

Yardi® Matrix

National Office Report

May 2019



U.S. Office Property: Austin Powers Rise in Asking Rents

- U.S. office asking rents increased by 1.1% in April over the previous three-month period, to \$36.40, according to Yardi Matrix. Despite the steady growth in new supply, robust absorption helped the national vacancy rate remain unchanged at 13.7%.
- A handful of markets, led by Austin at 9.1%, saw outsize increases in asking rents. Of the 25 major markets in our report, 19 saw gains over the last three months, while six had declines. Office rents are fairly strong across the board, reflecting the continued health of the economy and the growth of the technology, health care and coworking segments. Most of the markets with the largest increases have in recent months added listings of new Class A buildings with attractive amenity packages and the most up-to-date technology.
- Recently added listings in Austin include Indeed Tower, Sol at 618 Tillery and One Barton Skyway. Indeed Tower is a 36-story building known as Block 71 until internet job search firm Indeed occupied a large chunk of the building and assumed the naming rights. It is scheduled to come online in the spring of 2021. The 680,000-square-foot Downtown building has gotten off to a good start on the leasing front, but 265,000 square feet remains available at an average list price of \$48 per square foot triple-net. The Teachers Retirement System of Texas recently announced it would occupy part of the building, which will have a mix of New Economy and traditional institutional tenants. Trammell Crow Co. is the developer.
- Austin's Sol at 618 Tillery, located in an urban East Austin submarket, is a converted warehouse being repurposed as a Class A office property by developer Peter Barlin. Scheduled to open this summer, the property has 187,000 square feet of rentable space available at \$38 per square foot triple-net. One Barton Skyway, a circa-1999 four-story suburban office building at 1501 S. Mopac Expressway, has 110,000 square feet available at \$33 per square foot triple-net. The 195,000-square-foot property is owned by Brandywine Realty Trust of Philadelphia.
- Transaction activity has picked up somewhat, with \$19.8 billion of deals closed through the end of April, but deal flow remains weak compared to recent years.

