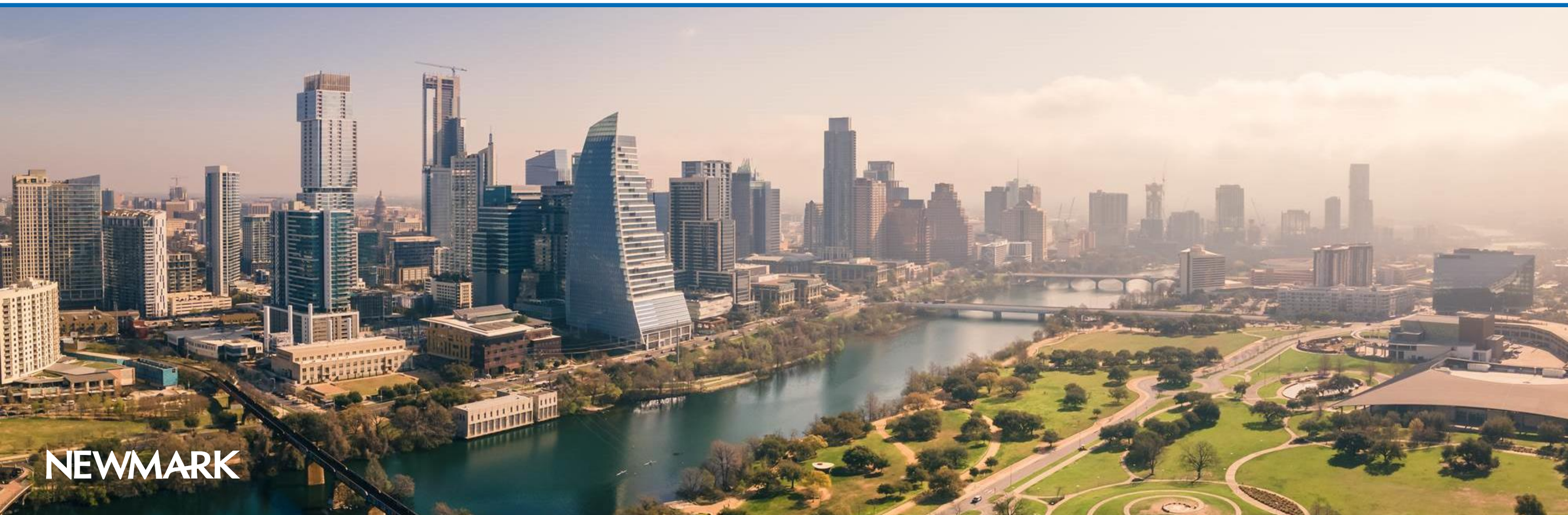


3Q25

Austin Office Market Overview



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Market Observations

Economy

- The market’s unemployment rate ticked down by 23 basis points year over year to 3.4%, remaining below the five-year average of 4.1%.
- Overall nonfarm annual job growth decelerated to the national average of 0.9%, reflecting an annual decline of 123 basis points. A notable shift, given Austin’s usual outperformance of the national average.
- Employment growth reported mixed results that were evenly split between growth and contraction, with government leading job gains at 4.0% over the past 12 months.
- As of the end of August 2025, office-using employment in the market totaled 412,727 jobs, down 2.4% from the all-time high. Office-using employment remains 28.7% above the year-end 2019 level.

Major Transactions

- The largest lease signed during the third quarter of 2025 was artificial intelligence darling Nvidia’s 99,370-SF new lease at the recently delivered Uptown ATX. The company is expected to occupy the space in early 2026 and will retain the right to expand within the building.
- Technology companies are continuing to favor The Domain submarket, but the Central Business District has been attracting new tenants. In total, three of the quarter’s largest leases were signed in these locales.
- The quarter’s top three lease transactions were new direct deals, indicating that tenants are using lease expirations to relocate into better amenitized buildings that will entice employees into the office.

Leasing Market Fundamentals

- Annual full-service rental rates spiked to a new high of \$44.86/SF, reflecting a quarterly increase of 2.8% increase and an 8.1% increase year over year.
- Direct and sublet availabilities decreased by 60 basis points and 20 basis points on a quarterly basis, respectively. As a result, the overall vacancy rate declined by 20 basis points quarter over quarter to 23.6%.
- The under-construction pipeline emptied out, ending the quarter with 185,641 SF under construction as The Republic delivered earlier in the quarter. Additionally, restrictive fiscal policies and rising building costs have curbed new office groundbreakings.
- Quarterly leasing activity increased to 1.3 MSF when compared to the previous quarter, but remains well below the 16-year third-quarter average of 2.0 MSF.

