Northmarq

MARKET INSIGHTS

Rents begin to reverse a three-year slide

CONSTRUCTION ACTIVITY

UNDER CONSTRUCTION	18,108
UNITS DELIVERED (YTD)	6,283

MARKET FUNDAMENTALS

VACANCY RATE	10.3%
YEAR-OVER-YEAR CHANGE	-160bps
EFFECTIVE RENTS	$1,316
YEAR-OVER-YEAR CHANGE	-5.0%

TRANSACTION ACTIVITY (YTD)

AVERAGE PRICE PER UNIT	$188,800

AUSTIN MULTIFAMILY
Q2 2026

HIGHLIGHTS

- The Austin multifamily market showed signs of reaching a turning point during the second quarter. A surge in absorption drove vacancy lower and helped end a 12-quarter stretch of rent declines that began in 2023.
- Vacancy fell to 10.3%, down 120 basis points during the second quarter and 160 basis points year over year. Stabilized Class A properties led the improvement, with vacancy posting a sharp decline, although the rate in the top tier remains elevated.
- Effective rents rose 1.8% during the second quarter to $1,316 per month, marking the first quarterly increase in three years. Class A and Class B assets each posted 1.9% growth, while the UT submarket led the market.
- Austin recorded its most active first half for investment sales since 2022, led by Class B property transactions. Cap rates stabilized near 5.0%, compressing 30 basis points year over year.

AUSTIN MULTIFAMILY MARKET OVERVIEW

The turn that Austin has been anticipating for several years may have begun to take shape during the second quarter, as slowing supply growth coincided with elevated demand. Deliveries declined sharply from the peaks recorded in 2024 and 2025, while quarterly absorption reached a new high. These forces combined to drive a sharp quarterly vacancy improvement and helped end a three-year stretch of rent declines. Class A properties, which have been particularly hard-hit in recent years, posted the largest vacancy improvement of any asset class. Underpinning these gains is a strengthening labor market, with employment growth once again outpacing national benchmarks.

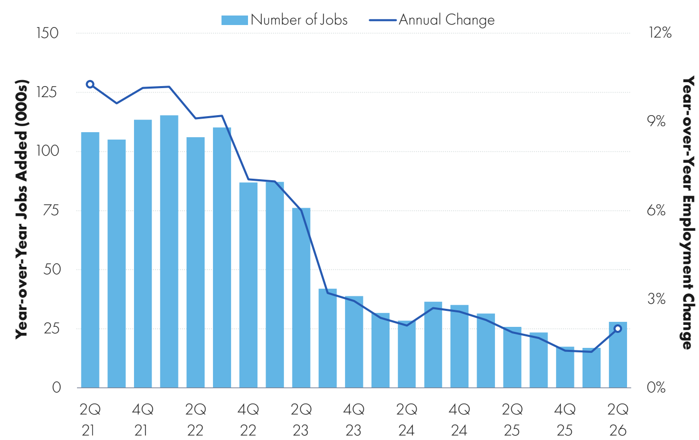
Austin's investment market has gained momentum to this point in 2026. Transaction activity during the first half reached its highest level since 2022, supported by a handful of Class B property sales along the northern suburban corridor. While per-unit prices in transactions where prices are available showed some slight declines, cap rates have compressed during the past year. This shift to slightly lower cap rates may be an early signal that investor sentiment in Austin is beginning to improve as the pace of construction slows and rents stabilize.

EMPLOYMENT

- Employers in Austin added roughly 28,000 net new jobs during the past 12 months, a 2.0% growth rate.
- Mining, logging, and construction recorded the fastest employment growth in Austin, expanding by 6,200 workers, or 6.6% during the past year. The professional and business services sector followed, adding 9,200 positions at a 3.2% annual pace.
- SpaceX and its suppliers continue to be a source of employment growth in the Austin area. The company has approximately 1,600 employees in Austin currently and recently announced plans for an additional 500 net new hires.
- **FORECAST:** Employment growth is expected to strengthen modestly in the coming quarters. Area employers are projected to add 30,000 jobs in 2026, an annual increase of 2.1%.

Employers added roughly 28,000 jobs during the past 12 months.

