

MARKETBEAT

AUSTIN OFFICE

Office Q3 2016



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Economic Indicators

	Q3 15	Q3 16	12-Month Forecast
Austin Employment	965K	998K	▲
Austin Unemployment	3.3%	3.2%	▼
U.S. Unemployment	5.2%	4.9%	▼

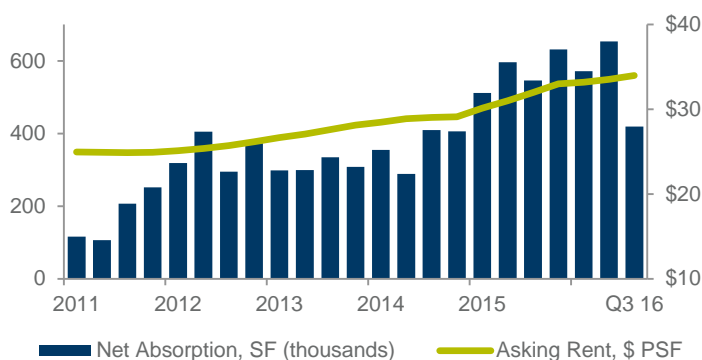
Market Indicators (Overall, All Classes)

	Q3 15	Q3 16	12-Month Forecast
Vacancy	9.0%	8.8%	▼
Net Absorption (SF, YTD)	1.81M	1.65M	▼
Under Construction (SF)	2.78M	1.8M	▼
Average Asking Rent*	\$33.02	\$34.00	▲

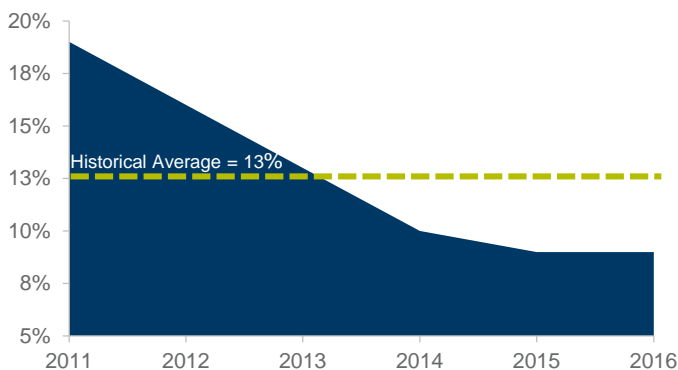
*Rental rates reflect gross asking \$PSF/year

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

According to a recent article by Forbes, the Austin metro area has the nation's fastest-growing economy. The population boom has continued throughout Central Texas, and has expanded into the suburbs of Austin and nearby towns including Georgetown and New Braunfels, the #1 and #2 fastest-growing cities in the country, respectively, according to the US Census Bureau. This phenomenal growth trend has resulted in the Austin MSA nearly doubling its population over the last 20 years. Despite the growing population, Austin's unemployment rate remains healthy, hovering around 3% over the last six quarters, ranking it as one of the lowest rates in the country. Additionally, money continues to flow through Austin. According to the *Austin American Statesmen*, the metro's GDP has increased over \$20 billion in the last six years. Major corporations, such as Oracle, who broke ground on their 560,000 SF campus in SE Austin this quarter, continue to plant roots in the Austin MSA, bringing more jobs and revenue to the economy.

Market Overview

Despite a decrease in absorption this quarter, the Austin market remains strong going into Q4 2016. Asking rates have continued to rise as space has become more scarce with decreased vacancy rates across most submarkets. In the CBD, asking rates have increased significantly, once again. Class A rates in particular are at record highs, with several properties in the CBD asking more than \$60 (PSF). The overall market rate increased to \$34.00 PSF, a \$0.46 increase from Q2 2016. In the Far Northwest (FNW), The Domain has experienced immense attraction with its unique blend of office, retail, and residential options. All of the 1.5million square feet (MSF) of office space has been accounted for and there are plans to add another 1.5 MSF of office in the very near future. In the Southwest (SW), a large sublease of 58,000 SF disrupted the absorption. However, this submarket has remained stable and will soon experience an increase in absorption. YETI Coolers will occupy its 175,000 SF headquarters at Lantana Ridge in early 2017. Additionally, Samsung will move into 3900 San Clemente Q1 2018, taking 112,000 SF.

Outlook

The accolades continue to pour into Austin from various publications including, #1 *America's Cities for the Future* and #2 *Best Places to Live in the U.S.* Additionally, Austin is one of the most educated cities in the country, ranking 3rd nationally in a recent study by Wallethub. National companies are recognizing the fact Austin has little trouble attracting a quality labor force and those companies continue to expand or relocate to the area. Furthermore, annual events such as Austin City Limits Festival (ACL), Formula One, SXSW and UT Athletics bring in more than \$2 Billion every year to the Austin economy further bolstering the city's diverse economic viability. Barring any unforeseen circumstances, the outlook for the Austin office market appears strong as we head into 2017.

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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	10,156,470	111,509	474,335	5.77%	-23,204	183,613	707,584	\$48.18	\$51.56
Central	1,165,069	29,997	22,187	4.48%	3,935	67,926	-	\$38.54	\$46.65
Far Northwest	14,023,642	302,676	1,120,528	10.15%	376,775	672,293	316,500	\$32.72	\$33.43
North Central	2,408,271	23,326	256,224	11.61%	5,316	13,595	-	\$24.08	\$26.91
Northeast	2,136,280	12,657	118,792	6.15%	15,713	114,004	229,290	\$20.54	\$43.50
Northwest	4,230,409	61,174	300,356	8.55%	-336	97,804	-	\$30.23	\$31.74
South Central	2,215,425	-	59,501	2.69%	4,687	-16,682	90,500	\$28.01	-
Southeast	992,420	2,528	241,134	21.83%	1,465	-10,072	-	\$23.54	\$28.36
Southwest	10,851,730	215,941	889,005	10.18%	3,231	379,475	431,019	\$36.24	\$36.78
Round Rock	1,142,576	-	39,209	3.43%	-8,146	112,498	-	\$27.41	\$29.19
AUSTIN TOTALS	49,322,292	759,808	3,494,271	8.80%	419,518	1,654,536	1,774,893	\$34.00	\$36.47

*Rental rates reflect gross asking \$PSF/year

	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)	AVERAGE ASKING RENT*
Class A	32,513,786	628,212	2,373,323	9.23%	367,825	1,452,594	1,774,893	\$36.47
Class B	13,612,373	107,712	966,077	7.89%	43,317	171,687	-	\$28.49
Class C	3,196,133	23,884	154,871	5.60%	8,376	30,255	-	\$24.14

Key Lease Transactions Q3 2016

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
3900 San Clemente	112,000	Samsung	New	SW
Research Park Plaza V	72,709	Cadence	New	FNW
Riata Corp IV	16,600	Zynga	New	FNW
Riata Corp IV	15,000	Mobiletron	New	FNW

Key Sales Transactions Q3 2016

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
100 Congress	411,536	Metlife/Invesco (49%) Metlife (51%)	\$250,000,000	CBD
Stonebridge Plaza I&II	383,131	Heitman/KBS Realty Advisors	\$124,299,944	FNW

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