Market Report

IPA | INSTITUTIONAL PROPERTY ADVISORS

MULTIFAMILY 2Q/26

Austin Metro Area

2026 FORECAST

EMPLOYMENT
19,000 — Jobs will be created
1.3% — Increase Y-O-Y

CONSTRUCTION
8,600 — Units will be added
2.4% — Inventory increase Y-O-Y

VACANCY
7.3% — Vacancy rate
30 — BPS decrease Y-O-Y

RENT
$1,430 — Average effective rent by year-end
2.4% — Increase Y-O-Y

CBD Stands Out While Demand Drivers Pick Up in Northern Submarkets

Large-tech expansion drives demographic momentum. Among major markets, Austin ranks as the top metro for population growth and household formation relative to its size, as of March 2026. This growth is largely driven by relocation, with net migration accounting for roughly 85 percent of the population gain in 2025. Alongside this rapid inflow, Austin's average household income rose by roughly $4,400, compared to $3,200 nationally as of March 2026, supported by continued job expansion. Nonfarm employment grew 1.3 percent year-over-year, while traditionally office-using sectors advanced 1.6 percent. These dynamics should continue to support sustained multifamily demand, particularly across higher-quality assets.

Strong Class A dynamics concentrate around the city core. Austin's Class A vacancy is lower than the Class C rate, diverging from the national norm. This dynamic is supported by the metro's relatively high median household income and strong concentration of office-using employment, which accounts for over 30 percent of the workforce, compared with just over 20 percent nationally. Additionally, Austin maintains comparatively low asking rents among major metros, lifting the potential ceiling on future rent growth.

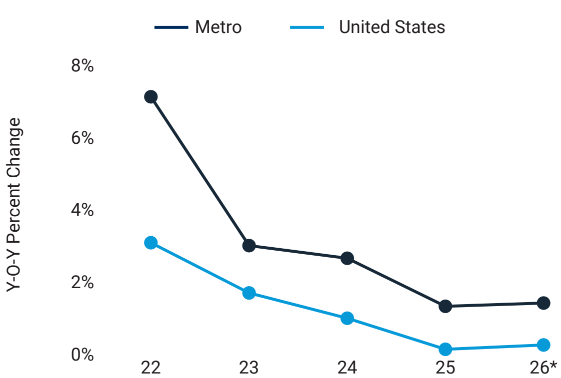
EMPLOYMENT

Major tech firms continue to expand across the Austin metro, bringing an influx of high-wage employment, particularly in office-using sectors and advanced manufacturing roles. At the same time, Southwest Airlines is establishing a new crew base at Austin-Bergstrom International Airport in 2026, expected to add roughly 2,000 jobs. This reflects the labor market's diversification, as the sectors that posted the largest annual gains in March 2026 included construction and professional and business services.

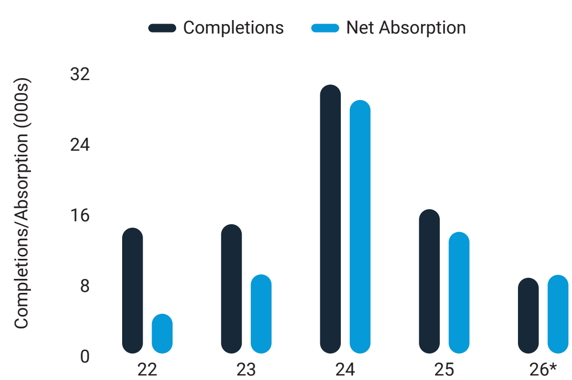
CONSTRUCTION

The development is expected to continue contracting, with deliveries concentrated in East Austin. However, South Austin is emerging as a notable growth area, with its 2026 pipeline expanding by roughly 46 percent compared to last year. In contrast, historically active submarkets — including Downtown, East Austin, North-central Austin, Round Rock-Georgetown, and San Marcos — are expected to see development taper. This broader slowdown in construction activity should alleviate supply-side pressures.

