

Austin Housing



November 30, 2021

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Austin Economy



“How Austin MSA Became One of the Least Affordable Regions in America”

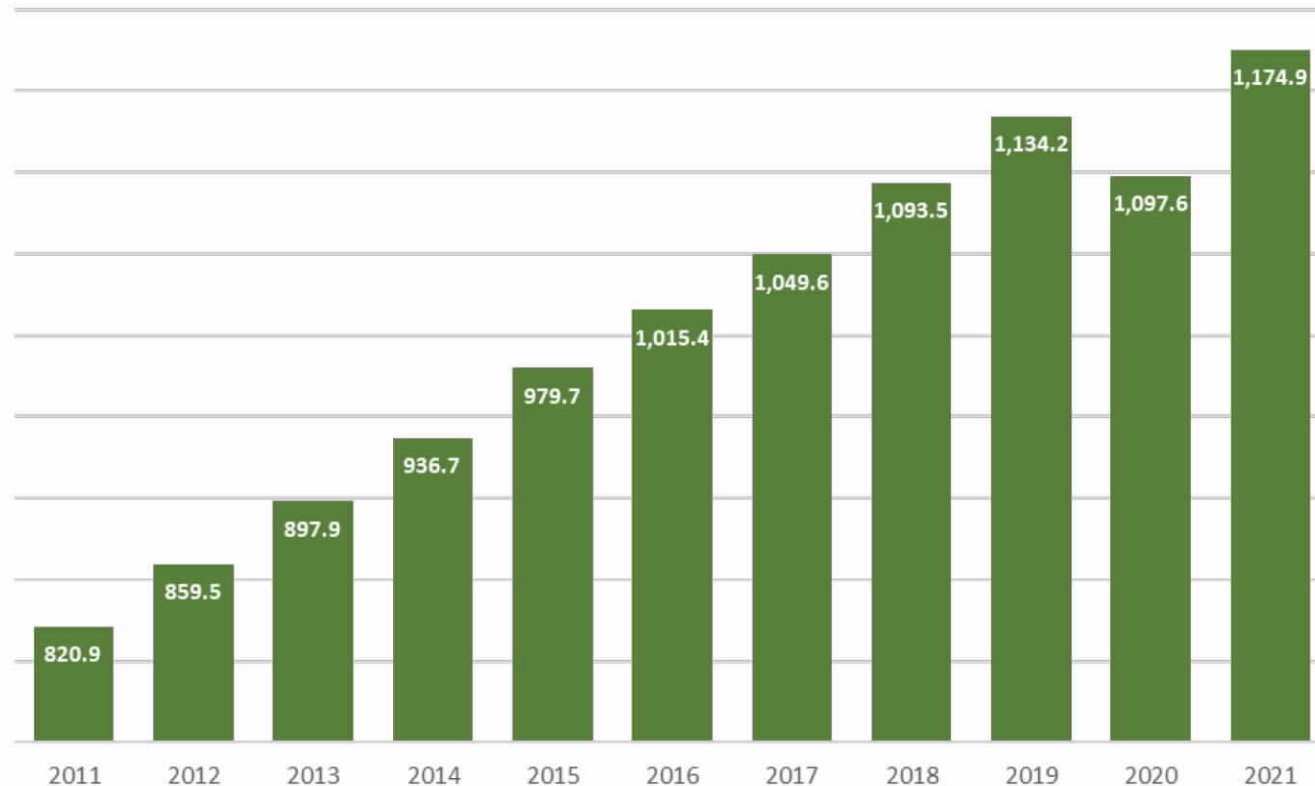
- The impact of COVID-19 continues to recede in Austin, as most indicators now exceed pre-pandemic levels. Its too soon to know about the impact of Omicron.
- Over the past twelve months (through October) the Austin MSA has added 77,100 net new jobs, a gain of 7.0 percent since October 2020 (and over 40,000 above October 2019). Overall, the Austin area remains among the regional economic stars in the United States, with the pandemic only enhancing trends that have been in evidence for some time.
- At this point, supply/cost issues are the main economic challenges, be it in housing, materials, or labor force. In terms of jobs, all sectors have returned to pre-pandemic levels, with much of the fruits of recent expansions/relocations such as Tesla yet to be fully realized.
- With in-migration expected to continue at a rapid rate, overall growth in the region will remain strong for the foreseeable future.
- The real estate side of the pandemic also has been heated:
 - Perfect storm for owner-occupied residential, esp. single-family – record levels of local activity and extraordinary increases in prices/rents. There are some signs that the rate of growth is abating (especially at the high-end) but affordability is a distant memory.
 - Industrial/warehouse benefit from heightened “hunkering down”
 - Office, small retail, and hospitality are last to recover – some progress.



