

# MARKETBEAT AUSTIN

Office Q3 2021



CUSHMAN &  
WAKEFIELD

YoY  
Chg

12-Mo.  
Forecast

**20.3%**

Vacancy Rate



**237K**

Net Absorption, SF



**\$44.77**

Asking Rent, PSF



(Overall, All Property Classes)

## ECONOMIC INDICATORS Q3 2021

YoY  
Chg

12-Mo.  
Forecast

**1.1M**

Austin  
Employment



**4.5%**

Austin  
Unemployment Rate



**5.2%**

U.S.  
Unemployment Rate



Source: BLS

## ECONOMIC OVERVIEW: Corporate relocations add additional fuel to Austin's historic growth

Despite the lingering effects of the COVID-19 pandemic, the Austin MSA continues to outperform nearly every major market in the U.S. An onslaught of corporate relocations and expansions to Austin have all but erased the jobs lost during the pandemic, with positive job growth in 14 of the last 15 months. The local unemployment rate declined once again and now sits at 4.1%, which is lower than both the state and national levels of 5.9% and 5.2% respectively.

## SUPPLY AND DEMAND: Net absorption returns to positive territory as leasing activity remains healthy

Net absorption returned to positive territory for the first time since the beginning of the COVID-19 pandemic with approximately 237,000 square feet (sf) of positive net absorption recorded citywide during the third quarter. Additionally, leasing activity – both sublet and direct – continued to drive the market as 1.3 million square feet (msf) of office space was leased during the quarter. Notably, several large sublease deals were done during the quarter as tenants took advantage of lower priced, high-end space left behind during the pandemic.

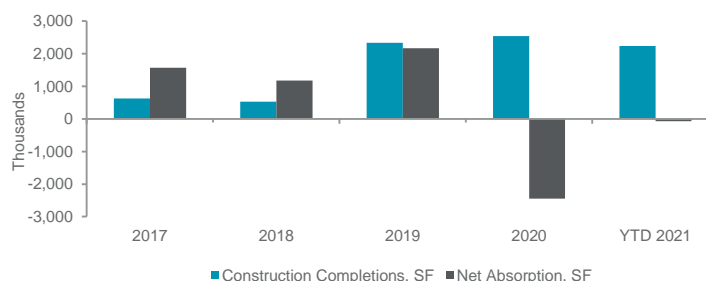
However, additional deliveries have inched overall vacancy rates upward. The citywide vacancy rate increased 10 basis points (bps) from the prior quarter to 20.3%. In 2021 alone, more than 2.2 msf of new office product has been delivered citywide with approximately 1.7 msf of this space in the Central Business District (CBD), which now has an overall vacancy rate of 23.0%.

Despite the higher vacancy, office construction and development in Austin remains robust. At close of the third quarter, more than 4.5 msf of construction was underway, of which about 29% was pre-leased. Additionally, several new office developments are slated to break ground this year, further cementing the confidence developers have in the economic resiliency of the Austin office market.

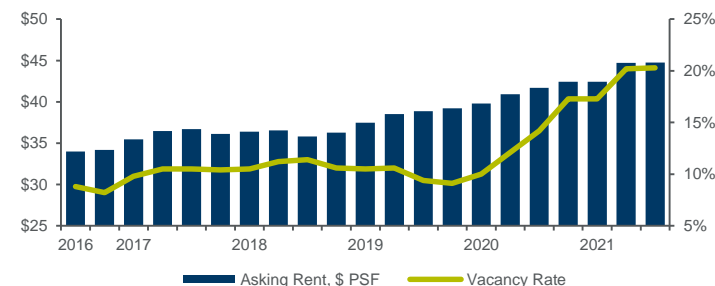
## PRICING: Average asking rents increase slightly

Average rents inched up only slightly from the previous quarter. The average full-service asking rate for the entire Austin market increased \$0.05 to \$44.77 per square foot (psf), while the citywide Class A space trended upward as well, coming in at \$49.63 psf. Class A rates in the CBD continue to lead the market at \$62.90 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)*
<b>CBD</b>	<b>13,070,109</b>	<b>973,190</b>	<b>2,038,231</b>	<b>23.0%</b>	<b>189,254</b>	<b>194,079</b>	<b>1,871,338</b>	<b>1,670,265</b>	<b>\$60.38</b>	<b>\$62.90</b>
Central	1,382,274	50,741	222,972	19.8%	2,305	117,661	69,642	0	\$45.07	\$52.54
Far Northwest	16,430,331	722,792	2,034,306	16.8%	99,579	-67,430	717,646	128,700	\$38.20	\$40.11
North Central	2,043,346	14,864	465,351	23.5%	-100,649	-106,151	0	0	\$33.88	\$45.21
Northeast	2,862,459	53,598	761,172	28.5%	35,620	-6,908	0	0	\$34.48	\$40.34
Northwest	4,519,518	129,806	713,591	18.7%	9,163	-76,522	48,000	0	\$34.80	\$38.16
Round Rock	1,476,184	62,755	232,813	20.0%	-11,677	-64,360	22,500	0	\$31.94	\$36.14
South Central	2,342,108	70,152	440,721	21.8%	28,388	55,511	350,611	0	\$42.41	\$55.94
Southeast	1,436,496	8,000	201,263	14.6%	0	-5,626	0	0	\$32.55	\$35.16
Southwest	11,576,966	571,470	1,388,723	16.9%	-105,260	-206,759	83,096	110,760	\$42.01	\$44.18
East	2,131,504	160,772	690,504	39.9%	90,396	89,948	1,347,247	327,000	\$52.21	\$52.39
<b>AUSTIN TOTALS</b>	<b>59,271,295</b>	<b>2,818,140</b>	<b>9,189,647</b>	<b>20.3%</b>	<b>237,119</b>	<b>-76,557</b>	<b>4,510,080</b>	<b>2,236,725</b>	<b>\$44.77</b>	<b>\$49.63</b>

\*Rental rates reflect full service asking

## KEY LEASE TRANSACTIONS Q3 2021

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
Foundry II	East	Cloudflare	121,709	New
East 6	East	PEAK6	114,417	Sublease
Eastlake at Tillery II	East	Skyworks	96,000	New
River South	South Central	Alert Media	68,354	New

## KEY SALES TRANSACTIONS Q3 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SF
Capital Ridge	Southwest	GLL / Apple Inc.	216,511
Bouldin Creek	South Central	Goldman Sachs-Unico / Divco West	169,610
Foundry II	East	Cielo Property Group / Tishman Speyer	155,000

## KEY CONSTRUCTION COMPLETIONS 2021

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
Indeed Tower	CBD	Indeed	730,000	Kilroy Realty
300 Colorado	CBD	*Parsley Energy	368,798	Cousins Properties
405 Colorado	CBD	Perkins Coie	204,108	Brandywine Realty Trust

\*Space currently on sublease market

## JEFF GRAVES

Market Director, Austin Research

+1 512 474 2400

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

## A CUSHMAN &amp; WAKEFIELD RESEARCH PUBLICATION

Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with approximately 50,000 employees in over 400 offices and 60 countries. In 2020, the firm had revenue of \$7.8 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services. To learn more, visit [www.cushmanwakefield.com](http://www.cushmanwakefield.com) or follow @CushWake on Twitter.

©2021 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.

[cushmanwakefield.com](http://cushmanwakefield.com)