

Vacancy posts first annual decline since 2021

CONSTRUCTION ACTIVITY



UNDER CONSTRUCTION **20,337**

UNITS DELIVERED (YTD) **19,596**

MARKET FUNDAMENTALS



VACANCY RATE **11.5%**

YEAR-OVER-YEAR CHANGE **-90bps**

EFFECTIVE RENTS **\$1,294**

YEAR-OVER-YEAR CHANGE **-7.6%**

TRANSACTION ACTIVITY (YTD)



AVERAGE PRICE PER UNIT **\$197,400**

AUSTIN MULTIFAMILY Q4 2025

HIGHLIGHTS

- Operating trends in Austin were mixed in 2025, with overall vacancy improving while average rents retreated. The pace of deliveries was on par with the peak levels of 2024, holding above long-term trends, with approximately 19,600 units coming online throughout the year.
- Vacancy improved during the fourth quarter, decreasing by 30 basis points to 11.5%. During the past 12 months, local vacancy has decreased by 90 basis points.
- Average rents continued to trend downward during the fourth quarter, declining by 4.6%. Year over year, rents declined 7.6% to \$1,294 per month. However, Class B rents held up comparatively well, falling just 3.8% annually.
- The number of multifamily sales in 2025 increased by 17% compared to 2024. In transactions where pricing was available, the median sale price in 2025 was \$197,400 per unit. Cap rates generally ranged between 5.5% and 6.5% in 2025.

AUSTIN MULTIFAMILY MARKET OVERVIEW

Renter demand for units outpaced new supply growth in Austin over the past year, resulting in the market's first calendar-year vacancy decrease since 2021. Net absorption totaled nearly 20,300 units in 2025, with consistently strong performance recorded throughout the year. Vacancies ticked lower in each of the last three quarters, reaching 11.5% by year end. Demand remained elevated even as the local labor market, which has attracted several leading tech companies in recent years, posted a more modest pace of expansion in 2025. Despite the reversal of the recent vacancy trend, operators continue to trim rents to attract and retain renters. Rents posted a sharp decline in 2025, the third consecutive year where average rents declined by more than \$100 per month. Some of the market's supply-side pressures should ease going forward; multifamily construction starts declined by nearly 60% in 2025 to about 7,100 units.

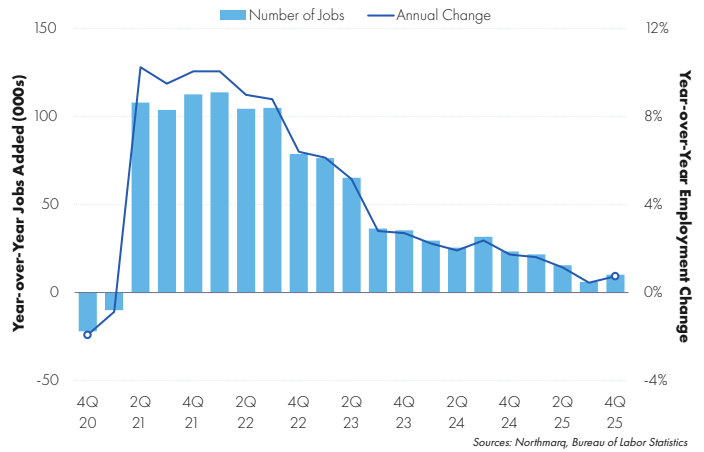
Multifamily sales activity showed modest improvement in 2025, with transaction velocity showing signs of gaining momentum, particularly in the second half of the year. The number of properties changing hands rose by 17% from 2024 to 2025, with the highest levels of activity occurring in the third and fourth quarters. The North Austin, Round Rock, and Pflugerville submarkets spurred the increased activity; each submarket posted year-over-year sales velocity increases in 2025. Combined, these submarkets accounted for more than 40% of the market's total transactions for the full year. Despite the recent increase in investment volumes, annual transaction counts are down more than 50% from the 2021 peak. Declines in activity have been most pronounced among Class A properties, where competition from recent supply remains elevated. Class B properties have accounted for more than 50% of total transaction activity in each of the past four years, with that figure topping 70% in 2025.

