

# Austin

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## Office availability increases to historic high as more projects in the development pipeline

In Q3 2023, the total availability rate in the Austin office market increased to 28.3%. This was an increase of 110 basis points (bps) from 27.2% reported last quarter, as well as an increase of 750 bps from 20.8% reported a year ago. Class A availability of 33.1% was an increase of 80 bps from 32.3% reported last quarter, as well as a sharp increase from availability of 21.1% reported a year ago. Led by a slowdown in leasing from the technology sector and more speculative projects delivered to the market unleased, the current office availability is now at a new historic high.

### Available sublease space continues to rise

Available sublease space ended the quarter at 5.9 million square feet (msf), up 79% from 3.3 msf reported a year ago as large offerings from Meta Platforms, Athenahealth, General Motors, Indeed, Home Depot, and Superior Healthplan have driven the sublease availability to a record high. Leasing activity continues to remain low at just under 1.0 msf, up from 0.8 msf reported last quarter but still down from 1.2 msf reported a year ago. It should be noted that larger sublease offerings are from highly creditworthy companies with little evidence to date of tenant defaults locally. On the other hand, with most active requirements being under 30,000 square feet (sf), some of these larger sublease blocks could take time to backfill as sublessors are looking for occupiers who need over 100,000 sf.

### Average rents remain high despite slowdown in demand

Despite lower leasing activity, the overall average asking rental rate continued to rise to \$46.66 per square foot (psf) as newer and higher priced space is available both direct and for sublease. While the Austin office market continues to see record high availability levels despite a regional unemployment rate that remains near a 50-year low, weekly office occupancy utilization rates remain higher than the coasts according to Kastle Data Systems. However, the slowdown in the technology sector has caused leasing activity to remain lower over the past year. With another 4.0 msf of office space currently under construction, of which only 15% is pre-leased, expect availability levels to increase going into 2024.

## Key Statistics

	Q3 2022	Q3 2023	Y-0-Y
Inventory	72.7 msf	75.2 msf	+2.5 msf
Availability Rate	20.8%	28.3%	+750 bps
Asking Rental Rate	\$44.95	\$46.66	+3.8%
Class A Asking Rental Rate	\$50.00	\$51.00	+2.0%
Quarterly Leasing Activity	1.2 msf	1.0 msf	-0.2 msf
Available Sublease Space	3.3 msf	5.9 msf	+2.6 msf

## Outlook

01

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

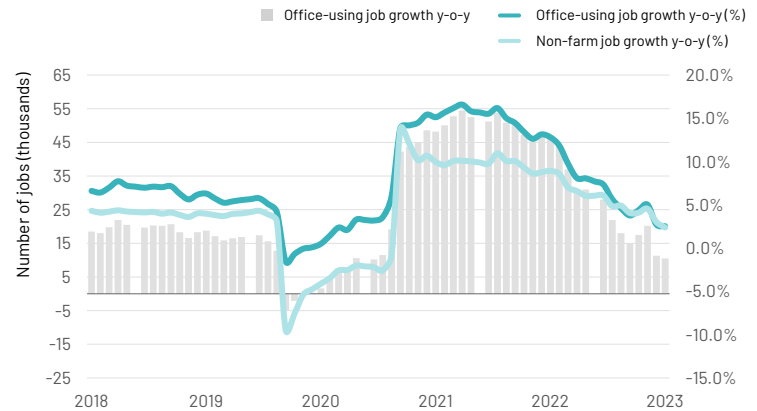
02

With another 4.0 msf of office space currently under construction, expect availability levels to continue to increase as leasing activity has pulled back

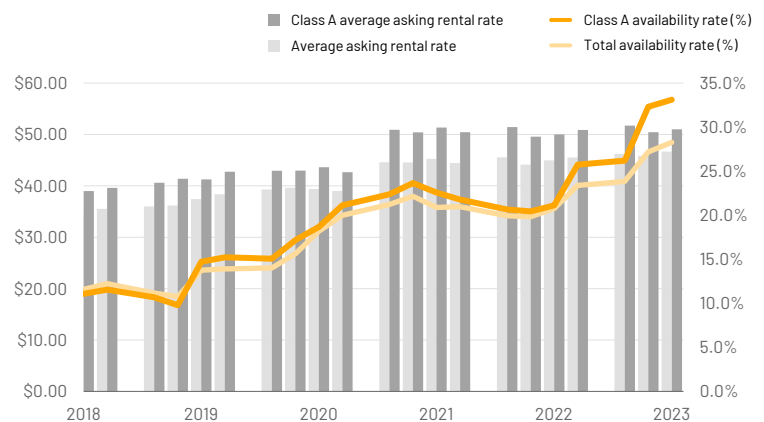
03

Austin remains a highly desirable market for corporate occupiers due to its lower cost of doing business compared to other West Coast tech markets but recovery could be slower due to oversupply

