

MARKETBEAT

AUSTIN OFFICE

Office Q2 2019



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Economic Indicators

	Q2 2018	Q2 2019	12-Month Forecast
Austin Employment	1,066k	1,085k	▲
Austin Unemployment	3.0%	3.0%	▼
U.S. Unemployment	3.9%	3.6%	▼

Economy

As the first half of 2019 came to a close, the Austin economy continued to perform as one of the strongest in the country. At 3.0%, the local unemployment rate remains near record lows as compared to the United States' rate of 3.6%. Additionally, the U.S. Bureau of Labor Statistics reports the city added approximately 19,000 jobs over the last 12 months. While the high-tech industry continues to be the significant driver of this explosive growth, a diversified and well-educated employment base has sustained the city's economic stability.

Market Overview

Austin's already impressive office market appears rock solid heading into the second half of 2019. Positive absorption trends continued in Q2 2019 with just under 369,000 square feet (sf) of overall absorption seen during the quarter. In the Central Business District (CBD), positive absorption was seen once again with approximately 224,000 sf of overall positive absorption recorded. Office leasing activity also continues to impress with approximately 2.1 million square feet (msf) of office space leased city-wide during Q2 2019.

The overall vacancy rate in Austin remained relatively stable at 10.6%, up just 10 basis points from the 10.5% posted in Q1 2019. Despite the delivery of a new 347,000 sf building to the CBD, overall vacancy downtown remained low at 7.7% as new projects were absorbed immediately at delivery. Asking rates in Austin continued their meteoric rise. The overall asking rate for the entire Austin market increased to \$38.50 per square foot (psf), while the CBD average rental rate of \$56.21 psf maintained its position as the highest across all submarkets. Additionally, the average Class A rate in the CBD eclipsed yet another all-time high, reaching \$61.00 psf, a year-over-year increase of 7.7%.

Outlook

Global tech giants continue to make Austin an important part of their expansion plans. Google, Facebook, Apple, and others have all made significant investments in Austin. This "tech movement" has bred confidence in thousands of other start-up companies looking to grow their own footprint in Austin. With city-wide office construction levels at an all-time high of 5.9 msf and demand from the aforementioned growing, both asking rates and occupancy levels should continue to rise.

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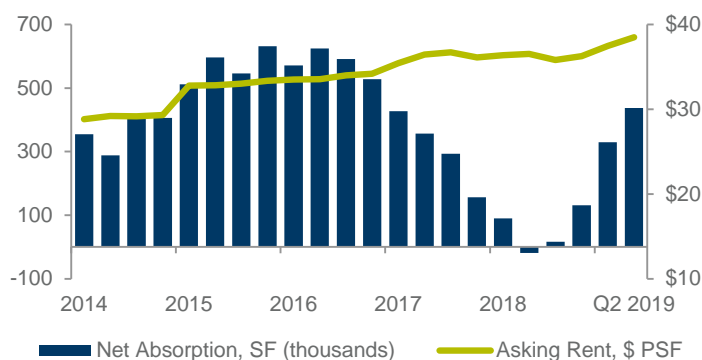
Market Indicators (Overall, All Classes)

	Q2 2018	Q2 2019	12-Month Forecast
Vacancy	11.2%	10.6%	▲
Net Absorption (sf)	-64k	369k	▲
Under Construction (sf)	3.8M	5.9M	▲
Average Asking Rent*	\$36.54	\$38.50	▲

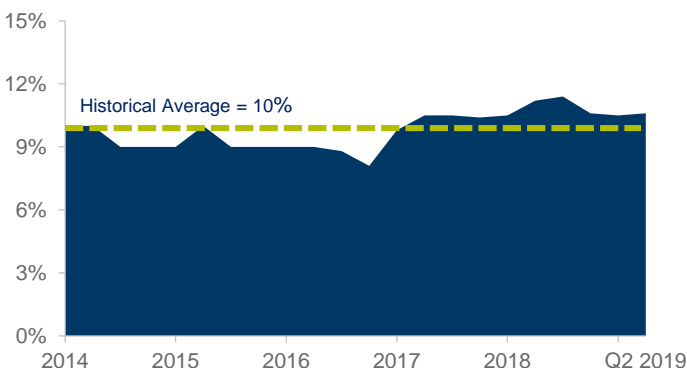
*Rental rates reflect gross asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



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SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	OVERALL AVERAGE ASKING RENT (ALL CLASSES)*	OVERALL AVERAGE ASKING RENT (CLASS A)*
CBD	11,238,888	249,320	621,409	7.7%	224,040	333,436	2,305,503	\$56.21	\$61.00
Central	1,197,337	30,921	76,164	8.9%	-17,271	34,499	181,002	\$43.11	\$51.42
Far Northwest	15,378,679	252,261	1,441,394	11.0%	-212,333	155,401	858,544	\$36.72	\$38.07
North Central	1,917,426	0	260,019	13.6%	3,273	27,932	0	\$28.59	\$32.24
Northeast	2,305,315	173,571	292,128	20.2%	-31,098	19,223	314,000	\$23.99	\$33.25
Northwest	4,520,518	87,318	479,513	12.5%	19,820	38,697	0	\$32.54	\$39.36
South Central	1,909,779	0	161,169	8.4%	-43,532	-24,676	700,014	\$40.09	\$47.98
Southeast	1,030,210	1,850	225,841	22.1%	-40,412	56,111	138,850	\$28.58	\$27.30
Southwest	10,989,446	217,858	721,943	8.6%	226,550	209,284	352,479	\$39.16	\$41.30
Round Rock	1,662,225	13,081	306,534	19.2%	1,404	23,982	0	\$33.73	\$36.50
East	878,529	0	16,525	1.9%	238,406	338,415	1,031,915	\$57.10	\$57.10
AUSTIN TOTALS	53,028,352	1,026,180	4,602,639	10.6%	368,847	1,212,304	5,882,307	\$38.50	\$43.73

*Rental rates reflect gross asking \$psf/year

BUILDING CLASS	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	OVERALL AVERAGE ASKING RENT*
Class A	32,047,335	690,744	2,398,263	9.6%	475,881	1,213,063	5,834,740	\$43.73
Class B	17,826,044	313,236	1,899,403	12.4%	-127,725	-26,449	47,567	\$34.36
Class C	3,154,973	22,200	304,973	10.4%	20,691	25,690	0	\$26.86

Key Lease Transactions Q2 2019

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
Bouldin Creek Commons	161,310	Juul	New	South Central
Research Park Plaza I	135,541	Visa	New	Far Northwest
Domain 10	110,000	Amazon	New	Far Northwest
405 Colorado	70,000	DLA Piper	New	Central Business District

Key Sales Transactions Q2 2019

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
Third & Shoal	374,963	Ceilo Realty / Credit Suisse	\$313,000,600 / \$835	Central Business District
Parkline at Lakeline	90,000	Edward Prince / Strategic Office Partners	\$21,420,000 / \$238	Far Northwest
UpCycle	87,711	Everwest / JMB Financial Advisors	\$49,240,000 / \$603	East

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