

FIGURES | AUSTIN OFFICE | Q3 2024

# Changes in work from home policies driving renewed interest in space absorption

▲ 24.3%

Vacancy Rate

▼ (5,104)

SF Net Absorption

▼ 2,744,653

SF Construction

▲ \$48.52

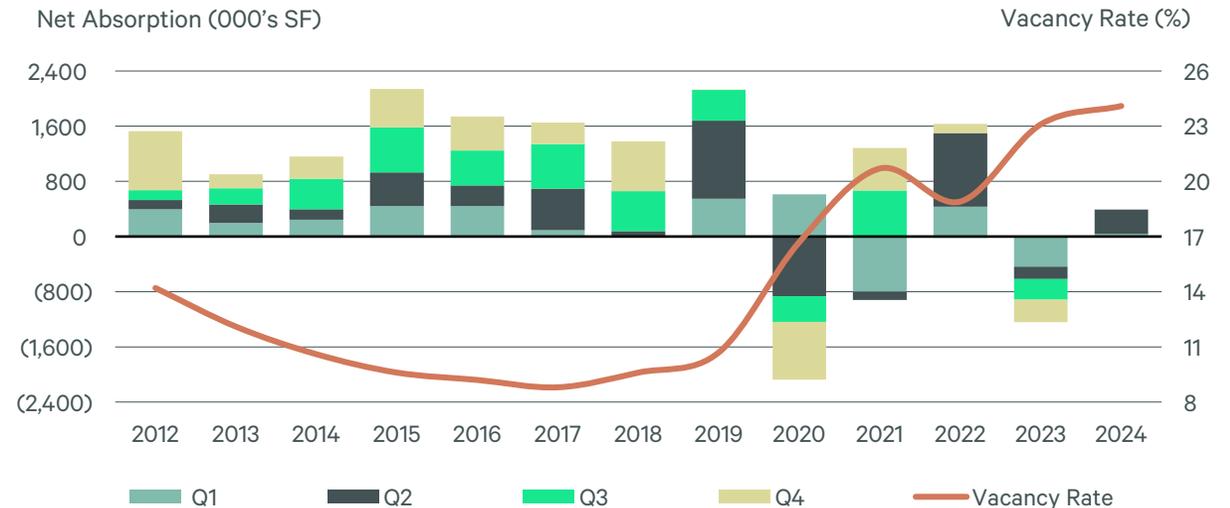
Gross / Lease Rate

Note: Arrows indicate change from previous quarter.

## KEY TAKEAWAYS

- For the third consecutive quarter, the Austin office market recorded a decrease in the total amount of space available for sublease, dropping 4% compared to Q2 2024.
- Market wide vacancy reached 24.3% this quarter, up 60 basis points (bps) from Q2 2024.
- Average gross asking rents across all class types rose \$0.15 quarter-over-quarter.
- As of September, more than 81 tenants are actively seeking space totaling over 2.5 million sq. ft.
- New construction starts continued to stall, with zero groundbreakings occurring in Q3 2024.
- Two projects completed construction this quarter, delivering over 800,000 sq. ft. of new Class A office space to the market.
- Austin ranked first in the nation in return-to-work efforts with an average building occupancy rate of 76.7% as of September 23rd, 2024, according to Kastle Systems' weekly Back to Work Barometer.

FIGURE 1: Net Absorption and Vacancy



Source: CBRE Research, Q3 2024.

FIGURE 2: Austin Office Market Statistics

Submarket	Net Rentable Area (SF)	Total Vacancy (%)	Total Availability (%)	Avg. Gross Asking Rate (\$)	Under Construction (SF)	Q3 2024 Deliveries (SF)	Q3 2024 Net Absorption	2024 Total Net Absorption
<b>CBD</b>	15,480,374	25.5	34.4	64.94	1,699,218	-	(43,367)	(74,831)
Class A	12,565,103	26.1	36.2	69.52	1,699,218	-	(33,924)	(28,997)
Class B	2,603,121	21.1	25.2	51.49	-	-	(8,743)	(31,999)
<b>CENTRAL</b>	2,571,472	22.0	26.5	33.39	-	-	(12,332)	(19,873)
Class A	1,023,969	21.6	26.3	59.17	-	-	(17,409)	(6,062)
Class B	1,174,276	24.8	32.4	28.64	-	-	3,322	(8,843)
<b>EAST</b>	4,125,311	43.8	48.5	56.11	672,278	832,892	43,083	66,576
Class A	3,357,159	47.3	51.6	59.84	672,278	832,892	8,249	77,631
Class B	747,677	27.5	34.6	35.84	-	-	34,834	(5,861)
<b>FAR NORTHWEST</b>	5,241,994	23.0	37.2	41.38	44,290	-	(13,852)	15,176
Class A	3,741,831	24.6	34.2	43.11	-	-	(11,334)	(6,967)
Class B	1,469,179	19.4	45.3	38.40	44,290	-	(2,423)	23,883
<b>NORTH</b>	2,622,392	32.0	35.0	43.34	-	-	(29,600)	(46,011)
Class A	362,679	97.2	97.2	55.50	-	-	12,395	12,395
Class B	2,248,713	21.5	24.9	34.50	-	-	(41,995)	(58,406)
<b>NORTHEAST</b>	3,486,735	37.3	46.1	27.65	-	-	178,009	350,260
Class A	2,271,242	36.7	48.7	31.05	-	-	176,214	328,528
Class B	1,016,199	45.9	49.0	29.96	-	-	2,554	20,532

