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### ► Texas Multifamily

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## Texas Apartment Construction Moves Past Peak

Apartment construction starts are plunging across the major metros in Texas. The pronounced slowdown in additional multifamily properties entering the building pipeline during 2023's second quarter points to a sharp decline in future delivery volumes beginning in 2025. In turn, the new supply-driven downward pressure on rent growth seen in today's market is likely to be temporary.

Renter demand facilitated the absorption of over 17,000 apartments in the major metros of Texas during the first half of 2023, rebounding from net moveouts last year. Strengthening sentiment and household formation could further bolster absorption, spurring more notable rent growth as early as the spring 2024 leasing season, when it will be more obvious that future supply is being reduced. At the latest, rent growth above the long-term norm seems likely to return in early 2025.

During the interim, the flow of new completions should create a competitive leasing environment, especially for luxury properties in the neighborhoods that are adding the most product.

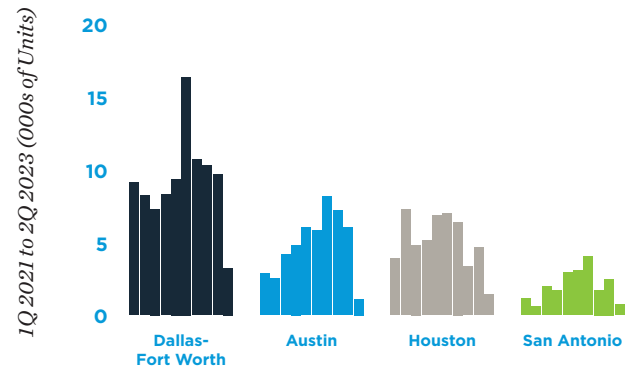
## Construction Starts Slow Sharply

Initial counts show construction beginning on only some 6,500 apartments during the second quarter of 2023 across the Dallas-Fort Worth, Houston, Austin and San Antonio metros combined. That starts volume is down 72 percent from the quarterly average tally recorded from the beginning of 2021 through 2023's first quarter, when new project initiations were at their peak.

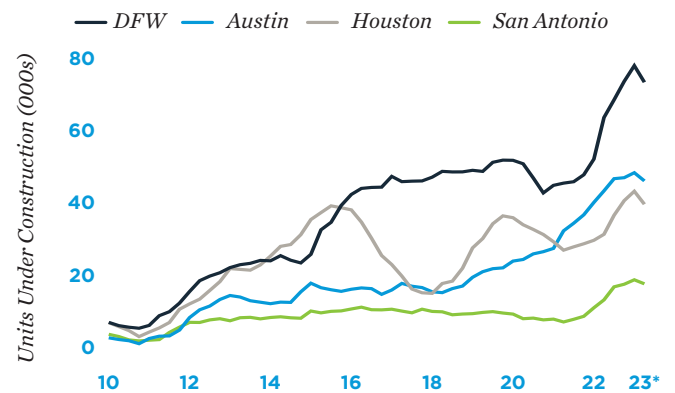
Starts during the just-completed second quarter totaled about 3,200 units in Dallas-Fort Worth, 1,400 units in Austin, 1,100 units in Houston and 700 units in San Antonio. Compared to average quarterly starts from first quarter 2021 through first quarter 2023, starts in this past second quarter were down 79 percent in Houston, 74 percent in Austin and 67 percent in both Dallas-Fort Worth and San Antonio.

Given that it takes 18 to 24 months to complete the typical apartment community in Texas, property deliveries could begin to pull back in early 2025 and then drop notably during the last half of the year.

