

Austin | San Antonio, TX



Quick Stats

\$283 PSF
Average Sales Price

8.49%
Average vacancy rate

\$48.72
Class A average gross rental

\$129M
Quarterly sales volume

7.00%
Average cap rate

The COVID-19 pandemic continued to disrupt consecutive years of rapid market growth during the third quarter of 2020. Depressed demand for office space during the third quarter caused market fundamentals to decline further.

Vacancy rose by 136 basis points (bps) largely due to the sustained influx of sublease space hitting the market. With many of these subleases having not yet been vacated, it is expected that vacancy will continue to rise in the coming months.

Leasing activity continued to lag as companies work to mitigate costs and weather the uncertainty stemming from the pandemic and upcoming election. Similarly, companies moving to "WFH" models for the foreseeable future contributed to YTD net absorption falling to -102,369 sf. Leasing incentives are expected to increase in the short term as landlords work to combat rising sublease inventory while awaiting the return of pre-pandemic leasing activity.

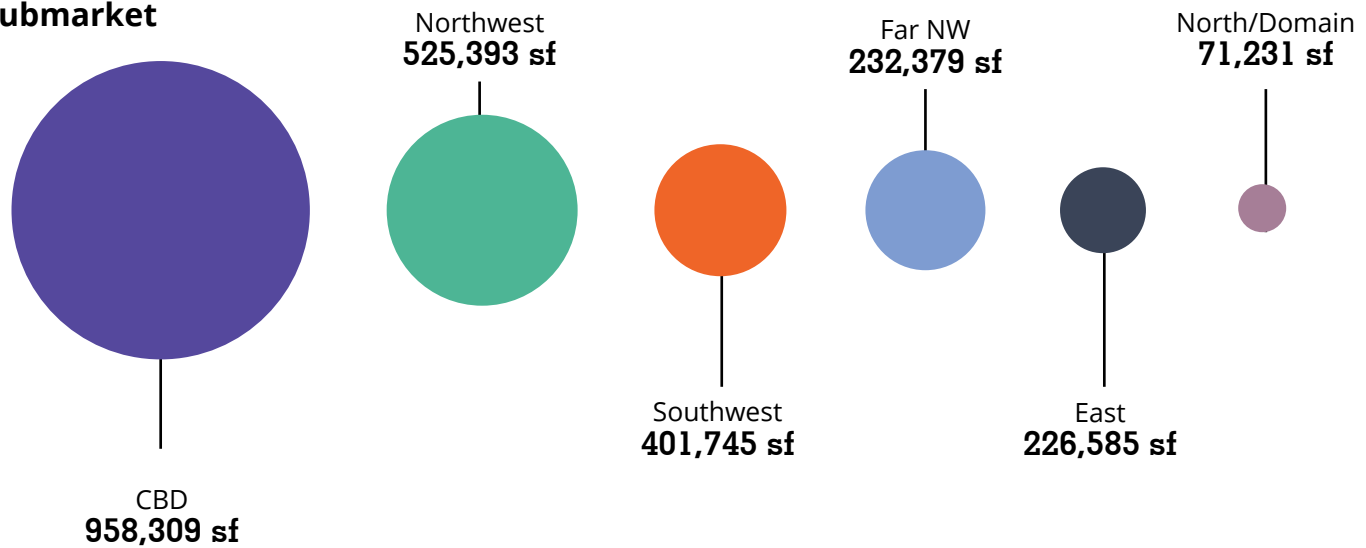
Rental rates saw their first notable decline since the Great Recession during the third quarter, dropping by a market-wide average of \$1.46 psf. As economic uncertainties

entice tenants to seek more affordable options and landlords adjust accordingly to compete for tenants, the gap between Class A and B rates may close further. Additionally, sublease options will offer greater opportunity for discounts in rent.

Despite negative market indicators, Austin's construction pipeline remains healthy with under construction product totaling 8.41% of the current existing inventory. Five buildings delivered in Q3 2020, with Oracle's new Campus Phase 2 accounting for nearly 420,000 sf of the total 663,205 sf.

