

MULTIFAMILY

Austin Metro Area

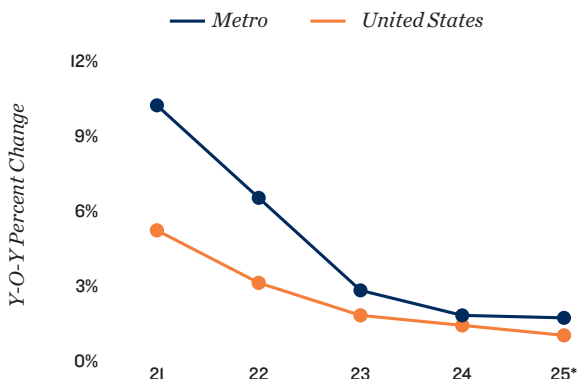
2Q/25

Elevated Inventory Shapes Leasing Environment; Urban Core Showing Momentum Over Suburbs

Austin's supply wave begins cresting. In the first quarter of 2025, the metro welcomed 5,400 new units. Renter demand slightly exceeded that count with almost 5,700 units absorbed, helping vacancy fall to 7.0 percent — its lowest level since mid-2023. During the trailing 12-month interval ended in March, submarkets like East Austin and Round Rock-Georgetown captured the strongest absorption, exceeding or keeping pace with robust development activity with the help of leasing incentives. Southeast Austin also outperformed; vacancy declined by 230 basis points despite local inventory growth over 15 percent. In contrast, Class B and C properties in outer southern suburbs face softening, recording vacancy rates up to 310 basis points above the urban core's. Although another 11,800 units are expected to deliver before year-end, likely maintaining some vacancy pressure, construction will slow further in 2026.

Variable rent trends entering stabilization. The urban core noted a 1.8 percent gain in the local average effective rent year over year in March, supported by limited competition and steady demand for premium high-rises. Suburban areas, meanwhile, posted a mean reduction of 6.8 percent amid heavier supply and softer demand for Class B and C stock. This resulted in the metrowide average effective rent declining more than in any other major U.S. market. Stabilizing renewal rates, now firming along with new leases, suggest an inflection may be nearing, especially in supply-constrained submarkets.

Employment Trends



Multifamily 2025 Outlook



22,000

JOBS

will be created

EMPLOYMENT:

Employment in Austin is set to grow 1.6 percent in 2025, marking a slowdown of 210 basis points from the long-term average, but still outpacing the national rate. As such, it secures a spot among the top ten major metros.



17,200

UNITS

will be completed

CONSTRUCTION:

Austin accounts for over 5 percent of all deliveries among major U.S. markets in 2025. Cedar Park, East and North Central Austin, and Round Rock-Georgetown expect more than half of all deliveries.



10

BASIS POINT

decrease in vacancy

VACANCY:

While new supply remains relatively elevated, this year's delivery volume totals just over half of 2024's additions. Strengthening renter demand is expected to modestly lower vacancy to 7.1 percent by year-end.



2.5%

DECREASE

in effective rent

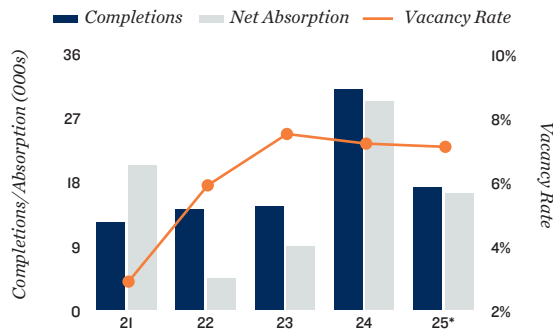
RENT:

After declining last year, the average effective rent is set to recover modestly, reaching \$1,499 per month by December. Easing vacancy will support the rebound, keeping rents above those in nearby San Antonio.

