



AUSTIN OFFICE MARKET

Yardi® Matrix

Market Analysis

First Quarter 2019

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Development Soars, Demand Keeps Up



Austin's burgeoning economy is bolstered by solid market fundamentals, steady job growth and company expansions. The metro's friendly business climate and high quality of living make the state capital a popular destination for both corporate relocations and new residents. Drawing on its importance as a technological, educational and governmental hub, Austin is well suited for a strong 2019, despite concerns over foreign trade and a slumping stock market. As of December, the metro had 281,000 office-using jobs, with professional and business services leading growth in the office sector (with an additional 7,000, up 3.9%).

Robust demand for high-end office space is matched by a booming development pipeline. Some 3.6 million square feet was under construction as of December, accounting for 7.8% of total stock. More than half of that is expected to come online by the end of 2019. In late 2018, Apple revealed plans to develop a \$1 billion campus in North Austin, with delivery set for 2022. The company received roughly \$16 million in tax breaks from the Wilco Commissioner's Court, with the state of Texas contributing \$25 million to the effort.

Mainly in line with national trends, investment activity slowed down compared to previous years. Nearly \$698 million in office assets traded in Austin through December, with institutional investors closing the bulk of transactions in the metro. With acquisition yields hovering in the 5.5% to 6% range for top-rated properties, Austin is on par with major metros like Atlanta and Denver.