AUSTIN

QUICK FACTS

POPULATION	
1,906,780	▲ 2.6%

EMPLOYMENT	
858,670	▲ 2.2%

MEDIAN HOME PRICE	
$231,960	▲ 11.0%

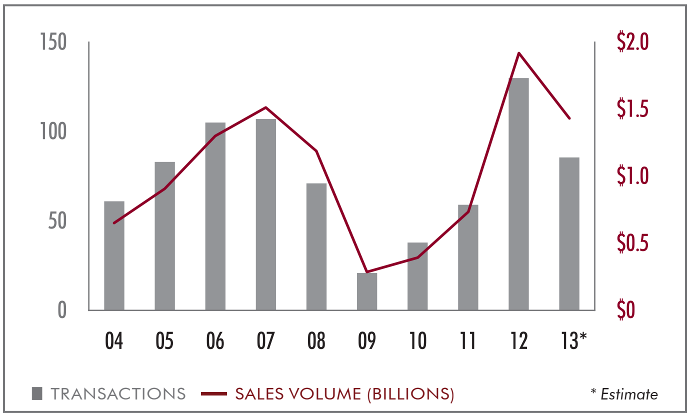
MEDIAN HOUSEHOLD INCOME	
$61,520	▲ 4.0%

2013 REVIEW

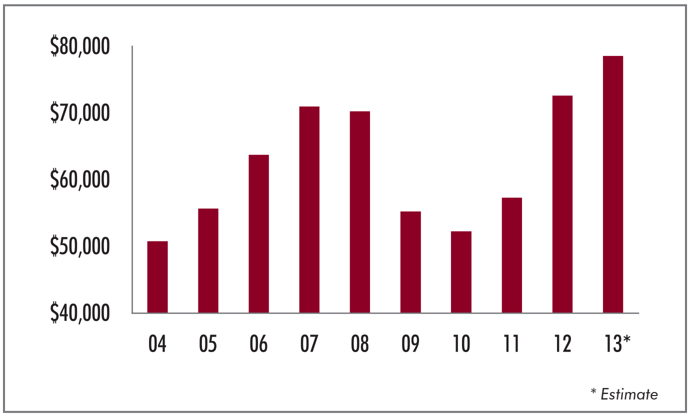
Austin businesses created 18,600 new positions in 2013, to expand payrolls by 2.2%. The professional and business services sector provided a large boost to the economy with 9,900 new hires. The 7.8% growth in the segment was also the largest for the metropolitan area. The leisure and hospitality industry significantly expanded, growing 6.5% with 6,200 positions. Staffing levels in the segment were buoyed by the $15 million TopGolf entertainment complex, which opened in North Austin and created 325 jobs.

- Rental demand surged last year with the net absorption of 6,240 apartments, up from 3,350 units absorbed in 2012. With an influx of new supply, the Highway 183/Cedar Park/Leander submarket led leasing activity with 900 apartments absorbed, up from 60 units in the preceding year.
- Construction completed on 6,690 units during the last 12 months, up 142% from deliveries in the prior year. The bulk of new inventory was in the Highway 183/Cedar Park/Leander and Far South submarkets with 1,690 units and 1,310 units, respectively.
- With rising rental demand, developers plan on expanding the construction pipeline after filing permits for 15,860 multifamily units in 2013, 39.9% more than the permits filed in the preceding year.
- With the influx of new properties, vacancy ticked up 10 basis points during the year to 4.8%. The highest rise in vacancy was among Class A properties to 5%, 30 basis points more than 2012.
- Average asking rent reached $1,026 per month in December, up 3.2% from one year prior. The tony and popular Central submarket had the highest rents at $1,976 per month, a 4.1% increase from 2012.