EMPLOYMENT OVERVIEW



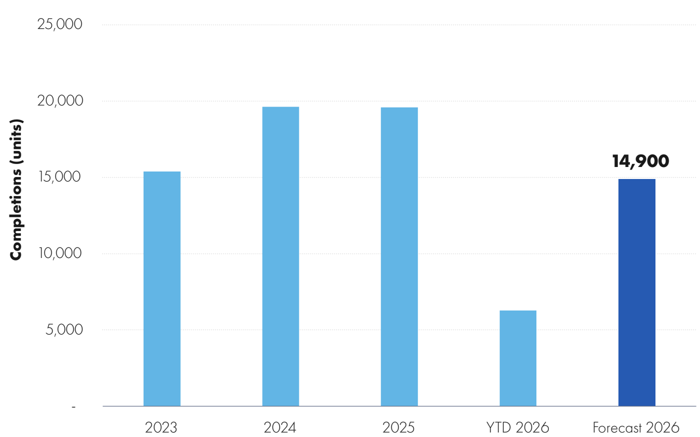
Sources: Northmarq, Bureau of Labor Statistics

DEVELOPMENT & PERMITTING

- The pace of new supply continues to slow from the elevated levels recorded in 2024 and 2025. Roughly 6,300 units were delivered during the first half of 2026, down 43% from the 11,000 units completed during the same period last year.
- At the end of the second quarter, roughly 18,100 units were under construction, a 46% decline from the 2024 high. Southeast Austin leads all submarkets with 3,200 units underway.
- Multifamily permitting has been steadily declining since peaking in 2021, when more than 25,600 units were permitted. Last year, permits for about 11,300 units were issued. The slowdown has continued to this point in 2026, with permits for only about 2,000 multifamily units issued through the first half.
- **FORECAST:** Projects totaling approximately 14,900 units are slated for completion in 2026, down 24% from the nearly 20,000 units delivered in each of the past two years.

First-half deliveries are down 43% year over year.

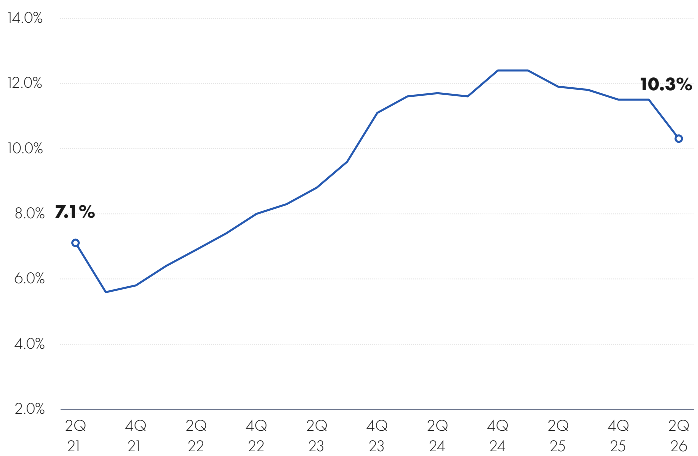
DEVELOPMENT TRENDS



Sources: Northmarq, Apartment Insights

Quarterly absorption totaled nearly 8,000 units.

VACANCY TRENDS



Sources: Northmarq, Apartment Insights

VACANCY

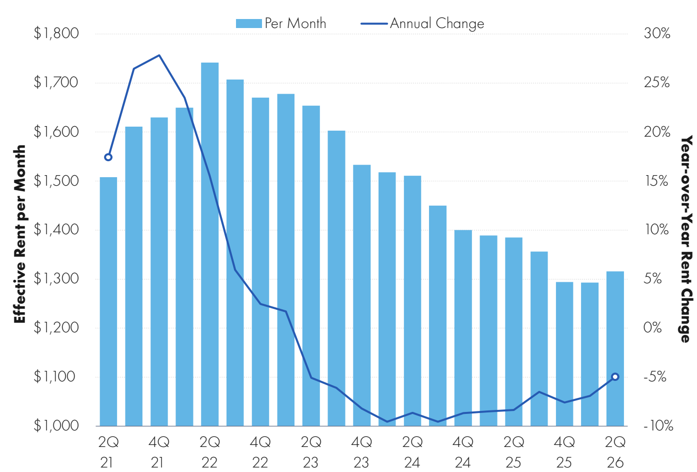
- The vacancy rate dropped during the second quarter, falling 120 basis points to 10.3%. Year over year, vacancy fell 160 basis points and now sits 210 basis points below its cycle peak in the first quarter of 2025.
- Quarterly absorption reached a new high in Austin, with nearly 8,000 market-rate units absorbed during the second quarter. Year to date, net absorption has totaled approximately 9,400 units.
- Vacancy in stabilized Class A apartments recorded a substantial improvement of 500 basis points during the past 12 months, ending the quarter at 13.0%. During the same period, Class B and Class C vacancy remained flat at 7.0% and 10.0%, respectively.
- **FORECAST:** Healthy demand is expected to push vacancy lower in the second half. The rate is forecast to decline 180 basis points in 2026 to 9.7%.

