

Austin | San Antonio, TX



Quick Stats

\$43.76

Average Rental Rate PSF

9.8%

Average vacancy rate

2.5M

SF Delivered in 2020

\$534M

2020 Total sales volume

\$304

Average sales price PSF

Austin's office market ended 2020 as one of the slowest years since 2009 due to the lingering Covid-19 pandemic. Despite lagging activity, Austin remains a top choice for tenants and developers as evidenced by the influx of major corporate relocation and expansion announcements such as Tesla, Oracle, Amazon, BAE systems and others over the past 12 months. Additionally, as vaccine distribution picks up speed over the coming months, Austin's office market is expected to see an uptick in activity as tenants return to office and a sense of normalcy.

Demand continued to taper as the year came to a close with only 3.1 million square feet (msf) of leasing activity taking place for the year, which is approximately half of the total leasing activity that took place in 2019. As sublease and relet space continued to flood the market during the final quarter of 2020, vacancy rose by 4.43% between YE2019 and YE2020, ending at 9.8%. Rising sublease space rates also caused absorption to plummet by (519,599) sf during the fourth quarter 2020. In total, Austin has more than 3.7 msf of sublease space as of YE2020, which bears much responsibility for the (621,968) sf of net absorption throughout the year.

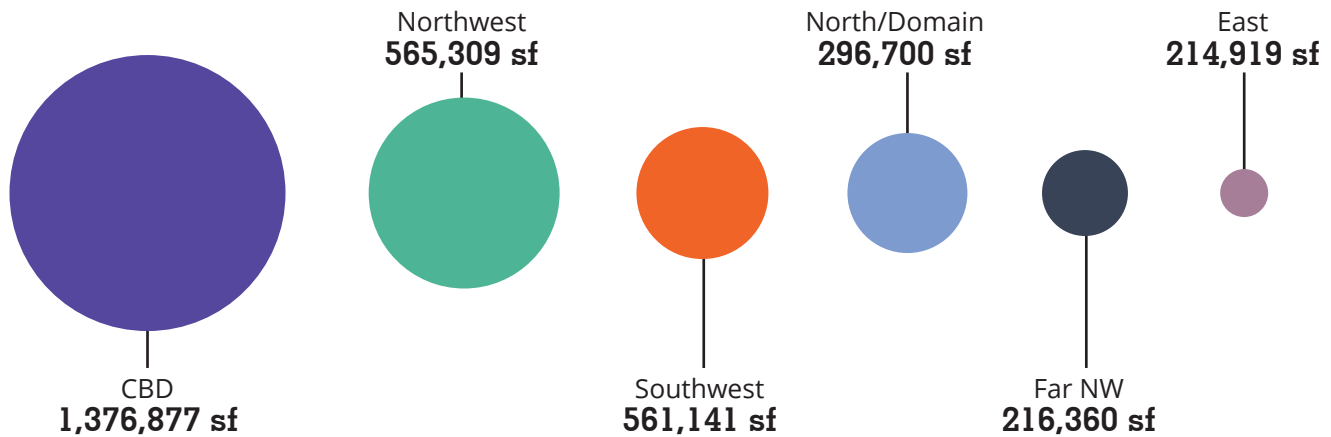
Comparing the approximately 6.59 msf of office space that was under construction by December 31st to the 7.6 msf that was under construction at the end of 2019, developers

are assumed to be adjusting to market conditions and taking a more cautious approach on large-scale office developments. While projects that are already underway are expected to deliver as scheduled, developers may hit the pause button on proposed projects that have yet to break ground until there is more clarity on what a post-pandemic office market will look like.

As demand dwindled toward the end of 2020, average asking rates began to flatten, falling roughly \$0.20 psf between Q1 2020 - Q4 2020. Given that rental rates only slightly dipped during 2020, many landlords are adapting to changing conditions and tenant's hesitancy to commit to large blocks of space by offering concessions in the form of free rent, increased tenant improvement allowances, and shorter term leases versus large cuts in rental rates. Subleases are where deeper discounts can be had for tenants in exchange for flexibility.

While supply indicators in 2020 may give pause out of concern for the future and demand remains a wild card, Austin leaders are hopeful that return-to-office efforts will proceed uninterrupted in the quarters ahead. There is also significant hope for in-migration to continue to accelerate in the latter half of 2021 driven by companies looking to attract talent at lower costs relative to major metro markets on the west and east coasts.

