

MARKETBEAT

AUSTIN OFFICE

Office Q1 2018



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Economic Indicators

	Q1 2017	Q1 2018	12-Month Forecast
Austin Employment	1,022k	1,058k	▲
Austin Unemployment	3.5%	2.7%	▼
U.S. Unemployment	4.7%	4.1%	▼

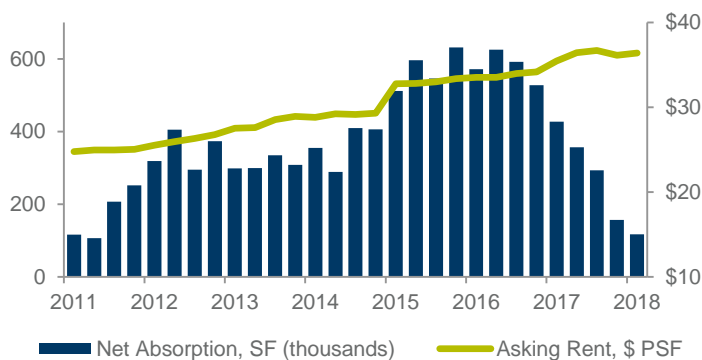
Market Indicators (Overall, All Classes)

	Q1 2017	Q1 2018	12-Month Forecast
Vacancy	9.8%	10.5%	▲
Net Absorption (sf)	153K	20k	▲
Under Construction (sf)	3.2M	2.9M	▲
Average Asking Rent*	\$35.45	\$36.39	▲

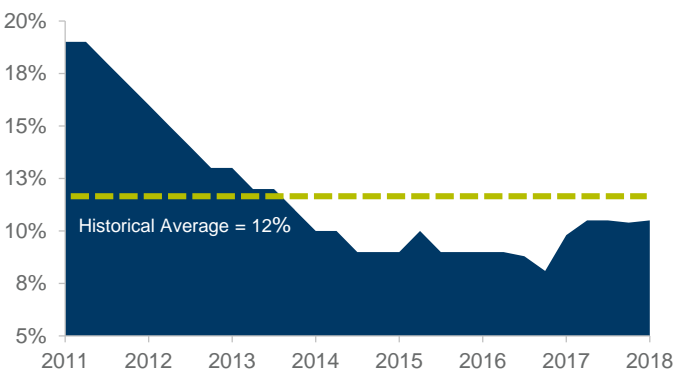
*Rental rates reflect gross asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

The first quarter of 2018 marked yet another quarter that the Austin unemployment rate ranked as one of the lowest amongst the 50 largest metropolitan areas, coming in at 2.7%. The local Austin unemployment rate also remained ahead of both the Texas rate of 4% and the national rate of 4.1%. Additionally, the rate of job growth in the Austin MSA continued to impress. According to the U.S. Bureau of Labor Statistics, Austin has added more than 35,000 new jobs in the past 12 months. Many of these new jobs can be attributed to more and more companies relocating or expanding to Austin from other areas, including many Silicon Valley tech companies that are finding the Austin market rich in talent.

Market Overview

The Austin office market recorded approximately 20,000 square feet (sf) of positive absorption during Q1 2018. Class A product, particularly in the Central Business District (CBD) where there was nearly 125,000 sf of positive absorption, helped bolster overall absorption numbers, as lower class office product weighed down overall absorption figures. Vacancy rates throughout the city remained relatively steady compared to Q4 2017, as the overall vacancy rate in Austin rose only slightly to 10.5%, while in the CBD, overall vacancy fell to 9%. The overall asking rate for the entire Austin market continued to climb, coming in at \$36.39 per square foot (psf). This represents a year-over-year (YoY) increase of 2.7%. As absorption numbers confirm, Class A product demand remained strong and continued to command the highest prices. Class A rates citywide were up to a record high of \$39.93 PSF, while Class A rates in the CBD also hit a record high, coming in at \$56.43 psf.

Outlook

New construction activity continues to be a dominant force in the Austin office market, with nearly 3 Million SF of new office product underway. However, despite this activity and other recent additions to the office inventory, robust pre-leasing has held vacancy levels in check. Large corporate users, including Google, Indeed, WeWork and others continue to demand and commit to top-tier office space. With no immediate surge in vacancy rates on the horizon and an active office market, we can expect to see the ongoing confidence in the Austin market continue.

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SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	OVERALL AVERAGE ASKING RENT (ALL CLASSES)*	OVERALL AVERAGE ASKING RENT (CLASS A)*
CBD	10,720,232	208,889	753,562	9.0%	124,838	124,838	578,163	\$51.22	\$56.43
Central	1,140,586	13,794	48,995	5.5%	7,221	7,221	44,391	\$39.47	\$45.71
Far Northwest	14,469,906	202,696	1,277,843	10.2%	-197,934	-197,934	1,013,907	\$35.18	\$36.52
North Central	2,494,784	37,344	333,326	14.9%	39,343	39,343	0	\$24.05	\$25.12
Northeast	1,811,341	22,233	240,555	14.5%	-76,341	-76,341	115,000	\$19.11	\$29.07
Northwest	4,516,797	72,770	365,299	9.7%	7,356	7,356	0	\$31.96	\$37.59
South Central	1,990,989	22,846	89,562	5.6%	74,427	74,427	64,275	\$29.41	\$45.14
Southeast	1,026,115	0	203,873	19.9%	2,703	2,703	0	\$26.32	\$33.77
Southwest	10,755,575	358,146	996,016	12.6%	33,974	33,974	98,195	\$37.15	\$38.01
Round Rock	1,156,315	15,136	53,623	5.9%	-448	-448	154,476	\$26.91	\$33.42
East	368,006	0	0	0.0%	4,866	4,866	841,523	\$42.85	\$45.25
AUSTIN TOTALS	50,450,646	953,854	4,362,654	10.5%	20,005	20,005	2,909,930	\$36.39	\$39.93

*Rental rates reflect gross asking \$psf/year

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	OVERALL AVERAGE ASKING RENT*
Class A	33,589,541	722,648	2,540,051	9.7%	169,549	169,549	2,909,930	\$39.93
Class B	13,926,233	222,806	1,542,661	12.7%	(106,502)	(106,502)	0	\$31.51
Class C	2,865,867	8,400	279,942	9.8%	(43,042)	(43,042)	0	\$23.30

Key Lease Transactions Q1 2018

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
300 Colorado	309,000	Parsley Energy	Direct	CBD
801 Barton Springs	90,500	WeWork	Direct	SC
Foundry	27,776	DPR Construction	Direct	EAST
Quarry Lake 2	20,384	Heartflow	Direct	FNW

Key Sales Transactions Q1 2018

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
Domain Point I & II	240,000	Crow Holdings / TIER REIT	\$66,420,000 / \$277	FNW
Rollingwood Center I & II	214,000	Endeavor / Lionstone Investments	Confidential	SW
Lantana Ridge	165,000	Lincoln Property-Goldman Sachs / Lantana Cooler	Confidential	SW
Barton Ridge	130,613	SteelWave / EverWest RE	Confidential	SC

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