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Austin Apartment Market Overview

Presented by

Capitol Market Research

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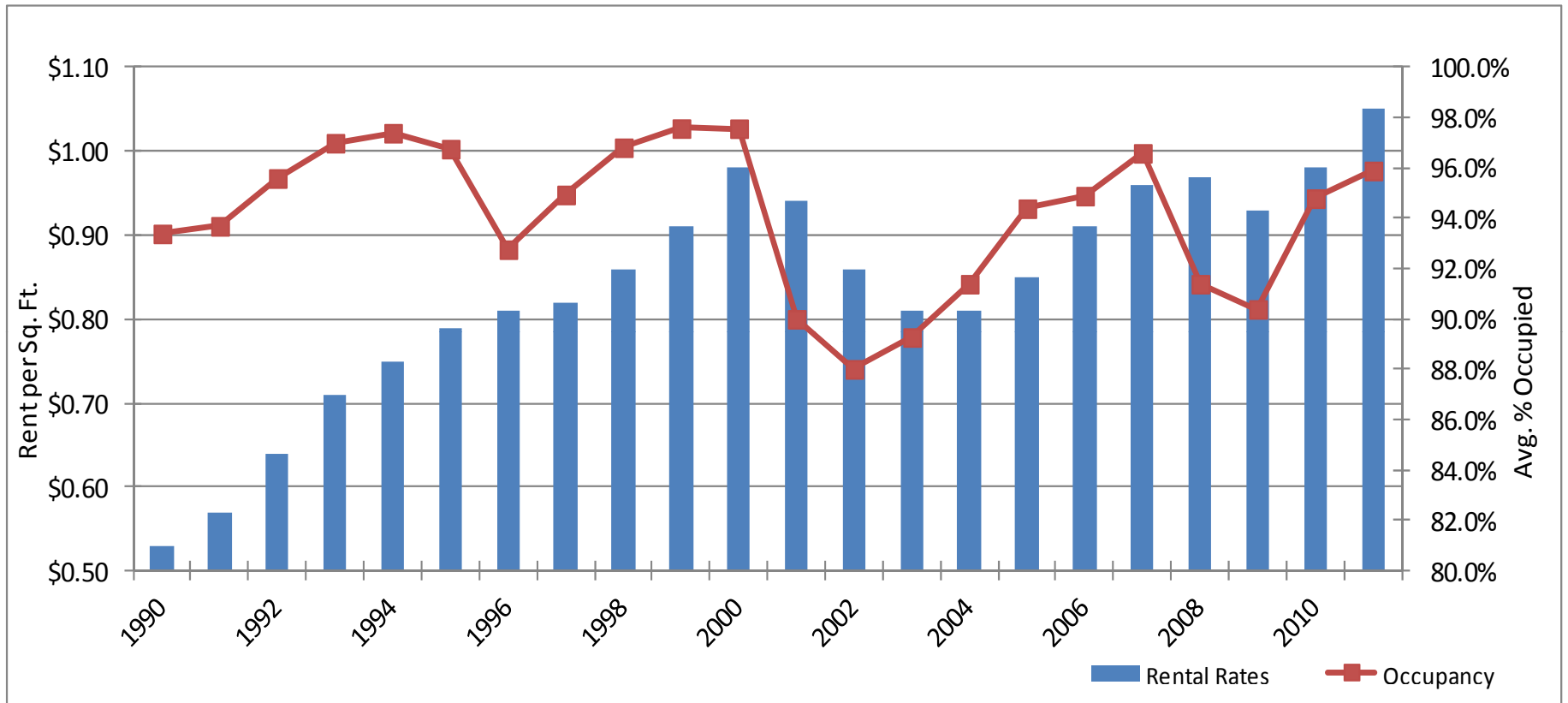
February 21, 2012

