

Despite ongoing pandemic shutdown, overall rents rose through Q3 2020

In the third quarter of 2020, the average office asking rent stood at \$39.40 per square foot (psf) in the Austin market, reflecting an annual (5.3%) increase and a quarterly (-0.6%) decrease. Rents ranged from a low of \$12.86 psf in Hays County to \$55.13 psf in the Central Business District (CBD). Class A rents in the region increased by 1.6% over the quarter and 5.8% over the year, to \$43.62 psf. CBD and suburban rents increased by 1.5% and 4.2% to \$55.13 psf and \$36.33, respectively, year over year. Over the last year, rent increases were observed in the Central (+6.6%), Southeast (+6.0%), North (+4.8%), Southwest (+3.2%), West Central (+3.1%), and CBD (+1.5%) submarkets, while the East (-10.5%), Round Rock (-6.9%), and Northeast (-4.2%) saw rent declines.

Availability rates are drastically increasing, led by the East and Northeast submarkets

In the third quarter of 2020, overall availability in the Austin market increased by 430 basis points (bps) and 260 bps year-over-year and quarterly, respectively, to 18.2%. The Class A availability rate rose by 380 bps to 18.9%, while the availability rate for lower quality space rose by 500 bps to 17.1% over the last year. The CBD availability rate spiked by 1,140 bps to 19.4% year-over-year, while the suburban availability rate rose 260 bps to 17.9% over the same period. Submarket availability rates ranged from 6.6% in the Southeast submarket and 7.7% in Round Rock to 37.1% in the East and 29.0% in the Northeast.

Leasing activity continues to fall due to COVID-19.

Total leasing activity in the Austin market in third quarter of 2020 was just 621,072 square feet (sf), a 25.3% decrease versus the previous quarter and a 64.3% decrease compared to the third quarter in 2019. Over the last five years, total leasing activity peaked in the first quarter of 2019 at 2.7 million square feet (msf). The most recent quarter represents a five-year low. In the third quarter of 2020, there were 101 office leases signed in the market, averaging about 6,149 sf per lease. The largest leases signed in the quarter were by ShipStation 105,385 sf at The Grove in the West Central submarket, Polycom 88,787 sf at 7700 W. Parmer Lane in the Far Northwest submarket, and Everi Games Holding Inc. 51,000 sf at 206 Wild Basin Road S. in the Southwest submarket.

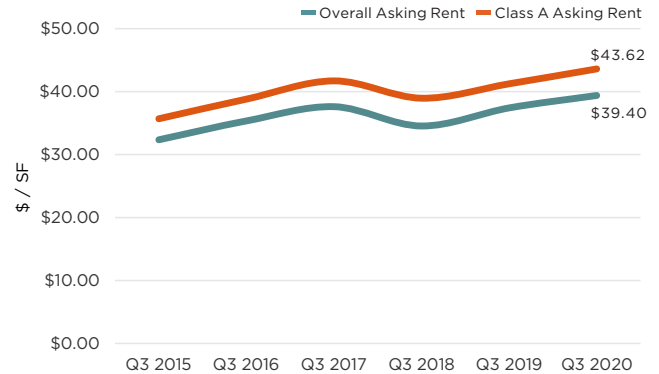
Outlook

- More workers will return to work, however market turbulence is expected in the office sector over the next two years.
- While construction continues, pre-leasing of inventory under construction is now below 20%, meaning vacancy will continue to rise during the recovery.
- Employment in the Austin market is projected to grow by 2.5% per year over the next five years, resulting in an aggregate of 124,000 new jobs through the mid-2025.

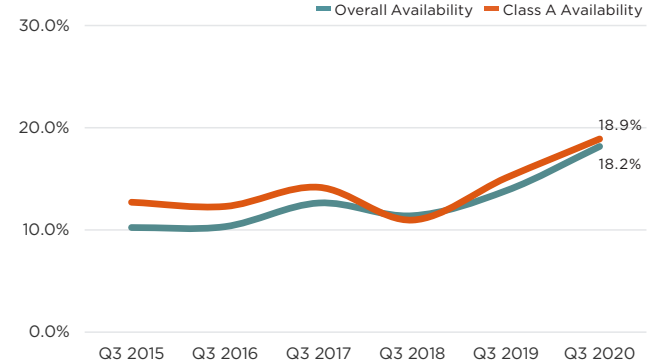
KEY STATISTICS

	Q3 2019	Q3 2020	y-o-y Change
Inventory	66.4 MSF	67.7 MSF	▲
Availability Rate	13.8%	18.2%	▲
Asking Rental Rate	\$37.41	\$39.40	▲
Class A Asking Rental Rate	\$41.24	\$43.62	▲
Quarterly Leasing Activity	1.7 MSF	0.6 MSF	▼

