

INVESTMENT FORECAST

Multifamily
Austin

IPA
INSTITUTIONAL
PROPERTY
ADVISORS

2020


Economic Core Shifting to North Austin Where 'Silicon Valley' Transplants Locate

Expanding tech presence ripples to all echelons of housing. The rapid job creation trend of this cycle faced headwinds in 2019, when the unemployment rate started the year below 3 percent. A diminished available labor supply is forcing employers to moderate hiring; however, the technology segment is maintaining its vigorous expansion in northwest Austin. Numerous Bay Area tech companies are establishing strongholds here, highlighted by Apple's ongoing extension into a \$1 billion facility. These companies continue to bring high-wage staff members into the metro, who often look toward luxury rental housing options because of their location, amenities and flexibility. Consumer spending is also being enhanced as more high-wage jobs emerge in Austin, boosting the presence of retailers and service industry employers. The workforce tied to these industries will aid Class B/C leasing, holding vacancy tight in the 4 percent range.

New supply additions will shift acquisition focus to Class B properties.

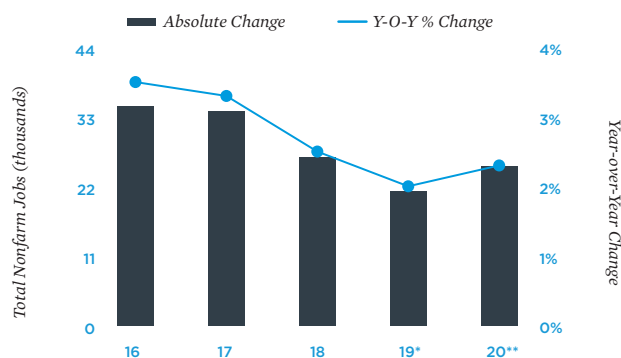
The transaction market roared back significantly in 2019 as more investors added Austin to their primary acquisition lists. The combination of fast-paced regional economic growth pumping up in-migration that pushed rent growth ahead of the national average and slowing supply deliveries gave investors the green light they were waiting for. Moving into 2020, however, supply forecasts have once again jumped and investors will need to pivot their acquisition strategy in order to capitalize on the opportunities in the market. Over the next 12 months, Class B suburban garden properties, especially those with renovation potential, should see the most attention from investors. The current \$600 a month rent delta between Class A and Class B properties will offer insulation for Class B owners from their existing resident profile making the jump to new properties that offer move-in concessions. Furthermore, the rent delta offers value-add buyers enough room to update properties and adjust rents accordingly without nearing the Class A pricing levels. For investors focused on newer properties, the urban core's deep inventory of recently completed projects could be protected from rent moderation as most deliveries will be focused in other submarkets.

24.2%  2019 share of local population between 20 and 34 years old

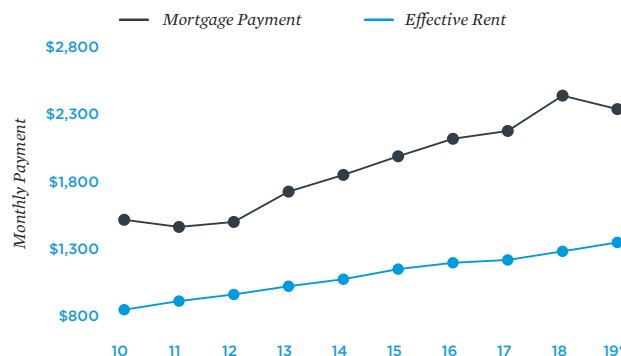
42.2%  of local population hold bachelor's degree or higher*

