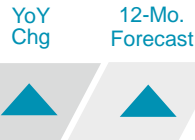


21.8%
Vacancy Rate



-499K
Net Absorption, SF



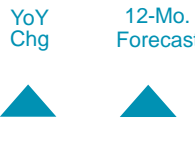
\$45.58
Asking Rent, PSF



(Overall, All Property Classes)

ECONOMIC INDICATORS Q4 2022

1.3M
Austin Employment



2.9%
Austin Unemployment Rate



3.7%
U.S. Unemployment Rate



Source: BLS

ECONOMIC OVERVIEW: Austin employment remains stable despite growing recession fears

With most economist predicting a recession over the next 12 months, the U.S. economy is expected to slow significantly in 2023. As such, many tech companies have begun to reduce their employee headcount as revenue growth slows. While the downturn in the tech market is concerning, Austin continues to perform quite well with a diverse, growing job market and sustained low unemployment. Austin's unemployment rate remained stable over the previous quarter at 2.9%, lower than both the state and national levels of 4% and 3.7% respectively.

SUPPLY AND DEMAND: Vacancy rates on the rise as sublease space increases

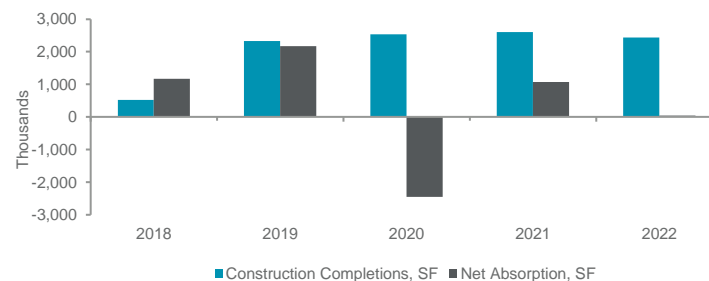
Sublease availability continues to rise as companies recalculate their current office demands due to a growing hybrid work policy and a potential economic downturn. Sublease availability rose 25.5% over the prior quarter after stabilizing briefly midyear. There is now more than 3.9 million square feet (msf) of sublease space available citywide and continues to trend upward. The increase of sublet space pushed overall net absorption into the red, with approximately 499,000 square feet (sf) of negative absorption recorded in Q4 2022. Leasing activity also slowed compared to the average first three quarters of 2022. Approximately 888,000 sf of office space leased in Q4 2022, which was down 12.2% from the previous quarter.

Citywide vacancy rates increased 170 basis points (bps) from the previous quarter with vacancy coming in at 21.8%. Vacancy in the Central Business District (CBD) remained relatively flat from the prior quarter at 19%. Office inventory levels continue to rise with an abundance of new construction projects. Nearly 2.5 msf of new office product delivered in 2022, with another 4.9 msf of office space still 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 2022, approximately 30% of the office product under construction citywide was pre-leased.

PRICING: Average asking rents begin to slide

Average rents decreased slightly from the previous quarter. The average full-service asking rate for the entire Austin market decreased 63 bps to \$45.58 per square foot (psf), while the citywide Class A space trended downward as well, declining 171 bps to \$50.52 psf. Class A rates in the CBD continue to pace the market at \$63.82 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	589,447	2,128,830	19.0%	-36,068	1,285,955	2,721,648	1,152,676	\$59.32	\$63.82
Central	1,451,916	63,207	186,271	17.2%	-27,414	-24,116	0	0	\$47.46	\$53.32
Far Northwest	16,715,262	1,039,135	2,113,115	18.9%	-93,393	-375,847	681,000	384,546	\$41.53	\$44.07
North Central	1,968,312	81,908	312,901	20.1%	19,484	135,579	88,377	0	\$34.64	\$45.15
Northeast	2,869,882	406,579	704,323	38.7%	-159,755	-334,016	386,367	0	\$32.24	\$36.82
Northwest	4,567,518	106,202	746,161	18.7%	64,125	-82,865	0	0	\$36.17	\$38.40
Round Rock	1,750,684	74,998	373,782	25.6%	-10,036	-182,743	33,669	0	\$37.74	\$40.76
South Central	2,734,927	193,506	579,048	28.2%	14,549	24,690	134,623	350,611	\$44.88	\$58.80
Southeast	1,791,445	227,699	241,946	26.2%	69,673	-131,160	0	135,250	\$29.30	\$36.72
Southwest	11,562,418	909,465	1,585,995	21.6%	-369,292	-686,686	83,096	0	\$46.30	\$48.48
East	2,769,646	112,010	820,913	33.7%	29,152	417,312	783,113	414,023	\$56.86	\$57.08
AUSTIN TOTALS	62,478,535	3,804,156	9,793,285	21.8%	-498,975	46,103	4,911,893	2,437,106	\$45.58	\$50.52

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS 2022

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
The Republic	CBD	Vista Equity	220,000	New
Met Center Creative C & D	Southeast	AMD	135,250	New
The Republic	CBD	Kirkland & Ellis	130,000	New
300 Colorado	CBD	TikTok	127,000	New

KEY SALES TRANSACTIONS 2022

PROPERTY	SUBMARKET	SELLER / BUYER	SF
Centro North & South	East	Riverside Resources / AEW Capital Management	328,295
Foundry I & II	East	Tishman Speyer / Beacon Capital Partners	256,911
Mueller Alpha Building	East	Shorenstein / Teachers Retirement System of Texas	250,000

KEY CONSTRUCTION COMPLETIONS 2022

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
Google Tower	CBD	Google	796,525	Trammell Crow
River South	South Central	Baker Botts, Under Armour	350,611	Stream Realty
Centro North & South	East	Atlassian, RWE	316,000	Riverside Resources

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