Citywide Historical Rent & Occupancy



- Over the last 20 years the Austin market has more than doubled in size from 61,113 to 147,648 units
- The average occupancy rate over the period is 94.2% and unit rents steadily increased from \$0.57 per sq. ft in 1991 to \$1.05 per sq. ft. in 2011
- At the beginning of the recent financial crisis, occupancy dropped from 96.6% (in 2007) to 90.4% (in 2009) and unit rents dropped 3.2% from \$0.96 to \$0.93
- In a remarkable rebound, occupancy has recovered to 95.9% and rents have jumped 12.9% to \$1.05 in December 2011

Citywide Historical Rent & Occupancy



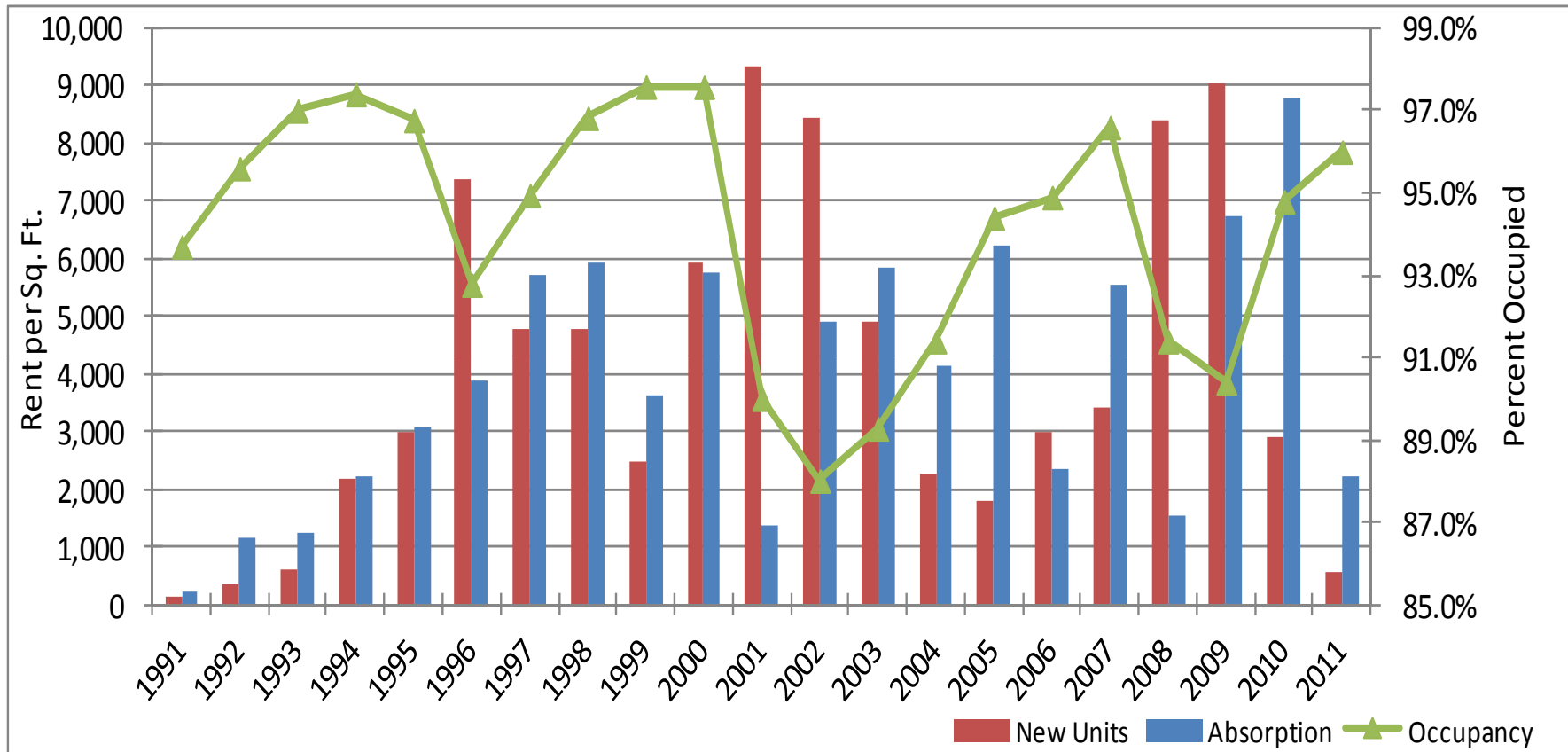
Source: Capitol Market Research Apartment Market Study, December 1990 – December 2011

