

# Multifamily Metro Outlook:

Austin - Q4 2024

## Overview:

- Job growth in the Austin metro continues to grow at an above-average pace, but the rate of job growth expansion is much smaller than what the metro typically sees. For the period ending Q4 2024, job growth in the metro was approximately 1.5% compared to 1.3% nationally. Even though job growth in the metro has slowed from the peak recovery in 2021 and 2022, it is expected to be above-average in both the near and long term.
- Austin's apartment fundamentals continue to soften as the level of supply stays elevated. For the period ending Q4 2024, vacancy rates were approximately 11%, up 100 basis points from the previous quarter. Furthermore, rent growth continues to move in the wrong direction as it contracted 1.5% during the same period.

## Market Strengths:

- Austin has a very strong demographic profile that is expected to aid in the absorption of the elevated levels of supply that have consistently been delivered to the market in recent years. Additionally, the metro's population is expected to expand by 2% over the five-year forecast, compared to 0.5% nationally. Moreover, according to CoStar, Austin's population has expanded by more than 33% since 2010, making it the fastest-growing metro in the country in that period.
- Even though Austin's local economy has become more tech-centered in recent years, the metro still has a very diverse industrial profile. According to Moody's Analytics, the metro's industrial diversity score is 0.7, which ranks as "very diverse." Furthermore, for the period ending Q4 2024, only one employment sector in the metro experienced contraction, which is a result of the metro's high industrial diversity.

## Market Weaknesses:

- According to Moody's Analytics, the local tech and information employment sector will continue to face some headwinds. Since 2023, payrolls in this sector have been on a steady decline, and that decline has continued throughout 2024. One major reason for the tech sector's continued period of tumult is the result of the lack of startup innovation due to elevated levels of financing and higher costs. Venture capitalists are not looking to invest in local startups as aggressively as they once were, but with the recent interest rate cuts, that could change in the near term.
- Elevated levels of supply continue to negatively impact the metro's apartment fundamentals. Since 2017, approximately 117,000 units have been completed, an additional 27,000 units are underway, and nearly 66,000 units are in the planning stages. Since 2021, vacancies have inched up by more than 300 basis points and rent growth has been negative since late 2022 due to the elevated levels of deliveries in the metro.
- One of the metro's top employers, Tesla, has entered a period of slowdown as electric vehicle competition ramps up nationwide. Tesla sales have fallen year-over-year due to increased pricing competition in the EV field, and as a result, the employer had to cut nearly 2,700 employees, according to Moody's Analytics.

## New Development:

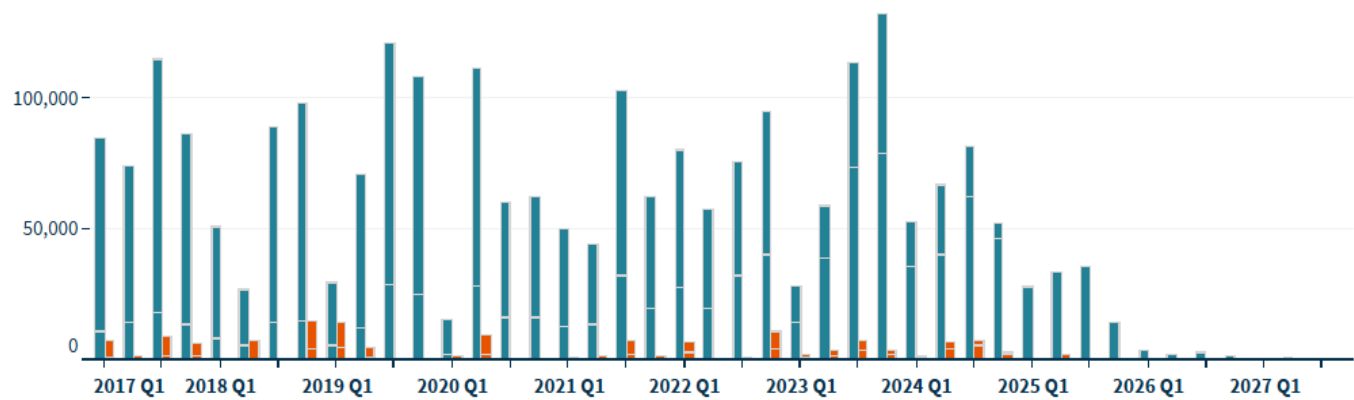
- There has been a big uptick in the amount of supply delivered to the Austin metro over the last few years. Since 2017, approximately 117,000 units have been completed, and an additional 27,000 units are underway.