Sublease space by submarket



Available Sublease Space YTD

Month	Total Sublease Space	CBD	East	Far NW	North/Domain	Northwest	Southwest
1/1/21	3,752,181	1,376,877	214,919	216,360	296,700	565,309	561,141
10/1/20	2,695,728	958,309	226,585	232,379	71,231	525,393	401,745
7/1/20	2,369,116	960,779	56,638	235,775	34,212	437,473	246,148
4/1/20	1,666,523	475,386	51,651	258,987	11,293	322,248	179,099
1/1/20	1,125,097	319,282	1,200	141,762	8,753	175,240	134,449

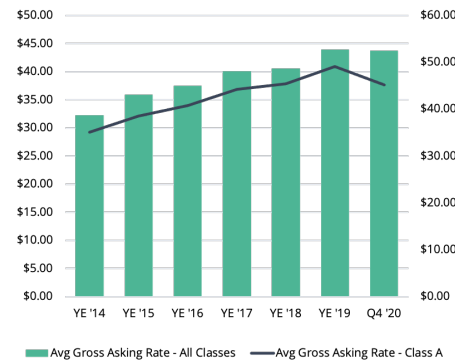
Q4 2020 Top leases

	Tenant	Property	Type	Submarket	sf
1	Everi Games Holding Inc.	206 Wild Basin Rd S	Renewal	Southwest	51,000
2	The Austin Stone	313 E Anderson Ln	Renewal	Central	20,149
3	SWCA Engineers	4407 Monterey Oaks Blvd	New	Southwest	13,988

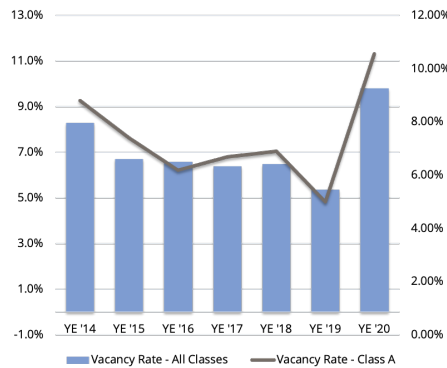
Q4 2020 Top sales

	Property	Submarket	sf	Year Built	Stories
1	3443 Ed Bluestein Blvd Portfolio	East	1,034,373	-	-
2	Dimensional Place I	Southwest	210,000	2008	7
3	Forum Park Office Building	Southeast	43,689	2019	4