Austin MSA Employment

***The Labor Market Has Largely Recovered from the Pandemic –
October Employment at an All-Time High***

Non-Ag Wage & Salary Employment (000s)





Austin MSA Employment

In Spite of Four Major Shocks, Austin Has Grown at an Exceptionally Rapid Rate (3.8%) for Decades

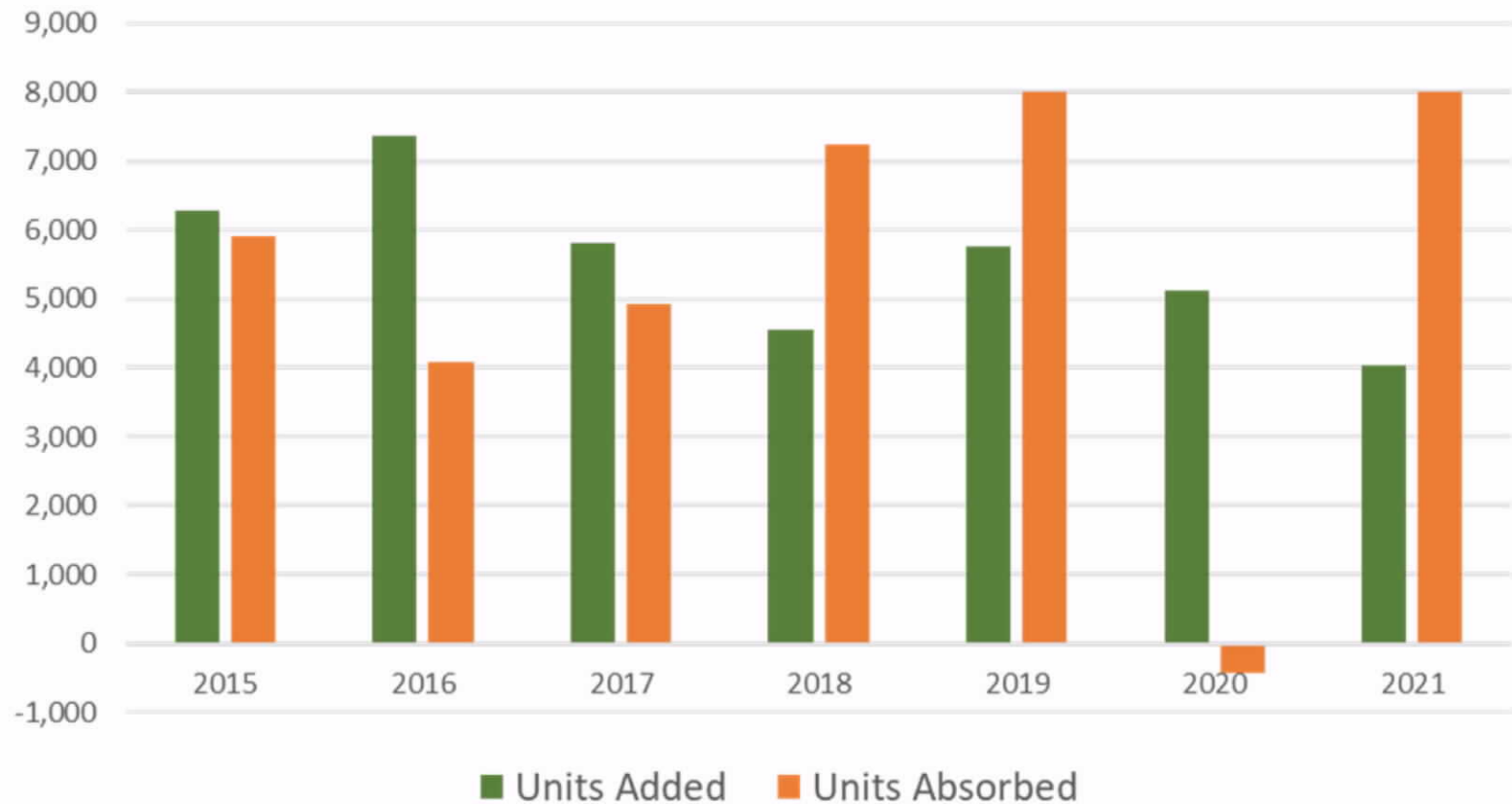
October Data: 12-Month Percentage Change in Non-Ag W&S





