

An aerial photograph of the Austin, Texas skyline. The Colorado River flows through the center-right of the image, with several bridges crossing it. The city's skyline is dominated by numerous high-rise buildings, including the distinctive, angular, glass-clad skyscraper known as the T Tower. The foreground shows a mix of urban development and green spaces, with trees and parks visible along the riverbanks. The sky is clear with a few wispy clouds.

NEWMARK

Market Overview Austin Office

2Q26

NMRK.COM

Market Observations



Economy

- The market's unemployment rate increased by 20 basis points year over year to 3.6%, remaining below the five-year average of 4.0%.
- Overall nonfarm annual job growth decelerated by 123 basis points to 1.2%. Meanwhile, the national job growth rate decelerated 29 basis points to 0.3%.
- All employment sectors, except information, reported annual growth, with mining and construction leading job gains at 6.2% over the past 12 months. The office-using business and professional and financial activities sectors reported year-over-year job growth of 1.1% and 3.0%, respectively. In contrast, the information sector reported a decline of 3.2%.
- As of the end of May 2026, office-using employment in the market totaled 428,800 jobs, down 0.1% from the all-time high. Meanwhile, office-using employment has grown 33.9% since 2019.



Leasing Market Fundamentals

- Annual full-service rental rates declined for a second consecutive quarter from the record high set at the end of 2025 to \$44.42/SF, reflecting a quarterly decrease of 0.5%.
- Overall vacancy reversed a multi-year trend for the second consecutive quarter, with vacancy dropping by 60 basis points quarter over quarter and 170 basis points year over year to 21.9% as the market has begun to work through the elevated deliveries from the past several years.
- The office construction pipeline contracted to a near multi-year low, ending the quarter with 154,397 SF under construction, equal to just 0.2% of total inventory. Restrictive fiscal policies and rising building costs have curtailed new office groundbreakings.
- Quarterly leasing activity slowed to 1.1 MSF when compared to the second quarter of 2025 and remains below the 16-year second-quarter average of 2.0 MSF as firms slow decision-making to evaluate impacts from artificial intelligence and macroeconomic uncertainty on space utilization.



Major Transactions

- While not as prominent this quarter, tech continued to play a dominant role in leasing during the second quarter of 2026. Semiconductor manufacturer Renesas Electronics and complex electronics manufacturer Celestica signed the largest and third largest leases of the quarter.
- Four of the top leases signed this quarter were direct new leases, indicating that tenants are using lease expirations to relocate into higher-quality buildings.
- Notably, tenants are beginning to broaden their searches for space in Austin, expanding beyond the North/Domain submarket. The majority of the second quarter of 2026's notable leases were signed in the Southwest and CBD submarkets. It is yet to be determined if this is an aberration or a shift in office leasing dynamics in the market.



Outlook

- Near-term growth in Austin's office market is projected to remain slow as the construction pipeline dwindles and occupier demand remains below historic norms. Investment activity is expected to stay subdued due to higher borrowing costs and soft demand. However, a recent bright spot that indicates that assets in the market may begin transacting again is Brandywine's sale of 405 Colorado to Hines.
- Continued expiration of leases signed pre-pandemic will likely push tenants to shed underutilized space and lease smaller spaces in higher-quality, well-located assets. Vacancy is expected to remain elevated in the near term but drift downward as corporations continue to adjust their office footprints, and the market works through the recent surge in deliveries that has occurred over the past several years.
- Asking rents spiked during the third quarter of 2025 due to the opening of The Republic. Despite this, the office market is expected to remain tenant friendly as landlords compete to fill space by keeping asking rents generally flat or modestly declining to stimulate leasing activity.

Table of Contents

Economy	4
Leasing Market Fundamentals	8
Market Statistics & Map	17
Supplemental Analysis	23
San Antonio Appendix	28

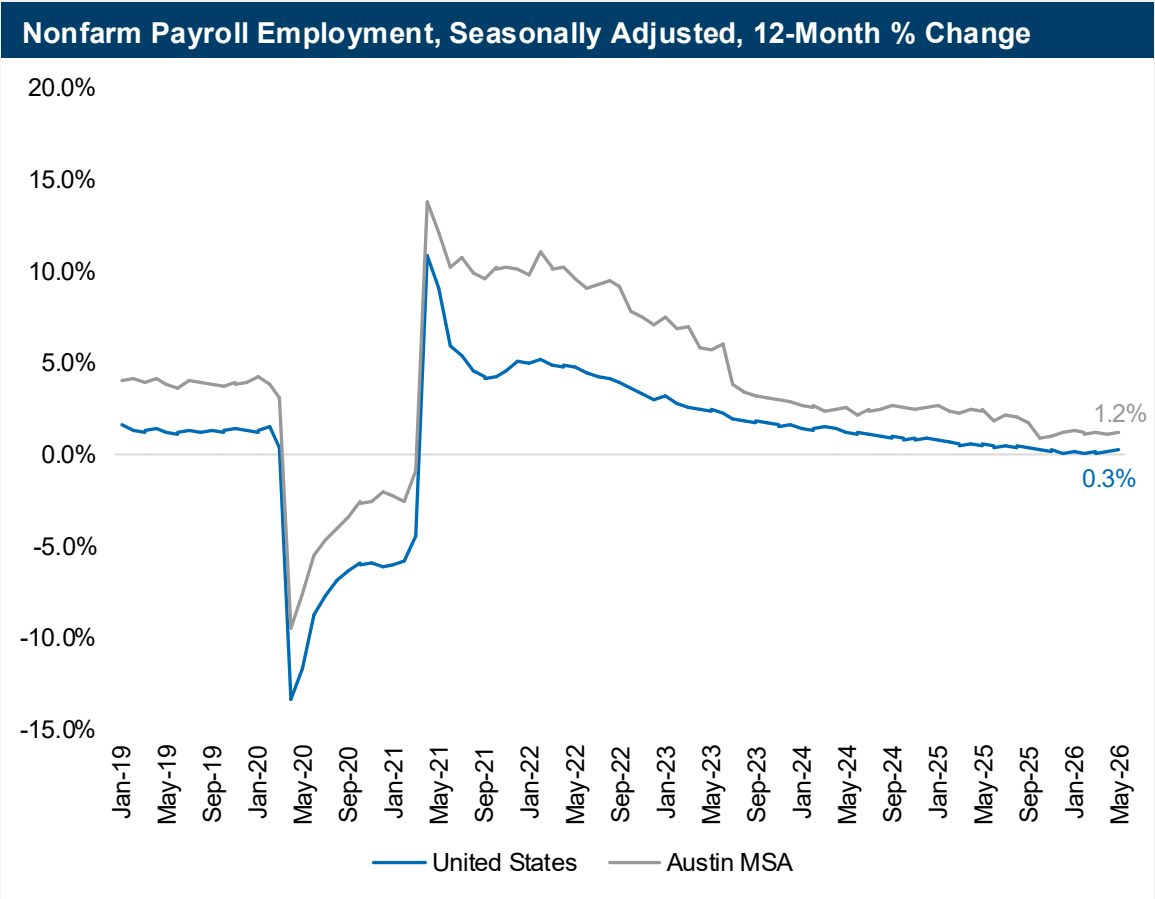
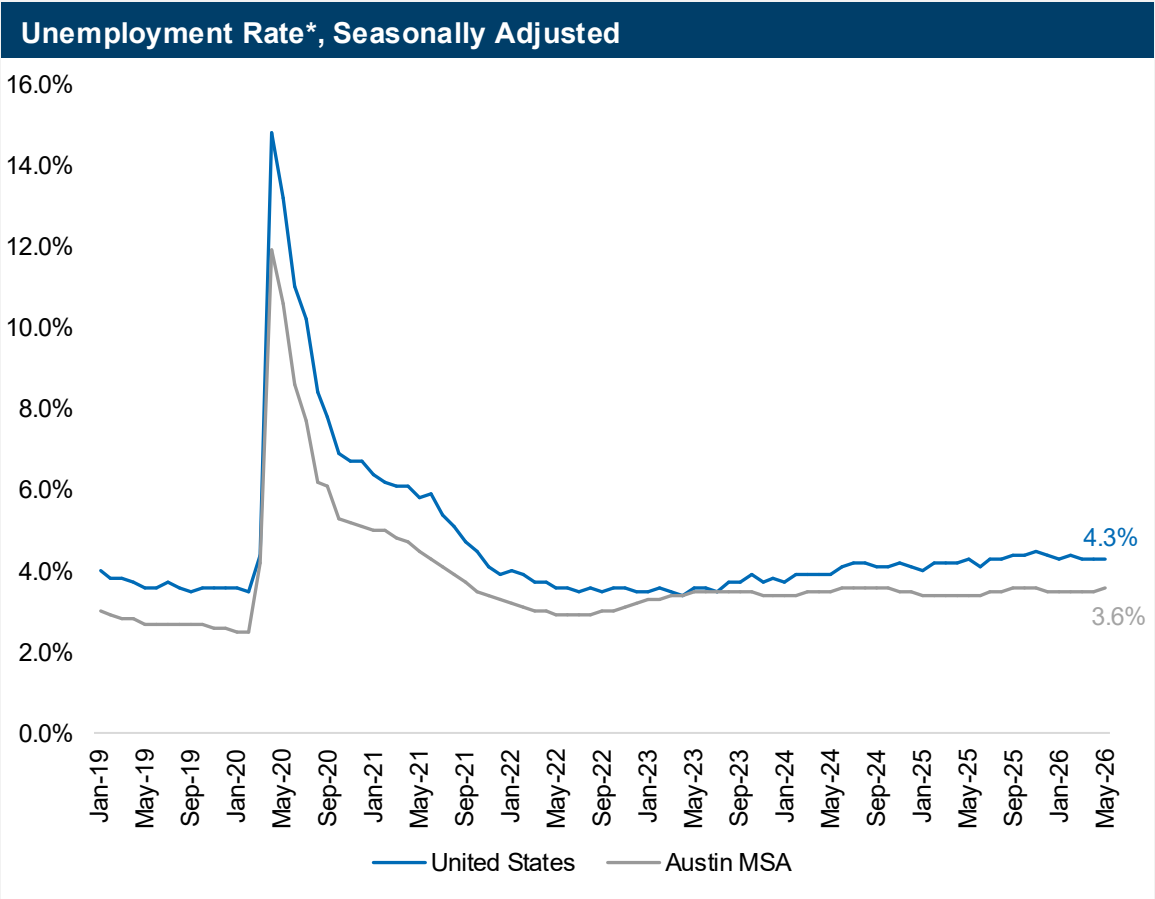
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Economy



