AUSTIN, TX
MULTIFAMILY REPORT

2023 | MIDYEAR

BERKADIA®
INSTITUTIONAL SOLUTIONS

Jobs Added / Lost

LAST 12 MONTHS

40,500

3.2%

NEXT 12 MONTHS*

19,400

1.5%

Unemployment

MIDYEAR 2023

3.4%

50 BPS YOY

MIDYEAR 2024*

3.3%

10 BPS YOY

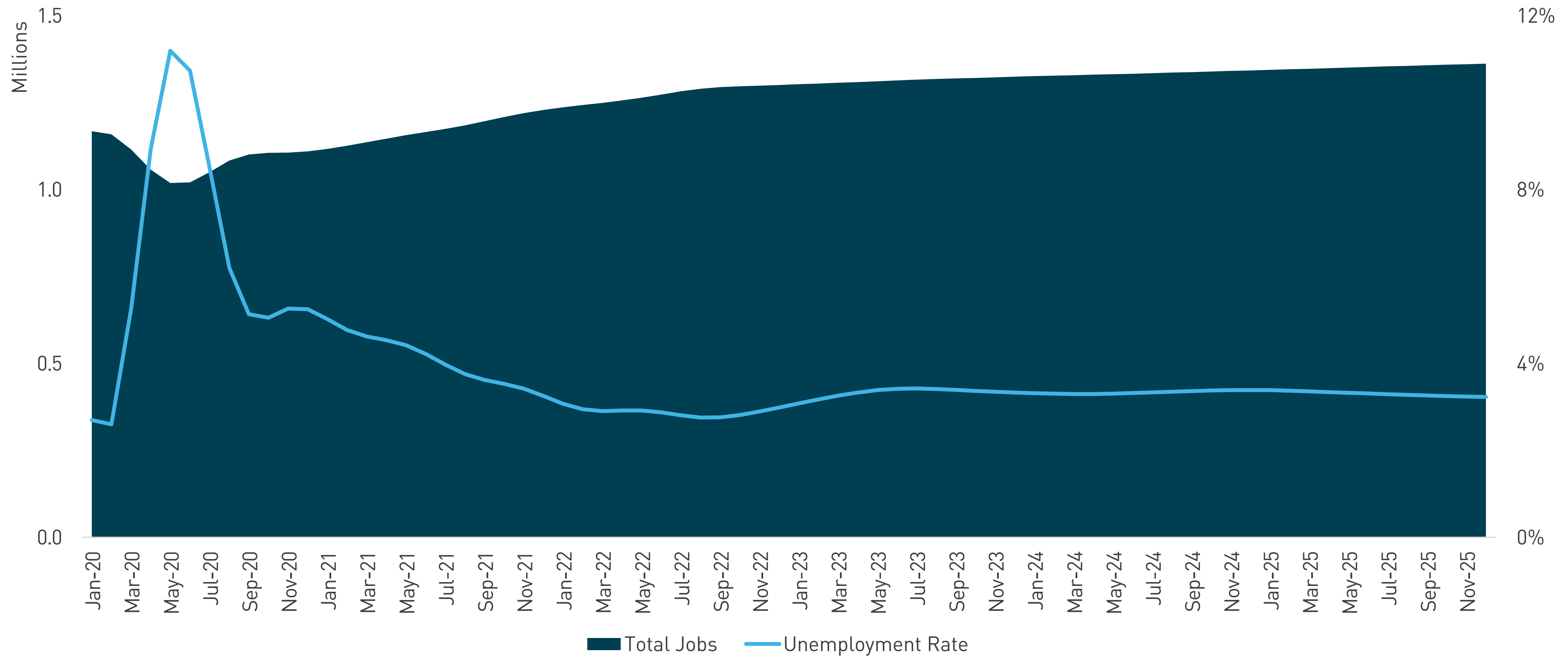
*Projected

AUSTIN, TX

EMPLOYMENT

The Austin metropolitan statistical area's hospitality market is in a period of rapid expansion, driven by the growth of the professional workforce post-pandemic, Austin's notoriety as the Live Music Capital of the World, and the full return of large-scale conferences and events. The leisure and hospitality sector created 14,900 jobs over the past 12 months ending June 2023, which accounted for 36.4% of the total employment growth of 40,500 workers. More than 120 bars and restaurants opened in the Austin area since the start of this year, and according to Austin's Chamber of Commerce, the metro will add more than 10,000 hotel rooms by the end of 2023. According to STR, Austin had the 11th-largest hotel pipeline of any metro in the country with 2,508 