Source: CBRE Research, Q3 2024.

FIGURE 2: Austin Office Market Statistics

Submarket	Net Rentable Area (SF)	Total Vacancy (%)	Total Availability (%)	Avg. Gross Asking Rate (\$)	Under Construction (SF)	Q3 2024 Deliveries (SF)	Q3 2024 Net Absorption	2024 Total Net Absorption
NORTHWEST	17,502,564	24.3	29.1	43.00	-	-	(142,986)	16,329
Class A	11,961,922	27.8	32.6	46.44	-	-	(117,864)	(31,241)
Class B	5,442,534	16.9	21.8	35.81	-	-	(23,327)	47,136
ROUND ROCK	990,571	8.0	14.1	32.53	-	-	(511)	17,480
Class A	233,110	3.9	8.3	36.03	-	-	0	3,057
Class B	715,343	9.3	16.4	31.68	-	-	559	15,493
SOUTH	2,236,346	16.9	25.1	46.68	328,867	-	37,224	104,363
Class A	1,394,828	15.0	24.3	58.26	328,867	-	39,218	134,049
Class B	495,201	29.6	35.4	42.04	-	-	(13,028)	(35,606)
SOUTHEAST	1,694,330	10.6	41.7	38.51	-	-	19,644	40,746
Class A	318,872	5.2	14.8	41.53	-	-	0	(6,359)
Class B	1,278,747	11.3	50.3	38.83	-	-	18,022	45,737
SOUTHWEST	11,689,716	16.3	23.4	43.83	-	-	(40,416)	(81,085)
Class A	8,289,752	15.8	23.9	48.23	-	-	(17,965)	(41,675)
Class B	3,252,924	17.9	22.5	38.90	-	-	(22,067)	(38,810)
<b>AUSTIN TOTAL</b>	<b>67,641,805</b>	<b>24.3</b>	<b>32.1</b>	<b>48.52</b>	<b>2,744,653</b>	<b>832,892</b>	<b>(5,104)</b>	<b>389,130</b>
<b>Class A</b>	<b>45,520,467</b>	<b>26.5</b>	<b>34.2</b>	<b>56.18</b>	<b>2,700,363</b>	<b>832,892</b>	<b>37,580</b>	<b>434,359</b>
<b>Class B</b>	<b>20,443,914</b>	<b>20.3</b>	<b>28.7</b>	<b>36.86</b>	<b>44,290</b>	<b>-</b>	<b>(52,292)</b>	<b>(26,744)</b>

Source: CBRE Research, Q3 2024.

## MARKET FUNDAMENTALS

For the third consecutive quarter, the Austin office market recorded a decrease in the total amount of space available for sublease, dropping 4% compared to Q2 2024, and 11.6% year-over-year. Changes in work from home policies have been driving renewed interest in space absorption and this trend is expected to continue into 2025. After posting two consecutive quarters of positive absorption the Austin office market recorded 5,104 square feet of negative absorption in Q3 2024. As of September, more than 81 tenants are actively seeking space totaling over two and a half million sq. ft. Additionally, Austin ranked first in the nation in return-to-work efforts with an average building occupancy rate of 76.7% as of September 23rd, 2024, according to Kastle Systems' weekly Back to Work Barometer.

