

	YoY Chg	12-Mo. Forecast
23.1% Vacancy Rate	▲	▲
-395K Net Absorption, SF	▲	▼
\$45.44 Asking Rent, PSF	▲	—

(Overall, All Property Classes)

ECONOMIC INDICATORS Q1 2023

	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 job market remains “hot” despite economic challenges

Economic uncertainty continued to weigh heavily on the U.S. economy in the first quarter of 2023. Additional interest rate hikes, mass layoffs, and several large bank failures added pressure on an already fragile national economy. Despite these concerning events, Austin continued to outperform other large metro areas, ranking 2nd nationally as the “hottest job market”, according to a recent study by the Wall Street Journal and Moody’s Analytics. Austin’s unemployment rate remained stable over the previous quarter at 2.9%, lower than both the state and national levels of 4.0% and 3.5% respectively.

SUPPLY AND DEMAND: Vacancy rates climb as sublease space increases and leasing activity slows

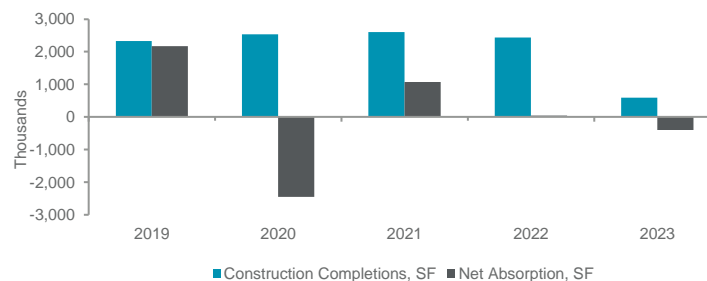
With layoffs increasing – particularly in the tech sector – and many companies embracing a flexible hybrid work policy, a fresh wave of sublease availability continued to mount in the first quarter as companies reevaluated their current office demands. Sublease availability rose 17.5% over the prior quarter after stabilizing briefly in mid-2022. There is now more than 4.6 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 to start 2023, with approximately 395,000 square feet (sf) of negative absorption recorded in the first quarter. Leasing activity also slowed to a crawl as companies took a wait-and-see approach in an unstable, if not declining economy.

Citywide vacancy rates increased 130 basis points (bps) from the previous quarter with vacancy coming in at 23.1%. Vacancy in the Central Business District (CBD) also jumped 240 bps from the prior quarter, coming in at 21.4%. Office inventory levels continue to rise with an abundance of new construction projects. Nearly 590,000 sf of new office product delivered in Q1 2023, with another 5.7 million square feet (msf) of office space still under construction citywide. Approximately 2.6 msf of this space lies within the CBD, including Waterline – a 72-story mixed-use tower that will add 700,000 sf of high-end office space downtown upon its completion in 2026. At close of Q1 2023, approximately 26% of the office product under construction citywide was pre-leased.

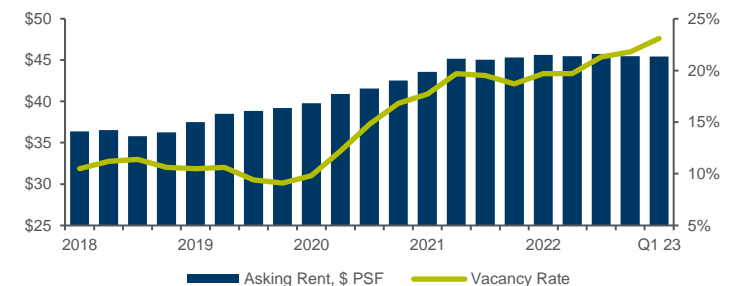
PRICING: Overall average asking rents gradually slide

Average rents decreased gradually from the previous quarter. The average full-service asking rate for the entire Austin market decreased a minimal 2 cents from the prior quarter to \$45.44 per square foot (psf), while the citywide Class A space trended downward as well, declining 50 bps to \$49.99 psf. Class A rates in the CBD continue to pace the market at \$63.60 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)	2023 CNSTR COMPLETIONS (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
CBD	14,410,579	759,272	2,326,500	21.4%	-267,687	-267,687	2,645,156	80,802	\$59.18	\$63.60
Central	1,451,916	97,358	154,634	17.4%	-23,204	-23,204	0	0	\$45.30	\$50.21
Far Northwest	16,715,262	1,138,017	2,048,771	19.1%	-54,666	-54,666	1,860,740	0	\$41.40	\$43.80
North Central	1,968,312	108,678	356,360	23.6%	-75,997	-75,997	88,377	0	\$33.82	\$45.15
Northeast	3,256,249	408,328	953,868	41.8%	130,426	130,426	0	386,367	\$33.81	\$37.23
Northwest	4,480,110	144,912	615,942	17.0%	17,946	17,946	0	0	\$36.10	\$39.30
Round Rock	1,750,684	77,998	373,782	25.8%	-3,000	-3,000	33,669	0	\$37.66	\$40.89
South Central	2,779,098	215,506	613,302	29.8%	-56,254	-56,254	329,623	0	\$46.21	\$59.17
Southeast	1,791,445	227,699	245,299	26.4%	146,755	146,755	0	0	\$29.45	\$30.49
Southwest	11,562,418	944,730	1,625,229	22.2%	-177,247	-177,247	83,096	0	\$45.82	\$47.84
East	2,892,617	125,189	978,617	38.2%	-32,417	-32,417	672,791	122,971	\$57.00	\$57.18
AUSTIN TOTALS	63,058,690	4,247,687	10,292,304	23.1%	-395,345	-395,345	5,713,452	590,140	\$45.44	\$49.99

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q1 2023

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
Research Park Plaza IV	Far Northwest	Meritage Homes of Texas	26,439	New
Plaza on the Lake	Southwest	ePayPolicy	19,953	New
La Frontera Plaza	Round Rock	LJA	18,575	Sublease
University Park	Central	CTRMA	18,117	Renewal

KEY SALES TRANSACTIONS Q1 2023

PROPERTY	SUBMARKET	SELLER / BUYER	SF
Hartland Plaza	Central	CIM Group / GCP & Aquila Commercial	184,000
4700 Mueller	East	Riverside Resources / City of Austin Employees Retirement System	47,000

KEY CONSTRUCTION COMPLETIONS Q1 2023

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
Parmer 5.1 & 5.2	Northeast	None	387,000	Karlin Real Estate
1300 East 5 th	East	None	123,000	CIM Group
Texas Bankers Association Building	CBD	Texas Bankers Association	102,000	Development 2000

JEFF GRAVES

Market Director, Austin Research

+1 512 474 2400

jeff.graves@cushwake.com

A CUSHMAN & 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 52,000 employees in over 400 offices and 60 countries. In 2022, the firm had revenue of \$10.1 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services. To learn more, visit www.cushmanwakefield.com or follow [@CushWake](https://twitter.com/CushWake) on Twitter.

©2023 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