EMPLOYMENT TRENDS



CONSTRUCTION TRENDS



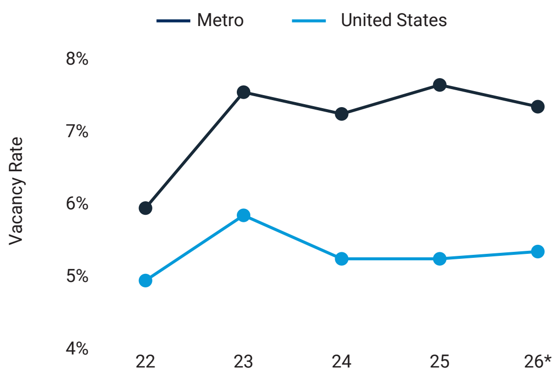
* Forecast

Sources: BLS; CoStar Group, Inc.; RealPage, Inc.

VACANCY

As demographic tailwinds remain and development pipelines taper, vacancy is expected to shrink from 2025 highs. As of March 2026, downtown boasts the tightest vacancy in the metro, especially among Class A and B properties, as some stock was removed in early 2026. Submarkets with large inventory, such as the Round Rock-Georgetown area, are seeing decreases in vacancy. However, areas with relatively higher concentrations of construction continue to see vacancy being tested by supply pressure.

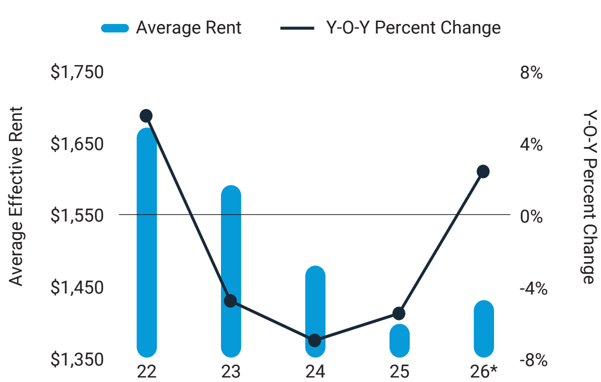
VACANCY TRENDS



RENT

As metrowide vacancy tightens, the average effective rent is expected to increase marginally. Despite most submarkets recording annual decreases in average rents as of March 2026, the downtown area stands out with a nearly 10 percent increase and has the highest mean rent in the metro. This is in part due to the submarket's vacancy decreasing by about 250 basis points over the past two years ended March 2026, while the average effective rent grew by 14 percent over the same period.

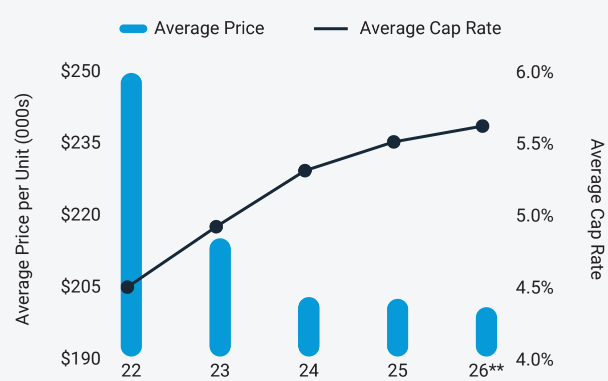
RENT TRENDS



INVESTMENT HIGHLIGHTS

- Transaction activity dropped by about 11 percent year-over-year as of March 2026. This is largely due to a 15 percent reduction in trades over $15 million, likely signaling subtle uncertainty among institutional investors, resulting in the mean price per unit inching lower and the average cap rate edging higher. Despite this, Austin maintains the highest average price per unit among major Texas metros, while trades exceeding $15 million continued to account for over half of all transaction activity during the year ended in March.
- Midtown and North-Central Austin remain the most active submarkets, with Class C properties trading more frequently, as segment vacancy in midtown fell below the Class A rate, making it the lowest in the metro. Private investors were the most active in these submarkets, with an appetite for 100- to 300-unit properties. Metrowide, institutions focused their capital on Class A and B assets, with a concentration in Northwest Austin. Almost all buyers in Northwest Austin were from out of state, as were over half of the buyers in Austin.
- The Round Rock-Georgetown area recorded sub-6 percent Class B vacancy as of March 2026. Additionally, the area experienced significant population growth in 2025. This trend is likely to continue as tech companies expand on the north side of the metro, which could attract increased investor interest. However, the majority of inventory in this submarket was built after 2010, which could attract investors seeking post-2010 Class B builds in the 100- to 300-unit range.

SALES TRENDS



* Forecast ** Through 1Q

Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

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