Austin remains one of the strongest markets in the nation, especially when measured by the number of out of state firms relocating to the "512". Texas, and specifically Austin, is regarded as one of the most business-friendly environments in the country namely because of its low taxes and operating costs, as well as access to large talent/employment pools. While the long-term outlook for Austin is positive, landlords, tenants, investors and developers will each have to manage their own set of short-term considerations until more clarity is gained about a post-pandemic world.

Available sublease space by submarket



Available Sublease Space YTD

Month	Total Sublease Space	CBD	East	Far NW	North/Domain	Northwest	Southwest
10/1/2020	2,695,728	958,309	226,585	232,379	71,231	525,393	401,745
9/1/2020	2,612,740	924,773	188,392	241,926	63,497	569,016	354,086
8/1/2020	2,804,873	985,239	185,277	235,775	65,677	574,248	345,837
7/1/2020	2,369,116	960,779	56,638	235,775	34,212	437,473	246,148
6/1/2020	2,277,468	833,263	56,638	262,383	18,190	412,011	262,257
4/1/2020	1,666,523	475,386	51,651	258,987	11,293	322,248	179,099
1/1/2020	1,125,097	319,282	1,200	141,762	8,753	175,240	134,449

Q3 Top leases

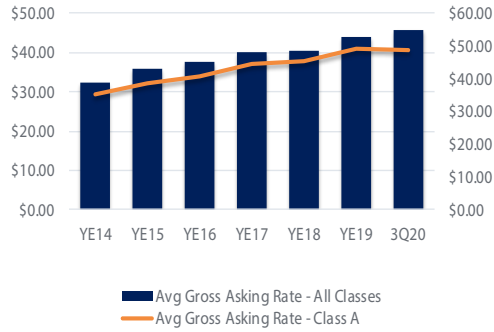
	Tenant	Property	Type	Submarket	sf
1	BAE Systems	Parmer Austin Business Park	New Lease	Northwest	390,000
2	Hippo Analytics	701 E 5th St	New Lease	CBD	31,641
3	Polycom	7700 W Parmer Ln	Renewal	Far Northwest	88,787
4	Shipstation	Grove	New Lease	Central + West Central	104,158

Q3 Top sales

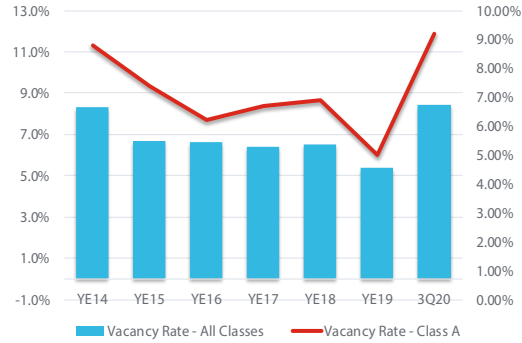
	Property	Submarket	Buyer	sf	Year Built	Stories
1	Riata Crossing 6	Northwest	Greater Texas Federal Credit Union	50,000	2020	2
2	BAE Systems	East	Karlin Real Estate	539,000	1985	2

