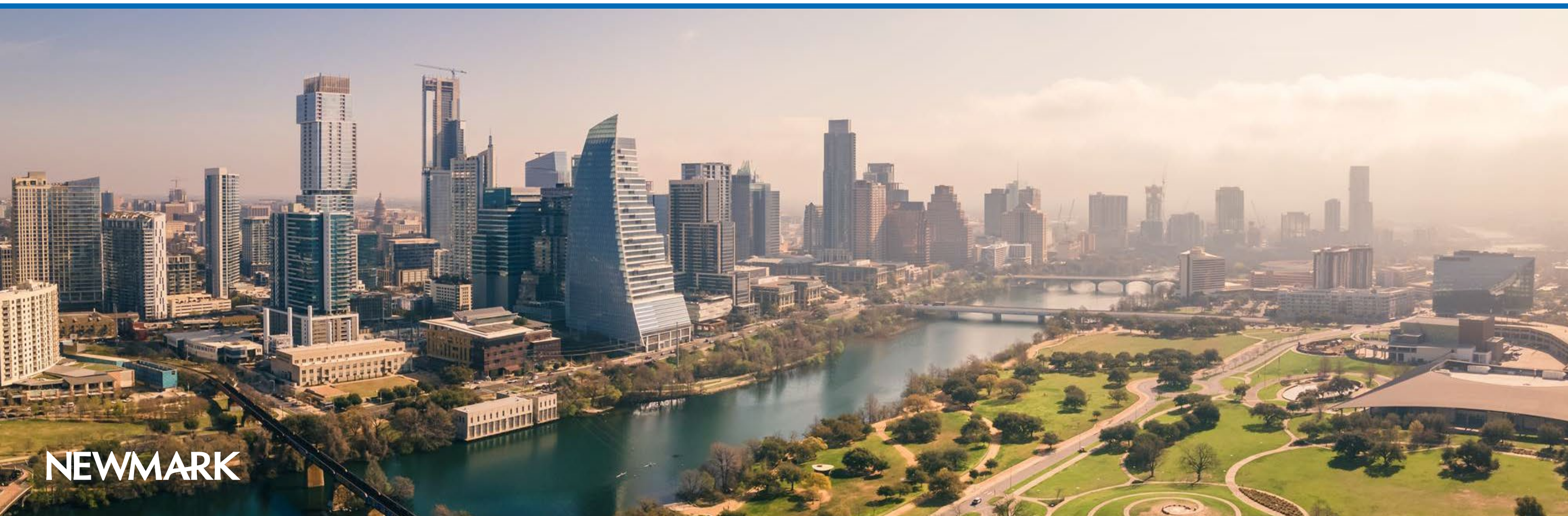


1Q25

Austin Office Market Overview



NEWMARK

Market Observations



- The market’s unemployment rate ticked up by 16 basis points year over year to 3.5%, remaining below the five-year average of 4.0%.
- Employment growth in February 2025 decelerated by 84 basis points year over year to 1.6%.
- Most sectors reported employment gains, with financial activities leading job gains at 4.7% over the past 12 months.
- Office-using jobs in the market dipped by 0.6% from their historic high to 420,050 jobs as of the end of February 2025, but still reflected a 31.0% increase since year-end 2019.



- The largest lease signed during the first quarter of 2025 was BigCommerce’s 65,050-SF sublease at Domain 11.
- The Domain and CBD, generally Austin’s most popular submarkets, accounted for the lion’s share of the first quarter’s most notable leases. Further, most of those leases were signed in The Domain.
- Tech companies continue to favor the North/Domain submarket, highlighted by BigCommerce and LegalZoom’s decisions to sublease space in the submarket.
- Most of the quarter’s largest signed leases were direct subleases, indicating that companies were capitalizing on advantageous market conditions to secure high-quality office space in favorable locations.



Leasing Market Fundamentals

- Annual full-service rental rates recorded a historic high of \$45.07/SF, reflecting a 5.7% increase over the fourth quarter of 2024 and a 10.2% increase year over year.
- Direct and sublet availabilities declined by 30 basis points each on a quarterly basis. However, vacancy increased by 60 basis points on a quarterly basis to 23.6% as the market continues to work through the elevated level of deliveries that occurred during the past several years.
- The under-construction pipeline continued to contract, ending the quarter with 2.0 MSF under construction as restrictive fiscal policies and rising building costs curbed new office groundbreakings in the market.
- Financial uncertainty has decreased quarterly leasing activity to 1.4 MSF, well below the 16-year first-quarter average of 2.0 MSF.



Outlook

- The Austin office market has begun showing signs of recovery as technology companies mandated that employees return to the office. However, near-term growth is projected to remain slow. Office investment activity is expected to stay subdued in the near term due to elevated inflation, higher borrowing costs, and muted demand. A recent bright spot was Google’s decision to occupy its space in Sail Tower after several years of uncertainty.
- Continued expiration of leases signed pre-pandemic will likely drive more tenants to shed underutilized space and opt for leasing smaller footprints in higher-quality assets.
- The office market is expected to remain tenant friendly, with continued muted demand keeping overall asking rents flat or slightly lower.
- Vacancy is expected to increase as the construction pipeline, accounting for 2.3% of inventory, continues to deliver.