EMPLOYMENT

- Employers added 10,100 net new jobs in Austin in 2025, a growth rate of just 0.7%. In recent years, the local labor market has expanded at a much faster pace; gains averaged 3.5% per year since 2016. Austin’s unemployment rate dropped to 3.2% in December and continues to outperform other major Texas metros, as well as both the state and national averages.
- The local retail sector posted its fastest expansion in four years in 2025, adding more than 3,000 new jobs for a growth rate of 2.5%. The leisure and hospitality sector grew more slowly, expanding by 1.1% with the addition of 1,600 workers.
- With Austin increasing its position as a core entertainment and business venue, the Austin-Bergstrom International Airport announced a multibillion-dollar expansion, creating an estimated 2,000 permanent positions. The first phase of new expansion is expected to be completed by 2027.
- FORECAST:** Employment growth in 2026 is expected to begin a stronger pace of growth in the coming quarters. Employers in Austin are forecast to add about 16,000 new jobs in 2026, an annual increase of 1.1%.

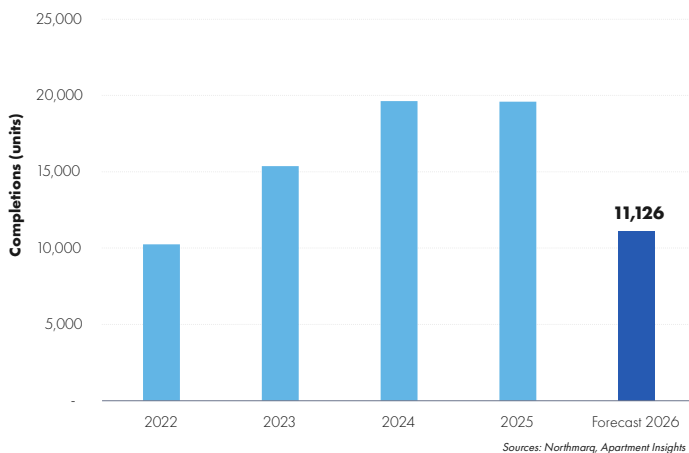
Employers added 10,100 new jobs in 2025.

EMPLOYMENT OVERVIEW



During the full year in 2025, roughly 19,600 units came online.

DEVELOPMENT TRENDS

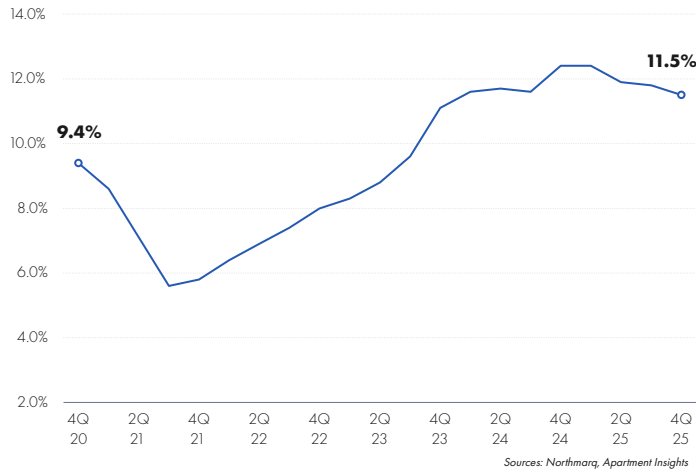


DEVELOPMENT & PERMITTING

- Multifamily deliveries kept pace with peak completion levels recorded in 2024. During the full year in 2025, roughly 19,600 units came online, nearly identical to the total units delivered throughout 2024.
- While completions were elevated, the development pipeline is consolidating in Austin. Roughly 20,300 units were under construction at the end of 2025, down from 33,400 units at the end of 2024. The Northeast submarket was most active with 3,500 units underway.
- Multifamily permitting peaked in 2021 with permits for more than 25,600 units issued and has been on a steady decline since. In 2025, permits for only about 12,000 units were pulled, a 20% decrease from the 2024 total.
- FORECAST:** New multifamily supply will begin to taper. Projects totaling 11,126 units are on track for completion in 2026, after more than 19,000 units have come online in each of the past two years.