Annual Employment Growth Declines, Unemployment Remains Below National Average

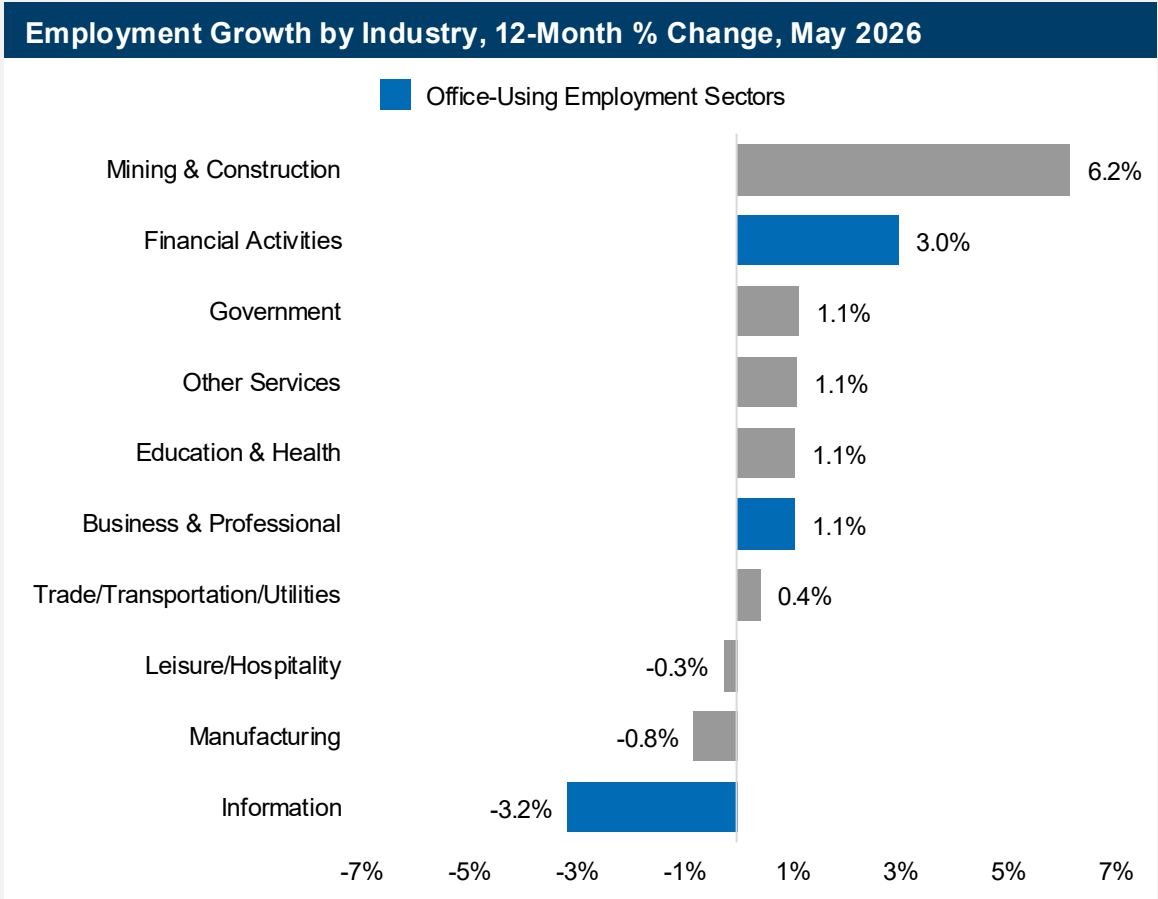
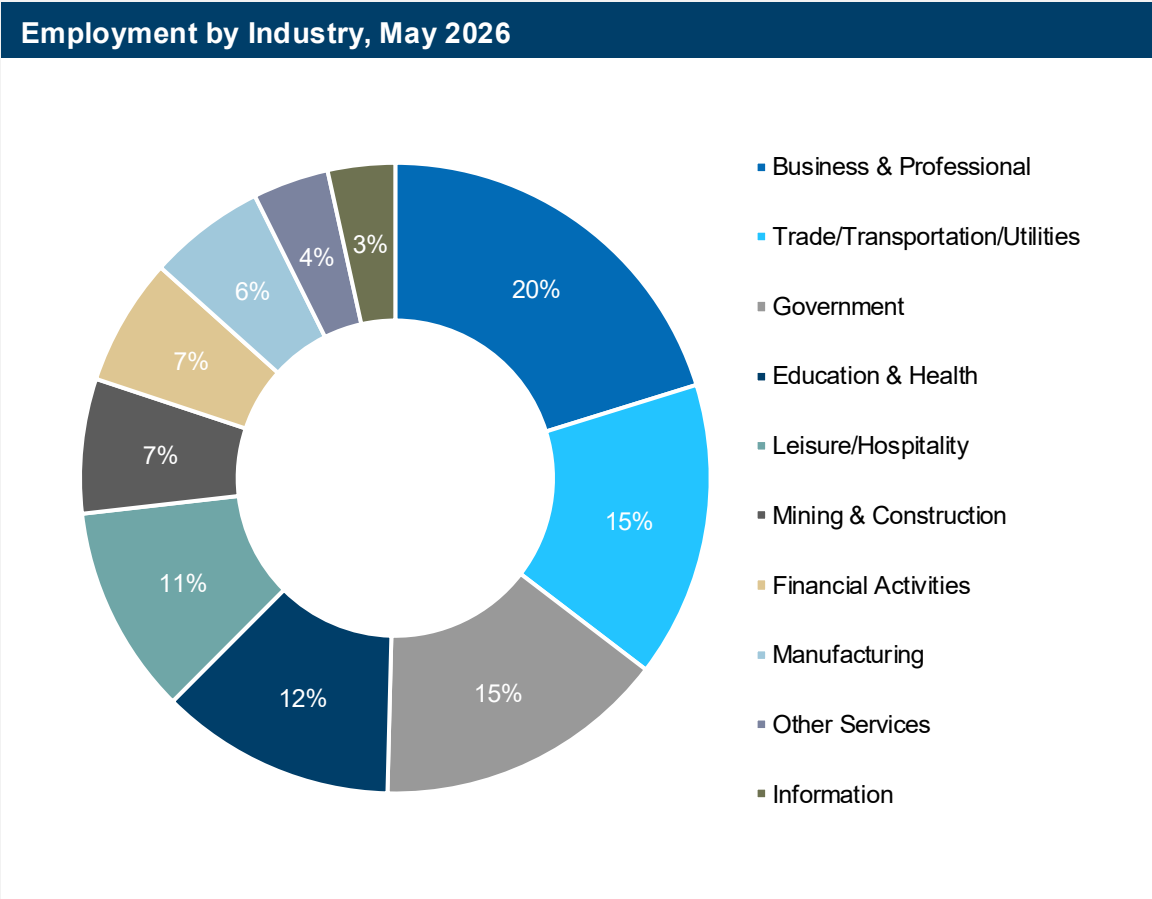
Austin has historically reported lower unemployment rates compared to the national average, while outperforming the United States in employment growth. The country and Austin’s unemployment rates have recently begun to converge, with the market’s unemployment rate increasing 20 basis points to 3.6% and the nation’s unemployment holding steady at 4.3% on an annual basis. The gap in Austin's job-growth outperformance of the United States narrowed through recent quarters but began to re-widen at the end of 2025 as growth stabilized, with the United States decreasing by 29 basis points and Austin declining by 123 basis points to 0.3% and 1.2%, respectively. Most annual nonfarm payroll growth in the market has been concentrated in the mining and construction, financial activities and government sectors.