Austin Housing

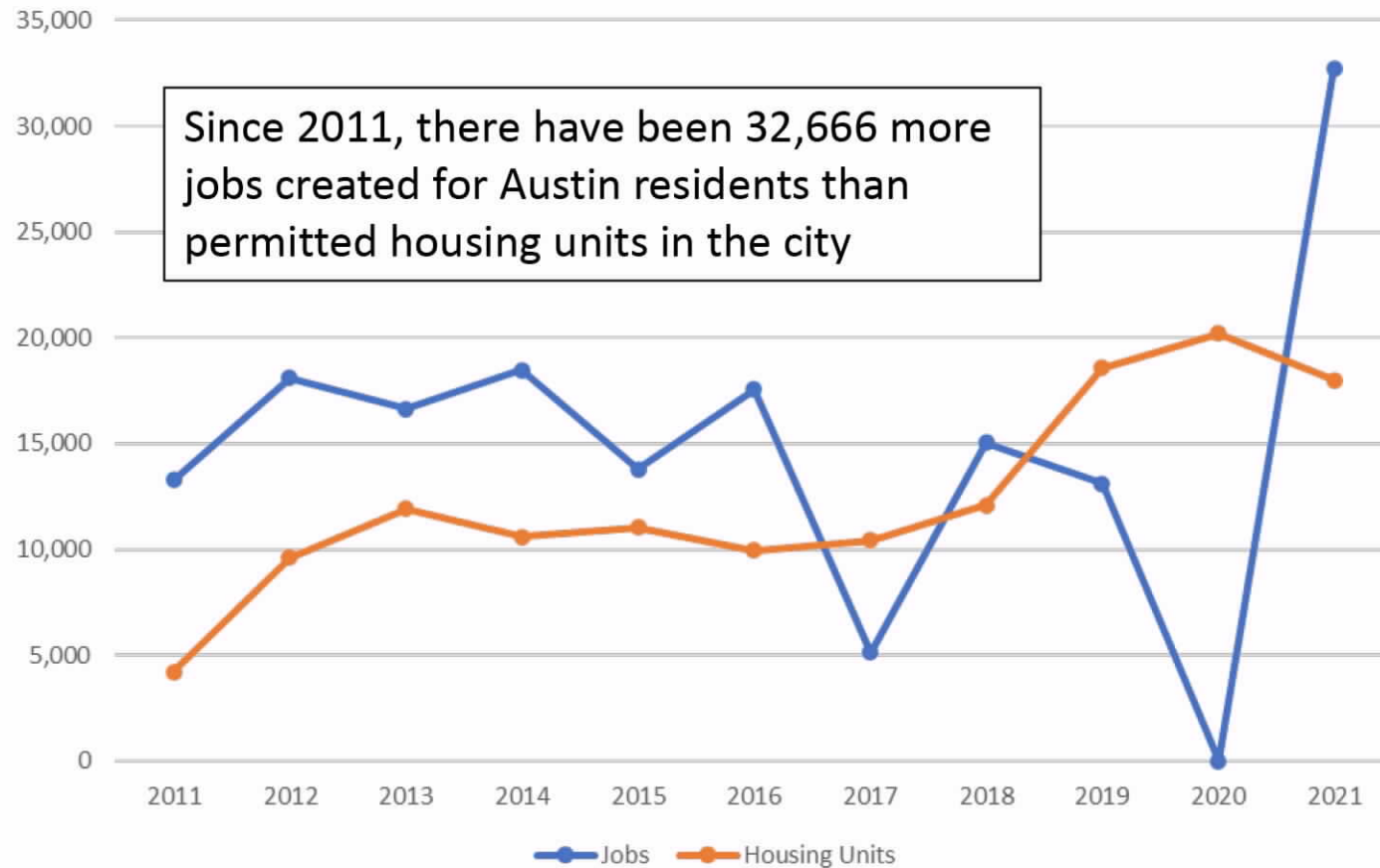
Demand Growth is Outstripping Supply





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