New Unit Completions & Absorption



- Over the last 20 years the market has added an average of 4,082 units per year, with a range from 148 to 9,351
- Over the same time frame, the market has absorbed an average of 3,931 units per year with a range from 220 to 8,773
- There are, however, significant disparities on an annual basis which has led to rapid fluctuations in occupancy

New Unit Completions & Absorption



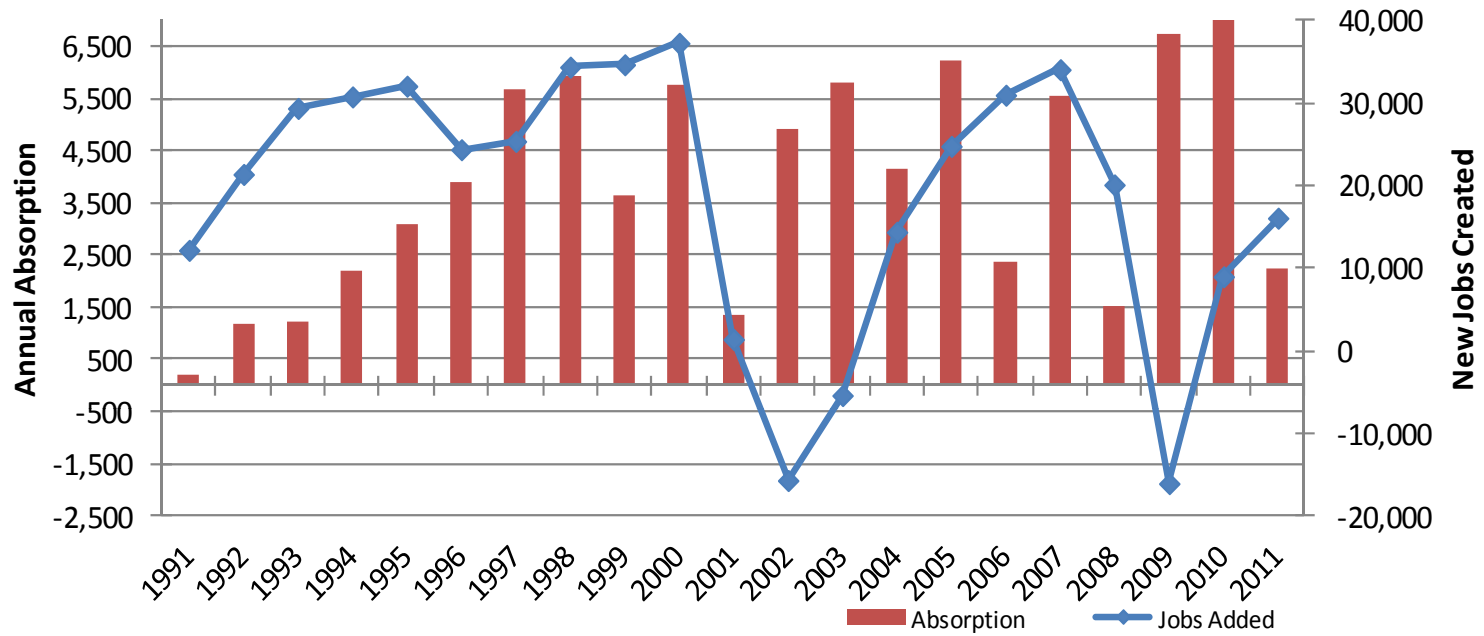
Source: Capitol Market Research Apartment Market Study, December 1990 – December 2011

