Northmarq

CONSTRUCTION ACTIVITY

UNDER CONSTRUCTION	34,231
UNITS DELIVERED (YTD)	10,982

MARKET FUNDAMENTALS

VACANCY RATE	11.9%
YEAR-OVER-YEAR CHANGE	+20bps
ASKING RENTS	$1,385
YEAR-OVER-YEAR CHANGE	-8.3%

TRANSACTION ACTIVITY (YTD)

AVERAGE PRICE PER UNIT	$201,100

AUSTIN MULTIFAMILY
2Q 2025

MARKET INSIGHTS

Renter demand outpaces new deliveries in first half

HIGHLIGHTS

- Austin multifamily operating trends during the second quarter were mixed, with the overall vacancy rate improving while average rents continued to decline. The pace of deliveries slowed from the peak levels of 2024 but remained above long-term trends, with approximately 11,000 conventional units coming online year to date.
- Vacancy improved during the second quarter, decreasing by 50 basis points to 11.9%. Over the past 12 months, local vacancy has risen by 20 basis points.
- Rents continued to trend downward in recent months, though at a slower pace than in recent periods. During the second quarter, average rents decreased by 0.3%. Year over year, rent fell 8.3% to $1,385 per month.
- The number of multifamily sales that took place during the first half of 2025 was light compared to historical norms, though activity surpassed the same period of last year. In transactions where pricing was available, the average sale price to this point in 2025 is $201,100 per unit.

AUSTIN MULTIFAMILY MARKET OVERVIEW

Vacancy conditions in the Austin multifamily market tightened in the second quarter, an improvement that was fueled by a surge in renter demand for units. Local vacancy dropped by 50 basis points in the period, marking the steepest quarterly decline since mid-2021. On the supply side, completions in the first half were down 13% when compared to the same period in 2024. Despite this improvement, rents have continued to soften, although declines were more severe in the second half of last year than they were in the first half of 2025. The 0.3% rent dip in Austin during the second quarter was the smallest quarterly decrease in the past two years, indicating a gradual return to stabilization. Some areas outperformed, including the North Central submarket, which posted a 0.8% increase in average asking rents during the second quarter and a 240 basis point drop in vacancy.

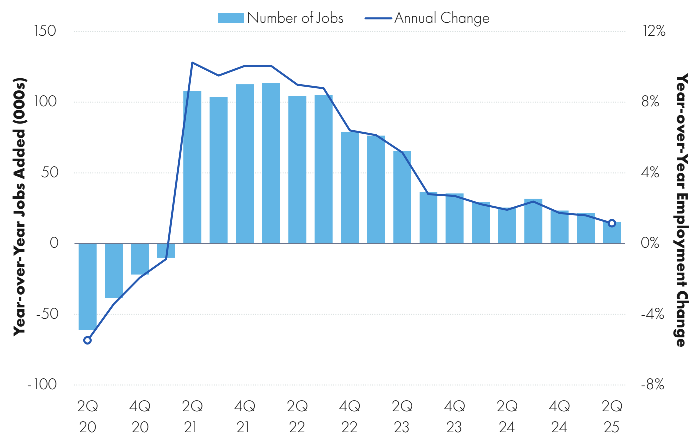
Multifamily sales activity in Austin was light during the second quarter, but a stronger first quarter pushed first-half 2025 transaction counts ahead of the 2024 pace. Properties that traded were spread throughout the Austin area, with elevated activity in San Marcos and the northeast central areas. Where pricing was available, the average sale price to this point in the year is $201,100 per unit, up 3% from 2024, but still below peak levels recorded in recent years. There was an uptick in Class C transactions during the second quarter after Class A and Class B properties accounted for all of the significant first quarter transactions. Class B assets have posted the greatest boost in pricing this year. In transactions where pricing was available, the average sale price for Class B properties is $221,800 per unit year to date, up 8% from last year.

EMPLOYMENT

- Employment gains in Austin have slowed in recent periods, following robust periods of growth in prior years. Employers added 15,500 new jobs over the past 12 months, a 1.1% increase.
- The financial activities sector recorded above-average employment gains in recent periods. This industry increased payrolls by 3.4% during the past 12 months with the addition of 3,000 employees.
- Earlier this year, Realtor.com announced plans to move its corporate headquarters from California to Austin. The company's headquarters will be located in the firm's existing office on E. 6th St., with plans to add hundreds of employees in the coming years.
- **FORECAST:** Employment growth in Austin is expected to dip slightly below last year's pace. Employers in the area are forecast to add about 12,000 new jobs in 2025, an annual increase of 0.9%.

Employers added 15,500 new jobs over the past 12 months.