Outlook

- Near-term growth in Austin’s office market is projected to remain slow. Office investment activity is expected to stay subdued in the near term due to elevated inflation, elevated borrowing costs, and muted demand.
- 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.
- Asking rents spiked in the quarter due to the opening of The Republic, which is currently quoting \$52.00-53.00/SF NNN. Despite this, the office market is expected to remain tenant friendly, as landlords compete to fill space in newly delivered and lower-quality space in the market by keeping asking rents generally flat to stimulate leasing activity.
- Vacancy is expected to taper off as the market begins to work through the elevated deliveries that have occurred over the past few years and companies lease space to meet in-office work requirements.

1. Economy
2. Leasing Market Fundamentals
3. Market Statistics & Map
4. Supplemental Analysis
5. San Antonio Appendix

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Economy



Austin Gross Metropolitan Product

The gross metropolitan product (GMP) is a measure of the economic activity within a metropolitan area. It is calculated as the sum of the gross value added by all resident industries in the area. The GMP is a key indicator of the economic health of a metropolitan area.

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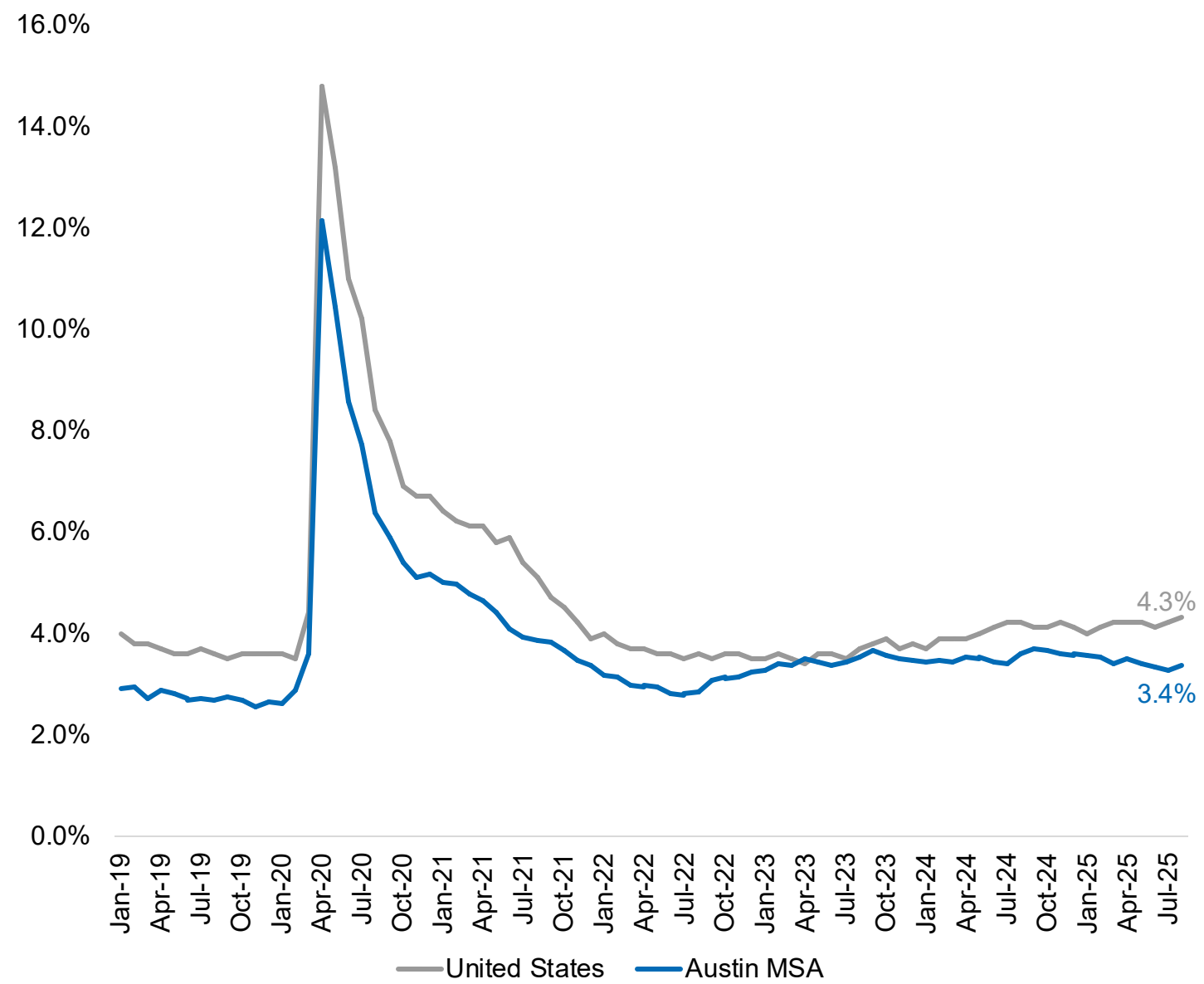
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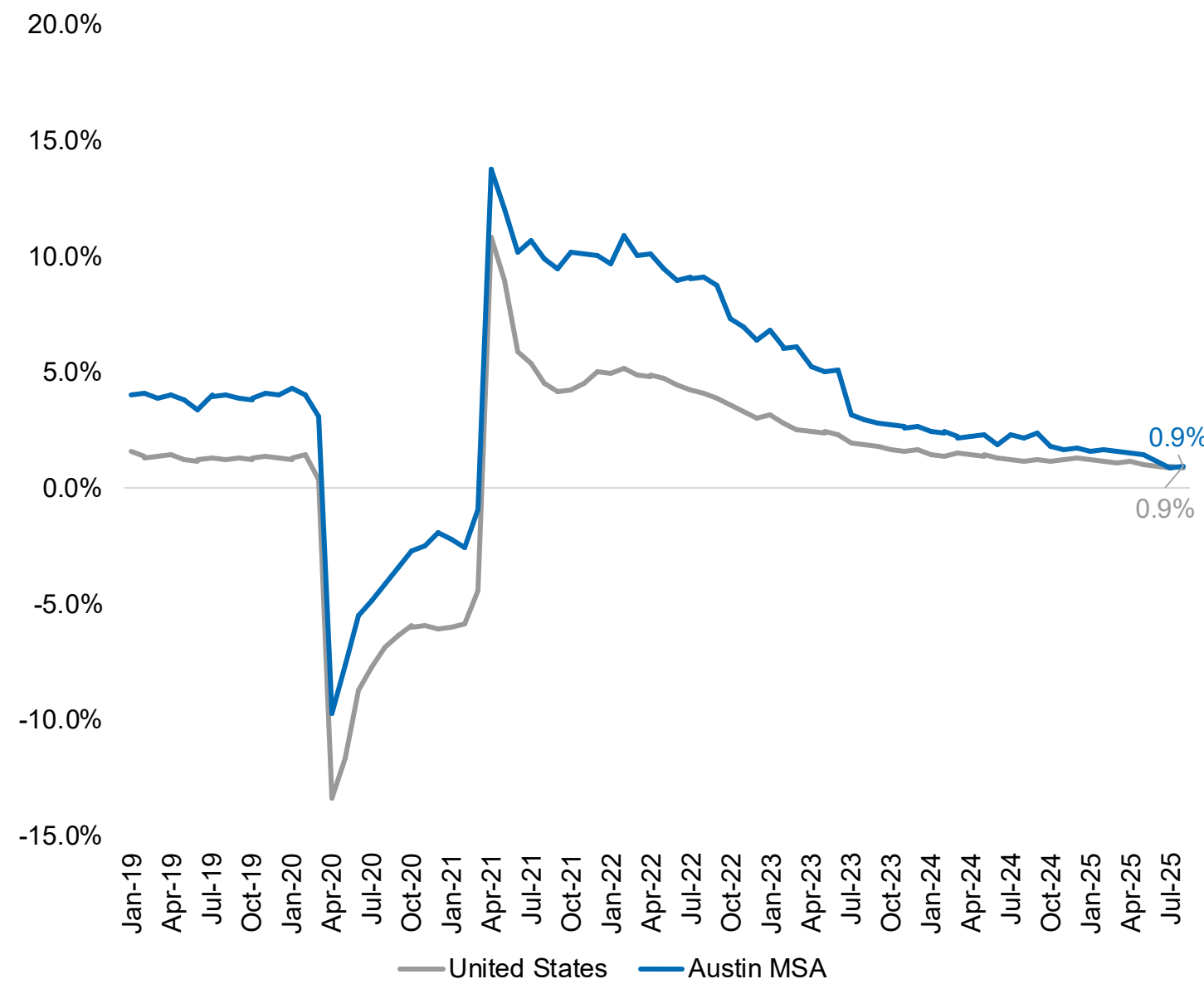
Employment Growth Slows, Unemployment Remains Below National Average

Austin has historically reported lower unemployment rates compared to the national average, while being an outperformer in employment growth. The gap between Austin’s outperformance of the United States in job growth has narrowed in recent quarters, with Austin reaching parity with the national average in the most recent quarter. Most nonfarm payroll yearly growth has been concentrated in the government, financial activities and leisure and hospitality sectors. Despite continued national economic headwinds in the third quarter of 2025, the region’s unemployment rate ticked down by 23 basis points year over year. Meanwhile, employment growth decelerated by 123 basis points compared to the prior year.

