

Multifamily Metro Outlook:

Austin - Q4 2020

Overview:

- Austin's diverse local economy has helped the metro weather the worst effects of COVID-19. According to Moody's Analytics, as of Q4 2020, year-over-year, Austin has "only" lost -1.2 percent of the number of jobs pre-COVID. The number of jobs lost was good for a ranking of 2nd out of 82 metros according to Moody's rankings.
- The apartment market's recovery continues to trend in the wrong direction. During the period of Q4 2020 apartment market fundamentals inched up to 7.5 percent for vacancies and -1.0 percent for rent growth. Rent growth continues to trend in the wrong direction as the national rate is slowly recovering at -0.50 percent.

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 percent of the local labor market which is more than double the national share of 5 percent. Furthermore, many tech employers already had employees working remotely and as a result the tech industry was not impacted by the onset of 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 has the necessary demographic profile to provide demand for the incoming glut of supply. According to Moody's Analytics, the local population expanded by 2.1 percent as of Q4 2020 and will expand by 2 percent over the next five years compared to 0.5 percent 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 expand by 2 percent in the metro compared to -0.3 percent nationally over the next five years.
- Even though the costs of living are 15 percent and business costs are 6 percent higher than average, they are much lower in the Austin metro than they are in other tech metros such as San Jose and San Francisco. According to CoStar, the Austin metro's local tech scene combined with lower business costs and friendlier state taxes, a few big tech heavyweights such as Oracle, Tesla, and potentially TikTok have decided to move from California to Austin.

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 15 percent higher than the national average, and business costs are also 2 percent higher than the national average.
- While Austin has become the new lure for Tech heavyweights, there is some concern that the metro could lose some of its identity. According to CoStar, Austin has been a metro that has thrived on the uniqueness of its local business scene (mainly in Retail and Hospitality sectors) and the pandemic has caused many of those unique businesses to shut down permanently. There is some fear that the ripple effects of the virus could lead to the emergence of another unique metro outside of Austin and cause people to seek the Austin lifestyle elsewhere.
- Even though the local economic recovery seems to be underway, there is some cause for concern in the local apartment market. There are nearly 22,000 units in the pipeline scheduled to deliver through the second half of 2022. Furthermore, vacancies are at their highest point in nearly a decade and rent growth is performing much worse than the national average. As supply continues to deliver to the metro and the economy continues to recover, vacancies should also 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 2014 nearly 61,000 units have completed, and an additional 22,000 units are underway. Condo development has not presented as much of an issue as nearly 8,300 units have completed since 2006 and approximately 1,000 are underway through 2021.

Outlook:

- High supply has been a constant for the Austin metro over the last few years. However, even with the onset of the virus, the demographic profile will continue to have enough demand to absorb the incoming supply. The recent uptick in supply is now a cause for concern as apartment fundamentals have been negatively impacted since the arrival of the virus.
- Even though the local job market has been performing robustly for consecutive years, there is some concern. The onset of COVID-19 coupled with the over reliance on Tech are 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 combat the downturn.

