

	YoY Chg	12-Mo. Forecast
17.3% Vacancy Rate	▲	▲
-540k Net Absorption, SF	▼	▼
\$42.43 Asking Rent, PSF	▲	▼

(Overall, All Property Classes)

ECONOMIC INDICATORS Q4 2020

	YoY Chg	12-Mo. Forecast
1,115k Austin Employment	▼	▲
5.6% Austin Unemployment Rate	▲	▼
6.7% U.S. Unemployment Rate	▲	▼

Source: BLS

ECONOMIC OVERVIEW: Unemployment Struggles Continue, but Optimism Reigns in Austin

The year 2020 marked a painful year of uncertainty around the globe, and like many other cities, Austin felt the economic effects of the prolonged COVID-19 pandemic. Local employment fell by nearly 1.5% year-over-year, losing approximately 16,000 jobs since Q4 2019. The local unemployment rate remained elevated at 5.6%, and although high by Austin standards, is still lower than both state and national levels of 8.1% and 6.7% respectively. In Texas — and Austin in particular — optimism is high as the “Lone Star State” appears to be the preferred destination for a multitude of corporate relocations and expansions. The year 2020 saw a record influx of companies fleeing other high-priced and overcrowded markets to capitalize on Texas’ tax-friendly and pro-business environment. In addition to Tesla’s high-profile move to Austin, other large companies have announced their plans to go all-in on the Texas capital, including tech giant Oracle, who recently announced they will move their corporate headquarters out of the San Francisco Bay Area and call Austin home. As more businesses make similar moves, new jobs should follow, and despite the pandemic, help drive an economic recovery in Central Texas.

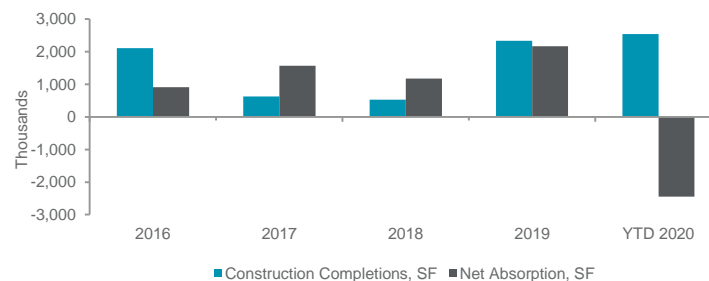
SUPPLY AND DEMAND: More Sublease Space and New Deliveries Push Vacancy Rates Higher

An influx of sublet space amid the pandemic continued to add a large amount of vacant space to the market. Coupled with 2.5 million square feet (msf) of new office product added in 2020, overall vacancy rates increased throughout Austin. The citywide vacancy rate jumped more than 300 basis points (bps) from the prior quarter to end the year at 17.3%. The Central Business District (CBD) also saw a significant uptick in vacancy, increasing 230 bps to 14.8%. With leasing activity at a minimum, overall absorption levels remain depressed. Citywide overall absorption for Q4 2020 was negative 540,000 square feet (sf), bringing the 2020 total to negative 2.4 msf. Approximately 5.6 msf of office product remains under construction throughout Austin, of which 40% is pre-leased. Roughly 3.4 msf of this construction lies within the CBD, including Google’s new 797,000 sf building that they plan to fully occupy upon completion in 2022.

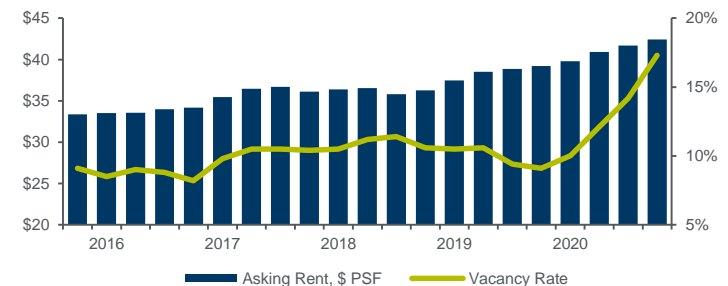
PRICING: Asking Rents on the Rise as More High-End Space Hits the Market

With more Class A vacant space on the market and most landlords holding face rates steady, overall average asking rents continued to trend upward. The overall, full-service asking rate for the entire Austin market increased to \$42.43 per square foot (psf), while the citywide Class A space trended upward as well, coming in at \$47.27 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	761,724	923,924	14.8%	-186,749	-809,008	3,412,189	0	\$57.58	\$61.98
Central	1,382,274	89,424	294,425	27.8%	-34,346	-102,209	69,642	180,939	\$45.21	\$49.25
Far Northwest	16,232,896	831,728	1,709,839	15.7%	-443,477	-318,628	379,946	785,489	\$38.27	\$40.39
North Central	1,939,568	8,691	365,464	19.3%	-21,198	-95,869	0	22,909	\$30.71	\$40.72
Northeast	2,861,588	120,097	687,765	28.2%	222,756	-162,232	0	306,893	\$33.91	\$38.71
Northwest	4,519,518	160,050	640,369	17.7%	-39,890	-257,673	0	0	\$34.17	\$39.81
Round Rock	1,476,026	52,213	183,671	16.0%	21,360	-63,816	0	0	\$32.05	\$34.76
South Central	2,343,108	69,233	504,245	24.5%	24,521	-76,138	350,611	375,287	\$44.95	\$55.29
Southeast	1,263,658	35,719	162,673	15.7%	-6,031	15,185	0	0	\$32.82	\$35.16
Southwest	11,466,206	503,523	1,153,166	14.4%	-44,895	-438,127	162,364	436,558	\$41.07	\$43.46
East	1,832,156	248,615	332,512	31.7%	-31,533	-140,619	1,238,246	430,216	\$55.66	\$55.91
AUSTIN TOTALS	56,715,842	2,881,017	6,958,053	17.3%	-539,482	-2,449,134	5,612,998	2,538,291	\$42.43	\$47.27

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS OF 2020

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
The Grove	Central	ShipStation	104,158	New
7700 Parmer C	Far Northwest	Polycom	88,787	Renewal
Paloma Ridge C	Far Northwest	Centene	57,539	New
901 East 6th Street	East	OpCity/Realtor.com	28,792	Sublease

KEY SALES TRANSACTIONS OF 2020

PROPERTY	SUBMARKET	SELLER / BUYER	SF
6500 Tracor Lane	East	BAE Systems / Karlin Real Estate	539,000
7000 West at Lantana	Southwest	Undisclosed / Menlo Equities	136,000
Seven Oaks West	Southwest	Riverside Resources / Preylock Real Estate Holdings	130,152

KEY CONSTRUCTION COMPLETIONS OF 2020

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
Domain 10 & 12	Far Northwest	Amazon; Undisclosed	620,000	Cousins Properties
Seven Oaks East & West	Southwest	Abbott Labs; First United Bank	283,557	Riverside Resources
The Grove 1 & 2	Central	ShipStation	180,939	ARG Bull Creek LTD

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