

March 2026 | Market Commentary

The End of the Supply Shock

Signs of Recovery Emerge in Austin, TX Housing



The End of the Supply Shock: Signs of Recovery Emerge in Austin Housing

Austin's housing market is beginning to rebound after several years of historic new supply. Though the headline vacancy rate remains high at 14.0%¹, it is a lagging metric that does not fully capture the structural transformation currently underway in Austin.

For the first time in this cycle, market demand has surpassed new supply. Over the trailing 12 months, absorption reached a record 19,649 units, outpacing only 16,793 new deliveries². This data indicates that we are in the early stages of a recovery toward market stability.

A Shrinking Pipeline and Impending Supply Shortfall

The shift is also being reinforced by a dramatic slowdown in construction. New construction starts have slowed to just 2.6% of existing inventory³, making the lowest level since 2011. Meanwhile, the active development pipeline has contracted significantly – from a peak of 19.5% down to only 4.7%⁴. This points to a likely supply gap by 2027.

In the near term, owners continue to face subdued pricing power. Asking rents remain under pressure, and concessions of one to three months are still common. However, we are starting to see the initial signs of a rebound, particularly in Class A properties. Transaction activity also reflects growing investor confidence. Volume is up 18% year-over-year, driven by public REITs acquiring high-quality assets at values well below replacement cost⁵.

Demand Remains a Key Strength

Austin's recovery is being driven by a discrepancy between robust household formation and a subsiding construction pipeline. The metro's household count reached 1.09 million, growing by 2.0% over the last 12 months, nearly triple the U.S. average⁶. That growth translates to roughly 21,800 new households entering a market where construction activity has plummeted.

This demand is supported by a resilient employment base and strengthened by the continued operational ramp up of major corporate expansions like Samsung's new semiconductor facility, SpaceX's Starlink manufacturing facility, and technology firms transferring to the region.

While the job growth engine, which includes recent college grads, has moderated to 1.2% from the frenetic 4% pace of the previous decade, the market added nearly 11,900 jobs over the last year⁷ which is enough to sustain household formation and absorb existing supply.

Implications for Kingbird and the Broader Sunbelt

Despite the recent oversupply, Kingbird Investment Management's Austin properties have performed steadily and maintain healthy occupancy. At the same time, our ability to start new projects has effectively been sidelined due to the oversupply. Looking ahead, we remain confident that improving market conditions will bring even stronger growth and provide opportunities to build new units in 2027.

Austin's trajectory has broader implications for the Sunbelt. Because the supply peak was so extreme and demand so robust, adding over 21,800 households in the last year⁸, the market is demonstrating how quickly a high growth

metro can correct a supply imbalance with the correct demand drivers. Austin currently ranks #1 nationally for absorption as a share of inventory at 6.5%⁹, positioning it as a bellwether for other Sunbelt markets where construction pipelines are similarly shrinking.

Risks to Keep an Eye on

The primary risk is a broader macroeconomic slowdown that cools the job growth engine. If job growth dips significantly below the current pace, it could slow the household formation rate of 2.0%¹⁰ that is currently clearing the market. Also, if owners panic and continue to undercut rents to chase occupancy despite stabilizing fundamentals, it could artificially prolong the period of negative revenue growth.

Even so, we believe the market has crossed a key point in the cycle. With demand now exceeding deliveries, a contracting development pipeline, and sustained household growth, the metro appears positioned for stabilization in 2026 with a more durable recovery by 2027.

Disclaimer

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Kingbird's Form ADV can be found here:

<https://reports.adviserinfo.sec.gov/reports/ADV/308069/PDF/308069.pdf>

Endnotes

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