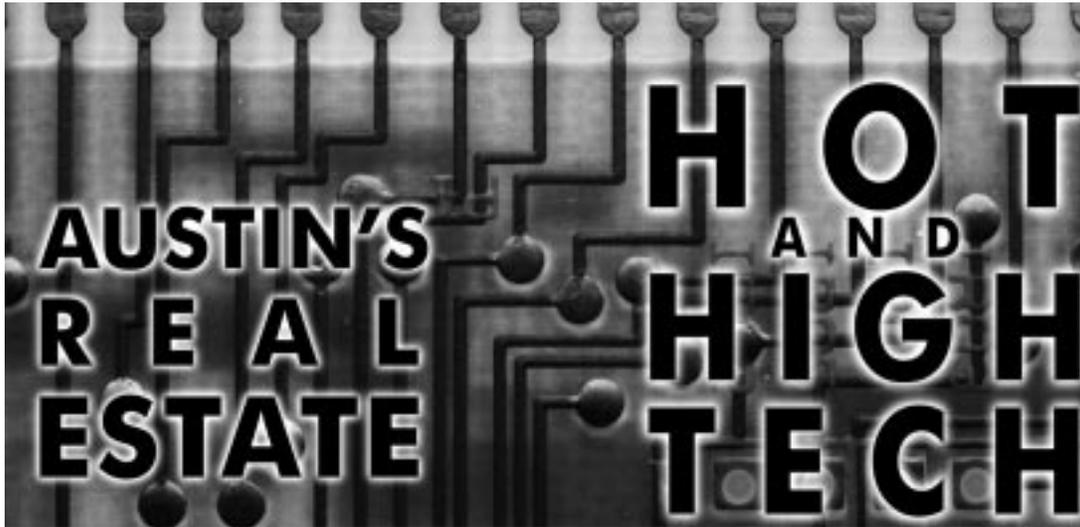


A Reprint from *Tierra Grande*, the Real Estate Center Journal



By Harold D. Hunt

Once a small settlement along the Colorado River, the city of Austin has evolved into a dynamic metropolis of more than 500,000 residents. The population of the metropolitan Austin area, including Round Rock, Westlake, Cedar Park, Buda and Manor, exceeds one million.

In the past, Austin's economy was based primarily on higher education, state government and tourism. More recently, Austin has gained recognition as a global high-tech center by attracting such companies as Dell Computer Cor-

poration, Motorola and Texas Instruments. According to a study by Dynamic Resource Solutions, the 70,000 employees of Austin's 1,750 technology firms comprise approximately 12 percent of the area's total work force, ranking eighth in the nation on a percentage basis.

Austin's high-tech employment has grown at an impressive 7 percent per year, nearly tripling over the last decade. Although the ongoing Asian economic crisis may somewhat reduce this rate, analysts believe the growth will continue. Total employment in the Austin MSA increased by approximately 25,000

jobs in 1998, a 4 percent increase from 1997.

Residential: Boom Goes On

Austin has a white-hot, single-family market. The combination of significant job growth and low mortgage rates has led to a housing boom. Annual new home construction has doubled since 1995. The number of existing home sales increased more than 23 percent in 1998 alone. The result has been a steady decline in the inventory of single-family homes available for resale since mid-1997.

The multifamily market also has been strong with consistent increases in occupancy and rental rates. Austin's overall rental rate of approximately 85 cents per square foot is the highest in the state, and the overall occupancy rate exceeds 96 percent. According to M/PF Research, lower job growth, combined with an additional 9,000 new apartment units during the next two years, may reduce the multifamily occupancy rate to 92 percent and level off rental rates.

Industrial: Absorbing Space

In the industrial market, demand continues to keep pace with new construction. Even with a world-wide slowdown in the semiconductor industry, Austin absorbed approximately 1.9 million square feet of space in 1998, the most ever. More than half the absorbed space was located in the north Austin and Round Rock sectors.

More than one million square feet of warehouse space and 500,000 square feet of flex space will be completed in 1999, according to The Source, an Austin



AUSTIN'S SAMSUNG EMPLOYEES CELEBRATE the many accomplishments of 1998, the company's first full year in operation, including the production of 20 million chips in that time.

market research firm. The current overall industrial vacancy rate is approximately 7 percent.

Retail: Rates Higher, Vacancies Fewer

A growing population and solid consumer spending have produced a strong Austin retail market. According to Jerry Quick of Quick & Co. Commercial Realty, only 7.5 percent of Austin's 23 million square feet of retail space is vacant. A mere 130,000 square feet was completed in 1997 in the Austin area. More than 700,000 square feet was completed in 1998 while more than two million square feet is scheduled to be completed in 1999. Retail rental rates are expected to increase 5 to 6 percent in 1999 while the overall vacancy rate may tighten to as low as 5 percent.

Office: Overbuilding Unlikely

Although office space demand has been steady, the financing crisis that began in late summer 1998 has been a major factor in limiting new office construction. Austin's rigid zoning and environmental protection policies also continue to keep office supply in check, thus reducing the risk of overbuilding. Rental rates remain strong, with new construction rates approximately 17 percent higher than the overall average rate of \$25.53 per square foot, according to The Source.

New office space is being absorbed steadily. Although an additional 750,000 square feet of office space was added during 1998, the city-wide occupancy rate increased to 95 percent by year's-end, an 18-year high. More than 2.4 million square feet of new office space

are scheduled for completion in 1999, with 75 percent of it located in the northwest sector.

Downtown rental rates increased 20 percent in 1998, leading all other market sectors. Although the vacancy rate for downtown Class A buildings has fallen to 3 percent, that could change if there is a glut of suburban space on the market, according to Mike Kennedy of Michael Kennedy Interests. Access to downtown should worsen as construction begins on new properties. Companies with the option of moving to a more convenient suburban project may choose the suburbs. ☐

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Tierra Grande (ISSN 1070-0234), formerly *Real Estate Center Journal*, is published quarterly by the Real Estate Center at Texas A&M University, College Station, Texas 77843-2115.

Subscriptions are free to Texas real estate licensees. Other subscribers, \$30 per year, including 12 issues of *Trends*.

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