

# Austin Office

## Q4 2024

# Austin Office | Q4 2024

## Quarterly Market Report

Austin's Office Market Sees Late-Year Uptick in Absorption Amid High Vacancy and Slowing Construction

### Executive Summary

#### Q4 in Review

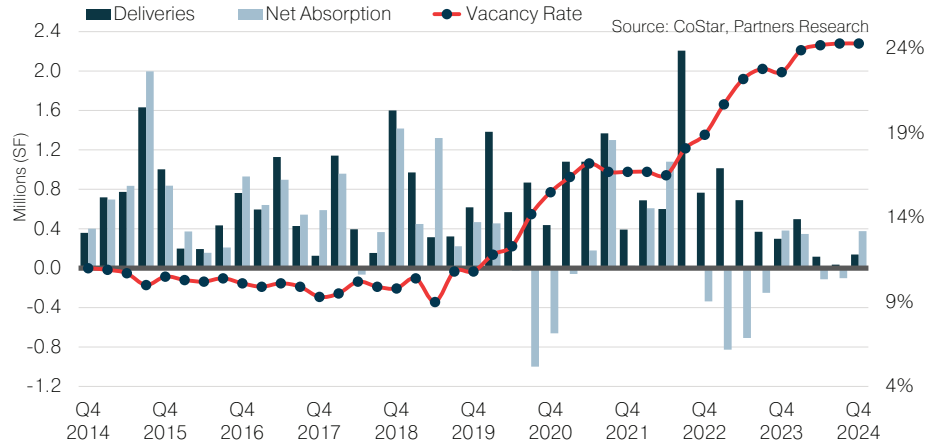
Austin's office market saw an uptick in net absorption in late 2024, with 376,180 sq. ft. absorbed in the fourth quarter, bringing the annual total to 507,866 sq. ft. Class A properties performed well, posting positive absorption for both the quarter and the year, while Class B space continued to struggle with negative absorption. Leasing activity also increased 5% quarter-over-quarter. Despite these positive signs, the vacancy rate remained elevated at 24.3%, unchanged from the previous quarter but up 170 basis points year over year, as new speculative construction has outpaced leasing. On the sublease front, available space has trended downward, dipping below 5 million sq. ft. for the first time in over a year.

The construction pipeline and deliveries both declined significantly, down 45% year over year, with 2.9 million sq. ft. currently underway, most of it concentrated in the CBD. Rental rates increased both quarterly and annually, with full-service average asking rents reaching \$42.94 per sq. ft. Class A space commanded an average of \$48.87 per sq. ft., while the CBD and North/Domain submarkets continued to post the highest rates at \$57.31 and \$49.25 per sq. ft., respectively.

#### Austin Economic Update

According to the latest release of Austin's Economic Indicators, Austin experienced modest employment growth in November accompanied by a stable unemployment rate. Average hourly wages were up, and retail sales tax collections were flat. The Austin Business-Cycle Index, a broad measure of economic activity, grew an annualized 3.5% in November, slower than the 3.8% gain in October. Year over year, the index was up 1.1%. Austin's unemployment rate remained at 3.5% in November, below the state and national rates of 4.2%. In November, the local labor force held steady, while the state's increased 3.1% and the nation's contracted 1.4%. Growth was broad based, with the greatest gains seen in professional and business services (2,700 jobs) and government (2,700 jobs). Sectors that saw declines included leisure and hospitality (600 jobs) and manufacturing (500 jobs).

### Supply & Demand



### Key Market Indicators

|                         | CURRENT Q4 2024 | PRIOR QUARTER Q3 2024 |   | PRIOR YEAR Q4 2023 |   |
|-------------------------|-----------------|-----------------------|---|--------------------|---|
| Vacant Total            | 24.3%           | 24.3%                 | — | 22.6%              | ▲ |
| Vacant Direct           | 20.7%           | 20.5%                 | ▼ | 18.9%              | ▲ |
| Available Total         | 29.1%           | 29.9%                 | ▼ | 26.5%              | ▲ |
| Available Direct        | 23.7%           | 24.3%                 | ▼ | 20.2%              | ▲ |
| Net Absorption (SF)     | 376,180         | -102,186              | ▲ | 381,515            | — |
| Leasing Activity (SF)   | 1,591,509       | 1,516,027             | ▲ | 1,586,453          | ▲ |
| Construction (SF)       | 2,878,109       | 2,726,010             | ▲ | 5,253,683          | ▼ |
| Deliveries (SF)         | 138,996         | 36,000                | ▲ | 252,554            | ▼ |
| Avg Asking Rent (Gross) | \$42.94         | \$41.37               | ▲ | \$42.26            | ▲ |
| Inventory (SF)          | 84,374,329      | 83,399,869            | ▲ | 81,928,678         | ▲ |

## Market Overview

Year to date in November, Austin's employment growth was sluggish at an annualized 0.5%, slower than the state's 1.6% increase and the nation's 1.4% growth.