Annual Absorption & New Jobs Created



- In the long run, job creation is the primary driver for apartment absorption; on average, the ratio of new jobs created to units absorbed is approximately 4.8 to 1
- From 1991 to 2011 the Austin MSA added 395,723 new jobs and absorbed 82,552 new apartment units
- Generally there is a strong correlation between job creation and absorption of new units, however, there are other factors such as population growth, the appeal of new product and weak demand for single family homes that may drive absorption when there is little job growth

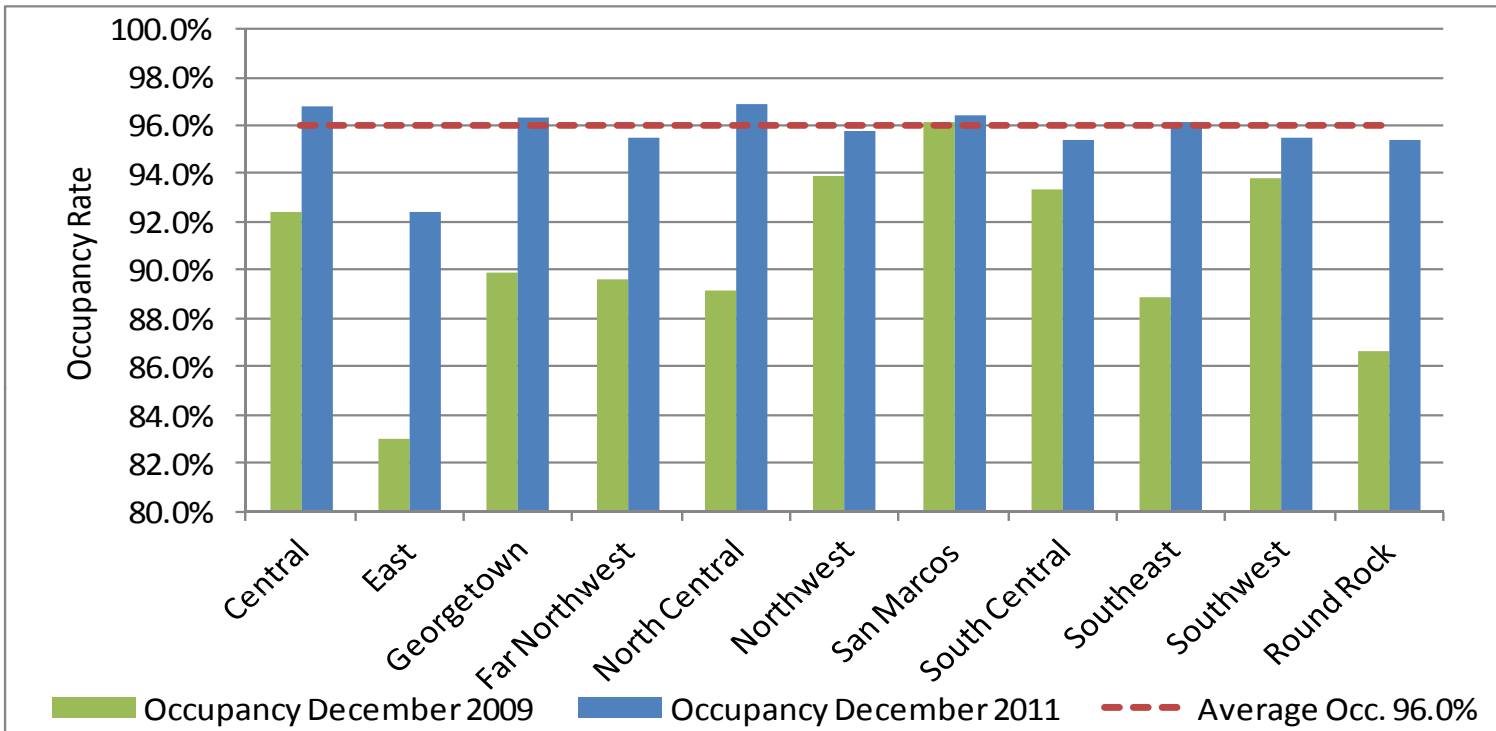
Annual Absorption & New Jobs Created



Source: Texas Workforce Commission, Annual Average Wage & Salary Employment, December 1991 – December 2011

- While the Austin area overall occupancy is very strong at 95.9%, when you include Georgetown and San Marcos, overall occupancy increases to 96.0%.
- There is some variance among the 11 market areas: the lowest occupancy is in East Austin (92.4%), while the highest is in North Central (96.9%).
- Round Rock has recovered from the building boom in 2009 (3,183 units) and now is 95.4% occupied.
- Among the new high density projects in Downtown Austin occupancy is 93.9% and rents average \$2.03 per sq. ft.

