

# Austin

Office | Q1 2024 Market Report

## Quarterly Snapshot

↑ Average Rent  
\$43.68/SF

↑ Vacancy  
16.7%

↑ Net Absorption  
214,040 SF

## Occupier's Perspective

Austin continues to be a favorable tenant's market as they continue to hold strong on costs, but have become creative in the incentives they offer potential occupiers.

Construction starts have declined by 80 percent year-over-year, which will translate to diminishing new supply beginning in 2025.

Owner/users have become significant sellers, reflecting a shift in approach to unlock liquidity while reducing real estate costs.

The Austin office market is facing challenges due to upcoming office completions coinciding with declining demand, leading to higher vacancies and decreasing average rents. Despite being one of the fastest-developing office markets in the U.S., demand has not kept pace with supply. Occupancy losses surpass move-ins, with downsizing prevalent across both urban and suburban areas.

Approximately 6.7 million square feet of office space is in the pipeline, contributing to the market's oversupply issue. This construction activity, coupled with declining demand, poses a significant challenge to near-term market stabilization. However, a decline in construction starts suggests a potential slowdown in new supply starting in 2025.

Despite these challenges, landlords have maintained relatively flat asking rents, but with vacancies accumulating, average rents are expected to decline in 2024. Currently, the market's average rent stands at \$44.00 per square foot, making it the fifth most expensive in the country. We forecast a dip to \$43.20 per square foot by the end of 2024, indicating a 0.7 percent decline from the previous year, one of the lowest rates of change nationwide. Here's to 2024!

## Recent Transactions

Tenant	Size (SF)	Submarket	Type	Building
IBM	50,000 SF	Northeast Austin	New Lease	Office
Dun & Bradstreet	36,248 SF	Domain	New Lease	Office
Tecovas	28,981 SF	East Austin	New Lease	Office

## Submarket Movement

Vacancy Rate	QOQ Change	Direct Asking Rent (\$/SF)	Submarket
4.2%	▼	\$31.02	Caldwell County
5.5%	▼	\$31.32	Bastrop County
8.3%	▲	\$32.71	Georgetown
8.8%	▲	\$32.87	Hays County
28.2%	▲	\$33.90	Northeast
7.4%	▲	\$34.50	Far Northeast
10.5%	▲	\$35.04	Southeast
3.9%	▼	\$35.43	Round Rock
9.7%	▲	\$37.34	Cedar Park
14.5%	▲	\$38.44	Central
16.0%	▼	\$40.41	Far Northwest
22.2%	▼	\$41.12	Northwest
17.3%	▼	\$43.11	South
14.8%	▼	\$43.75	Southwest
23.8%	▲	\$45.33	East
15.2%	▲	\$46.35	North/ Domain
6.0%	▲	\$47.99	West Central
20.3%	▲	\$57.27	CBD