During the fourth quarter, vacancy fell by 30 basis points to 11.5%.

VACANCY TRENDS



VACANCY

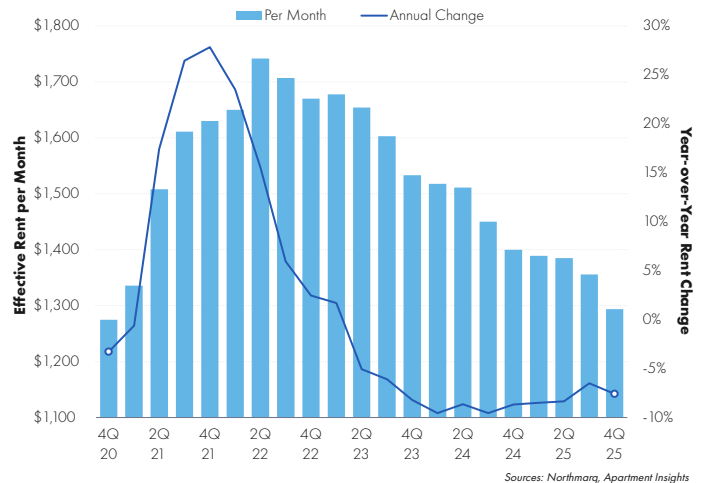
- After starting 2025 at peak levels, the vacancy rate trended lower throughout the year. During the fourth quarter, vacancy fell by 30 basis points to 11.5%. Year over year, the vacancy rate improved by 90 basis points.
- Apartment demand remains strong in Austin, with absorption outpacing new supply. Absorption totaled 20,300 units in 2025. Among submarkets, Northeast Austin delivered the best performance, recording net move-ins of over 3,700 units for the year.
- Vacancy in Class A apartments trended lower during the year, improving by 130 basis points annually, falling to 12.1%. Vacancy in Class B and Class C apartments increased by 80 basis points annually, reaching 11.0%.
- **FORECAST:** The combined forces of slowing construction and continued absorption should drive vacancies lower in 2026. The vacancy rate is forecast to end the year at 10.5%.

RENTS

- Rents continued to decline in 2025, with the sharpest drop occurring during the fourth quarter. For the full year, rents fell 7.6% to \$1,294 per month.
- The Central Business District in downtown Austin was the only submarket to post an annual rent increase in 2025. Rents in the submarket inched up 1.8% year over year to \$3,074 per month.
- Rents in Class A properties posted a 9.2% drop in 2025, and ended the year only slightly higher than Class B rents. The average rent in Class B apartments dipped 3.8% in 2025, ending the year at \$1,314 per month.
- **FORECAST:** Multifamily operators could begin to regain some leverage in pricing power. Rents are forecast to gain some modest ground in 2026, rising 1.0% to \$1,307 per month.

For the full year, rents dropped 7.6%.

