



Austin office market report

Q4 2022

**AVISON
YOUNG**

Austin office market trends

4.7%

Austin job growth continues

Despite the recent tech layoffs nationwide, Austin remains positioned well with the addition of 56,900 jobs or 4.7% increase in the last 12 months. Professional and business services saw a 6.7% increase in that same period.

Companies increasing their presence in Austin include DaBella Exteriors, who is moving the majority of their 1,000 workers to town, and Brookfield Residential, a new home builder and land developer headquartered in Calgary, Canada who plans to occupy +33,000 sf at Stonebridge Plaza II.

-461,678

Total net absorption in Q4

Austin's office market saw its second consecutive year of positive absorption coming in at 831,608 sf for 2022. However, Q4 reported negative quarterly absorption for the first time since Q1 2021, indicating headwinds are expected given the decline in leasing activity.

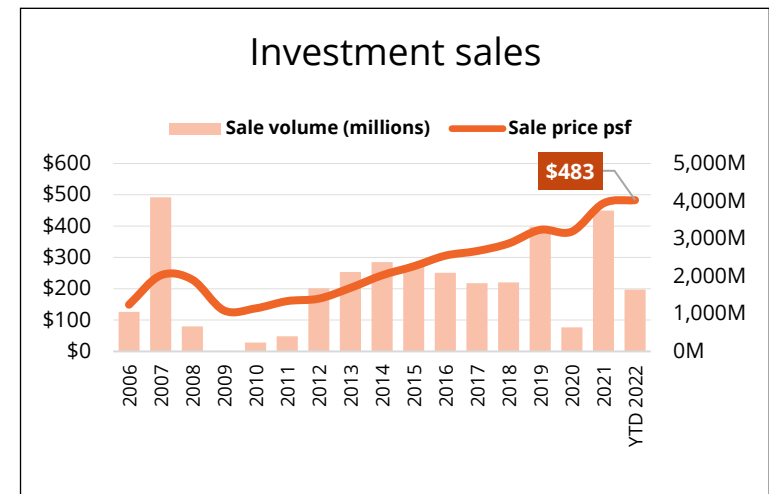
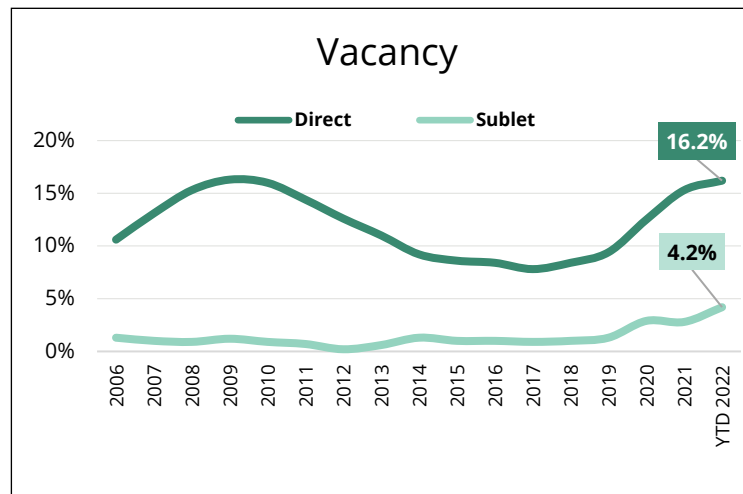
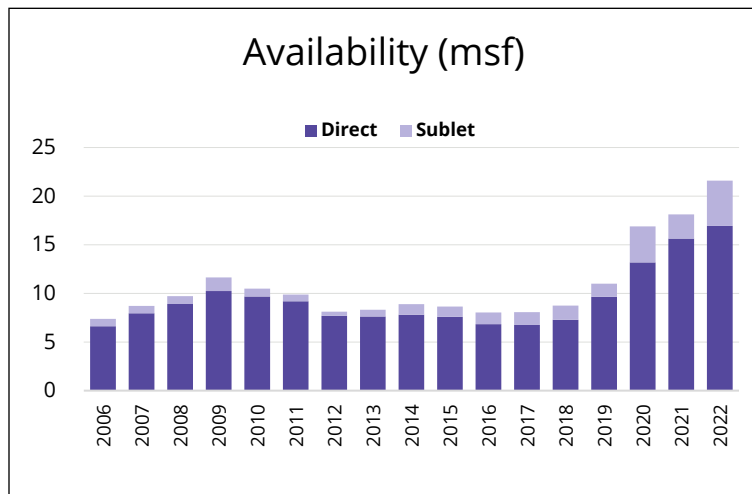
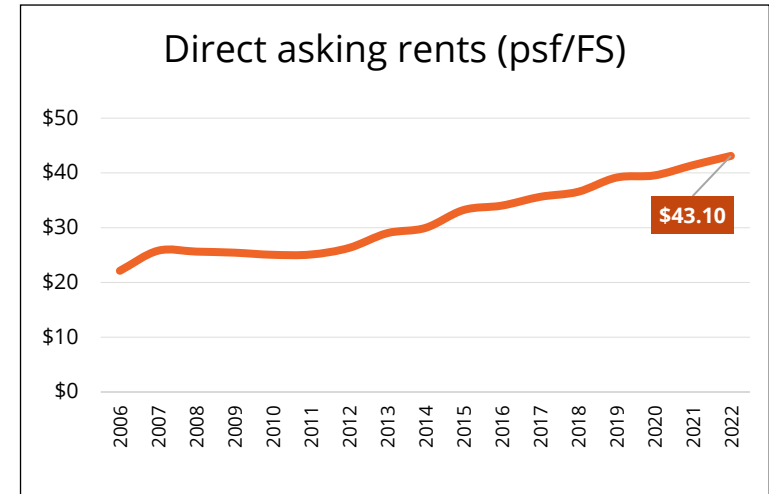
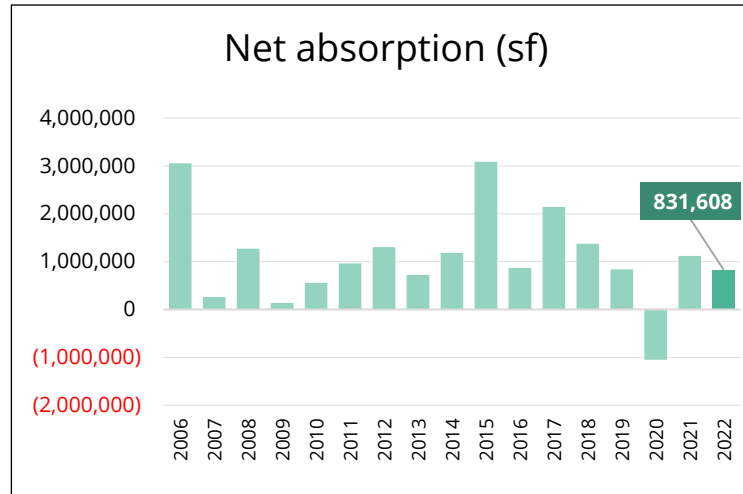
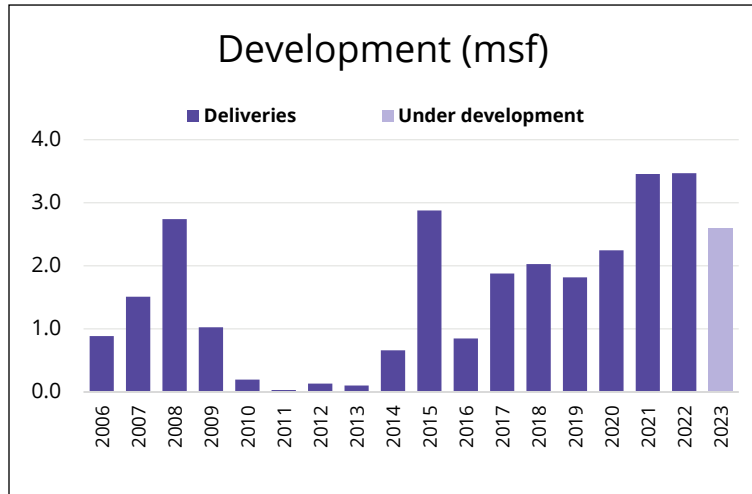
Leasing activity decreased by 27% in 2022 compared to 2021. Additionally, sublease activity accounted for 25% of 2022's total leasing activity, which is a larger share than previous years surpassing the 5-year average of 10%.