\$329,140  2019 median home price

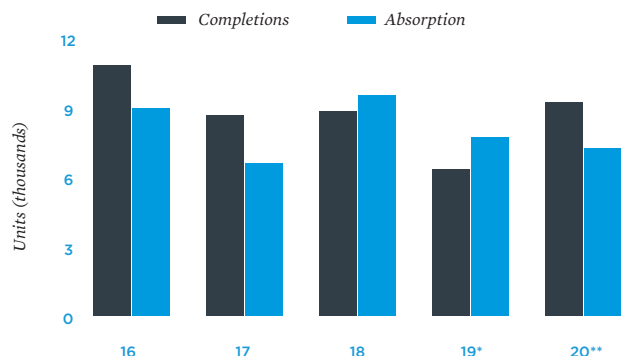
Employment Trends



Housing Affordability Gap



Supply and Demand



* Estimate ** Forecast * Through 3Q
* 2019: 25+ years old

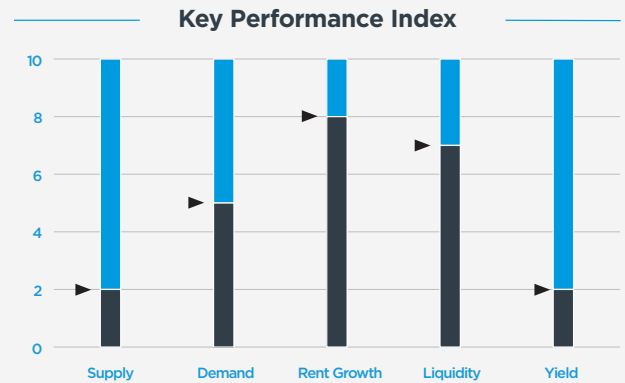
Sources: Marcus & Millichap Research Services; RealPage, Inc.

2020 Investment Outlook

Positive upward movement of the rent growth index by three points since the summer stands out despite a slight one-notch pullback in demand. Overall, the fundamentals sit balanced and well positioned as Austin moves into 2020.

The overall positive state of the transaction market can be seen in liquidity holding steady at 7. Yield slipped a point, reflecting the positive outlook investors have for revenue and NOI growth due to rent growth outpacing the national rate as a whole.

Note: The Key Performance Index provides a metro-level relational benchmark scaled from 1-10 for five key metrics.



2020 Market Forecast

Employment
25,250 jobs



Metro **2.3%**
U.S. **1.0%**

Construction
as % of inventory*



Metro **3.7%**
U.S. **1.7%**

Class A Vacancy
Up 90 bps



Metro **6.0%**
U.S. **5.3%**

Class A Rent
\$2,028 per month

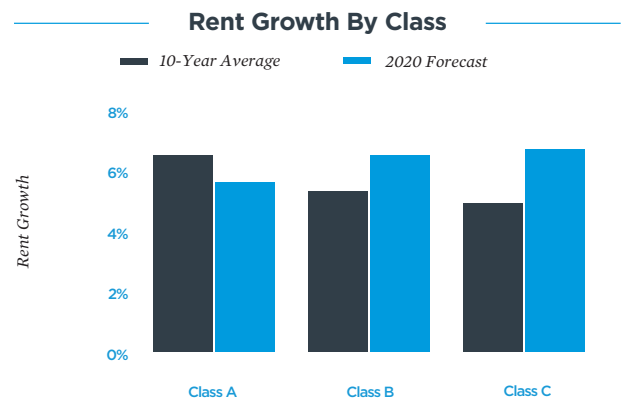
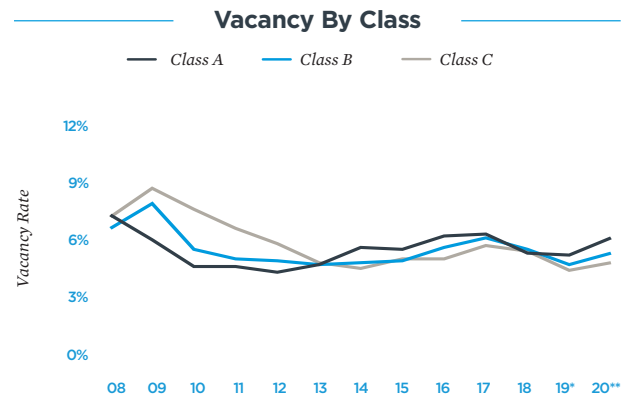


Metro **5.6%**
U.S. **3.3%**

Investment
3-yr. avg. activity
\$20+ million



Deals: **55**
Volume: **\$2.6 billion**



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* Estimate ** Forecast
* Arrow reflects completions trend compared with 2019
Sources: Marcus & Millichap Research Services;
CoStar Group, Inc.; RealPage, Inc.; Real Capital Analytics