1. Economy
2. Leasing Market Fundamentals

1Q25

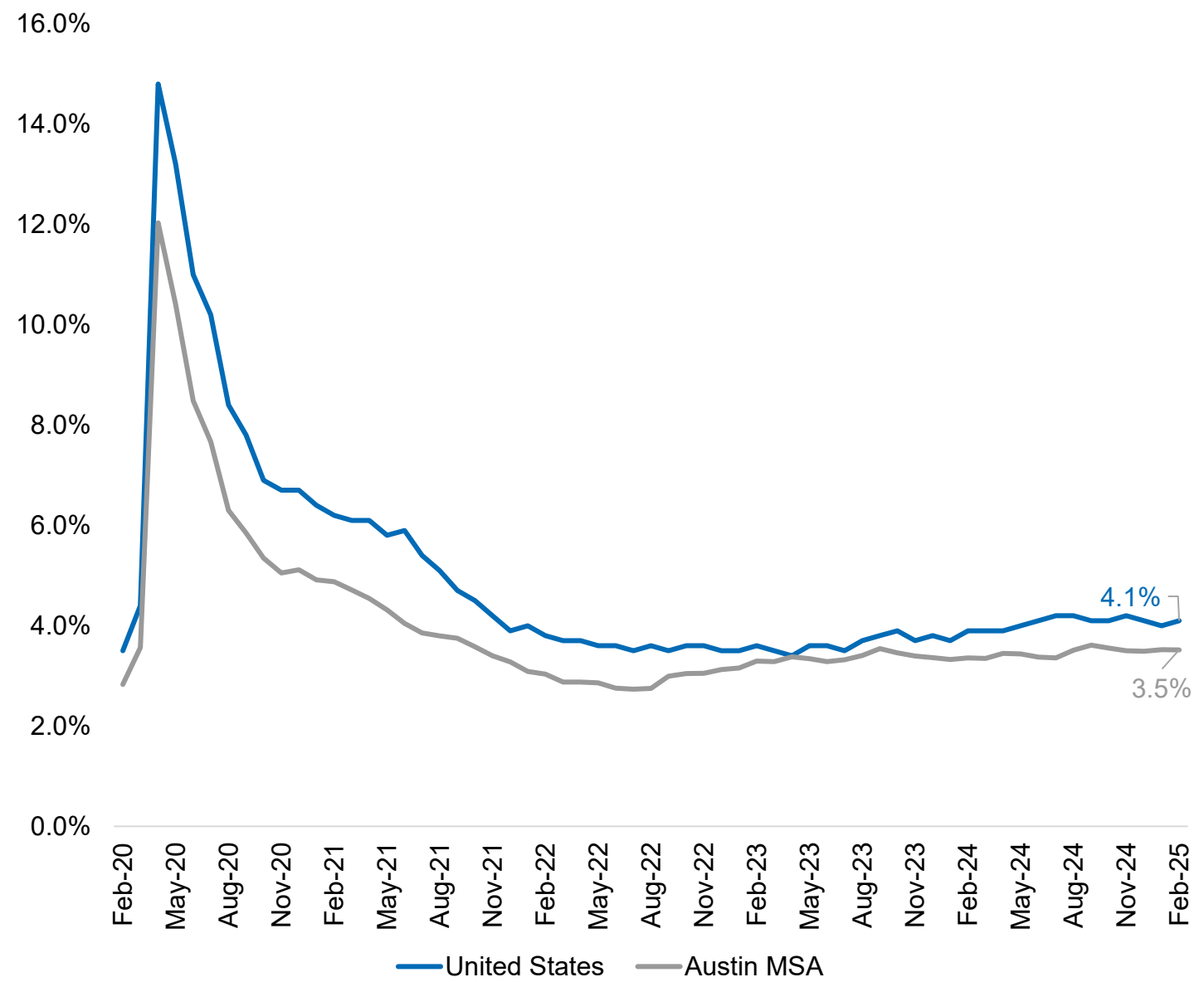
Economy



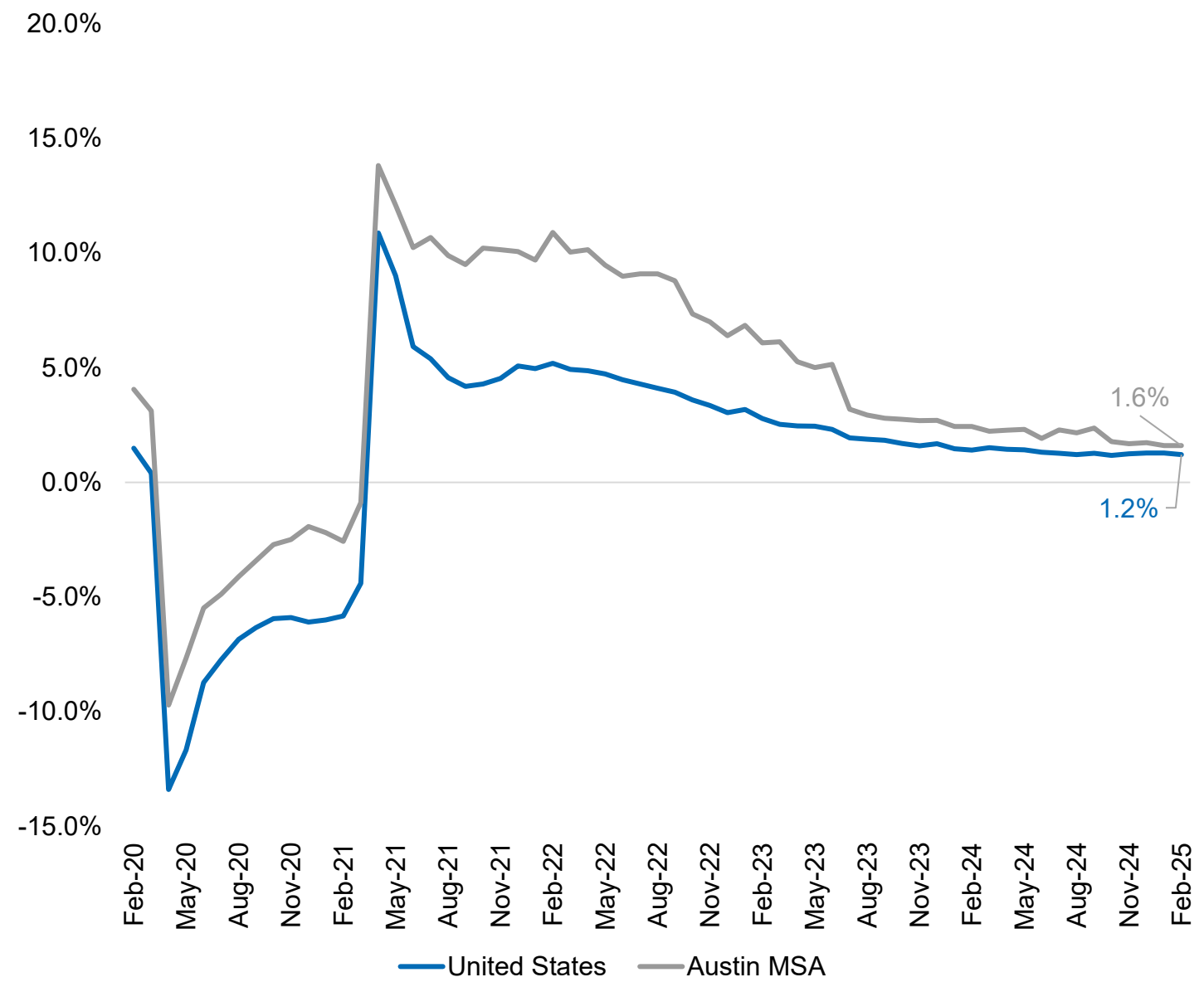
Losses in Information Jobs Causes Annual Increase in Unemployment Rate

Austin has historically reported lower unemployment rates compared to the national average, while being an outperformer in employment growth. While the gap between Austin’s outperformance of the United States average has closed in recent quarters, Austin remains an outperformer in employment growth and unemployment during the current quarter. Most nonfarm payroll yearly growth has been concentrated in the financial activities and education and healthcare sectors. Continued national economic headwinds in the first quarter of 2025 have led the region’s unemployment rate to tick up by 16 basis points year over year, while employment growth decelerated by 84 basis points compared to the prior year.

