

YoY Chg 12-Mo. Forecast

9.1%
Vacancy Rate

276K
Net Absorption, SF

\$39.21
Asking Rent, PSF

(Overall, All Property Classes)

ECONOMIC INDICATORS Q4 2019

YoY Chg 12-Mo. Forecast

1,105k
Austin Employment

2.5%
Austin Unemployment Rate

3.6%
U.S. Unemployment Rate

Source: BLS

ECONOMIC OVERVIEW: Growth Fundamentals Remain Strong

The Austin market wrapped up 2019 and the decade much like it began – with job growth outpacing national averages and an unemployment rate that remains one of the lowest in the country at 2.5%, more than a 100 basis points below the national average of 3.6%. Major tech expansion remained prevalent throughout 2019 as Fortune 500 companies including Facebook, Google, Amazon, Indeed and others continued to show their love of Austin by inking large office leases during the year. Furthermore, Austin remains one of the fastest growing metros in the country over the past decade and that trend is likely to continue as more and more companies move to or expand their operations in the Texas capital.

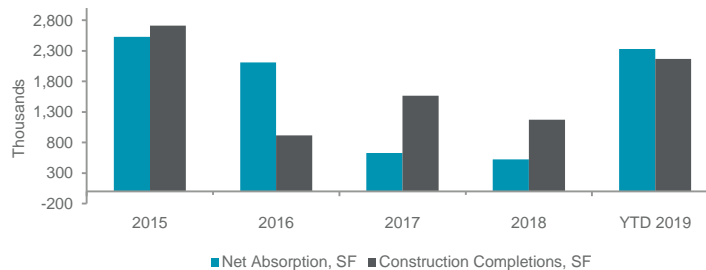
SUPPLY AND DEMAND: Construction...And More Construction

With near record low vacancies, impressive absorption levels and demand for top-tier office space unwavering, development of new office product is at an all time high. The Austin skyline continues to change drastically. More than 2.1 million square feet (msf) of new office space was delivered during 2019 with another 6.1 msf under construction. Despite the influx of new inventory, leasing activity remains strong with more than 47 percent of the total product under construction pre-leased. Demand for Class A space in the Central Business District (CBD) remains highly desirable, with vacancies downtown below 6 percent and pre-leasing of new construction over 70 percent and growing.

PRICING: Asking Rents Continue To Rise

Once again, a red-hot economy in 2019 pushed asking rates to record highs. Continued demand across the Austin metro area resulted in a strong year-end finish for the office market. The overall asking rate for the entire Austin market increased to \$39.21 per square foot (psf), up a whopping \$2.95 psf compared to Q4 2018. Citywide Class A space moved the needle even more, coming in at \$44.14 psf, a year-over-year increase of 7.4%. The CBD average rental rate of \$56.40 psf maintained its position as the highest across all submarkets, while the average rate for top-tier space in the CBD remains the priciest in Austin at \$60.48 psf, a year-over-year increase of approximately 4%. As demand for space continues and more businesses make their way to Austin, it's likely asking rates will maintain their upward trend.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION	YTD OVERALL ABSORPTION (SF)	UNDER CNSTR (SF)	YTD CNSTR COMPLETIONS (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
CBD	11,369,979	254,040	606,735	7.6%	-47,132	457,385	2,346,376	478,163	\$56.40	\$60.48
Central	1,201,335	41,214	62,113	8.6%	-7,420	38,257	180,939	26,391	\$40.38	\$47.11
Far Northwest	15,451,943	322,759	1,131,196	9.4%	-14,609	468,156	1,115,489	780,917	\$37.39	\$39.54
North Central	1,917,426	0	261,640	13.6%	20,703	26,311	22,909	0	\$30.71	\$35.49
Northeast	2,305,315	156,637	177,950	14.5%	136,023	150,335	314,000	115,000	\$23.71	\$36.12
Northwest	4,520,518	42,380	506,658	12.1%	13,318	33,743	0	0	\$33.43	\$39.58
Round Rock	1,662,225	13,155	150,690	9.9%	27,326	63,215	0	59,476	\$33.70	\$37.96
South Central	1,909,779	0	105,534	5.5%	36,541	30,959	723,889	78,276	\$34.93	\$49.24
Southeast	1,169,060	0	230,334	19.7%	3,991	192,318	0	138,850	\$32.57	\$33.05
Southwest	11,024,575	75,385	721,919	7.2%	106,807	332,503	509,039	35,129	\$41.37	\$43.79
East	1,071,266	0	10,292	1.0%	0	537,385	911,785	456,549	\$55.39	\$55.39
AUSTIN TOTALS	53,603,421	905,570	3,965,061	9.1%	275,548	2,330,567	6,124,426	2,168,751	\$39.21	\$44.14

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS YTD 2019

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
Domain Gateway	Far Northwest	Indeed	183,911	New
Plaza Saltillo	East	Google	152,756	New
Research Park Plaza I	Far Northwest	Visa	135,541	New
Seven Oaks West	Southwest	Abbott Labs	130,000	New

KEY SALES TRANSACTIONS YTD 2019

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
Riata Corporate Park	Far Northwest	Accesso-Partners JV / Confidential	688,100	Confidential
Chase Tower	CBD	Lincoln Property Group / CIM Group	389,503	\$241M/\$620
Domain Tower	Far Northwest	Stonelake Capital Partners / iStar Inc.	309,883	\$194M/\$626

KEY CONSTRUCTION COMPLETIONS YTD 2019

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
Third & Shoal	CBD	Facebook	347,072	Credit Suisse / Cielo
Domain 11	Far Northwest	VRBO	315,862	Cousins / Endeavor
Four Points Centre III	Far Northwest	SailPoint	167,000	Brandywine

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