under construction and 9,215 in pipeline. Hotels provide a positive economic impact for the region. For example, the Conrad Austin created 300 jobs after opening in June and the CitizenM Austin Downtown is expected to create 150 new jobs when it opens in fall 2023. Hotel occupancy rates have yet to fully reach pre-pandemic levels, but the local government's pursuit of enforcing the city code on short-term rental properties may increase the popularity of hotels for Austin's 30 million annual visitors who might otherwise choose to stay in an Airbnb or Vrbo property.

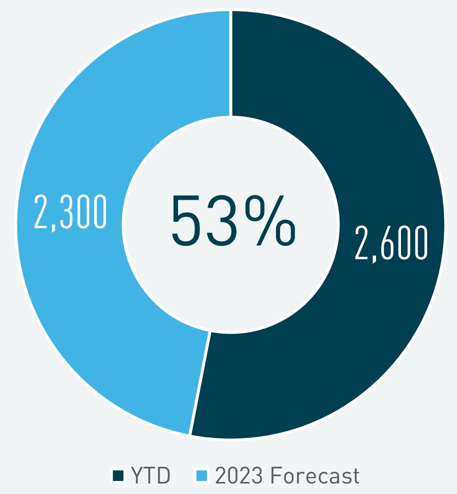
Employment Trends



Source: Moody's Analytics

Who's Hiring?

LEISURE & HOSPITALITY INDUSTRY



12%

OF ALL JOBS IN THE METRO

$30,100

AVERAGE ANNUAL SALARY

Top Leisure & Hospitality Employers

Vrbo	1,800 JOBS
OMNI HOTELS	870 JOBS
P. TERRY'S BURGER STAND	825 JOBS

In The News

- Samsung semiconductor facility in Taylor to create 2,000 jobs
- Electric vehicle supplier to Tesla to create 800 jobs
- Tesla spending over $700 million to expand Austin gigafactory