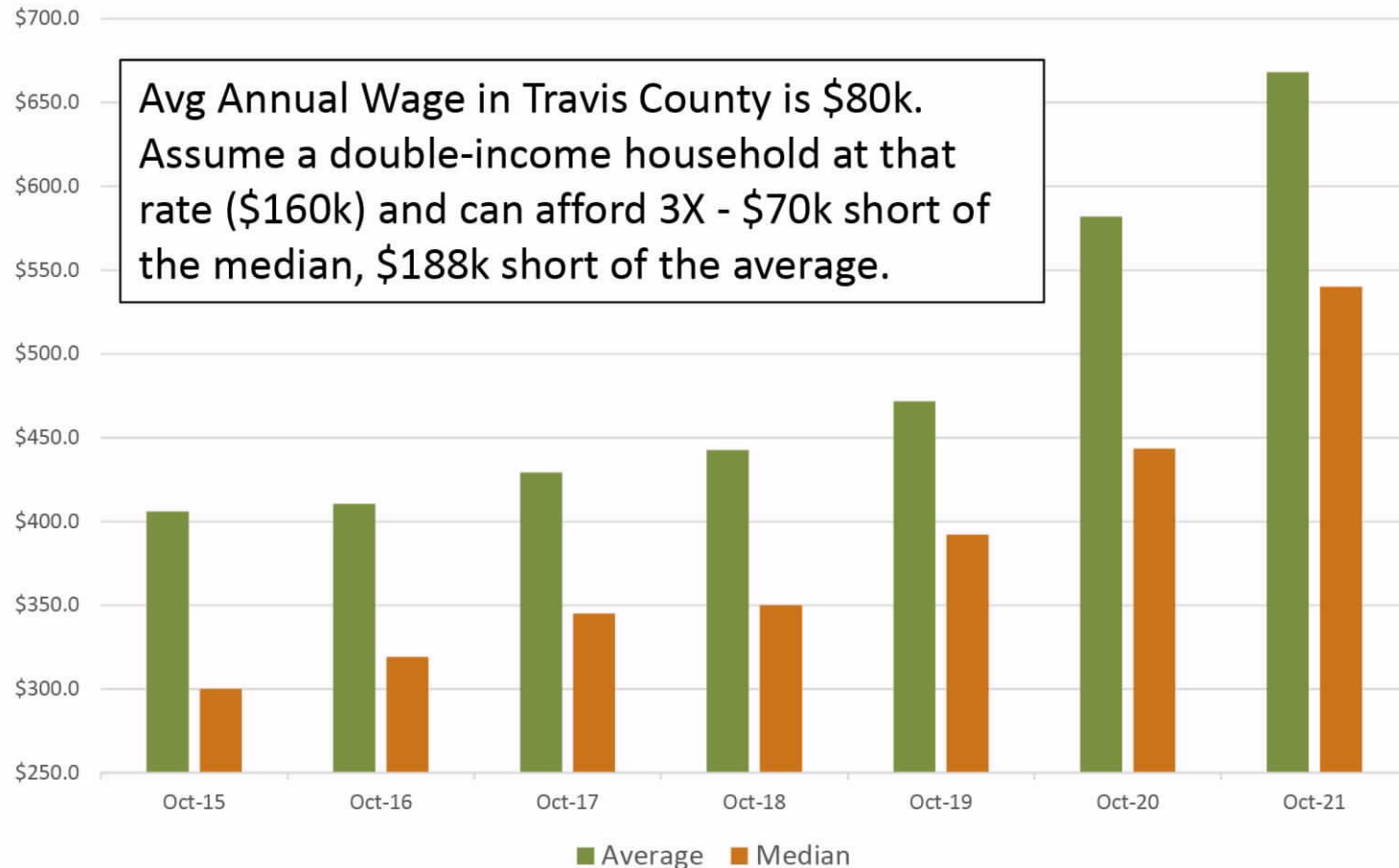
City of Austin Resident Jobs vs. Permitted Housing Units





