



## Multifamily Metro Outlook: Austin Summer 2017

Too much supply has finally caught up with Austin. The one-two punch of slowed job growth and seasonality weighed the multifamily housing sector in Q4 2016, resulting in negative rent growth of 1.25 percent and a substantial increase in vacancy during the quarter. The market held steady in Q1 2017 with vacancies of 7.0 percent and flat rents.

As it is primarily a tech hub, with little exposure to the depressed energy sector, Austin had been enjoying above average job growth over the past few years. Although the torrid pace of new job growth is slowing is now finally slowing down, it is likely to remain above average in 2017, with Moody's Analytics projecting an addition of just over 30,000 jobs in 2017.

Nearly 9,000 units were delivered in 2016 alone, well outpacing an estimated demand for only about 7,500 units. As of Q1 2017, concessions are -0.9 percent of asking rent, which is still below the national average of -1.1 percent. However, they have tripled in just 12 months. Fundamentals should continue to deteriorate in 2017 as more new supply is delivered.

Information Technology continues to drive Austin's growth – particularly through software and web development. Apple, IBM Facebook, Google, and Samsung are all located in the metro. Indeed, Apple's Americas Operation Center continues its expansion and will ultimately employ 7,000 people. Further, growth in social networking is likely to continue to support Austin's economy through the expansion of newer IT industries. Jobs in tourism and education help diversify the economy.

Although job growth has slowed, it will likely still be positive over the long-term attracting more workers to the area. Austin's population currently is 2.0 million and is expected to grow by an average of 2.7 percent annually through 2021 – more than triple the national average. And all those new residents will need goods, services and housing.

Austin is home to seven colleges and universities, including the University of Texas. In addition, many college students choose to remain in Austin after graduation. As a result, Austin has the largest proportion of the prime renting cohort (21 to 34 year olds) in the country, at 24.6 percent versus 20.7 percent nationwide. Almost 45.0 percent of residents hold a bachelor's degree, compared to just 30.0 percent nationally, providing a strong pool of talent for start-ups.

However, Austin is becoming much less affordable. The cost of living is estimated to be 112 percent of the national average which may be a drag on population growth. In addition, approximately on in ten jobs are in the high-tech sector, particularly in semiconductor and computer manufacturing. As a result, foreign high-tech manufacturing and the cyclical nature of the industry are weak spots.

### Development

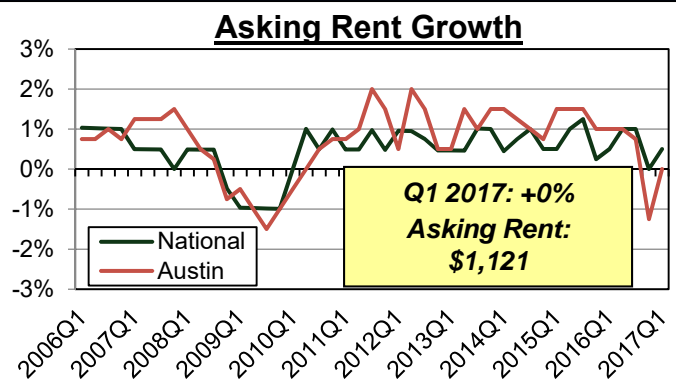
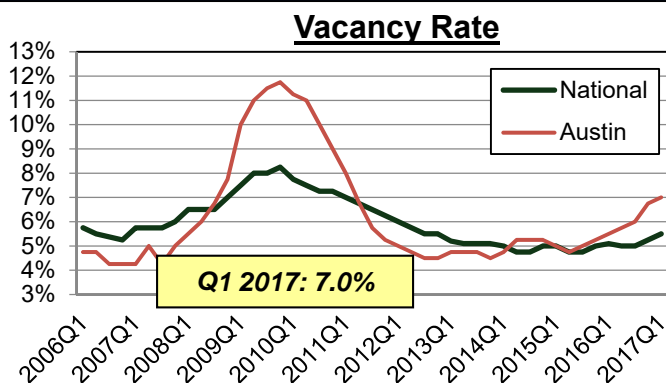
Too much supply is coming online too soon. More than 12,000 units are underway with the bulk expected to deliver in 2017. The new supply of apartments underway appears to be moving beyond the Central and South Austin markets and appears to be more evenly spread throughout the metro. After 2019, supply and demand will likely be more in balance.