### Asking Rates & Vacancy

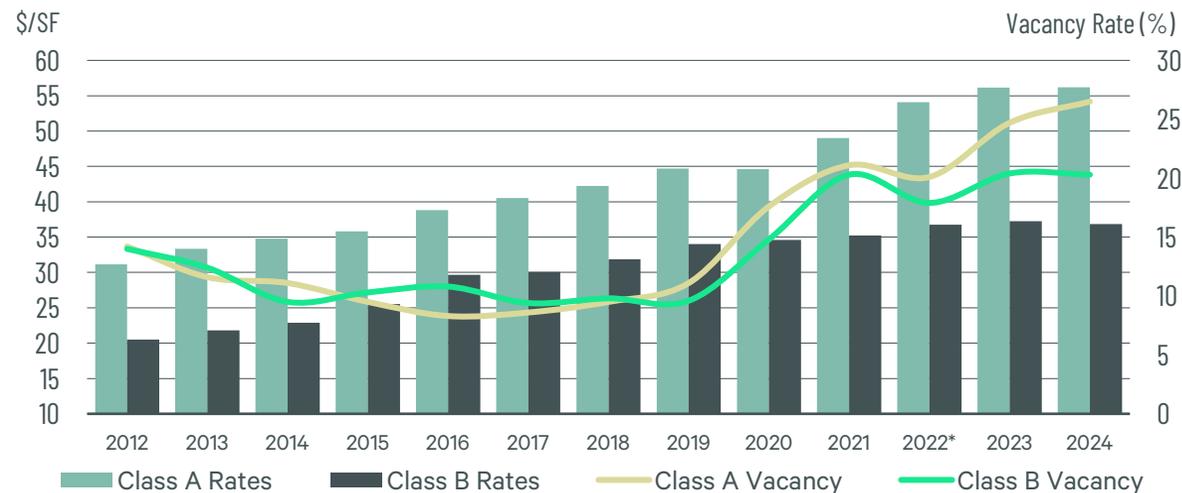
Average gross asking rents across all class types rose \$0.15 quarter-over-quarter. This can be attributed to annual increases in operating expenses.

During Q3 2024 two buildings completed construction in East Austin. These projects brought over 800,000 sq. ft. of newly vacant, class A office space to the market, which caused a significant uptick in the vacancy rate for the East Austin submarket, rising to 43.8% in Q3 2024. This increase caused the overall vacancy rate for the Austin office market to increase by 60 bps compared to Q2 2024, reaching 24.3% this quarter.

### Development Pipeline

Two office projects in the East submarket of Austin were delivered in Q3 2024 bringing over 800,000 sq. ft. of new Class A office space to the market. No new groundbreakings occurred during Q3 2024, and this trend is projected to persist until demand aligns with the supply of newly delivered office space coming in 2024 and 2025. A total of 766,145 sq. ft. of Class A office product is projected to be completed in 2024, and an additional 1,978,508 sq. ft. of space is expected to deliver in 2025. There is a total of 2,744,653 sq. ft. of office space under construction with 28% pre-leased as of Q3 2024.

FIGURE 3: Asking Rates & Vacancy, Class A & Class B



Source: CBRE Research, Q3 2024.

\*To improve accuracy, quoted asking rents were grossed up at the property level in Q1 2022, causing an additional increase to overall rates.

FIGURE 4: Historical Construction and Deliveries



Source: CBRE Research, Q3 2024.

## ECONOMIC TRENDS

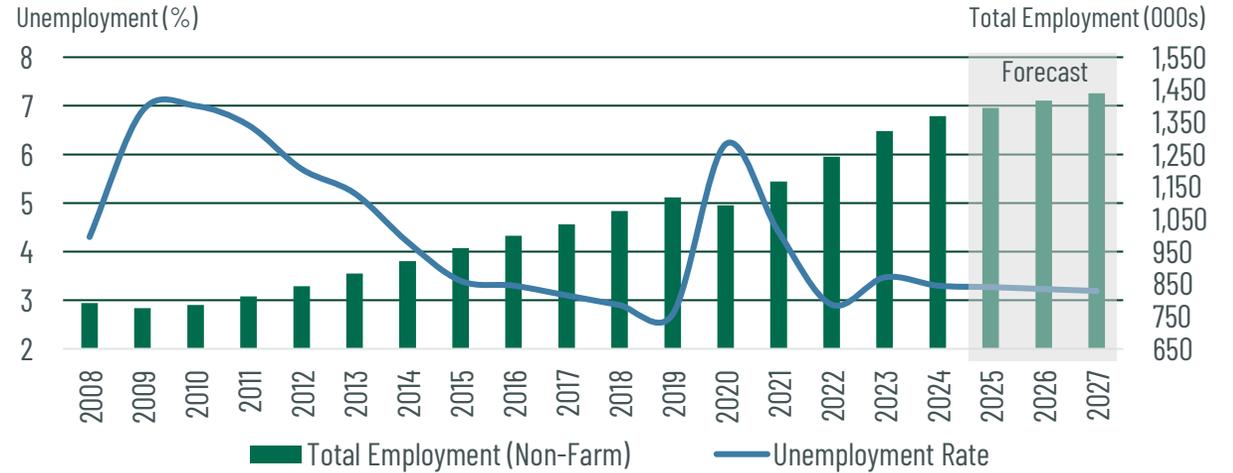
Soft landings are rare, but recent data suggests that this outcome for the economy is increasingly likely. Business investment is holding its own and consumer distress is confined to a few vulnerable segments. Discretionary spending, such as travel, is generally on a par with last year although many signs indicate the post-pandemic spending boom is over. The key threat to consumption is a rollover in the labor market although the recent bump in unemployment appears benign, mainly driven by an increase in participation. A reason for concern is the decline in the share of private industries that are creating jobs. On the other hand, companies are not shedding workers at a particularly high rate. The labor market has slowed, but it is not slumping.

