

AUSTIN OFFICE MARKET

Yardi® Matrix

Market Analysis

First Quarter 2019

Contacts

Jeff Adler

Vice President & General
Manager of Yardi Matrix
Jeff.Adler@Yardi.com
(800) 866-1124 x2403

Jack Kern

Director of Research and
Publications
Jack.Kern@Yardi.com
(800) 866-1124 x2444

Chris Nebenzahl

Senior Analyst
Chris.Nebenzahl@Yardi.com
(800) 866-1124 x2200

Veronica Grecu

Senior Real Estate Market Analyst
Veronica.Grecu@Yardi.com
(306) 955-1855 x7583

Author

Timea-Erika Papp

Associate Editor
Timea-Erika.Papp@Yardi.com

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expense and lease expiration
data is available to Yardi Matrix
subscribers. Please contact us
for details!

For more information please contact:

Ron Brock, Jr.

Industry Principal, Matrix
JR.Brock@Yardi.com
(480) 663-1149 x2404

Development Matches Robust Demand



Austin's ongoing economic expansion continues to draw investor interest and fuel population growth. With healthy office fundamentals and a friendly business environment, major companies are in constant search of new and high-end space in the metro's core submarkets. Year-to-date, tech giants Google, Facebook and WeWork closed several new expansion deals, further bolstering their Austin presence. As of December, the metro had 282,000 office-using jobs, with professional and business services leading growth in the office sector (6,100 added jobs, up 3.3%).

Strong demand and positive absorption are driving Austin's robust development pipeline. Some 5.1 million square feet was under construction as of February, representing 7.9% of total stock, and more than half of that (2.9 million square feet) is expected to come online by year-end. Downtown continues to lead the metro in construction activity (2.1 million square feet underway), as developers aim to match demand from existing tenants planning to expand as well as new-to-market companies like Stonepeak Infrastructure Partners, relocating from New York City.

On par with national trends for quarterly volume levels, investment activity was sluggish in the first months of 2019. Four assets changed hands for a combined \$33 million through February. Transactions amounted to \$938.9 million in 2018, with acquisition yields for top-tier assets in the 5.5% to 6% range. Austin continues to draw on its status as a technological, educational and governmental hub.