

# More apartments coming for Austin area

## More specials, flat rents, lower occupancy predicted.

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**More than 10,000 apartments that are under construction will be coming to the market in the next year, and a local forecasting group says that will probably lower occupancy rates and produce flat rents.**

**Apartments in the Austin area are about 93 percent occupied, down from one quarter ago, according to a report by Austin Investor Interests LLC.**

Rents have steadily increased since 2005. Just since the start of the year, monthly rents have increased about \$5 to an average of \$808. Rents increased by \$42 annually.

But renters can expect to see a flatter market, with declining occupancy rates, according to Robin Davis, president of the forecasting group.

"We've been going up ... but right now we have so much development in process that it's going to be a hard synopsis to fill up those units unless we get new job growth, a new population here," Davis said. She noted recent layoff announcements by major Austin-area employers Dell Inc. and Advanced Micro Devices Inc.

According to the quarterly report, more than 59 percent of apartments are offering incentives that are costing owners an average of 3 cents per square foot.

Davis predicts an increase in concessions.

"Consumers can anticipate more specials offered for move-in," Davis said. Complexes are beginning to offer minimal move-in fees and more "one-month-free" offers, she said.

"In the long run, the fundamentals of Austin are doing great, but it's going to depend on job growth and population growth," Davis said.

**Among the larger or high-profile projects under construction are 426 units at the Estates at Southpark Meadows Phase 2, 349 units at La Frontera Square in Round Rock, 305 units at the Monarch downtown, 231 units at the AMLI on Second Street and 187 units at the Legacy tower, a 31-story highrise downtown.**

**Charles Heimsath, president of Capitol Market Research, predicts absorption to be a bit stronger because rain and construction delays will temper the number of apartments that actually open in the next year and because the housing crisis will keep tenants in their apartments.**

"If there are fewer people buying homes because credit is tighter, that means they will stay in their rental accommodations longer," Heimsath said. But he also sees occupancy rates dropping, albeit slightly, and rents stabilizing but not dropping.

"The overall pipeline is getting very crowded," Heimsath said. "There's lots of product under construction, but ... you have to look at the market sector by sector because the trends are different depending on where you are in the Austin region."

Capitol Market Research puts out a report on the apartment market in June and December but does not include some of the smaller, older complexes that are in Davis' report.

Nicole Mancuso, who owns 360 Realty and Leasing, said that although rents have increased the past two years, they haven't changed much in the past quarter. She said the market will probably get tighter closer to summer, a general trend for the season.

The new units opening this year "will help and bring the prices down as (existing) apartments will compete with the prices offered by the new apartments," she said, adding that new complexes will probably offer short-term specials to fill units.

**Courtesy of JB Goodwin**