

The Power of Austin:

Innovation, Migration, Competitiveness, and Opportunity

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Key Points

- **The Austin metropolitan area remains one of the fastest-growing regions in the U.S.** A technology boom that began in the 1960s kickstarted a wave of population and employment growth that continues to this day.
- **Austin's economy is dynamic.** The education and government sectors are the region's traditional anchors and drivers of employment growth, but Austin's evolving tech industry helps the region remain a dynamic and diversified employment hub.
- **Early signs show office and multifamily markets are stabilizing.** Elevated post-pandemic construction activity initially overwhelmed renter and occupier demand. However, with supply-side pressure fading and long-term demand tailwinds persisting, Austin's growth trajectory is likely to remain intact.
- **Austin is poised to remain a destination for top talent.** Austin's creative identity, cultural vibrancy, and lifestyle amenities have attracted young generations for decades. Backstopped by University of Texas at Austin (UT Austin) and a thriving startup ecosystem, the metro should remain a leader in population and employment growth, supporting the office and multifamily markets' recoveries.

Introduction

The Austin metropolitan area features a dynamic economy, a highly educated workforce, and a favorable business climate, factors that consistently attract households and corporations from more expensive coastal markets.

The lack of a personal income tax in Texas and the relatively low cost of living compared to coastal tech hubs continue to make Austin an attractive destination for domestic migration from high-tax states such as California. Meanwhile, its position as the state capital produces significant public sector employment and generates demand for office space.

The metro has transformed considerably since the 1940s, maturing from a small state capital with a strong university presence into a top U.S. technology hub and magnet for corporate relocations. Yet, while Austin's demographic and economic growth trajectories have outpaced regional peers since the pandemic, property fundamentals have been pressured by elevated construction activity across the office and apartment sectors.

Development enthusiasm initially overwhelmed renter and occupier demand following the pandemic, leading to record vacancies and negative rent growth. However, as the construction pipelines gradually deplete, Austin's long-term demand drivers are expected to stabilize fundamentals and uncover attractive opportunities for discerning investors.

Austin's Demographic Story

The Austin metropolitan area has enjoyed decades of remarkable demographic growth. Its population[1] doubled between the 1940s and 1960s alongside rapid expansion of its established education and government sectors. Then, a technology boom began in the 1960s (discussed further in the next section), catalyzing private sector growth and fueling the next demographic wave.

More recently, Austin led all Southwest metros in population gains from 2014 to 2024 at 32%, outperforming the national average by more than four times. Interestingly, this rate of growth was not the result of a post-pandemic bump but instead the continuation of a long-term trend. Specifically, Austin's population expanded by 14.7% between 2015 and 2019, and was followed by a nearly identical 14.8% jump in the subsequent five years through 2024. That performance outpaced the Dallas-Fort Worth and Houston markets by roughly 500 basis points in both periods studied.

Data for the most recent 12-month period available, ending in July 2025, show that Austin remains a leader in population growth. Its population increased by 2.1%, trailing only Lakeland, Raleigh, and Boise among the largest national markets. Moreover, Austin's demographic profile expanded through a healthy mix of gains in domestic migration, international migration, and natural change (net births and deaths). This makes Austin's growth story resilient to weakness in any one component and provides durable long-term tailwinds for household formation, housing demand, and consumer spending.

To that point, Austin has the highest real median household income in the Southwest at $80,800, exceeding the nation's $66,000 median. Between Q2 2021 and Q2 2026, nominal wages grew 27.1%, marking the seventh-largest increase among the top population metros and considerably higher than the national average of 21.8%. Moreover, Austin's outperformance is expected to continue in the near term. Oxford Economics forecasts the metro to see the number of households earning over $300,000 to increase by 5.1% between 2025-2027. That's the third-fastest rate of growth in the country, trailing only Orlando and San Jose, and a level nearly double the U.S. average of 2.6%.