### Net Absorption Picked Up in Late 2024

Net absorption—move-ins minus move-outs—was 376,180 sq. ft. for the quarter. For 2024 for the year, net absorption was 507,866 sq. ft. Class A properties recorded positive absorption for the quarter and year at 433,565 and 698,892 sq. ft., respectively, while Class B was a negative 57,385 sq. ft. for the quarter and a negative 191,026 sq. ft. for the year. Notable move-ins in late 2024 include Prometheus Security Group Global taking 30,884 sq. ft. and Fathom5 taking 20,122 sq. ft., both at the Bergstrom Tech Center.

### Construction Pipeline and Deliveries Both Down Significantly Year Over Year

Deliveries were low for the quarter at 138,996 sq. ft., this down 45% from the same time last year. The under construction pipeline was also down 45% as well, with 2.9 million sq. ft. currently underway. Most (77%) of the construction pipeline is concentrated in CBD in four projects that total 2.2 million sq. ft.

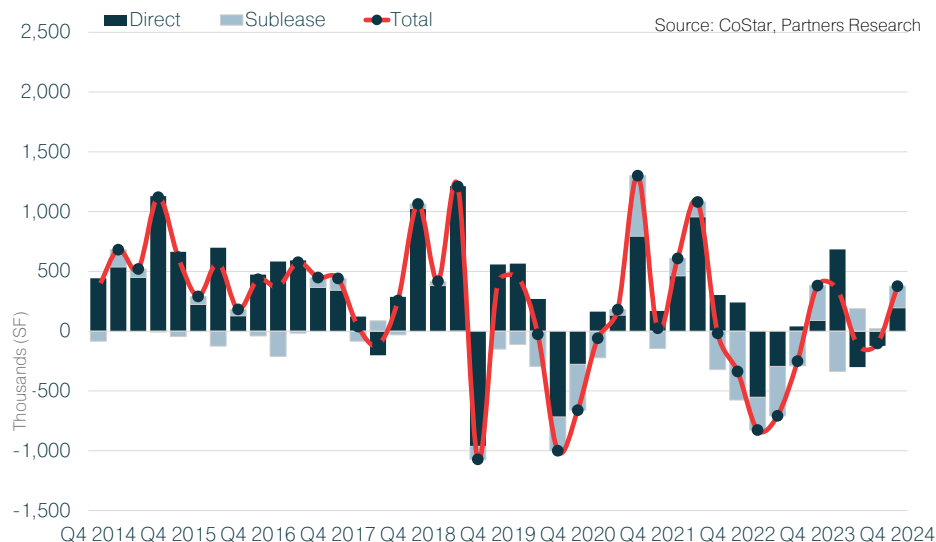
### Leasing Activity Picks Up, 5% Increase Over Past Quarter

Quarterly leasing velocity—comprised of new leases and renewals—stood at 1.6 million sq. ft.—this is up for both the quarter and year over year. Notable large new leases signed in late 2024 include Action Behavior Centers signing a 94,518 sq. ft. lease at Dimensional Place II, Wise PLC signing a 60,682 sq. ft. lease at Domain Tower 2 and the US Money Reserve signing a 59,634 sq. ft. lease at Seven Oaks East.

