

YoY Chg 12-Mo. Forecast

18.2%
Vacancy Rate



-338k
Net Absorption, SF



\$43.11
Asking Rent, PSF



(Overall, All Property Classes)

ECONOMIC INDICATORS Q1 2021

YoY Chg 12-Mo. Forecast

1,143k
Austin Employment



5.0%
Austin Unemployment Rate



6.0%
U.S. Unemployment Rate



Source: BLS

ECONOMIC OVERVIEW: Recovery slow but moving in the right direction

With 2020 now in the rearview mirror and the effects of the COVID-19 pandemic slowly subsiding, the Austin economy is looking optimistic as some signs of normalcy have emerged. Local employment continues to rebound as job losses due to the pandemic steadily return. The local unemployment rate fell once again to 5.0% and remains lower than both the state and national levels of 6.8% and 6.0% respectively. Population growth in Texas — and Austin in particular — continues its impressive run. An influx of both people and businesses looking to capitalize on Texas' tax-friendly and pro-business environment, as well as the city's unique quality of life have made Austin one of the most desirable locations in the country.

SUPPLY AND DEMAND: Sublet supply remains elevated but leasing velocity on the rise

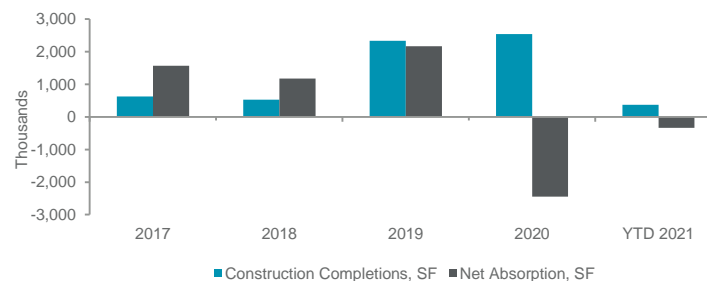
An excess of sublet space continues to impede the Austin market. As of Q1 2021, there was approximately 3.7 million square feet (msf) of sublet space available for lease. However, most of this consists of large blocks of high-end space and the acceleration of new sublet space has slowed considerably from previous quarters. The citywide vacancy rate inched up just under 100 basis points (bps) from the prior quarter, to 18.2%. The delivery of 300 Colorado (369,000 sf) caused a significant uptick in overall vacancy within the Central Business District (CBD), increasing that submarket 270 bps to 17.5%. Although pre-leased by Parsley Energy, this new building remains empty and fully available on the sublease market.

While leasing activity remains flat as compared to pre-pandemic levels, more deals were signed in Q1 2021 than were seen in the previous three quarters. However, overall absorption citywide remains depressed, and once again declined with 338,000 square feet (sf) of negative absorption. Construction levels in Austin remain high. As of Q1 2021, approximately 5.4 msf of office product is under way in the Austin metro area, of which 34% is pre-leased.

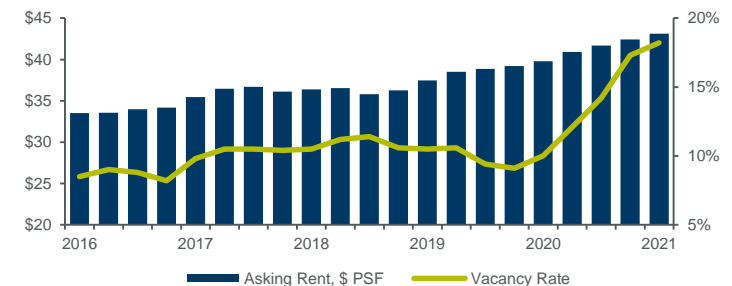
PRICING: Average rents continue to rise as more high-end space hits the market

An abundance of Class A vacant space coupled with increasing operating expenses have continued to push overall average asking rents upward. The average full-service asking rate for the entire Austin market increased to \$43.11 per square foot (psf), while the citywide Class A space trended upward as well, coming in at \$47.76 psf. CBD Class A space is at an all-time high of \$63.48 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	11,768,642	1,048,370	1,013,463	17.5%	-147,565	-147,565	3,043,391	368,798	\$59.03	\$63.48
Central	1,382,274	76,453	304,055	27.5%	10,866	10,866	69,642	0	\$44.34	\$48.49
Far Northwest	16,239,518	1,000,440	1,811,380	17.3%	-246,727	-246,727	379,946	0	\$38.04	\$39.83
North Central	1,939,568	8,691	364,006	19.2%	1,458	1,458	0	0	\$30.61	\$40.72
Northeast	2,862,459	120,097	682,575	28.0%	5,190	5,190	0	0	\$33.88	\$38.64
Northwest	4,519,518	159,821	659,931	18.1%	-23,840	-23,840	48,000	0	\$34.02	\$38.96
Round Rock	1,476,026	54,102	197,101	17.0%	-15,319	-15,319	0	0	\$31.90	\$34.37
South Central	2,342,108	69,233	487,788	23.8%	16,457	16,457	350,611	0	\$44.94	\$55.93
Southeast	1,436,496	8,000	201,142	14.6%	-4,380	-4,380	0	0	\$32.63	\$35.23
Southwest	11,466,206	589,258	986,796	13.7%	68,893	68,893	207,177	0	\$41.34	\$43.35
East	1,832,156	253,412	335,337	32.1%	-2,825	-2,825	1,300,682	0	\$55.58	\$55.83
AUSTIN TOTALS	57,264,971	3,387,877	7,043,574	18.2%	-337,792	-337,792	5,399,449	368,798	\$43.11	\$47.76

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q1 2021

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
Indeed Tower	CBD	Vinson & Elkins	50,273	New
The Grove 2	Central	Texas Municipal Retirement	46,825	New
Penn Field E	South Central	F45 Training	44,000	New
Pennybacker Commons	Far Northwest	CLEAResult Consulting	23,019	New

KEY SALES TRANSACTIONS Q1 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SF
Frontera Crossing	Round Rock	Moore & Associates / Montana Avenue Capital Partners	164,000
Foundry I	East	Cielo Property Group / Tishman Speyer	78,000
Oakwood Medical Park	Round Rock	511 Oakwood LP / Undisclosed	36,000

KEY CONSTRUCTION COMPLETIONS Q1 2021

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
300 Colorado	CBD	*Parsley Energy	368,798	Riverside Resources / Cousins Properties

*Space currently on sublease market

JEFF GRAVES

Market Director, Austin Research
+1 512 474 2400
jeff.graves@cushwake.com

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