Unemployment Rate, Seasonally Adjusted



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



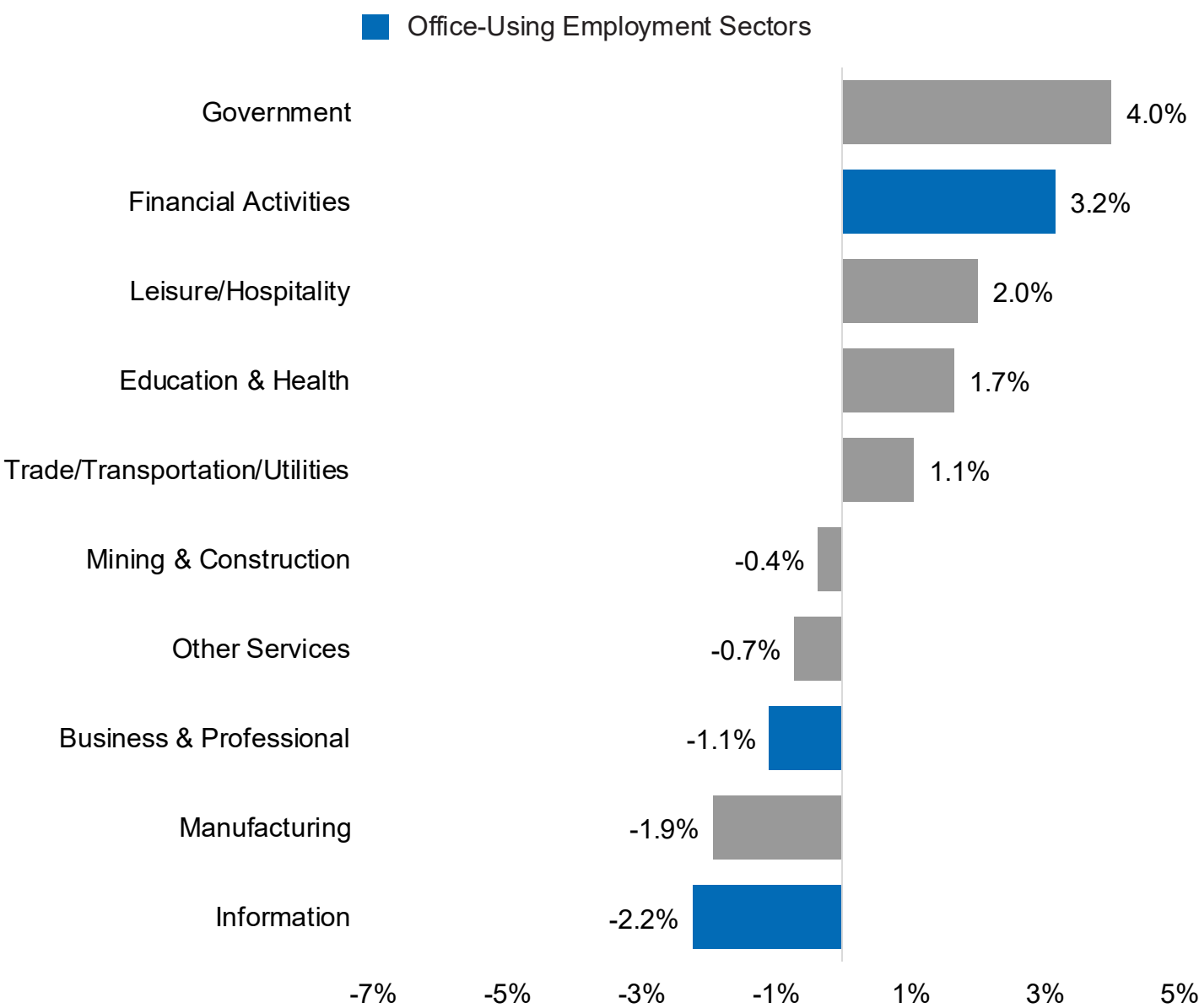
