

## Availability increases drastically, led by the East and Northeast submarkets as Austin feels impact of COVID-19 and new deliveries

Austin's overall availability rate, which includes sublease space, increased by 500 basis points (bps) and 180 bps year over year and quarterly, respectively, to 15.6%. Class A availability rose by 770 bps to 17.4%, while the availability rate for lower quality space rose by 130 bps to 13.1% over the last year. In addition to the pandemic shutdown, Austin has seen abundant new construction deliver in the past year, also contributing to the increase in availability - particularly amongst Class A properties.

### Despite rapidly rising availability, overall asking rents also increased over the year

In the second quarter of 2020, Austin's average office asking rent stood at \$39.65 per square foot (psf), reflecting annual (9.6%) and quarterly (0.9%) increases. Class A rents held flat over the quarter and increased 3.8% over the year, to \$42.95 psf. CBD and suburban rents increased by 1.6% and 9.7% to \$54.37 psf and \$36.40, respectively, year over year. While the market may not yet be seeing significant repricing of direct space from landlords, a pull back in demand and uptick in availability will make the market more tenant-favorable and tenants can expect more generous concession offerings and flexible terms. Increasing sublet availability also creates additional occupier opportunities.

### Leasing activity plummets due to COVID-19 as many tenants put real estate decisions on pause

Second-quarter leasing activity totaled just over 800,000 square feet (sf), marking a 43.4% decrease over the quarter and a 50.5% decrease over the year and a five-year low. The largest leases signed in the quarter were by DLA Piper (72,530 sf) at 303 Colorado Street in the CBD, Husch Blackwell LLP (46,000 sf) at 111 Congress Avenue in the CBD, and Tata Consultancy Services (45,211 sf) at Parmer Sector 4.2 in the Northeast. Tenants that do not have to make real estate decisions in the current, uncertain, environment are putting decisions on pause until there is more economic and business clarity going forward. Those that are active in the market will benefit from softer conditions and more flexible terms.

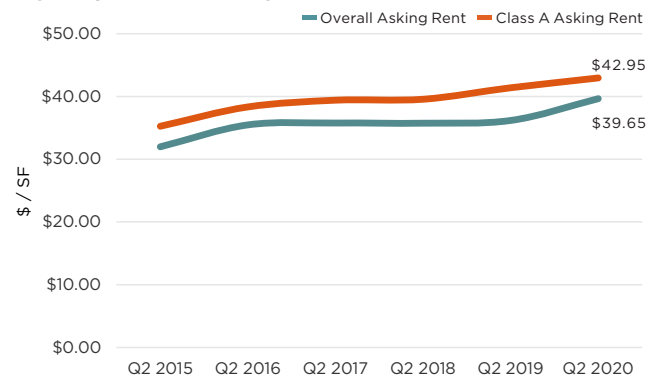
### Outlook

- Austin's unemployment rate spiked from 3.8% in May 2019 to 12.2% in April 2020; as COVID-19 cases continue to increase throughout Texas, expect the economy to grow slower, particularly while the unemployment rate remains above 10%
- Prior to COVID-19, Austin area employment was projected to grow by 2.7% per year over the next five years, resulting in an aggregate of 148,000 new jobs through year-end 2024
- Revised projections, which assume a 20% net decline in U.S. employment in 2020, imply a substantial job loss over the same period; by the first quarter of 2025, we expect employment to still be about 2% below pre-COVID levels

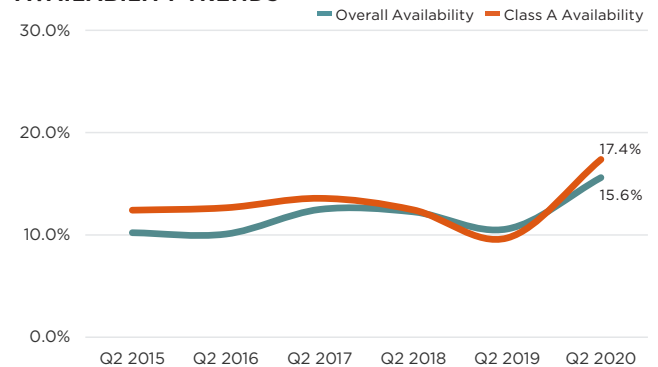
### KEY STATISTICS

	Q2 2019	Q2 2020	y-o-y Change
Inventory	66.6 MSF	<b>67.6 MSF</b>	▲
Availability Rate	10.6%	<b>15.6%</b>	▲
Asking Rental Rate	\$36.17	<b>\$39.65</b>	▲
Class A Asking Rental Rate	\$41.39	<b>\$42.95</b>	▲
Quarterly Leasing Activity	1.7 MSF	<b>0.8 MSF</b>	▼

