INVESTMENT FORECAST

Multifamily

Austin

IPA INSTITUTIONAL PROPERTY ADVISORS

2024

Corporate Relocations Promote Investment Even Amid Record Completion Slate

Supply wave counterbalanced by increasing renter base. Austin's cohort of age 20- to 34-year-olds will grow by 1.8 percent in 2024, the fastest pace among major U.S. markets. This demographic is traditionally prone to renting while saving for a first-time home purchase, a trend prolonged locally due to the metro's median home price, which has increased by more than $100,000 since 2019. Austin's renter pool is also augmented by consistently strong in-migration, a trend unlikely to end in the near future as companies like Tesla, Apple and Oracle make the metro home. Even so, multifamily supply additions are outpacing demand on a short-term basis. Overall vacancy will hit a 20-year high in 2024, largely a result of this development dynamic. The supply wave is likely reaching its peak, however, as new starts have fallen amid rising material, labor and borrowing costs. This dynamic will allow supply and demand to realign long-term. Total occupied stock will also reach a record high by the end of 2024, illustrating how the elevated renter demand observed in recent years is likely to continue.

Samsung factory highlights outer suburbs for potential buyers. Active investors will likely target areas where corporate expansions are slated for 2024, even if local new supply pressure is present. Taylor is one such likely destination, as Samsung is set to complete a $17 billion semiconductor factory here, bringing with it over 2,000 high-skilled jobs. The facility's proximity to Georgetown, Round Rock and Pflugerville positions these outer suburbs' renter pools for expansion over the near term, which should attract potential buyers. Here, multi-property purchases involving larger garden-style properties are likely to close this year as institutional investors look to establish or expand their footprints across a trio of suburbs primed for an influx of new residents. Metrowide, investor demand for Class A listings should be apparent, as high-paying tech jobs arriving in Austin are expected to backstop long-term demand for luxury apartments. Additionally, the top-tier sector had the tightest vacancy among property tiers at the onset of 2024, and the influx of new supply over the last half decade should equate to a collection of options for institutional investors. Of late, the price ceiling for properties built within the past 10 years has approached $300,000 per unit, mirroring pricing for similar assets in primary markets.

23.8%

2023 share of local population between 20 and 34 years old

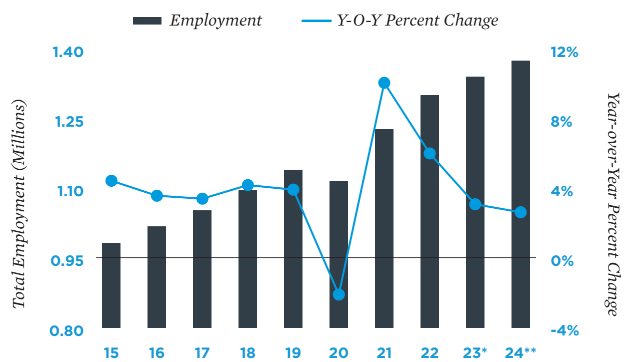
43.0%

of local population hold bachelor's degree or higher ⌘

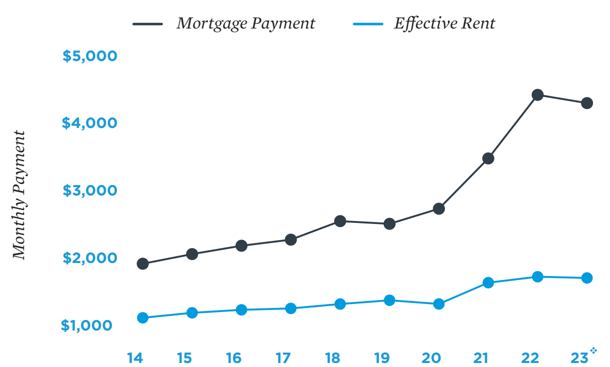
$474,500

2023 median home price❖

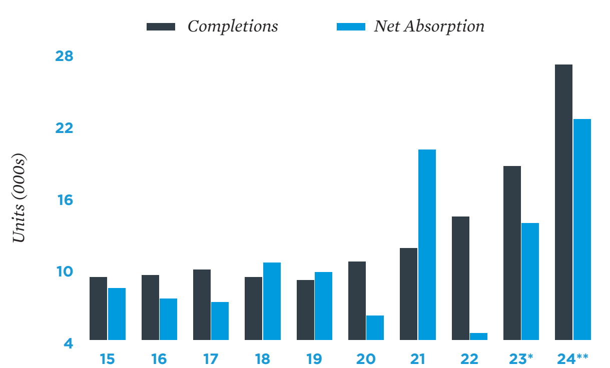
Employment Trends



Housing Affordability Gap



Supply and Demand



** Estimate ** Forecast ❖ Through 3Q*
⌘2023: 25+ years old
Sources: IPA Research Services; BLS; Freddie Mac; National Association of Realtors; RealPage, Inc.

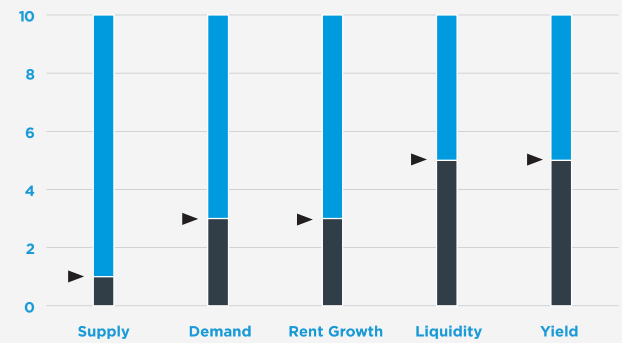
Investment Outlook

Among the four major Texas metros, Austin has the lowest supply ranking amid historic construction. Pressure from the new development also weighs on the demand and rent growth portions of the Index; although, strong employment expansion, alongside substantial barriers to homeownership, aid the longer-term outlook.

After ranking near the bottom of the scale in 2023, Austin's yield score jumps from a 2 to a 5 this year, which is slightly above the overall average. Despite the boost, liquidity is unchanged compared to last year as investors remain cautious amid supply pressure.

Note: The Key Performance Index provides a metro-level relational benchmark scaled from 1-10 for five key metrics.

Key Performance Index



2024 MARKET FORECAST

Employment
35,000 *jobs*
Metro **2.6%** U.S. **1.1%**

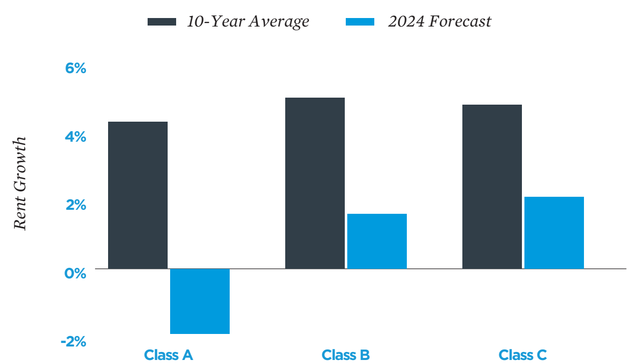
Construction
% of inventory❖
Metro **8.9%** U.S. **2.5%**

Class A Vacancy
Up 170 bps
Metro **8.4%** U.S. **6.5%**

Class A Rent
$2,127 *per month*
Metro **-1.9%** U.S. **-1.1%**

Vacancy By Class

Rent Growth By Class



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** Estimate ** Forecast*
❖ Arrow reflects completions trend compared with 2023
Sources: IPA Research Services; CoStar Group, Inc.; RealPage, Inc.; Real Capital Analytics