With the increase in population came a commensurate boost to Austin's labor market. In fact, Austin has led the nation (among the largest markets by population) in total employment growth since the pandemic and is projected to remain the leader over the next five years. Austin has a very well-educated workforce with 52.3% of residents 25-64 possessing a four-year degree or higher, compared to 37.3% for the U.S. Between 2014 and 2024, that number increased by 48.7%, almost double the rate for the U.S. of 26.3%. In addition, 55.3% of the 25-34-year-old age cohort has a degree compared to 39.6% for the nation, the highest in the Southwest. Between 2014 and 2024 that number increased 50.7% compared to 32.3% for the U.S.

Austin also outranked all other Southwest metros in terms of working-age population growth of 35.3% relative to 4.4% for the nation over the period 2014 to 2024. Working-age population is projected to grow 6.5% over the next five years, the greatest in the Southwest, relative to -0.3% for the U.S. Additionally, the younger 25-34 age cohort grew at a rate more than three times the national average. This age group is projected to grow 8.1% versus -1.2% in the U.S. over the next five years, the greatest projected growth in the Southwest. Austin has a younger demographic profile than the nation, with residents concentrated primarily in the 25 to 44 age category, that continues to expand due to the metro's cultural vibrancy and lifestyle amenities.

"Keep Austin Weird"

Austin's unofficial slogan was coined by librarian Red Wassenich while making a donation to a local radio station. True to his nature, Wassenich never registered a trademark for the slogan, but his quirky message was embraced by the city's small business community and eventually copied by other cities, such as Portland, Louisville, and Indianapolis.

What keeps Austin weird and continues to draw in younger residents is the region's vibrant and dynamic cultural fabric. The city's creative identity promotes individuality, entrepreneurship, and civic engagement, qualities that appeal to young students and professionals alike. UT Austin and the city's startup culture play prominent roles in attracting and retaining young talent, while year-round music, abundant outdoor recreational opportunities, comedy venues, restaurants, and a lively club scene contribute to a high quality of life.

The city has also earned the moniker "Live Music Capital of the World" due to its abundance of music venues which host performers in various settings,

[1] All population and educational attainment data in this paper are from the U.S. Census Bureau.

from intimate neighborhood bars to large concert halls. Additionally, Austin is home to globally recognized events. Founded in 1987, South by Southwest is an annual conference and festival held each March that draws musical performers, entertainers, tech innovators, tourists, and others from around the world. Meanwhile, the Austin City Limits Music Festival began in 2002 and is held each year in Zilker Park, featuring musical acts spanning multiple genres.

Austin's Economic Dynamism

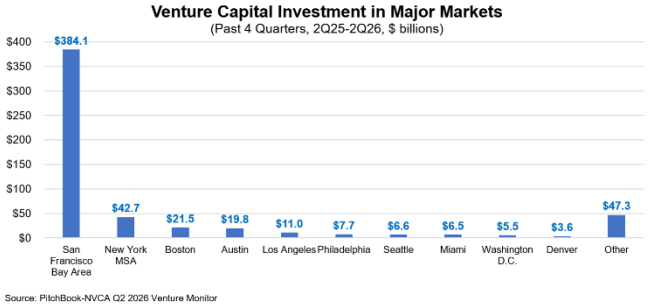
Austin's economy is backstopped by two key advantages: (1) it is the state capital of Texas with a built-in employment base and (2) it is home to UT Austin, the flagship institution of the University of Texas system, hosting over 55,000 students.[2] The university itself employs over 19,000 workers in the area.[3] Austin also benefits from low business costs, pro-business policies, and a vibrant cultural scene. Austin's GDP grew 74.1% from 2014 to 2024, the fastest pace in the Southwest region and far above the U.S. rate of 24.4%.[4]

Prior to the 1970s, Austin was primarily dependent on the state government and UT Austin for economic growth.[5] To shed its "government town" image and to diversify its economy, state and local leaders sought out to attract electronics companies that could tap the university's engineering and computer science talent.