EMPLOYMENT OVERVIEW



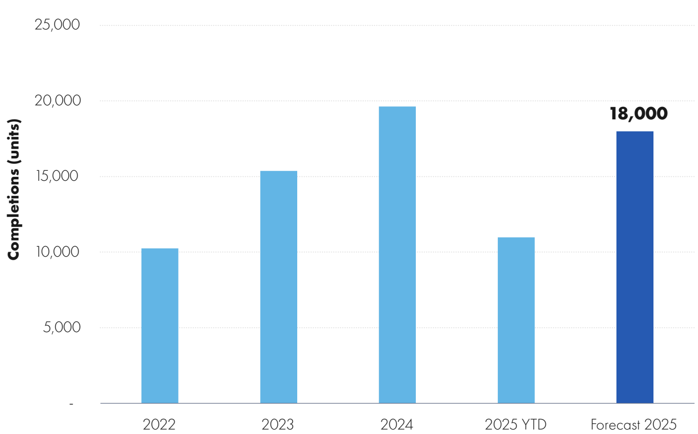
Sources: Northmarq, Bureau of Labor Statistics

DEVELOPMENT & PERMITTING

- The pace of multifamily deliveries remains elevated but has slowed from last year, when completions peaked. During the first half of the year, roughly 11,000 units came online, down 13% from the same period last year.
- Development is still elevated in Austin, with more than 34,200 total units currently under construction. Of these units currently being built, approximately 25,750 are conventional multifamily, while more than 2,000 units are single family built-to-rent, with the remainder being affordable housing. The Northeast and Southeast Austin submarkets hold the greatest share of construction, each with over 3,500 conventional units underway.
- Multifamily permitting has continued to taper off since reaching a record high in 2021. During the first half of 2025, permits were issued for roughly 4,200 units, down 35% from levels recorded during the same period in 2024. Multifamily permitting activity peaked in 2021 and 2022, and current levels have retreated 70% from peaks from a few years ago.
- **FORECAST:** Multifamily construction will remain elevated through 2025, though it will likely fall short of last year's peak. Approximately 18,000 units are on track for completion in 2025, down 8% from 2024.

During the first half of the year roughly 11,000 units came online.

DEVELOPMENT TRENDS

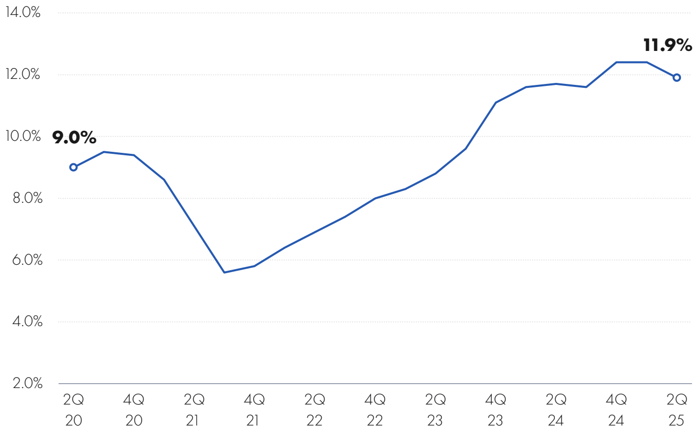


Sources: Northmarq, Apartment Insights

VACANCY

Net absorption rose nearly 30% year-over-year.

VACANCY TRENDS



Sources: Northmarq, Apartment Insights

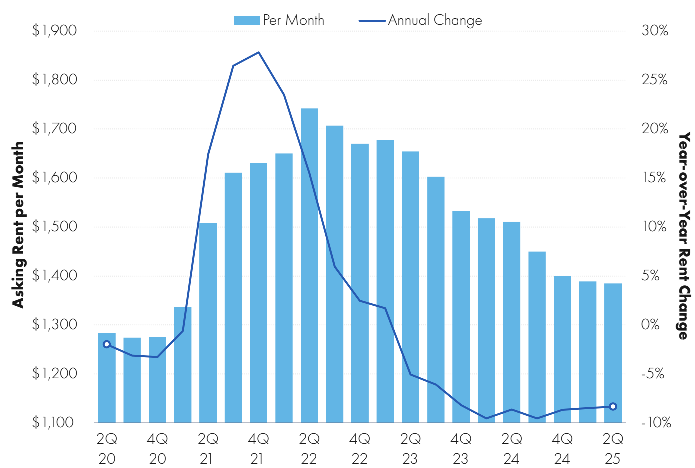
- Following a pause in vacancy increases during the first quarter, the vacancy rate declined in recent months. During the second quarter, vacancy fell by 50 basis points to 11.9%. Year over year, the vacancy rate is up 20 basis points.
- Demand for apartments remains strong in Austin. Net absorption rose nearly 30% year-over-year in the first half of 2025, with move-ins totaling approximately 11,250 units. During the past 12 months, net absorption totaled roughly 26,200 units.
- Vacancy in Class A apartments remains elevated, but the rate did trend lower during the latest period. The rate fell 100 basis points in the second quarter, reaching 18.0%.
- **FORECAST:** The vacancy rate in Austin is expected to rise again in the near term, though the recent improvement may keep year-end levels roughly in line with those recorded at the end of 2024. Local vacancy is forecast to end 2025 at 12.2%, 20 basis points lower than one year earlier.