Unemployment Rate, Seasonally Adjusted



Nonfarm Payroll Employment, Seasonally Adjusted, 12-Month % Change

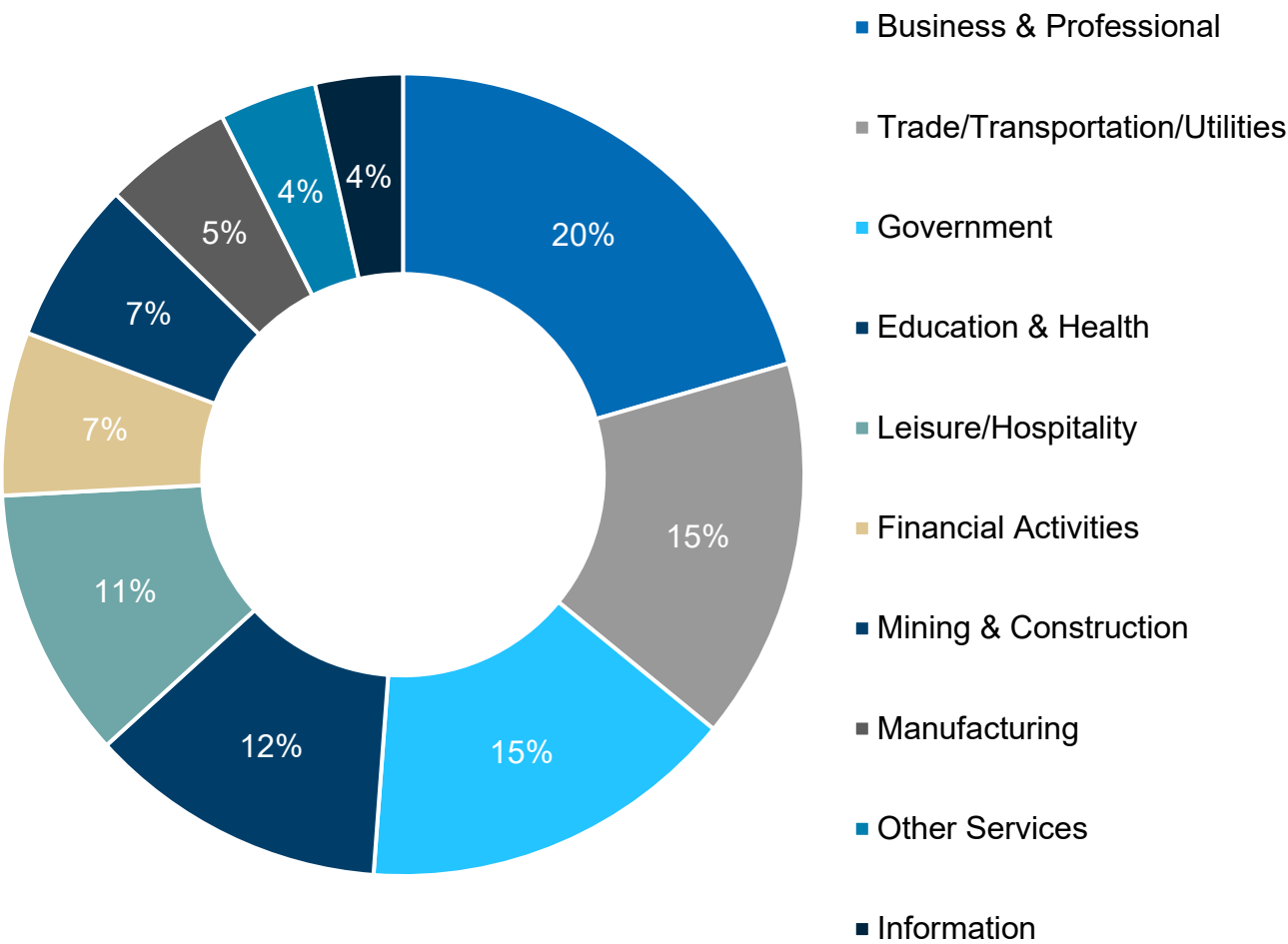


Source: U.S. Bureau of Labor Statistics, Austin-Round Rock MSA

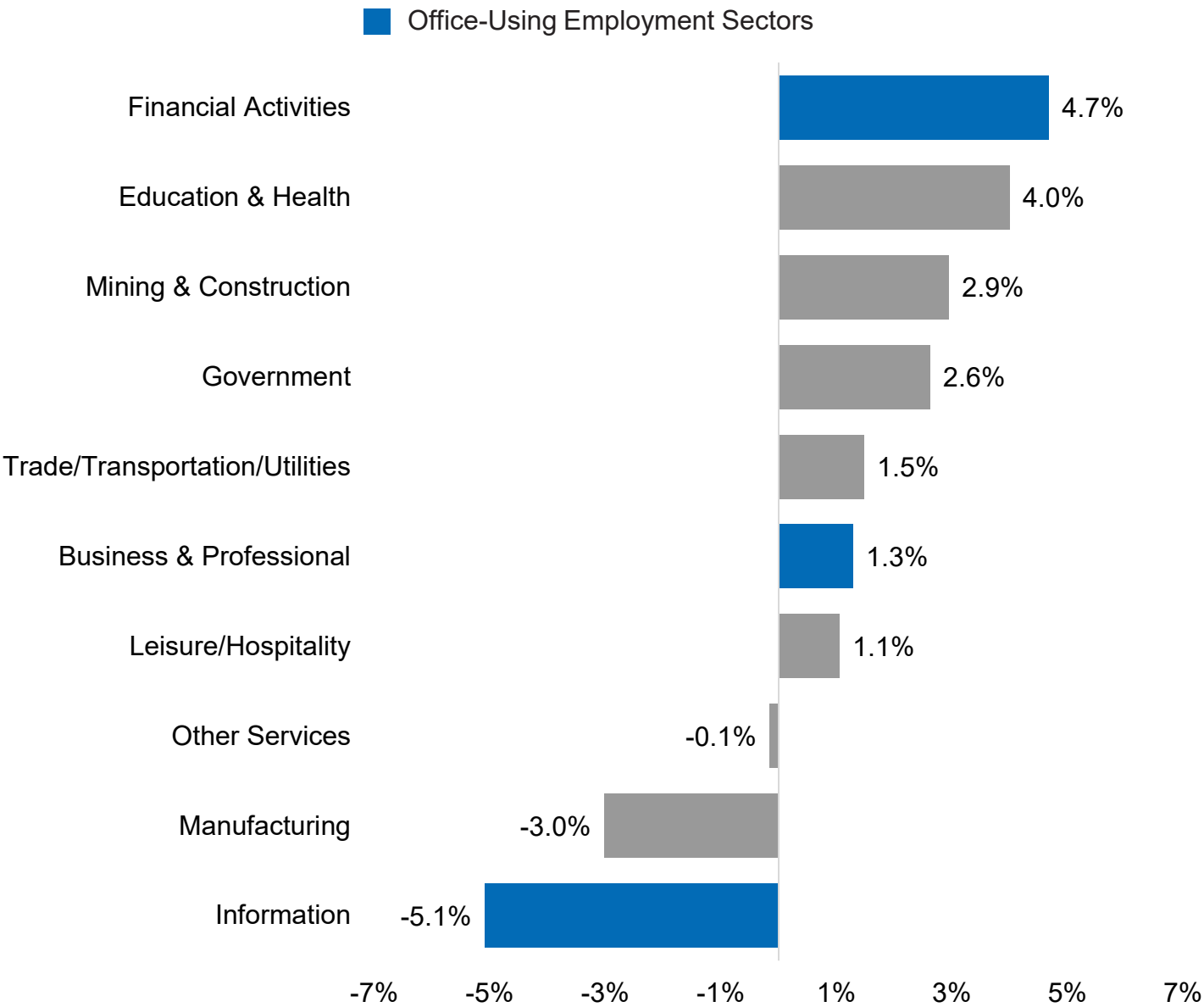
Most Office-Using Jobs Sectors Report Positive Yearly Job Growth

Known for its tech sector, Austin’s top employment industries —business and professional services and trade/transportation/utilities— comprise 35.9% of jobs. The business and professional services sector, a key driver of office employment, represents the largest industry at 20.5%. All industries, except other services, manufacturing and information, reported yearly job growth. The financial activities and business and professional services sectors reported year over year job growth of 4.7% and 1.3%, respectively. Meanwhile, the information sector reported a yearly decline of 5.1%.

