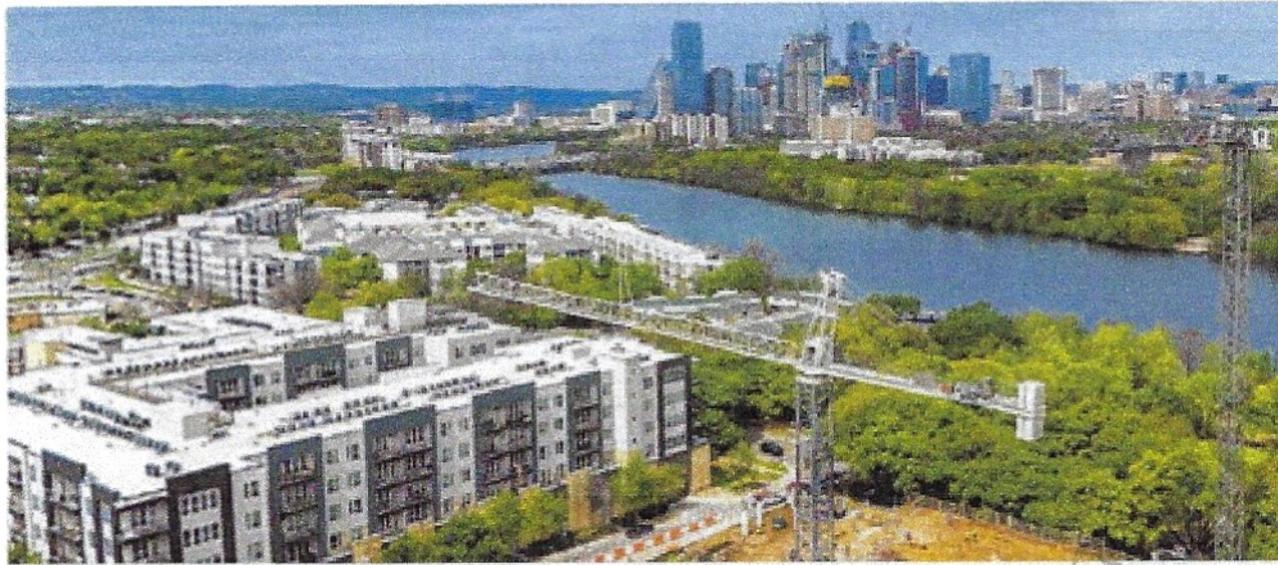


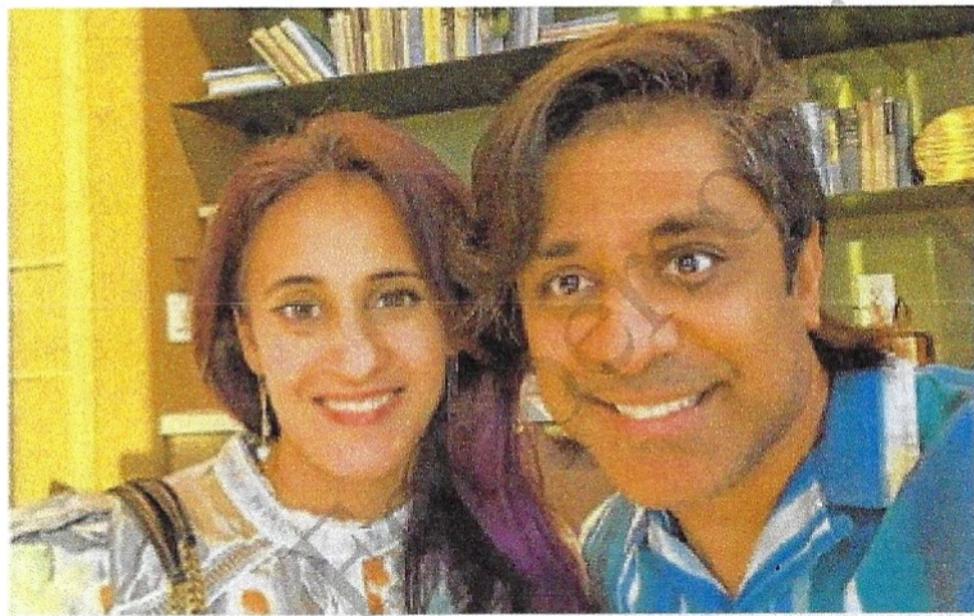
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Apartments under construction in Austin, Texas, in 2024. Now, Austin's stock of empty apartments is starting to run dry. BRANDON BELL/ GETTY IMAGES



Sanket Kumar, his wife, Roma Patel, and the family moved to the Texas capital from California. SANKET KUMAR

Austin's Rents Signal Pricier Sunbelt

BY REBECCA PICCIOTTO

Renting in Austin, Texas, is about to get more expensive again.

