

Austin Investor News Report ®

The Source for the Austin Real Estate Investors

Issue Q4 / December 2016



The Austin real estate market started 2016 with a momentum matched by few other markets, and it ended the year much the same, reinforcing its now unofficial moniker the “land of the perpetual boom” (coined by Texas Monthly). It’s good for the city and great for real estate investors.

From a real estate and property management standpoint, Austin is magnetized in all the right ways: the housing demand has continued to increase, while the city is still attracting young professionals who prefer renting over buying. Companies from across industries are setting up shop in the city and bringing new employment encouraging population growth; and developers are leveraging the “perpetual boom” to bring even more opportunities to the city of Austin, ensuring sustainable growth for years to come.

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Austin's Continued Industrial Growth

At Monte Davis Realty Group, we're not interested in merely capitalizing on Austin's rampant growth. We pride ourselves on identifying the best opportunities to come from the latest developments to ensure our clients see the best returns on their investments.

Throughout the fourth quarter, we have seen many such opportunities in the works. Austin's Riverside Drive corridor is a great example. Development along the drive and near Lady Bird Lake is exploding right now. As we first mentioned in our last newsletter, software giant Oracle Corp is still building its massive, 25-acre campus in the corridor (which is progressing faster than expected thanks to the City's Fast-Track Site Plan), but it's hardly the area's sole tenant. A slew of new developments is turning the area into one of Austin's most intriguing and profitable neighborhoods.

Alongside Oracle, Presidium Group is working on two new developments that will renovate and build on existing student-housing projects, University Estates and University Villages. These 67 buildings spanning 66 acres will add to Presidium's already substantial Riverside portfolio, which also includes The Edison (which the company is slated to break ground on in early 2017) and a 66,000-square-foot retail center, with a number of tenants including Emo's nightclub.

The City itself is also making considerable investments to ensure the success of Riverside Drive, including a number of infrastructure projects that aim to enhance livability and appeal. But make no mistake; Riverside Drive is not Austin's unicorn. It's not the city's anomalous "hot market" it's one of many – like the stretch of Purple Heart Trail near Mary Moore Searight Metro Park, or Parmer Business Park, or Saint Elmo Market District, a historically industrial neighborhood quickly transforming into what Curbed has described as a "development hot zone." The city continues to devote resources to developing areas across the region into fantastic opportunities for real estate investors.

*Sources: Oracle's Southeast Austin campus begins development, site work
Riverside Drive heating up: 67 buildings on 66 acres change hands in up-and-coming part of Austin
E. Riverside Drive Corridor Improvements at Lakeshore Boulevard
ArcGIS:Emerging Projects Austin
Saint Elmo Market District moves forward in South Austin*

Still A Seller's Market

The reason Austin draws so much development is due to the city's strong demographic and economic support; and it's geared in such a way that it supports a growing rental market with enormous potential.

Single-family homes in Austin are expensive relative to the rest of the nation. In November, the median price for a single-family home in the city hit \$294,245 after rising a strong 7 percent year over year, according to the Austin Board of Realtors. That is nearly \$60,000 more than the national median.

However, as evidenced from the developments above; these higher relative costs have not dissuaded anyone from moving to Austin – quite the opposite. Austin's population grows by an estimated 110 people a day, and it's reasonable to assume the housing demand will soon eclipse stagnant new- and existing-home inventories.

Joel Kotkin, author and presidential fellow in urban futures at Chapman University in Orange County, Calif., recently captured his sentiments on Austin's economic stability and capacity for extended growth in an article for New Geography. Kotkin wrote that the city has been an "all-around growth champion among America's larger cities for the better part of a decade." The housing expert cited Austin's awesome 50-plus percent employment growth since 2000, particularly in the STEM fields and the financial services sector, which represents some of the most well-paying job sectors. The cost of owning a home in Austin is high, but there is certainly a market to support it.