The efforts paid off with the arrivals of IBM, Texas Instruments, Motorola, and AMD in the 1960s and 1970s. Then, in 1984, Michael Dell launched his namesake company in his dorm room at UT Austin, which would ultimately catalyze the growth of Austin's tech ecosystem. Over time, Austin became renowned for electronics and computer hardware production, specializing in semiconductors and other advanced manufacturing.

Successful Dell employees eventually struck out on their own, attracting venture capital and fostering a start-up community akin to Microsoft's multiplier effect on Seattle, discussed in a previous white paper by New York Life Investment Management's Strategy and Research Group (SRG)[6]. Austin is now a top five destination for venture capital; the metro recorded $19.8 billion in venture capital investment in the 12 months ending in June, trailing only the San Francisco Bay Area, New York, and Boston.

Figure 1: Venture Capital Investment in Major Markets



Source: PitchBook-NVCA Q2 2026 Venture Monitor

Austin remains a prominent tech hub, but the composition of its workforce and economic output continues to evolve. While computer hardware manufacturing, including semiconductors and chips, powered Austin's economy into the 21st century, the software sector posted significant growth following the dot-com boom and through the 2010s. More recently, emerging AI technologies have spurred a reacceleration in advanced manufacturing, elevating Austin into a diversified tech hub featuring thriving hardware and software clusters. Software firms are now competing for talent with companies producing semiconductors, batteries, and equipment powering the AI build out.

Austin has high location quotients[7] (LQs) in several industries. Its professional and business services LQ (1.46) is the highest in the Southwest, while its information LQ (1.93) is significantly higher than its geographic peers such as Dallas-Fort Worth and San Antonio. Furthermore, the technology sector, an amalgamation of representative information, professional and business services, and manufacturing industries, has an LQ of 3.19 and is also tops in the region. See Appendix A for a detailed employment by industry table.

[2] The University of Texas at Austin. (n.d.). *About Texas*. The University of Texas at Austin.
[3] Patricia Rogers. (2025, October 17). *Austin-Area's Largest Employers and More*. Austin Business Journal.
[4] U.S. Bureau of Economic Analysis via Oxford Economics.
[5] David C. Humphrey. (2023, September 20). *Austin, TX (Travis County)*. Handbook of Texas, Texas State Historical Association.
[6] Stewart Rubin, Matt Wnek and Marshall Swett. (2026, September). *Technological Innovation Catalyzes Economic Prosperity and Real Estate Markets.* New York Life Real Estate Investors Strategy & Research Group.
[7] Location quotients measure the concentration of an industry's employment relative to the national average, with values below 1.0 indicating below-average specialization and values above 1.0 indicating above-average specialization.

Figure 2: Top 10 Markets for Tech Employment Concentration

Market	Tech LQ
San Jose	6.16
Austin	3.19
San Francisco	2.67
Seattle	2.64
Washington, D.C.	2.43
Raleigh	2.01
Boston	1.88
Portland	1.86
Colorado Springs	1.81
Dallas-Fort Worth	1.76

Source: Oxford Economics. As of Q2 2026.
*Note: Sum of employment in 1) Software publishers, 2) Data processing, hosting, and related services, 3) Computer systems design and related services, and 4) Computer and electronic product manufacturing

The number of tech jobs in Austin has grown 127% since 2008 and its share of overall U.S. tech employment increased to 2.8% by 2025. Major tech employers in the area include IBM, Google, Dell, and Samsung. It is also home to Tesla's headquarters and its "Gigafactory", which employs over 23,000 workers. X (formerly Twitter) has recently relocated its headquarters to Austin from California, as has the real estate listings platform Realtor.com.