## Outlook:

- Despite strong demand in the metro area, apartment market fundamentals continue to soften due to consistently high levels of new supply. Although Austin benefits from a strong demographic profile, positive net migration, and above-average job growth, the ongoing surge in new units is expected to keep vacancy rates elevated. However, the pace of new supply is projected to decelerate, which should allow demand to catch up over time.
- There is some cause for concern in the Austin metro. The overreliance on tech is concerning due to the sector's volatility, and although annual job growth is positive, there is anxiety due to the recent period of slowdown. Furthermore, the large number of corporate relocations by tech heavyweights could lead to increased unaffordability in the metro. However, Austin has a good amount of industrial diversity and a desirable demographic profile that should help aid its recovery.

Multifamily Apartment Pipeline

Apartments & Condos/Townhomes: Units Completed and Underway  
*Apartments | Condos*

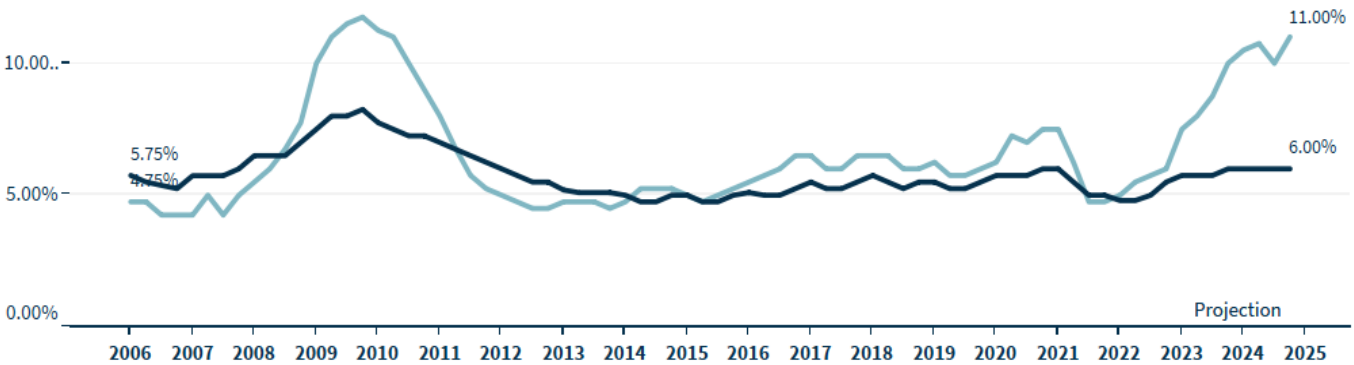