*Source: Austin Board of REALTORS® releases November 2016 Central Texas Housing Market Report
Existing-Home Sales Forge Ahead in November
Apartment List National Rent Report*



\$294,245

the median price for a single-family home in the city in November



50%+

50-plus percent employment growth since 2000



110

Austin's population grows by an estimated 110 people a day

Competition is fierce and prices have gone up. The smart move for investors is to make purchases within the next 6 to 8 months as interest rates are likely to move upward. Multi-family properties are far fewer and must be considered very selectively with regard to locations and property type, as the ratios for returns are lower in the first few years of ownership. This is why we chose to focus our clients' acquisitions primarily on single family homes in 2016, and the performance of those portfolios speak for themselves. Our clients have been very pleased with our advice on property type and location – and it's our devotion to both the city of Austin and our clients that allow us to select winning investments.

The takeaway from the detail above is this: Austin remains a seller's market, but a seller's market with countless nuances that the savvy investor needs to be aware of in order to maximize their investments. Without careful consideration of averages, developments and trends there can be a significant amount of risk even when investing in one of the nation's best markets. This is where Monte Davis' clients have a considerable advantage. Guidance from a realty and property management group that is just as passionate about the development and sustainability of our great city as they are about the growth of their clients' portfolios is a benefit beyond measure.



The Power and Interest of Millennials

In an interview with My Statesman, local apartment developer Steve Oden of Oden Hughes lauded the market's fundamentals as incredibly strong, echoing Kotkin's praise of the city's job growth and pointing to steady population increases as an assurance for a sustainably strong rental market.

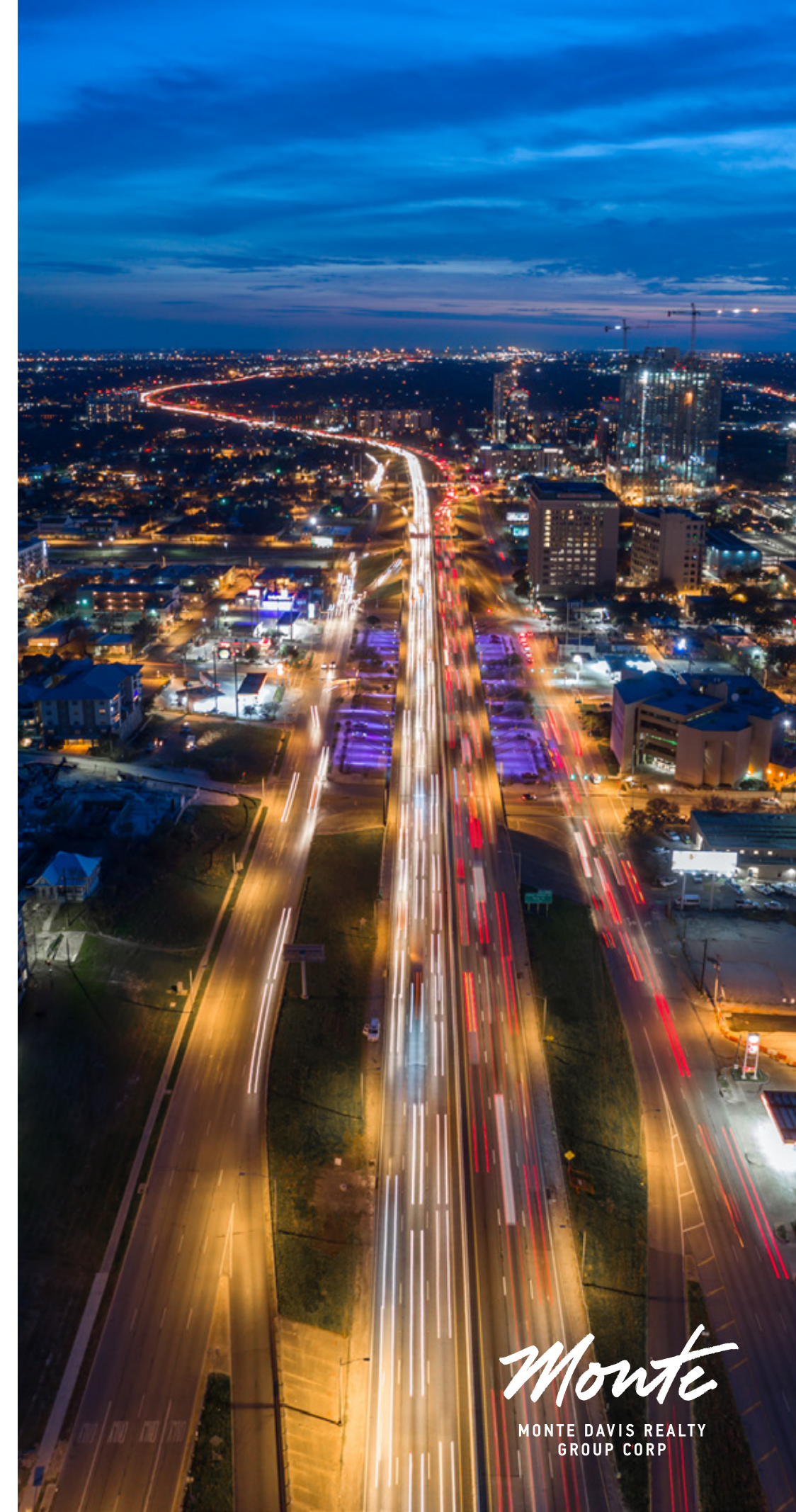
He said: "Many of these new residents prefer to rent in order to remain mobile, or they find that homeownership is just too expensive in the areas where they prefer to live."