Source: U.S. Bureau of Labor Statistics, Austin-Round Rock MSA
*October 2025 government shutdown missing data addressed with duplicating September 2025's data

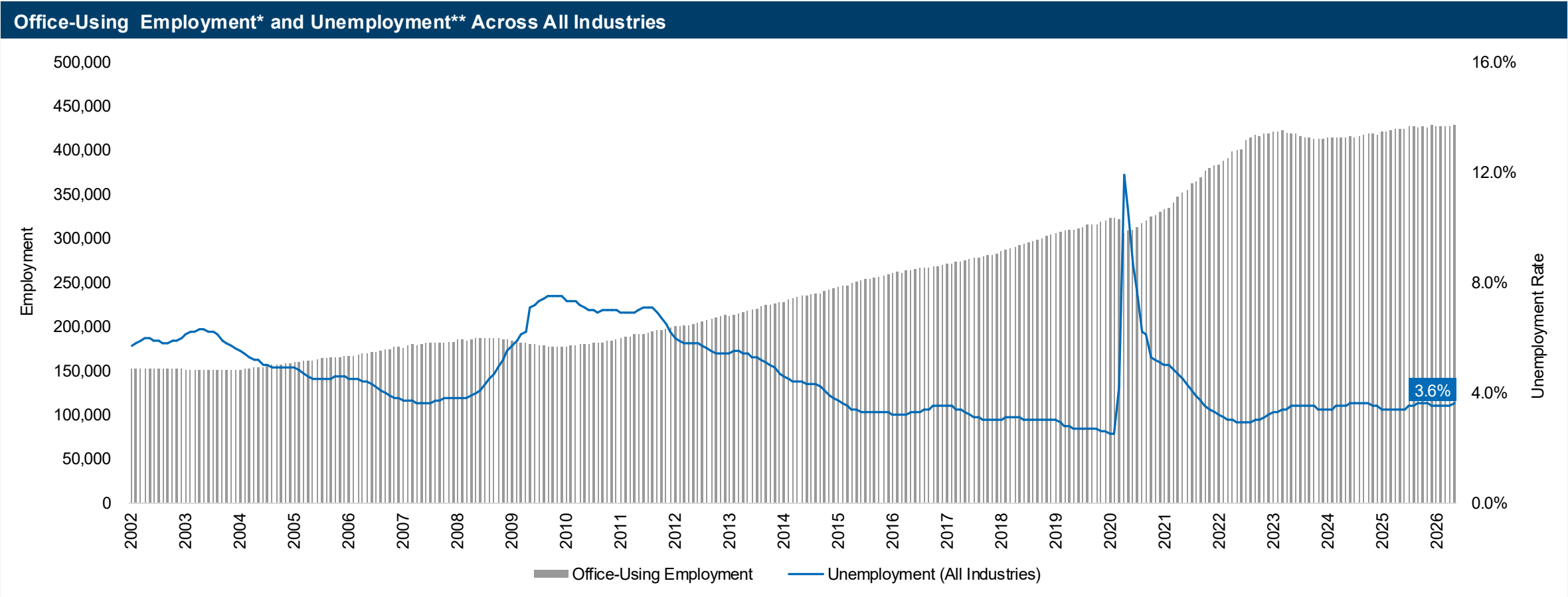
Most Office-Using Jobs Sectors Report Yearly Job Gains

Known for its tech sector, Austin’s top employment industries, business and professional services and trade/transportation/utilities, account for 35.4% of jobs. The business and professional services sector, a key driver of office employment, represents the largest industry at 20.2%. Trade/transportation/utilities recently overtook government employment to become the market’s second largest employment sector again. Most employment sectors reported job growth, with mining and construction leading gains at 6.2% annual growth. Most office-using employment sectors reported annual job growth as artificial intelligence adoption has augmented workflows. The business and professional and financial activities sectors reported year-over-year job growth of 1.1% and 3.0%, respectively. In contrast, the information sector reported a decline of 3.2%.



Financial Activities and Business & Professional Job Gains Push Office Employment Up

Office-using employment in Austin ended May 2026 with 428,800 employees, down 0.1% from the historical high observed in the fourth quarter of 2025. Office-using jobs steadily declined from January 2026 through April 2026, as mounting job losses in the information sector placed downward pressure on overall office-using employment. However, jobs began to rebound in May 2026 as gains in the financial activities and business and professional services sectors outpaced losses in the information sector. The market’s overall seasonally adjusted unemployment rate stood at 3.6% as of May 2026, reflecting quarterly and annual increases of 10 and 20 basis points, respectively.



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.
** October 2025 government shutdown missing data addressed with duplicating September 2025's data

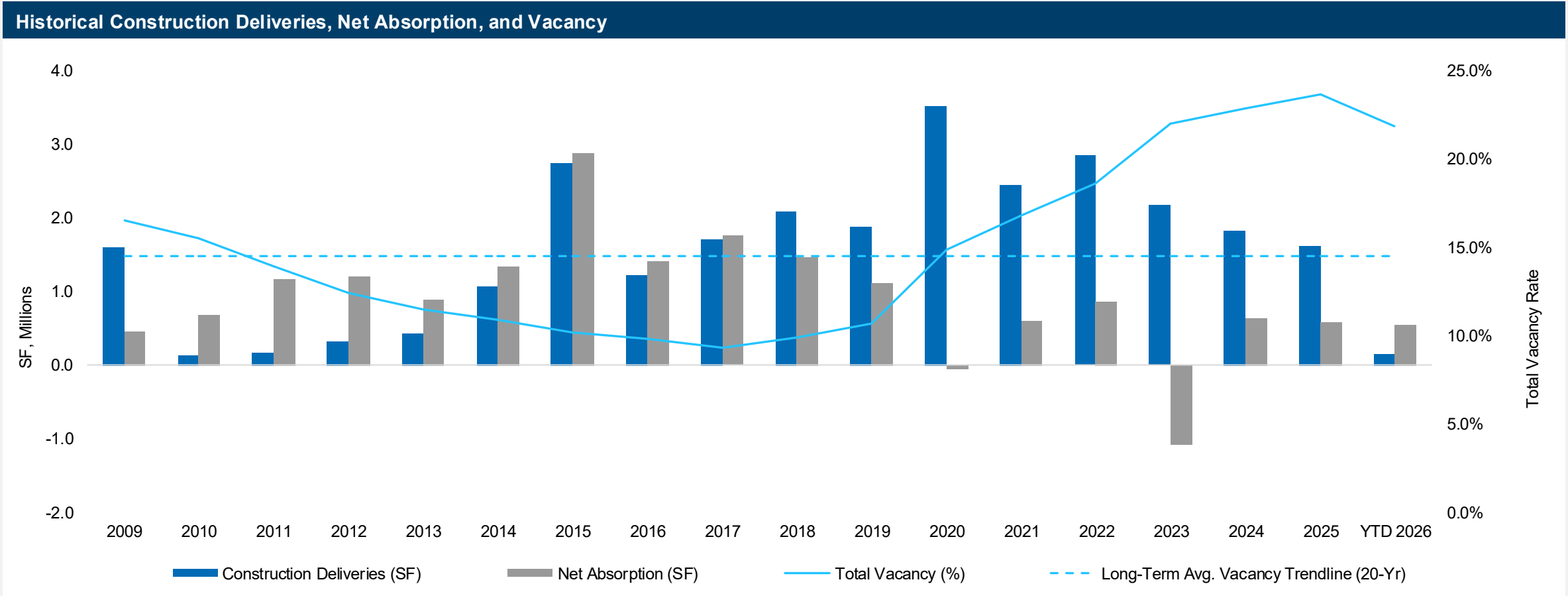
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Leasing Market Fundamentals



