

	YoY Chg	12-Mo. Forecast
21.1% Vacancy Rate	▲	▲
-236K Net Absorption, SF	▲	▼
\$45.85 Asking Rent, PSF	▲	▬

(Overall, All Property Classes)

ECONOMIC INDICATORS Q3 2022

	YoY Chg	12-Mo. Forecast
1.3M Austin Employment	▲	▲
2.9% Austin Unemployment Rate	▼	▲
3.5% U.S. Unemployment Rate	▼	▲

Source: BLS

ECONOMIC OVERVIEW: Austin economy stable despite interest rate and inflation fears

With both interest rates and inflation continuing to rise, the long-run of U.S. economic growth is trending downward. Despite this, Austin is positioned better than most markets to weather an economic storm with a diverse and stable local economy. The Texas capital continues to perform exceptionally well with a solid, growing job market and low unemployment. Austin's unemployment rate declined once again and now sits at 2.9%, lower than both the state and national levels of 4.1% and 3.5% respectively. In addition, the region continues to add new jobs as more businesses make their way to the Austin area.

SUPPLY AND DEMAND: Sublease space on the rise as tenants fine-tune office needs

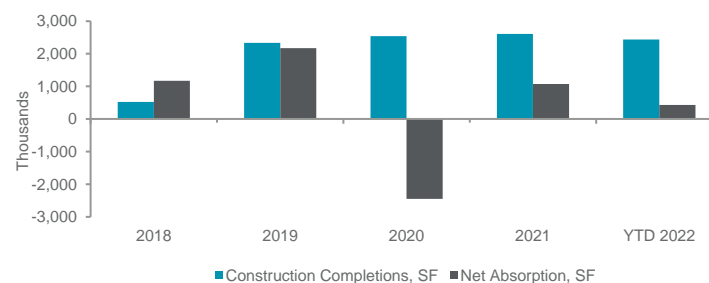
The combination of economic concerns and a growing hybrid work policy have many companies recalculating their current office demands. As such, sublease availability rose 16.5% over the prior quarter after stabilizing briefly midyear. There is now more than 3 million square feet (msf) of sublease space available citywide and continues to trend upward. The influx of sublet space pushed overall net absorption into the red, with approximately 236,000 sf of negative absorption recorded in Q3 2022. Leasing activity also slowed compared to the first two quarters of 2022. Approximately 868,000 square feet (sf) of office space leased in Q3 2022, which was down 44.5% from the previous quarter.

Citywide vacancy rates remained mostly flat from the previous quarter with vacancy coming in at 21.1%. Vacancy in the Central Business District (CBD) dropped 240 basis points from the prior quarter to 18.9%. Office inventory levels continues to rise with an abundance of new construction projects. Nearly 2.5 msf of new office product has delivered in the first three quarters of 2022, with another 5.6 msf of office space under construction citywide. Approximately 2.7 msf of this space lies within the CBD, including Waterline – a 72-story mixed-use tower that will add 700,000 sf of brand-new office space downtown upon its completion in 2026. At close of the third quarter, approximately 24% of the office product under construction citywide was pre-leased.

PRICING: Average asking rents remain stable

Average rents increased only slightly from the previous quarter. The average full-service asking rate for the entire Austin market increased 80 basis points to \$45.85 per square foot (psf), while the citywide Class A space trended upward as well, coming in at \$51.40 psf. Class A rates in the CBD continue to pace the market at \$66.33 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)	2022 CNSTR COMPLETIONS (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
CBD	14,296,525	489,425	2,219,529	18.9%	851,378	1,292,544	2,721,648	1,152,676	\$61.96	\$66.33
Central	1,451,916	31,057	177,541	14.4%	-32,623	3,298	0	0	\$46.54	\$54.88
Far Northwest	16,715,262	935,923	2,117,696	18.3%	-366,040	-257,916	1,167,810	384,546	\$41.66	\$44.54
North Central	2,043,346	93,152	401,757	24.2%	-30,722	35,212	88,377	0	\$34.12	\$45.15
Northeast	2,862,459	207,172	726,556	32.6%	-77,978	-155,605	424,367	0	\$31.36	\$37.27
Northwest	4,567,518	70,485	830,567	19.7%	-31,670	-128,804	0	0	\$36.41	\$38.53
Round Rock	1,753,684	55,677	404,626	26.2%	48,496	-194,266	0	0	\$37.54	\$40.71
South Central	2,734,927	199,335	582,637	28.6%	21,017	19,108	134,623	350,611	\$45.25	\$58.45
Southeast	1,791,445	227,699	313,221	30.2%	-221,967	-202,435	0	135,250	\$29.47	\$36.78
Southwest	11,562,259	600,258	1,519,749	18.3%	-371,851	-356,555	83,096	0	\$46.48	\$48.87
East	2,774,085	119,276	854,630	35.1%	-23,951	376,329	1,005,833	414,023	\$56.21	\$56.38
AUSTIN TOTALS	62,553,426	3,029,459	10,148,509	21.1%	-235,911	430,910	5,625,754	2,437,106	\$45.85	\$51.40

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q3 2022

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
Met Center Creative C & D	Southeast	AMD	135,250	New
Parmer 4.1	Northeast	Qualcomm	93,517	New
Horizon Bank Building	CBD	Texas Permanent School Fund	54,219	New
717 Parmer	Northeast	Cognizant	40,100	New

KEY SALES TRANSACTIONS Q3 2022

PROPERTY	SUBMARKET	SELLER / BUYER	SF
Foundry I & II	East	Tishman Speyer / Beacon Capital Partners	256,911
708 East 12 th Street	CBD	David B Wescoe / LV Collective	75,000
Creekside	East	4001 Creative Offices LLC / Ogle Properties	35,665

KEY CONSTRUCTION COMPLETIONS Q3 2022

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
Google Tower	CBD	Google	796,525	Trammell Crow
Tech 3443 Building F	East	None	104,558	3443 Zen Garden LP

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