AUSTIN APARTMENT MARKET

2016 Mid-Year Survey

CAPITOL MARKET RESEARCH

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Although occupancy fell slightly to 94.0%, strong absorption continued into the first half of 2016 and rental rates rose 3.0% to reach $1.39 per square foot.

Average rents continued their upward trend into 2016, with rates rising 3.0% to reach $1.39 in June. Citywide occupancy is currently at 94.0%, declining slightly from 94.5% reported in December 2015. Forty new (2016) communities have brought units to the market in the last six months, adding a total of 5,688 new units since December. Absorption has remained strong, ending the first six months of 2016 with 4,193 units.

Rental rates were stable or increased slightly in all market areas, except Southwest which decreased just $0.01. The highest rate of increase, 5.08% was seen in the Far Northwest market area. All forty apartment communities that delivered units throughout 2016 (one high rise, fifteen mid-rise, and twenty-four garden style) are leasing, on average, for $1.68 per square foot, approximately 20.9% higher than the citywide average.

Four market areas saw a slight increase in occupancy rates, even as multiple projects added new units to the inventory. Seven market areas saw slight occupancy dips, most with less than a percentage point change of (-1.0) since December 2015. Three areas experienced a larger decline, as Central dropped by (–4.9) points, Southeast dropped by (–1.8) points, and San Marcos saw a (–1.1 decline). The overall occupancy rate decreased just slightly, from 94.5% to 94.0%, with 44 projects with 9,735 rentable units still in "lease up". Occupancy all for new (2016) projects is currently 61.0%, however, the occupancy for the six new projects completed and stabilized in 2016 is 96.2%, including three market rate and three "affordable" housing properties.

The last six months of 2015 saw the completion of fourteen properties that delivered 1,842 units to the market, while seventeen projects continued their construction, adding 2,077 rentable units by the end of December 2015. In the fist six months of 2016, fifteen projects that started delivering units in the last six months of 2015 completed construction, adding 1,488 units. In addition, nine projects delivered all their units between December and June, adding an additional 1,769 new units to the market. There are sixteen projects currently under construction that have delivered a total of 2,431 rentable units, out of their 5,659 total planned units.

Absorption during the last half of 2015 was 4,135 units, which continued at a steady pace into the first six months of 2016, absorbing 4,193. The region absorbed a total of 8,328 units between June 2015 and June 2016.

As noted above, occupancy dropped slightly to 94.0%, while rents increased by 3.0%. While occupancy declined, absorption continues at an even pace of almost 700 units per month. New construction continues at a sustainable pace throughout the region, and new product which is appropriately priced is rapidly leasing in both urban and suburban submarkets. Job growth continues in multiple employment nodes and across all private sector industry groups. Continuing population migration and a propensity to rent among young people creates a very positive outlook for the remainder of 2016 and into 2017.