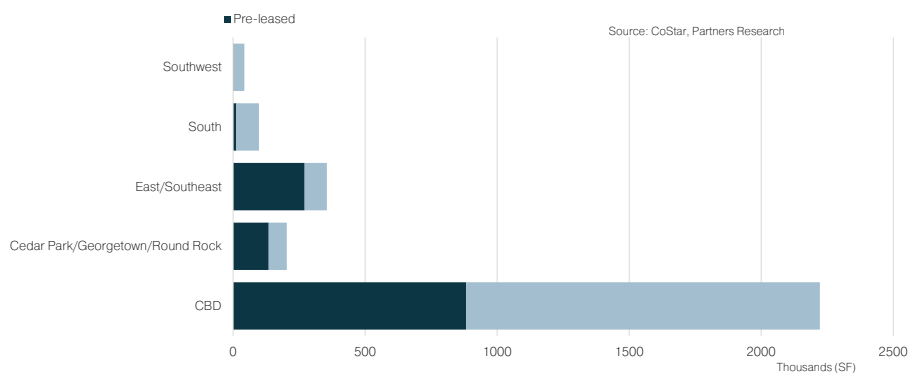
### Vacancy Rate Unchanged at 24.3%

The overall vacancy rate in Austin's office market is at 24.3%, unchanged from last quarter. Over the past few years, however, the total vacancy rate has been trending higher (up 170 basis points over the past year) due to a combination of new spec construction with minimal leasing and companies continuing to downsize their footprints when leases have expired. On the sublease front, which has been a drag on the market, there has been a significant decrease in leasing activity and some rolling over to direct vacant space. Sublease space available has been trending down and is just below 5 million sq. ft., this is down from the 5.8 million sq. ft. in late 2023.

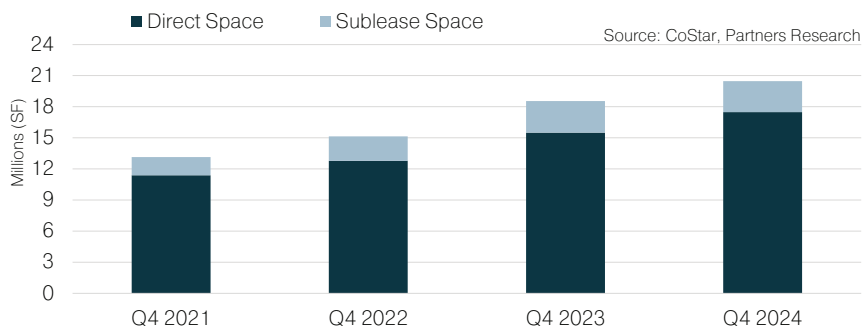
## Net Absorption



## Deliveries



## Vacancy



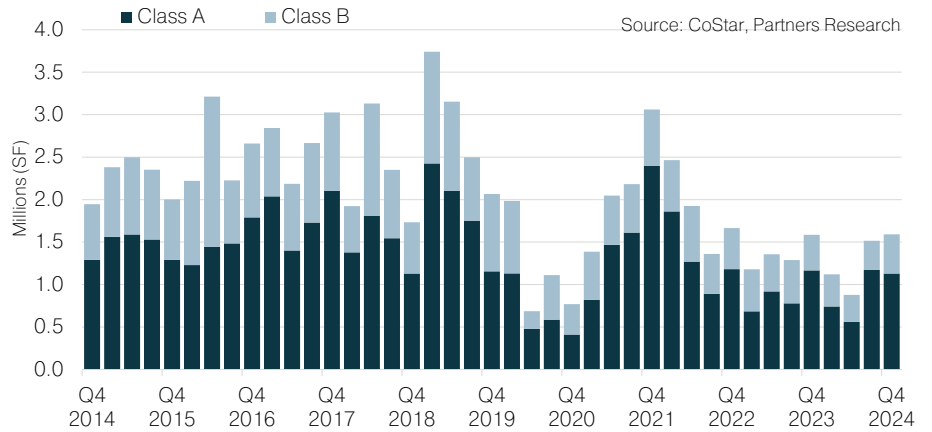
## Investment Sales Trends

CoStar Capital Market Analytics reports the cumulative 12-month sales volume for Q4 2024 at \$593 million. For the past year, 55 office properties were sold with an average \$529 price per sq. ft. and an average cap rate of 7.1%. Notable sales transactions in late 2024 include Trammell Crow Company sold the 804,000 sq. ft. Sail Tower, for a reported price of \$559 million (\$649 per sq. ft.). The building is 100% leased by Google. Also, Public REIT Equity Commonwealth (EQC) sold the 178,606 sq. ft. Capital Tower to Menlo Equities.

