# VIEWPOINT
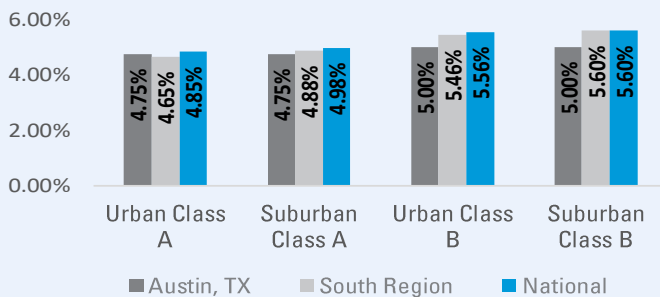
## 2023 AUSTIN, TX MULTIFAMILY ANNUAL REPORT

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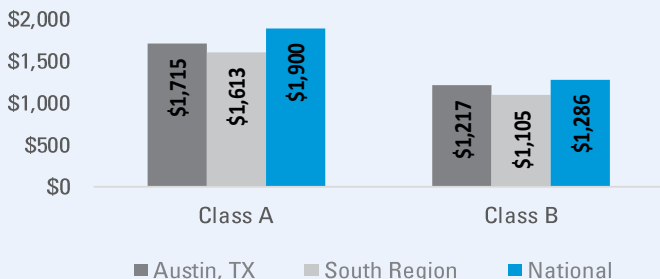
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## Market Rate Indicators (Y/Y)

| Categories | Class A | Class B |
|---|---|---|
| Going In Cap Rate (%) | ▼ | ▼ |
| Asking Rent ($/Unit) | ▲ | ▲ |
| Vacancy Rate (%) | ▼ | ▲ |

## Going In Cap Rate Comparisons (%)



| | Urban Class A | Suburban Class A | Urban Class B | Suburban Class B |
|---|---|---|---|---|
| Austin, TX | 4.75% | 4.75% | 5.00% | 5.00% |
| South Region | 4.65% | 4.88% | 5.46% | 5.60% |
| National | 4.85% | 4.98% | 5.56% | 5.60% |

■ Austin, TX   ■ South Region   ■ National

## Asking Rents ($/Unit)



| | Class A | Class B |
|---|---|---|
| Austin, TX | $1,715 | $1,217 |
| South Region | $1,613 | $1,105 |
| National | $1,900 | $1,286 |

■ Austin, TX   ■ South Region   ■ National

## Vacancy Rates (%)



| | Class A | Class B |
|---|---|---|
| Austin, TX | 5.3% | 4.6% |
| South Region | 5.3% | 4.0% |
| National | 5.6% | 3.5% |

■ Austin, TX   ■ South Region   ■ National
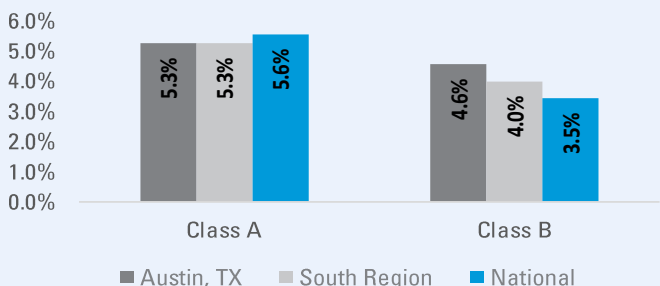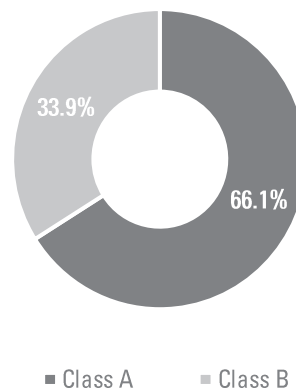
## Austin, TX Multifamily Market Overview