RENTS TRENDS

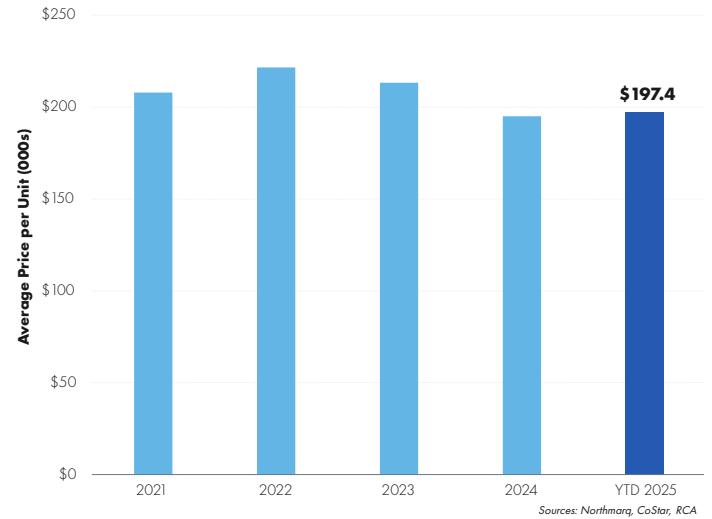


MULTIFAMILY SALES

- After a slower pace of sales in 2023 and 2024, Austin showed renewed signs of investment activity in 2025. Multifamily transaction velocity increased by 17% from 2024.
- In transactions where pricing was available, the median sale price in 2025 was \$197,400 per unit, slightly higher than in 2024. Sales of Class A properties remain considerably lower than the trailing five-year average while Class B and Class C property sales are closer to recent averages.
- An uptick in suburban trades have made Round Rock, North Austin, and Pflugerville the most active submarkets for investment activity in 2025. These high-growth suburban areas will likely continue to attract investors, particularly during periods of oversupply in the CBD.
- Public REITs have resurfaced as buyers after two years of limited activity. Institutional buyers remain the most active, representing more than 30% of total transaction volume for the year. Cap rates stabilized between 5.5% to 6.5%, with potential for compression in 2026.

The median sale price in 2025 was \$197,400 per unit.

INVESTMENT TRENDS



RECENT TRANSACTIONS MULTIFAMILY SALES ACTIVITY

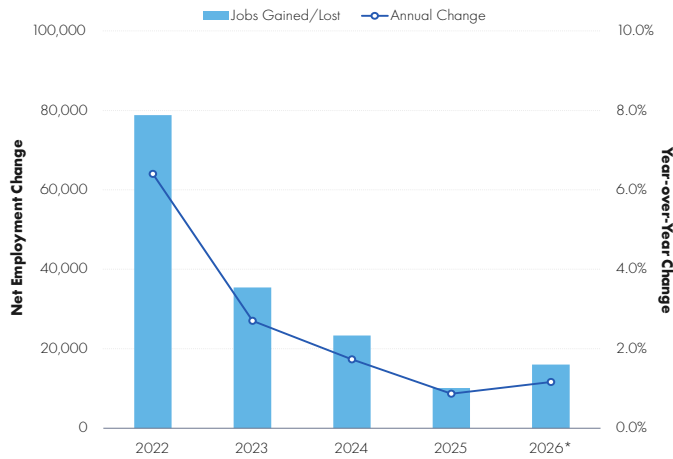
PROPERTY NAME	STREET ADDRESS	YEAR BUILT	UNITS	SALES PRICE	PRICE/UNIT
The Dalton	2209 W. Pflugerville Pkwy., Pflugerville	2021	350	\$69,000,000	\$197,143
Hudson Miramont	8818 Travis Hills Drive, Austin	2004	276	\$62,860,000	\$227,754
Rise 120	120 Boselli Way, Georgetown	2022	227	\$38,900,000	\$171,365
Landmark at Amelia Ridge	1500 Lawnmont Drive, Round Rock	1984	188	\$27,000,000	\$143,617
Derby Park	1200 S. Mays St., Round Rock	1984	200	\$22,500,000	\$112,500

LOOKING AHEAD

The year ahead may be shaping up to be a transitional period for the Austin multifamily market. A cooling development pipeline is the key factor behind anticipated improvements in operating fundamentals. Multifamily permitting activity has declined each year since peaking in 2021, and completions are forecast to contract by more than 40% compared to peak levels from the past two years. While deliveries have been elevated, absorption surged in 2025, a short-term burst of supply-demand alignment that should persist into 2026. As deliveries slow in the coming quarters, continued renter demand in 2026 should result in vacancy declines.

