



STATE *of* DOWNTOWN QUARTERLY REPORT

Quarter 3 • October 2023

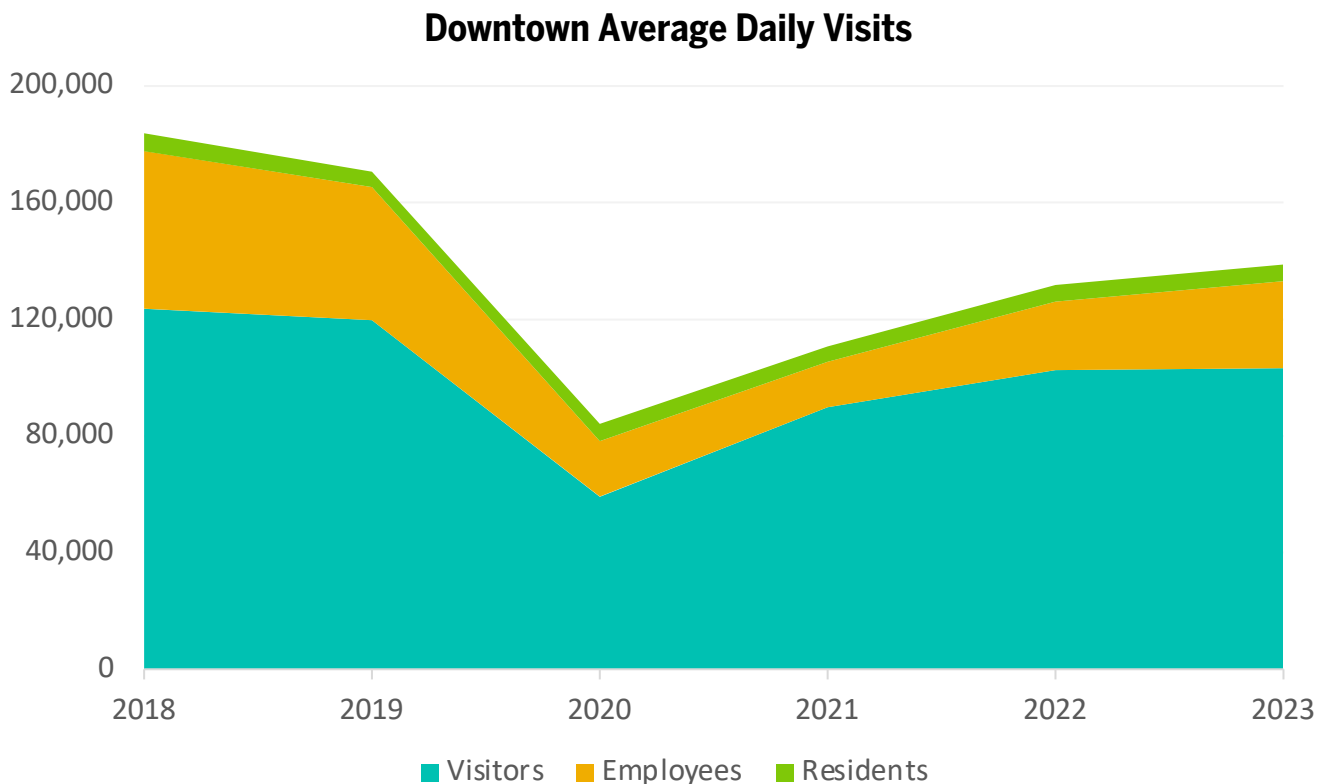
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Return to Downtown: Visitors Love Downtown

- Downtown area employees have been steadily going back into the office since the peak of COVID-19 in 2020, hitting 65% of the 2019 average as of September 2023.
- The extreme heat in Central Texas during the summer months was a strong motivating factor for employees to work from home. This trend helped suppress total employee turnout in Q3 2023, down from an average of 30,466 employees in Q2 2023. With the approaching holiday seasons, we anticipate employee turnout to further decrease in the coming months.