A study commissioned by the National Apartment Association and the National Multifamily Housing Council found that Austin was the No. 1 metro in the nation for apartment demand. According to the National Apartment Association, housing within the Austin market still does not meet demand due to the continued population and job expansion. Austin has experienced substantial housing demand over the past decade as the metro population has expanded more than 28% over this time. Based on this pattern, which does not appear to be slowing by the end of 2022, reports indicate that Austin will need 117,107 new apartment units by 2035 to meet future demand. Adding to the local demand, Federal Reserve rate hikes appear likely to result in higher occupancy levels for all classes of apartments, as potential single-family home borrowers are expected to face higher borrowing costs and barriers to entry. Within the past year, over 11,500 units have been added to the Austin multifamily market with over 7,500 units absorbed. At the same time, asking rents have risen 5% over the past year while rent growth has risen 4%. Occupancy within stabilized properties hovers around 95%, accompanied by strong lease-up for newly constructed units. It is expected that 18,300 units will be delivered in Austin by the end of 2022. Rent Cafe puts the Austin market fourth in the study's national rankings, moving up from seventh a previous year ago. All of the elements that have fueled the Austin multifamily market in the past, remain present going into 2023. Population growth continues to accelerate at greater than national levels fueling housing demand that both the single-family home and multifamily development has struggled to meet.

## Distribution of Total Inventory
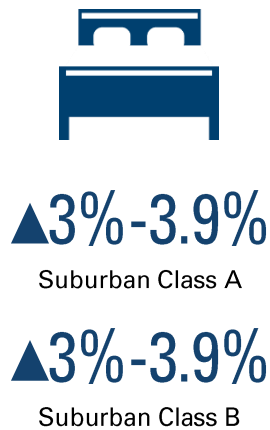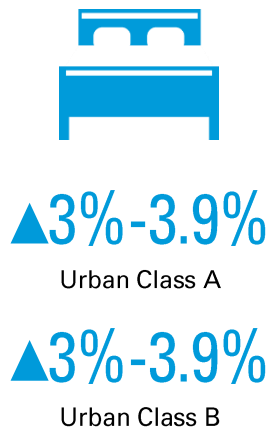


33.9%

66.1%

239,564 Units
Multifamily Inventory

2.00% - 12 Mo. Proj.
Construction/Inventory

■ Class A   ■ Class B

## Change In Value Next 12 Months

▲3%-3.9%
Urban Class A

▲3%-3.9%
Suburban Class A

▲3%-3.9%
Urban Class B

▲3%-3.9%
Suburban Class B

## Market Cycle: Expansion Stage 3
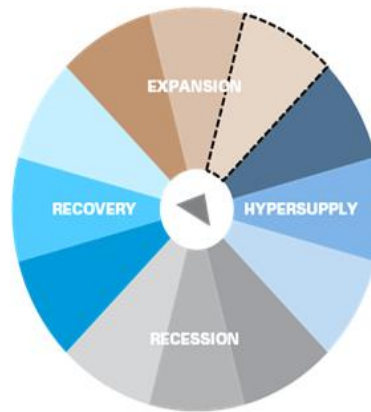


- High Absorption
- Moderate/High Employment Growth
- Moderate/High New Construction
- Med/High Rental Rate Growth
- Decreasing Vacancy Rates

## Forecasts

### Austin, TX 12-Month Multifamily Forecasts

| Categories | Urban Class A | Urban Class B | Suburban Class A | Suburban Class B |
|---|---|---|---|---|
| Going-In Cap Rates | Remain Steady - no change | Remain Steady - no change | Remain Steady - no change | Remain Steady - no change |
| Discount Rate | Remain Steady - no change | Remain Steady - no change | Remain Steady - no change | Remain Steady - no change |
| Reversion Rate | Remain Steady - no change | Remain Steady - no change | Remain Steady - no change | Remain Steady - no change |
| Construction (Units) | 4,797 | | | |
| Market Rent Change | +3.00% | +3.00% | +3.00% | +3.00% |
| Expense Rate Change | +3.00% | +3.00% | +3.00% | +3.00% |
| Years to Balance | In Balance | | | |

### Austin, TX 36-Month Multifamily Forecasts

| Categories | Urban Class A | Urban Class B | Suburban Class A | Suburban Class B |
|---|---|---|---|---|
| Market Rent Change | +14.36% | | | |
| Change in Value | Increase 3%-3.9% | Increase 3%-3.9% | Increase 3%-3.9% | Increase 3%-3.9% |

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