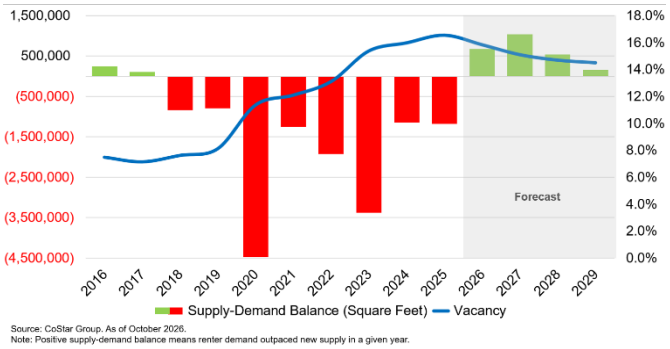
The rapid growth in Austin's economy has had profound ramifications for commercial real estate, spurring a wave of new construction in the office and apartment sectors. Historic project completions have pressured property fundamentals, but long-term demographic momentum and a business-friendly backdrop suggest an eventual rebalancing of supply and demand dynamics.

Office Fundamentals

Nationally, office space demand has weakened considerably since the onset of the pandemic. Net absorption, or the change in occupied space, totaled -217 million square feet following six straight years of elevated move-out activity between 2020 and 2025.[8]

Conversely, Austin is a fast-growing office market that has been steadily attracting tenants and new development. The metro has recorded just one year of negative absorption since 2003 (2023), and the measure has been growing sequentially over the past three years. CoStar's Base Case forecast projects that net absorption in Austin will total 2.7 million square feet in 2026, exceeding new supply additions for the first time since 2017.

Figure 3: Austin Office Fundamentals



A significant driver of office space demand in Austin has been corporate relocations and the accompanying growth in office-using jobs. In fact, the Austin metro has led the nation on a percentage basis in office-using job creation since the first quarter of 2020 and is projected to maintain its outperformance over the next five years. As more office workers are added to Austin's payrolls, that also boosts the metro's return to office metrics: as of July 1, 2026, Austin's office attendance is 73.3% of pre-COVID levels, above the national average of 53.2%, per Kastle Systems.

Meanwhile, the most recent data reveal the Austin metropolitan area gained seven net new headquarters in 2025, tied with Charlotte and New York-New Jersey, and trailing only Miami (8) and Dallas-Fort Worth (11).[9] Downtown Austin has been a particular beneficiary of corporate migration, with the area attracting a bevy of financial services firms, technology companies, and professional services businesses. The latest company committing to downtown is Apollo Global Management, which selected the city for its new strategic growth hub in August.[10]

Downtown Austin's strength was discussed in detail in a recent SRG article[11], which analyzed CoStar Group's office absorption and inventory data to pinpoint which downtowns have struggled the most and understand the relative performance to the rest of each respective market. The analysis aggregated net absorption as a percentage of inventory between Q4 2019 and Q1 2026, isolating the measure for the top 68 office markets' CBD and the remaining submarkets in each metro.

[8] All office and multifamily fundamentals data are from CoStar Group, as of 2026.
[9] CBRE Americas Consulting
[10] Apollo Global Management. (2026, August 3). *Apollo Selects Austin for Strategic Hub for Talent, Innovation and Long-Term Growth*. Apollo Global Management.
[11] Stewart Rubin, Matt Wnek and Marshall Swett. (2026, July). *Business Not As Usual in Central Business Districts.* New York Life Real Estate Investors Strategy & Research Group.

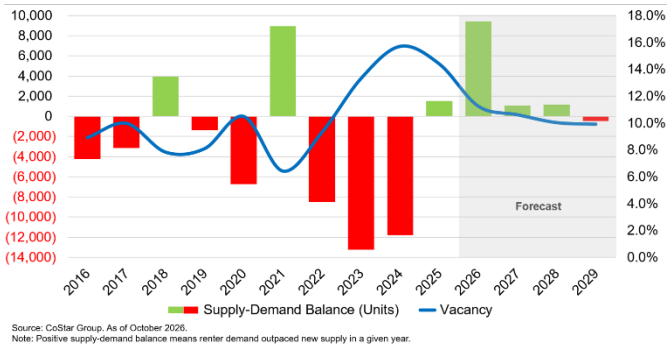
The article's findings showed that Austin's CBD posted net absorption as a percentage of inventory of 4.9%, the fifth highest level among the largest office markets in the country. The Austin market at large (ex. CBD), meanwhile, was even healthier: net absorption as a share of inventory totaled 7.6%, which was the highest in the nation.

