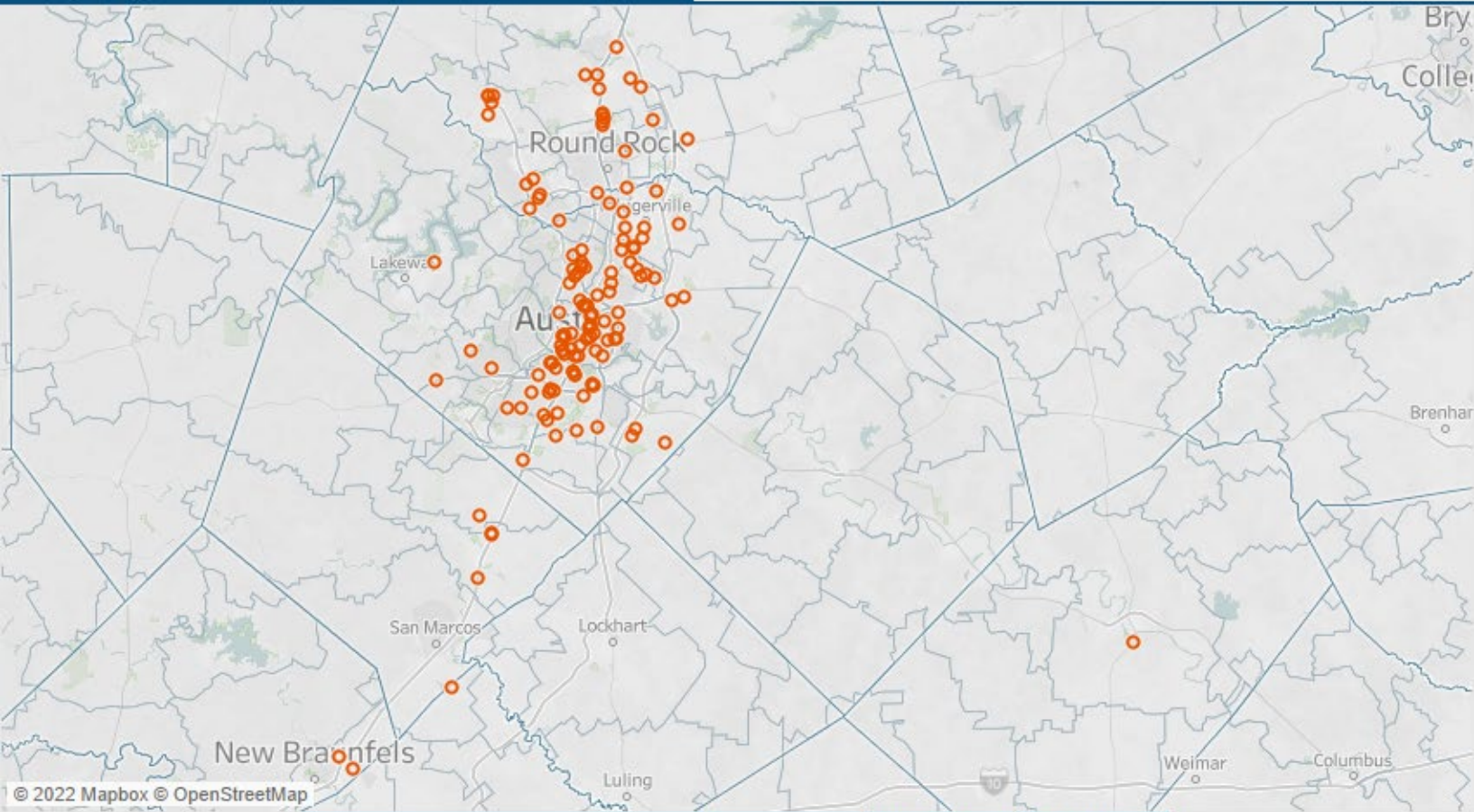
Q1 2022 Asking Rent:

\$1,580



Source: Multifamily Economics and Research

## Construction: Bidding & Underway



<i>TWR Submarket Name</i>	<i>Apartments</i>	<i>Building Units</i>	<i>Building Area SF</i>
Arboretum	1	251	0.28M
Cedar Park	8	2,388	3.04M
Downtown/University	10	2,463	4.58M
East Austin	30	7,297	8.85M
Far South Austin	8	1,938	2.46M
Far West Austin	2	195	0.22M
n/a	1	70	0.09M
Near North Austin	3	858	1.24M
New Braunfels/Schertz/Universal City	2	571	0.58M
North Central Austin	16	4,569	4.72M
Northwest Austin	2	524	0.61M
Pflugerville/Wells Branch	9	2,596	2.83M
Riverside	8	1,982	2.29M
Round Rock/Georgetown	15	3,848	4.90M
San Marcos	5	1,538	1.73M
South Austin	5	812	0.88M
Southeast Austin	8	2,220	2.33M
Southwest Austin	3	812	1.00M
<b>Grand Total</b>	<b>136</b>	<b>34,932</b>	<b>42.64M</b>

## Multifamily: ESR Team

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## Multifamily Economics and Market Research Team

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### Sources Used

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

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