Occupancy by Market Area December 2011



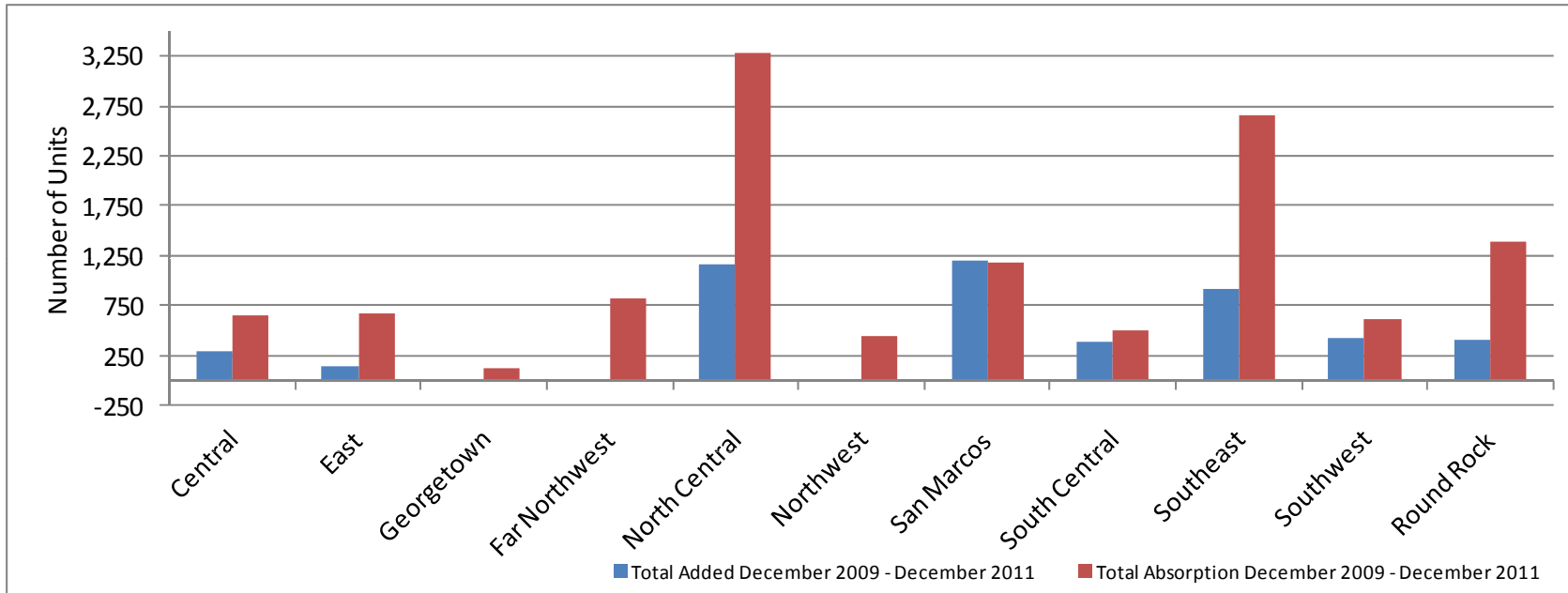
Source: Capitol Market Research Apartment Market Study, December 2009 - December 2011