SALES VELOCITY



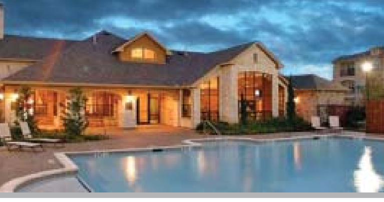
AVERAGE PRICE PER UNIT



VACANCY & RENT COMPARISON

SUBMARKETS	VACANCY 2013	VACANCY 2012	AVERAGE RENT INCREASE 2013	AVERAGE RENT INCREASE 2012	AVERAGE RENT 2013	AVERAGE RENT 2012
Central	5.6%	4.9%	4.1%	7.5%	$1,976	$1,897
Far North Central	4.0%	4.9%	4.6%	5.8%	$711	$680
Far Northwest	4.5%	4.5%	4.5%	2.9%	$1,027	$982
Far South	5.0%	3.9%	1.6%	5.9%	$1,059	$1,043
Hwy 183/Cedar Park/Leander	4.7%	4.7%	3.0%	3.2%	$955	$927
North Travis	4.3%	5.0%	2.2%	1.8%	$893	$874
Northwest	4.4%	5.6%	4.5%	0.7%	$1,083	$1,037
Round Rock/Georgetown	5.0%	5.4%	2.4%	1.5%	$960	$938
San Marcos	9.0%	4.6%	1.9%	1.6%	$911	$894
Southeast	5.6%	4.7%	2.4%	5.0%	$899	$878
TOTALS	4.8%	4.7%	3.2%	4.0%	$1,026	$994

For a full list of Austin submarkets, visit apartmentupdate.com/report/1223



Hendricks ◈ Berkadia

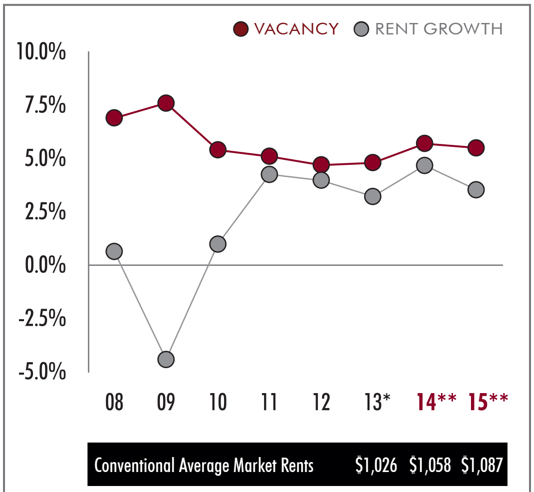
FORECAST 2014

Hiring will accelerate by 3.1% this year as local businesses create 26,600 new positions. Companies like GateHouse Media Inc. are drawing young talent from the University of Texas at Austin. The New York-based company is expanding its presence by opening a new Center for News & Design office, bringing 200 creative-industry jobs to city by the end of this year. Rental demand will increase in the Far Northwest and neighboring submarkets as the first building of the $56 million, 200,000-square-foot Apple facility will open by the end of next year. The Apple new hires will be part of the 3.6% expansion of payrolls in 2015. The remaining 800,000 square feet of the campus expansion will be complete by 2021. The project is projected to create 3,650 full-time jobs when fully complete.

Although rising supply will put slight pressure on metrowide vacancy, buyers will remain bullish on local apartment investments. Acquisition interest will remain high among mid- to large-sized properties in the Austin metropolitan area, with velocity in this segment expected to be significant over the upcoming 12 months. The demand will compress cap rates in this segment. Initial yield for the large properties will gravitate to the low-6% range; however, well-located and newer assets will trade at cap rates as much as 75 to 125 basis points lower. Values for these institutional-sized, high-quality assets are varying greatly depending on location, though per-unit prices are starting in the low $90,000 range and can nearly double in price for best-in-class apartment product.

