

MARKETBEAT

AUSTIN OFFICE

Office Q4 2018



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Economic Indicators

	Q4 2017	Q4 2018	12-Month Forecast
Austin Employment	1,045k	1,081k	▲
Austin Unemployment	2.9%	2.9%	▼
U.S. Unemployment	4.1%	3.7%	▼

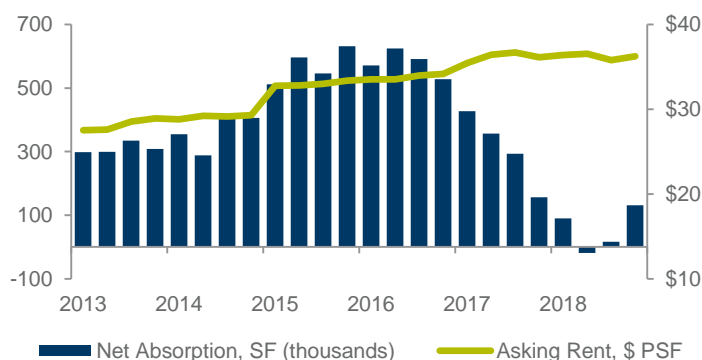
Market Indicators (Overall, All Classes)

	Q4 2017	Q4 2018	12-Month Forecast
Vacancy	10.4%	10.6%	▲
Net Absorption (sf)	-90k	368k	▲
Under Construction (sf)	3.7M	4.0M	▲
Average Asking Rent*	\$36.13	\$36.26	▲

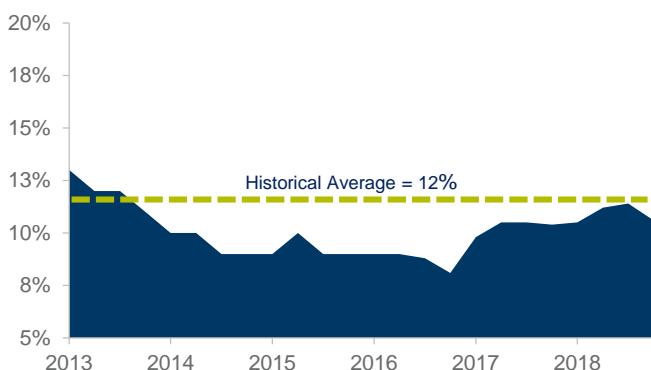
*Rental rates reflect gross asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

As 2018 came to a close, the performance of Austin's economy remained rock solid. The area's unemployment rate of 2.9% is one of the lowest of the top 50 large metro areas in the United States. Additionally, the Austin market continues to generate jobs. According to a recent workforce report by LinkedIn, hiring was up 14.3% between July 2017-July 2018 and the U.S. Bureau of Labor Statistics reports the city added just under 36,000 jobs over that same time period. These strong economic indicators coupled with Austin's high-quality of living continue to make the Texas capital a popular destination for both corporate relocations and individuals alike.

Market Overview

The Austin office market recorded just over 368,000 square feet (sf) of overall positive absorption during Q4 2018. The strongest absorption levels occurred in the highly desirable Far Northwest (FNW) submarket where construction and leasing activity continued to thrive. In the Central Business District (CBD), positive absorption was seen once again with approximately +81,000 sf of overall absorption recorded. The overall vacancy rate in Austin fell to 10.6%, down 80 basis points from the 11.4% posted in Q3 2018. The CBD saw even lower vacancy, with an overall rate of 7.7% for all classes and 5.9% for Class A properties. The overall asking rate for the entire Austin market increased to \$36.26 per square foot (psf), while the CBD average rental rate of \$52.91 psf maintained its position as the highest across all submarkets. Additionally, the average Class A rate in the CBD climbed significantly to an all-time high of \$58.16 psf, a year-over-year increase of 6.8%.

Outlook

Apple's recent announcement to build a \$1 billion campus in North Austin reflects the ongoing confidence in the local Austin economy. Even with construction levels at an all-time high, vacancy rates remain low as large block users continue to snap up high-end office space seemingly as fast as these new projects are announced to fulfill immediate and future needs. While the economy at the national level is worth monitoring due to a slumping stock market and concerns over foreign trade, Austin appears suited to weather most economic storms due to its importance as a technological, governmental, and educational hub.

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SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	OVERALL AVERAGE ASKING RENT (ALL CLASSES)*	OVERALL AVERAGE ASKING RENT (CLASS A)*
CBD	10,839,252	141,497	689,286	7.7%	80,942	328,315	1,147,293	\$52.91	\$58.16
Central	1,171,016	34,574	94,492	11.0%	-23,083	-41,056	205,161	\$38.70	\$48.68
Far Northwest	14,657,877	223,417	902,977	7.7%	170,707	396,437	1,400,692	\$36.38	\$37.38
North Central	1,911,525	18,525	307,886	17.1%	16,287	-6,269	0	\$26.51	\$29.84
Northeast	2,190,315	128,585	234,095	16.6%	12,294	-167,236	115,000	\$24.30	\$32.19
Northwest	4,498,457	77,605	522,605	13.3%	17,765	-154,754	0	\$31.28	\$38.56
South Central	1,784,164	4,785	48,673	3.0%	16,101	148,289	129,201	\$30.73	\$48.39
Southeast	1,026,115	6,370	304,748	30.3%	30,513	-104,542	138,850	\$27.46	\$38.00
Southwest	10,718,223	472,326	816,837	12.0%	-11,299	45,459	156,670	\$37.09	\$38.68
Round Rock	1,599,749	21,422	269,652	18.2%	48,427	-80,897	59,476	\$31.62	\$34.87
East	614,717	0	91,128	14.8%	9,583	160,449	609,305	\$42.85	\$45.25
AUSTIN TOTALS	51,011,410	1,129,106	4,282,379	10.6%	368,237	524,195	3,961,648	\$36.26	\$41.09

*Rental rates reflect gross asking \$psf/year

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	OVERALL AVERAGE ASKING RENT*
Class A	31,029,238	887,263	2,030,695	9.4%	267,857	702,776	3,961,648	\$41.09
Class B	16,827,199	208,687	1,950,717	12.8%	100,164	-109,677	0	\$32.58
Class C	3,154,973	33,967	300,967	10.6%	216	-68,904	0	\$25.29

Key Lease Transactions 2018

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
Domain 12	320,000	Confidential	New	FNW
Block 71	307,000	Indeed	New	CBD
Domain 10	140,000	Amazon	New	FNW
Research Park Plaza II	135,813	Visa	New	FNW

Key Sales Transactions 2018

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
Austin Oaks	445,322	Spire Realty Group / The Luzzatto Co.	Undisclosed	NW
Stonebridge Plaza I & II	385,829	KBS Realty / Intercontinental RE	\$163,000,000 / \$418	FNW
Domain 8	291,058	Shorenstein Properties / TIER REIT	\$137,700,000 / \$473	FNW
Domain Point I & II	240,000	Crow Holdings / TIER REIT	\$66,420,000 / \$277	FNW

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