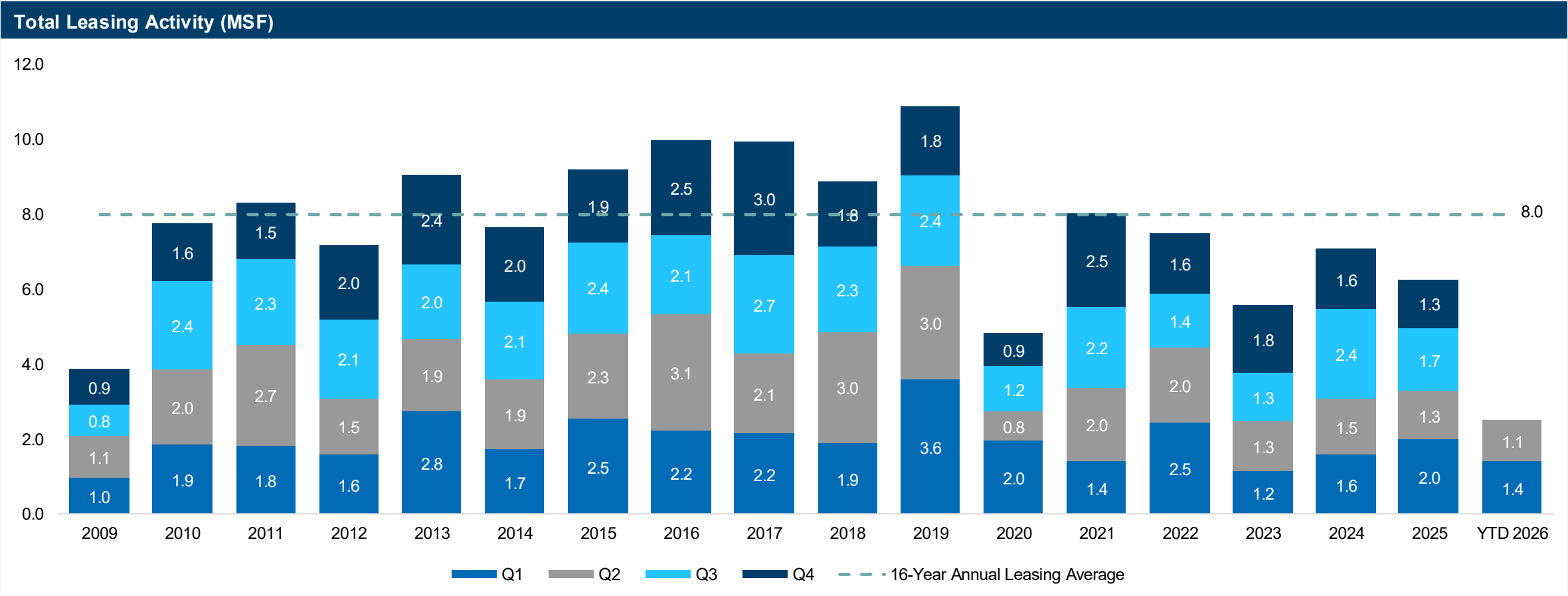
Positive Quarterly Absorption Pushes Vacancy Down for Second Consecutive Quarter

Vacancy trended upward after 2019 due to elevated deliveries and historically low absorption from technology and business and professional services companies shedding excess space and relocating into high-quality assets. The issue was exacerbated due to hybrid work and artificial intelligence’s implementation into workflows that reduced corporate headcounts and space requirements. The trend reversed during the second quarter of 2026. Austin observed 642,872 SF of occupancy gains during the second quarter, bringing year-to-date net absorption to 552,541 SF. As a result, vacancy declined 60 basis points quarterly and 170 basis points annually to 21.9% during the second quarter, but remains above the 20-year average of 14.5%. Vacancy is expected to remain elevated near term, but drift downward, as firms continue adjusting their footprints and the market works through deliveries from recent years.



Macroeconomic Uncertainty Slows Leasing Activity

The second quarter of 2026 reported total leasing activity of 1.1 MSF, well below the 16-year second-quarter average of 2.0 MSF. Overall, leasing activity in Austin declined by 21.1% on a quarterly basis and 12.7% when compared to the second quarter of 2025. Primary causes of this leasing slowdown include companies controlling and trimming costs by right-sizing workforces and office space and pausing long-term decisions in an uncertain macroeconomic and geopolitical environment. Meanwhile, companies are still evaluating the impacts of the adoption of artificial intelligence into workflows. Despite slowing leasing activity, average deal sizes have increased 4.4% over the past year, indicating that tenants are securing more space in desirable buildings for future growth.



Class A Vacancy Drops Annually as Companies Trade Up their Office Space

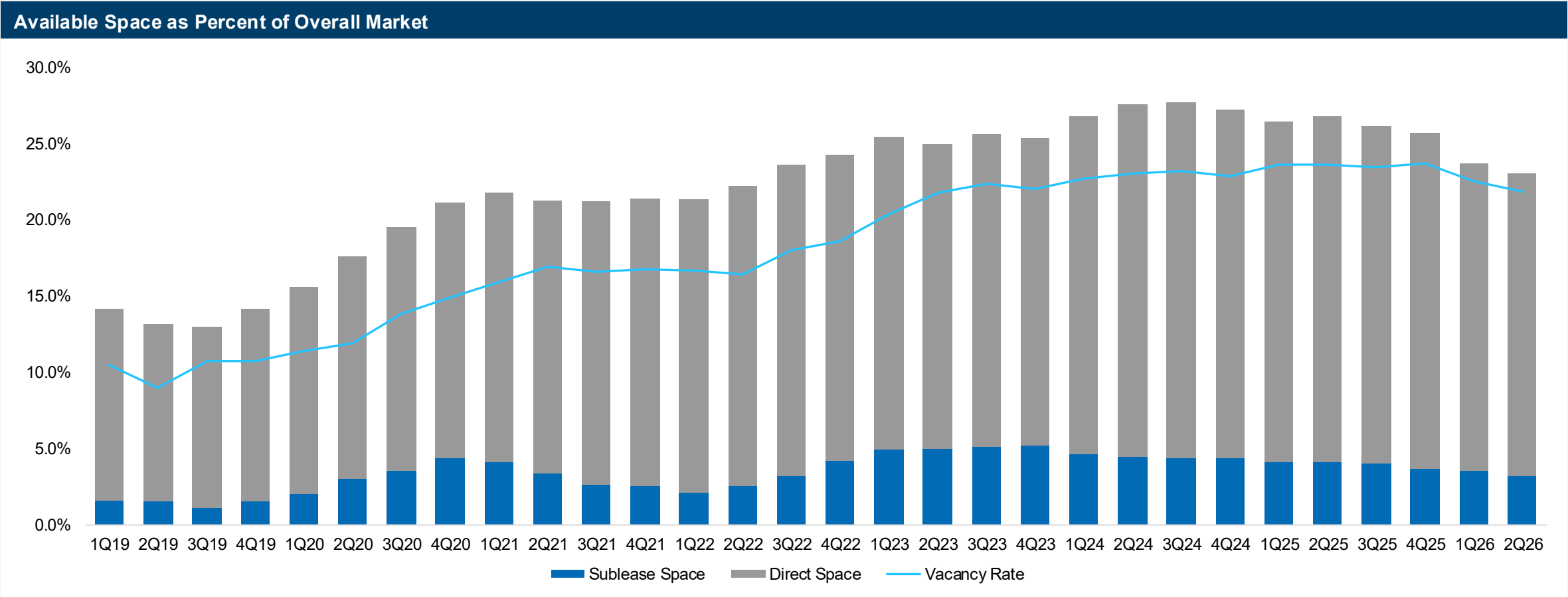
As of the second quarter of 2020, Austin's Class A office market totaled 42.3 MM of space. Meanwhile, Austin's Class A office vacancy rate ticked up 10 basis points quarter over quarter to 25.7%, however remains 270 basis points below the second quarter of 2019. This indicates that corporations are trading larger space in lower quality buildings for smaller space in highly ~~substandard~~ buildings to return employees into the office. However, the market's Class A vacancy remains above the market's overall vacancy rate of 21.8%. This disparity can largely be attributed to recent speculative Class A space deliveries, such as The Republic, that have increased in the market. Vacancy is expected to continue trending downward as companies continue leasing and occupying recently delivered Class A space.