While downtown Austin's vacancy rate is considerably higher than the metro at large, much of the pressure on occupancy can be attributed to new construction and tepid lease-up of the new space across the CBD. Yet, with no new projects breaking ground in the past eight quarters, the downtown stands to benefit from the region's desirability for corporate relocations and should see its occupancy metrics improve.

Multifamily Fundamentals

The Austin apartment market was likewise challenged by an influx of new supply between 2023 and 2025. Those three years saw developers introduce more than 70,000 units to the market, including an all-time high of 32,000 units in 2024. While the following year recorded a 43% slowdown to 18,200 units delivered, it nonetheless reached a level 94% above the average year between 2015 and 2019.

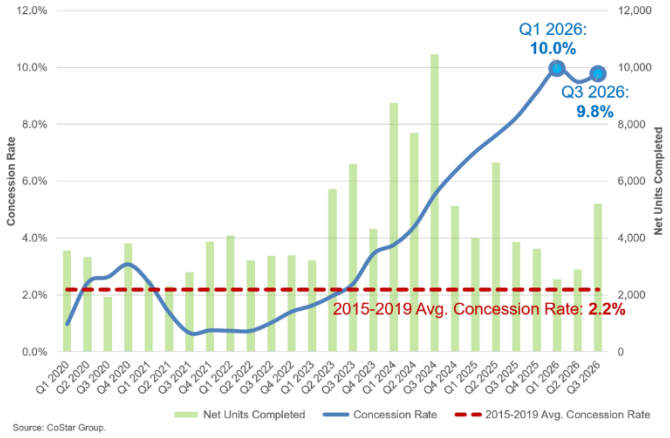
Figure 4: Austin Multifamily Fundamentals



Source: CoStar Group. As of October 2026.
Note: Positive supply-demand balance means renter demand outpaced new supply in a given year.

All told, the post-pandemic supply wave saw Austin's apartment inventory expand by 27% between 2023 and 2025. This unprecedented surge of new units weighed on property fundamentals. While renter demand was similarly historic, owing to the influx of out-of-state residents, occupancies were nonetheless pressured. The average vacancy rate hit an all-time high of 15.7% in the second half of 2024, leading to a sustained rise in concession use by landlords.

Figure 5: Apartment Concessions



Source: CoStar Group.

In fact, the average concession rate across the Austin metro surged from 0.7% in the second quarter of 2022 to a peak of 10.0% during this year's first quarter. Accordingly, elevated concessions accompanied negative rent growth during this period; rents had been declining for 14 straight quarters through September 2026. For context, annual rent growth was above 12% between Q3 2021 and Q1 2022, including 13.4% in the last three months of 2021.

As the calendar moves deeper into the fourth quarter, CoStar data is projecting an inflection point for rental performance, with year-over-year changes on new leases finally turning positive for the first time since Q1 2023. The company's Base Case forecast calls for quarterly annual rent growth of 0.8% between October and December, followed by a climb towards 2% early in 2027. However, the measure is unlikely to approach the 3.2% pre-pandemic (2015 to 2019) quarterly annual growth rate in the near term.

In addition to a contracting construction pipeline, the relative affordability of renting versus owning should support multifamily fundamentals. While Austin's home prices are relatively affordable compared with coastal markets, the cost advantage of renting within the metro is even more pronounced. Following the three-plus year stretch of declining apartment rents, monthly rental costs are roughly 53% lower than the cost of owning, a larger discount than the average across the top 80 U.S. markets. This significant affordability gap should help limit move-outs to homeownership and support renter retention and multifamily demand. See Appendix B for a cost comparison between renting and owning a home in Austin.