Analysts project that the city's rents will stay flat or even increase this year following at least 10 quarters of decreases. Investors are flocking back to the market, buying apartment buildings and betting that they will be able to raise rents by early next year, if not sooner.

The activity marks a significant turning point for Austin. The Texas capital became a symbol of the pandemic housing boom when it attracted waves of new companies and white-collar workers eager to capitalize on lower taxes and less business regulation in the city.

That population growth fueled a surge in new development. Starting in 2020, the city added tens of thousands of apartments each year, eventually creating a massive glut. Rents and home prices in Austin have fallen more than in most any major U.S. city since then.

(1)

Now, Austin's trove of empty apartments is starting to run dry. The city is expected to deliver just under 9,000 apartment units this year, roughly half the 2025 number and 72% lower than the 2024 peak, according to CoStar.

Housing demand remains steady. Jobs in technology, biomedical services and government, along with Austin's relative affordability compared with more expensive coastal cities, have kept people moving in.

The city's vacancy rate was down last year for the first time since 2021. Landlords are ready to turn stingy, after years of offering months of free rent while waiving parking, application and other fees.

"We're starting to turn a corner," said Brennen Degner, chief executive at Platte Canyon Capital, a multifamily investment firm. "Next, you'll start to see rents pick up, you'll start to see concessions burn off."

More broadly, Austin's comeback is a sign that the era of cheap rent across the Sunbelt is reaching an end. Cities such as Nashville and Phoenix are working through their own piles of empty, newly built apartments. Though Austin is bouncing back faster because of stronger population growth, a wider Sunbelt turnaround is likely not far behind.

"Austin is the bellwether," said Mark Pasierb, president of real-estate investment firm Kingbird Investment Management.

Renters still have some time to find bargains. Austin was ranked the most affordable rental market in the U.S. by Realtor.com last fall, while renters in expensive coastal cities such as New York and San Francisco endured regularly rising housing costs.

The affordability gains made Austin a blueprint for public officials elsewhere in the U.S. grappling with their own housing problems. Following Austin's lead, many leaned harder into reforming regulations to make it easier to build more homes.

Austin's nascent rebound in rents suggests that the local-ized housing booms and busts that started during the pandemic might finally be moving closer to balance.

In 2023, Jeremy Homol easily secured a month free for his \$1,800 two-bedroom in Austin. When he renewed his lease a year later, the discount was no longer on the table. He also started noticing the early signs of Austin's supply slowdown.

"A lot less builders are coming to town," Homol said. "There's not these insane new apartment complexes becoming available every other day."

A parallel dynamic is unfolding in the for-sale market. Austin home prices sank after a home-building boom during the pandemic. That created rare deals for buyers.

Sanket Kumar, who works at a tech startup, moved his family from the Bay Area to Austin in 2024. Compared with California, their Austin house hunt felt like culture shock. Instead of competing with fellow home buyers, he and his wife sought a 15% discount. "Bay Area, it was always a bidding war," said Kumar. In Austin, "we were always trying to get a discount."

Those deals will likely only last another year, said Emily Girard, CEO of the Austin Board of Realtors. Real-estate agents are counting on lower interest rates and tightening housing supply to further reheat buyer competition in the Austin market.

Much of Austin's expected housing revival hinges on the stability of the entry-level job market. The city has a sizable population of recent graduates. If that younger segment of the workforce cracks, it could slow down Austin's housing demand.

"When we look at what [artificial intelligence] is doing to entry-level knowledge workers, I don't think Austin would be immune," said Chris Nebenzahl, a rental-market researcher at John Burns Research and Consulting.

At least for now, those concerns haven't deterred investors from getting ahead of Austin's rebound. Transaction volume is up 18% annually, driven by acquisitions by public real-estate investment trusts, according to CoStar.

Many expect that the months ahead will be the last chance to get a discounted deal in the city, said Jordan Vaughn, an Austin-based senior associate at commercial real-estate brokerage Northmarq.

“Groups are looking to get on deals as soon as possible,” he said. “We’re really starting to see the light at the end of the tunnel.”

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