



Market Snapshot

	Q2 2019	Q2 2020
Inventory	67.1 msf	69.5 msf
Vacancy	5.1%	7.07%
YTD Net Absorption	1.77 msf	222,428 sf
YTD Deliveries	1.24 msf	1.4 msf
Under Construction	6.65 msf	6.7 msf
Avg. Asking Rents	\$43.26 psf	\$47.35 psf

Market Highlights

- While Austin has long been one of the fastest growing metro areas in the United States, the softening of market fundamentals indicate tenants and investors alike are taking a cautious approach to their office needs.
- The influx of 224,432 sf of vacant Sublease space accounted for a large amount of the negative absorption throughout the quarter, however nearly equal amounts of direct leasing activity, both in new deliveries and existing product seemed to provide balance resulting in just 144 sf of positive absorption.
- The CBD submarket saw 233,274 sf of negative sublet space absorption during the second quarter of 2020 as firms look to reduce expenses and explore alternative solutions.
- Despite the national and global economic slowdown, new product continues to deliver with 6.7 msf underway.
- The tapering off of investment activity during the second quarter - a staggering 94% lower than the prior quarter signaled that many investors are continuing to take a "wait and see" approach. There was just \$22 million in transactions, marking Q2 2020 as one of the slowest quarters in years.
- The overall vacancy rate rose by a measure of 93 bps to 7.07%, with a significant amount of the upward pressure stemming from companies bringing their spaces to market in form of subleases.
- Rental rates have held steady since April 2020. Average gross rates were recorded as \$50.34 for class A space and \$38.69 for class B space. With new construction and heavy sublease supply expected for the balance of 2020, there could be a softening on the horizon with rental rates and/or lease concessions.



7.07%
Average Vacancy Rate



\$50.³⁴ PSF
Class A Average Gross Rental Rate



\$22M
Quarterly Sales Volume



6.8%
Average Cap Rate



\$229 PSF
Median Sales Price

60

Proposed Buildings

39

Buildings Under Construction

215K SF

Delivered in Q2 2020

News from Q2 2020

- BBVA Tower - A new 60 story tower was approved for development by the City of Austin; once delivered, it will be the second tallest building in Austin (behind 6X Guadalupe).
- Tesla is close to securing incentives for a new gigafactory as they decide between Tulsa and Austin.
- A study conducted by Moody's Analytics found that Austin was one of the cities best positioned for pandemic recovery. They cited two major factors in creating this list: population density, and educational attainment.

Select Q2 2020 Lease Transactions

Tenant	Property	Type	Submarket	SF
Husch Blackwell LLP	One Eleven Congress	Renewal	CBD	46,000
AMD	7000 West at Lantana - Building 2	New Lease	Southwest	32,994
Tata Consulting	Parmer Sector 4.2	New Lease	Northeast	58,000
WiPro	Parmer Sector 4.2	New Lease	Northeast	42,000
WP Engine	Lavaca Plaza	Renewal	CBD	19,231
The Center for Nuero Skills	14425 Falcon Head Blvd - Building F	New Lease	Southwest	15,000

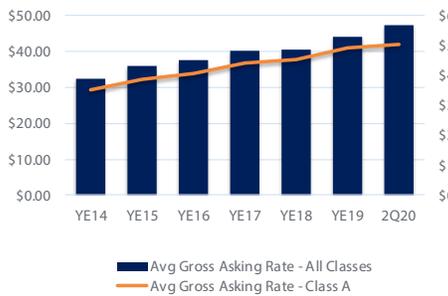
Select Q2 2020 Sale Transactions

Property	Submarket	Buyer	Total SF	Year Built	Stories
6937 IH 35 N	Northeast	Integral Care	70,229	1972	5

Select Construction Projects

Property	Submarket	Projected Completion	Total SF	Stories	% Preleased
Block 185	CBD	Second Quarter 2022	796,525	35	100%
Indeed Tower	CBD	Second Quarter 2021	669,130	36	50%
300 Colorado St	CBD	First Quarter 2021	358,000	32	45%
RiverSouth	South	Third Quarter 2021	450,611	15	22%
Domain Tower 2	North/Domain	Third Quarter 2021	330,012	24	Spec
Austin Energy	East	Second Quarter 2021	275,000	4	100%
Mueller Business District - Alpha	East	First Quarter 2021	236,000	6	Spec