### Outlook

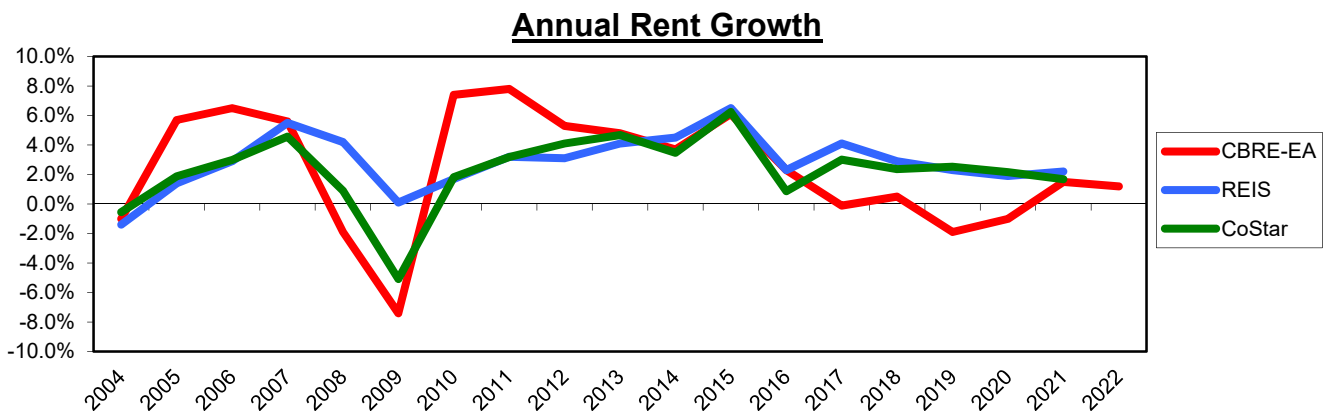
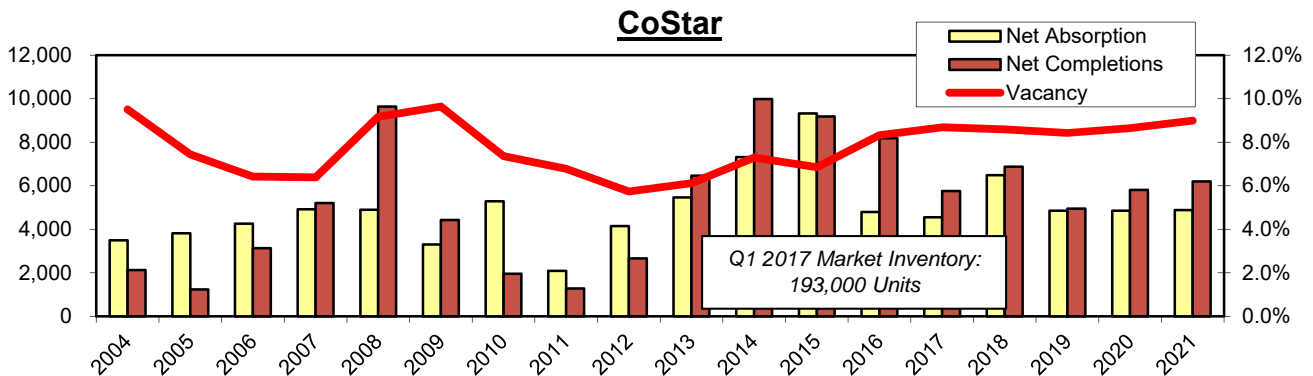
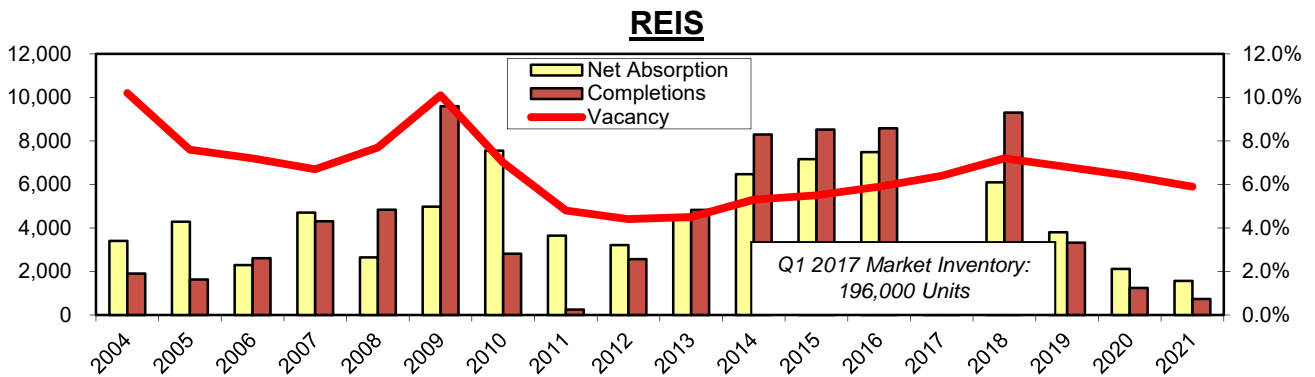
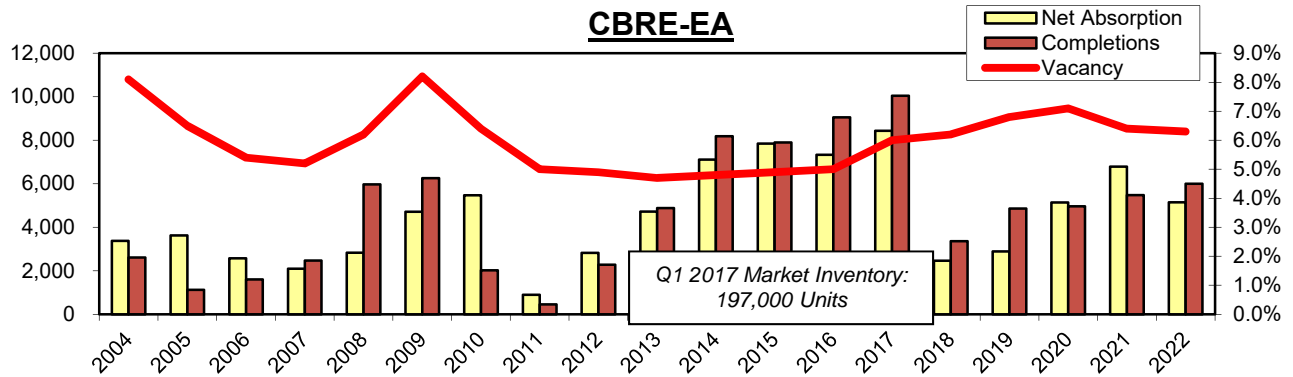
The vast majority of new stock has been developed to lure Millennials working in high-tech jobs who want to live downtown. As a result, Austin's apartment market is likely in for some volatility as some of the new jobs expected over the next few years may not all come from the high-tech sector nor pay enough to support Austin's escalating asking rent levels