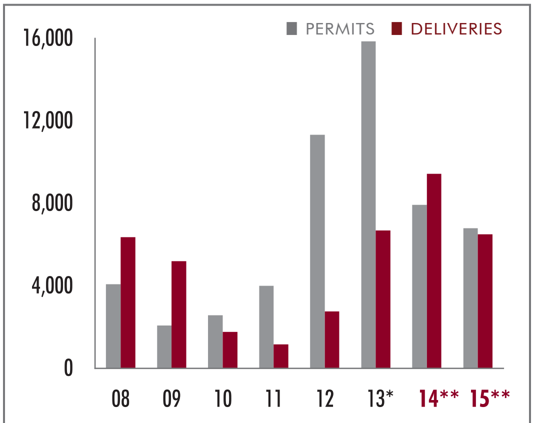
- Absorption should elevate with 7,130 newly occupied units this year. The most significant leasing is expected in the Central submarket with the net absorption of more than 1,500 units as new inventory will draw more people to the desirable area.
- Inventory will continue to expand this year with the addition of 9,440 new apartments, higher than the historical pace of 4,620 units. The Central submarket will lead with 1,620 deliveries, followed by the Near South Central submarket with 1,450 new apartments.
- As new inventory enters the market, the planning pipeline will shrink as developers pull back permitting activity by 50% this year. The 7,930 multifamily units expected to be submitted is still above the historic average of 6,660 units annually.
- Partially offset by strong population growth, vacancy is projected to increase 90 basis points to 5.7% by December. Vacancy should be the tightest in the Near South Central submarket as demand is expected to match new inventory.
- The average asking rent should grow 4.7% to $1,074 per month during the next four quarters. At the same time, concessions will increase 70 basis points to 1.5% of asking rents. Rents are expected to advance 3.5% to $1,112 per month by the end of 2015, while increasing concessions by 70 basis points to 2.2% of asking rents.

VACANCY & RENT



* Estimate; ** Forecast

PERMITS & CONSTRUCTION



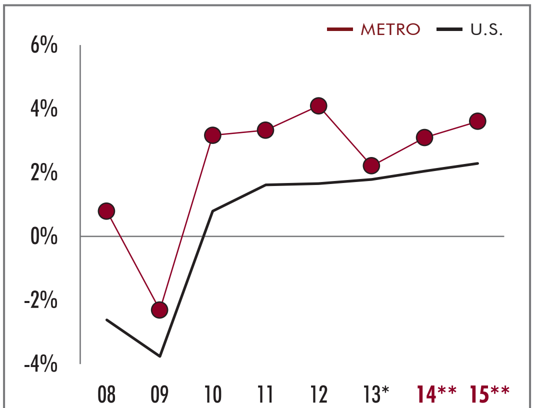
* Estimate; ** Forecast

JOB CHANGE

GAINED | LOST	
2005	24,900
2006	41,100
2007	24,600
2008	6,100
2009	(17,900)
2010	24,000
2011	26,000
2012	33,000
2013*	18,600
2014**	26,600
2015**	31,900

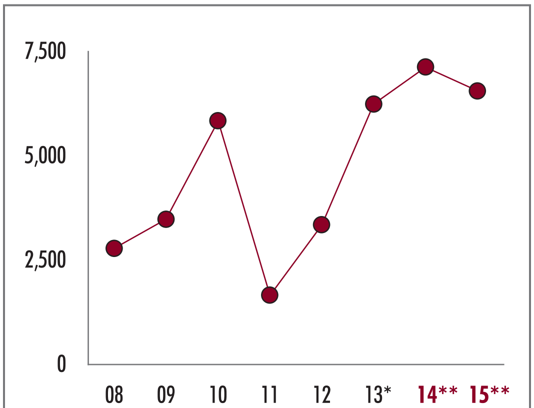
* Estimate; ** Forecast

EMPLOYMENT GROWTH



* Estimate; ** Forecast

ABSORPTION



* Estimate; ** Forecast

Data and images pertaining to employment, income, permits, population, rents, single-family housing and vacancy are year-end figures. Absorption, construction and apartment sales figures are full-year totals. Numbers for 2013 are estimated values, while 2014 and 2015 figures are forecast projections. The sales information represents transactions of apartment properties with a sales price of $1 million or more. Apartment market data criteria and methodologies vary by market.