2023 Units*

DELIVERIES

21,870

ABSORPTION

19,062

2024 Units*

DELIVERIES

31,603

ABSORPTION

29,314

**Projected*

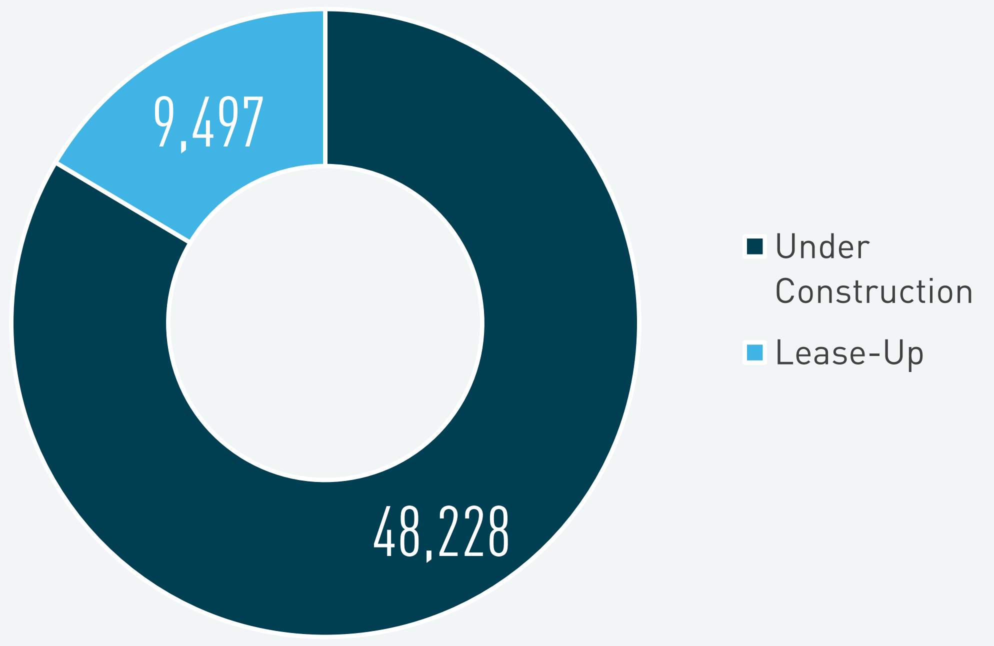
AUSTIN, TX

DELIVERIES & ABSORPTION

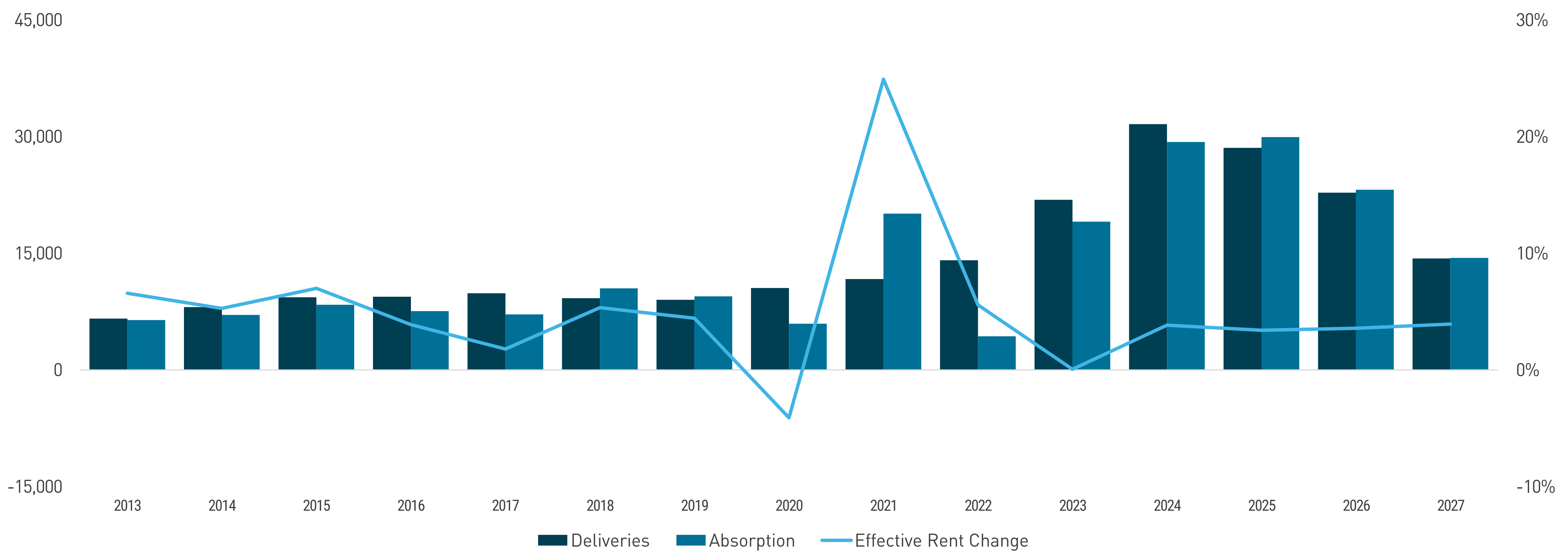
Greater Austin's multifamily market has had steady increases in supply since 2019, but the pace of expansion has quickened since 2022, a trend that will continue over the course of 2023 and 2024 before tapering off. There are 21,870 units scheduled to debut this year, representing a 7.7% increase in inventory from 2022. This will be a record jump for a 20-year history until it is eclipsed by a 10.3% elevation in 2024, when more than 31,600 units come online. In fact, Austin has the fourth-largest multifamily market pipeline in the nation, with 57,725 units in the lease-up, construction/lease-up, or construction phase.