While many are focused on November’s election the most consequential policy lever has already been pulled via the FOMC’s 50 bps September cut and signaling another 50 by year-end. This easing of financial conditions combined with continued economic growth should support modest hiring and consumption that precedes tighter commercial space market fundamentals. This backdrop will breathe fresh wind into real estate transactions markets and coincides with other signals that cap rates have peaked and may be starting to fall in some sectors.

## Population Growth

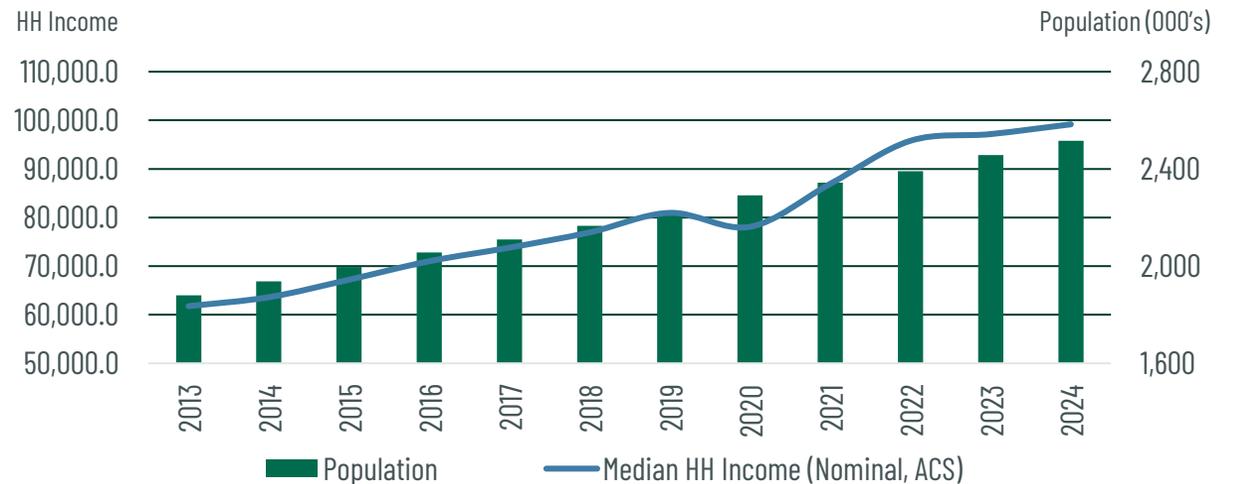
The U.S Census Bureau identified Georgetown and Kyle as the fastest growing cities in the country with a population of at least 50,000 residents in July 2024. Austin remains the 11<sup>th</sup> largest city in the nation, after losing its top 10 position to Jacksonville, FL in 2024. Most of the growth in the Austin market is occurring in suburban markets that are within close proximity to major highways and provide Austin’s growing workforce with more affordable housing options outside of the city center. Austin was recently identified as a top five tech market in the country by CBRE’s annual Scoring Tech Talent report. Fueled by the CHIPS Act, Austin is quickly becoming the largest hub for semiconductor manufacturing in the region. Samsung Semiconductor is expected to open its factory in Taylor, TX in 2026. Once completed, the Samsung Semiconductor project in Taylor is expected to bring an estimated \$45 billion in return investment to the region and will generate nearly 20,000 direct and indirect jobs.

FIGURE 5: Austin Labor Force and Unemployment



Source: Oxford Economics, September 2024.