Average Daily Visits	2018	2019	2020	2021	2022	2023
Visitors	123,613	119,808	59,229	89,796	102,633	103,283
Employees	54,106	45,456	19,001	15,601	23,406	29,730
Residents	6,085	5,456	5,937	5,201	5,686	5,698

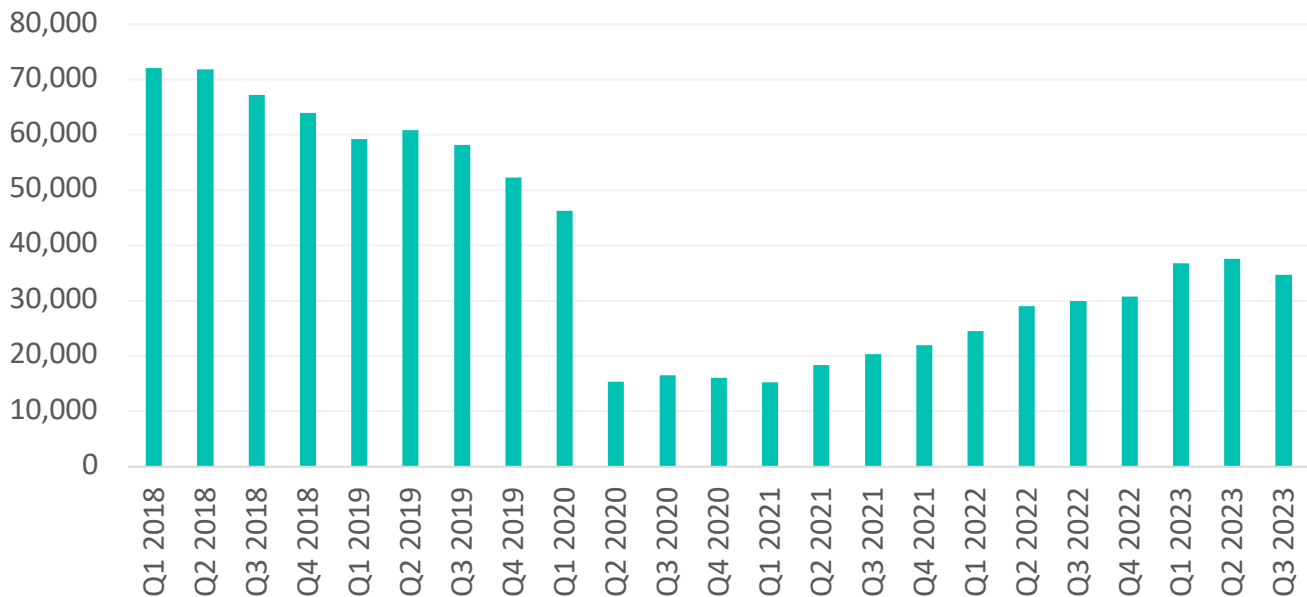
Source: Placer.ai, October 2023



Source: Placer.ai, October 2023

Return to Downtown: Office & Entertainment

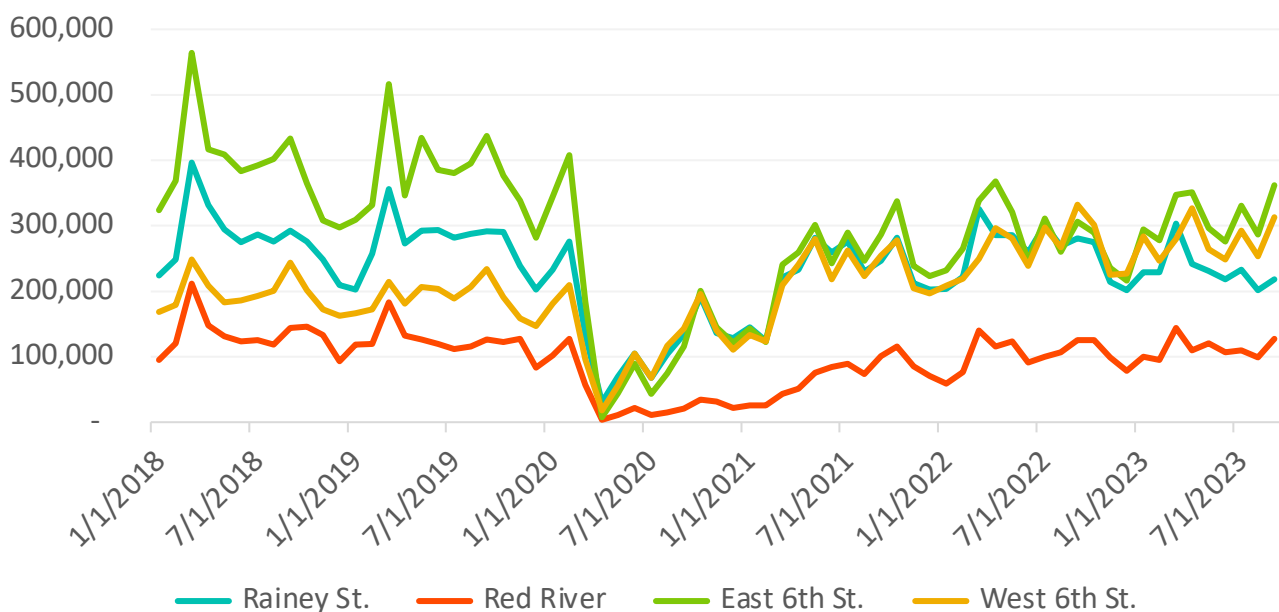
Average Weekday Employee Population



Source: Placer.ai, October 2023

- The summer heat, coupled with summer vacation for students, helped compress weekday employee turnout for office users, falling to 66% of Q4 2019 levels in Q3 2023.