The for-rent market can expect healthy demand as job growth continues and supply finally abates. The metro's demographic profile is the envy of the nation. However, with so many new units delivered, the need for new supply longer-term is likely to be limited.

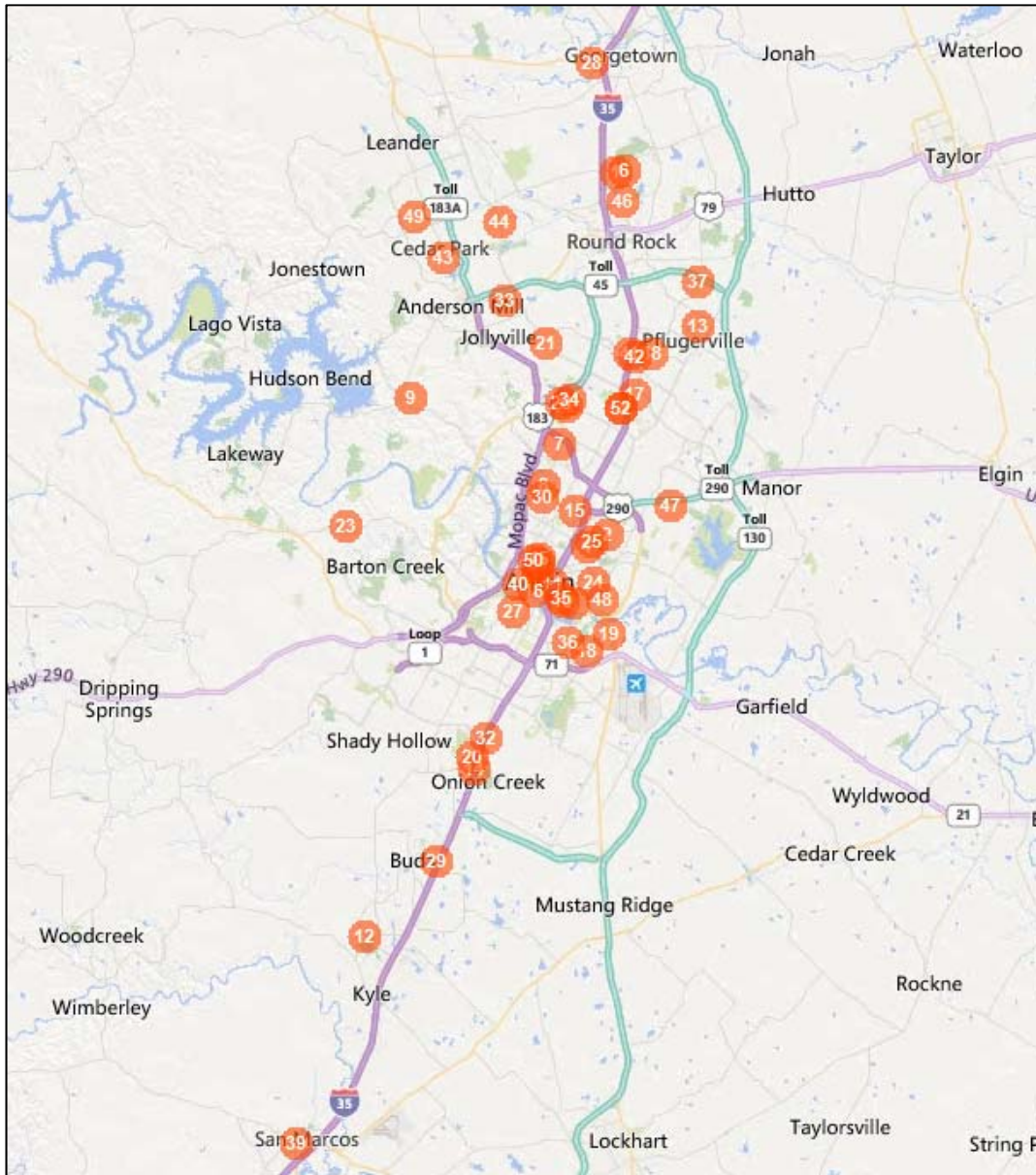
## Vacancy and Rent Composite Estimates



Source: Fannie Mae Multifamily and Economics Research



**Construction Bidding/Underway**  
**(52 projects/12,500 Units/14.5 M Sq. Feet)**



CBRE-EA Submarket	Number of Projects	Total Sq Ft (000's)	Total Units	CBRE-EA Submarket	Number of Projects	Total Sq Ft (000's)	Total Units
North Travis	8	2509	2557	Far South	2	652	565
Central	8	2231	1488	Near South Central	1	446	350
East	8	1799	1379	Travis County East	1	273	321
Southeast	4	1541	1378	San Marcos	1	218	304
Hwy 183/Cedar Park/Leander	4	1090	1044	n/a	1	361	303
Far Northwest	4	1528	1037	Hays County / Other	2	264	264
Round Rock/Georgetown	3	811	726	Northwest	1	120	124
Near North Central	3	617	692	West	1	15	14



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**Fannie Mae Multifamily Economics and Market Research**

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### **Sources Used**

- AxioMetrics
- CBRE-Econometric Advisors
- Bureau of Labor Statistics
- Census Bureau
- CoStar
- Dodge Data & Analytics
- Moody's Analytics
- Real Capital Analytics
- Reis, Inc.

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