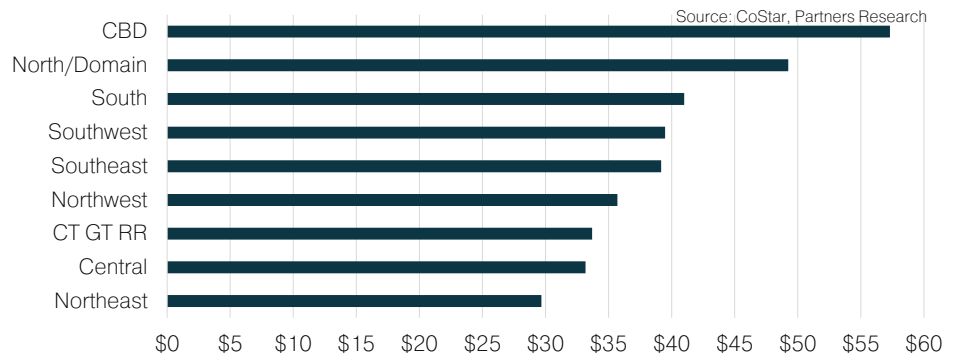
## Rates Up for Both Quarter and Year Over Year

Austin's full-service average rent stands at \$42.94 per sq. ft., which is up for the quarter but fairly flat year over year, up 3.8% and 1.6%, respectively. Asking rents for Class A and Class B space are at \$48.87 per sq. ft. and \$34.05 per sq. ft., respectively. On the submarket level, the CBD and North/Doman have the highest rates at \$57.31 and \$49.25 per sq. ft., respectively. The property was 77% leased at the time of the sale with SonarSource being the primary tenant in the property.