- Downtown's entertainment districts saw a significant spike in foot traffic during September 2023, driven largely by the return of college students and football season.

Total Monthly Visits By Entertainment Districts



Source: Placer.ai, October 2023

Downtown Development Pipeline

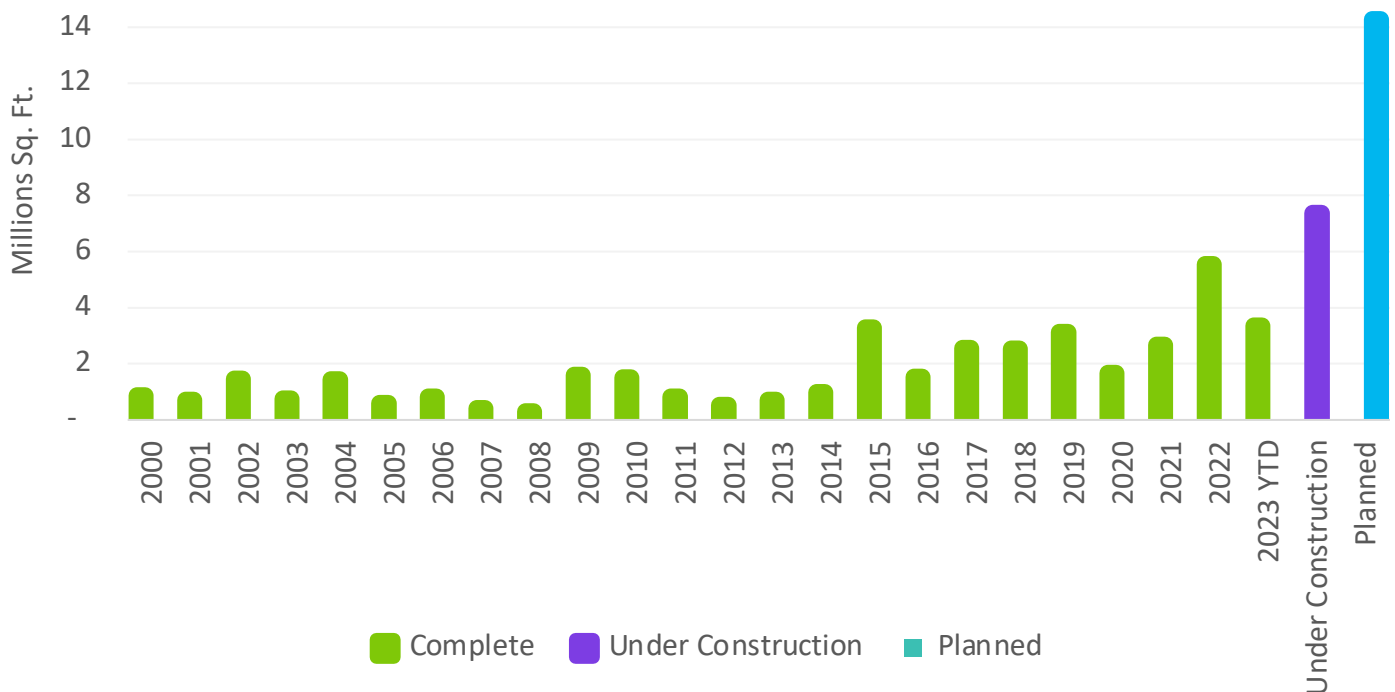
The DAA marked five projects as having delivered in Q3 2023, totaling approximately 2.7 million square feet. The number of projects under construction has dropped as developers figure out how to financially pencil out kicking off new projects in the current economic climate.

