

	YoY Chg	12-Mo. Forecast
<b>12.1%</b> Vacancy Rate	▲	▲
<b>-745K</b> Net Absorption, SF	▼	▼
<b>\$40.90</b> Asking Rent, PSF	▲	▼

(Overall, All Property Classes)

## ECONOMIC INDICATORS Q2 2020

	YoY Chg	12-Mo. Forecast
<b>1,015k</b> Austin Employment	▼	▲
<b>12.1%</b> Austin Unemployment Rate	▲	▼
<b>13.0%</b> U.S. Unemployment Rate	▲	▼

Source: BLS

## ECONOMIC OVERVIEW: Unemployment and Layoffs Disrupt Austin's Decade Long Expansion

Prior to the COVID-19 pandemic, Austin's job growth was the 6th best in the country, increasing 2.5% between March 2019 and March 2020. However, like most of the country, job losses have mounted as mandated quarantines forced many Austin businesses to shutter. The local unemployment rate, which was 2.5% in February of this year, climbed to 3.4% in March, and closed Q2 2020 at 12.1%, which significantly outpaced the previous high of 7.8% recorded in June 2009 during the Great Recession. The COVID-19 pandemic struck the U.S. in March 2020, late in the quarter but with enough time to have a significant impact on first quarter market fundamentals. In the second quarter of 2020, the U.S. economy felt its effects more fully, as government-mandated shutdowns along with shelter-in-place ordinances pushed the country deeper into recession. The situation remains very fluid. Access the most recent information specific to COVID [here](#).

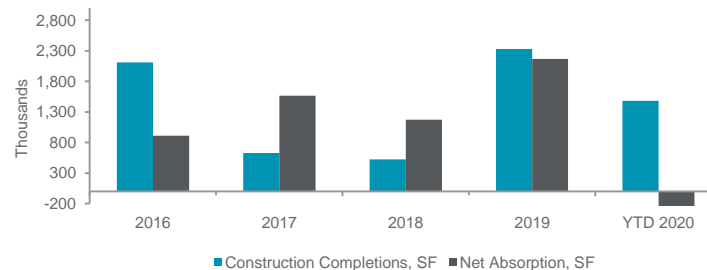
## SUPPLY AND DEMAND: Construction Continues, but Pre-Leasing Lagging

The record trend of low vacancies, impressive positive absorption levels, and a seemingly unwavering demand for top-tier office space have pushed new office developments to all-time highs. At the close of Q2 2020, nearly 6.6 million square feet (msf) of new office product was under construction in Austin, of which 3.4 msf is located in the Central Business District (CBD). However, pre-leasing of this space is now below 20%, and with leasing activity stagnant due to the pandemic, as well as an escalating supply of sublet space hitting the market, there are concerns that the vacancy rate, which now stands at 12.1%, could rise significantly as many of these projects deliver over the next two years.

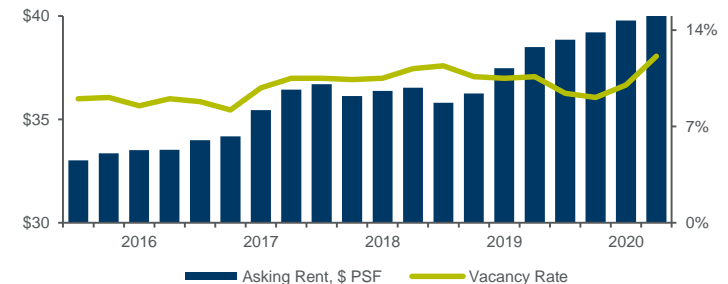
## PRICING: Asking Rents Continue To Rise

Despite the rise in vacancy levels from Q1 2020, increased operating expenses (OpEx) helped push full-service asking rates upward across most submarkets. The overall asking rate for the entire Austin market increased to \$40.90 per square foot (psf), up \$1.11 psf from Q1 2020. Citywide Class A space trended upward as well, coming in at \$44.86 psf, a quarter-over-quarter increase of \$1.08 psf. The CBD average rental rate of \$57.29 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 \$62.85 psf, a year-over-year increase of approximately 3%. With large blocks of lower priced sublet space trickling into the market and demand for direct space slowing, expectations are that rent growth will begin to slow, if not decline.

## 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)*
<b>CBD</b>	<b>11,399,844</b>	<b>521,401</b>	<b>700,632</b>	<b>10.7%</b>	<b>-233,371</b>	<b>-355,564</b>	<b>3,380,548</b>	<b>0</b>	<b>\$57.29</b>	<b>\$62.85</b>
Central	1,201,335	46,466	89,906	11.4%	-31,100	-35,671	180,939	0	\$42.61	\$51.22
Far Northwest	16,233,972	559,871	1,197,768	10.8%	306,181	463,821	330,000	785,489	\$37.19	\$37.88
North Central	1,917,426	0	272,268	14.2%	-10,284	-11,504	22,909	0	\$30.70	\$35.49
Northeast	2,869,100	116,294	800,475	32.0%	-344,823	-264,182	0	314,000	\$28.79	\$34.68
Northwest	4,520,518	118,096	545,645	14.7%	-47,819	-100,806	0	0	\$34.25	\$38.78
Round Rock	1,662,225	8,879	168,048	10.6%	-14,401	-13,082	0	0	\$34.53	\$37.90
South Central	2,025,456	26,279	180,082	10.2%	-79,422	8,295	616,776	109,122	\$41.98	\$52.68
Southeast	1,169,060	0	208,391	17.8%	-9,730	21,943	0	0	\$32.15	\$32.68
Southwest	11,168,568	227,471	837,134	9.5%	-208,964	-150,691	508,794	121,541	\$42.95	\$46.27
East	1,555,279	44,642	49,677	6.1%	-70,896	68,729	1,514,997	152,756	\$51.92	\$55.15
<b>AUSTIN TOTALS</b>	<b>55,722,783</b>	<b>1,669,399</b>	<b>5,050,026</b>	<b>12.1%</b>	<b>-744,629</b>	<b>-368,712</b>	<b>6,554,963</b>	<b>1,482,908</b>	<b>\$40.90</b>	<b>\$44.86</b>

\*Rental rates reflect full service asking

## KEY LEASE TRANSACTIONS Q2 2020

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
Domain Point 2	Far Northwest	Spectrum Communications	116,500	Renewal
Colorado Tower	CBD	DLA Piper	72,552	New
111 Congress	CBD	Husch Blackwell	46,000	Renewal
7000 West at Lantana	Southwest	AMD	32,994	New

## KEY SALES TRANSACTIONS Q2 2020

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
American Founders Building	Northeast	Covenant Mgmt Systems / Integral Care	70,229	Undisclosed
1700 Rio Grande Street	CBD	Siren-BookStrand / GW Partners	21,788	Undisclosed
212 E. Lake Drive	Round Rock	Undisclosed / Undisclosed	17,508	Undisclosed

## KEY CONSTRUCTION COMPLETIONS Q2 2020

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
Domain 12	Far Northwest	Confidential	320,102	Cousins / Endeavor
Domain 10	Far Northwest	Amazon	299,673	Cousins / Endeavor
Penn Field E	South Central	None	44,205	CIM / CIM

## JEFF GRAVES

Market Director, Austin Research

+1 512 474 2400

[jeff.graves@cushwake.com](mailto:jeff.graves@cushwake.com)

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