## Leasing Activity



## Overall Gross Asking Rent (\$/PSF)



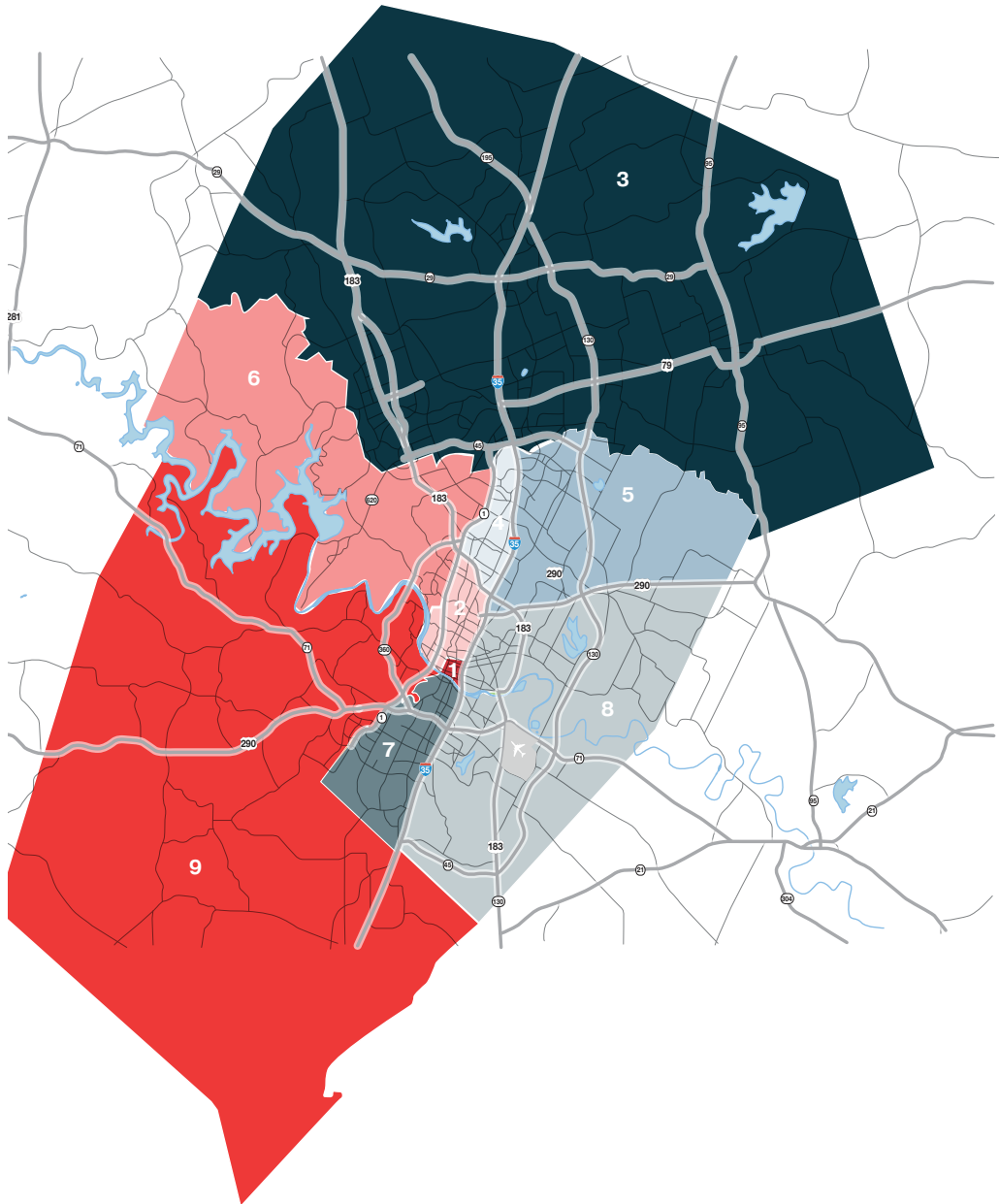
# Market Overview

## Submarket Stats

| Submarket Statistics<br>(Total reflects Class<br>A/B Only) | Total<br>Inventory<br>(SF) | Total<br>Vacancy<br>(%) | Total<br>Availability<br>(%) | Q4 2024<br>Net<br>Absorption<br>(SF) | 2024<br>YTD Net<br>Absorption<br>(SF) | Q4 2024<br>Leasing<br>Activity (SF) | Q4 2024<br>Deliveries<br>(SF) | Overall<br>Gross Avg<br>Asking Rent<br>(\$/PSF) |
|--|----------------------------|-------------------------|------------------------------|--------------------------------------|---------------------------------------|-------------------------------------|-------------------------------|---|
| <b>CBD Total</b>   | <b>17,316,699</b>          | <b>29.8%</b>            | <b>36.0%</b>                 | <b>-12,620</b>                       | <b>114,561</b>                        | <b>297,024</b>                      | <b>0</b>                      | <b>57.31</b>                                    |
| Class A  | 13,672,400                 | 32.1%                   | 38.1%                        | 546                                  | 156,882                               | 248,868                             | 0                             | 59.59   |
| Class B  | 3,644,299                  | 21.1%                   | 26.8%                        | -13,166                              | -42,321                               | 48,156                              | 0                             | 46.33   |
| Central Total  | 5,193,541                  | 17.1%                   | 19.3%                        | 72,968                               | -30,754                               | 113,580                             | 0                             | 33.17   |
| <b>Class A</b>   | <b>2,181,714</b>           | <b>16.0%</b>            | <b>16.3%</b>                 | <b>50,943</b>                        | <b>-1,910</b>                         | <b>89,979</b>                       | <b>0</b>                      | <b>46.68</b>                                    |
| Class B  | 3,011,827                  | 17.9%                   | 21.4%                        | 22,025                               | -28,844                               | 23,601                              | 0                             | 29.71   |
| Cedar Park/Georgetown/<br>Round Rock                       | 4,141,274                  | 10.0%                   | 20.9%                        | -8,183                               | 12,501                                | 53,316                              | 0                             | 33.70   |
| <b>Class A</b>   | <b>1,797,645</b>           | <b>9.5%</b>             | <b>26.0%</b>                 | <b>5,164</b>                         | <b>42,553</b>                         | <b>8,979</b>                        | <b>0</b>                      | <b>33.99</b>                                    |
| Class B  | 2,343,629                  | 10.5%                   | 17.0%                        | -13,347                              | -30,052                               | 44,337                              | 0                             | 33.54   |
| North/Domain Total   | 9,472,795                  | 14.7%                   | 16.5%                        | 38,272                               | 254,464                               | 144,013                             | 0                             | 49.25   |
| <b>Class A</b>   | <b>5,526,785</b>           | <b>16.5%</b>            | <b>18.2%</b>                 | <b>59,051</b>                        | <b>238,457</b>                        | <b>132,093</b>                      | <b>0</b>                      | <b>56.43</b>                                    |
| Class B  | 3,946,010                  | 12.2%                   | 14.2%                        | -20,779                              | 16,007                                | 11,920                              | 0                             | 35.88   |
| Northeast Total  | 3,809,194                  | 44.0%                   | 51.6%                        | -1,065                               | -25,280                               | 14,391                              | 0                             | 29.68   |
| <b>Class A</b>   | <b>1,987,754</b>           | <b>52.7%</b>            | <b>66.4%</b>                 | <b>0</b>                             | <b>11,434</b>                         | <b>0</b>                            | <b>0</b>                      | <b>32.04</b>                                    |
| Class B  | 1,821,440                  | 34.6%                   | 35.6%                        | -1,065                               | -36,714                               | 14,391                              | 0                             | 27.30   |
| Northwest Total  | 18,278,125                 | 25.0%                   | 32.5%                        | 176,654                              | 68,597                                | 241,304                             | 0                             | 35.70   |