Units Added and Absorption by Market Area



- The current occupancies reflect the disparity between unit additions and absorption over the last 24 months among the different markets
- The San Marcos market area had the most number of units added in the last 24 months (1,210) and the fourth highest rate of absorption (1,177) while managing to increase its already high occupancy by 0.3 percentage points in the last 24 months to reach 96.4% in December 2011
- North Central had the second highest number of units added (1,158) and the highest rate of absorption (3,270)

Units Added and Absorption by Market Area



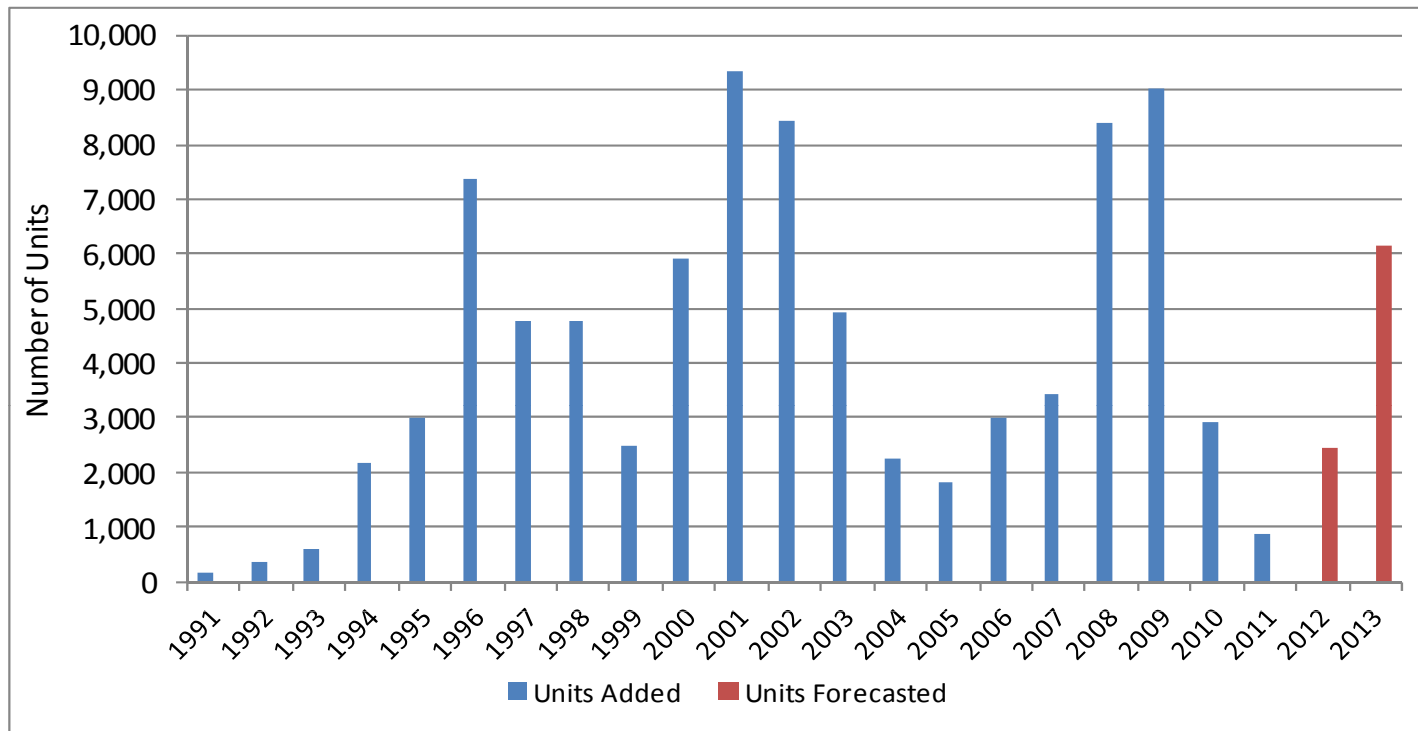
Source: Capitol Market Research Apartment Market Study, December 2009 – December 2011