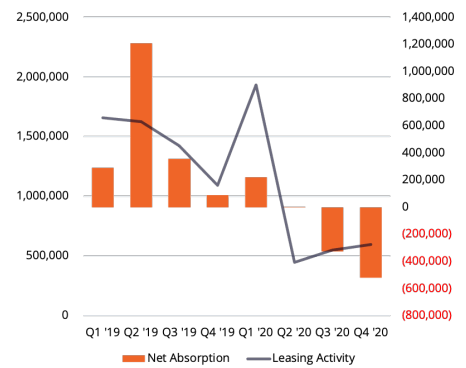
Market by the numbers



Average Asking Rates



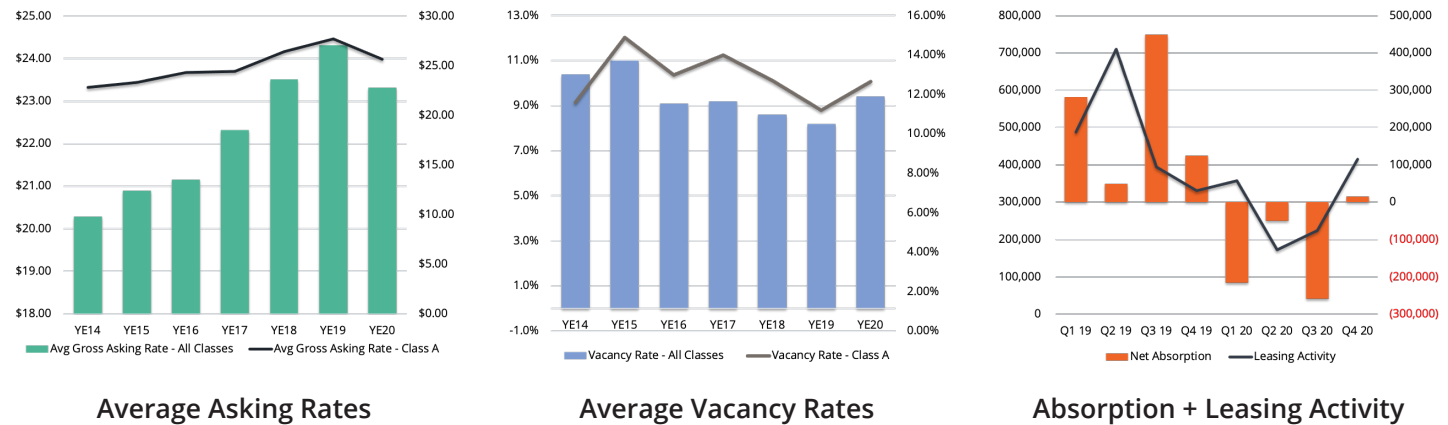
Average Vacancy Rates



Absorption + Leasing Activity

Submarket	Class	SF Proposed	SF Under Construction	SF Existing	Available SF	Vacant Available SF	Vacancy Rate	Q4 2020 Net Absorption (SF)			Average Base Rate	Average OpEx	Average Gross Rate	2020 Leasing Activity (SF)	2020 Deliveries (SF)
								Direct	Sublet	Total					
CBD	A	3,476,000	2,497,654	9,395,075	3,295,029	1,153,058	12.27%	(26,552)	(275,028)	(301,580)	\$37.45	\$24.93	\$62.38	282,063	-
	B	513,469	-	3,927,616	395,334	235,817	6.00%	(39,356)	7,127	(32,229)	\$33.91	\$13.17	\$47.08	57,758	-
Cedar Park	A	-	185,319	608,598	86,952	39,906	6.56%	(5,992)	(6,300)	(12,292)	\$26.42	\$8.14	\$34.56	132,387	165,714
	B	-	38,181	69,463	16,104	-	-	-	-	-	\$26.00	\$8.06	\$34.06	-	-
Central/West Central	A	1,144,615	319,909	1,503,971	383,440	147,947	9.84%	5,848	(3,367)	2,481	\$34.14	\$17.56	\$51.70	152,912	180,939
	B	-	109,085	1,972,079	296,535	174,986	8.87%	(29,981)	(8,982)	(38,963)	\$24.07	\$13.72	\$37.79	167,520	134,114
East	A	1,306,332	1,072,224	1,277,173	980,692	229,274	17.95%	-	(1,513)	(1,513)	\$38.77	\$19.20	\$57.97	193,040	-
	B	-	237,097	1,433,554	314,466	59,096	4.12%	(491)	-	(491)	\$36.50	\$0.00	\$36.50	22,040	27,631
Far Northwest	A	-	768,086	2,167,764	441,345	283,730	13.09%	2,256	38,270	40,526	\$24.18	\$14.29	\$38.47	119,397	-
	B	-	22,584	1,164,514	235,341	4,670	0.40%	766	-	766	\$24.71	\$7.21	\$31.92	766	-
North Domain	A	4,142,444	389,446	3,762,775	713,234	187,295	4.98%	3,409	(77,306)	(73,897)	\$35.27	\$16.58	\$51.85	73,174	619,775
	B	-	-	3,172,494	468,961	207,937	6.55%	8,948	-	8,948	\$24.03	\$10.77	\$34.80	24,060	-
Northeast	A	1,082,826	-	2,095,009	846,291	544,568	25.99%	115,092	-	115,092	\$20.50	\$7.95	\$28.45	325,988	196,000
	B	-	-	1,987,412	158,510	146,892	7.39%	(75,083)	-	(75,083)	\$18.07	\$8.65	\$26.72	53,834	118,000
Northwest	A	-	-	9,732,052	2,681,858	1,000,748	10.28%	(34,051)	(29,649)	(63,700)	\$26.15	\$0.00	\$26.15	287,869	-
	B	-	-	4,952,402	934,489	739,897	14.94%	(79,978)	(10,522)	(90,500)	\$20.81	\$12.90	\$33.71	205,781	50,000
Round Rock	A	64,000	-	2,194,241	72,740	52,508	2.39%	623	-	623	\$23.02	\$12.38	\$35.40	36,858	-
	B	20,000	22,500	586,539	103,074	39,112	6.67%	(3,760)	-	(3,760)	\$17.06	\$11.40	\$28.46	16,630	-
South	A	281,688	650,476	1,251,154	618,498	66,733	5.33%	98,929	(10,699)	88,230	\$32.19	\$10.83	\$43.02	40,344	283,468
	B	20,895	-	1,783,745	331,699	300,523	16.85%	(3,611)	(16,533)	(20,144)	\$30.45	\$11.99	\$42.44	61,706	44,205
Southeast	A	3,485,246	25,000	1,455,689	35,043	24,622	1.69%	-	-	-	\$24.75	\$13.52	\$38.27	-	420,000
	B	-	-	2,374,765	70,506	61,246	2.58%	(4,960)	(27,719)	(32,679)	\$21.32	\$9.21	\$30.53	63,268	-
Southwest	A	352,995	254,233	8,442,764	1,437,446	901,020	10.67%	36,237	(57,738)	(21,501)	\$27.28	\$14.70	\$41.98	535,131	207,574
	B	-	-	2,755,844	442,892	262,363	9.52%	(9,387)	1,454	(7,933)	\$22.30	\$12.06	\$34.36	227,506	-
Market Totals	A	15,336,146	6,162,347	43,886,265	11,592,568	4,631,409	10.55%	195,799	(423,330)	(227,531)	\$31.21	\$14.02	\$45.22	2,179,163	2,073,470
	B	554,364	429,447	26,180,427	3,767,911	2,232,539	8.53%	(236,893)	(55,175)	(292,068)	\$26.58	\$11.20	\$37.78	900,869	373,950
	Total	15,890,510	6,591,794	70,066,692	15,360,479	6,863,948	9.80%	(41,094)	(478,505)	(519,599)	\$30.48	\$13.29	\$43.76	3,080,032	2,447,420