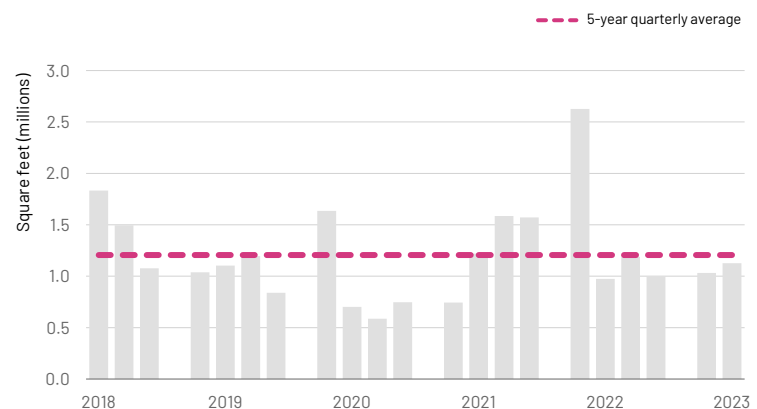
## Office-using Employment Growth



## Asking Rent and Availability



## Leasing Activity



# Top Transactions

\*Trophy Building

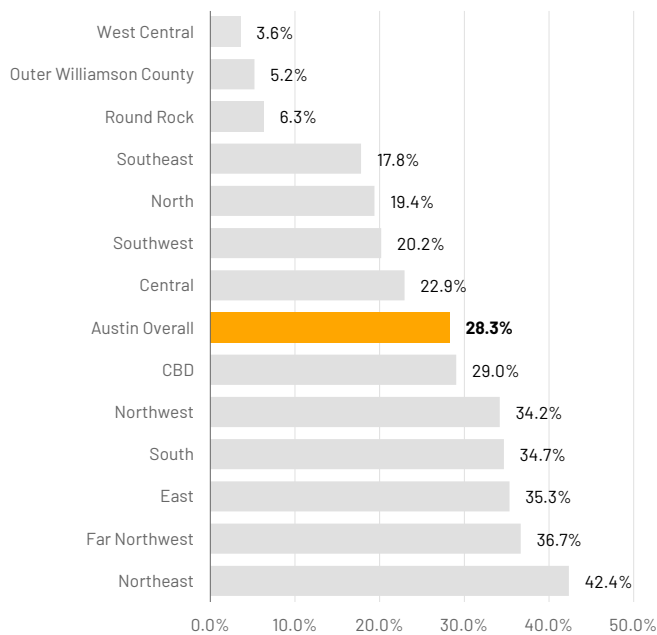
\*\*Sublease

Source: Savills Research

TENANT	INDUSTRY	SUBMARKET	ADDRESS	SIZE (SF)	TRANSACTION TYPE
Navan	TAMI	CBD	501 Congress Avenue	34,116	New Location**
PayPal	TAMI	North	10025 Alterra Parkway	30,341	New Location**
Greenberg Traurig, LLP	Legal Services	CBD	300 W 6th Street	29,952	Renewal and Expansion
Flash Parking	TAMI	West Central	2500 Bee Caves Road	27,208	New Location**
Deloitte	Business, Professional, and Consulting Services	Northeast	1609 Centre Creek Drive	24,184	Renewal
Swinerton	Architecture, Engineering, and Construction	Southwest	5707 Southwest Parkway	23,067	New Location
Biild	Financial Services and Insurance	West Central	3800 N Lamar Boulevard	21,939	New Location**
Picontera	TAMI	Northeast	1804 Rutherford Lane	21,174	New Location**
CCRM Fertility	Healthcare	Southwest	5301 Southwest Parkway	20,000	New Location
Bain & Company	Business, Professional, and Consulting Services	CBD	405 Colorado Street	19,051	Renewal

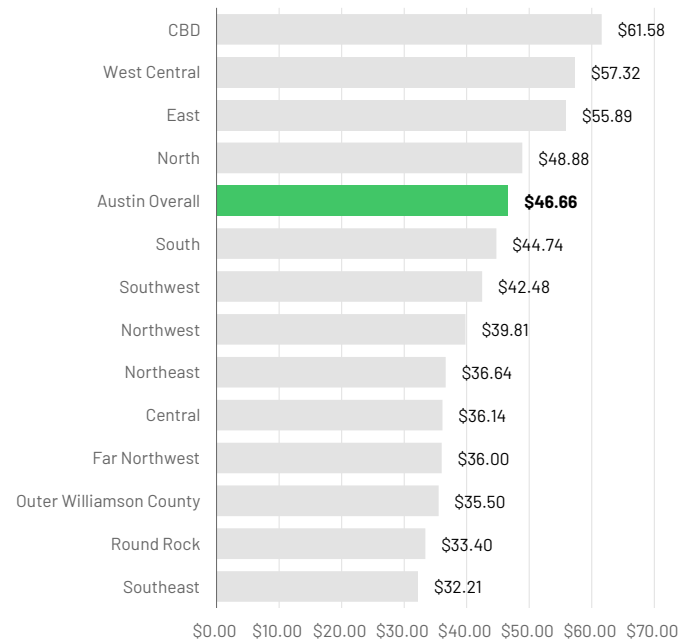
## Availability Rate Comparison (%)

AUSTIN SUBMARKETS



## Rental Rate Comparison (\$/sf)

AUSTIN SUBMARKETS



## Austin Q3 2023 - Office

For more information, please contact us:

[savills.us](https://savills.us)

**Savills Austin**  
300 W. 6<sup>th</sup> Street,  
Suite 1510,  
Austin, TX 78701  
+1 972 739 2200

**Jerry Frey**  
Senior Managing Director,  
Branch Manager,  
jfrey@savills.us  
+1 512 256-8430

**Alan Peters**  
Senior Managing Director,  
Branch Manager,  
apeters@savills.us  
+1 512 256-8430

**Michael Soto**  
Senior Director,  
Head of Office Research,  
msoto@savills.us  
+1 213 553 3833

**Deandre Prescott**  
Research Manager  
dprescott@savills.us

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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