Renter appetite for leases is expected to return in 2023 with a projected 19,062 net move-ins compared to 4,334 last year. The anticipated absorption increase coincides with present nationwide inflation and high mortgage rates, which limits the purchasing power of would-be home buyers, and may delay sellers from putting their home on the market for a lower value, as Zillow estimated the average home price fell 10% between a peak in July 2022 and April 2023. The 10% drop in value is one of the largest in the country. Leasing activity should increase further in 2024, ultimately surpassing new supply levels as construction softens in 2025.

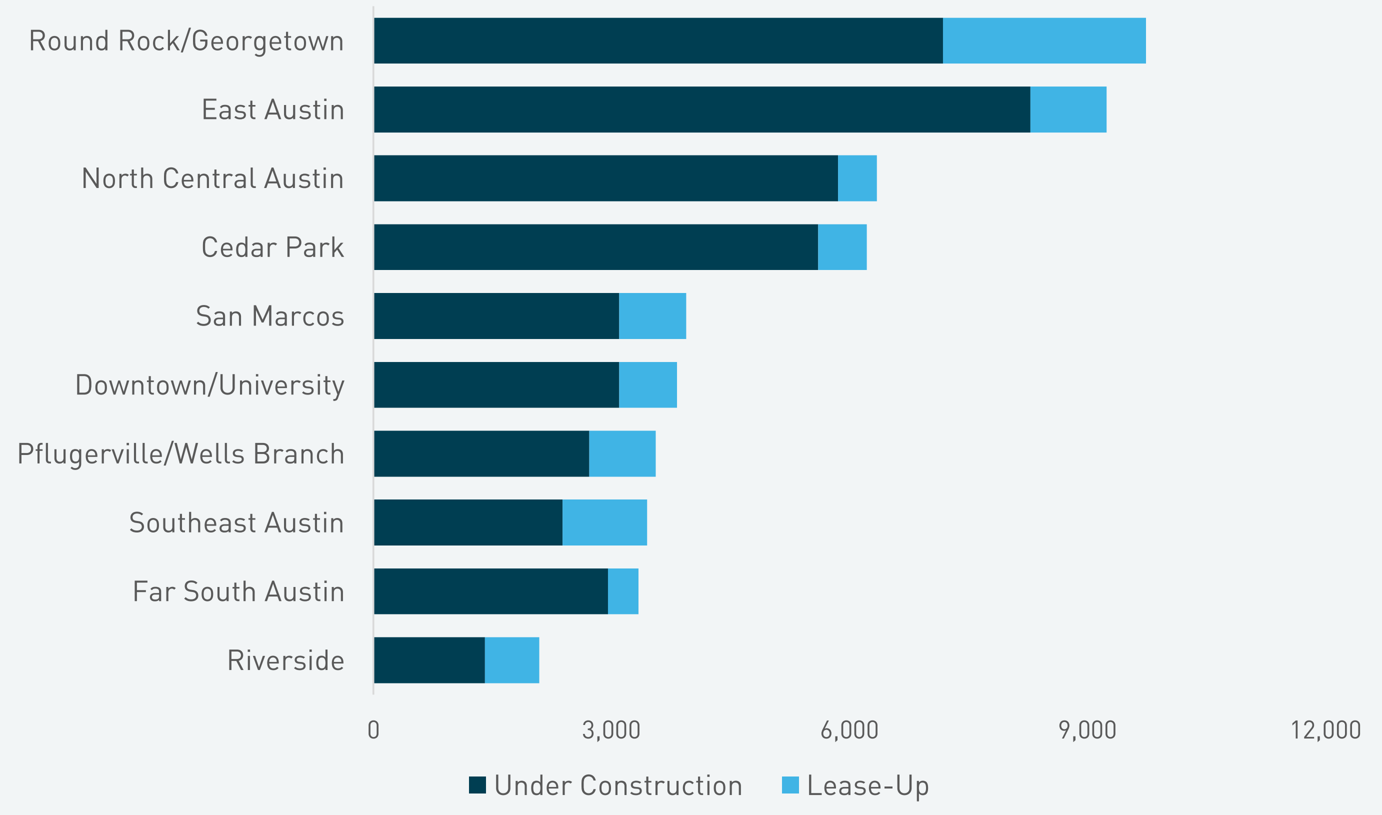
Market Pipeline



Deliveries, Absorption, & Effective Rent Change



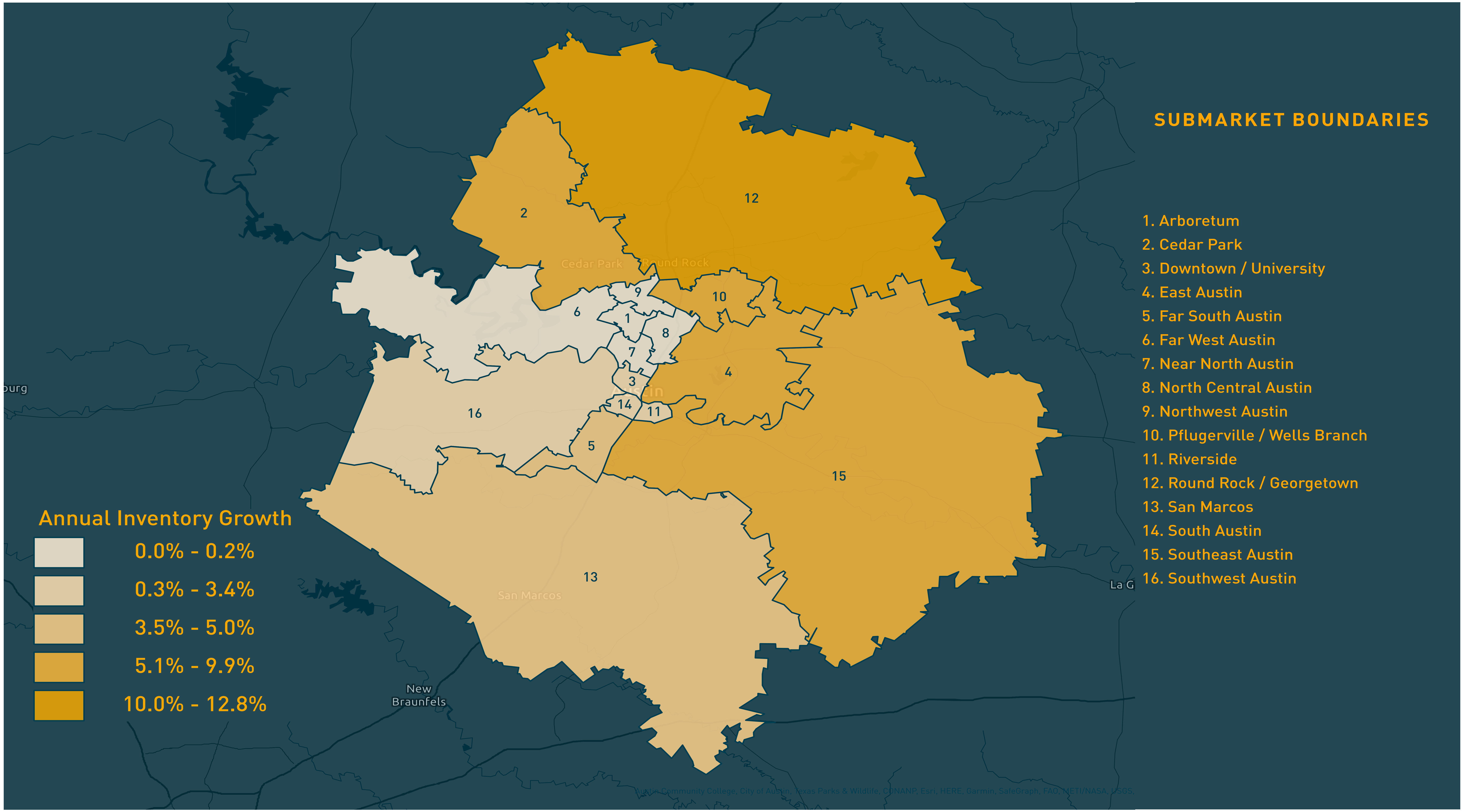
Top 10 Submarket Pipelines