Investments in Austin

Austin has been a focal point for semiconductor investment under the CHIPS and Science Act. Samsung is building multiple fabrication facilities near the city, supported by up to $4.7 billion in federal funding, part of a broader $37 billion commitment that is expected to generate thousands of construction and permanent jobs as new fabs come online between 2026 and 2030.[12] Samsung has also entered a long-term foundry agreement with Tesla for next-generation chips, a $16.5 billion deal that is expected to support advanced semiconductor activity in the metro.[13]

Two additional infrastructure programs strengthen the long-term development story. Austin Light Rail completed federal environmental review and selected its design-build partner in 2026, with preconstruction underway,[14] while Austin-Bergstrom International Airport is advancing the Journey With AUS capacity program.[15] These projects are expected to improve accessibility and support select transit-oriented, airport-area, and mixed-use locations.

Conclusion

Overall, Austin's combination of strong demographic growth, a highly educated workforce, a favorable tax and business climate, and continued corporate investment provides a foundation for recovery and future expansion. While the metro is working through elevated office and multifamily vacancies following a surge of new construction, Austin's economic dynamism and entrenched real estate demand tailwinds should support a gradual rebalancing of supply and demand, potentially creating attractive opportunities for long-term investors.

[12] Justin Sayers. (2026, October 15). Samsung to Soon Break Ground on Another Huge Chip Plant in Region. Austin Business Journal.
[13] Reuters. (2025, July 28). *Tesla-Samsung $16.5 Billion Supply Deal May Spur Chipmaker's U.S. Contract Business.* Reuters.
[14] Austin Transit Partnership. (2026, January 16). *ATP Releases Final Environmental Impact Statement / Record of Decision.* Austin Transit Partnership.
[15] Austin-Bergstrom International Airport. (n.d.). *Journey With AUS: The Austin-Bergstrom Airport Expansion & Development Program.* Austin-Bergstrom International Airport.

Appendix A

Austin Employment by Industry

Austin-Round Rock-San Marcos, TX MSA - Employment by Industry Pre-GFC, Pre-Covid and Now												
	Workers (000s)			Growth		% Share of Workers			Location Quotient			
Industry	2008Q1	2020Q1	2026Q2	2008Q1-2026Q2	2020Q1-2026Q2	2008Q1	2020Q1	2026Q2	2008Q1	2020Q1	2026Q2
United States	***138,326***	***151,740***	***158,847***	***14.8%***	***4.7%***	***100.0%***	***100.0%***	***100.0%***	**1.00**	**1.00**	**1.00**
Total Nonfarm	790	1,146	1,422	79.9%	24.0%	100.0%	100.0%	100.0%	1.00	1.00	1.00
Construction	47	67	92	96.7%	36.5%	5.9%	5.9%	6.4%	1.10	1.17	1.23
Manufacturing	65	64	85	31.0%	33.3%	8.2%	5.6%	6.0%	0.83	0.67	0.76
Wholesale Trade	35	47	56	59.8%	19.7%	4.4%	4.1%	3.9%	1.03	1.05	1.03
Retail Trade	84	111	123	45.1%	10.8%	10.7%	9.6%	8.6%	0.95	0.95	0.89
Transportation and Warehousing	12	22	33	170.3%	46.6%	1.5%	1.9%	2.3%	0.46	0.51	0.55
Utilities	2	2	4	138.9%	59.9%	0.2%	0.2%	0.3%	0.51	0.59	0.71
Information	22	40	48	122.2%	19.0%	2.7%	3.5%	3.4%	1.25	1.84	1.93
Technology*	56	89	128	127.2%	44.0%	7.1%	7.8%	9.0%	3.07	2.85	3.19
Finance and Insurance	32	47	66	103.6%	40.0%	4.1%	4.1%	4.6%	0.92	0.95	1.10
Real Estate and Rental and Leasing	14	23	28	98.2%	21.6%	1.8%	2.0%	2.0%	1.15	1.29	1.28
Professional and Business Services**	118	214	294	148.4%	37.8%	15.0%	18.6%	20.7%	1.15	1.32	1.46
Educational Services	12	23	29	144.9%	26.9%	1.5%	2.0%	2.1%	0.70	0.81	0.81
Health Care and Social Assistance	68	111	143	109.9%	29.0%	8.6%	9.7%	10.0%	0.74	0.71	0.67
Leisure and Hospitality	81	136	153	88.3%	11.8%	10.3%	11.9%	10.7%	1.05	1.09	1.00
Other Services	31	48	56	76.9%	15.6%	4.0%	4.2%	3.9%	0.99	1.08	1.03
Federal Government	11	15	14	20.5%	-5.8%	1.4%	1.3%	1.0%	0.73	0.68	0.57
State and Local Government	152	173	196	29.2%	13.5%	19.2%	15.1%	13.8%	1.35	1.14	1.06