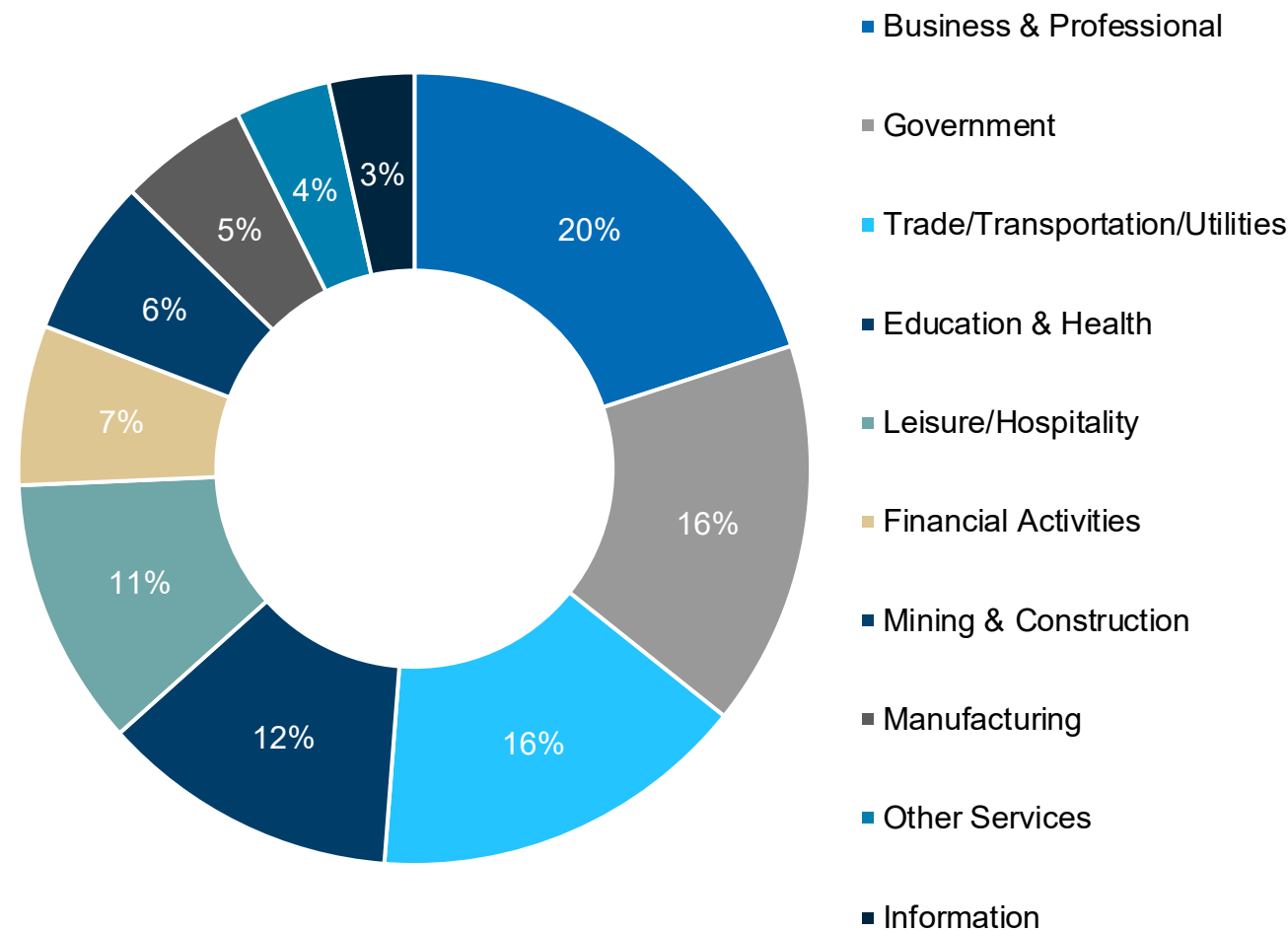
Source: U.S. Bureau of Labor Statistics, Austin-Round Rock MSA

