

Availability continues to tighten, particularly in the CBD

Overall availability in Austin declined by 40 basis points over the quarter and by 170 basis points year over year, to 11.0% in the second quarter of 2019. In comparison, the average Class A availability rate declined by 90 basis points over the quarter and 190 basis points year-over-year, to 10.4%. Options are slimmer in the CBD submarket, with CBD and suburban market availability rates currently at 9.4% and 11.4%, respectively. Class A space is particularly tight in the CBD, with current availability of just 9.1% - a 260-basis-point decrease over the year.

Asking rents rise over the year, rates vary greatly by submarket

In the second quarter of 2019, Austin's overall average office asking rent stood at \$36.61 per square foot (psf), reflecting an annual increase of 2.8% and effectively no change over the quarter. Rents ranged from a low of \$13.21 psf in the Hays County submarket, to \$54.12 psf in the Central Business District (CBD) submarket. Class A rents increased by 6.2% year over year and 1.7% over the quarter, to \$42.56 psf. Class A rents in the CBD held fairly flat over the quarter, yet are still up 3.8% over the year, now at \$56.66 psf. With space becoming more limited throughout the market, owners are pushing asking rents up in response.

New product remains favorable; financial and legal services drive demand

Second-quarter leasing activity totaled 1.7 million square feet (msf), holding relatively flat year over year, but down by 37.2% from a particularly strong first quarter. Still, several notable transactions were seen - particularly from the financial and legal services industries. Financial giant, Visa, is growing in the market and committing to an additional 129,246 square feet (sf) at 12401 Research Boulevard in the Northwest submarket. Law firm DLA Piper chose new product for its new home, taking 69,550 sf across the top four floors at 405 Colorado Street, currently under construction in the CBD. Baker Botts LLP also chose new construction and will anchor 50,000 sf at the RiverSouth tower (401 S 1st Street) in the South submarket. Eight out of the 10 largest transactions seen in the quarter were relocations or new locations.

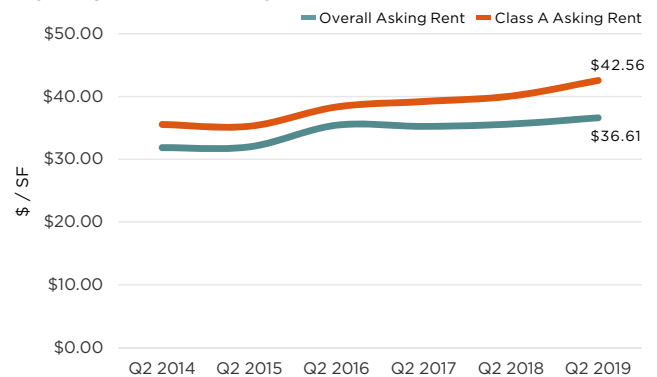
Outlook

- Despite an overall rise in asking rents, suburban submarkets present opportunity for tenants seeking value options
- Austin continues to attract young, educated Millennial professionals, a trend that will continue strengthen the area's labor force
- Austin MSA employment is projected to grow by 2.7% per year over the next five years, resulting in an aggregate of 147,000 new jobs through the first quarter of 2024

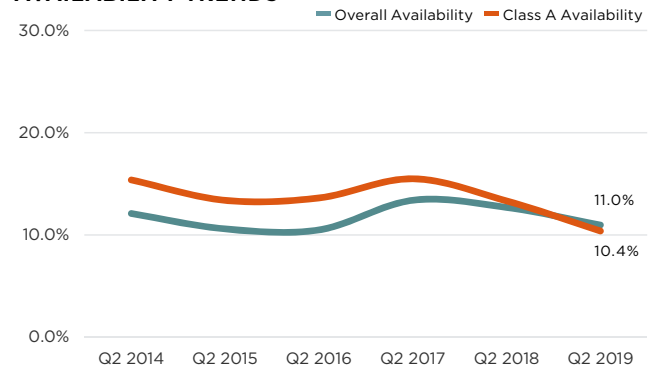
KEY STATISTICS

	Q2 2018	Q2 2019	y-o-y Change
Inventory	64.5 MSF	64.8 MSF	▲
Availability Rate	12.7%	11.0%	▼
Asking Rental Rate	\$35.61	\$36.61	▲
Class A Asking Rental Rate	\$40.06	\$42.56	▲
Quarterly Leasing Activity	1.7 MSF	1.7 MSF	◀▶