Type of Development	Under Construction Sq. Ft.	Proposed Sq. Ft.
Office	1,574,303	3,903,084
Residential	2,539,032	3,434,385
Hotel	9,000	942,360
Mixed Use	3,258,915	5,999,309

Source: Downtown Austin Alliance, October 2023

**Note: DAA Research reclassified several projects that we are tracking to reflect "Mixed Use". This reclassification allows for a more accurate representation of the type of demand the market is experiencing.*

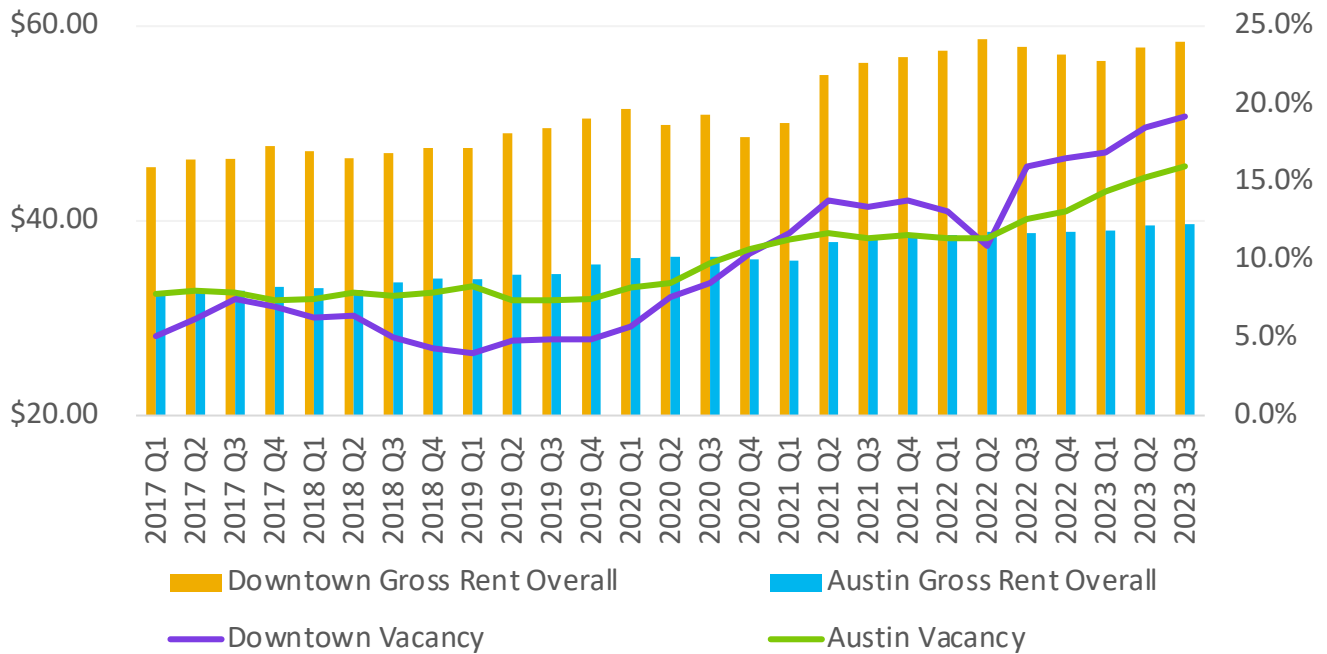
Downtown Development Since 2000



Source: Downtown Austin Alliance, October 2023

