

	YoY Chg	12-Mo. Forecast
25.0% Vacancy Rate	▲	▲
-840K Net Absorption, SF	▲	▼
\$45.98 Asking Rent, PSF	▲	▬

(Overall, All Property Classes)

ECONOMIC INDICATORS Q2 2023

	YoY Chg	12-Mo. Forecast
1.3M Austin Employment	▲	▲
3.6% Austin Unemployment Rate	▲	▼
3.6% U.S. Unemployment Rate	▬	▲

Source: BLS

ECONOMIC OVERVIEW: Despite economic concerns, Austin remains a top growth market

Economic uncertainty continued to weigh on the U.S. economy as the first half of 2023 came to an end. Interest rate hikes persisted as the Federal Reserve worked to control stubborn inflation leading to stunted job growth at the national level. Despite this, the Austin metro continues to rank among the top high-growth markets in the nation, including #1 nationally for projected job growth through 2027 according to Oxford Economics. Although Austin’s unemployment rate rose 70 basis points over the previous quarter to 3.6%, the region continues to post positive job growth, adding more than 51,000 jobs over the last 12 months.

SUPPLY AND DEMAND: Vacancy rates and sublease availability hit new highs

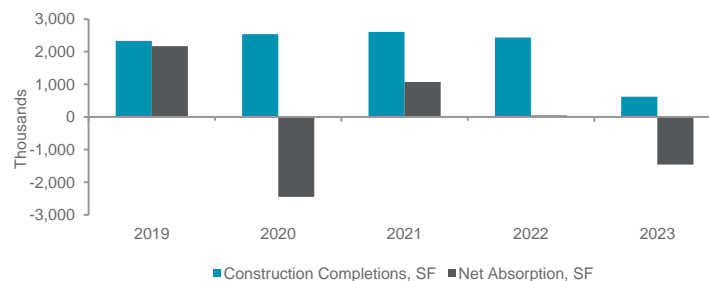
The combination of increased layoffs, a fragile economy, and a more flexible hybrid work policy has resulted in a fresh wave of additional sublease space as tenants continue to gauge their current office demands. Sublease availability rose 25.4% over the prior quarter after stabilizing briefly in mid-2022. At close of the second quarter, approximately 5.9 million square feet (msf) of sublease space was available citywide, of which 1.7 msf lies within the Central Business District (CBD). Net absorption continued its downward trend, with approximately 840,000 square feet (sf) of negative absorption recorded citywide to end the second quarter. Office leasing activity remained mostly stagnant, although a handful of large deals were signed in the quarter, including IBM and Amazon, which both inked significant deals in The Domain micro market.

The onslaught of sublease space pushed citywide vacancy rates up 190 basis points (bps) from the previous quarter with vacancy coming in at 25.0%. Despite the increase in vacancy, construction of new office product remains robust. There is currently 6.2 million square feet (msf) of office space under construction citywide. Approximately 2.6 msf of this space lies within the CBD, including Waterline – the soon-to-be tallest building in Texas that will add 700,000 sf of high-end office space upon its completion in 2026. At close of Q2 2023, approximately 23% of the office product under construction citywide was pre-leased.

PRICING: Overall average asking rents climb as more high-end space comes to market

Average rents grew slightly from the previous quarter as more Class A space became available. The average full-service asking rate for the entire Austin market increased 54 cents from the prior quarter to \$45.98 per square foot (psf), while the citywide Class A space increased as well, rising 70 bps to \$50.34 psf. Class A rates in the CBD continue to pace the market at \$64.22 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	1,112,969	2,220,728	23.1%	-190,647	-473,531	2,645,156	80,802	\$60.12	\$64.22
Central	1,451,916	96,085	157,700	17.5%	-14,719	-41,073	0	0	\$43.13	\$47.36
Far Northwest	16,715,262	1,416,770	2,378,853	22.7%	-177,823	-400,298	1,860,740	0	\$41.69	\$43.66
North Central	1,968,312	108,678	368,966	24.3%	-8,096	-88,603	92,217	0	\$33.75	\$45.15
Northeast	3,473,119	639,958	1,044,323	48.5%	-313,512	-195,735	0	386,367	\$34.90	\$38.25
Northwest	4,480,110	143,863	606,441	16.7%	-19,865	23,491	0	0	\$35.48	\$39.05
Round Rock	1,750,684	100,071	111,044	12.1%	-11,773	110,208	33,669	0	\$32.62	\$38.08
South Central	2,779,098	239,368	729,643	34.9%	-86,008	-175,365	329,623	0	\$46.90	\$59.28
Southeast	1,791,445	219,699	287,916	28.3%	0	101,771	0	0	\$29.18	\$30.29
Southwest	11,565,067	1,034,280	1,775,216	24.3%	-100,882	-355,960	83,096	0	\$46.02	\$47.97
East	2,922,698	184,778	856,252	35.6%	83,066	36,149	1,167,230	153,052	\$57.44	\$57.57
AUSTIN TOTALS	63,308,290	5,296,519	10,537,082	25.0%	-840,259	-1,458,946	6,211,731	620,221	\$45.98	\$50.34

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q2 2023

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
IBM Domain	Far Northwest	IBM	300,000	New
Domain 8	Far Northwest	Amazon	102,389	New
Bergstrom Tech 312	Southeast	Kimley-Horn	29,418	New
Lamar Central	Central	Billd	21,939	Sublease

KEY SALES TRANSACTIONS Q2 2023

PROPERTY	SUBMARKET	SELLER / BUYER	SF
Cameron Center	Northeast	The Kalantari Group / Central Health	122,278
Centre II	Southwest	Maier Siebel Baber / Stanton Road Capital	57,340
Waterloo Central	CBD	Elevate Growth Partners / Hippo Holdings	39,000

KEY CONSTRUCTION COMPLETIONS 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

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