

Austin

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Availability remains high as leasing pulls back from previous year

The Austin office market saw an increase in leasing activity in Q4 2023, with leasing activity increasing to 1.3 million square feet (msf) for the quarter. This increase is attributed to several large leases being signed including Advanced Micro Devices renewing for nearly 444,000 square feet which accounted for 34% of total leasing activity. While leasing activity increased to end the year, total leasing activity in 2023 of 3.7 million square feet (msf) was down from 5.3 msf reported in 2022. The slowdown in leasing from the technology sector has caused overall office space demand to remain low relative to a year ago. In addition, availability continues to remain high at 27.7% up 430 basis points (bps) from a year ago. With another 5.0 msf of office space currently under construction, of which the majority is speculative, availability levels is expected to increase over the near term.

Tech sector correction keeps available sublease high

Available sublease space has increased by 1.4 msf year-over-year, however, the rate of available space entering the market has begun to slow but the technology sector accounts for the largest share of sublease availability. While the technology sector continues to undergo a correction, it is likely that sublease availability will remain above historical levels. Despite the slowdown in the tech sector, overall job growth remains positive in the Austin market. In addition, based on Kastle Data Systems, Austin ranks in the top 3 in return to work with weekly average office occupancy at 55.3% for Q4 2023, higher than the U.S. average which hovers below 50.0%.

Tenant favorable market conditions place downward pressure on asking rents

While average asking rents have increased by approximately 1.2% year-over-year, a slight decrease of 1.3% was observed compared to the prior quarter. Additionally, Class A average asking rental rates are down slightly year-over-year. This is due to the tenant-friendly market conditions observed within the Austin market. Going forward, expect tenant-favorable market conditions to continue through 2024 as landlords aggressively compete for occupancy.

Key Statistics

	Q4 2022	Q4 2023	Y-0-Y
Inventory	72.7 msf	75.6 msf	+2.9 msf
Availability Rate	23.4%	27.7%	+430 bps
Asking Rental Rate	\$45.53	\$46.07	+1.2%
Class A Asking Rental Rate	\$50.87	\$50.43	-0.9%
Quarterly Leasing Activity	1.1 msf	1.3 msf	+0.2 msf
Available Sublease Space	4.2 msf	5.6 msf	+1.4 msf

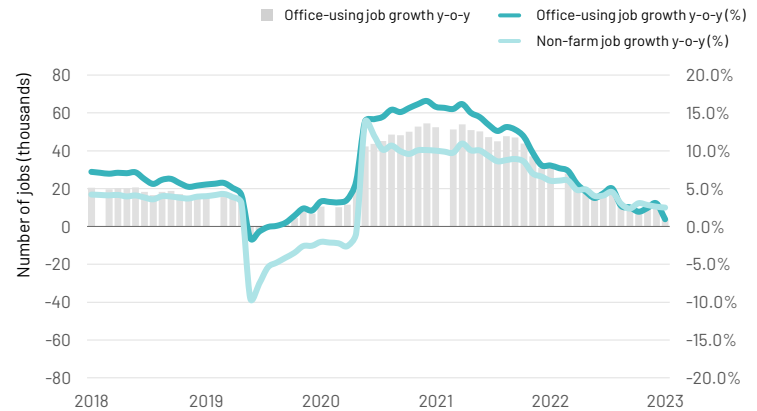
Outlook

01 Expect leasing activity to remain lower amidst a correction in the technology sector and uncertainty in the wider macroeconomic environment

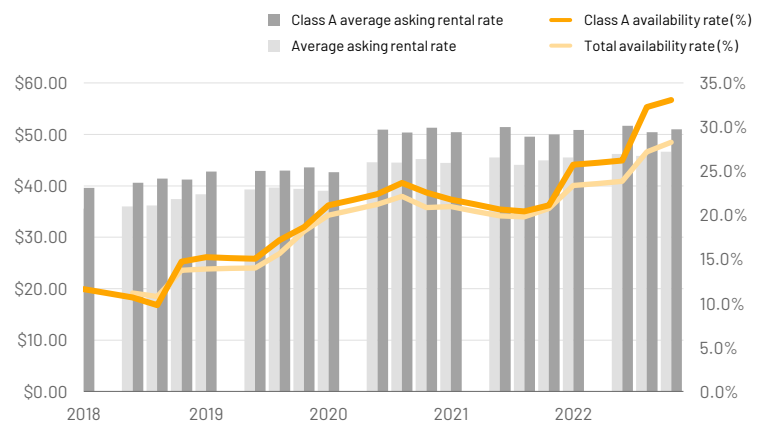
02 With another 5.0 msf of office space currently under construction, availability levels will continue to increase while rental rate growth will flatline

03 Austin remains a highly desirable market for corporate occupiers due to its lower cost of doing business and well-educated workforce but expect oversupply issues to continue in 2024