Office Market Fundamentals

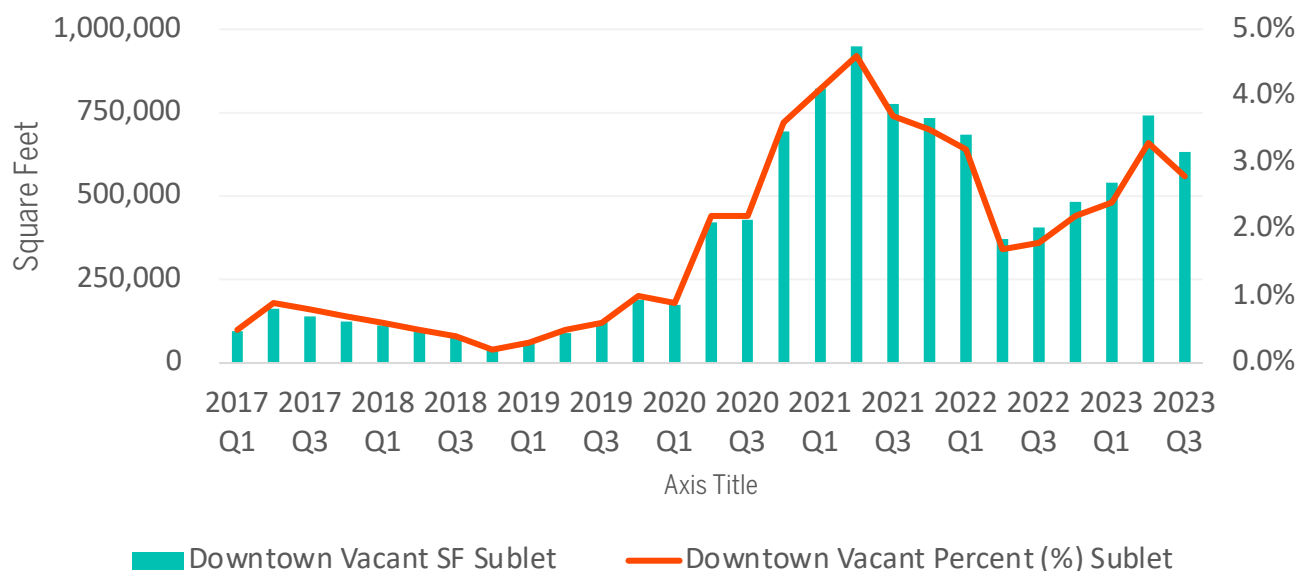
Historical Rents & Vacancy



Source: CoStar, Q3 2023

While the downtown office market is still recovering from the effects of the pandemic, vacancies are pushing 20%. Asking rates downtown have remained robust and are currently 47% higher than the rest of the Austin market. Professional, financial and business services firms have bolstered leasing activity in downtown, which has helped offset the slowdown of tech leasing activity in the region.