24%

Pre-leased for buildings under development

Office construction levels in Austin are among the highest in the nation with 5.7 million sf currently under development as demand has remained strong and pricing has continued to accelerate. The bulk of this construction activity is taking place in Austin's urban submarkets, which include the CBD (2.8M SF), East (1.7M SF) and North Central (375K SF) with preleasing at 24%.

Austin office market indicators



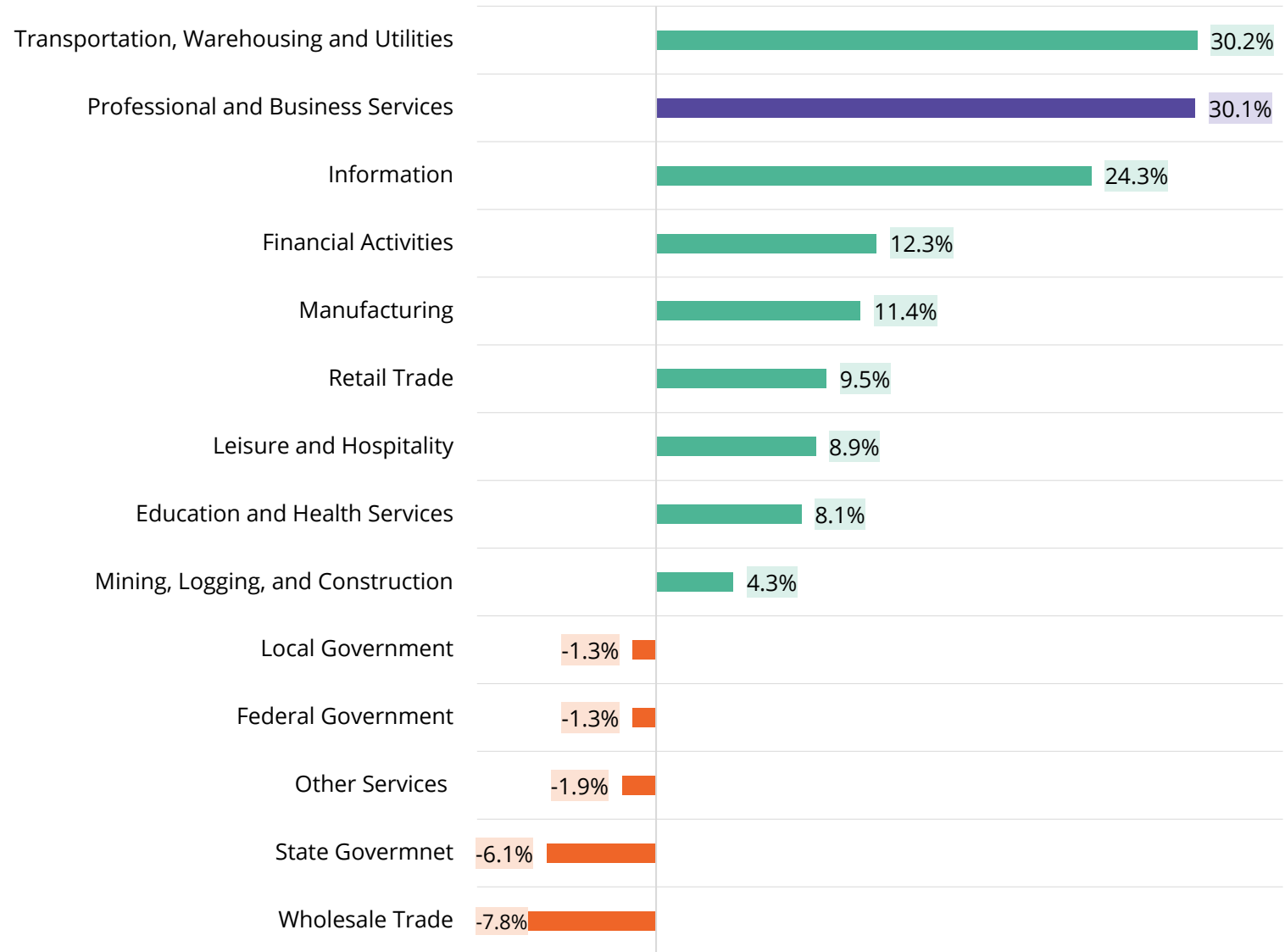
Office-using job gains and losses

30.1%

Change in professional and business service employment since the pandemic.

Austin MSA jobs have increased by 4.7% since February 2020, with professional and business service jobs increasing by 30.1% over the same period. Companies continue to choose to expand or relocate to the Austin area for its robust workforce, lively culture, and booming economy.