Source: RealPage

SUBMARKET ANNUAL INVENTORY CHANGE

The north and east suburbs, around Cedar Park, Round Rock, Pflugerville, and Bastrop, will experience disproportionately greater levels of inventory growth compared to their south and west counterparts during 2023. These areas received increased attention from multifamily developers as companies like Valex, GAF Energy, and Amazon expand and/or relocate their professional and manufacturing operations. This area holds acclaim for high net in-migration, particularly from out of state. Most notably, developers in Round Rock/ Georgetown created a 12.8% increase with a delivery of 2,125 units delivered over the past 12 months leading to June 2023. Round Rock was recently named as the No.1 Best Place to Live in America by Bankrate and Georgetown is the fastest growing city in the nation by percentage change in 2022. Inventory will increase further to 18.5% to round out the year, representing the delivery of 4,334 units.



Effective Rent

Q2 2023

$1,667

↓ 0.8% YOY

Occupancy

Q2 2023

93.5%

↓ 270 BPS YOY

AUSTIN, TX

RENT & OCCUPANCY

To capitalize on Austin's growth, the torrid pace of inventory expansion throughout the Austin metro inadvertently stunted overall occupancy levels from growing in submarkets with high demand. During the second quarter of 2023, the metro's occupancy levels dipped 270 basis points annually to 93.5%.

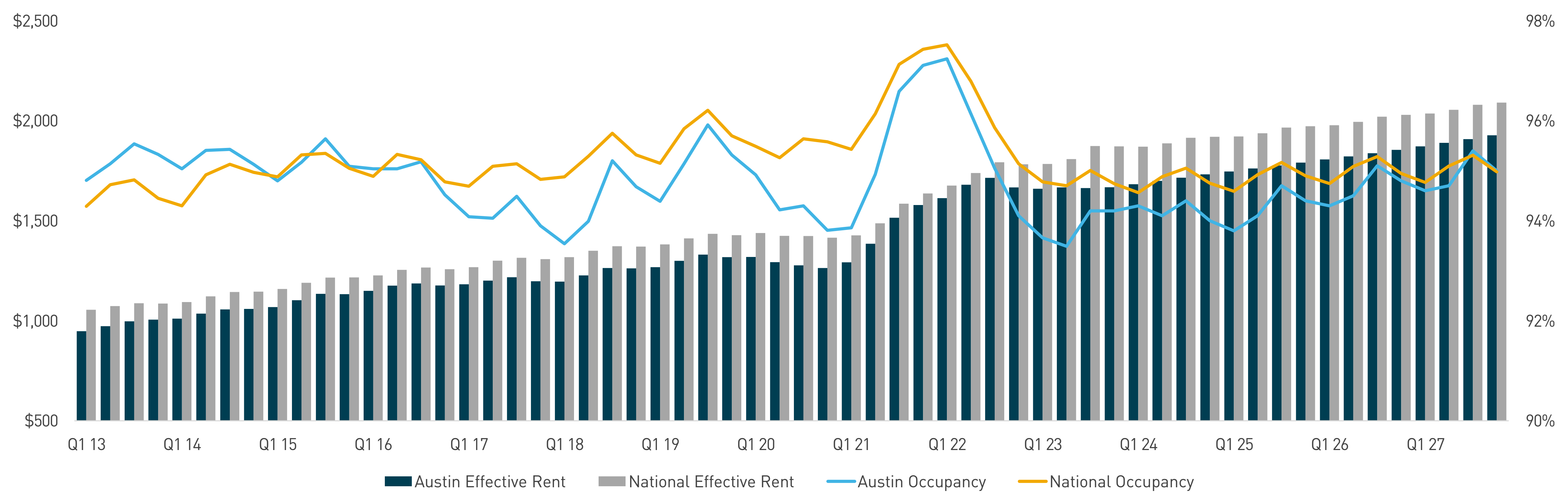
For reference, the 96.1% occupancy level from the second quarter of 2022 was part of the 12-month period of record-high occupancy rates for the Austin market, the likes of which were unheard of pre-pandemic.