Market by the numbers

Average Asking Rates



Average Vacancy Rates



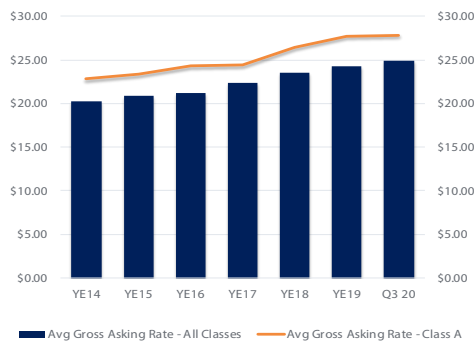
Absorption + Leasing Activity



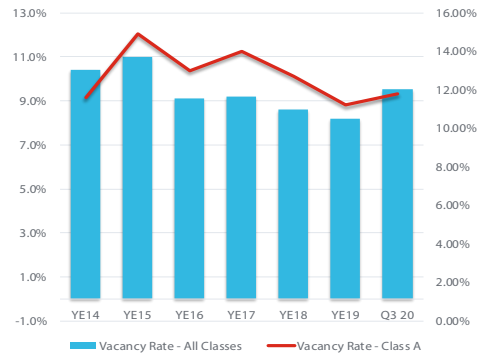
Submarket	Class	SF Proposed	SF Under Construction	SF Existing	Available SF	Vacant Available SF	Vacancy Rate	Q3 2020 Net Absorption (SF)			Average Base Rate	Average OpEx	Average Gross Rate	YTD Leasing Activity (SF)	YTD Deliveries (SF)
								Direct	Sublet	Total					
CBD	A	1,459,000	2,497,900	9,405,059	2,895,112	838,851	8.92%	(70,909)	89,137	18,228	\$37.61	\$24.59	\$62.20	244,561	0
	B	513,469	0	3,927,616	387,558	206,425	5.26%	(43,236)	(13,281)	(56,517)	\$32.77	\$12.78	\$45.55	47,330	0
Cedar Park	A	150,000	35,319	608,598	143,245	96,199	15.81%	85,788	0	85,788	\$26.42	\$8.14	\$34.56	57,886	165,714
	B	0	0	69,463	0	0	0.00%	0	0	0	\$0.00	\$0.00	\$0.00	0	0
Central/West Central	A	1,144,615	319,734	1,411,123	339,910	83,107	5.89%	(11,843)	(6,500)	(18,343)	\$34.15	\$17.39	\$51.54	136,448	134,114
	B	46,000	109,085	1,972,079	231,257	139,108	7.05%	10,256	1,856	12,112	\$22.97	\$14.16	\$37.13	131,188	134,114
East	A	1,201,888	1,070,067	1,376,664	1,002,563	252,386	18.33%	0	0	0	\$38.84	\$18.19	\$57.03	164,248	0
	B	0	237,097	1,375,421	317,515	65,757	4.78%	2,810	(13,179)	(10,369)	\$36.36	\$6.89	\$43.25	5,111	27,631
Far Northwest	A	1,270,000	0	2,167,764	472,454	305,386	14.09%	(42,568)	0	(42,568)	\$24.67	\$14.31	\$38.98	30,610	0
	B	0	22,584	1,188,514	235,807	7,029	0.59%	0	0	0	\$24.77	\$10.28	\$35.05	0	0
North Domain	A	4,031,890	330,012	3,762,775	528,519	83,645	2.22%	(7,238)	(7,734)	(14,972)	\$36.63	\$16.39	\$53.02	70,988	619,775
	B	0	40,000	3,096,693	392,534	128,651	4.15%	(54,501)	(5,172)	(59,673)	\$24.31	\$11.59	\$35.90	18,328	0
Northeast	A	0	0	2,102,116	846,291	550,890	26.21%	(319,208)	32,565	(286,643)	\$21.23	\$8.43	\$29.66	325,988	196,000
	B	0	0	1,978,889	91,304	71,809	3.63%	(3,824)	1,597	(2,227)	\$17.92	\$8.69	\$26.61	49,537	118,000
Northwest	A	1,151,893	0	9,683,618	2,579,716	926,480	9.57%	15,310	(54,673)	(39,363)	\$26.51	\$15.89	\$42.40	254,810	0
	B	0	0	4,951,727	865,996	649,335	13.11%	(30,257)	(29,239)	(59,496)	\$20.96	\$10.45	\$31.41	175,629	50,000
Round Rock	A	2,162,830	0	2,342,424	93,702	73,470	3.14%	12,391	0	12,391	\$23.64	\$12.38	\$36.02	35,859	0
	B	43,800	0	563,007	61,234	16,012	2.84%	(2,231)	0	(2,231)	\$17.13	\$11.40	\$28.53	16,630	0
South	A	281,688	783,944	1,117,686	628,419	46,433	4.15%	(7,651)	0	(7,651)	\$31.07	\$10.17	\$41.24	9,747	150,000
	B	40,895	0	1,814,126	316,268	284,112	15.66%	(119,033)	(17,354)	(136,387)	\$29.57	\$11.86	\$41.43	56,994	44,205
Southeast	A	3,522,896	25,000	1,455,689	35,043	24,622	1.69%	416,923	0	416,923	\$24.25	\$13.20	\$37.45	0	420,000
	B	0	0	2,374,765	33,136	29,338	1.24%	37,423	0	37,423	\$20.35	\$10.63	\$30.98	57,247	0
Southwest	A	218,350	409,480	8,328,301	1,273,638	742,446	8.91%	(21,098)	(96,864)	(117,962)	\$28.05	\$16.53	\$44.58	460,127	52,327
	B	193,595	0	2,804,133	476,150	268,110	9.56%	(33,246)	(20,014)	(53,260)	\$22.11	\$13.22	\$35.33	135,567	0
Market Totals	A	16,595,050	5,471,456	43,761,817	10,838,612	4,023,915	9.20%	49,897	(44,069)	5,828	\$31.27	\$17.45	\$48.72	1,791,272	1,737,930
	B	837,759	408,766	26,116,433	3,408,759	1,865,686	7.14%	(235,839)	(94,786)	(330,625)	\$27.05	\$11.96	\$39.00	693,561	373,950
	Total	17,432,809	5,880,222	69,878,250	14,247,371	5,889,601	8.43%	(185,942)	(138,855)	(324,797)	\$29.85	\$15.96	\$45.81	2,484,833	2,111,880

