

Austin apartment rents rising as occupancy tightens

By [Shonda Novak](#) | Wednesday, January 5, 2011

Apartment rents are on the rise again in Central Texas, after a significant rise in occupancy in 2010, according to the latest report from market tracker MPF Research. And the apartment market should get even tighter this year, say MPF analysts, who are forecasting that Austin will be the nation's second-best apartment market performer this year.

Monthly rents in the Austin area averaged \$854 at the end of 2010, MPF said. Although rent growth didn't kick in until the last half of the year, December's effective pricing was up 2.4 percent from late 2009. Annual rent growth of 2.4 percent in Austin nearly mirrored the 2.5 percent bump seen in the nation as a whole, MPF said.

Apartment occupancy jumped 3.6 percentage points, one of the strongest increases in the country. The improvement brought occupancy to 93.5 percent, moving Austin's rate from a level well below the U.S. norm to right in line with the national average.

MPF expects local apartment occupancy to firm by another 2.2 percentage points in 2011 and effective rents to rise 6.8 percent, taking total revenue change to 9 percent. Only San Jose, Calif., with forecast revenue growth of 10.2 percent is projected to do better.

"Significant further improvement in Austin's apartment occupancy rate looks like a sure thing," said Greg Willett, MPF's vice president of research. "The economy is already expanding at a pace fast enough to spur sizable apartment demand, and 2011's completion volume will plunge to just a handful of units. As for rent growth, it's always a feast-or-famine situation in Austin. Conditions now are coming together to produce one of the area's cyclical pricing spikes."

MPF said the Austin area registered demand for 9,340 apartments last year, more than three times the 3,027 units that were delivered.

"Austin's apartment market cycle is fast and pronounced," Willett said. "The metro is a regular on both the best and worst lists, and it's time for the market to take another brief spin at the top."

Courtesy of JB Goodwin