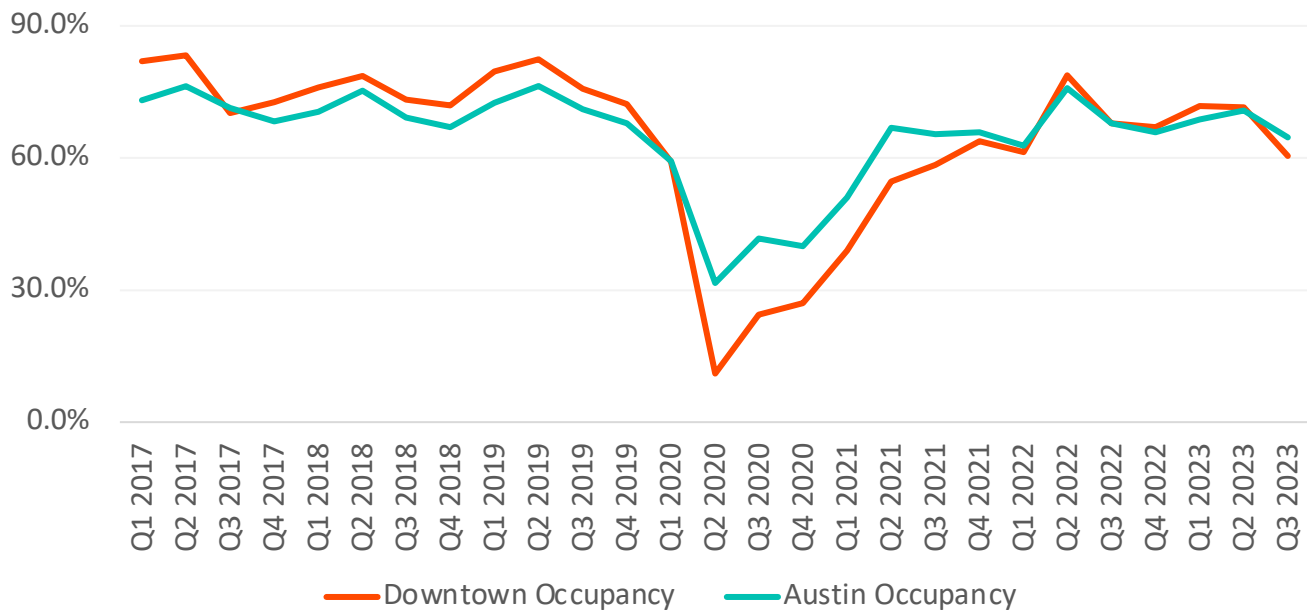
Sublease Activity in Downtown



Source: CoStar, Q3 2023

Hotel Market Fundamentals

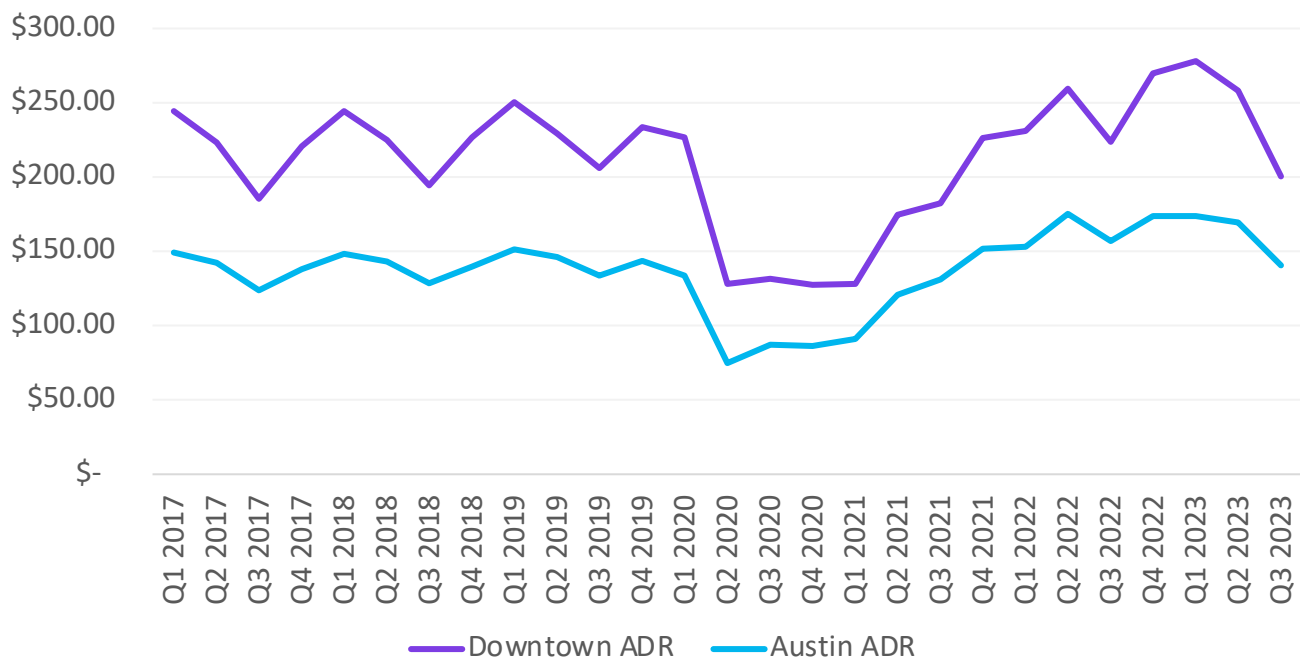
Downtown Hotel Occupancy Rate



Source: CoStar, Q3 2023

Downtown Austin's hotel market has been the most resilient downtown sector, partly due to the pent-up demand for travel over the past few years. With current economic uncertainty, travel has dropped off recently, causing occupancy to fall to 60.5% and the Average Daily Room Rate (ADR) to decrease to \$200.38 in Q3 2023.