Employment by Industry, February 2025



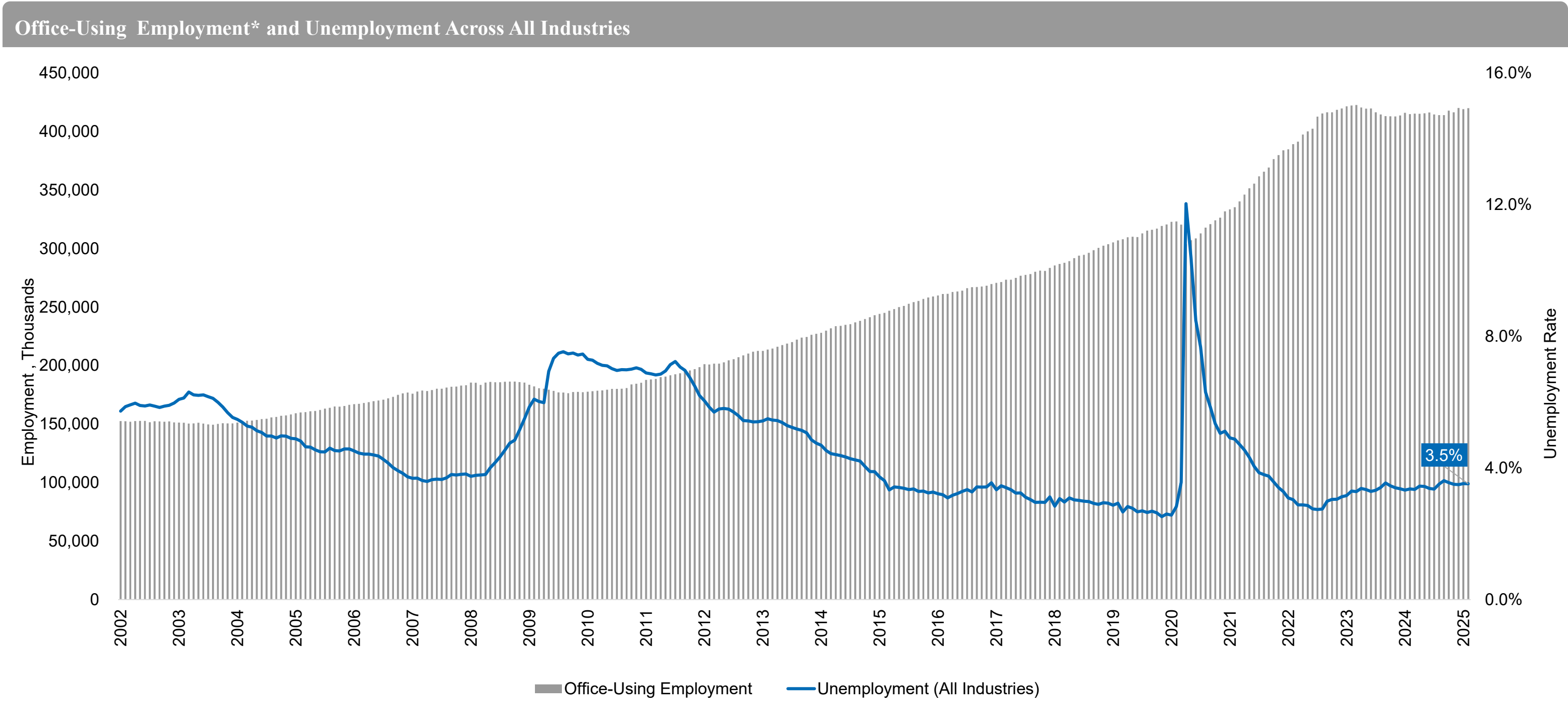
Employment Growth by Industry, 12-Month % Change, February 2025



Source: U.S. Bureau of Labor Statistics, Austin-Round Rock MSA

Financial Activities; Business & Professional Services Drive Office-Using Job Growth

Office-using employment in Austin ended February 2025 with 420,050 office-using employees, down 0.6% from the historical high reached in the the first quarter of 2023. The seasonally adjusted unemployment rate stands at 3.5%, reflecting quarterly growth of 3 basis points and annual growth of 16 basis points. Overall yearly gains in office-using jobs, concentrated in the financial activities and business and professional services sectors, outweighed losses in the information sector to increase overall office-using employment by 1.2% on an annual basis.



Source: U.S. Bureau of Labor Statistics, Austin-Round Rock MSA

*Office-using employment includes employment in the following industry sectors: Professional & Business Services, Financial Activities and Information.

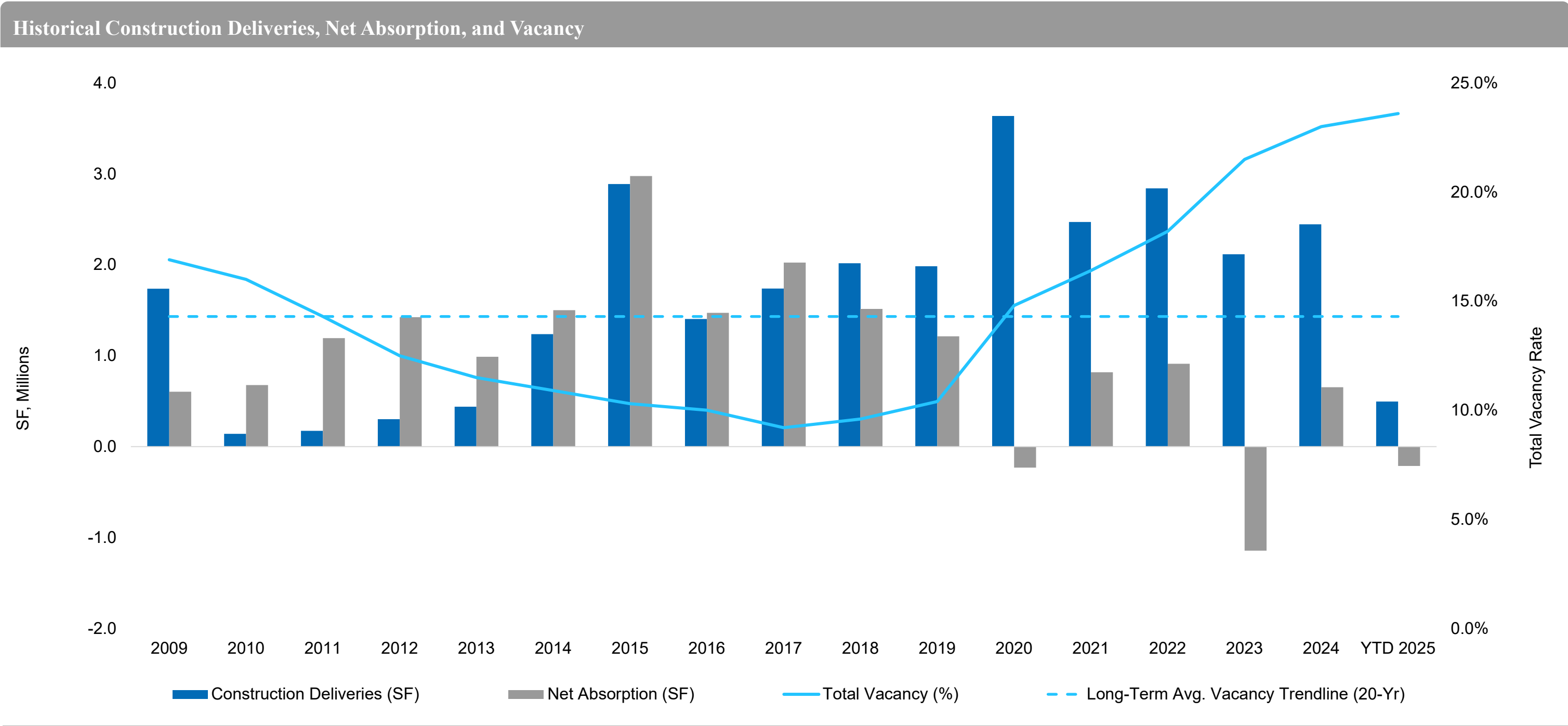
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Leasing Market Fundamentals