Most Office-Using Jobs Sectors Report Yearly Job Losses

Known for its tech sector, Austin’s top employment industries —business and professional services and government— account for 35.7% of jobs. The business and professional services sector, a key driver of office employment, represents the largest industry at 20.0%. Meanwhile, government overtook trade/transportation/utilities to become the second largest employment sector during the quarter. Employment sectors were evenly split between job growth and job losses. Within office-using industries, the financial activities sector reported year over year job growth of 3.2%. Meanwhile, the business and professional and information sectors reported a declines of 1.1% and 2.2%, respectively.

Employment by Industry, August 2025

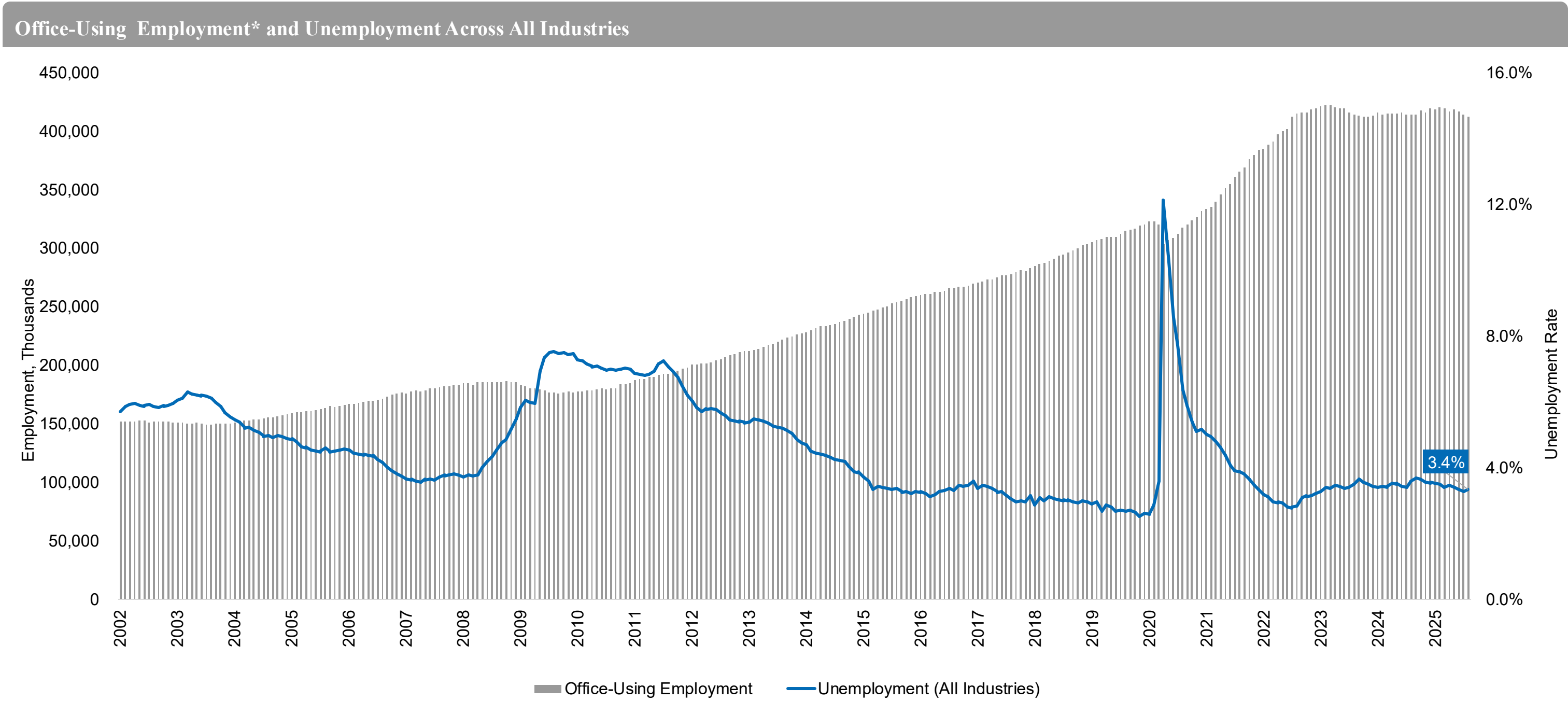
Employment Growth by Industry, 12-Month % Change, August 2025



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

Information, Business & Professional Job Losses Push Office Employment Down

Office-using employment in Austin ended August 2025 with 412,727 employees, down 2.4% from the historical high observed in the first quarter of 2023. The seasonally adjusted unemployment rate stands at 3.4%, two basis points higher than the previous quarter. However, unemployment remains 23 basis points lower than August 2024. Office-using jobs have steadily declined since June 2025, as mounting job losses in the information and business and professional sectors have placed downward pressure on overall office-using employment..