Five Year Metro Area Growth Forecast

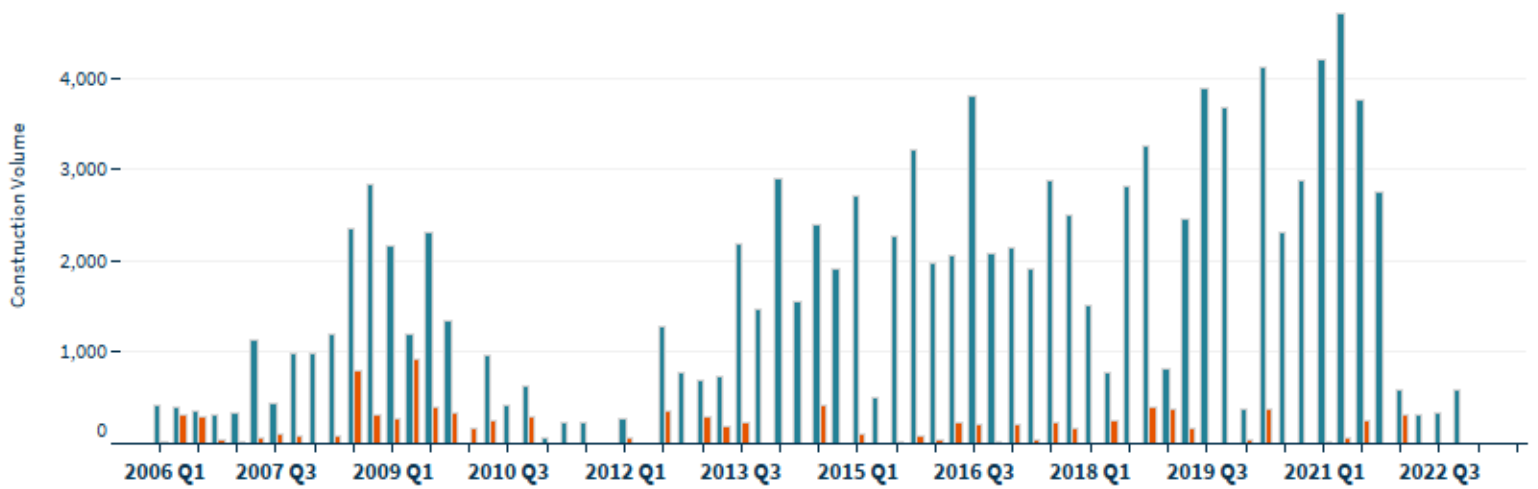
	Q4 2020	Q4 2025	Austin (5-Year Annual Average Change)	National (5-Year Annual Average Change)
Population	2,299	2,549	2.09%	0.52%
Households	868	1,000	2.87%	1.41%
Renting Cohort (Ages 20-34)	557	615	2.03%	-0.26%
Total Employment	1,118	1,296	2.99%	1.71%
Median Household Income	\$81,054	\$93,874	2.98%	2.83%
Median SF Home Price	\$387,304	\$395,666	0.43%	4.30%
Net Migration	30,115	35,664		

Source: Moody's

SupplyTrack Pipeline

Apartments & Condos/Townhomes: Units Completed and Underway

Apartments | Condos



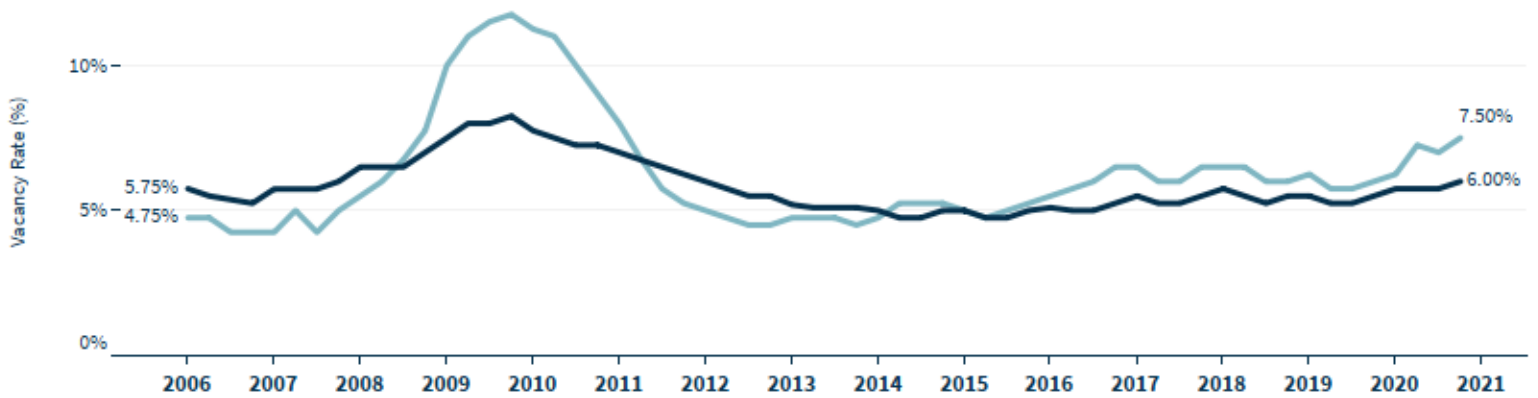
Vacancy & Rent Composite Estimates

Vacancy Rates

Austin | National

Q4 2020 Vacancy Rate:

7.50%

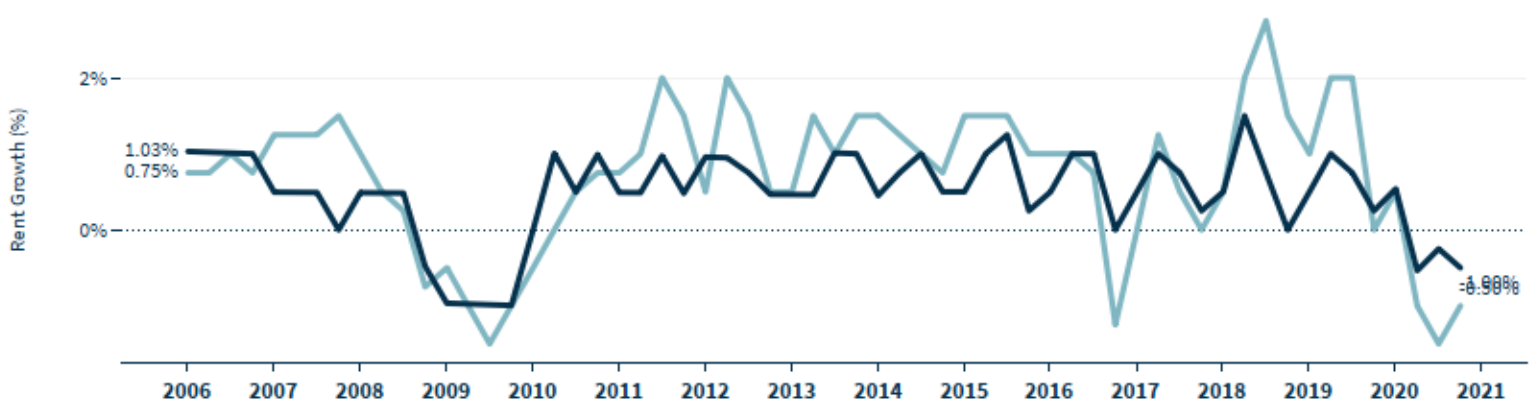


Asking Rent Growth

Austin | National

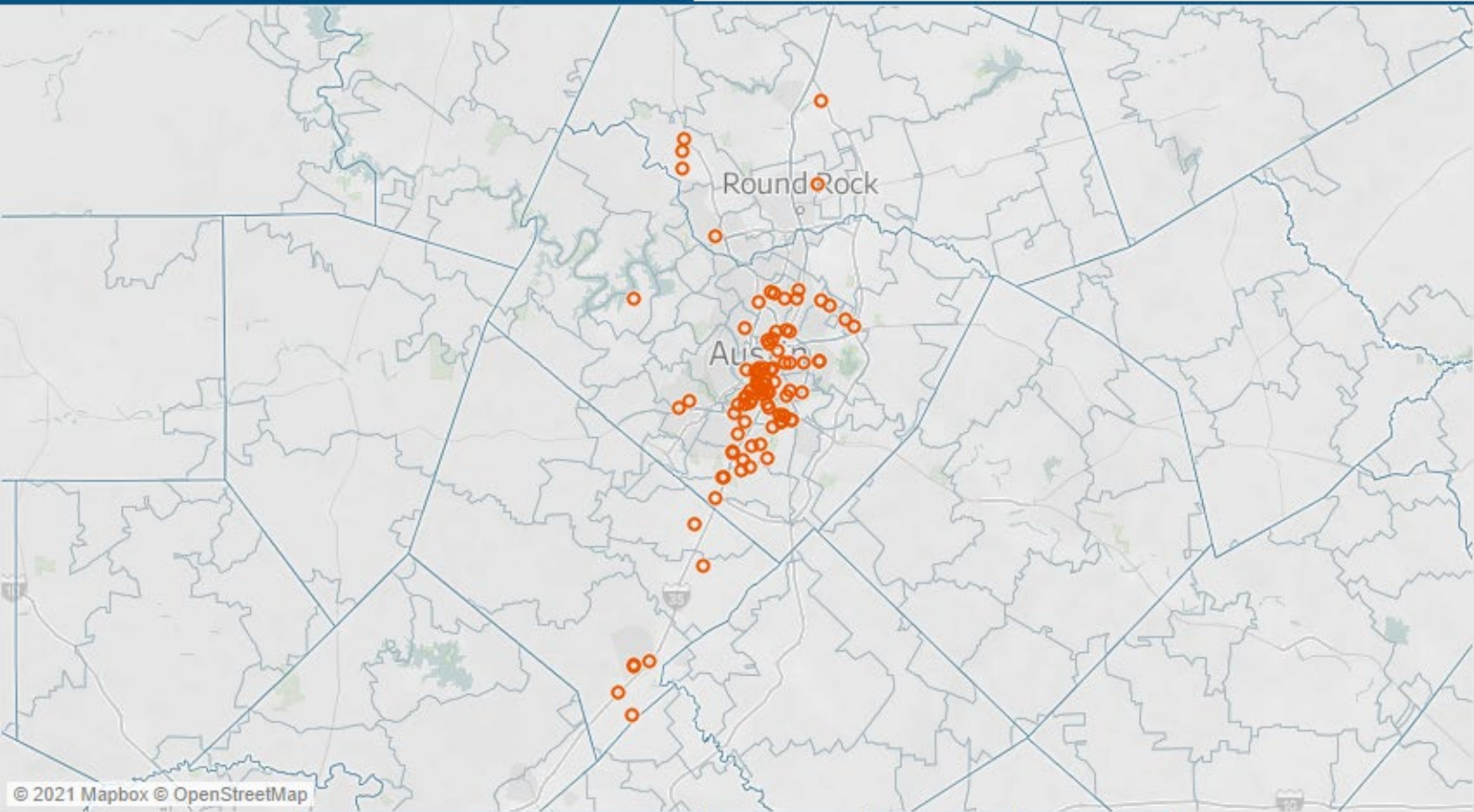
Q4 2020 Asking Rent:

\$1,270



Source: Multifamily Economics and Research

Construction: Bidding & Underway



<i>Sub-Market</i>	<i>Projects</i>	<i>Units</i>	<i>Sq. Ft. (M)</i>
Arboretum	1	181	0.20M
Cedar Park	4	814	1.11M
Downtown/University	17	4,313	6.06M
East Austin	17	3,861	4.41M
Far South Austin	7	1,970	2.33M
Far West Austin	1	180	0.20M
Near North Austin	5	1,280	1.60M
North Central Austin	8	1,804	2.00M
Riverside	11	2,133	2.57M
Round Rock/Georgetown	2	508	0.64M
San Marcos	7	1,891	1.61M
South Austin	9	856	1.25M
Southeast Austin	7	1,742	1.94M
Southwest Austin	2	616	0.75M
Grand Total	98	22,149	26.68M

Multifamily: ESR Team

We welcome your feedback! Please give us a call or send an email with any comments, suggestions, or insight you may have or information you'd like covered in future editions.

Multifamily Metro Outlook: Austin Q4 2020

Multifamily Economics and Market Research Team

Francisco Nicco-Annan, Economic and Strategic Research - Economics – Lead Economist

Sources Used

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

Opinions, analyses, estimates, forecasts, and other views of Fannie Mae's Economic and Strategic Research (ESR) Group included in these materials should not be construed as indicating Fannie Mae's business prospects or expected results, are based on a number of assumptions, and are subject to change without notice. How this information affects Fannie Mae will depend on many factors. Although the ESR Group bases its opinions, analyses, estimates, forecasts, and other views on information it considers reliable, it does not guarantee that the information provided in these materials is accurate, current, or suitable for any particular purpose. Changes in the assumptions or the information underlying these views could produce materially different results. The analyses, opinions, estimates, forecasts, and other views published by the ESR Group represent the views of that group as of the date indicated and do not necessarily represent the views of Fannie Mae or its management.