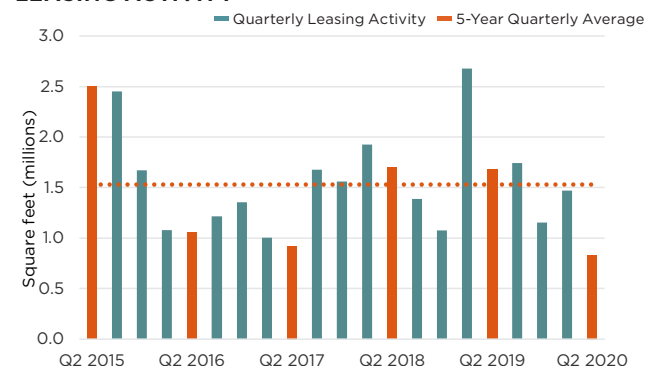
### ASKING RENT TRENDS



### AVAILABILITY TRENDS



### LEASING ACTIVITY



MAJOR TRANSACTIONS

6 of 10

major transactions were **new locations or relocations**

30.8%

of large transactions occurred in the **CBD** submarket

32.3%

**Professional Services** tenants represented a combined 32.3% of major transactions

Tenant	Square feet	Address	Transaction type	Submarket	Industry
DLA Piper	72,530	303 Colorado Street	Relocation	CBD	Legal Services
Husch Blackwell LLP	46,000	111 Congress Avenue	Renewal	CBD	Legal Services
Tata Consultancy Services	45,211	Parmer 4.2	New Location	Northeast	Professional Services
Synopsys Inc	44,569	1301 S Mo Pac Expressway S	Renewal	South	TAMI
Wipro	42,000	Parmer 4.2	New Location	Northeast	Professional Services
Gatehouse Media, Inc.	34,600	8000 Metropolis Drive	Restructure	Southeast	TAMI
Smith+Nephew	32,994	7000 William Cannon Drive W	New Location	Southwest	Healthcare
Cognizant Technology Solutions	29,915	Parmer 4.1	New Location	Northeast	TAMI
Frog Design Inc.	20,008	1221 S Congress Avenue	New Location	South	Professional Services
Frog Design Inc.	17,302	901 S MoPac Expressway	New Location	South	Professional Services

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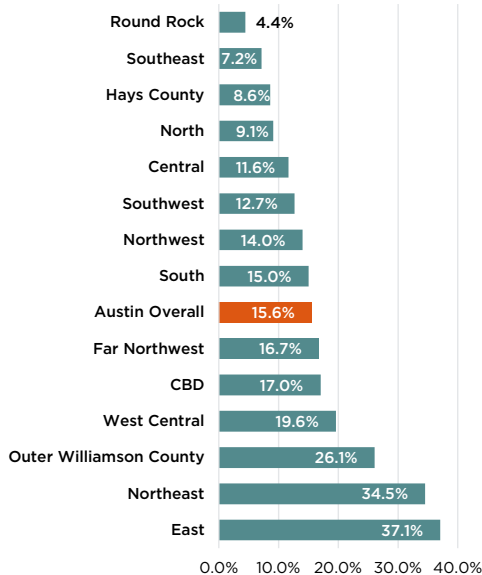
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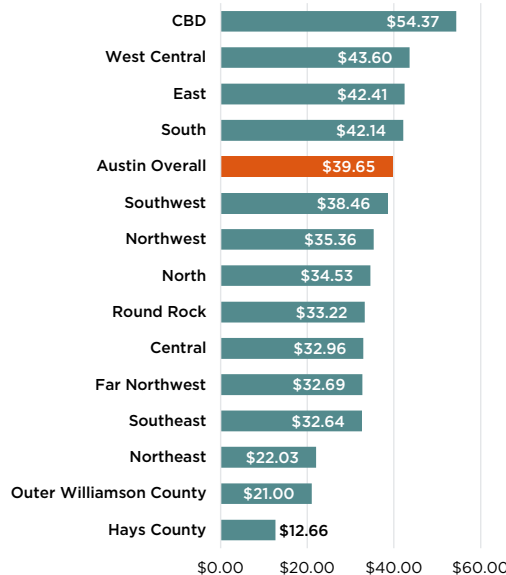
AVAILABILITY RATE COMPARISON

Austin Submarkets



RENTAL RATE COMPARISON (\$/SF)

Austin Submarkets



Unless otherwise noted, all rents quoted throughout this report are average asking gross (full service) rents per square foot (psf). 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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