FIGURE 6: Population Growth & Household Purchasing Power



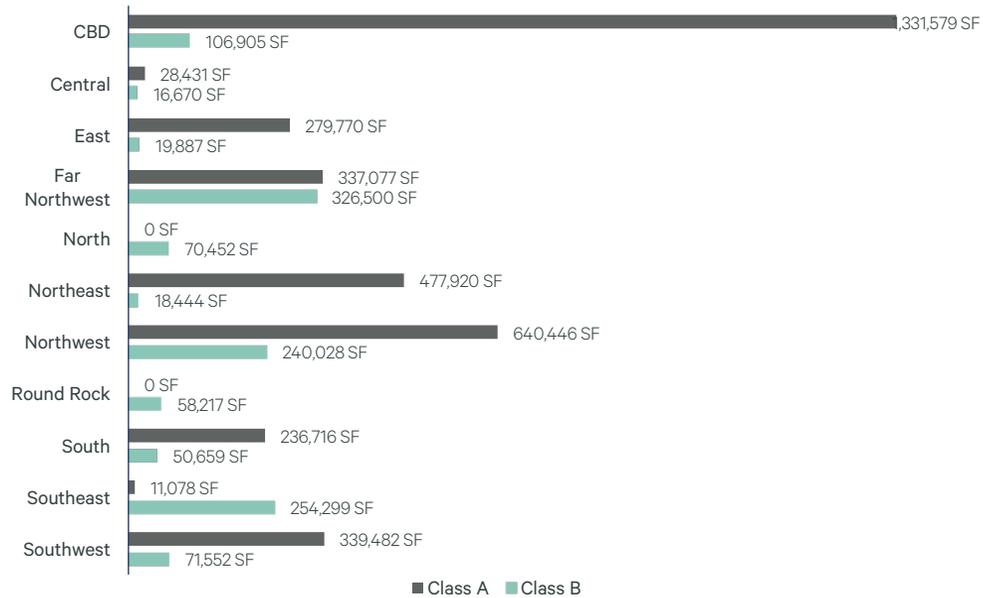
Source: Oxford Economics, September 2024.

## SUBLEASE ACTIVITY

The Austin sublease market has continued to contract in the third quarter of 2024 with total available sublease space decreasing by 4% or 191,644 sq. ft. compared to Q2 2024. Although Class B sublease availability increased by 3.7% quarter-over-quarter, Class A sublease availability decreased by 9.5%, causing the overall drop in sublease availability. The Austin office market registered 150,285 sq. ft. in positive sublease net absorption in Q3 2024. Sublease removals were concentrated in the Northwest submarket with over 75,000 sq. ft. of sublease space removed during Q3 2024.

The lion's share of sublease availability remain concentrated in Technology (47%), and Insurance (14%), but Retail and Consumer Goods (10%) surpassed Manufacturing (7%) in Q3 2024.

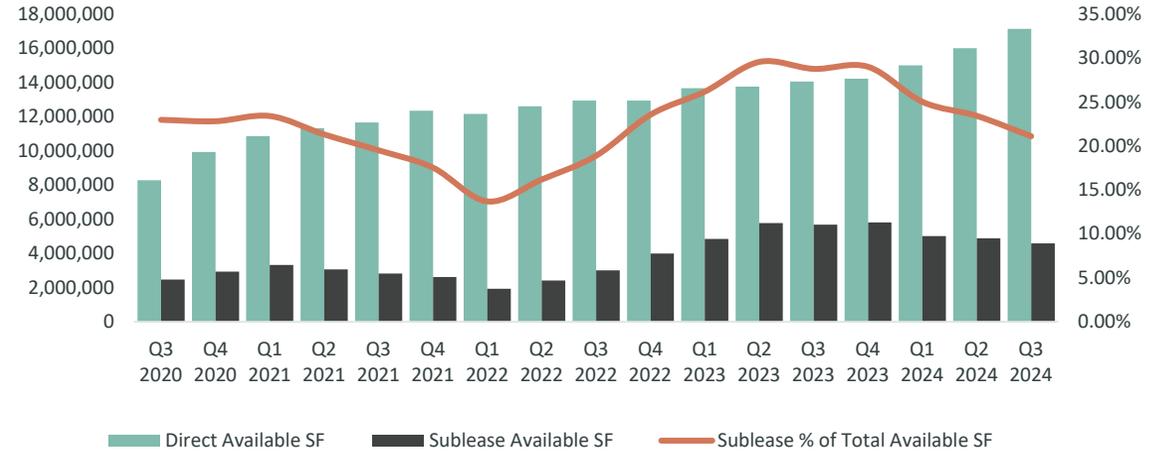
FIGURE 7: Sublease Availability by Submarket and Class



Source: CBRE Research, Q3 2024.