Vacancy Increases to Record High as Quarter Reports Negative Net Absorption

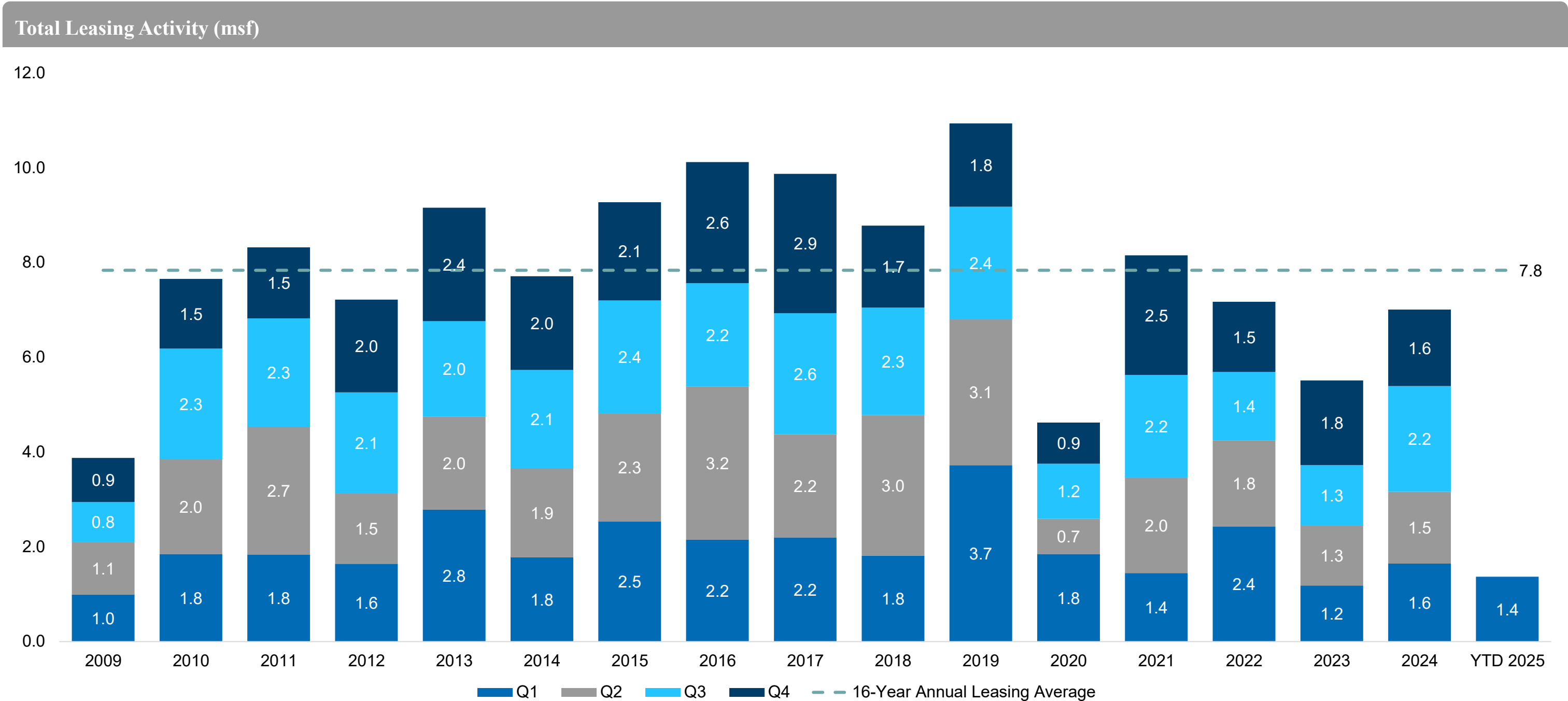
Austin’s overall office vacancy rate increased slightly to a new historic high of 23.6% in the first quarter of 2025, up 80 basis points year over year and well above the 20-year vacancy average of 14.3%. Since the pandemic and the shift to hybrid and remote work in 2020, vacancy rates have generally risen, though at a slower pace recently. The quarter closed with 213,183 SF of negative absorption. Rising vacancy is driven by elevated construction deliveries and negative absorption from technology and business and professional services companies shedding space amid economic uncertainty.



Source: Newmark Research, CoStar

Economic Uncertainty Results in Muted Leasing Activity

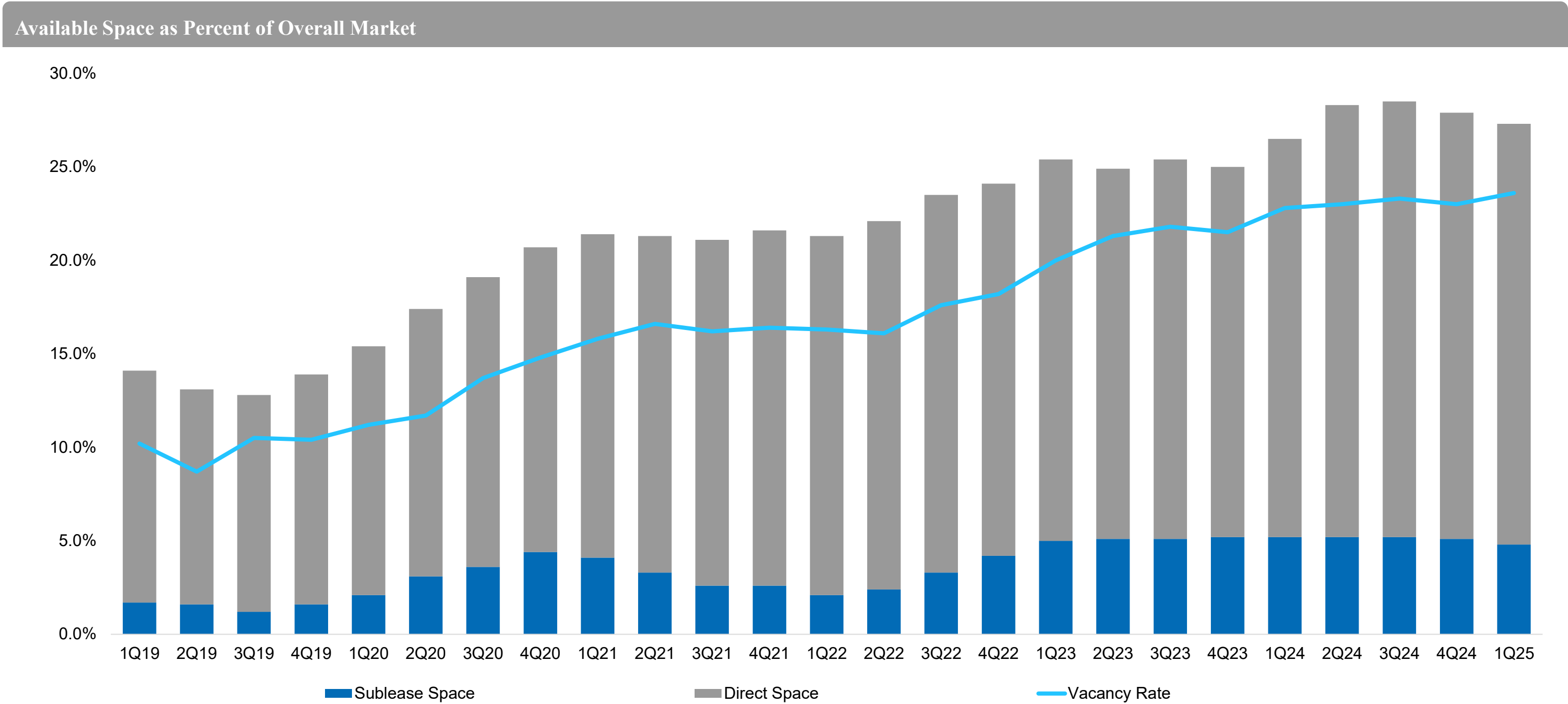
Leasing activity in Austin declined both quarterly and annually, with the first quarter of 2025 reporting total leasing activity of 1.4 MSF, well below the 16-year first quarter average of 2.0 MSF. The slowdown reflects companies prioritizing efficiency through a right-sizing of their workforces and office space amid an uncertain economic environment stemming from elevated inflation and proposed tariffs. Further complications include the future of work from home and hybrid work policies. However, leasing could rebound as more companies phase out these work from home policies and require more space to implement full-time in-person work. Average deal size for the first quarter of 2025 was 5,877 SF, down from the fourth quarter of 2024's average deal size of 6,278 SF.



