

# Austin

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## Austin office market sees an uptick in leasing activity compared to this time last year

The Austin office market continues to hold firm observing 1.3 million square feet (msf) of leasing activity in Q3 2024. Several large deals were signed this quarter including IBM leasing 320,000 square feet (sf) at the Domain, along with PayPal expanding their footprint by 60,000 sf also at the Domain. While the slowdown in the tech sector has caused overall leasing activity to lag relative to pre-pandemic, leasing activity has seen an uptick year over year. Healthy demand is expected over the near term given the number of active tenants in the market looking for space. As of Q3 2024, sublease availability remains high, however, it has been flat quarter over quarter.

### Supply continues to outpace demand as new buildings are delivered

As new supply is delivered to the market, the construction pipeline continues to dwindle. Over 500,000 sf of new supply was delivered in Q3 2024. Construction starts have halted as supply continues to outpace demand. Availability increased to 29.3%, which represents an increase of 120 basis points compared to last quarter. The overall average asking rental rate of \$46.52 per square foot (psf) is a 0.3% decrease year over year despite the Class A average asking rental rate increasing 0.5% year over year to \$51.26 psf. While asking rents have continue to hold firm, net effective rents are expected to be lower given the lengthy free rent and significant tenant improvement allowances being offered by landlords.

### Austin employment fundamentals remain solid

With an unemployment rate that was just 3.7% in August according to the Bureau of Labor Statistics, the Austin metro area continues to outperform other metropolitan areas around the country. The region's strong population growth, skilled workforce, and business-friendly environment continue to make it an appealing destination for companies. Going forward, the Austin office market outlook is optimistic over the long-term. However, over the short-term, the market is still dealing with a technology sector correction and a high level of speculative office development.

## Key Statistics

	Q3 2023	Q3 2024	Y-0-Y
Inventory	75.4 msf	75.3 msf	-0.1 msf
Availability Rate	28.2%	29.3%	+110 bps
Asking Rental Rate	\$46.66	\$46.52	-0.3%
Class A Asking Rental Rate	\$51.00	\$51.26	+0.5%
Quarterly Leasing Activity	0.9 msf	1.3 msf	+0.4 msf
Available Sublease Space	0.4 msf	0.5 msf	+0.1 msf

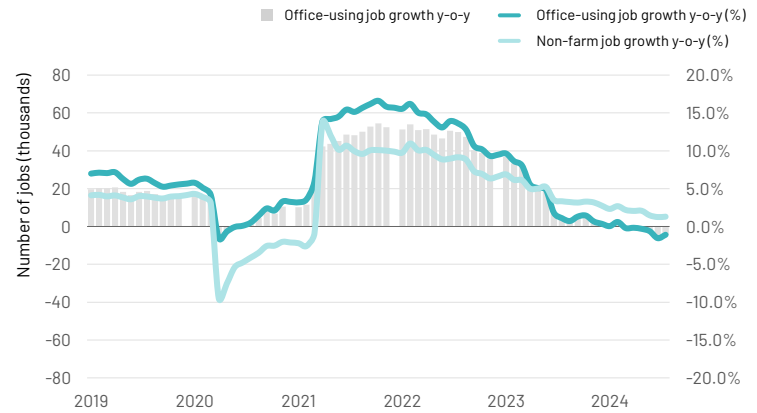
## Outlook

**01** With an uptick in touring activity, expect leasing activity to trend upward but long-term recovery is dependent on technology sector office space demand coming back

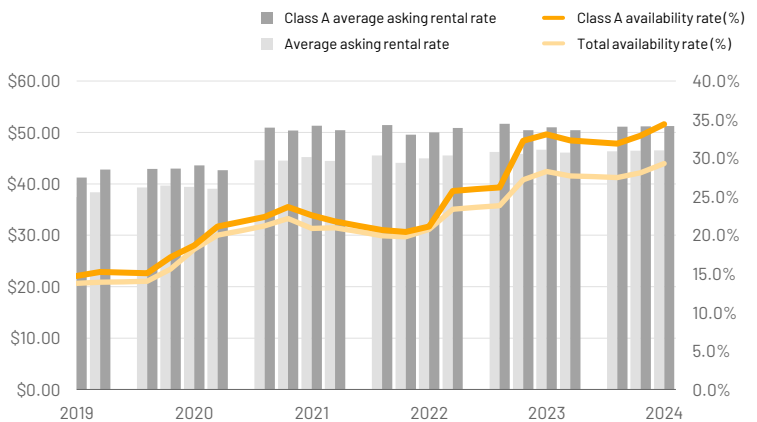
**02** Another 5.3 msf of office space is under construction and availability is expected to continue to increase over the short-term as many projects broke ground speculatively

