

## In-Migration and Challenging Homeownership Environment Mitigate Apartment Supply Wave's Pressure

**Barriers to buying a home to help moderate vacancy decompression.** In 2023, the metro is expected to see the sixth-largest volume of new residents among major U.S. markets, supporting the local labor force. Even with some companies rebalancing staff counts amid economic turbulence, higher-wage personnel from Austin's growing tech industry may favor high-end apartments amid elevated local home prices. The metro's affordability gap — the difference between the mean monthly mortgage payment on a median priced home and an average effective apartment rent — is the seventh-largest in the U.S., highlighting some of the benefits of staying in the renter pool. Technology firms are also still making long-term commitments to Austin. Apple begins construction on a 133-acre campus this February to house 5,000 employees on completion of the initial phase. Population and employment gains will, however, be slightly offset as Austin ties for third among major U.S. markets by rate of inventory expansion in 2023. Following significant household formation during the preceding two years, local apartment availability in the metro will slacken as construction outpaces net absorption. Economic uncertainty is also contributing to slower household creation and increasingly frequent renter consolidation, placing upward pressure on vacancy in the near term.

**Tech company expansions aid submarkets with sparse pipelines.** Moderating expectations for rent growth amid an influx of supply have coaxed investors with lower-risk tolerances to focus on Class A and B properties in employer-dense areas of the market. Northwest Austin is one such locale, following PayPal's announcement that it would be relocating 500 employees here by spring 2023 after signing a 10-year lease. Suburbs with few units slated for delivery, such as Far West and Northwest Austin, may note deal flow as well. Meanwhile, the fast-growing Interstate 35 Corridor, including San Marcos, saw persistently tight Class A vacancy last year, appealing to investors targeting new builds.

### 2023 Market Forecast

- Employment** up 0.8%

Total employment will expand by 10,000 positions in 2023, easing from last year's 46,000 jobs added.
- Construction** 18,000 units

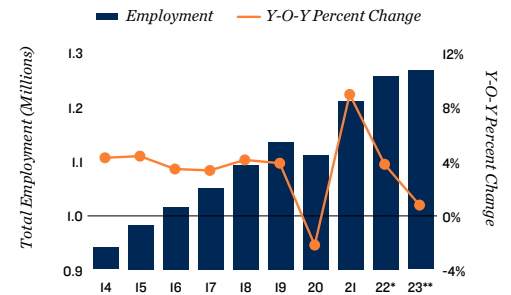
Completions will reach a record high this year as inventory expands by 6.3 percent. East and North Central Austin, as well as Round Rock-Georgetown, will receive the largest volume.
- Vacancy** up 80 bps

Vacancy will elevate to 6.2 percent by year-end, above the long-term average of 5.7 percent. Net absorption will remain positive, but fall below completions at 14,600 units.
- Rent** up 4.0%

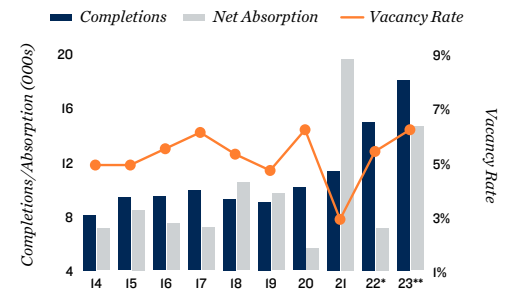
Following a 25.0 percent and 9.7 percent increase in the mean effective rent in 2021 and 2022, respectively, gains will slow as the average only rises to \$1,800 per month.
- Investment**

The University of Texas welcomed its largest incoming class in fall 2022, potentially fueling investor interest in the Downtown-University and surrounding lower-cost submarkets.

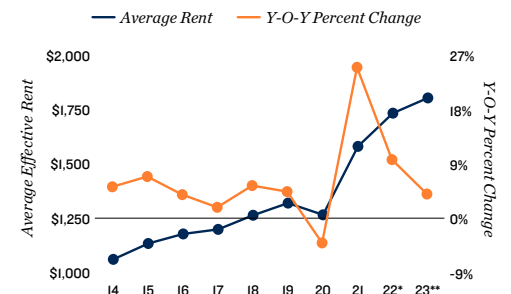
### Employment Trends



### Supply and Demand



### Rent Trends



\* Estimate; \*\* Forecast  
Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

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Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of December 2022. Effective rent is equal to asking rent less concessions. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Sales data includes transactions valued at \$1,000,000 and greater unless otherwise noted. Forecasts for employment and apartment data are made during the fourth quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guaranty regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.