

Wave of new apartments under way

Developers, most analysts say demand in Austin is strong enough to fill new space.

By M.B. Taboada
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The Austin apartment market looks like it's making a comeback.

A wave of apartments is under construction, and developers are counting on the area's appeal to pull in more residents to fill the space.

More than 10,000 apartment units are planned to open in the next two years, according to first-quarter figures by Austin Investor Interests LLC, which analyzes rents and occupancy rates. More than 1,040 units were already added during the first quarter.

The Robertson Hill Apartments in East Austin just opened the first of 290 upscale units this month. The complex, on San Marcos Street between Ninth and 11th streets, features one-bedroom apartments that start at \$1,240 and two-bedroom units going for \$2,600.

The increased demand for urban living is propelling the wave, analysts say.

"We are very bullish in Austin in general and in particular, the downtown area," said Timm Wooten, executive vice president with Martin Fein Interests Ltd., the Houston-based developer of the Robertson Hill project.

"The desire to live close to downtown and the growth of Austin will support it," he said.

Many of the developments are popping up in South Austin, Central Austin and downtown and include the Monarch, Red River Flats and AMLI on Second Street.

At the Domain in North Austin, 390 luxury apartments are saddled into the open-air upscale development, with one-bedroom units starting at \$999 per month and going up to \$2,244.

And while high-end apartment homes are drawing in renters, former homeowners also are turning back to rentals as foreclosures increase.

"Now they have to go back into renting again because they're losing their homes," said Rich Chilleri, manager of Apartments Now, a rental locator company.

Monthly rents also are on the rise, increasing an average of about \$7 in the first quarter of the year, according to Austin Investor Interests. Renters are paying an average of \$766 per month.

"It's very healthy right now, and landlords are taking advantage of it by raising the rents," Chilleri said. He noted that the new construction may create more competition that could result in deals for renters, such as a month's rent free or better amenities.

But Robin Davis, manager of Austin Investor Interests, cautions that the increased rental base will lead to occupancy drops.

"Absorption has been something that has been on the uptick, but it has not been phenomenal," Davis said. "Occupancy is remaining flat because we have an increase in the rental base. It's not because there's not demand."

Management companies are trying to compete against the new apartments and condos that are becoming available, she said.

"We have a plethora of condos that are going to turn into rental housing when they don't sell," she said.

Others who study the market, as well as developers, disagree and still expect occupancy rates to remain steady.

At 93.5 percent in the first quarter, apartment occupancies are still off from the peak levels of 98.2 percent in December 2000, during the tech boom. The job losses that resulted from the tech bust then clashed with a building boom, causing the occupancy rate to plummet at the end of 2000 to 88.4 percent in the first quarter of 2002. Even as late as 2004, some apartment projects were posted for foreclosure.

Now, with people moving at a faster clip to the Central Texas area from other states, developers expect more residents to look to the rental market before they buy.

And occupancy rates above 92 percent equate to a landlord's market, said Charles Heimsath, president of Capitol Market Research, which tracks the apartment market.

"The market is really solid and will continue to be strong this year and into 2008," said Heimsath, who is forecasting 5,500 units to come on line this year. "We should easily be able to absorb those units."

Heimsath also predicts that the rents — which increased 6 percent citywide last year — will continue to climb, from 3 percent to 8 percent this year, depending on the proximity to downtown.

Chilleri said Apartments Now had its busiest March since 1999 at the height of the tech boom.

"And we're not even to our busy season yet," he said, noting that leasing activity is strongest during the summer.

The amenities offered at complexes also are changing, with hot tubs and laundry rooms disappearing and being replaced with in-room washers and dryers, granite countertops, free cable and wireless Internet capabilities, Chilleri said.

Apartment Building

A listing of construction activity in the Austin-area apartment market shows the recent real estate flurry.

New construction, units

Alexan at Vaught Ranch, 334

Alexan Hill Country Galleria, 309

Colonial Grand at Double Creek, 300

Criterion at Onion Creek, 330

Fairfield at Southpark Meadows, 426

Forest Hills, 208

La Frontera Square, 349

Park at Brushy Creek, 360

Verde Brushy Creek, 272

Continuing construction , units

101 Colorado, 259

300 N. Lamar, 154

Alexan Swenson Farms Ph. I, 336

Altea at Silverado, 300

AML I on 2nd, 231

AML I Anderson Mill, 396

Arboleda, 312

Balcones Ranch, 270

Bella Sarah, 294

Block on 28th, 101

Block on Leon, 133

Block on Pearl Street, 96

The Crescent, 169

Cypress Creek at Riverbend, 180

Gables Westlake, 175

Greystar at South Congress, 306

Harris Branch, 246

Jefferson at West Campus, 367

Links at Forest Creek, 216

Mariposa at Riverbend, 201

Melograno at Teravista, 320

Monarch, 305

Parker Lane Seniors, 70

Quarters at Grayson House, 101

Quarters at Nueces House, 235

Red River Flats, 120

The Remington, 344

Residences at the Domain, 390

Robertson Hill, 290

San Gabriel Senior Village, 100

Verde Shadowbrook, 248

Windsor at Bee Cave, 293

Source: Apartment Investors Interests LLC

Courtesy of JB Goodwin