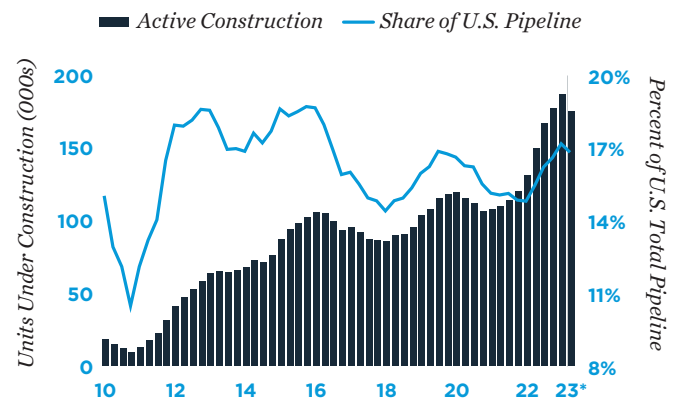
### — Construction Starts Slowing Way Down —



### — Active Pipelines Still Historically Elevated —



### Sixth of U.S. Construction in Major Texas Metros



\* As of 2Q

Sources: IPA Research Services; RealPage, Inc.

## Delivery Totals Will Remain Aggressive in 2023 and 2024

Before we get to 2025’s slowdown in apartment deliveries, the key metros in Texas will add further big blocks of rental housing during the remainder of this year and during 2024. About 174,700 apartments are under construction across Dallas-Fort Worth, Austin, Houston and San Antonio. These major metros in Texas account for about 17 percent of all units scheduled for delivery nationally.

Dallas-Fort Worth’s 72,900 apartments under construction — the most anywhere in the U.S. — will grow the North Texas market’s inventory by 8 percent. Austin’s near-term stock growth rate is set to be more aggressive at 15-plus percent, although the absolute volume of product under construction, 45,600 units, is smaller than the Metroplex’s tally. Houston’s ongoing construction volume comes in at 39,100 units, and the near-term inventory growth rate of just over 5 percent mirrors the national norm. For San Antonio, 17,100 units of active construction translate to a growth pace that is just under 8 percent.

## Neighborhood-Level Deliveries Will Impact Performance Results

There is quite a bit of variation in today’s rent growth levels by neighborhood in Texas and across the U.S., with pricing momentum notably influenced by the flow of additional new supply coming into the individual submarkets. Just over a dozen neighborhoods in the major metros of Texas have more than 3,000 apartments under construction, likely making it challenging to push rents within the luxury property segment during the short term.

The two most active building zones in the state are at the northern edge of Dallas-Fort Worth. About 10,400 apartments are under construction in the Allen-McKinney submarket, and some 8,600 are on the way in the Frisco submarket. Note that these submarkets include towns north of the named town, incorporating places like Melissa, Anna, Prosper and Celina. Other construction hot spots in North Texas are the city of Denton and the urban core Intown Dallas area.

Austin has five neighborhoods with more than 3,000 apartments on the way: East Austin, Round Rock-Georgetown, North Central Austin, Cedar Park and the Downtown-University area.

Metro Houston’s construction leaders are the Rosenberg-Richmond area, plus the city of Katy. In metro San Antonio, look for substantial new supply in Far Northwest San Antonio, plus the New Braunfels-Schertz-Universal City area.

## Construction Activity in Major Texas Submarkets: Units Under Construction as of June 2023

Market	Submarket	Units Under Construction	Growth Rate
Dallas-FW.	Allen-McKinney	10,430	33.2%
Dallas-FW.	Frisco	8,650	27.5%
Austin	East Austin	7,800	33.1%
Austin	Round Rock-Georgetown	6,530	26.0%
Austin	North Central Austin	5,860	19.0%
Austin	Cedar Park	4,730	24.9%
Dallas-FW.	Denton	4,170	16.3%
Dallas-FW.	Intown Dallas	3,930	9.3%
San Antonio	Far Northwest San Antonio	3,731	16.0%
Houston	Rosenberg-Richmond	3,710	27.0%
San Antonio	New Braunfels-Schertz-Universal City	3,560	20.0%
Houston	Katy	3,470	13.5%
Austin	Downtown-University	3,450	15.1%

*Note: Includes submarkets with more than 3,000 units currently under construction  
Sources: IPA Research Services; RealPage, Inc.*

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Sources: IPA Research Services; Bureau of Labor Statistics; Moody’s Analytics; Real Capital Analytics; RealPage, Inc.; U.S. Census Bureau