

AUSTIN OFFICE MARKET

Yardi® Matrix

Market Analysis

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Corporate Growth Fuels Momentum



Growth in Austin's office sector is showing no signs of decelerating, as the metro continues to be a magnet for company relocations and residents alike. Austin has one of the highest percentages of relocating employees, some 70% or above, as companies move their operations to the metro, according to the Austin Chamber of Commerce. PricewaterhouseCoopers and the Urban Land Institute's well-respected Emerging Trends report ranked Austin the top market for overall real estate investment prospects for 2020. The report showed that Austin's population growth rate is three times the U.S. rate. The metro gained 10,500 office-using jobs through August, up 4.4% year-over-year.

Sustained tenant demand is matched by a robust development pipeline. More than 6.1 million square feet was under construction as of September, 9.1% of total stock. This year's deliveries (1.8 million square feet) have already exceeded 2018's completion levels. Downtown Austin tops the list of the most dynamic submarkets for construction activity, with more than 3.1 million square feet underway.

Investor interest is solid as the metro continues to draw on strong market dynamics. Some 3.5 million square feet traded in Austin for a combined \$757 million year-to-date through September. On par with national trends, office building prices have climbed on a dollar-per-square-foot basis—at \$232.31. Top-rated assets in Austin brought in acquisition yields between 5.5% and 6.0%, while yields for Class B product hovered in the 6.3% to 7.3% range.