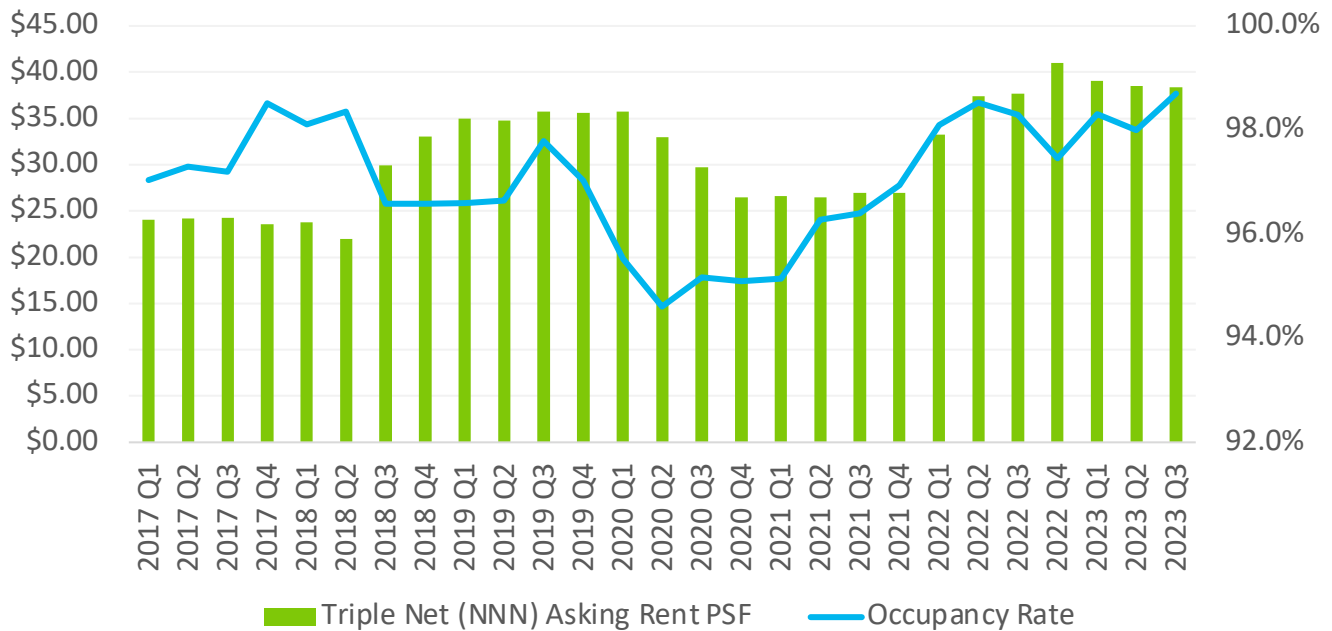
Downtown Hotel Average Daily Room (ADR) Rate



Source: CoStar, Q3 2023

Retail Market Fundamentals

Downtown Retail Asking Rent & Occupancy Rates



Source: CoStar, Q3 2023

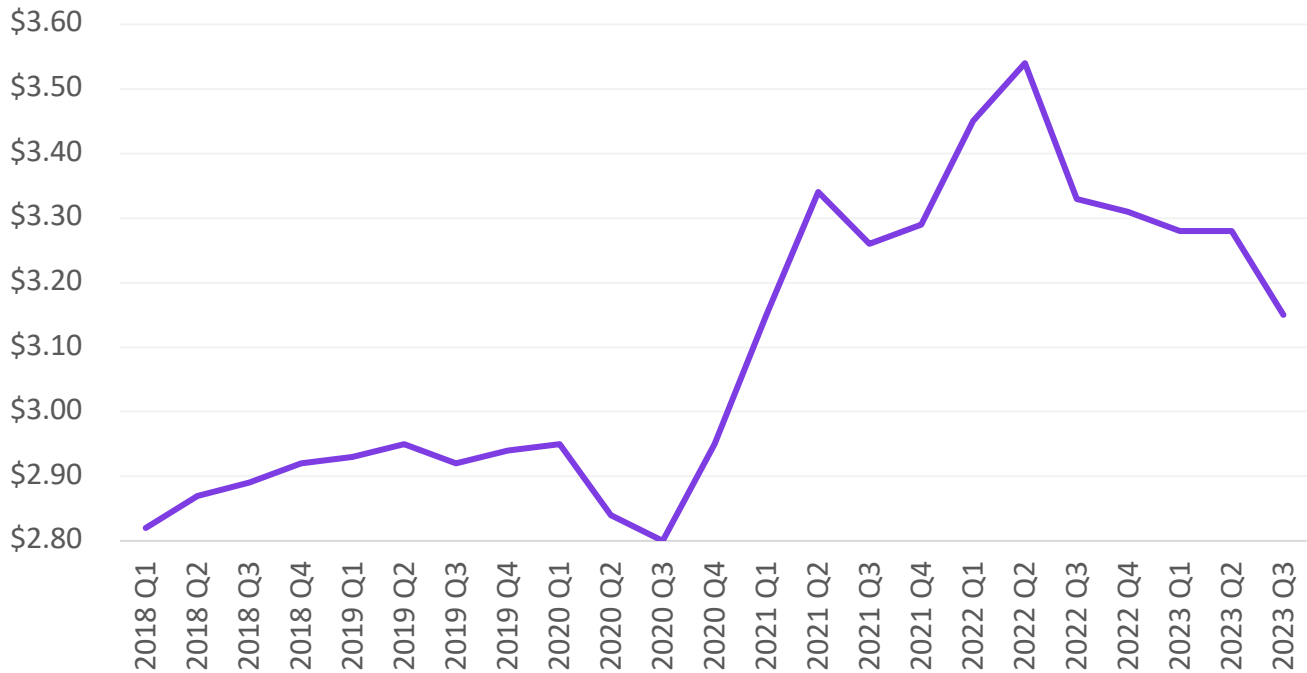
Demand for retail space downtown remains robust, with occupancy rates above 90%. Asking rates have slipped in 2023, yet they remain above \$38 per square foot. Alcohol sales in downtown have drastically risen since bottoming out in 2020, hitting 82% of 2019 sales in 2022.



