

AUSTIN APARTMENT MARKET

2018 Mid-Year Summary



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After two years of little to no increases, Austin area rents jumped 3.6% since December 2017 in response to the strong lease-up activity and dwindling concessions in many new properties. The current June 2018 average rent per square foot, \$1.44, increased from \$1.39 in December 2017. Citywide occupancy has also regained momentum, reaching 93.2%. Thirty-eight new (2018) communities have brought units to the market in the last six months, adding a total of 5,943 new units since December. Citywide, absorption has increased dramatically in the first six months of 2018, with 7,641 units absorbed.

Rental rates increased in most market areas, with the exception of Georgetown and Kyle/Buda, both small suburban markets with several new properties in lease-up. The most dramatic change was seen in the East Austin market area, where much of the new construction stabilized and dropped concessions, thereby increasing rental rates by 7.86%. Citywide, the average rate increased (3.6%), reaching \$1.44 per square foot. The thirty-eight new apartment communities that delivered units in the first six months of 2018 are leasing, on average, at \$1.58 per square foot, approximately 9.7% higher than the citywide average.

Occupancy rates increased in nine of the thirteen market areas, as multiple projects that were completed in 2016 and 2017 have stabilized. The decline in occupancy was felt is smaller, suburban market areas as that have several properties in lease-up. Across the region, occupancy rate increased from 92.2% to 93.2%, with a total of 45 projects with 10,631 rentable units in "lease up". Occupancy for all new (2018) projects is currently 49.8%.

The last six months of 2017 saw the completion of twenty-nine new properties, delivering 4,085 units to the market, while twenty projects continued their construction, adding 2,509 rentable units between June 2017 and December 2017. In the first six months of 2018, sixteen projects that started deliver-

Rental rates have increased for the first time in two years, rising 3.6% since 2017, reaching \$1.44 per square foot, while occupancy and absorption have also seen strong signs of recovery.

ing units in the 2017 completed construction, adding 2,965 units, while seven new projects opened and delivered all their units between December and June, adding an additional 1,130 new units to the market. In addition, there are fifteen projects under construction which together have delivered a total of 1,848 rentable units in the first six months of 2018.

Absorption during the last half of 2017 was 3,502 units, while the first six months of 2018 absorption more than doubled, with 7,641 units absorbed. The region has absorbed an impressive total of 11,143 units between June 2017 and June 2018.

With increases in both rent and occupancy, Austin continues to attract jobs and people, as in-migration demands new housing options. Apartments overall have shown an increase in occupancy, as many new properties have stabilized, and older properties experience continued demand. In the short term, with approximately 14,700 units under construction scheduled to deliver in last half of 2018 and 2019, some parts of the region will feel a slight decrease in occupancy, as seven market areas are scheduled to deliver over 1,000 units each in 2018. A slight pause in new construction starts will diminish deliveries in 2019, and should allow rental concessions to further abate and occupancy to increase, as a smaller number of new units are delivered.

