

AUSTIN APARTMENT MARKET

2007 Mid-Year Summary



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MARKET
RESEARCH**

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Through the first half of 2007, the apartment market continued to improve, with both rent and occupancy increasing from the end of 2006. The June 2007 citywide occupancy rate continued its climb to 96.8%, increasing by 2.0% points from December 2006. Average rents per sq. ft. increased by \$0.03 since December, to \$0.94 per square foot. Twelve new apartment communities with 3,016 completed units were added to the market inventory in the first six months of 2007, but four of these projects were partially completed and leasing in December, so the net addition to total units for the first six months was only 2,265, but that is a 20.3% increase from the last six months of 2006.

Citywide average rental rates jumped 3.3% over the first six months of 2007, and the percentage change from June 2006 was 8.0%. While unit deliveries are up from last year, they are clearly not keeping pace with the demand caused by strong job growth and less competition from the single-family market. The average rate for all projects completed since 2000 is \$0.98 per sq. ft., approximately 4.3% higher than the market average.

It should be noted, however, that more than 11% of the 38,543 units completed since 2000 are "income restricted", tax credit projects. Leasing among the 3,016 units finished in 2007 has been quite strong, particularly at well-located properties with extensive amenity packages. In June 2007, 66.2% of the units in projects completed this year were leased. Overall, the increase in occupancy was most pronounced in the East, Far Northwest, and Southeast market areas. All of the other market areas except the Far Northwest experienced increases in occupancy.

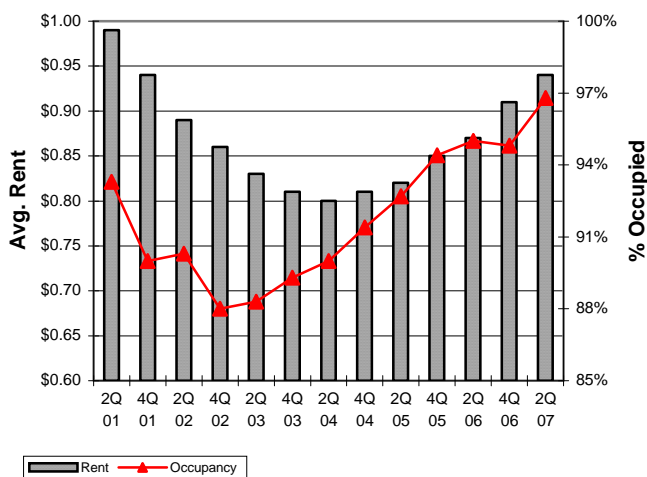
In the first half of 2007, seven of the nine market areas surveyed experienced new unit completions. The Far Northwest market area had the most units added with completions of 1,050 units, followed by North Central with 675 units. Twelve new apartment communities completed a total of 3,016 units in the first six months of 2007. However, four of these properties were partially completed in December with 751 units, and the remaining 2,265 units were delivered in the first half of 2007.

The dramatic increase in occupancy, coupled with an 8.0% twelve-month increase in average rents, confirms the continued strength of the Austin apartment market.

Absorption for the first six months of 2007 was up dramatically to 4,658 net units, the strongest showing in several years. All areas experienced net positive absorption led by the North Central market with 1,255 units.

Another emerging trend worth noting is the "lease down" of several apartment communities in anticipation of their demolition and the construction of new product on an existing site. The dramatic increase in occupancy, coupled with an 8.0% twelve-month increase in average rents, confirms the continued strength of the Austin apartment market. Absorption also increased dramatically to 776 units per month since the beginning of 2007, and new job creation over the last twelve months was a positive 31,700 through April 2007. There are four projects currently leasing that have 770 unfinished units that are scheduled for delivery over the next 6 months. There are, in addition, 29 projects under construction with a total of 6,192 units that should be delivered in the second half of 2007, or in 2008. Occupancy should continue to increase in 2007 because absorption is predicted to exceed unit deliveries. Rental rates in all market areas will continue to rise as the occupancy rates remain above the theoretically full level of 95%.

Rental Rates and Occupancy



Absorption and New Construction