Retail Storefronts in Downtown Austin along 3rd Street

Housing Market Fundamentals

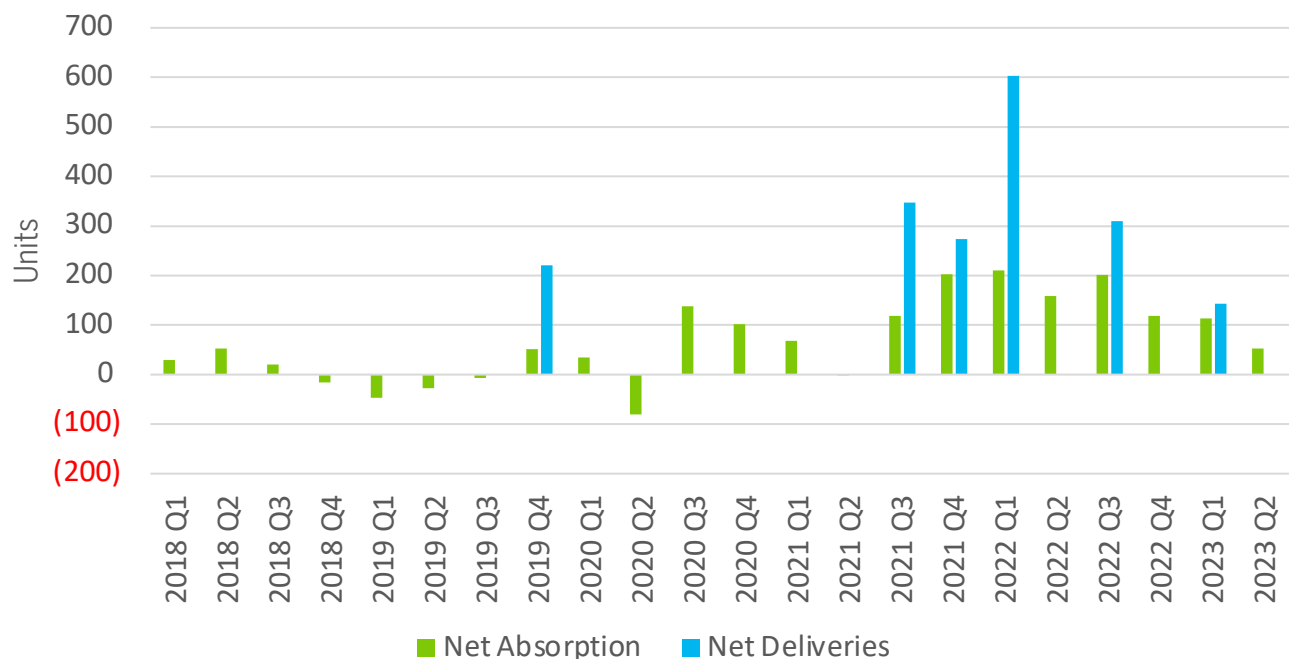
Downtown Market Asking Rent Per Sq. Ft.



Source: CoStar, Q3 2023

As the epitome of the live/work/play model in Central Texas, the housing market downtown is bracing for a massive influx of new product to deliver to the market within the next two years. While this influx has compressed the average daily asking rent per sq. ft., it has also allowed more people to take advantage of all of the benefits of living downtown.

Downtown Apartment Absorption & Deliveries



Source: CoStar, Q3 2023



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