Austin Metropolitan Statistical Area
February 2020 to October 2022



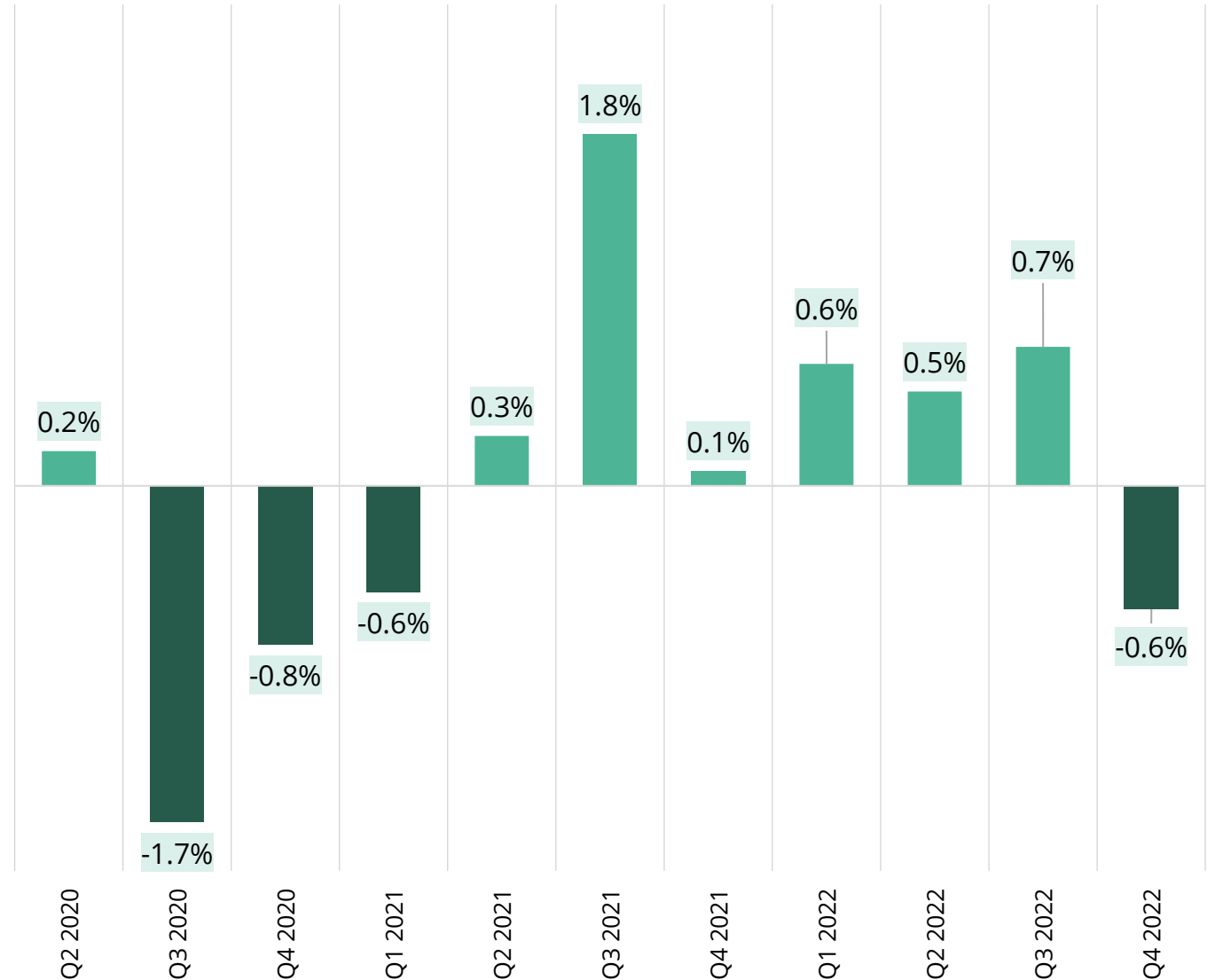
Source: Bureau of Labor Statistics

Net absorption as a percentage of inventory

-0.6%

dropped in Q4 2022 for the first time since Q1 2021, primarily due to decreased leasing activity and economic headwinds.

Direct leasing activity during the fourth quarter dropped by 60.6% compared to its most recent peak in Q4 2021, which largely contributed to the 31.8% decline in annual leasing volume. However, sublet leasing activity has remained relatively consistent over the past year with 1.5 million sf leased, which is only down 4.6% year-over-year.



Source: AVANT by Avison Young, CoStar

Austin office market activity

Recent leasing activity

Tenant name	Building name	Sign date	Size (sf)	Transaction type	Lease type	Submarket
VA Financial Services	Met Center Creative Office Park, Building B	11/09/2022	67,325	New	Direct	Southeast
Page	Indeed Tower	10/12/2022	51,031	New	Direct	CBD
Texas Dept. of Emergency Management	Chase Park Office Center 3	10/20/2022	48,809	New	Direct	North Central
GetSales	3900 San Clemente	10/25/2022	25,700	New	Sublease	Southwest
Gamer Supps	Cameron Center, Building A	11/14/2022	11,187	New	Direct	Northeast
J.P. Morgan Chase Bank Securities	405 Colorado	11/09/2022	10,235	New	Direct	CBD
Kerv Interactive	Midtown Commons, Building 2	10/18/2022	6,173	New	Sublease	Central

Top projects under development

Property	Address	Delivery Date	Building Size (sf)	% Preleased	Developer	Submarket
Symphony Square	1121 Red River St	March 2023	198,758	0%	Greystar	CBD
Uptown ATX - One Uptown	11501 Burnet Rd	September 2023	374,739	2%	Brandywine Realty Trust	North Central
Parmer 5.1	Parmer 5.1	January 2023	254,000	0%	Karlin Real Estate	Northeast