Market by the numbers



Submarket	Class	SF Proposed	SF Under Construction	SF Existing	Available SF	Vacant Available SF	Vacancy Rate	Q4 2020 Net Absorption (SF)			Average Gross Rate	2020 Leasing Activity (SF)	2020 Deliveries (SF)
								Direct	Sublet	Total			
CBD	Class A	-	-	3,145,538	639,726	488,650	15.53%	(44,498)	-	(44,498)	\$32.56	55,413	140,600
	Class B	170,000	-	3,200,640	227,750	128,671	4.02%	21,060	-	21,060	\$21.58	30,345	30,000
Far North Central	Class A	-	121,849	1,658,725	360,887	133,419	8.04%	94,131	28,232	122,363	\$24.48	119,804	126,000
	Class B	-	-	1,110,554	45,216	40,576	3.65%	(11,817)	-	(11,817)	\$24.75	2,697	-
Far Northwest	Class A	-	55,046	897,127	182,956	72,293	8.06%	(9,668)	-	(9,668)	-	12,671	-
	Class B	735,000	-	144,000	144,000	-	0.00%	(144,000)	-	(144,000)	-	144,000	-
Far West	Class A	244,224	-	816,694	27,511	27,511	3.37%	-	-	-	\$20.00	-	-
	Class B	40,000	-	2,426,703	137,043	105,443	4.35%	-	-	-	\$19.74	-	-
North Central	Class A	370,924	274,000	4,839,981	884,162	723,971	14.96%	49,993	(27,196)	22,797	\$24.49	225,939	112,446
	Class B	-	-	4,217,309	1,058,156	679,746	16.12%	24,688	(5,555)	19,133	\$20.53	229,603	-
Northeast	Class A	-	28,355	1,027,763	273,178	170,726	16.61%	298	-	298	\$23.65	6,064	-
	Class B	80,000	230,000	2,575,452	217,544	173,843	6.75%	25,977	-	25,977	\$22.51	12,512	-
Northwest	Class A	333,332	751,554	4,017,221	941,851	470,969	11.72%	(12,592)	-	(12,592)	\$23.27	177,399	-
	Class B	68,000	-	9,490,098	744,966	577,787	6.09%	26,986	(16,113)	10,873	\$18.83	152,407	-
South	Class A	70,000	168,587	86,442	80,312	-	-	13,000	-	13,000	-	-	-
	Class B	70,300	-	622,312	-	-	-	-	1,977	1,977	-	926	-
Totals	Class A	1,018,480	1,399,391	16,489,491	3,390,583	2,087,539	12.66%	90,664	1,036	91,700	\$25.66	597,290	379,046
	Class B	1,163,300	230,000	23,787,068	2,574,675	1,706,066	7.17%	(57,106)	(19,691)	(76,797)	\$20.32	572,490	30,000
	Total	2,181,780	1,629,391	40,276,559	5,965,258	3,793,605	9.42%	33,558	(18,655)	14,903	\$23.32	1,169,780	409,046

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