

# Press Release



Commercial Real Estate Services, Worldwide.

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## ***For Immediate Release***

# **Austin stats show strong market results**

## ***Retail and industrial sectors strong; office in construction boom***

AUSTIN, TX – August 13, 2007 – Austin’s industrial, retail and office sectors all continue to show great signs of strength during the first six months of the year, according to a new market report. NAI CIP’s *Source* has been tracking market information in Central Texas for more than 20 years, providing a valuable historical perspective for commercial real estate absorption and development in the Austin area.

The mid-year update to the biannual report found:

- The office market report found a negative 57,818 square feet of space was absorbed during the first six months of 2007 – marking the first time since year-end 2003 for negative absorption to occur. This is due largely to almost 400,000 square feet of office space being added to the Austin market in the past six months, but not yet leased. The Northwest and Southwest submarkets had the highest negative absorption, 337,999 and 142,892 square feet respectively. The CBD (Central Business District) continues to have the highest absorption with 266,763 square feet.

At the same time, it’s worth noting the Northwest and Southwest sectors also have some of the highest occupancy and highest rental rates. The average rental rate in the CBD was \$31.86 per square foot while occupancy stood at 84 percent. The Northwest sector’s average rental rate \$27.17, with an occupancy level of 90 percent. The Southwest’s average rental rate was \$27.07, also with an occupancy level of 90 percent. The city-wide rental rate average was \$27.42 while the overall vacancy rate was 85 percent.

“The Northwest and Southwest sectors have had a great deal of recent success landing companies new to the Austin area – like IndyMac and Pay Pal. That’s exactly what the market will need more of to keep a healthy equilibrium between the new space coming online and rental rates needed to justify new construction costs,” says Josie Marshman with NAI CIP.

- Overall industrial vacancy rates for the first two quarters continued to decline – now standing at 11 percent, compared to 12 percent at the end of 2006. The amount of vacant space has decreased from 3.96 million square feet at the start of 2007 to the current figure of 3.84 million square feet. The first half of the year marked the ninth consecutive six-month reporting period with positive absorption. Lease rates increased by \$0.02 to \$0.08 per square foot per month as a result of new construction and decreased vacancy.

“A robust 1.8 million square feet of new industrial product is under construction, and it’s directly in response to the health of this sector. New and improved major roadways continue to act as magnets for industrial growth, and we see that trend continuing for the foreseeable future,” says Jerry Heare with NAI CIP.

- Despite the delivery of a substantial amount of new retail space, this market’s vacancy and rental rates have essentially remained unchanged since the end of 2006. Less than 5 percent of new large-scale space was vacant as of June in new projects like Southpark Meadows Phase II, Sunset Valley Homestead, Phase I of The Domain, Shops at Arbor Walk and Muller Phase I – which feature a combined 1.5 million square feet of retail space. The average retail rate for centers with more than 100,000 square feet was \$1.94, while the average rate for centers with less than that amount was \$1.57.

“Not many cities could absorb the amount of new space the Austin market has embraced,” says Travis Waldrop with NAI CIP. “New retailers have welcomed opportunities to make an Austin debut, while existing tenants were eager to expand. Much of the future retail growth will be concentrated in outlying areas, where population expansion has outpaced shopping opportunities.”

### **About NAI CIP**

NAI Commercial Industrial Properties Co. ([www.naicip.com](http://www.naicip.com)), one of this region’s largest, most respected and successful commercial real estate service providers since 1975, provides highly-qualified, experienced professionals and support staff to fulfill the commercial real estate needs of its corporate, institutional and individual buyer, seller, tenant, and investor clients throughout Central Texas ...and world wide through its NAI Global partners.

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