Austin office market stats

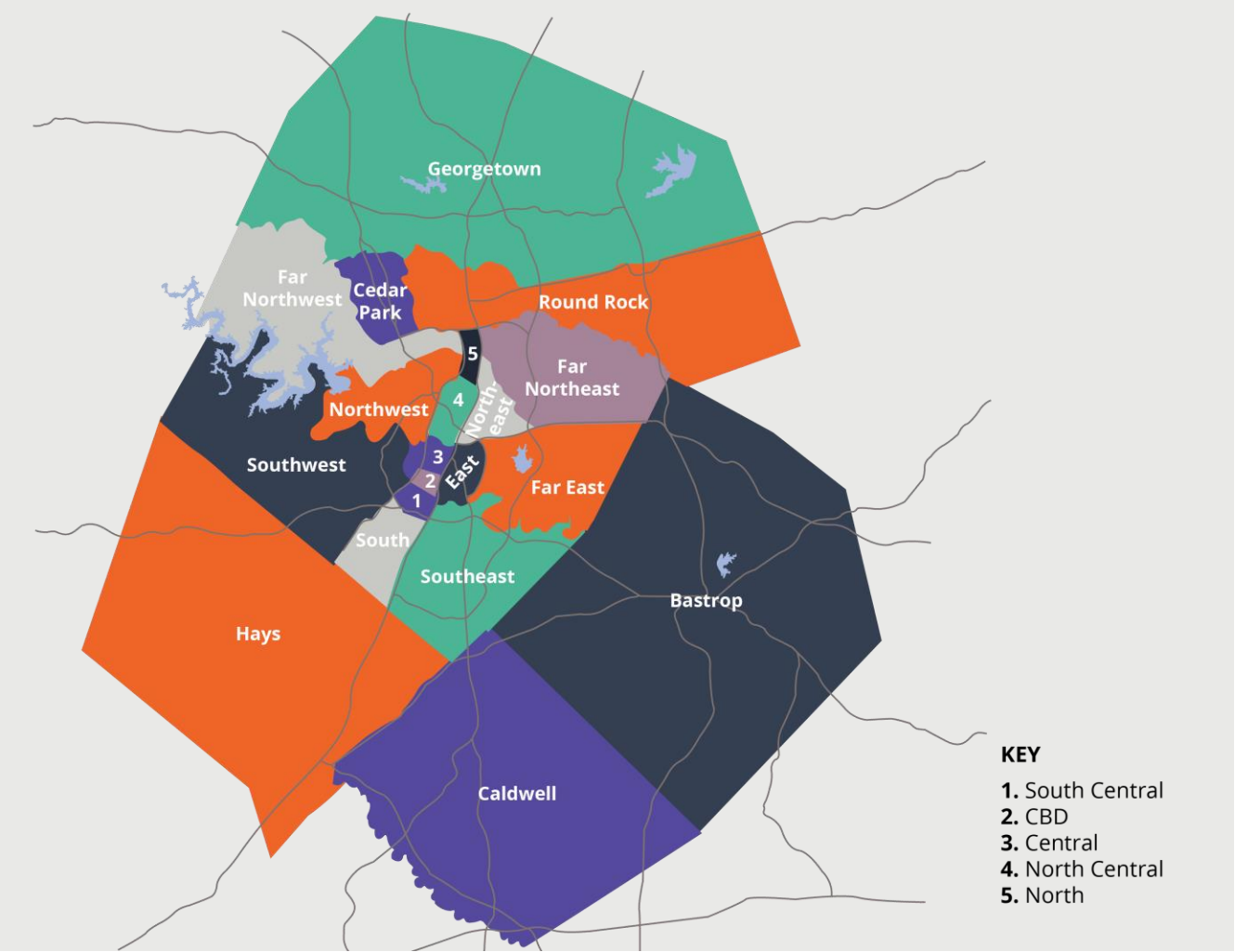
	Existing inventory sf	Deliveries sf (YTD)	Under development sf	Direct vacancy	Sublet vacancy	Total vacancy	Net absorption sf (Q4 2022)	Net absorption sf (2022)	Direct asking rent FS
CBD	15,064,875	1,160,034	2,781,692	18.7%	3.2%	22.0%	(93,711)	465,911	\$62.22
Central	1,628,586	0	92,217	8.0%	1.8%	9.7%	(32,289)	44,337	\$41.69
East	4,060,862	614,335	1,656,153	21.3%	3.7%	25.0%	5,306	616,092	\$46.80
Far Northwest	4,109,121	22,584	57,600	8.1%	3.9%	12.0%	(132,481)	(94,445)	\$35.92
North Central	9,769,147	724,511	374,739	10.4%	3.0%	13.5%	(69,365)	(109,157)	\$45.49
North	982,572	0	0	40.6%	2.7%	43.3%	(6,955)	(46,049)	\$35.09
Northeast	2,944,874	0	387,000	20.7%	14.2%	34.8%	(181,642)	(36,618)	\$28.00
Northwest	14,232,603	0	0	20.9%	4.4%	25.3%	83,978	(217,097)	\$35.90
Round Rock	1,150,688	0	33,669	4.0%	1.3%	5.4%	(2,908)	24,183	\$29.30
South Central	2,674,552	372,000	344,996	21.3%	4.8%	26.1%	2,185	162,212	\$36.33
South	437,180	0	0	7.7%	2.2%	9.9%	(0)	(22,845)	\$35.73
Southeast	2,622,742	135,250	0	12.3%	1.6%	13.9%	151,234	97,955	\$33.64
Southwest	11,497,068	0	34,661	13.7%	5.4%	19.2%	(251,397)	(235,604)	\$41.75
Overall	72,030,143	3,470,714	5,762,727	16.2%	4.2%	20.4%	(461,678)	831,608	\$43.10

