

	YoY Chg	12-Mo. Forecast
20.2% Vacancy Rate	▲	▼
-117k Net Absorption, SF	▲	▲
\$44.72 Asking Rent, PSF	▲	▬

(Overall, All Property Classes)

ECONOMIC INDICATORS Q2 2021

	YoY Chg	12-Mo. Forecast
1.1M Austin Employment	▲	▲
5.1% Austin Unemployment Rate	▼	▼
5.9% U.S. Unemployment Rate	▼	▼

Source: BLS

ECONOMIC OVERVIEW: Austin recovery in full swing as pandemic subsides

With COVID-19 subsiding and all statewide mandates now lifted, the Austin economy is once again flourishing. Local employment has recovered swiftly and the Austin job market has rebounded as one of the hottest in the country. The local unemployment rate now sits at 5.1% and remains lower than both the state and national levels of 6.7% and 5.9% respectively. The number of people and businesses making their way to Austin continues to impress. According to the U.S. Census Bureau, the Austin MSA is now the fastest growing major metro area in the country, with the population increasing 3.0% over the last year.

SUPPLY AND DEMAND: Leasing activity accelerating but new deliveries push vacancy levels higher

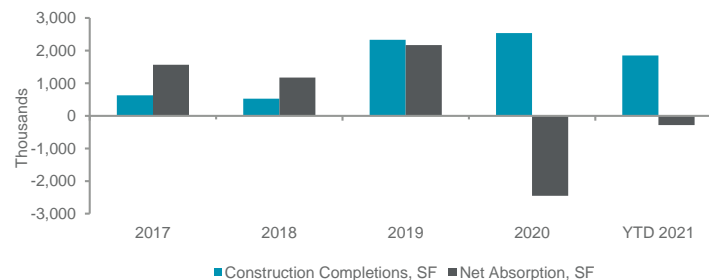
Although sublease space remains elevated as compared to pre-pandemic levels, the rate at which new space has been added continues to decline. Additionally, leasing activity – both sublet and direct – was up substantially with 1.0 million square feet (msf) of office space leased during the second quarter. However, a significant number of new building deliveries, many of which remain vacant, have pushed overall vacancy rates to record levels. The citywide vacancy rate increased 200 basis points (bps) from the prior quarter to 20.2%. In 2021 alone, more than 1.5 msf of new office product has been delivered in the Central Business District (CBD), causing a significant uptick in overall vacancy within that submarket, which now stands at 23.8%.

The residual effect of the pandemic continues to weigh on overall absorption levels. While nothing like 2020, absorption remained depressed in the second quarter, declining around 117,000 square feet (sf) citywide. Despite this, office construction in Austin remains robust. In addition to the 1.9 msf of new product already delivered in 2021, nearly 4.6 msf of construction remains, of which only 28% is pre-leased. Additionally, several new office developments are slated to break ground this year, further cementing the confidence developers have in the post-pandemic resiliency of the Austin office market.

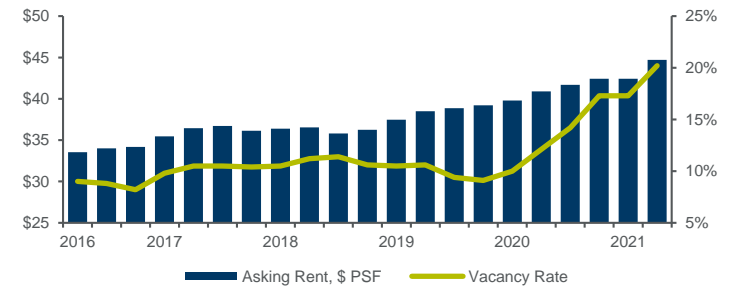
PRICING: Average rents surge upward as more high-end space hits the market

The addition of more Class A vacant space coupled with increasing operating expenses continue to push overall average asking rents upward. The average full-service asking rate for the entire Austin market increased to \$44.72 per square foot (psf), while the citywide Class A space trended upward as well, coming in at \$49.50 psf. CBD Class A rates lead the market at \$62.63 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	12,950,109	1,163,023	1,918,921	23.8%	170,492	15,193	1,862,338	1,550,265	\$59.78	\$62.63
Central	1,382,274	73,097	208,615	20.4%	97,114	109,662	69,642	0	\$44.25	\$51.34
Far Northwest	16,430,331	844,101	2,060,422	17.7%	-17,344	-210,730	717,646	128,700	\$38.15	\$39.90
North Central	1,939,568	8,691	356,664	18.8%	7,342	8,800	0	0	\$30.64	\$41.33
Northeast	2,862,459	87,532	762,858	29.7%	-109,315	-42,528	0	0	\$34.40	\$40.34
Northwest	4,519,518	127,346	772,874	19.9%	-94,204	-113,066	48,000	0	\$34.14	\$37.02
Round Rock	1,475,396	54,102	197,101	17.0%	7,597	-15,319	0	0	\$32.44	\$34.30
South Central	2,342,108	63,401	474,853	23.0%	12,935	29,392	350,611	0	\$44.09	\$55.44
Southeast	1,436,496	8,000	201,263	14.6%	0	-5,626	0	0	\$32.55	\$35.16
Southwest	11,466,206	621,640	1,086,655	14.9%	-197,863	-62,030	207,177	0	\$41.30	\$43.46
East	1,945,878	217,409	565,637	40.2%	6,003	3,178	1,379,367	172,000	\$54.10	\$54.26
AUSTIN TOTALS	58,750,343	3,268,342	8,605,863	20.2%	-117,243	-283,074	4,634,781	1,850,965	\$44.72	\$49.50

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q2 2021

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
Domain 2	Far Northwest	Amazon	114,665	New
Domain 7	Far Northwest	Optiver	37,782	Sublease
501 Congress	CBD	Bestow	36,611	Sublease
1801 East 6 th	East	Zebra Insurance	30,305	Sublease

KEY SALES TRANSACTIONS Q2 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SF
Indeed Tower	CBD	Principal Global Investors / Kilroy Realty Corporation	730,000
100 Congress	CBD	Invesco Advisors & MetLife / Carr Properties	419,785
Paloma Ridge	Far Northwest	Ascentris / Starwood Capital	376,324

KEY CONSTRUCTION COMPLETIONS Q2 2021

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
Indeed Tower	CBD	Indeed	730,000	Kilroy Realty
405 Colorado	CBD	Perkins Coie	204,108	Brandywine Realty Trust
Eastlake at Tillery I & II	East	None	172,000	Cypress Real Estate

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