Source: Dodge Data & Analytics SupplyTrack Pipeline

Multifamily Vacancy & Rent Estimates

Vacancy Rates  
*Austin | National*

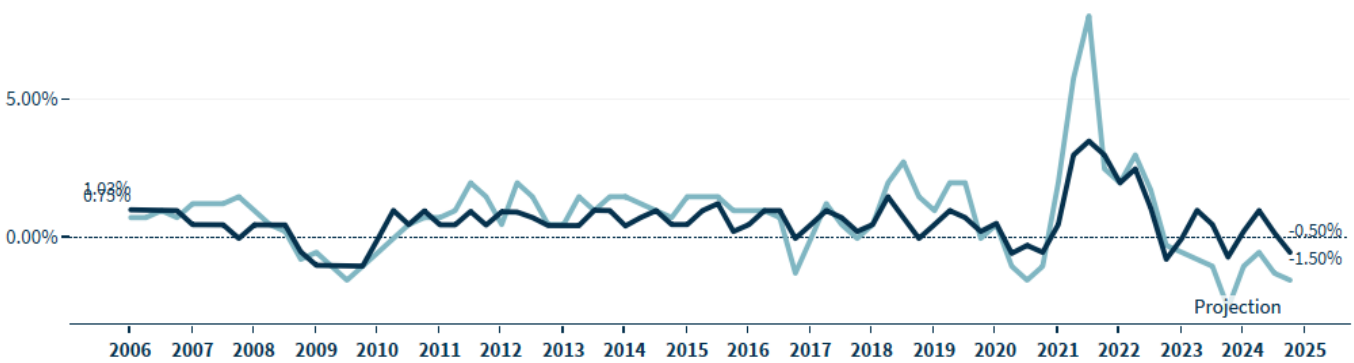
Q4 2024 Vacancy Rate:  
11.00%



Projection

Asking Rent Growth  
*Austin | National*

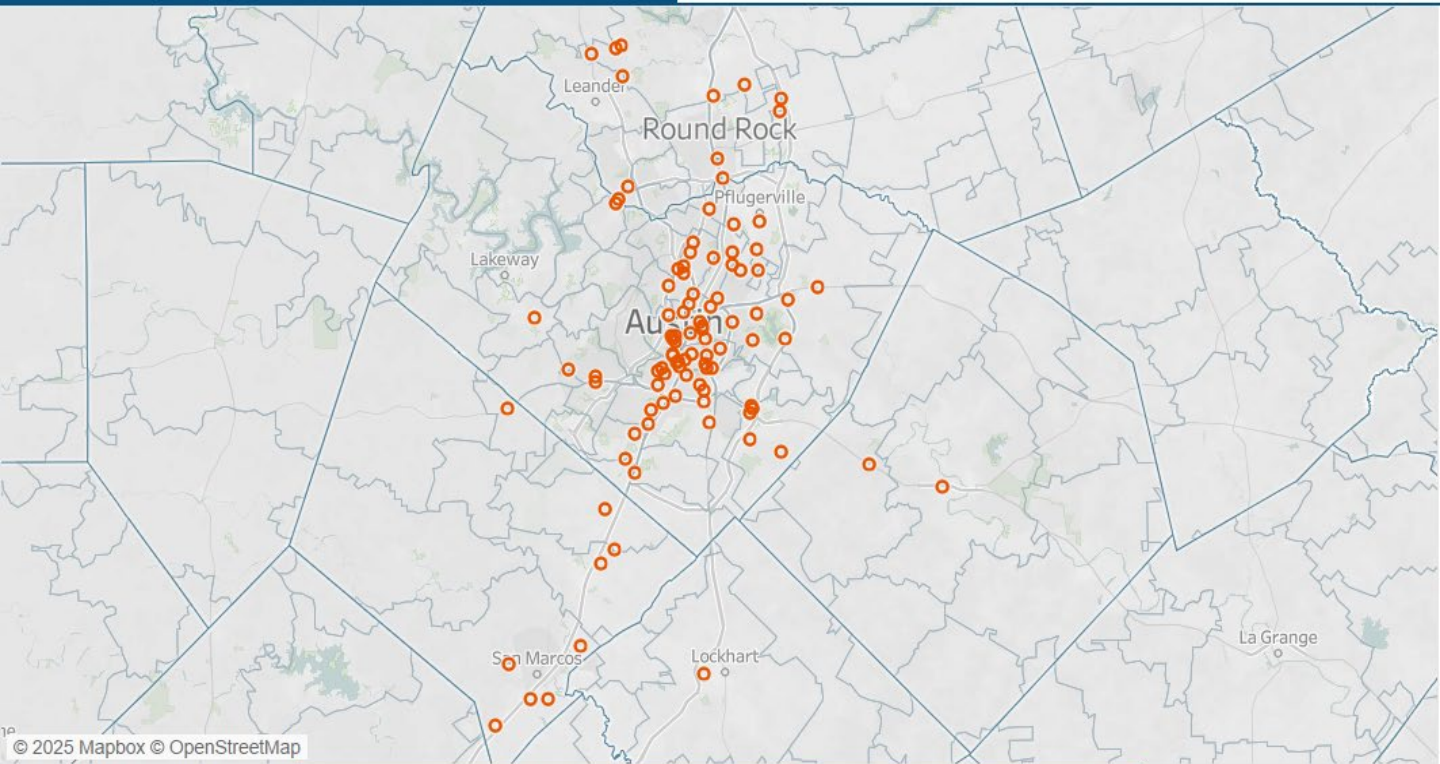
Q4 2024 Asking Rent:  
\$1,540



Projection

Source: Fannie Mae Multifamily Economics and Research

Multifamily Construction: Bidding & Underway



MultiHousingSubmarketName	Apartments	Units
Cedar Park	3	681
Downtown/University	8	2,282
East Austin	22	5,509
Far South Austin	5	1,621
Far West Austin	2	446
Near North Austin	6	1,431
North Central Austin	8	2,104
Pflugerville/Wells Branch	4	1,744
Riverside	4	595
Round Rock/Georgetown	8	2,373
San Marcos	9	2,468
South Austin	4	988
Southeast Austin	10	3,672
Southwest Austin	5	1,443
Grand Total	98	27,357

Source: Dodge Data & Analytics SupplyTrack Pipeline

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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
- Dodge Data and Analytics Real Estate Analyzer
- CBRE-Econometric Advisors
- Yardi

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