Source: Newmark Research, CoStar

Direct and Sublet Availabilities Edge Lower Quarter Over Quarter

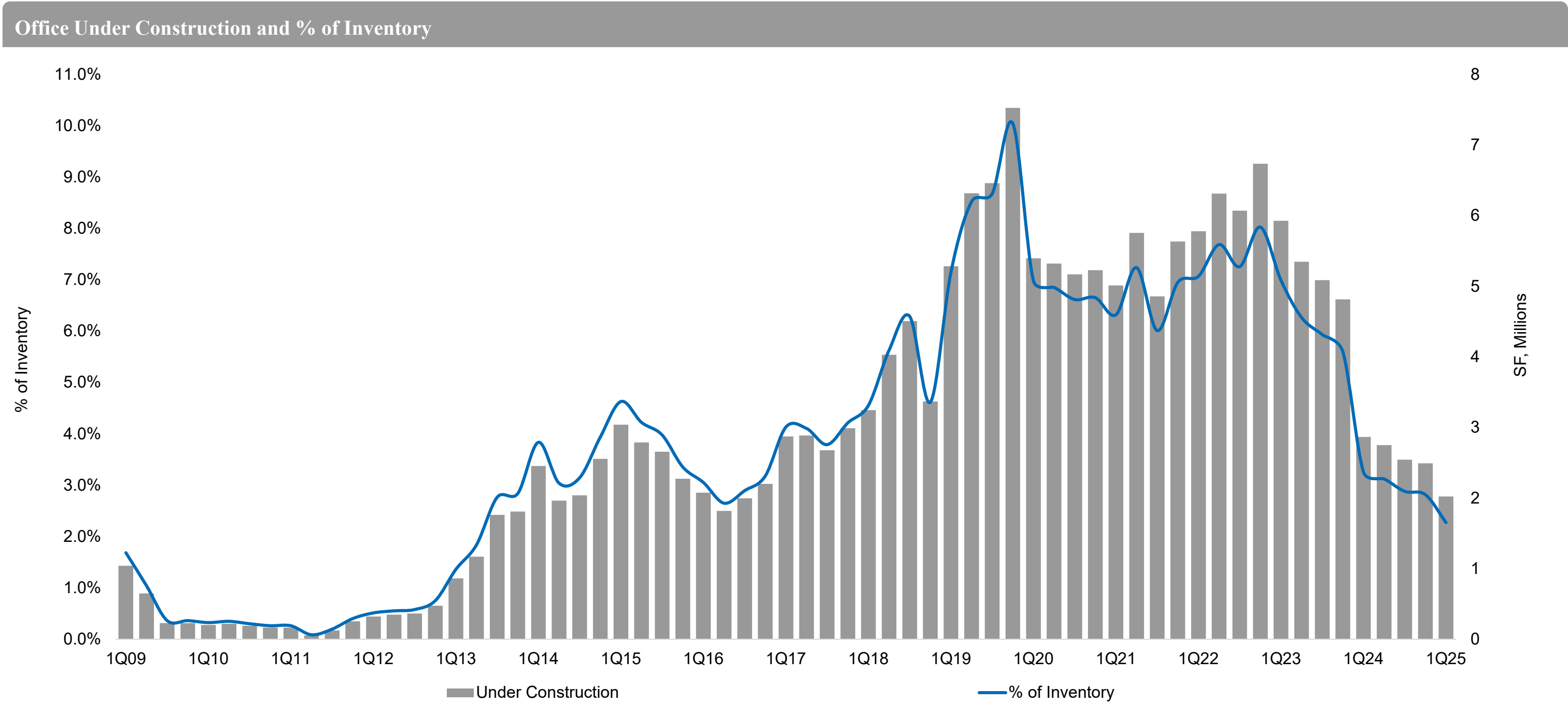
Sublease availabilities in Austin edged down 30 basis points to 4.8% when compared with the fourth quarter of 2024 and declined by 40 basis points from the 5.2% peak recorded during the first quarter of 2024. Direct availability declined by 30 basis points quarter over quarter and increased 120 basis points year over year to 22.5%. Overall, the vacancy rate increased by 60 basis points when compared to the fourth quarter of 2024 and 80 basis points on an annual basis to a record high of 23.6% as the market continues to work through the elevated deliveries from the past several years.



Source: Newmark Research, CoStar

Construction Pipeline Continues to Empty

Construction activity in the market spiked during the first quarter of 2019 and remained elevated through the end of 2023, fueled by the growth of Austin’s technology sector and demand for high-quality office space. The construction pipeline has generally declined since recording a recent peak of 6.7 MSF during the fourth quarter of 2022 with the sharpest decline occurring during the first quarter of 2024. By the first quarter of 2025, approximately 2.0 MSF remained under-construction, representing 2.3% of total office inventory and the lowest level of construction activity reported since the third quarter of 2016.