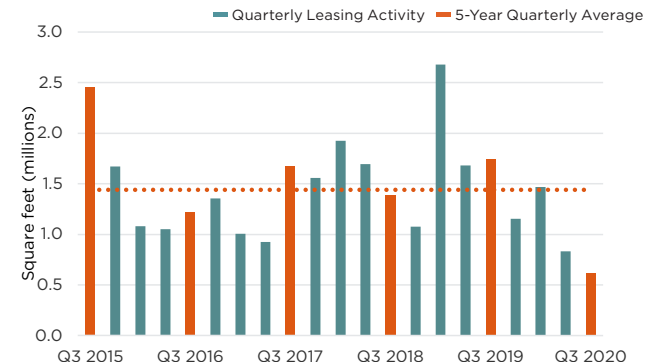
ASKING RENT TRENDS



AVAILABILITY TRENDS



LEASING ACTIVITY



MAJOR TRANSACTIONS

41.7%

major transactions were **renewals** by square footage

29.4%

of large transactions occurred in the **West Central** submarket by square footage

59.7%

Tech sector tenants represented a combined 59.7% of major transactions by square footage

Tenant	Square feet	Address	Transaction type	Submarket	Industry
ShipStation	105,385	The Grove	Relocation	West Central	Technology
Polycom	88,787	7700 W Parmer Lane	Renewal	Far Northwest	Technology
Everi Games Holding Inc.	51,000	206 Wild Basin Road S	Renewal	Southwest	Personal Services
Hippo Analytics Inc.	31,641	701 E 5th Street	New Location	CBD	Financial Services
Heritage Title Co. of Austin Inc.	20,459	200 W 6th Street	New Location	CBD	Financial Services
Aspen Group Inc.	19,656	101 W Louis Henna Boulevard	New Location	North	Education
Munck, Wilson & Mandala, LLP	11,308	807 Las Cimas Parkway	Relocation	Southwest	Legal Services
eBay Inc	10,101	7700 W Parmer Lane	Expansion	Far Northwest	Technology
Global Foundries	10,044	5113 Southwest Parkway	New Location	Southwest	Manufacturing
Qualia Labs	9,496	5700 MoPac Expressway S	Renewal	Southwest	Technology

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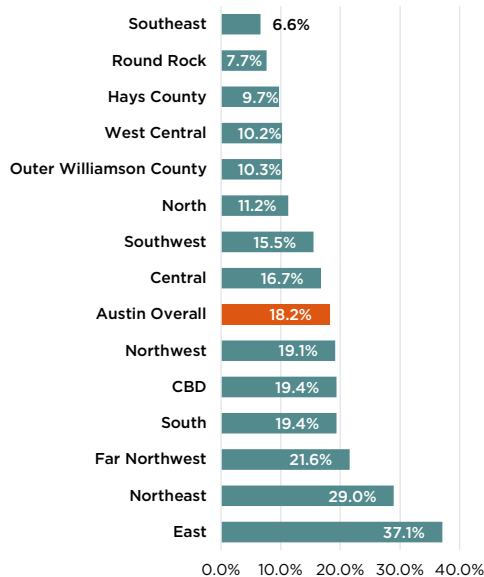
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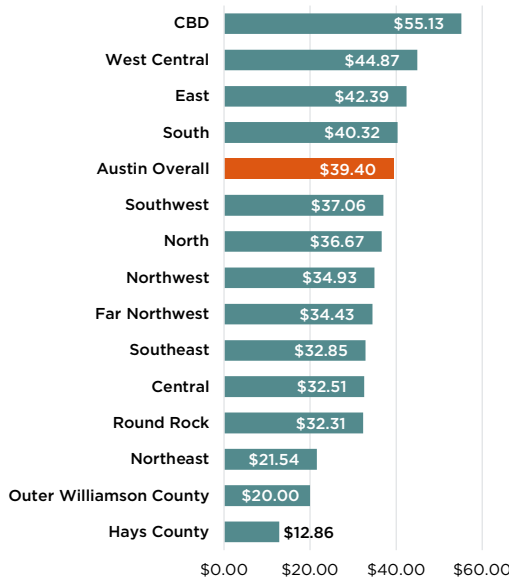
AVAILABILITY RATE COMPARISON

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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