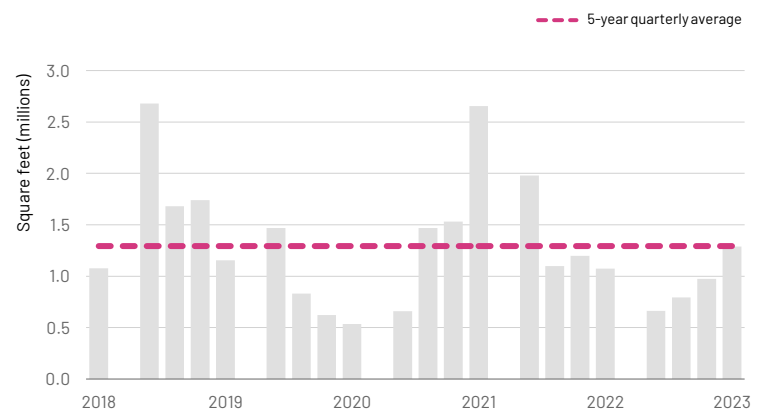
Office-using Employment Growth



Asking Rent and Availability



Leasing Activity



Top Transactions

*Trophy Building

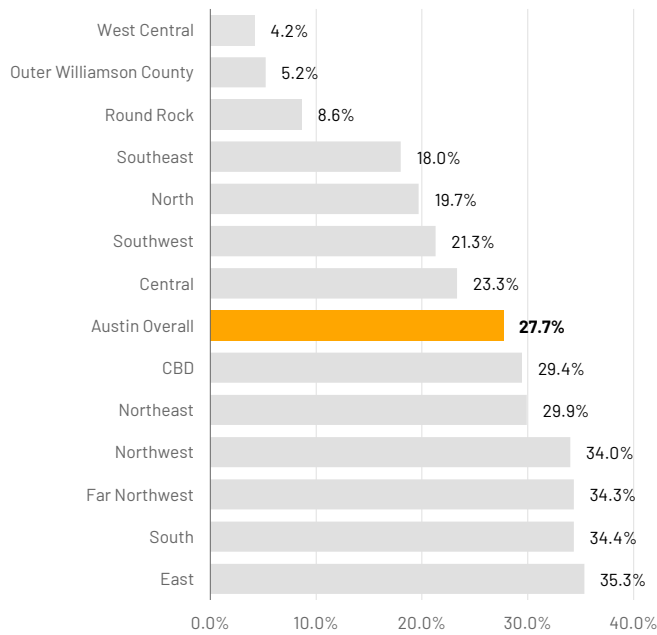
**Sublease

Source: Savills Research

TENANT	INDUSTRY	SUBMARKET	ADDRESS	SIZE (SF)	TRANSACTION TYPE
Advanced Micro Devices	TAMI	Southwest	7171 Southwest Parkway	443,987	Renewal
Apple	TAMI	Southwest	804 Las Cimas Parkway	83,481	New Location
Tokyo Electron	TAMI	South	401 S 1 st Street	76,916	New Location
Cogent Communications	Professional & Business Services	Southeast	7301 Metro Center Drive	23,227	Renewal
Cobb Fendley	Architecture, Engineering & Construction	Northwest	9600 N MoPac Expressway	22,239	New Location
National Credit Union Administration	Government	North	10910 Domain Drive	16,135	Relocation**
Clark Hill	Legal Services	South	3711 S MoPac Expressway	15,071	New Location
Astralabs	TAMI	East	979 Springdale Road	14,500	New Location**
AgileAssets	TAMI	Southwest	3001 Bee Caves Road	12,990	New Location**
The Malin	Coworking	East	1515 E Cesar Chavez Street	12,123	New Location

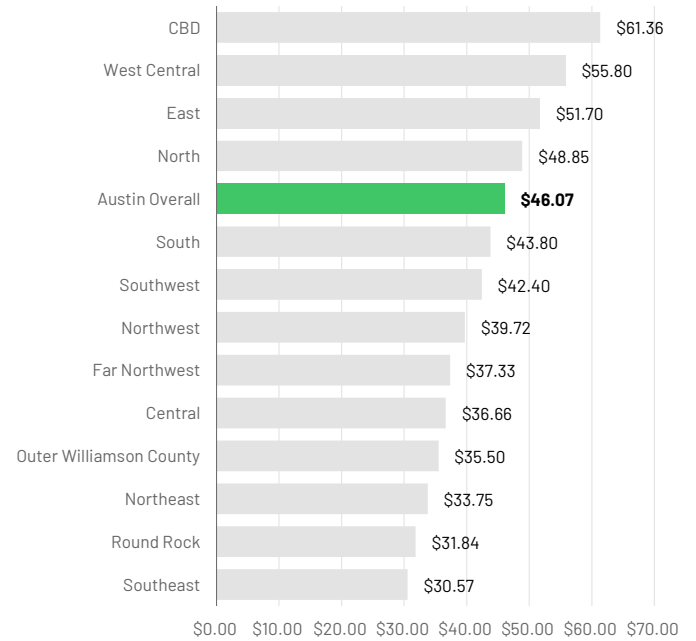
Availability Rate Comparison (%)

AUSTIN SUBMARKETS



Rental Rate Comparison (\$/sf)

AUSTIN SUBMARKETS



Austin Q4 2023 - Office

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Unless otherwise noted, all rents quoted throughout this report are average asking gross (full service) rents per square foot. Statistics are calculated using both direct and sublease information. Current and historical availability and rent data are subject to change due to changes in inventory.

The information in this report is obtained from sources deemed reliable, but no representation is made as to the accuracy thereof. Unless otherwise noted, source for data is Savills Research.

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