

AUSTIN OFFICE MARKET

Yardi® Matrix

Market Analysis

Second Quarter 2019

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Demand Drives Construction, Preleasing Activity



Austin's ongoing expansion is fueled by consistent population and job growth, strong investor appetite and a burgeoning development pipeline. The fast pace at which companies are relocating and expanding in the metro is driven by good market fundamentals, a growing economy, a skilled labor pool and a friendly business climate. Amazon, Apple, Google and Facebook are only a few of the major companies to announce expansion plans for the state capital in the coming years.

Robust tenant demand is matched by unwavering construction activity. Some 5.8 million square feet was underway as of April, and developers delivered 10 properties totaling 1.3 million square feet during the first four months of 2019. Another 1.6 million is slated for completion by year's end, a testament to strong tenant interest in new office product. As the bulk of developments is already preleased, developers are putting together plans for the future, with more than 15.2 million square feet in the planning and permitting stages.

Investor interest remained healthy, although transaction activity cooled in the first months of 2019, in line with national trends. Sales volume amounted to \$898 million in confirmed transactions as of April, with some 4.6 million square feet in office assets trading year-over-year. Acquisition yields for top-tier properties hovered in the 5.5% to 6% range, putting Austin in step with expanding metros like Denver and gateway markets like Chicago.