

Metro Housing Outlook:

Austin - Q2 2024

Overview:

- Job growth in the Austin metro continues to grow at an above-average pace. For the year ending Q2 2024, job growth in the metro was approximately 2.2% compared to 1.7% nationally. Even though job growth in the metro has slowed down from peak recovery in 2021 and 2022, job growth 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 Q2 2024, vacancy rates increased to 10.75%, up 25 basis points from the previous quarter, and rent growth improved slightly, although it is still negative at -0.5% 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 constantly been delivered to the market in recent years. Additionally, the general population growth rate for the metro is expected to expand by 2% over the five-year forecast compared to 0.5% nationally.
- Even though the Austin metro's local economy has become more tech-centered over 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 Q2 2024, there are no employment sectors in the metro experiencing contraction; each employment sector during this time is experiencing growth, 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 into 2024. One major reason for the continued period of tumult for the local tech sector is a 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 103,000 units have been completed, an additional 36,000 units are underway, and nearly 68,000 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 slowness as electric vehicle competition ramps up nationwide. For the period ending Q2 2024, nationwide electric vehicle sales were up 8% while sales for Tesla continued to decline, and its total market share is now below 50% for the first time ever, according to Moody's Analytics.

Outlook:

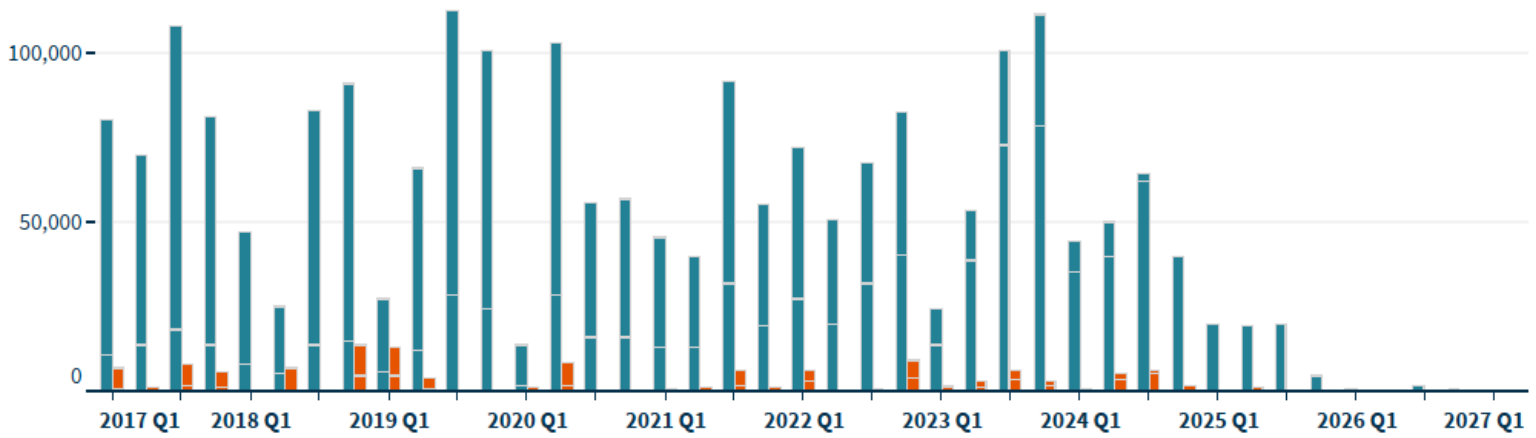
- Despite strong demand in the metro area, apartment market fundamentals are weakening due to consistently high levels of new supply. Although Austin benefits from a solid demographic profile, positive net migration, and above-average job growth, the ongoing surge in new units is expected to keep vacancy 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 tech 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

