

	YoY Chg	12-Mo. Forecast
27.1% Vacancy Rate	▲	▲
-147K Net Absorption, SF	▼	▼
\$47.03 Asking Rent, PSF	▲	▼

(Overall, All Property Classes)

ECONOMIC INDICATORS Q4 2023

	YoY Chg	12-Mo. Forecast
1.3M Austin Employment	▲	▲
3.5% Austin Unemployment Rate	▲	▼
3.7% U.S. Unemployment Rate	▲	▲

Source: BLS

ECONOMIC OVERVIEW: Austin's economy remains resilient despite economic headwinds

Despite the ongoing challenges facing the national economy, the Austin metro area continues to perform quite well in terms of its resilient job market. Year-over-year (YOY), the Texas capital has added over 36,000 jobs, making it one of the best performing among the largest metro areas. The city's low unemployment rate of 3.5% continues to fall below both the state and national levels of 4.1% and 3.7% respectively.

SUPPLY AND DEMAND: New deliveries and slowing demand push vacancy rates to record highs

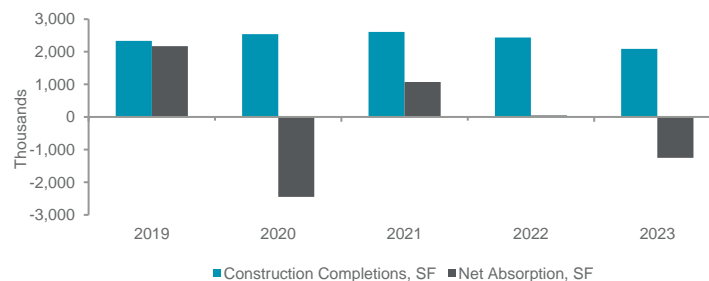
Despite Austin having a higher rate of employees returning to the office compared to other major cities, local demand for office space has slowed significantly due to a shaky economy and a shift toward tenant's long-term hybrid work arrangements. In addition, the office market remains burdened by an excess of sublease space. At close of Q4 2023, there was approximately 5.5 million square feet (msf) of sublease space available citywide, marking a YOY increase of 41%. Sublease space in the Central Business District (CBD) constitutes around 29% of the citywide total, with 1.6 msf of sublease space available for rent. Despite a deceleration, the trend of negative net absorption persisted, recording approximately 147,000 square feet (sf) of negative absorption in the fourth quarter, bringing the year-to-date (YTD) net absorption totals to negative 1.3 msf.

A surplus of new office buildings, many of which remain unoccupied, continues to contribute to both inventory growth and elevated vacancy levels. Approximately 2.1 msf of new office product delivered citywide in 2023. As such, citywide vacancy rates jumped 170 basis points (bps) from the previous quarter with overall vacancy coming in at 27.1% to end the year. The Central Business District (CBD) witnessed a substantial increase in vacancy, rising by 430 bps from the prior quarter and reaching 28.2%. Another 4.7 msf of office space is currently under construction, with 1.7 msf situated in the CBD. At close of 2023, less than 10% of the office product under construction citywide has been pre-leased.

PRICING: More high-end office space vacancy leads to higher average asking rents

Average asking rents increased yet again as more high-end space become available citywide. The average full-service asking rate for the Austin market increased 40 cents from the prior quarter to \$47.03 per square foot (psf), while the citywide Class A space trended upward as well, rising to \$51.07 psf. Class A rates in the CBD continue to pace the market at \$63.54 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	15,231,263	1,625,950	2,665,873	28.2%	-484	-331,489	1,743,987	978,771	\$60.35	\$63.54
Central	1,451,916	86,826	146,228	16.1%	-14,346	-15,063	0	0	\$45.06	\$49.26
Far Northwest	17,048,262	1,596,920	3,109,097	27.6%	-56,269	-756,844	1,527,740	333,000	\$42.94	\$44.90
North Central	1,968,312	22,635	368,051	19.8%	8,650	-879	88,377	0	\$33.50	\$45.05
Northeast	3,475,003	669,958	1,023,098	48.7%	4,718	-180,326	0	386,367	\$34.87	\$38.43
Northwest	4,480,110	170,382	629,349	17.9%	-1,517	-15,801	0	0	\$35.86	\$39.41
Round Rock	1,750,684	86,390	356,129	25.3%	-21,926	-120,161	33,669	0	\$36.17	\$38.19
South Central	2,779,098	254,251	684,638	33.8%	42,026	-141,965	329,623	0	\$46.25	\$57.31
Southeast	1,791,445	254,299	297,150	30.8%	-34,600	59,895	0	0	\$29.12	\$29.43
Southwest	11,650,553	631,053	1,830,262	21.1%	-106,716	8,767	0	83,096	\$46.24	\$48.68
East	2,895,418	138,973	852,882	34.3%	33,056	240,760	936,219	308,488	\$58.55	\$58.70
AUSTIN TOTALS	64,522,064	5,537,637	11,962,757	27.1%	-147,408	-1,253,106	4,659,615	2,089,722	\$47.03	\$51.07

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS 2023

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
Summit at Lantana	Southwest	Advanced Micro Devices	444,000	Renewal
IBM Domain	Far Northwest	IBM	300,000	New
Domain 8	Far Northwest	Amazon	102,389	New
Las Cimas I	Southwest	Apple	82,000	New

KEY SALES TRANSACTIONS 2023

PROPERTY	SUBMARKET	SELLER / BUYER	SF
1300 S. MoPac Expressway	Southwest	Intel Corporation / Oak Street Real Estate Capital	424,332
Fifth & Tillery	East	CIM Group / Cap Metro	182,716
Barton Skyway	Southwest	Brandywine Realty Trust / Riverside Resources	173,302

KEY CONSTRUCTION COMPLETIONS 2023

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
6 th & Guadalupe	CBD	None	590,000	Lincoln Property Company
Domain 9	Far Northwest	Amazon	333,000	Cousins Properties
Symphony Square	CBD	None	170,000	Greystar

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