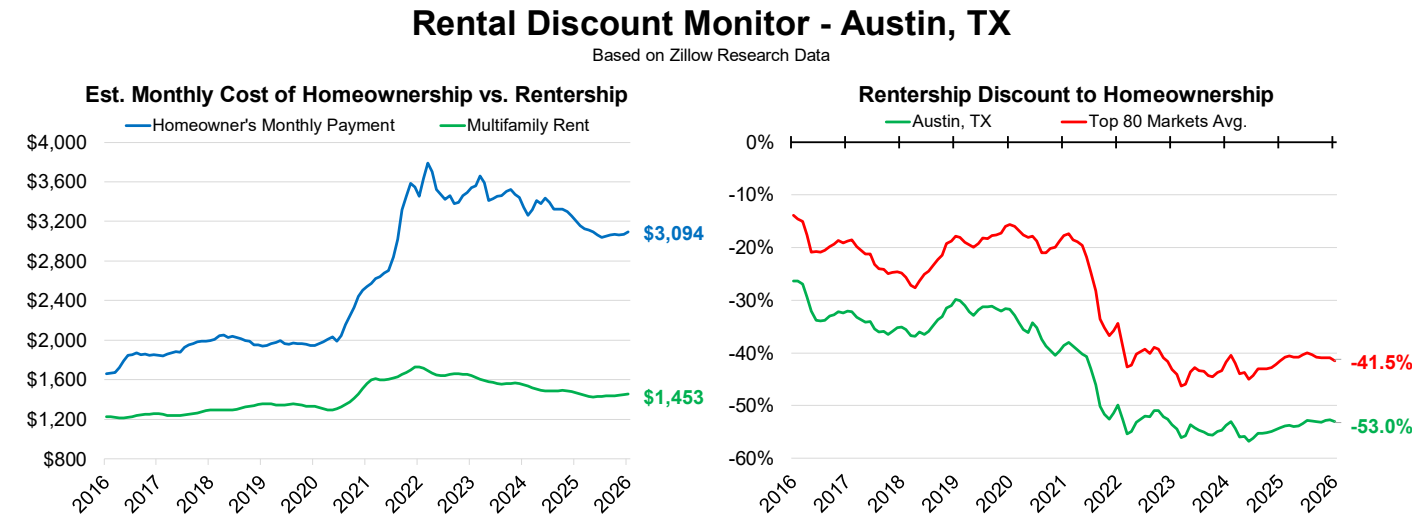
Source: Oxford Economics. As of Q2 2026.

*Note: Sum of employment in 1) Software publishers, 2) Data processing, hosting, and related services, 3) Computer systems design and related services, and 4) Computer and electronic product manufacturing

**Sum of employment in 1) Professional, scientific, and technical services, 2) management of companies and enterprises, and 3) Administrative and waste services

Appendix B

Rental Discount Monitor



Source: Zillow Research. As of August 2026.

Note: Homeownership costs are measured using Zillow's Zillow Home Value Index (ZHVI) Total Monthly Payment, which estimates the monthly cost of purchasing a typical home at current mortgage rates. This measure includes mortgage payments (assuming a 20% down payment), property taxes, homeowner's insurance, and a maintenance allowance equal to 0.5% of the home's value. Tax and insurance rates vary by region. Rental costs are measured using the Zillow Observed Rent Index (ZORI), a dollar-denominated series that reflects the typical market rent for multifamily units in each metro.

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