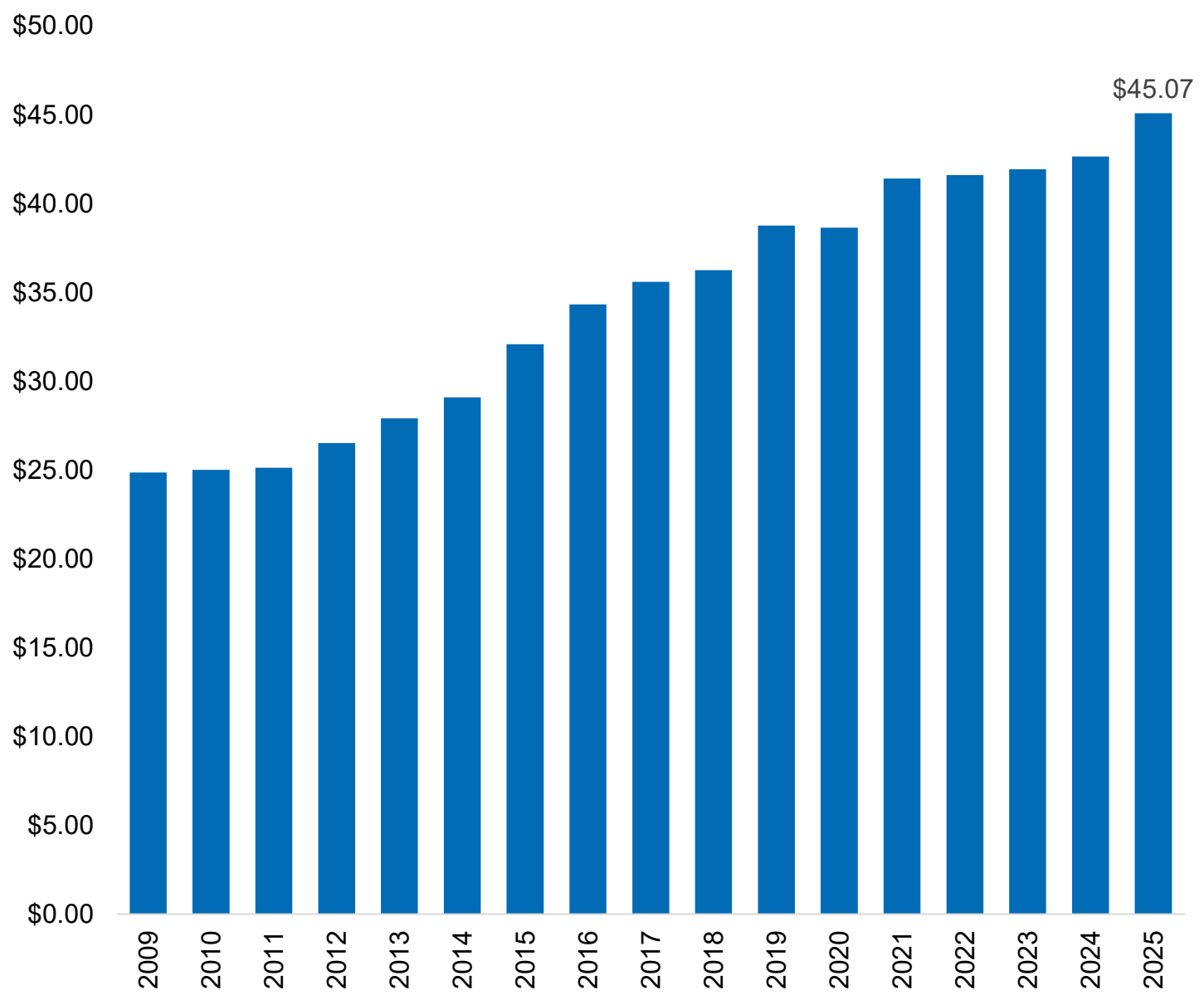


Source: Newmark Research, CoStar

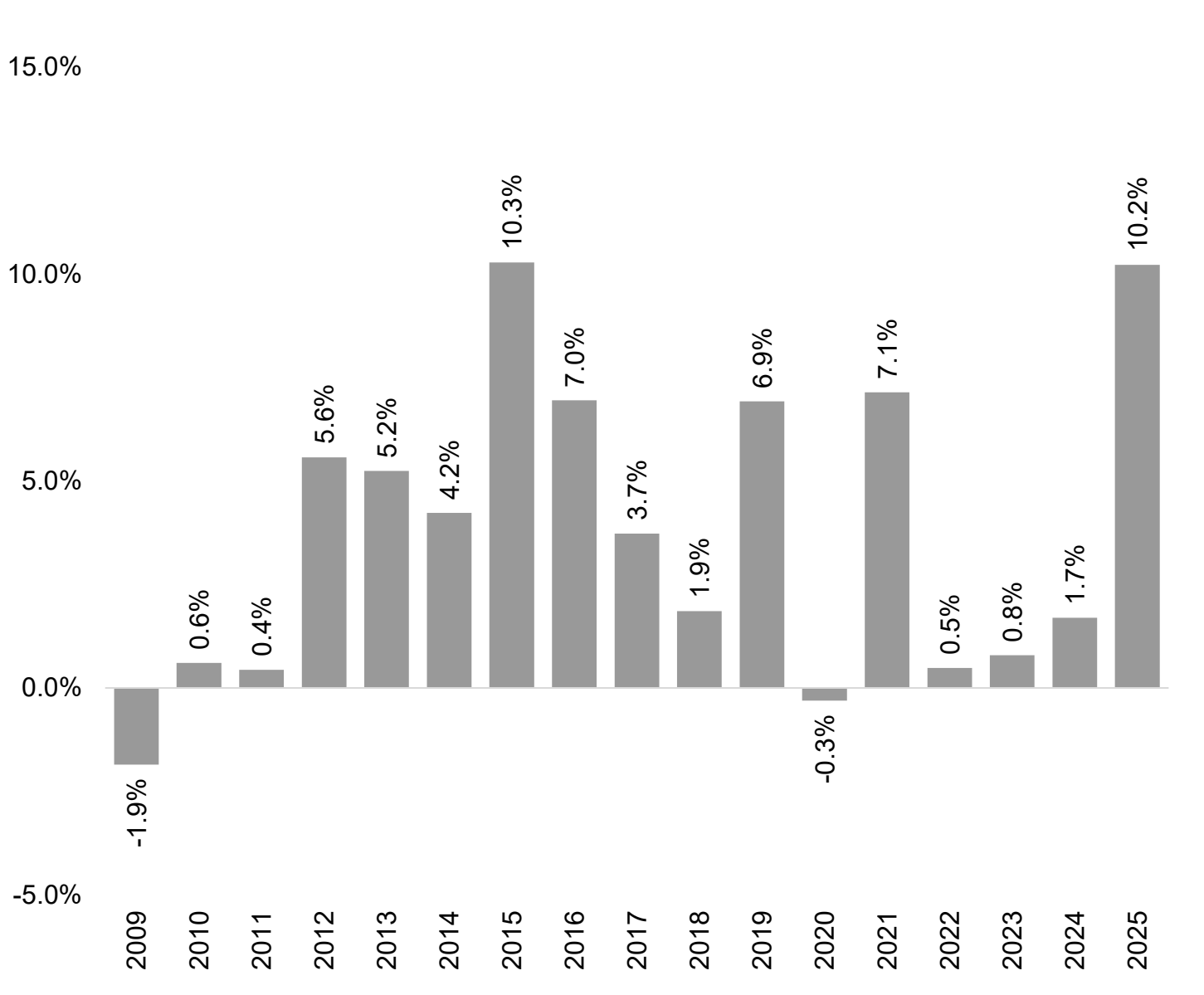
Asking Rents Reach Record High

Asking rents rose 5.7% quarter over quarter and by 10.2% year over year to \$45.07/SF. Since 2012, Austin has generally reported positive yearly rent growth, with the trend continuing into the first quarter of 2025 as annual asking rent growth was near a historic high. This increase can likely be attributed to landlords raising asking rates to compensate for higher costs related to stubborn inflation and the recent delivery of new high-quality space into the market. This trend may reverse as landlords compete to fill space amid an uncertain economic environment.

