

YoY Chg 12-Mo. Forecast

14.2%
Vacancy Rate ▲ ▲

-1.1M
Net Absorption, SF ▼ ▼

\$41.70
Asking Rent, PSF ▲ ▼

(Overall, All Property Classes)

ECONOMIC INDICATORS Q3 2020

YoY Chg 12-Mo. Forecast

1,083k
Austin Employment ▼ ▲

5.9%
Austin Unemployment Rate ▲ ▼

8.8%
U.S. Unemployment Rate ▲ ▼

Source: BLS

ECONOMIC OVERVIEW: Unemployment Remains Elevated, but Optimism Growing

Like most major cities across the globe, Austin continues to deal with disruptions caused by the COVID-19 pandemic. Austin employment fell by nearly 3.5% year-over-year, losing approximately 39,000 jobs since Q3 2019. Despite this decline and the uncertainty surrounding the national economy, expectations for Austin remain upbeat. The local unemployment rate of 5.9%, although high by Austin standards, is significantly lower than both the state and national level, which are 6.8% and 8.8% respectively. Austin's diversified economy of technology, government, education, and healthcare has generally insulated the city from past economic downturns, providing a resiliency not seen in other large cities. Additionally, many believe Austin will benefit in the long run as more and more businesses flee large mega-cities like San Francisco and New York, spurring economic growth in smaller metros, including Austin. In recent months, Tesla announced its intentions to come to Austin and began construction on its largest production facility. This move, along with the continued growth of Austin tech companies like Apple, Google, Facebook, and others prove most remain bullish on Austin's future. Access the most recent information specific to COVID [here](#).

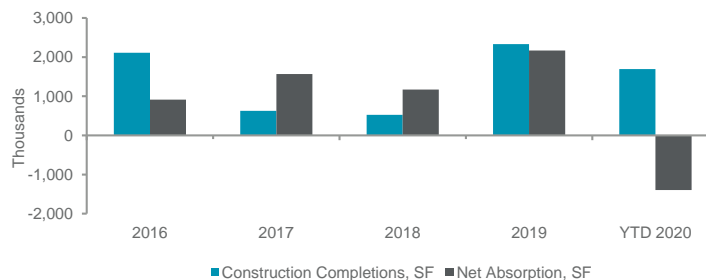
SUPPLY AND DEMAND: Vacancy Rates on the Rise as Sublease Space Increases

Sublet space from tenants affected by the pandemic have added a significant amount of available space to the market. Subsequently, overall vacancy rates have increased throughout Austin. The citywide vacancy rate jumped more than 200 basis points (bps) from the previous quarter to 14.2%. The Central Business District (CBD) also saw a significant uptick in vacancy, increasing 180 bps to 12.5%. With minimal leasing activity and sublet space increasing, absorption levels remain in the red. Citywide overall absorption for Q3 2020 was negative 1.1 million square feet (msf), bringing the 2020 total to negative 1.4 msf. Approximately 6.5 msf of office product remains under construction throughout Austin, of which 32% is pre-leased. Roughly 3.4 msf of this construction lies within the CBD, with approximately 40% pre-leased, including Google's new 797,000 square foot (sf) building that they plan to fully occupy upon completion in 2022.

PRICING: Asking Rents Continue To Rise

The onslaught of high-end space hitting the market pushed overall average asking rates upward. The majority of landlords have held face rates steady, choosing not to market rates at a discount. The overall, full-service asking rate for the entire Austin market increased to \$41.70 per square foot (psf), while the citywide Class A space trended upward as well, coming in at \$46.05 psf.

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	11,399,844	675,788	745,433	12.5%	-197,756	-554,752	3,412,189	0	\$57.68	\$63.17
Central	1,201,335	80,291	93,135	14.4%	-37,054	-72,725	250,581	0	\$42.83	\$49.85
Far Northwest	16,227,937	623,575	1,400,771	12.5%	-301,046	172,222	389,458	785,489	\$37.60	\$38.83
North Central	1,920,966	1,502	319,523	16.7%	-37,311	-60,261	22,909	0	\$30.30	\$35.49
Northeast	2,868,695	121,694	721,669	29.4%	73,631	-190,776	0	314,000	\$28.96	\$34.57
Northwest	4,520,518	148,864	583,170	16.2%	-69,490	-169,099	0	0	\$34.79	\$39.67
Round Rock	1,662,225	52,213	190,834	14.6%	-69,420	-79,202	0	0	\$32.57	\$35.58
South Central	2,069,959	43,629	191,266	11.3%	-22,459	-3,720	616,776	109,122	\$43.22	\$52.68
Southeast	1,169,060	0	212,345	18.2%	-3,954	17,989	0	0	\$32.07	\$32.68
Southwest	11,353,433	389,025	1,057,003	12.7%	-222,815	-347,249	293,852	306,406	\$42.25	\$44.66
East	1,582,327	221,394	77,308	18.9%	-176,752	-108,023	1,487,366	180,387	\$55.97	\$57.15
AUSTIN TOTALS	55,976,299	2,357,975	5,592,457	14.2%	-1,064,426	-1,395,596	6,473,131	1,695,404	\$41.70	\$46.05

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q3 2020

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
The Grove	Central	ShipStation	104,158	New
7700 Parmer C	Far Northwest	Polycom	88,787	Renewal
Wild Basin B	Southwest	Everi Games	51,000	Renewal
701 East 5 th	CBD	Hippo	31,641	New

KEY SALES TRANSACTIONS Q3 2020

PROPERTY	SUBMARKET	SELLER / BUYER	SF
6500 Tracor Lane	East	BAE Systems / Karlin Real Estate	539,000
Riata Crossing 6	Far Northwest	Generational Commercial Properties / Greater Texas FCU	50,000
3707 South 2 nd Street	South Central	Southwestern Bell / Oak Point Real Estate	39,448

KEY CONSTRUCTION COMPLETIONS Q3 2020

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
Seven Oaks East	Southwest	None	153,405	Riverside / Riverside
Creekside at the Hills	Southwest	USA Managed Care Org	31,460	Bogle Family
The Hatchery D	East	None	27,631	Southwest Strategies Group

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