Before COVID-19, the highest occupancy ever reached was 95.9% and the average from 2015 to 2019 was 94.7%. Once construction activity settles in 2025, occupancy will reflect the pre-pandemic norm.

The market's effective rent during the second quarter of 2023 reached $1,667 per month, a dip of 0.8% compared to the year prior. Not only is the influx of new supply causing downward pressure on rents, but also changes in renter behavior.

To save money as inflation in food and fuel crept up, renters chose to renew their leases at a higher rate than they did a year ago, when the prevalence of new leases was particularly high.

Austin vs. National Effective Rent & Occupancy



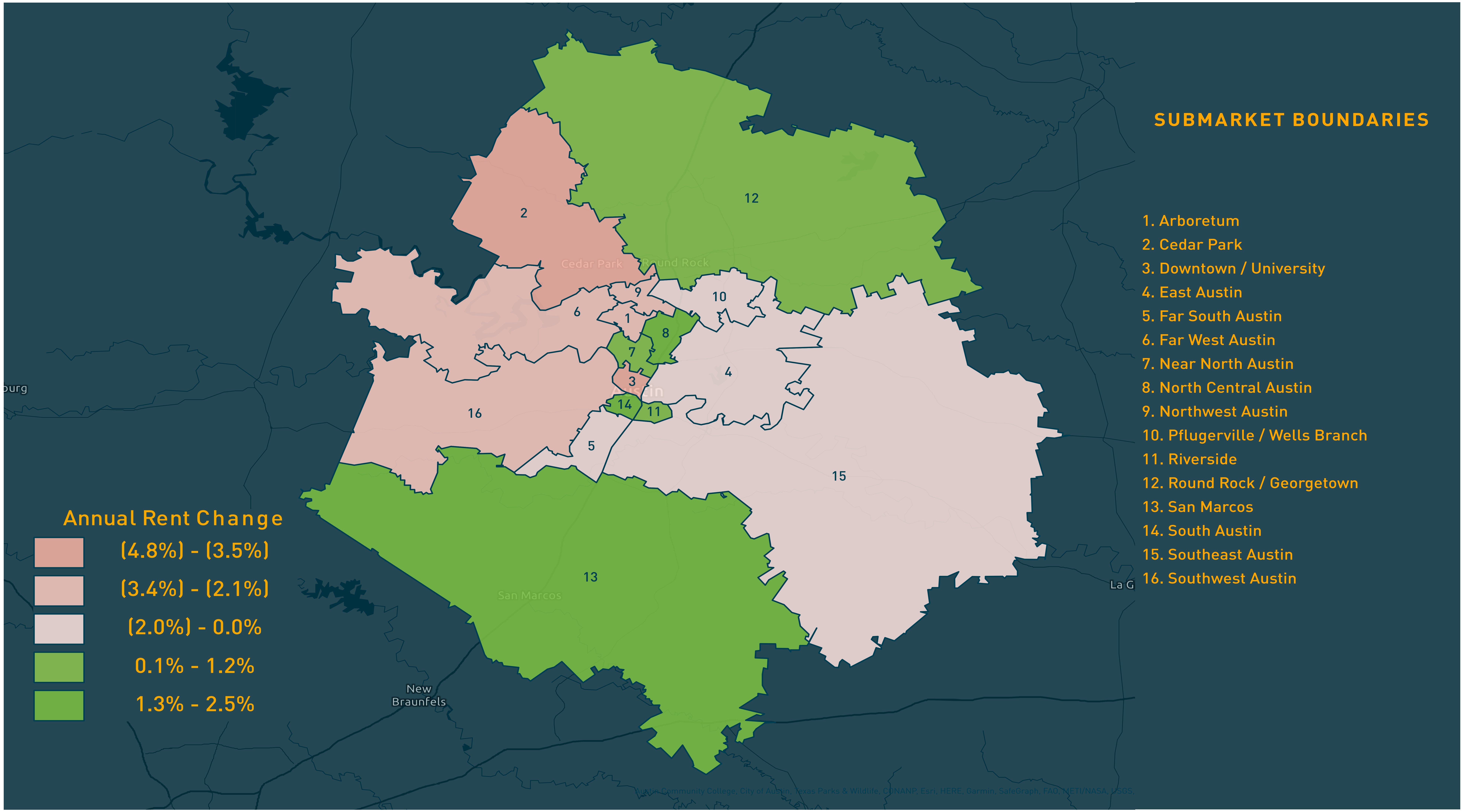
Source: RealPage

Submarket Performance

SUBMARKET NAME	Q2 2023 OCCUPANCY	YOY (BPS)	Q2 2023 EFFECTIVE RENT	YOY
Arboretum	93.7%	-200	$1,533	-2.7%
Cedar Park	93.7%	-250	$1,650	-4.3%
Downtown/University	93.2%	-270	$2,711	-4.8%
East Austin	92.3%	-370	$1,779	-0.1%
Far South Austin	93.5%	-250	$1,564	-2.1%
Far West Austin	93.6%	-230	$1,668	-2.2%
Near North Austin	93.8%	-180	$1,672	0.4%
North Central Austin	93.9%	-240	$1,548	2.0%
Northwest Austin	93.1%	-260	$1,601	-3.5%
Pflugerville/Wells Branch	94.0%	-260	$1,535	-1.7%
Riverside	92.7%	-390	$1,580	0.3%
Round Rock/Georgetown	93.8%	-250	$1,591	0.9%
San Marcos	93.3%	-300	$1,407	2.4%
South Austin	94.0%	-190	$2,012	1.9%
Southeast Austin	93.2%	-410	$1,518	-1.4%
Southwest Austin	94.0%	-210	$1,832	-2.3%

SUBMARKET ANNUAL RENT CHANGE