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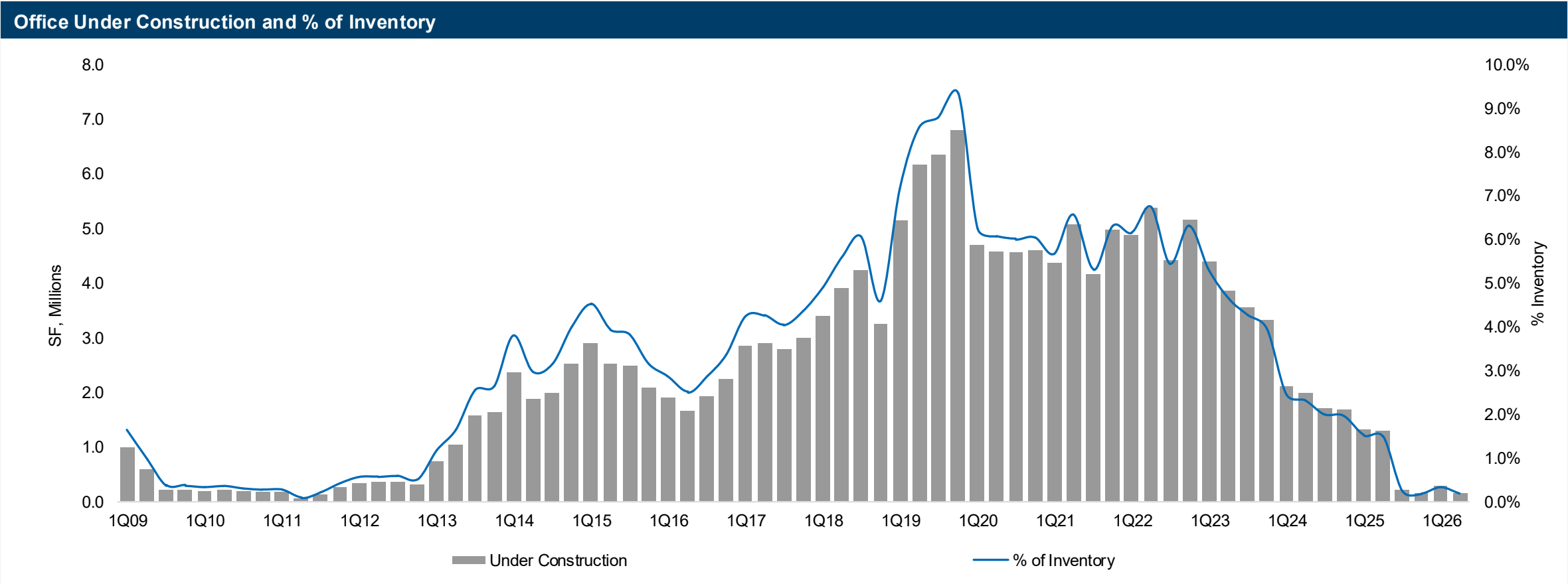
Direct and Sublet Availabilities Show Quarterly and Annual Declines

Sublease availabilities in the second quarter of 2026 declined by 30 basis points quarter over quarter and by 90 basis points year over year to 3.2%, as excess sublease has begun to convert to direct availability. Firms have also absorbed sublease space that technology companies put on the market, including The Malin’s sublease of Meta’s space at Sixth and Guadalupe. Meanwhile, direct availability dropped by 40 basis points quarter over quarter and 290 basis points year over year to 19.8%. In turn, overall vacancy decreased by 60 basis points quarter over quarter and 170 basis points year over year, reflecting strong demand for the recently delivered space that has yet to be absorbed. Vacancy will continue drifting downward as the market works through its recent deliveries and the under-construction pipeline remains muted due to high interest rates curbing new groundbreakings.



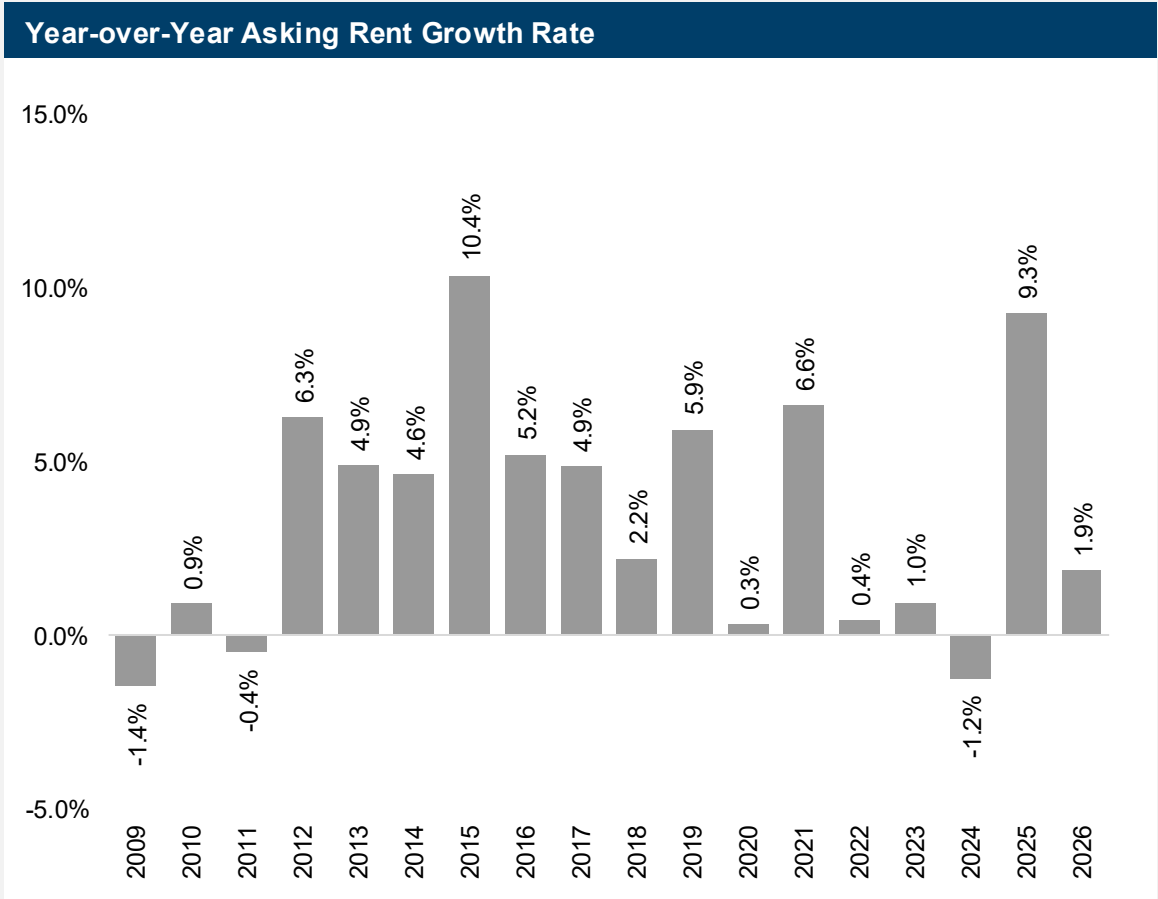
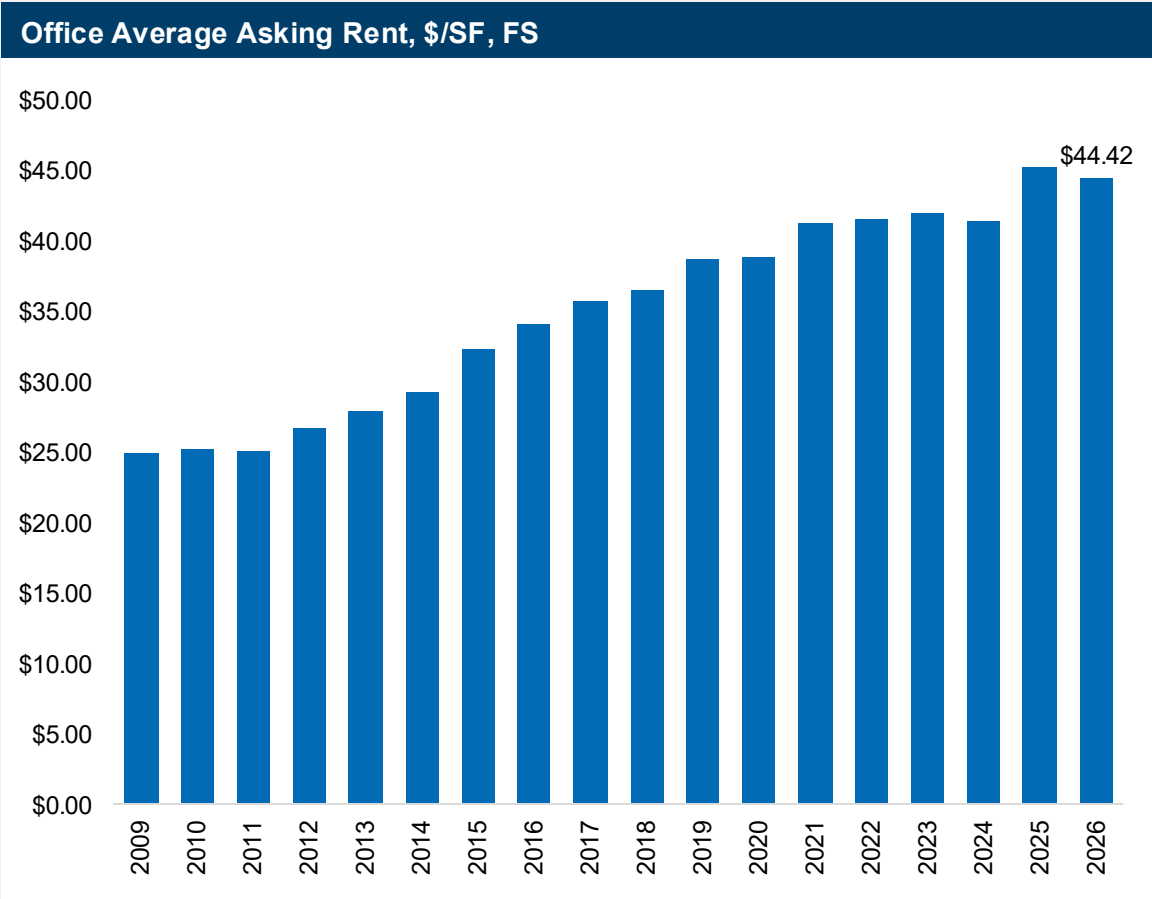
Construction Pipeline Declines to Near Multi-Year Lows