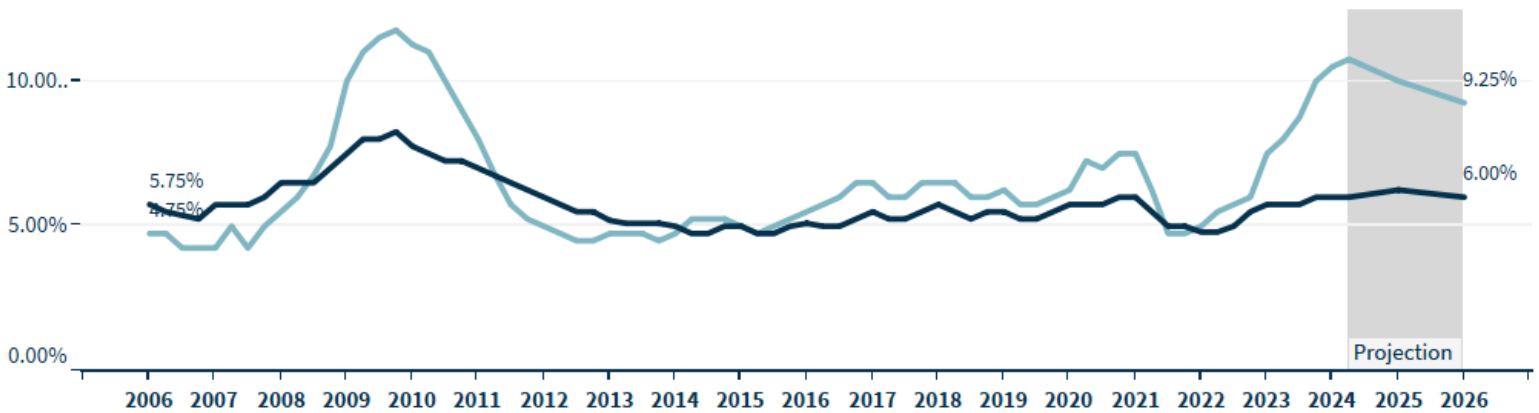
Multifamily Vacancy & Rent Estimates

Vacancy Rates

Austin | National

Q2 2024 Vacancy Rate:

10.75%

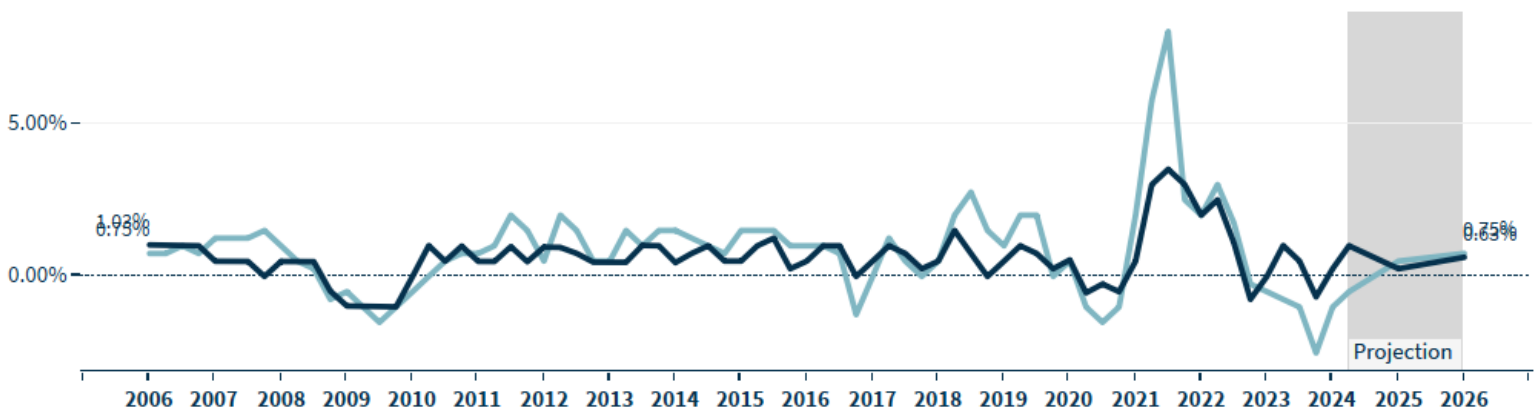


Asking Rent Growth

Austin | National

Q2 2024 Asking Rent:

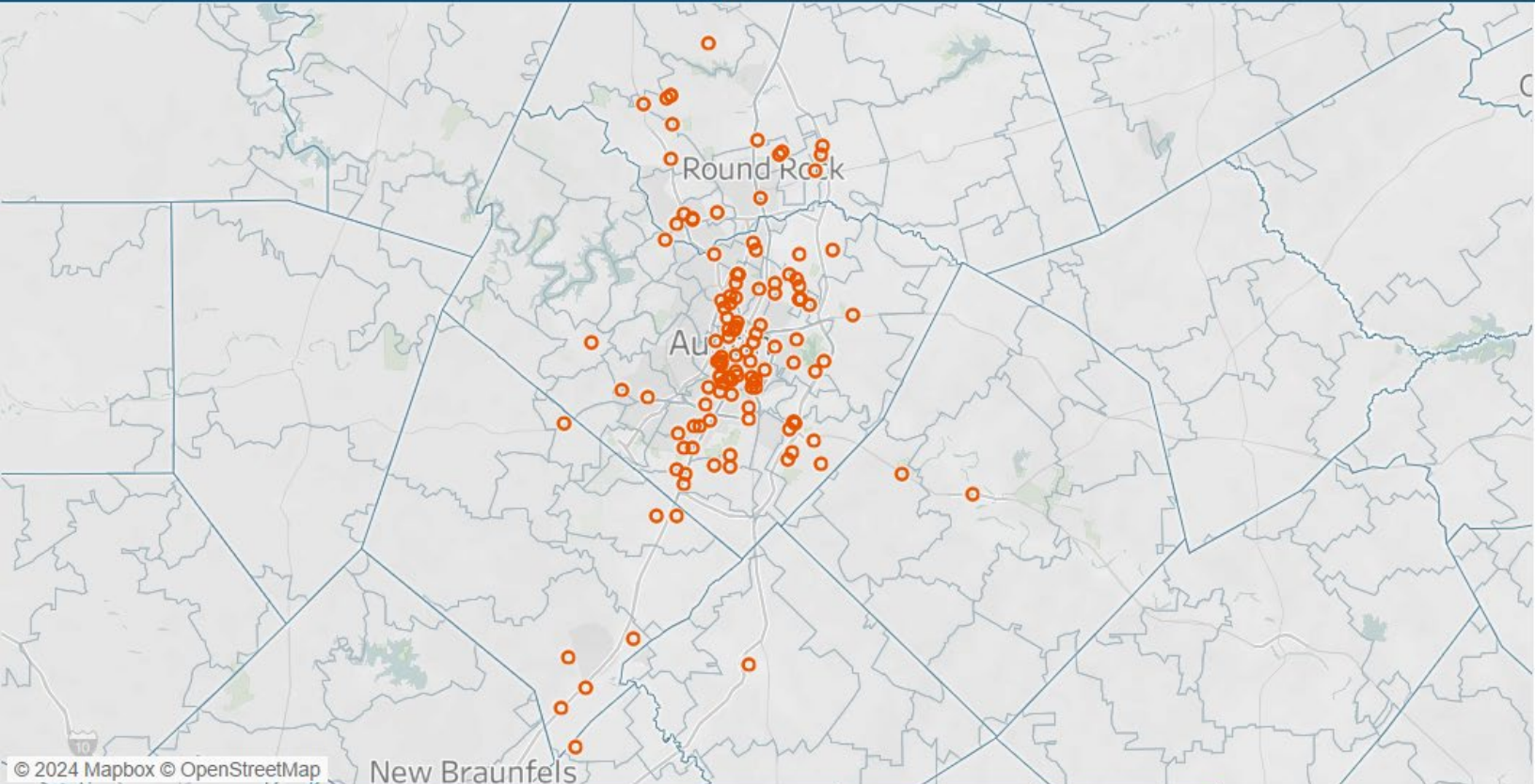
\$1,570



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	8	2,087
Downtown/University	10	3,005
East Austin	27	6,891
Far South Austin	8	2,488
Far West Austin	1	376
Near North Austin	7	1,673
North Central Austin	14	3,839
Pflugerville/Wells Branch	5	2,044
Riverside	2	435
Round Rock/Georgetown	11	3,298
San Marcos	8	2,227
South Austin	3	921
Southeast Austin	15	4,868
Southwest Austin	4	1,235
Grand Total	125	36,012

Source: Dodge Data & Analytics SupplyTrack Pipeline



Multifamily: ESR Team

Multifamily Metro Outlook: Austin Q2 2024

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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