Historical and Forecast New Unit Completions



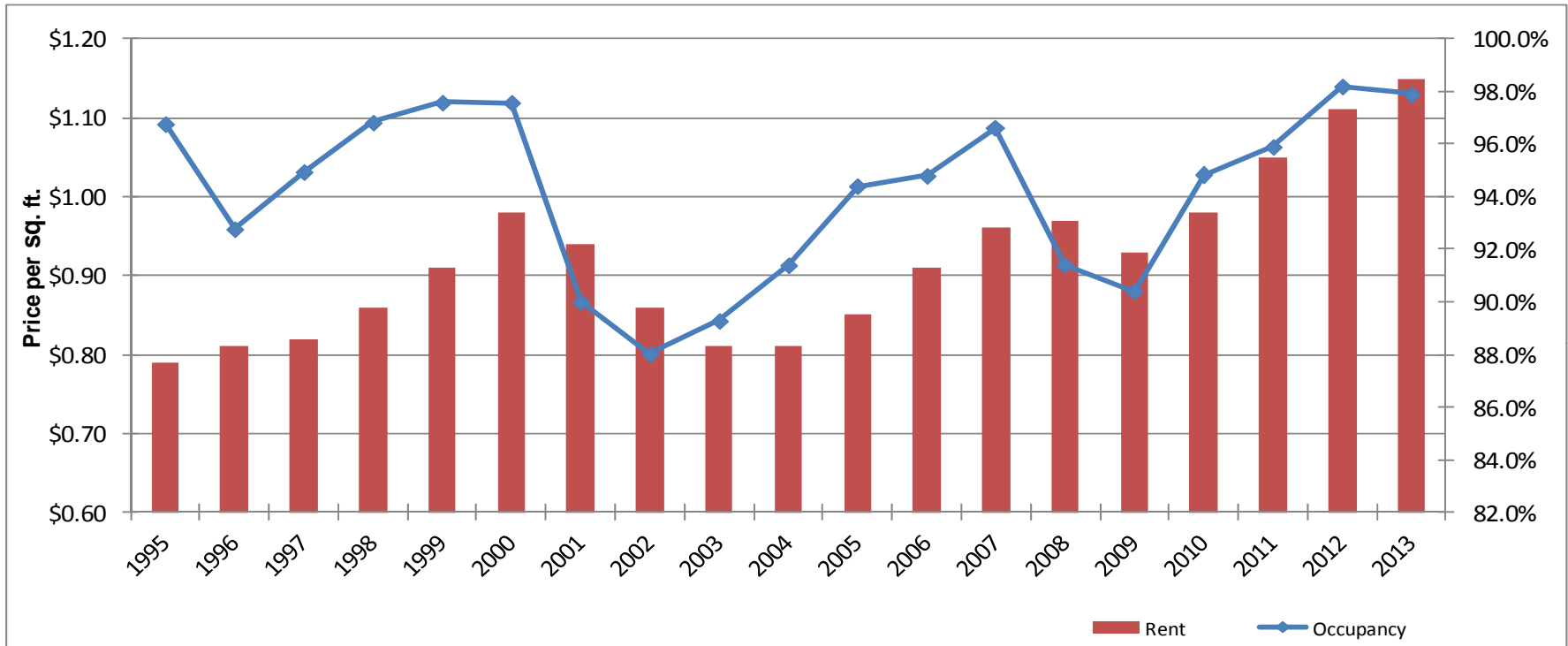
- In 2009 there were 9,025 units delivered and in 2010 2,906 units were added
- In contrast, only 862 units were added in 2011
- For 2012, a total of 2,461 units are scheduled to be delivered
- Occupancy should increase to 98.2% by year end 2012 despite the new unit additions and then decrease slightly in 2013 to 97.9%.
- Citywide rental rates will increase to \$1.11 by year end 2012 and stabilize in 2013 at \$1.15.

Historical and Forecast New Unit Completions



Source: Capitol Market Research Apartment Market Study, 1990 – December 2011, CMR forecast 2012 – December 2013

Historical and Forecast Occupancy & Rent



Source: Capitol Market Research Apartment Market Study, 1995 – December 2011, CMR Forecast 2012 - 2013