RENTS

- The Austin multifamily market may have reached a turning point during the second quarter. Effective rents increased 1.8% to $1,316 per month, ending a stretch of 12 consecutive quarters of declines that averaged 2.1% per period since 2023.
- The UT submarket posted a 5.1% year-over-year increase to $2,029 per month. By contrast, submarkets that absorbed the bulk of recent deliveries, including East Central, Hays, Northeast, and San Marcos, posted average annual rent declines of 6.2%.
- Effective rents in Class A properties increased 1.9% in the second quarter to $1,420 per month, while Class B rents rose at the same rate to $1,376 per month. Class C rents were unchanged at $1,228 per month.
- **FORECAST:** Annual rent growth is projected to reach 2.5% in 2026, bringing the average market rent to $1,326 per month.

Effective rents increased 1.8% during the second quarter.

RENTS TRENDS



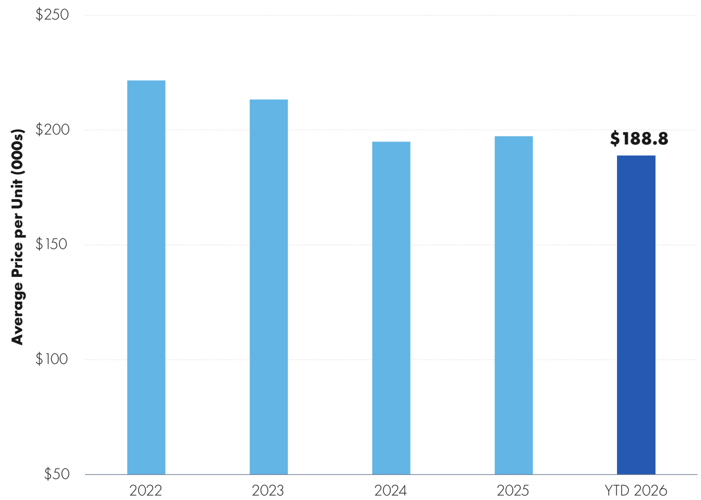
Sources: Northmarq, Apartment Insights

MULTIFAMILY SALES

- Austin's multifamily investment market gained momentum to begin 2026, recording its most active first half since 2022. Class B properties accounted for the largest share of transactions, with North Austin, Cedar Park, and Pflugerville emerging as the most active submarkets.
- For transactions with available pricing, the average sale price for properties sold year-to-date was $188,800 per unit, a 4% decline from 2025. Class C properties accounted for a slightly larger share of year-to-date transaction activity compared to 2025.
- Private buyers remain the most active investor group, accounting for 70% of year-to-date transaction volume, while institutional investors represented 17%. Cap rates have stabilized near 5.0% to this point in 2026, compressing 30 basis points from one year ago.

First-half sales activity reached its highest level since 2022.

INVESTMENT TRENDS



Sources: Northmarq, CoStar, RCA

RECENT TRANSACTIONS MULTIFAMILY SALES ACTIVITY

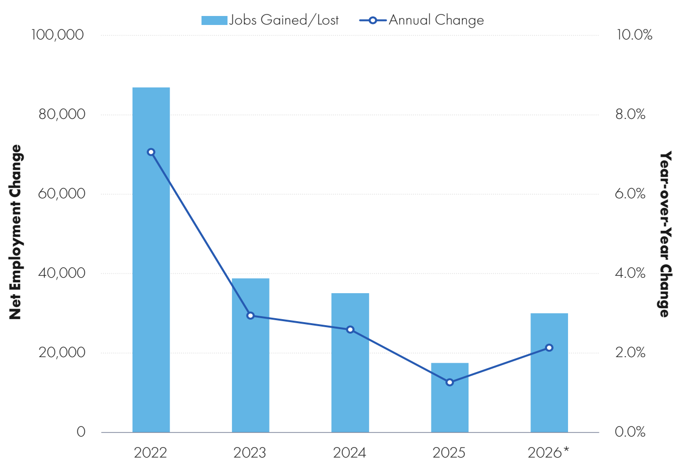
PROPERTY NAME	STREET ADDRESS	YEAR BUILT	UNITS	SALES PRICE	PRICE/UNIT
Bridge at The Blockyard	2900 E. Martin Luther King Jr. Blvd., Austin	2014	344	$102,000,000	$296,512
AMLI Eastside	1000 San Marcos St., Austin	2007	290	$90,117,333	$310,749
Copper Mill	10000 N. Lamar Blvd., Austin	1983	320	$37,000,000	$115,625

LOOKING AHEAD

While the Austin multifamily market is still hampered by elevated delivery totals from prior years, the local construction pipeline is thinning, and supply-side pressures are likely to ease in the coming years. Deliveries are projected to decline 24% from the 2024-2025 peak, while multifamily permitting activity has fallen sharply from levels recorded earlier in the decade, signaling a continued slowdown in deliveries is likely in the coming years. For the remainder of 2026, continued job growth should drive absorption. This renter demand for units is expected to result in further vacancy improvement and a more stable rent environment.