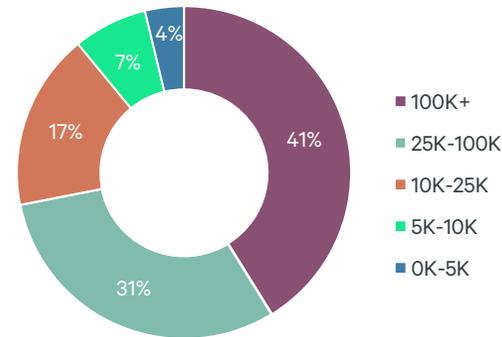
Note: sublease data on this page include availabilities from existing and under construction buildings.

FIGURE 8: Historical Sublease Trends



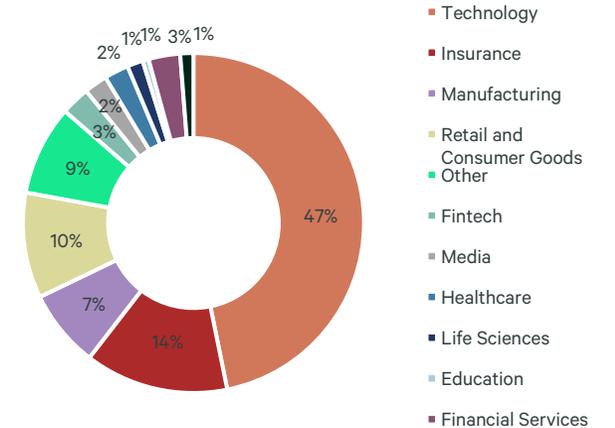
Source: CBRE Research, Q3 2024.

FIGURE 9: Sublease Availability by Space Size



Source: CBRE Research, Q3 2024.

FIGURE 10: Sublease Availability by Industry



Source: CBRE Research, Q3 2024.

Data is measured by sublease space availabilities over 20,000 sq. ft. in size.

FIGURE 11: Historical Market Statistics

		2017	2018	2019	2020	2021	2022	2023	2024
CBD	Absorption (Net SF)	564,236	558,794	622,461	(748,062)	(97,288)	1,231,479	(180,405)	(74,831)
	Asking Rent, Avg. Annual	44.95	47.88	53.04	50.53	56.98	65.78	64.53	64.94
	Delivered Construction (SF)	745,936	122,667	492,637	-	1,759,313	1,192,934	398,584	589,112
	Vacancy Rate (%)	7.9	6.3	6.2	12	20.9	17.3	22.8	25.5
CENTRAL*	Absorption (Net SF)	52,348	(1,941)	66,138	(80,608)	(59,337)	(58,222)	(141,699)	(19,873)
	Asking Rent, Avg. Annual	31.39	33.14	34.16	35.64	36.76	32.93	36.56	33.39
	Delivered Construction (SF)	-	-	26,391	109,008	103,788	-	-	93,419
	Vacancy Rate (%)	6.2	10.2	8	17	23.7	22.5	22.7	22.0
EAST	Absorption (Net SF)	49,398	(24,059)	189,211	39,531	420,123	408,746	(14,294)	66,576
	Asking Rent, Avg. Annual	34.67	43.82	40.56	48.16	48.82	51.85	53.45	56.11
	Delivered Construction (SF)	59,655	246,711	834,566	210,347	833,524	657,095	320,545	857,008
	Vacancy Rate (%)	7.5	17	9.4	32.8	36.3	37.1	35.9	43.8
FAR NORTHWEST	Absorption (Net SF)	230,820	77,807	95,617	(108,661)	(61,688)	(57,015)	(396,060)	15,176
	Asking Rent, Avg. Annual	31.79	32.76	34.86	33.61	35.78	39.25	39.94	41.38
	Delivered Construction (SF)	-	-	562,043	22,364	145,104	41,784	19,200	-
	Vacancy Rate (%)	6.3	6.6	12.6	32.5	31	31.4	24.4	23.0
NORTH*	Absorption (Net SF)	(18,159)	45,653	61,808	(119,451)	8,044	(70,495)	26,120	(46,011)
	Asking Rent, Avg. Annual	23.81	27.8	29.9	28.67	34.79	35.8	36.23	43.34
	Delivered Construction (SF)	-	-	-	-	254,806	-	-	362,679
	Vacancy Rate (%)	15.5	13.6	5.8	20.6	38.1	22.1	22.3	32.0
NORTHEAST*	Absorption (Net SF)	64,819	(35,900)	175,201	(219,367)	184,220	74,052	(216,257)	350,260
	Asking Rent, Avg. Annual	24.05	28	26.38	28.85	31.2	28.03	28.5	27.65
	Delivered Construction (SF)	-	115,000	-	314,000	-	-	486,117	-
	Vacancy Rate (%)	9.6	16.4	20.3	29.6	20.1	22	43.6	37.3