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	Q3 2020 Net Absorption (SF)			Average Gross Rate	YTD Leasing Activity (SF)	YTD Deliveries (SF)
								Direct	Sublet	Total			
CBD	A	0	0	3,143,933	523,563	460,125	14.64%	(7,606)	0	(7,606)	\$30.30	18,765	140,600
	B	170,000	0	3,221,719	297,042	194,120	6.03%	(2,885)	0	(2,885)	\$22.46	30,345	30,000
Far North Central	A	0	121,849	1,561,725	383,013	127,396	8.16%	2,772	13,066	15,838	\$29.68	83,856	29,000
	B	0	0	1,110,554	74,164	28,759	2.59%	4,742	(7,435)	(2,693)	-	1,676	0
Far Northwest	A	0	55,046	897,127	213,287	72,293	8.06%	(3,207)	0	(3,207)	-	3,003	0
	B	75,000	0	144,000	144,000	0	0.00%	0	0	0	-	0	0
Far West	A	244,224	0	910,930	27,511	27,511	3.02%	94,236	(9,991)	84,245	\$30.78	0	0
	B	0	0	2,426,703	137,043	105,443	4.35%	(68,806)	0	(68,806)	\$23.00	0	0
North Central	A	370,924	386,446	4,662,891	784,885	587,035	12.59%	(3,701)	0	(3,701)	\$27.60	188,297	0
	B	0	0	4,194,129	1,098,417	726,736	17.33%	(58,144)	1,176	(56,968)	\$21.05	164,070	0
Northeast	A	0	185,000	2,575,452	241,026	198,543	7.71%	(5,756)	3,178	(2,578)	\$21.85	6,064	0
	B	80,000	185,000	2,575,452	241,026	198,543	7.71%	(5,756)	3,178	(2,578)	\$21.85	9,303	0
Northwest	A	666,664	418,222	3,833,932	852,877	611,552	15.95%	(16,123)	(190,128)	(206,251)	\$27.49	137,751	0
	B	68,000	0	9,882,058	836,769	645,712	6.53%	(17,197)	0	(17,197)	\$19.47	110,546	0
South	A	250,000	168,587	86,442	80,312	0	0.00%	0	0	0	-	0	0
	B	70,300	0	660,812	3,825	3,825	0.58%	16,299	0	16,299	\$18.98	926	0
Market Totals	A	1,531,812	1,335,150	17,672,432	3,106,474	2,084,455	11.79%	60,615	(183,875)	(123,260)	\$27.79	437,736	169,600
	B	463,300	185,000	24,215,427	2,832,286	1,903,138	7.86%	(131,747)	(3,081)	(134,828)	\$20.84	316,866	30,000
	Total	1,995,112	1,520,150	41,887,859	5,938,760	3,987,593	9.52%	(71,132)	(186,956)	(258,088)	\$24.89	754,602	199,600

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Travis Spears
Research Coordinator & Financial Analyst
512.717.3089
travis.spears@avisonyoung.com

Avison Young - Austin | San Antonio
515 Congress Ave
Austin, TX 78701

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avisonyoung.com