RENTS

- Vacancies continue to drag on rental rates, but there were signs of some stabilizing in recent months. During the second quarter, rents dipped by just 0.3%, reaching $1,385 per month. Year over year, rents have decreased by 8.3%, although nearly all of that decline was recorded during the second half of 2024.
- While rents have trended lower across all submarkets on a year-over-year basis, a few submarkets recorded quarterly rent increases during the past three months. During the second quarter, South Central Austin posted a 2.4% increase in rents, rising to $1,702 per month.
- As rents declined over the past year, concessions have increased as operators compete to attract new tenants. During the second quarter, concessions averaged $145 per month, up from $87 per month one year ago.
- **FORECAST:** Average rents in Austin are expected to tick lower through the remainder of the year, after steeper declines in 2023 and 2024. Average rents are forecast to end 2025 at around $1,370 per month, down about 2% for the full year.

South Central Austin posted a 2.4% increase in rents.

RENTS TRENDS



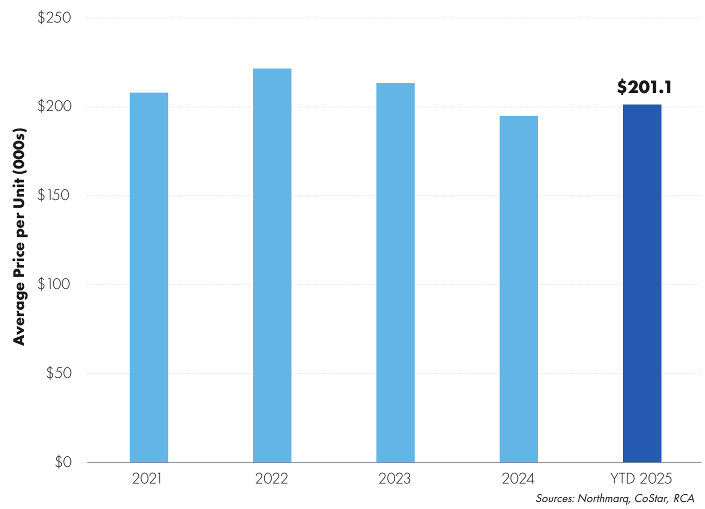
Sources: Northmarq, Apartment Insights

MULTIFAMILY SALES

- Transaction activity during the second quarter was light, although more properties have changed hands so far this year compared to the same period in 2024. The first quarter of last year marked one of the lowest quarterly transaction counts recorded in the past five years.
- Year to date, the average sale price in Austin is $201,100 per unit, up 3% from last year. Compared to peak pricing recorded in 2022, current values are down roughly 9%.
- Cap rates have remained relatively stable during the past two years. In transactions where data is available, cap rates have averaged 5.0% in 2025.

The average sale price is $201,100 per unit.

INVESTMENT TRENDS

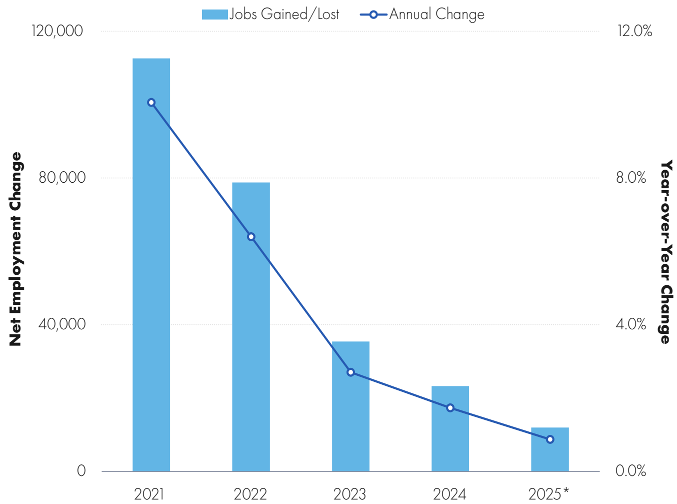


LOOKING AHEAD

Operating conditions in the Austin multifamily market are expected to remain soft through the rest of the year, though changes in rents and vacancy will likely level off throughout much of the market. A cooling development pipeline remains a key factor behind these positive trends. Completions in the second half will lag delivery totals from the first half, and completions are outpacing starts by a wide margin. Multifamily permitting activity has declined each year since peaking in 2021, and is forecast to contract by another 37% this year. Market conditions appear to be approaching equilibrium, with completions and net absorption totals closely tracking one another. As deliveries slow in the years to come, continued renter demand in 2026 and 2027 should result in vacancy declines. In the near term, operators are likely to continue offering concessions in efforts to maintain occupancy levels.