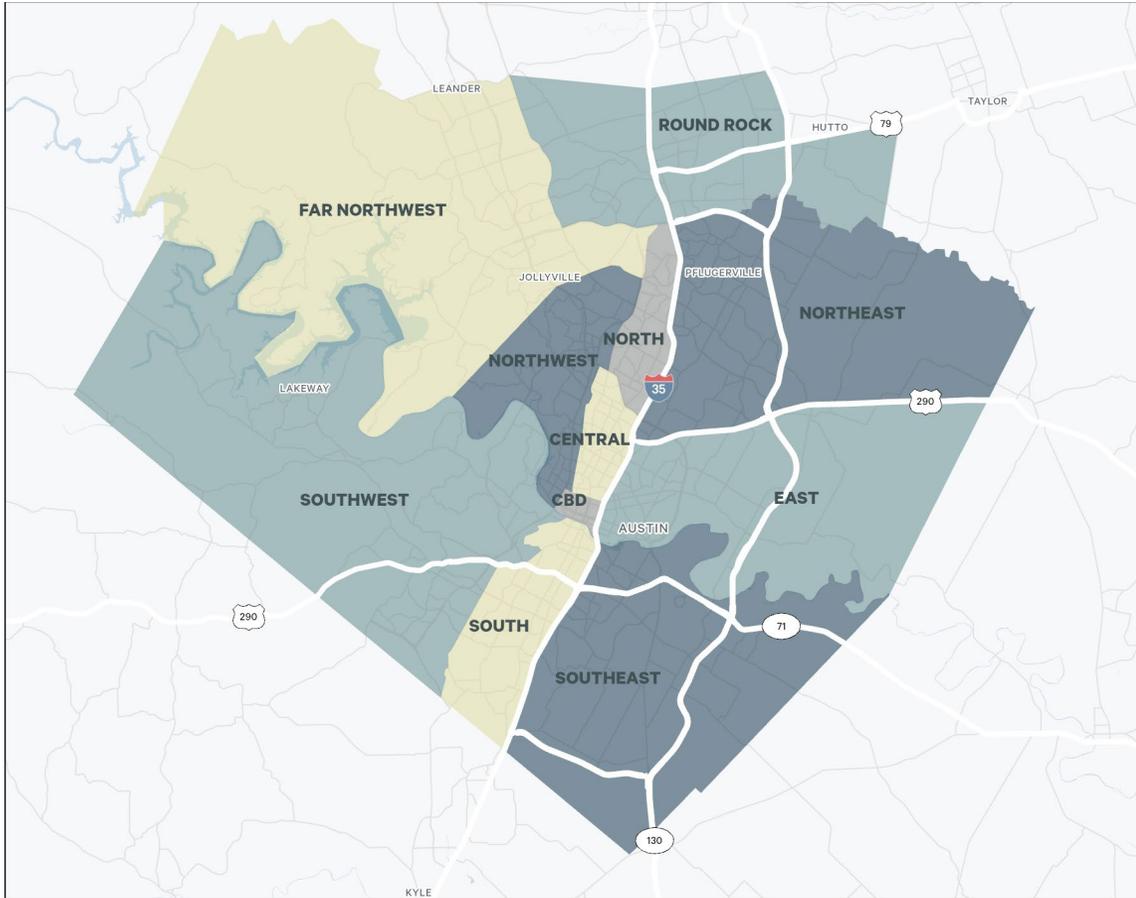
Source: CBRE Research, Q3 2024.