Office Average Asking Rent, \$/SF, FS



Year-over-Year Asking Rent Growth Rate

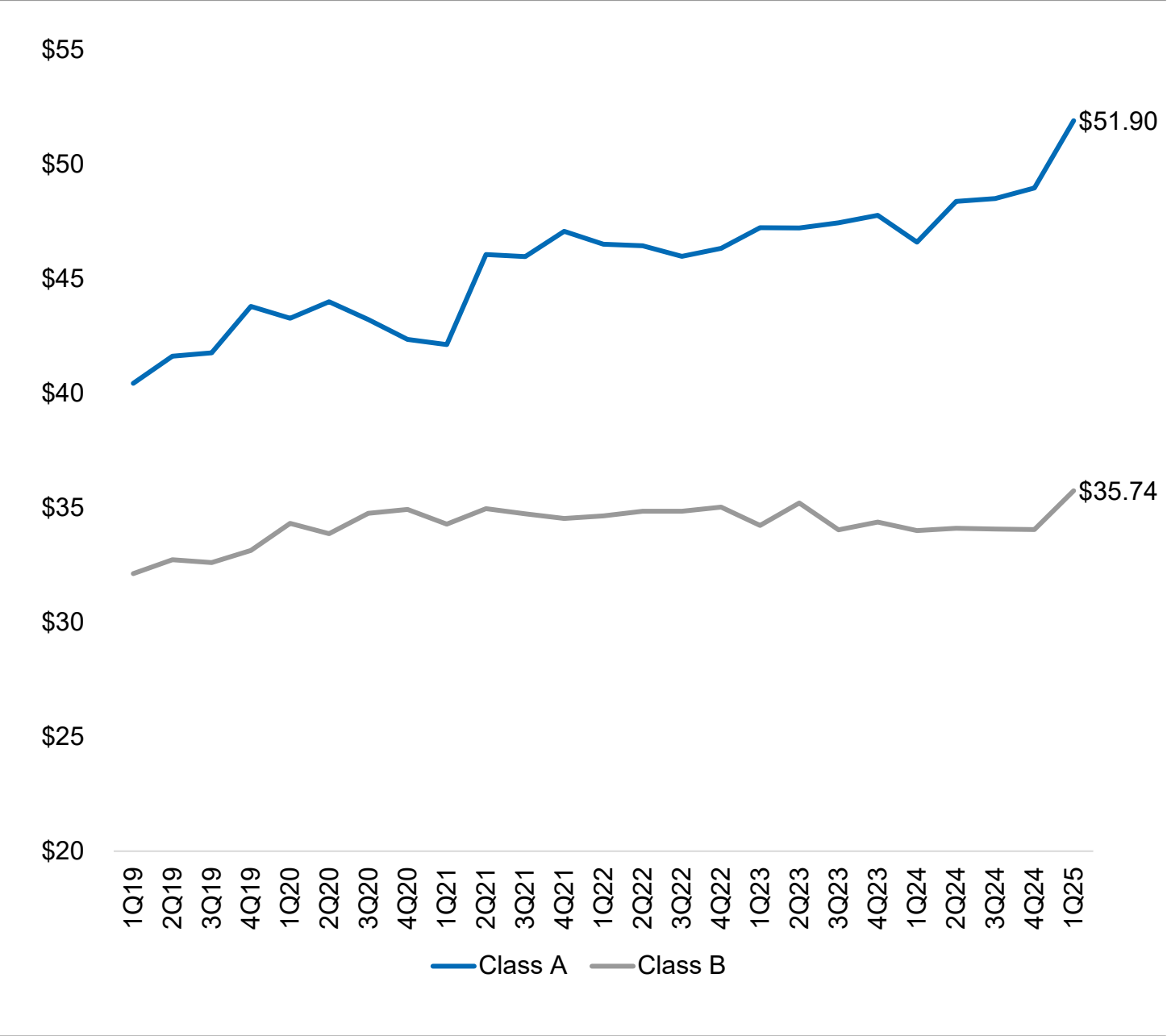


Source: Newmark Research, CoStar

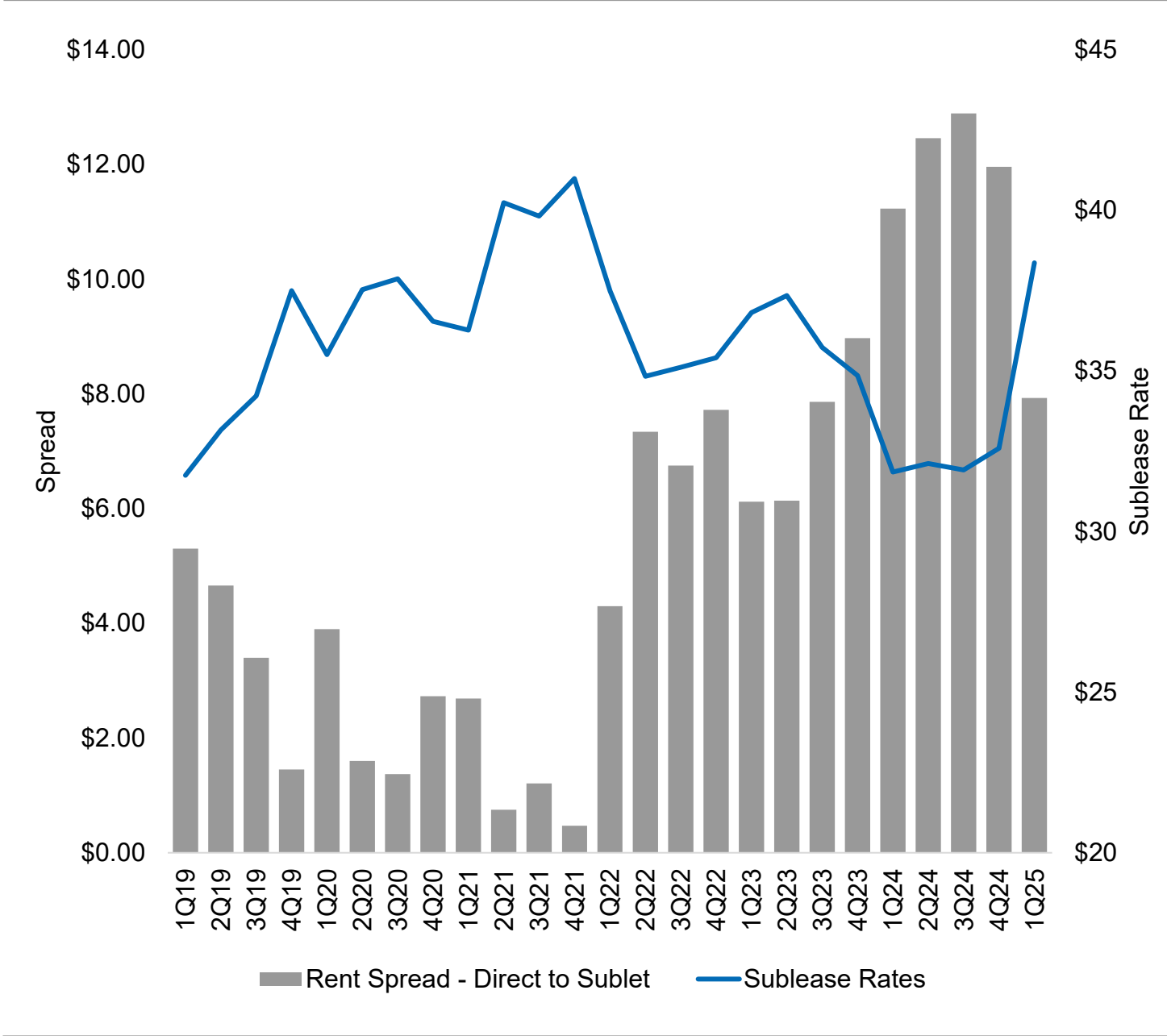
Class A and B Rents, Along with Rent Spread, Hit Historic High

As of the end of the first quarter of 2025, Class A rents averaged \$51.90/SF, while Class B rents were \$35.74/SF, both historic highs. Class A asking rents rose by 11.4% on a yearly basis, while Class B asking rents increased 5.1%. Overall rent spread between Class A and Class B asking rents also climbed to a historic high of \$16.16/SF, reflecting a 51.6% increase since the fourth quarter of 2019. The increasing divergence between Class A and Class B rents is likely driven by landlords lowering Class B rates to attract tenants and compete with higher quality assets. Further exacerbating this are Class A landlords leveraging growing demand for highly-amenitized spaces to push up asking rents. Sublease asking rents increased by 17.7% quarterly and increased 20.5% on a yearly basis. The rebound in sublease rates is likely driven by companies listing high-quality space in desirable locations as they look to downsize leases signed pre-pandemic and during the pandemic.

Class A and Class B Asking Rents



Sublease Rates



Source: Newmark Research, CoStar

Tech Companies Dominate Quarterly Leasing Activity

BigCommerce signed the largest lease of the first quarter of 2025, subleasing the eighth and ninth floors of Domain 11. Three of the largest leases were in the North/Domain submarket, though the CBD remained a key location, hosting the quarter’s second-largest lease. In contrast to last quarter, technology companies dominated leasing as they signed three of the first quarter’s largest leases. Subleasing of space was another notable trend this quarter. Three of the largest transactions of the quarter were subleases that were signed by opportunistic companies looking to capitalize on advantageous market conditions to take over high-quality office space in favorable locations.

Notable 1Q25 Lease Transactions				
Tenant	Building(s)	Submarket	Type	Square Feet
BigCommerce	Domain 11	North/Domain	Sublease	65,050
<i>E-commerce software as a service provider BigCommerce signed the largest lease of the quarter by subleasing the eighth and ninth floors of 11920 Domain Drive from Expedia Group. The company is expected to move in by June 2025.</i>				
NinjaOne	301 Congress	CBD	Direct New	60,033
<i>Austin-based IT management software company NinjaOne leased the fourth, fifth and seventh floors of 301 Congress Avenue in downtown Austin.</i>				
Spectrum	Domain Point 2	North/Domain	Renewal	40,536
<i>Network services provider Spectrum renewed its current lease on the second floor of 11921 MoPac Expressway North.</i>				
LegalZoom	Domain 3	North/Domain	Sublease	30,654
<i>Legal technology provider LegalZoom signed a 30,654-SF sublease on the second floor of 11501 Domain Drive.</i>				
Rubrik	Bouldin Creek	South	Sublease	30,590
<i>Cloud data management and data security company Rubrik signed a sublease for the fourth floor of 2043 South Lamar Boulevard from Atmosphere TV.</i>				

Source: Newmark Research, CoStar



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