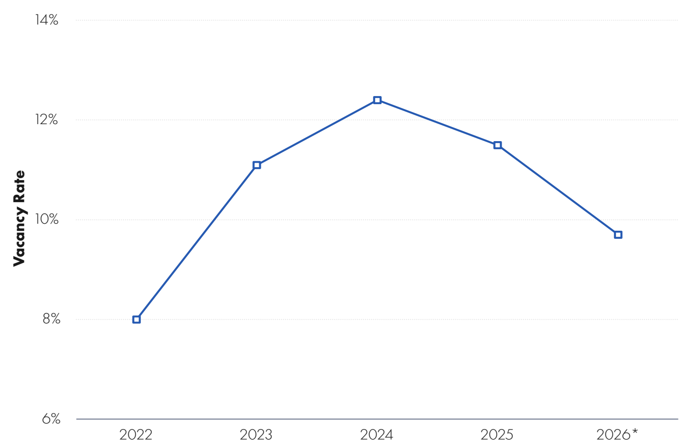
For investors, Austin has moved beyond the period when the primary question was whether conditions had reached a bottom. Apartment fundamentals have begun to improve after soft conditions in recent years. Cap rates have stabilized in recent quarters, while transaction activity has increased, suggesting improving investor sentiment. The performance in Class A properties will be closely tracked by investors during the next phase of the cycle. If supply continues to moderate and demand remains healthy, investment activity could broaden in the coming years.

EMPLOYMENT FORECAST



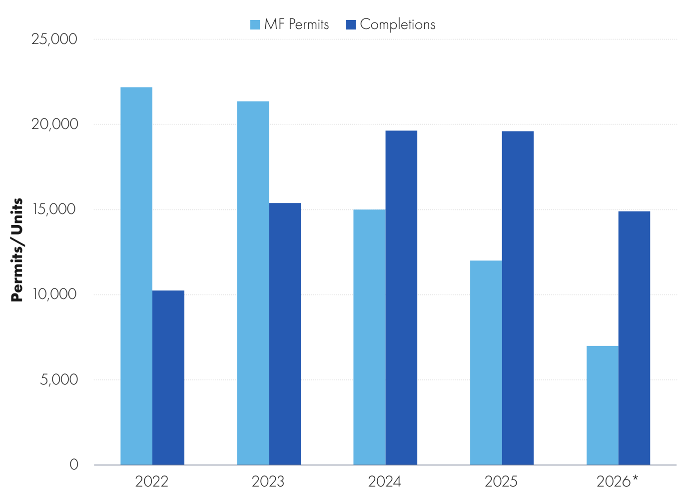
** Year-End Forecast*
Sources: Northmarq, Bureau of Labor Statistics

VACANCY FORECAST



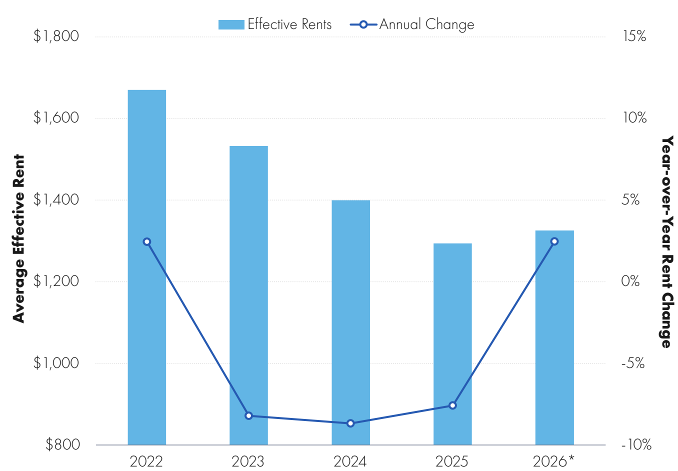
** Year-End Forecast*
Sources: Northmarq, Apartment Insights

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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