Average Asking Rates



Average Vacancy Rates



Absorption + Leasing Activity



Market by the Numbers

Submarket	Class	SF Proposed	SF Under Construction	SF Existing	Available SF	Vacant Available SF	Vacancy Rate	Q2 2020			Average Base Rate	Average OpEx	Average Gross Rate	YTD Leasing Activity (SF)	YTD Deliveries (SF)
								Net Absorption (SF)	Direct	Sublet					
CBD	A	1,459,000	2,522,974	9,405,059	2,863,867	841,251	8.94%	(115,927)	(233,274)	(349,201)	\$40.89	\$25.21	\$66.10	30,929	-
	B	513,469	-	3,858,069	350,407	149,908	3.89%	29,905	(18,723)	11,182	\$32.44	\$19.61	\$52.05	6,636	-
Cedar Park	A	150,000	35,320	608,598	143,140	102,010	16.76%	(5,811)	-	(5,811)	\$26.42	\$8.29	\$34.71	-	-
	B	-	-	69,463	-	-	0.00%	-	-	-	-	-	-	-	-
Central/West Central	A	1,145,804	498,506	1,277,009	389,575	32,331	2.53%	5,746	3,479	9,225	\$34.20	\$17.51	\$51.71	12,916	-
	B	-	109,085	2,303,720	224,024	120,407	5.23%	(5,094)	(1,644)	(6,738)	\$23.41	\$13.82	\$37.23	2,320	-
East	A	964,797	1,235,342	1,376,664	991,999	252,386	18.33%	33,319	(28,792)	4,527	\$38.88	\$15.59	\$54.47	-	-
	B	-	264,728	1,158,233	275,151	14,385	1.24%	(776)	1,100	324	\$36.99	\$7.33	\$44.32	3,226	-
Far Northwest	A	1,270,000	-	1,912,702	327,783	199,628	10.44%	26,293	(3,396)	22,897	\$23.39	\$13.61	\$37.00	-	-
	B	-	-	1,250,526	216,894	8,807	0.70%	-	-	-	\$20.50	\$11.39	\$31.89	-	-
North Domain	A	3,988,151	330,012	3,762,775	505,101	95,883	2.55%	118,552	-	118,552	\$36.35	\$15.70	\$52.05	2,543	-
	B	-	40,000	3,244,406	472,610	157,212	4.85%	(17,455)	(4,265)	(21,720)	\$24.44	\$11.59	\$36.03	2,731	-
Northeast	A	1,082,826	-	2,102,116	751,114	382,391	18.19%	2,097	(33,934)	(31,837)	\$23.74	\$5.49	\$29.23	120,596	-
	B	-	-	1,978,889	93,136	69,582	3.52%	9,820	68,618	78,438	\$15.25	\$7.66	\$22.91	3,224	-
Northwest	A	64,550	-	9,825,934	2,306,246	788,369	8.02%	13,819	20,755	34,574	\$27.02	\$15.19	\$42.21	40,830	-
	B	-	-	4,944,736	776,789	559,079	11.31%	(14,113)	(2,417)	(16,530)	\$21.39	\$10.09	\$31.48	32,927	-
Round Rock	A	2,162,836	-	2,342,424	73,001	73,001	3.12%	11,486	-	11,486	\$24.36	\$11.39	\$35.75	10,336	-
	B	20,000	-	563,007	17,541	13,781	2.45%	2,512	-	2,512	\$18.69	\$10.53	\$29.22	2,512	-
South	A	281,688	837,334	1,140,442	612,551	38,782	3.40%	155,764	(10,699)	145,065	\$31.26	\$15.64	\$46.90	-	150,000
	B	40,895	-	1,860,197	236,140	148,110	7.96%	(2,064)	-	(2,064)	\$33.09	\$12.57	\$45.66	11,153	44,205
Southeast	A	3,422,900	420,000	1,035,689	36,032	21,545	2.08%	-	-	-	\$22.25	\$13.20	\$35.45	-	-
	B	-	-	2,320,948	29,372	29,372	1.27%	(21,095)	-	(21,095)	\$17.75	\$11.17	\$28.92	25,106	-
Southwest	A	415,650	439,097	8,232,254	1,084,838	566,593	6.88%	9,998	38,123	48,121	\$28.87	\$16.22	\$45.09	126,371	20,867
	B	-	-	2,754,572	387,621	236,661	8.59%	(12,400)	(19,363)	(31,763)	\$23.12	\$13.44	\$36.56	14,848	-
Market Totals	A	16,408,202	6,318,585	43,021,666	10,085,247	3,394,170	7.89%	255,336	(247,738)	7,598	\$32.92	\$17.42	\$50.34	344,521	20,867
	B	574,364	413,813	26,306,766	3,079,685	1,507,304	5.73%	(30,760)	23,306	(7,454)	\$26.21	\$12.48	\$38.69	104,683	44,205
	Total	16,982,566	6,732,398	69,328,432	13,164,932	4,901,474	7.07%	224,576	(224,432)	144	\$31.18	\$16.17	\$47.35	449,204	215,072



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