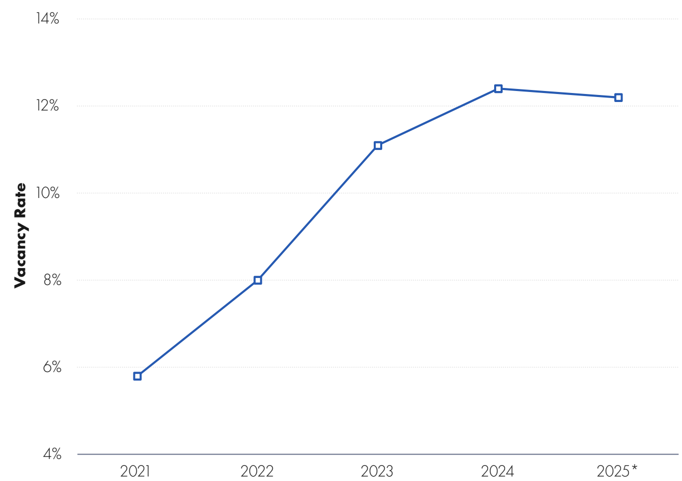
Sales activity in Austin's multifamily investment market is expected to pick up in the second half of the year, but annual totals will likely remain below historical norms. Slower development and improving operating conditions should eventually support a more predictable market and clearer underwriting, but this shift may not fully materialize until 2026 or 2027. The Austin area's continued success in attracting prominent companies and high-wage workers will ultimately support renewed investor demand, particularly as vacancy levels return closer to long-term averages. While interest rates may creep lower in the second half, cap rates are expected to stay relatively stable, and some upward pressure may emerge in the near term as sellers aim to meet buyer return expectations.

EMPLOYMENT FORECAST



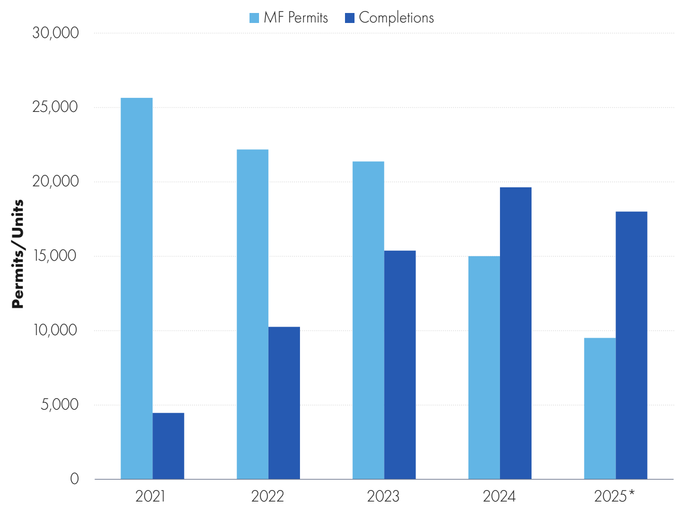
** Year End Forecast*
Sources: Northmarq, Bureau of Labor Statistics

VACANCY FORECAST



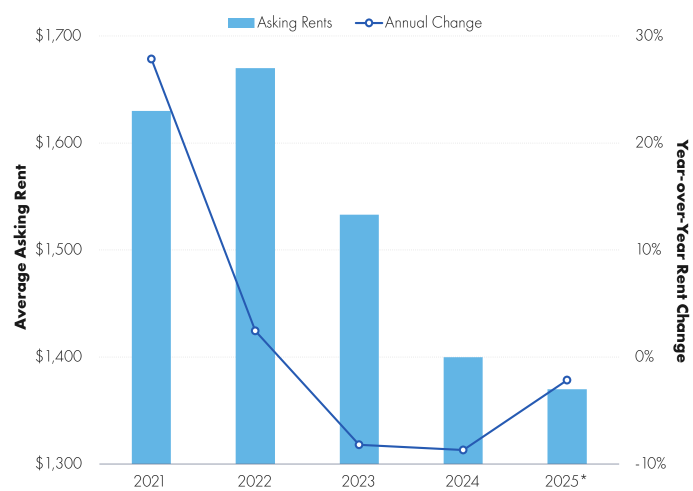
** Year End Forecast*
Sources: Northmarq, Apartment Insights

CONSTRUCTION & PERMITTING FORECAST



** Year End Forecast*
Sources: Northmarq, Apartment Insights, Census Bureau

RENTS FORECAST



** Year End Forecast*
Sources: Northmarq, Apartment Insights

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