| <b>Class A</b>   | <b>10,863,364</b>          | <b>31.2%</b>            | <b>38.3%</b>                 | <b>156,434</b>                       | <b>19,733</b>                         | <b>146,263</b>                      | <b>0</b>                      | <b>37.80</b>                                    |
| Class B  | 7,414,761                  | 15.9%                   | 24.1%                        | 20,220                               | 48,864                                | 95,041                              | 0                             | 33.01   |
| South Total  | 4,136,933                  | 30.3%                   | 33.3%                        | 30,674                               | 66,768                                | 139,281                             | 138,996                       | 41.00   |
| Class A  | 2,041,265                  | 27.1%                   | 32.9%                        | 59,578                               | 93,128                                | 121,752                             | 138,996                       | 48.22   |
| Class B  | 2,095,668                  | 33.4%                   | 33.8%                        | -28,904                              | -26,360                               | 17,529                              | 0                             | 34.46   |
| East/Southeast Total                                       | 9,330,381                  | 31.1%                   | 31.1%                        | 60,041                               | -15,435                               | 146,412                             | 0                             | 39.17   |
| Class A  | 4,169,365                  | 41.3%                   | 41.3%                        | 49,515                               | 65,318                                | 46,931                              | 0                             | 48.97   |
| Class B  | 5,161,016                  | 22.8%                   | 22.8%                        | 10,526                               | -80,753                               | 99,481                              | 0                             | 31.93   |
| Southwest Total  | 12,695,387                 | 17.4%                   | 21.7%                        | 19,439                               | 62,444                                | 442,188                             | 0                             | 39.48   |
| Class A  | 8,103,598                  | 18.7%                   | 23.4%                        | 52,334                               | 73,297                                | 334,921                             | 0                             | 42.41   |
| Class B  | 4,591,789                  | 15.0%                   | 18.7%                        | -32,895                              | -10,853                               | 107,267                             | 0                             | 34.85   |
| Suburban Total   | 67,057,630                 | 22.8%                   | 27.2%                        | 388,800                              | 393,305                               | 1,294,485                           | 138,996                       | 37.89   |
| Class A  | 36,671,490                 | 26.3%                   | 31.6%                        | 433,019                              | 542,010                               | 880,918                             | 138,996                       | 42.87   |
| Class B  | 30,386,140                 | 18.6%                   | 21.7%                        | -44,219                              | -148,705                              | 413,567                             | 0                             | 32.51   |
| Austin Market Total  | 84,374,329                 | 24.3%                   | 29.1%                        | 376,180                              | 507,866                               | 1,591,509                           | 138,996                       | 42.94   |
| Class A  | 50,343,890                 | 27.9%                   | 33.6%                        | 433,565                              | 698,892                               | 1,129,786                           | 138,996                       | 48.87   |
| Class B  | 34,030,439                 | 18.8%                   | 22.3%                        | -57,385                              | -191,026                              | 461,723                             | 0                             | 34.05   |

# Market Overview

## Austin Office Submarkets



- 1. CBD
- 2. Central
- 3. CedarPark/Georgetown/Round Rock
- 4. North/Domain
- 5. Northeast
- 6. Northwest
- 7. South
- 8. Southeast
- 9. Southwest

Information and data within this report were obtained from sources deemed to be reliable. No warranty or representation is made to guarantee its accuracy.

## Steve Triolet

SVP of Research and Market Forecasting

tel 214 223 4008

[steve.triolet@partnersrealestate.com](mailto:steve.triolet@partnersrealestate.com)

partners

**HOUSTON**

+ 713 629 0500

1360 Post Oak Blvd #1900

Houston, Texas 77056

**PARTNERSREALESTATE.COM**