By "new residents," Oden is mostly referring to Millennials who have flocked to Austin over the past several years. This younger generation is more likely to rent because of both preference and financial status. A November analysis from Apartment List named Austin the No. 3 city nationwide for Millennial population growth, claiming they're attracted to the city's economy and, specifically, its 9 percent median income growth since 2015.

As of December, average rent for a 1-bedroom apartment in Austin was \$1,190 – \$90 above the national average, but thousands of dollars below comparable cities, such as San Francisco (\$3,340), New York (\$3,200), Boston (\$2,790) and Washington, D.C. (\$2,150), among others. According to ATTOM Data Solutions, within the city itself, financial prudence very clearly supports a position of renting over buying, as the typical 2016 renter was required to spend 29 percent of his or her income on rent, while homeownership required a 49 percent share.

Young professionals represent the future of any real estate market, and Austin is receiving them in droves.

*Source: Buying More Affordable than Renting in 66 Percent of U.S. Housing Markets
Welcome To Y'all Street: The Cities Challenging New York For Financial Supremacy
Where are millennials moving to?*





Poised for another Strong Year

Heading into 2017, there has been a fair amount of uncertainty in not only the nation's real estate market but the economy in general. First, mortgage rates are up over 4 percent and continuing to rise. We're also inaugurating a president whom, for better or worse, promises a shift in policy unlike anything we've seen in modern history. And to top it all, there is a polka-dotted pattern of strife that surrounds the globe – think China's faltering economy, Brazil's political turmoil, India's seemingly preeminent housing bubble, as well as Australia's, and the fallout from Brexit, Syria, Sudan and Russia.

In an encompassing atmosphere of uncertainty, property markets like Austin's can be a gift to investors, as they can serve as relative safe harbors when investments are made wisely. However, such investments require expert guidance, which is why Monte Davis Realty Group clients have fared so well over the years and will continue to do so in the years to come.

We foster an environment of security and growth and provide a safe space for both entry-level and seasoned investors to flourish in a sector that can bring stable growth. Our loyal clients know that we take the utmost pride in creating secure portfolios with strong rates of return. As Monte always says, "We're not just working with numbers, our clients' investments represent their future and well-being."

*Source: America's Next Great Metropolis Is Taking Shape In Texas
Austin-area apartment market won't cool down*



This is very much in the same fashion of Monte Davis Property Management, which has seen a 45 percent increase in business growth from word of mouth alone! The figures aren't meant to be braggadocios, rather appreciative of our loyal client's and a way to reflect the level of service we provide.

Monte has taken it always upon himself to ensure your properties and the units within are maintained and managed as if they were his own. This is the type of quality and care that all of Monte Davis Realty Group and Property Management clients have come to expect, and why you have all honored us with your business and your trust.

As always, we are grateful for your business and your faith in Monte Davis Realty Group and Property Management, and we're more excited for the growth to come in 2017!

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