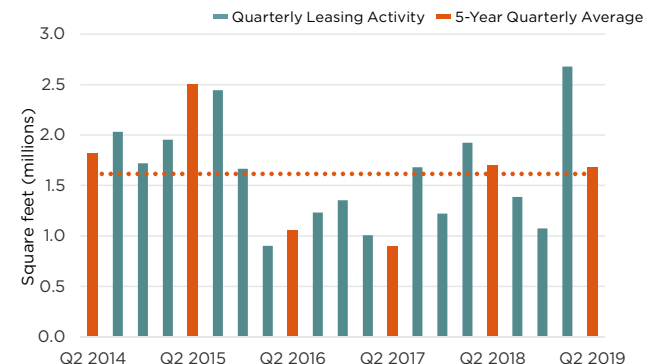
ASKING RENT TRENDS



AVAILABILITY TRENDS



LEASING ACTIVITY



MAJOR TRANSACTIONS

84.4%

of major transactions were **new market entrants, expansions or relocations**

57.8%

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

50.4%

Financial and Legal Services represented a combined 50.4% of major transactions

Tenant	Square feet	Address	Transaction type	Submarket	Industry
Visa	129,246	12401 Research Boulevard	New Location	Northwest	Financial Services
DLA Piper	69,550	405 Colorado Street	Relocation	CBD	Legal Services
Allergan	63,372	12331-A Riata Trace Parkway	Relocation	Northwest	Pharmaceuticals
Juul Labs	53,367	2010 S Lamar Boulevard	New Location	South	Manufacturing
Baker Botts LLP	50,000	401 S 1st Street	Relocation	South	Legal Services
Allergan	43,715	12301-B Riata Trace Parkway	New Location	Northwest	Pharmaceuticals
Indeed.com	43,713	7501 N Capital of Texas Highway	Renewal	Northwest	TAMI
Indeed.com	43,695	7501 Capital Of Texas Highway N	Renewal	Northwest	TAMI
Brown Advisory	33,505	200 W 6th Street	Relocation	CBD	Financial Services
Aegla BioTherapeutics	30,026	805 Las Cimas Parkway	Relocation	Southwest	Biotechnology

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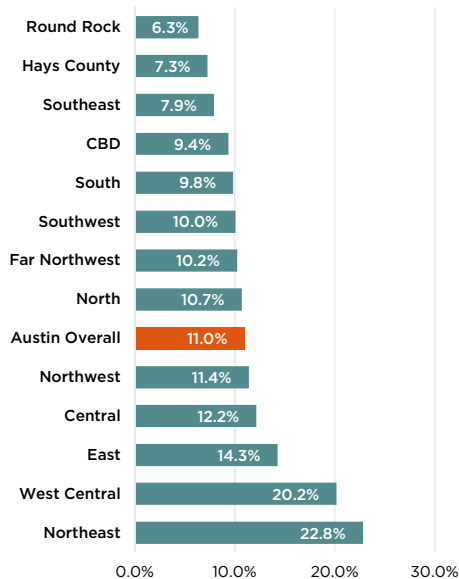
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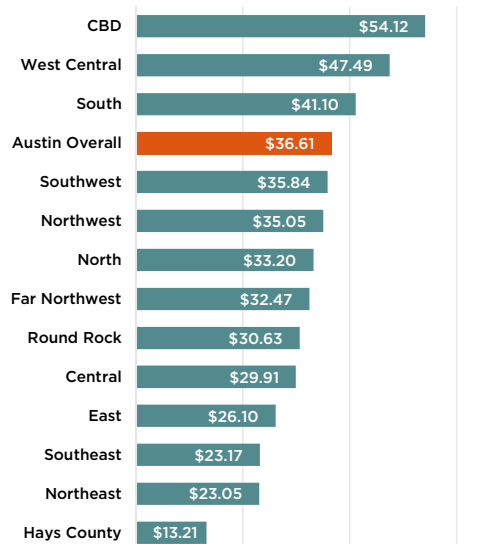
AVAILABILITY RATE COMPARISON

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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