The San Marcos submarket had the largest effective rent increase year over year, at 2.4%. This brought the monthly effective rent to $1,407 in the second quarter of 2023, up from $1,374 a year ago. The San Marcos submarket had the lowest rent in the Austin market, at least $111 below the next lowest submarket, Southeast Austin. Thus, it is likely multifamily operators increased rents to be competitive, but also because San Marcos will likely experience major growth from its position in the Texas Triangle, the red-hot trade corridor. San Marcos also had a higher prevalence of new leases and lower prevalence of renewals compared to the submarket with the lowest annual effective rent increase, Downtown/University, where rents declined 4.8%, yet remained the highest rate in the market at $2,711 per month.



AUSTIN, TX

SALES

2023 Year to Date*

VOLUME
Nondisclosure

PRICE PER UNIT (AVG)
Nondisclosure

TRANSACTIONS
9

CAP RATE (AVG)
Nondisclosure

What's Trading?*

UNITS (AVG)
323

YEAR BUILT (AVG)
2010s

BUILDINGS (AVG)
7

ACRES (AVG)
12.61

Top Buyers**

BUYER	LOCATION
Blackstone	New York
Berkshire Residential Investments	Boston
Starwood Capital	Miami Beach, FL
GVA Real Estate Investments	Austin
City of Austin	Austin

Top Sellers**

SELLER	LOCATION
Bell Partners	Greensboro, NC
Endeavor Real Estate Group	Austin
Thompson Realty Capital	Richardson, TX
The Carlyle Group	Washington, D.C.
Slate Real Estate Partners	Houston

Source: Real Capital Analytics
**$50m+*

***Past 24 Months*

Sources: RealPage; Moody's Analytics; Real Capital Analytics