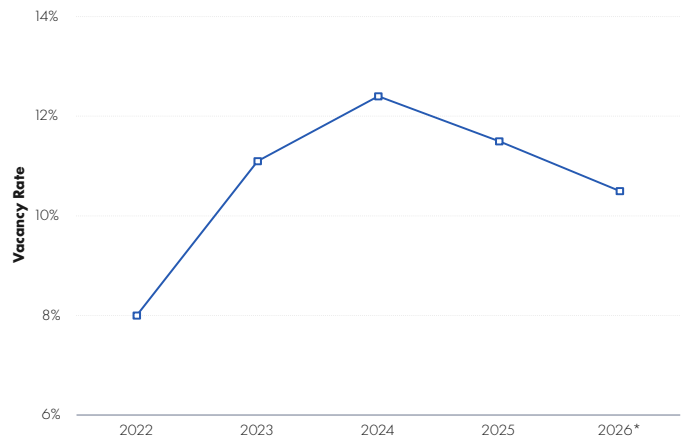
Sales activity in Austin’s multifamily investment market is expected to pick up late in 2026, although annual totals will likely remain below historical norms. Investor sentiment will likely improve as area vacancy rates contract, but it will take significant improvement before the region is seen as being in balance. A thinning development pipeline should aid in the recovery, and operating conditions could gain ground more quickly if the local labor market rebounds. The Austin area has demonstrated an ability to attract prominent companies and high-wage workers, and additional announcements will ultimately support renewed investor demand.

EMPLOYMENT FORECAST



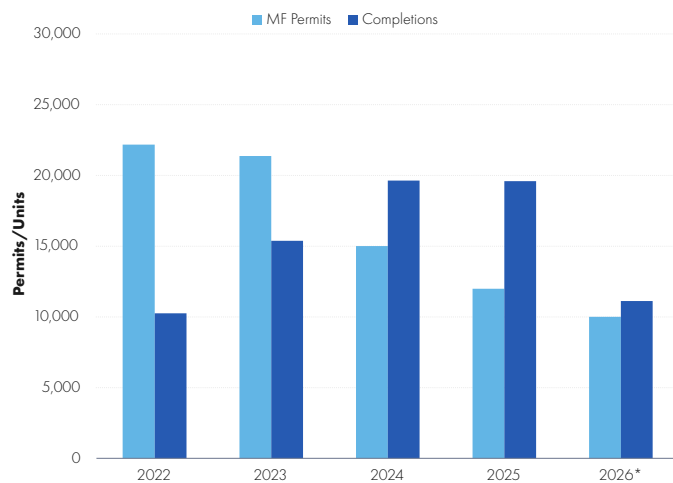
* Year End Forecast
Sources: Northmarq, Bureau of Labor Statistics

VACANCY FORECAST



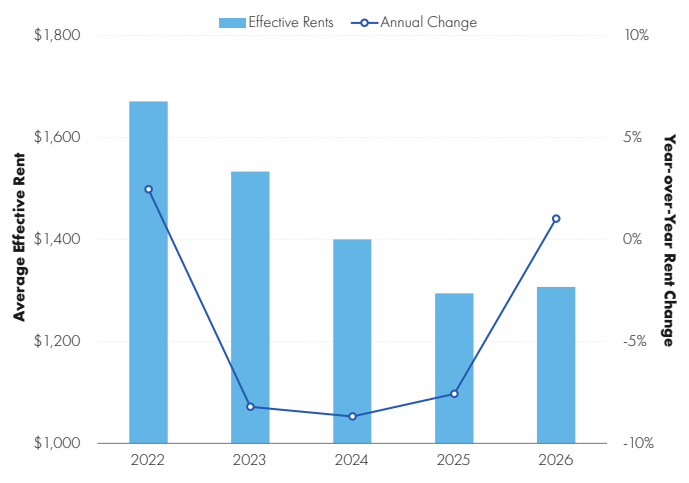
* Year End Forecast
Sources: Northmarq, Apartment Insights

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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