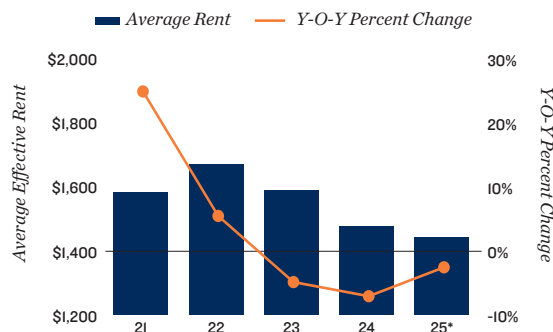
* Forecast

Sources: BLS; CoStar Group, Inc.; RealPage, Inc.

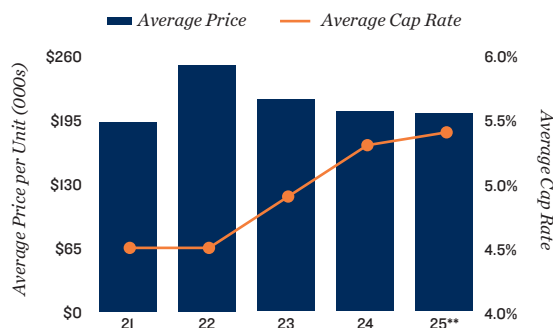
Supply and Demand



Rent Trends



Sales Trends



* Forecast ** Through 1Q

Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

Austin Office:

Bruce Bentley III Regional Manager

9600 North Mopac Expressway, Suite 300

Austin, TX 78759

Tel: (512) 338-7800 | bruce.bentley@marcusmillichap.com

Prepared and edited by:

John Salter

Research Associate | Research Services

For information on national multifamily trends, contact:

John Chang

Senior Vice President, Chief Intelligence & Analytics Officer

Tel: (602) 707-9700 | john.chang@marcusmillichap.com

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1Q 2025 — 12-Month Period



CONSTRUCTION

31,045 units completed

- The metro's inventory increased by 10.1 percent over the year ended in March — the largest rise of all major markets in the nation.
- East Austin recorded the highest delivery volume among all submarkets over the year ended in March with about 6,000 units completed, followed by 4,600 in Round Rock-Georgetown and 1,400 in North Central Austin.



VACANCY

70 basis point decrease in vacancy Y-O-Y

- Absorption continues to keep up with recent supply. Sustained renter demand over the past year ended in March lowered the local vacancy rate to 7.0 percent, marking the first annual decline in two years.
- Even with elevated completions, Class A vacancy ticked down 170 basis points to 6.0 percent in the yearlong period.



RENT

6.5% decrease in the average effective rent Y-O-Y

- The average effective rent continued on a downward track in the first quarter. The metric ended March at \$1,461 per month.
- Mean effective rents declined year over year in 15 of Austin's 16 submarkets. Despite this broad softening, rates in the Downtown and University areas remain nearly twice the metro average.

Investment Highlights

- Of the four major Texas markets, Austin recorded the highest average per-unit price in the 12 months ended in March, reaching just over \$200,000 — more than \$20,000 above Dallas-Fort Worth. Though the figure is down roughly 20 percent from the 2022 peak, values remain high on an absolute basis. Combined with cap rates in the mid-5 percent range, current pricing may still restrain deal flow amid ongoing economic uncertainty.
- Trades over the past year largely took place in or around Downtown, Pflugerville, Round Rock and San Marcos. Going forward, investors seeking properties in areas proximate to the CBD with limited supply pressure may focus on the Arboretum, South Austin or Riverside.
- Austin's strong demographic fundamentals, especially within the fast-growing 20-to-34 age cohort, aid investor confidence despite recent market challenges. Multifamily permitting fell this year to its lowest level since 2019, indicating moderated supply growth beyond 2025. Regulatory shifts — such as the HOME Initiative, Compatibility Standards Reform and Density Bonus 90 Program — are catalyzing strategic redevelopment and higher-density housing opportunities, particularly in suburban submarkets.