FIGURE 12: Historical Market Statistics

		2017	2018	2019	2020	2021	2022	2023	2024
NORTHWEST	Absorption (Net SF)	471,598	445,607	176,713	(283,481)	(182,679)	(162,744)	(178,268)	16,329
	Asking Rent, Avg. Annual	33.84	36.72	37.01	38.49	39.55	42.78	42.81	43.00
	Delivered Construction (SF)	386,921	308,000	709,519	480,612	332,200	59,446	-	332,865
	Vacancy Rate (%)	8.6	9.1	14.4	13.2	15.4	15.2	23.4	24.3
ROUND ROCK	Absorption (Net SF)	(9,845)	899	25,452	55,322	22,126	51,951	(13,970)	17,480
	Asking Rent, Avg. Annual	21.11	27.88	28.65	28.31	31.93	32.18	26.06	32.53
	Delivered Construction (SF)	22,500	164,486	59,476	-	22,500	-	-	33,669
	Vacancy Rate (%)	8.3	21	15.6	9.6	9.4	4.5	6.2	8.0
SOUTH	Absorption (Net SF)	23,598	102,221	13,333	71,379	279,778	192,342	(25,506)	104,363
	Asking Rent, Avg. Annual	31.9	31	39.62	41.64	42.05	50.31	49.75	46.68
	Delivered Construction (SF)	57,500	115,246	117,766	353,267	333,334	-	-	-
	Vacancy Rate (%)	12.1	4.4	10.5	29.6	28	27.6	21.4	16.9
SOUTHEAST*	Absorption (Net SF)	71,123	49,905	145,088	(11,416)	(16,649)	246,795	9,790	40,746
	Asking Rent, Avg. Annual	23.55	26.47	27.03	33.21	29.07	33.67	33.78	38.51
	Delivered Construction (SF)	29,205	-	138,850	-	172,900	-	-	-
	Vacancy Rate (%)	20.2	16.1	9.5	9.5	20.3	12.2	14.7	10.6
SOUTHWEST	Absorption (Net SF)	154,081	161,187	561,732	(60,079)	(132,643)	(110,621)	(111,550)	(81,085)
	Asking Rent, Avg. Annual	34.31	36.64	39.71	37.54	41.35	44.24	41.55	43.83
	Delivered Construction (SF)	410,295	135,500	178,593	334,431	124,405	-	-	-
	Vacancy Rate (%)	10.7	11.4	7.8	12.7	16	14.8	16.2	16.3
AUSTIN TOTAL	Absorption (Net SF)	1,654,017	1,380,173	2,132,754	(1,464,893)	364,007	1,746,268	(1,242,099)	389,130
	Asking Rent, Avg. Annual	34.39	36.64	38.89	39.39	42.66	47.62	48.08	48.52
	Delivered Construction (SF)	1,712,012	1,207,610	3,119,841	1,824,029	4,081,874	1,951,259	1,224,446	2,268,752
	Vacancy Rate (%)	8.8	9.6	10.7	16.7	20.7	19.3	23.1	24.3

Source: CBRE Research, Q3 2024.

## Market Area Overview



### Definitions

Available Sq. Ft.: Space in a building, ready for occupancy within six months; can be occupied or vacant. Availability Rate: Total Available Sq. Ft. divided by the total building Area. Average Asking Lease Rate: A calculated average that includes net and gross lease rate, weighted by their corresponding available square footage. Building Area: The total floor area sq. ft. of the building, typically taken at the “drip line” of the building. Gross Lease Rate: Rent typically includes real property taxes, building insurance, and major maintenance. Net Absorption: The change in Occupied Sq. Ft. from one period to the next. Net Lease Rate: Rent excludes one or more of the “net” costs (real property taxes, building insurance, and major maintenance) typically included in a Gross Lease Rate. Occupied Sq. Ft.: Building Area not considered vacant. Vacancy Rate: Total Vacant Sq. Ft. divided by the total Building Area. Vacant Sq. Ft.: Space that can be occupied within 30 days.

### Survey Criteria

Includes all non-owner occupied, non-medical office buildings 10,000 sq. ft. and greater in size in greater metropolitan area of Austin, TX. Buildings which have begun construction as evidenced by site excavation or foundation work.

\* Submarket created in 2017

\*\* Annual totals include North Central submarket, which was broken up in 2017

### Contacts

#### Jeremy Bock

Senior Research Analyst  
jeremy.bock@cbre.com

#### Isabella Grassi

Data Analyst  
Isabella.grassi@cbre.com

#### Marc L. Miller

Research Director  
marc.miller1@cbre.com

### CBRE AUSTIN OFFICE

500 W 2<sup>nd</sup> Street, Suite 1700  
Austin, TX 78701

© Copyright 2024. All rights reserved. This report has been prepared in good faith, based on CBRE’s current anecdotal and evidence based views of the commercial real estate market. Although CBRE believes its views reflect market conditions on the date of this presentation, they are subject to significant uncertainties and contingencies, many of which are beyond CBRE’s control. In addition, many of CBRE’s views are opinion and/or projections based on CBRE’s subjective analyses of current market circumstances. Other firms may have different opinions, projections and analyses, and actual market conditions in the future may cause CBRE’s current views to later be incorrect. CBRE has no obligation to update its views herein if its opinions, projections, analyses or market circumstances later change.

Nothing in this report should be construed as an indicator of the future performance of CBRE’s securities or of the performance of any other company’s securities. You should not purchase or sell securities—of CBRE or any other company—based on the views herein. CBRE disclaims all liability for securities purchased or sold based on information herein, and by viewing this report, you waive all claims against CBRE as well as against CBRE’s affiliates, officers, directors, employees, agents, advisers and representatives arising out of the accuracy, completeness, adequacy or your use of the information herein.