ABOR Housing

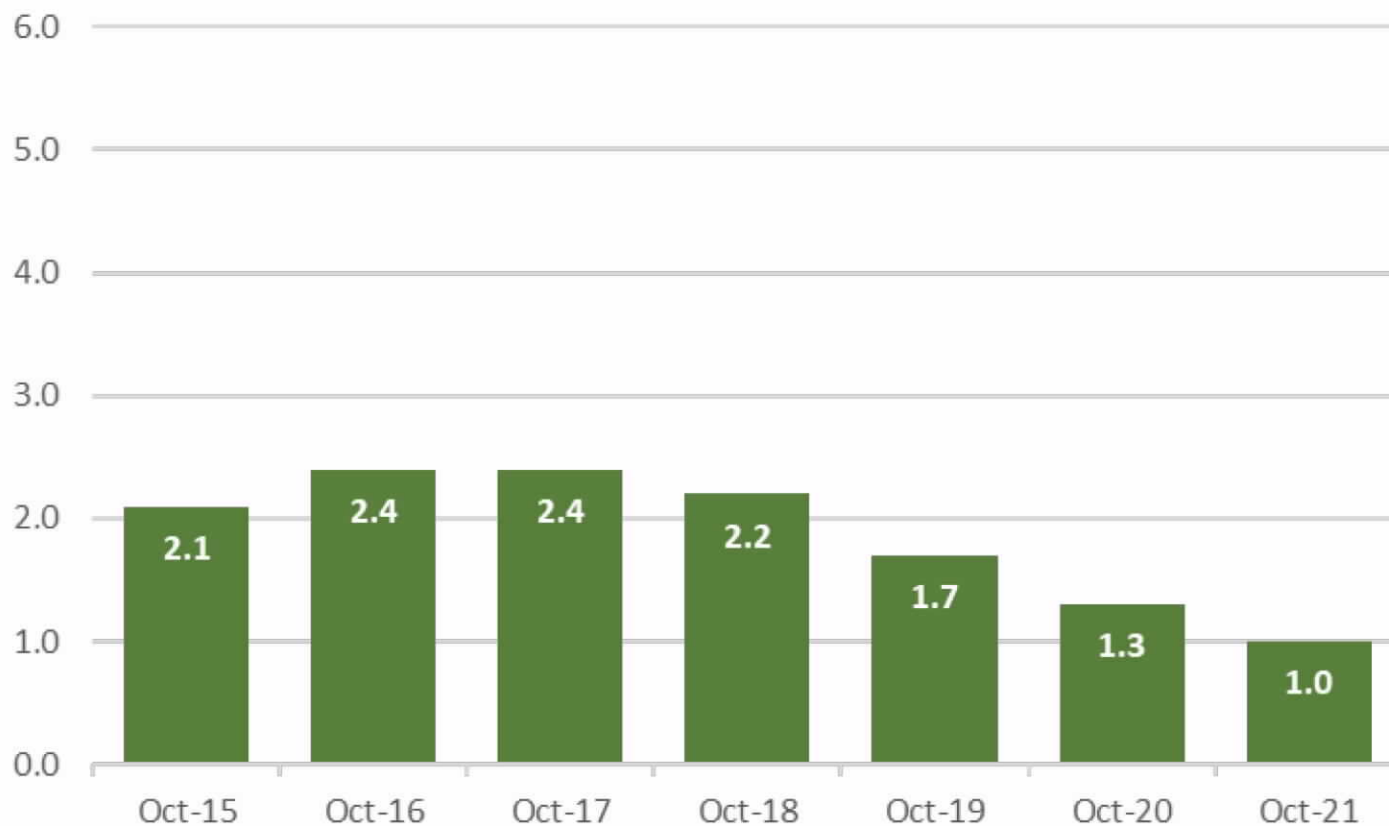
Average and Median Home Price (\$000s)





Austin MSA Housing

October Data – Months of Available Housing Inventory





Austin Housing

Average Monthly Rent





Conclusions

This Could be the Roaring 20s – But Supply/Capacity is a Huge Issue

- Over the longer-term, Austin and the region are expected to continue to grow more rapidly than either the state or the nation, as the appeal as a *relatively* cost-effective location for technology and intellectual property-based activity remains a substantial competitive advantage.
- However, rapidly rising costs (especially for housing), unprecedented levels of congestion)and overall concern regional infrastructure capacity), and the strain on the community's cultural and recreational amenities are all beginning to take a toll on quality of life.
- On the housing side:
 - Demand far outstrips supply, especially for housing that serves those without high household income and/or substantial capital to invest.
 - Historic patterns of not meeting demand, both for owner-occupied and rental;
 - “Housing as asset” bids up prices;
 - Rapid economic growth, historically low interest rates, and in-migration all contribute

Conclusions (cont.)



- Affordable housing (in the technical sense) is an important part of the equation, which requires significant federal (and often local) subsidy. However, Austin and regional agencies must go beyond subsidy to meet the challenge of better aligning demand and supply.
 - Institutional capital is focused on maximizing rates of return – tends to focus on higher-end product and won't/can't accept reduced ROI in light of investment parameters.
 - The housing market is somewhat fungible; if those of certain income are priced out at expected level, they will move down the market to consume product that might otherwise be available to those with lower incomes.
- Austin must look to increase supply at all levels (with possible exception of high-end). Tools could include: access to public land for housing, policies/programs to encourage campus-based employers to build on-site, further streamlining the regulatory process, and removal/reduction of capacity limits in the land development code.
- This is arguably the most significant economic development issue facing the community today.