**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

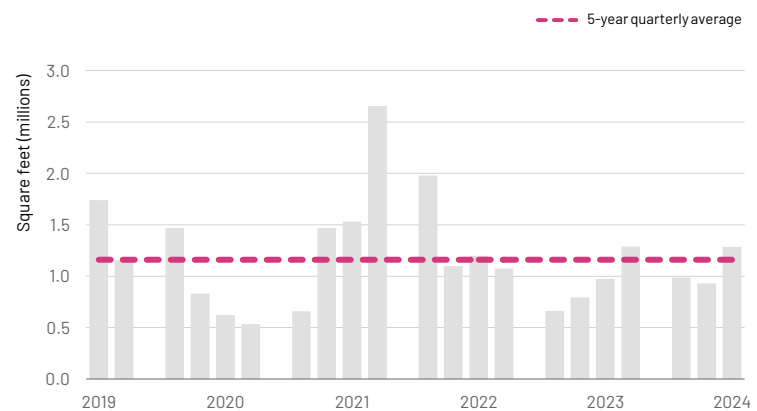
## Office-using Employment Growth



## Asking Rent and Availability



## Leasing Activity



# Top Transactions

\*Trophy Building

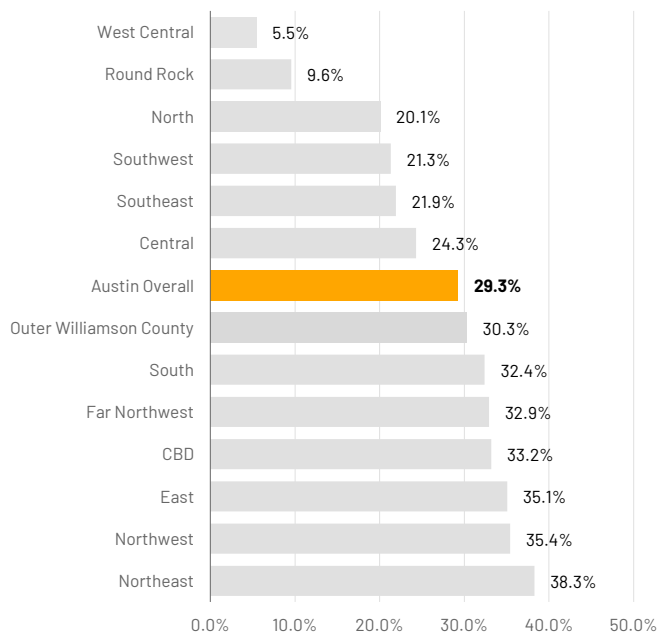
\*\*Sublease

Source: Savills Research

TENANT	INDUSTRY	SUBMARKET	ADDRESS	SIZE(SF)	TRANSACTION TYPE
IBM	TAMI	North	11800 Alterra Parkway	320,095	Relocation
PayPal	TAMI	North	10025 Alterra Parkway	60,000	Expansion
Picklr	Personal Services and Recreation	Far Northwest	8201 N FM 620	43,885	New Location
Rapid7LLC	TAMI	CBD	401 Congress Avenue	26,607	Restructure
AV Ride	TAMI	Northwest	8300 N MoPac Expressway	22,022	Relocation
New American Funding	Financial Services and Insurance	Far Northwest	11001 Lakeline Boulevard	20,878	New Location
Gevity	Healthcare	Central	104 E Highland Mall Boulevard	18,015	New Location
Qualia	TAMI	East	1401 E 6 <sup>th</sup> Street	16,903	Relocation
Foley & Lardner LLP	Legal	CBD	600 Congress Avenue	15,458	Renewal
Real Works Labs	TAMI	Central	5209 Burnet Road	11,684	Relocation

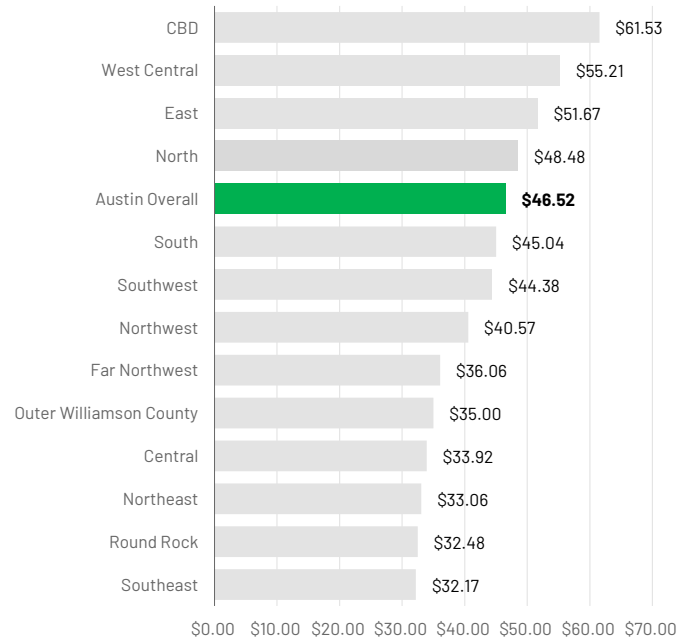
## Availability Rate Comparison (%)

AUSTIN SUBMARKETS



## Rental Rate Comparison (\$/sf)

AUSTIN SUBMARKETS



## Austin Q3 2024 - 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.

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