Construction activity in the market initially spiked during the first quarter of 2019 and remained elevated through year-end 2023, fueled by growth in Austin’s technology sector and subsequent demand for high-quality office space. The construction pipeline has generally declined since recording a peak of 6.8 MSF during the fourth quarter of 2019, with the sharpest quarterly decline in total square footage under construction occurring during the first quarter of 2020. A significant portion of the recent steep drop in the under-construction pipeline that occurred during the third quarter of 2025 can be attributed to the delivery of 857,629 SF at The Republic. Meanwhile, restrictive fiscal policies and rising building costs have curbed groundbreakings. Accordingly, the pipeline has declined to a near multi-year low of 154,397 SF, or 0.2% of total office inventory, as of the end of the second quarter of 2026. The pipeline may begin expanding again as Accesso Partners has re-committed to plans to add additional office, retail and multifamily and hospitality space at 7700 Parmer.



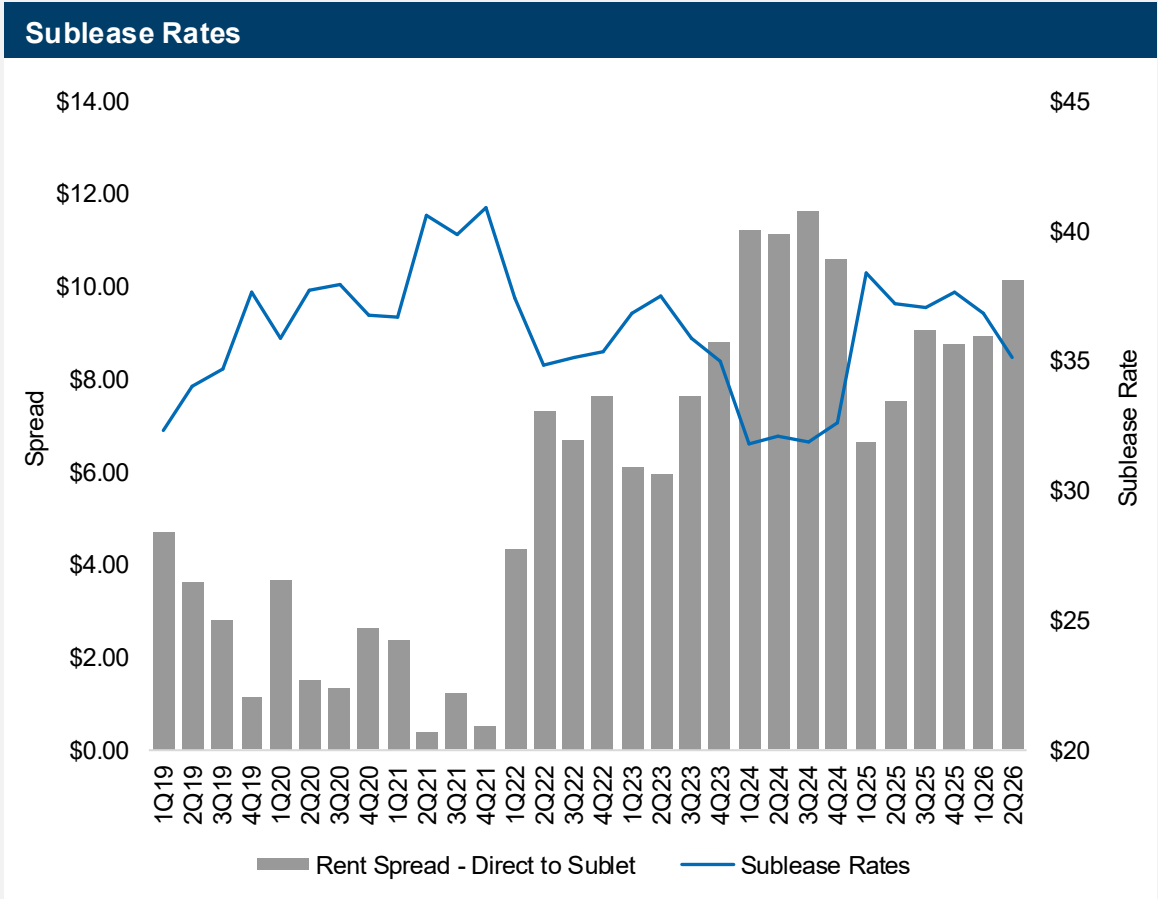
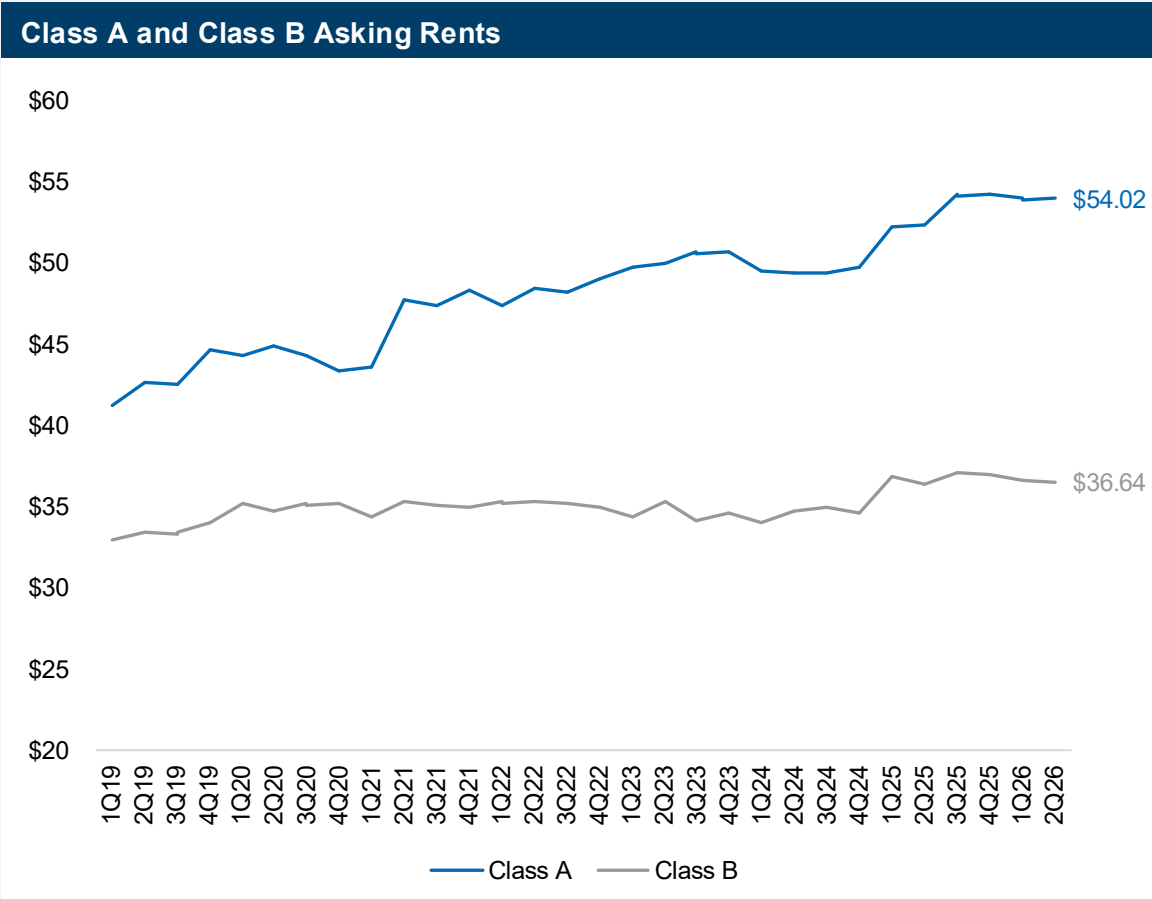
Asking Rents Continue Second Consecutive Quarter of Decline from Record High

During the second quarter of 2026, asking rents continue to decline from the record high set during the fourth quarter of 2025 to \$44.42/SF, reflecting a quarterly decrease of 0.5% and an annual increase of 1.9%. Since 2010, Austin has generally reported positive yearly rent growth, with the trend continuing into the second quarter of 2026. The annual increase can likely be attributed to the recent delivery of new high-quality space, like The Republic, into the market which caused rents to spike during 2025. Rent growth is expected to slow relative to 2025 as landlords hold rents steady or modestly decrease them to compete to fill space amid an uncertain macroeconomic and geopolitical environment.



