

Austin

Impact

Local start-ups combined with the migration of out-of-state firms are driving high-tech sector growth, and their increased need for space is starting to put some upward pressure on rents in certain submarkets. Downtown is one area where start-ups continue to settle, but the larger, more mature high-tech sector located in Northwest Austin is where many companies relocate for expansion purposes.

Overview

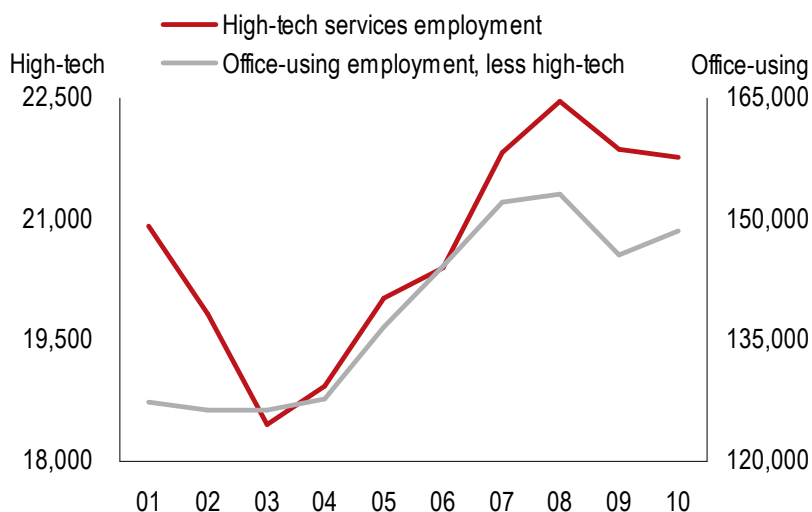
Leasing velocity is gaining momentum and there are signs that market conditions in high-tech focused areas are tightening as vacant space transitions to leased space. Tapping into lower real estate costs and a significant talent pool, the move to Austin for many companies has been an attractive one. Downtown, where social media and mobile application companies are focused, availabilities have been reduced and competition has increased. Facebook is a prime example, having entered the market a year ago and doubling in size since opening its office downtown.

The Northwest submarket may still have a relatively high vacancy rate exceeding 20 percent, but only four blocks of contiguous space over 50,000 square feet remain on the market. Well-established companies such as Polycom, Emerson, Pervasive, Microsoft, and Google are more prominent in this area. On the research and development side, Austin is home to major semiconductor companies such as Cirrus Logic, AMD, Freescale, Samsung, and Intel. Dell, the world's second largest PC manufacturer, is located just north of Austin in Round Rock. Though overall fundamentals still have room for improvement, major Austin submarkets have begun shifting away from tenant favorable toward landlord favorable conditions.

Outlook

The lack of significant new supply coming onto the market over the past few years combined with a recent upturn in demand has caused availability to decrease and rents to rise in certain pockets. Although office space is becoming more expensive in Austin, it is still substantially cheaper than in other high-tech driven markets, making it an affordable alternative for expanding firms. Likewise, for companies already located in Austin the ability to grow into other submarkets, such as Northwest, will continue to act as an attractive incentive.

Austin high-technology employment



Players: top high-tech firms By real estate footprint



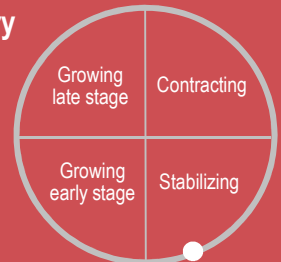
Dell
Samsung Austin Semiconductor
IBM
Applied Materials
Freescale Semiconductor

Position



High-tech industry

Economic cycle clock



Office property

Market cycle clock



Scorecard



Economic		rank
High-tech jobs / annual growth	45,719 / -0.6%	11/14
Percent of total jobs	8.0%	4
Number of firms	2,426	11
Venture capital funding (past 4 quarters)	\$348.1 M	12
Share of U.S. total	1.4%	
College education	40.4%	9
Diversity (non-white / foreign born)	26.7% / 14.8%	13/11
Office		
Cost (average asking rent)	\$26.34	11
Annual growth	1.6%	5
Supply (vacancy rate)	21.3%	16
Demand (net absorption sf / (past 4 quarters))	359,020 sf / 0.8%	16 / 15
High-tech concentration (high-tech services vs. office jobs)	12.8%	7



Recent lease activity



Polycom
7700 West Parmer Lane
124,000 sf



Pervasive
12365 Riata Trace Parkway
94,000 sf

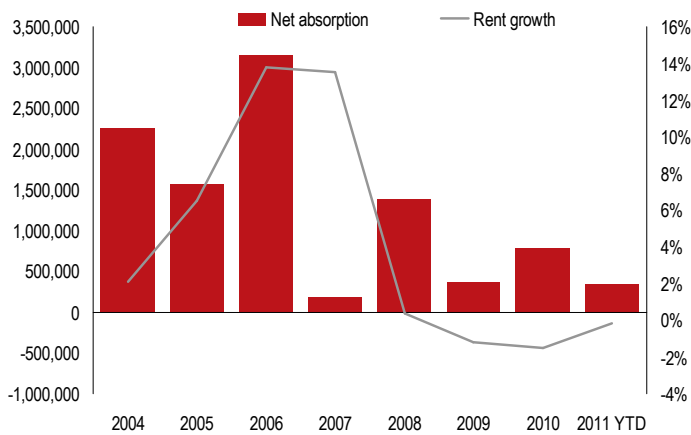


Facebook
300 West 6th Street
60,000 sf



Altera
5113 Southwest Parkway
45,000 sf

Net absorption vs. rent growth



Top headlines

Austin

eBay offered \$2.8M to create 1,000 jobs in Austin

WhaleShark Media buys UK coupon site eConversions, Ltd.

Austin incubator aims to grow, influence new technology

Austin Chamber creates "Tech Partnership" group to foster start-up growth

Top Austin high-technology firms by real estate footprint

Alphabetical order:

1. 3M
2. Advanced Micro Devices
3. Apple
4. Applied Materials
5. Bazaarvoice
6. BMC Software
7. Cirrus Logic
8. Cisco
9. Convio
10. CSC Financial Services Group
11. Dell
12. eBay
13. Freescale Semiconductor
14. Hewlett-Packard
15. IBM
16. Intel
17. LifeSize
18. National Instruments
19. Overwatch
20. Pervasive
21. Polycom
22. Samsung Austin Semiconductor
23. Spansion
24. Tokyo Electron
25. VMWare