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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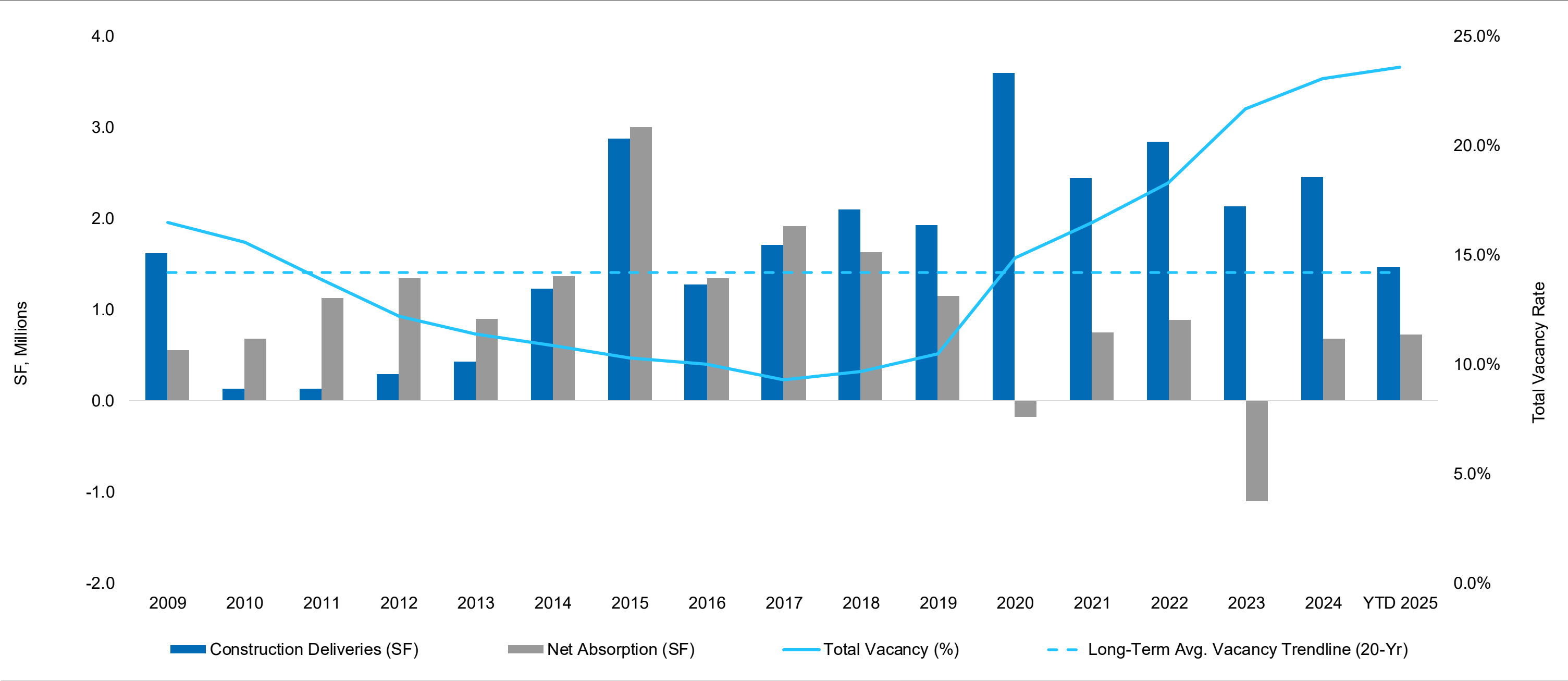
Leasing Market Fundamentals



Vacancy Inches Lower from Record High

Vacancy has generally trended up since 2019 due to elevated construction deliveries and historically low absorption from technology and business and professional services companies shedding excess space to prioritize efficiency and signing smaller leases in high-quality spaces. Further compounding the issue is the implementation of hybrid work policies and artificial intelligence into workflows that have reduced corporate headcounts and space requirements. Austin’s overall office vacancy rate decreased by 20 basis points quarter over quarter to 23.6% in the third quarter of 2025. However, vacancy remains 20 basis points higher on an annual basis and above the 20-year vacancy average of 14.2%. Although the vacancy rate has recently begun to taper following recording 1.0 MSF of demand in the quarter, vacancy is expected to remain elevated as the market continues working through the influx of supply that has delivered over the past couple of years.