Class A and B Rents Show Diverging Quarterly Growth

In the second quarter of 2026, Class A rents averaged \$54.02/SF and Class B rents averaged \$36.64/SF. Class A and Class B showed diverging quarterly growth, with Class A rents increasing 0.1% quarter over quarter while Class B rents declined 0.1%. The overall asking rent spread between Class A and Class B rents increased 0.3% quarter over quarter to \$17.38/SF, only \$0.01/SF below the record high set at year-end 2025. The growing divergence between Class A and Class B rents is likely driven by Class A landlords leveraging increasing demand for, and diminishing supply of, desirable spaces to keep asking rents elevated. Class B landlords are likely lowering asking rents to stimulate demand. Sublease asking rates decreased 4.7% quarter over quarter in the second quarter of 2026, pushing the overall direct to sublet asking rent spread up 13.4% on a quarterly basis to \$10.10/SF.



Tenants Expand their Searches Beyond the North/Domain Submarket

While not as prominent this quarter, tech continued to play a dominant role in leasing during the second quarter of 2026. Semiconductor manufacturer Renesas Electronics and complex electronics manufacturer Celestica signed the largest and third largest leases of the quarter. Celestica followed other technology companies to the North/Domain submarket and took space at Domain 3. Most of the top leases signed this quarter were direct new leases, indicating that tenants are using lease expirations to relocate into higher-quality buildings. Notably, tenants are beginning to broaden their space searches in Austin beyond the North/Domain submarket. Aside from Celestica’s lease, every notable lease signed during the second quarter of 2026 was in the Southwest and CBD submarkets. It remains unclear whether this is an aberration or a lasting shift in the market's office leasing dynamics.

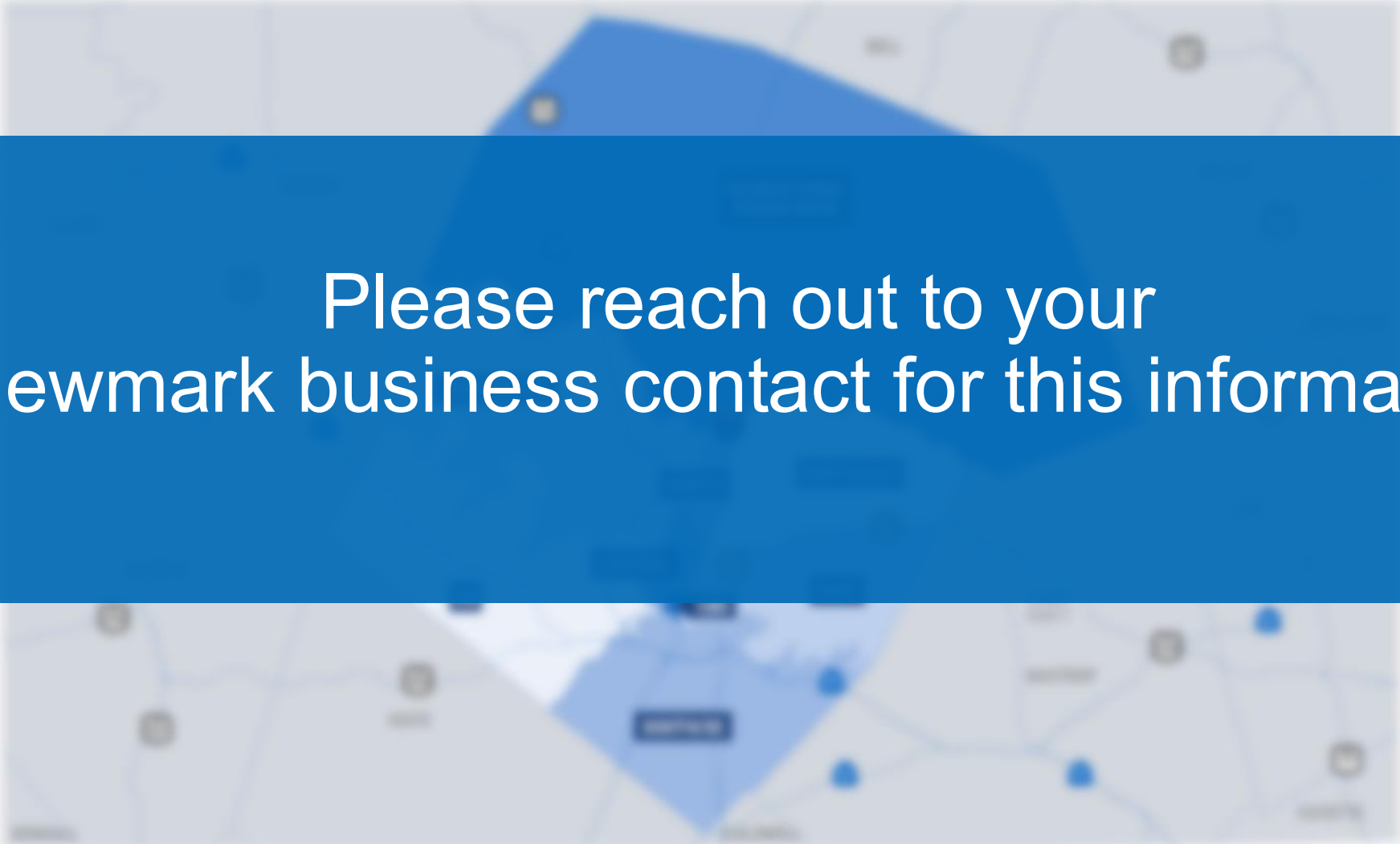
Notable 2Q26 Lease Transactions				
Tenant	Building(s)	Submarket	Type	Square Feet
Renesas Electronics	3700 San Clemente	Southwest	Direct New	95,268
<i>Japanese semiconductor manufacturer Renesas leased 95,268 SF at 3700 North Capital of Texas Highway.</i>				
Capital Area Council of Governments	The Monterey – Building A	Southwest	Direct New	52,650
<i>Regional lobbyist Capital Area Council of Governments, which represents local governments throughout the ten-county area surrounding Austin, leased the entirety of 5700 MoPac Expressway South. The council is expected to move in during the first quarter of 2027.</i>				
Celestica	Domain 3	North/Domain	Direct New	33,081
<i>Complex electronics manufacturer Celestica followed other technology companies to Austin’s “second downtown” in The Domain. The facility at 11501 Domain Drive will serve office and research and development operations functions.</i>				
The Malin	Sixth and Guadalupe	CBD	Sublet	32,076
<i>Coworking space provider The Malin, which focuses on offering its clients an upscale, hospitality-driven experience, sublet 32,076 SF on the 30th floor of 600 Guadalupe Street from Meta. This will serve as the company’s second location in Austin.</i>				
Ryan	Colorado Tower	CBD	Direct New	24,532
<i>Tax firm Ryan will be relocating its Austin office within the CBD from 100 Congress Avenue to 303 Colorado Street during the third quarter of 2026. The new office will be approximately the same size as the previous office. The company will be joining other professional services firms such as DLA Piper, McKool Smith and BOKA Powell in the new location.</i>				

03

Market Statistics & Map



Austin Office Submarket Map

A map of the Austin, Texas area with a blue shaded region indicating the office submarket. The map shows major roads and city boundaries. A large blue rectangular overlay covers the center of the map, containing white text.

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Austin Office Submarket Overview – All Classes

Submarket Distribution – All Classes

	Total Inventory	Office	Total Inventory	Office	Total Inventory	Office	Total Inventory	Office
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Healthcare	1,125,000	25,000	17.0%	250,000	250,000	\$50.00	\$50.00	\$50.00
Healthcare	11,000,000	0	15.0%	-50,000	-50,000	\$50.00	\$50.00	\$50.00
Subtotal	98,750,000	150,000	26.0%	770,000	980,000	\$67.00	\$58.75	\$60.00
Market	97,475,750	150,000	27.0%	980,000	980,000	\$59.40	\$67.00	\$60.00

Austin Office Submarket Overview – Class A

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Austin Office Submarket Overview – Class B

Submarket Statistics – Class B						
	Total Inventory Units	Units Under Construction Units	Total Inventory Sq. Ft.	Units Absorbed Units	Units Absorbed Sq. Ft.	Short-Term & Long-Term Leases
Submarket	1,234,567	123,456	12,345,678	123,456	12,345,678	123,456
Submarket	1,234,567	123,456	12,345,678	123,456	12,345,678	123,456
Submarket	1,234,567	123,456	12,345,678	123,456	12,345,678	123,456
Market Total	1,234,567	123,456	12,345,678	123,456	12,345,678	123,456

