

# Austin

Office | Q4 2023 Market Report

## Quarterly Snapshot

↓ Average Rent  
\$42.88/SF

↑ Vacancy  
16.5%

↑ Net Absorption  
108,207 SF

## Occupier's Perspective

The market is expected to remain tenant friendly with continued muted demand. Rents are estimated to decrease by seven percent in 2024.

With subleases at an all-time high, tenants searching for space have plenty of options and an opportunity to negotiate better lease terms at an affordable rate.

Office construction remains active with about 6.4 million square feet under development across 30 buildings, yet 55 percent of recently developed spaces are still available for lease.

Facing pressures from new construction with uncommitted space along with a leasing volume that continues to trail the historical average, Austin's office market is on the way to seeing a continued expansion of vacancies, which will weigh on average rents across the market. Austin's overall vacancy rate stands at 16.5 percent and is expected to expand to 21.2 percent by the third quarter of 2023, which would move its ranking from fourth to second among major U.S. office markets, trailing only San Francisco.

Approximately half of new construction is still available for lease, and 54 percent of the 6.6 million square feet under construction remain uncommitted. Further adding to availabilities are sublease spaces, which remain at all-time highs. The sharp rise in the vacancy rate over the past year is attributable to a combination of tenants subletting, downsizing to a hybrid model, or moving out of older, lower-quality office buildings, as well as the unleased space in newly constructed buildings.

Because of the widening gap between supply and demand, average rents are expected to revert to early 2019 levels by the end of 2024. This would still make Austin the fifth most expensive office market among the top 50 in the U.S.

## Recent Transactions

Tenant	Size (SF)	Submarket	Type	Building
Advanced Micro Devices Inc	98,920 SF	South	New Lease	Office
Infinitum	71,192 SF	North	New Lease	Office
Cobb Fendley	22,239 SF	Northwest	New Lease	Office

## Submarket Movement

Vacancy Rate	QOQ Change	Direct Asking Rent (\$/SF)	Submarket
4.7%	▼	\$30.22	Caldwell County
5.9%	▲	\$30.73	Bastrop County
7.9%	◆	\$32.14	Georgetown
8.5%	▼	\$32.33	Hays County
27.4%	▼	\$33.57	Northeast
6.2%	▼	\$33.86	Far Northeast
7.7%	▲	\$34.01	Southeast
4.2%	▲	\$34.82	Round Rock
9.1%	▲	\$36.32	Cedar Park
14.1%	▲	\$38.10	Central
16.6%	▼	\$39.62	Far Northwest
22.3%	▲	\$40.84	Northwest
16.5%	▲	\$42.68	Southwest
20.3%	▲	\$43.15	South
12.7%	▼	\$44.42	North/Domain
23.0%	▲	\$44.82	East
5.8%	▼	\$46.90	West Central
19.7%	▲	\$56.41	CBD