Austin office market stats by class

	Existing inventory sf	Deliveries sf (YTD)	Under development sf	Direct vacancy	Sublet vacancy	Total vacancy	Net absorption sf (Q4 2022)	Net absorption sf (2022)	Direct asking rent FS
Class A	42,940,467	3,276,018	5,462,801	15.2%	5.0%	20.2%	(487,596)	1,065,096	\$48.83
Class B	31,691,036	194,696	299,926	20.00%	2.70%	22.80%	(40,449)	(232,630)	\$39.72
Market total	72,030,143	3,470,714	5,762,727	16.2%	4.2%	20.4%	(461,678)	831,608	\$43.10



Austin submarket map



Office insights glossary of terms

Demand

- **Leasing activity:** total square footage of relocations, renewals, expansions and subleases expressed when the leases are signed, not when tenants take physical occupancy of the space
- **Absorption:** period-over-period change in occupied square footage

Supply

- **Direct vacancy rate:** space operated by landlords that is ready for immediate occupancy
- **Sublease vacancy rate:** space operated by sublandlords that is ready for immediate occupancy
- **Total vacancy rate:** sum of direct vacancy rate and sublease vacancy rate
- **Availability rate:** space that is vacant plus space that will become vacant over an indefinite time horizon, including spaces that are occupied by vacating tenants and under-construction properties

Office rents and concessions

- **Asking rents:** pricing guidance provided by landlords to tenants for available space expressed as full service (FS)
- **Base rents:** fair market value of market-level lease pricing based on representative executed leases, expressed as full service (FS)
- **Free rent period:** months of free rent that are typically provided upfront by landlords to tenants as a concession to offset the total cost of a lease and/or the construction timeline of an office suite
- **Tenant improvement allowance:** an allowance expressed in dollars per square foot provided from landlords to tenants to offset build-out, engineering, space planning and related permit costs
- **Net effective rent:** base rents discounted by the dollar values of tenant improvement allowance and free rent concessions expressed as full service (FS)

Capital markets

- **Investment volume:** office sales dollars expressed when the transactions close and based on inventory thresholds; partial-interest sale dollar amounts are not grossed-up to reflect the 100% value of the sale
- **Asset pricing:** unweighted average per-square-foot asset pricing of market-level closed sales
- **Cap rate:** net operating income divided by sale price; this measurement of market-level investment returns is calculated as an unweighted average based on closed investment sales

Vitality Index

- **Visitor volumes:** based on extrapolated, anonymized cell phone pings provided by Orbital Insight at custom, geofenced locations, the Vitality Index tracks visitor volumes at representative areas of interest across markets and property types

For more market insights and
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