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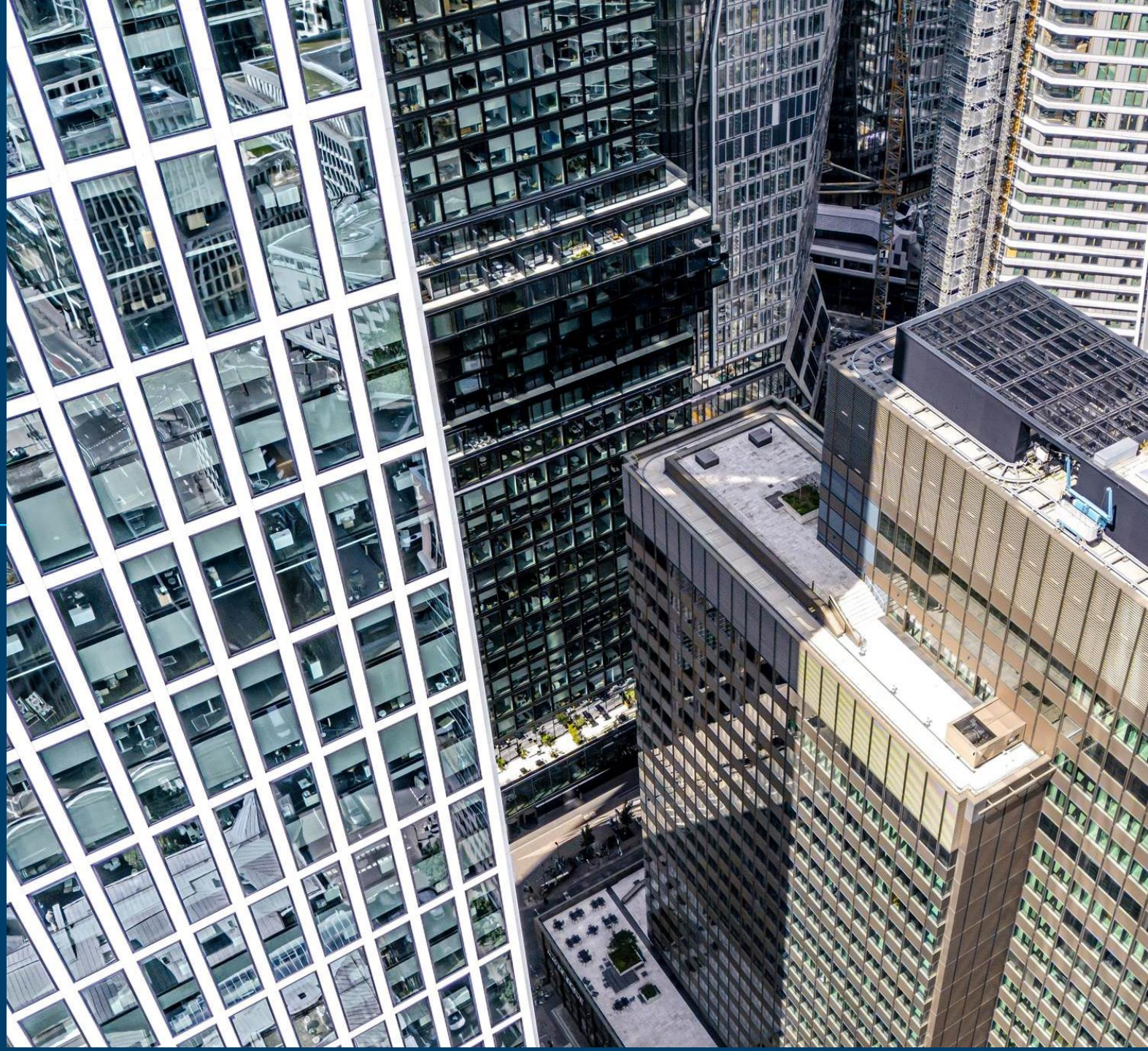
2Q26 Texas Office Market Overview

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Quarter Deliveries	151,188	171,188	227,000	0
YTD Deliveries	151,188	471,188	698,188	69,000
Direct Holding Rate (2021)	\$65.25	\$65.00	\$67.21	\$65.00
Rental Holding Rate (2021)	\$65.11	\$65.10	\$65.00	\$65.25
Total Holding Rate (2021)	\$65.18	\$65.15	\$67.10	\$65.00

04

Supplemental Analysis



Austin Office Market



- Austin is a major tech hub that has a diverse and dynamic economy, with strong sectors in the business and professional, manufacturing/technology, and government industries. Tech will drive



- Austin has high vacancy rates, driven by more tech in older buildings and a surplus of new speculative office buildings.

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driving investment and supporting office market growth.

- New competitors and renovated older buildings offer modern spaces to attract tenants seeking high-quality facilities.
- Demand for smaller, flexible office spaces (1,000 to 5,000 SF) and flexible, converting spaces presents opportunities for landlords to cater to companies adopting hybrid models.

- Austin's high office stock has put speculative new construction in a more competitive and more competitive market.

- Rising construction costs and tighter financial conditions create headwinds for landlords.
- Demand will remain over the next six years, but high vacancy elevated above long-term levels and could keep rents stagnant or modestly declining if it continues.

Austin Gross Metropolitan Product

After declining growth since 2022, Austin's gross metropolitan product continued to grow to record highs as of the end of 2024. The region's gross metropolitan product increased by 6.0% to a new record of \$268.4 billion during 2024.

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Highest Loan Volume Due in 2027

In the second quarter of 2026, banks remained the leading source of debt financing, accounting for 36.0% of total volume. Government agency loan maturities are heavily front loaded with \$11.3 billion due before 2026, or 62.4% of outstanding government debt coming due through 2027. Across all debt sources, maturities peak in 2027 at \$6.3 billion, underscoring the need to closely monitor near term maturities as an indicator of future market volatility. The concentration of near term maturities, particularly in government agency loans, elevates refinancing risk in a higher rate environment and reinforces the importance of credit quality and proactive capital planning over the next cycle.

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Multifamily Maturities Particularly Elevated Through 2030, Office Not So Much

As of the second quarter of 2024, office loans comprise 16.7% of the upcoming \$28.9 trillion of loans maturing within the next five years, representing exposure to the office sector's challenges. Meanwhile, the multifamily space constitutes 43.8% at \$24.2 trillion of maturities through 2030. Moreover, lenders' continued appetite for multifamily assets underpinning relatively manageable, replenishing the capital markets' focus on asset quality and flexibility in a market that has shown resilience in the face of economic uncertainty. Future demand for multifamily assets will be driven by job and population growth in the region as new companies continue to expand and enter the region.

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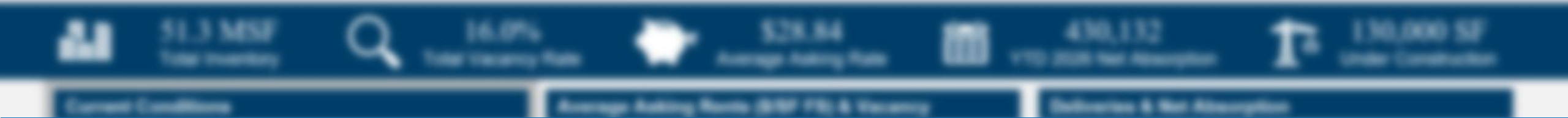
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San Antonio Appendix



San Antonio Office Submarket Overview

2Q26 MARKET SNAPSHOT



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1. No projects broke ground during the quarter, leaving the construction pipeline steady at a record low of 130,000 SF. The under-construction pipeline has been generally declining and remained under 1.5 MSF since the fourth quarter of 2025.

2. Macroeconomic uncertainty slowed leasing decisions as the market recorded 430,132 SF of leasing activity during the second quarter of 2026, a little more than half of the 18-year second-quarter average of 870,710 SF.

Building Name	Size	Type	Year Built
Austin Highway Business Center	100,000	Office	2015
Power Tech	50,000	New Office	2024

Building Name	Size	Type	Price / SF	Year Built
Green Square 2.0	100,000	Office & Retail	\$280/SF	2015

San Antonio Office Submarket Overview – All Classes

Submarket Statistics – All Classes

	Total Inventory	Units	Total Inventory	SR Inventory	VR Inventory	Short-Term & Seasonal	Short-Term & Seasonal	Short-Term & Seasonal
Office	15,075,000	0	15.0%	281,100	281,100	\$21.45	\$21.45	\$21.45
Hotel	2,150,000	0	11.0%	0	0	\$20.00	\$20.00	\$20.00
Submarket	40,800,000	100,000	16.1%	280,000	280,000	\$20.46	\$21.45	\$20.46
Market	51,210,000	100,000	16.0%	190,000	400,100	\$20.10	\$21.45	\$20.46

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Newmark has implemented a proprietary database and our tracking methodology has been revised. With this expansion and refinement in our data, there may be adjustments in historical statistics including availability, asking rents, absorption and effective rents. Newmark Research Reports are available at nmrk.com/insights

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