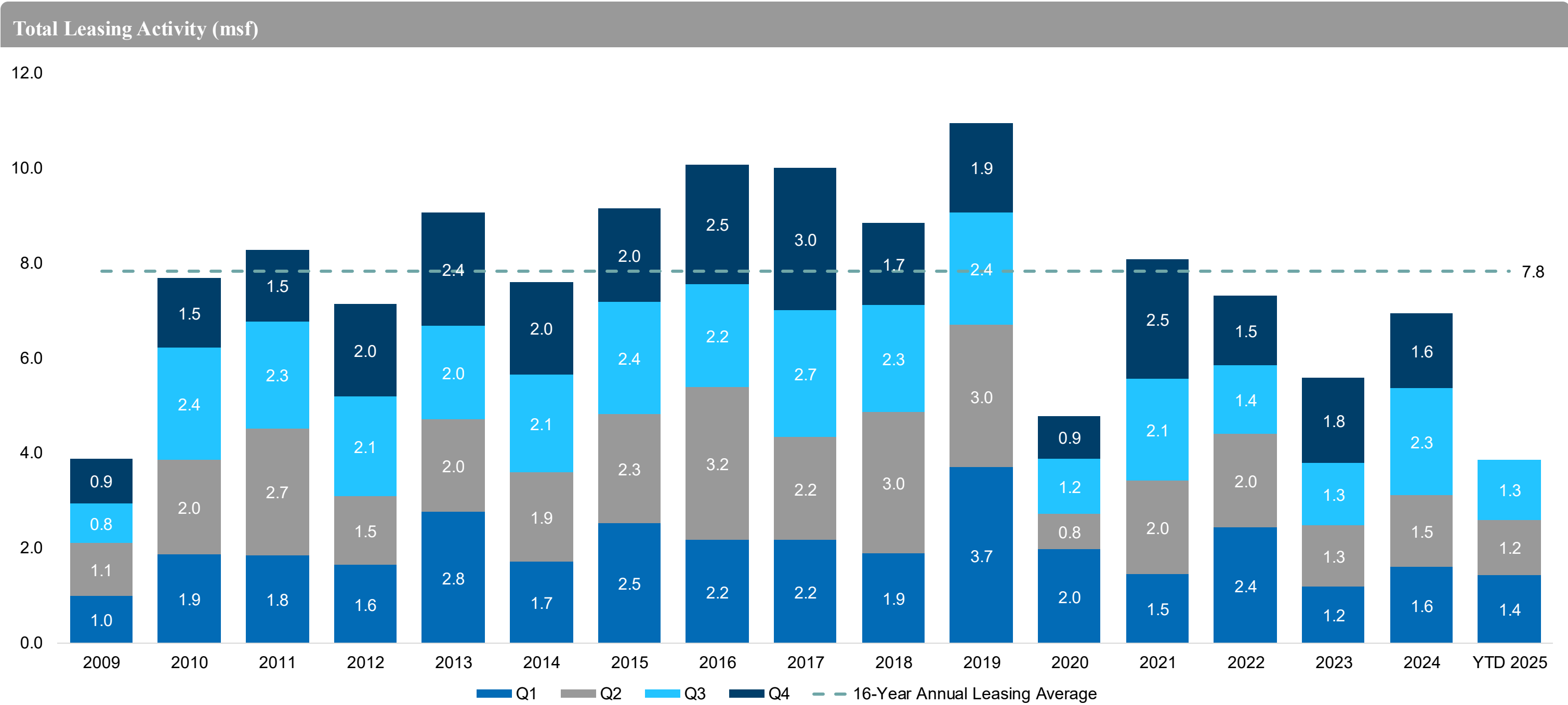
Historical Construction Deliveries, Net Absorption, and Vacancy



Source: Newmark Research, CoStar

Tariff Turmoil and Economic Uncertainty Slows Leasing Activity

Leasing activity in Austin increased on a quarterly basis but declined on an annual basis. The third quarter of 2025 reported total leasing activity of 1.3 MSF, well below the 16-year third quarter average of 2.0 MSF. The slowdown in leasing reflects companies prioritizing efficiency through right-sizing workforces and office space amid an uncertain economic environment stemming from stubborn inflation and tariffs. Further complications include the future of hybrid work policies. However, leasing could rebound as more companies phase out work from home policies and require more space to implement full-time in-person work. Average deal size for the third quarter of 2025 was 5,473 SF, down from the third quarter of 2024's average deal size of 7,102 SF.



Source: Newmark Research, CoStar

Corporate Office Downsizing Pushes Class A Vacancy to Near Record High

By the third quarter of 2020, vacancy in Class A office space in the U.S. had reached 10.1%, up from 8.5% in the third quarter of 2019. This increase in vacancy is largely due to corporate office downsizing, which has led to a significant increase in the number of Class A office spaces that are vacant. In the third quarter of 2020, the vacancy rate in Class A office space was 10.1%, up from 8.5% in the third quarter of 2019. This increase in vacancy is largely due to corporate office downsizing, which has led to a significant increase in the number of Class A office spaces that are vacant.

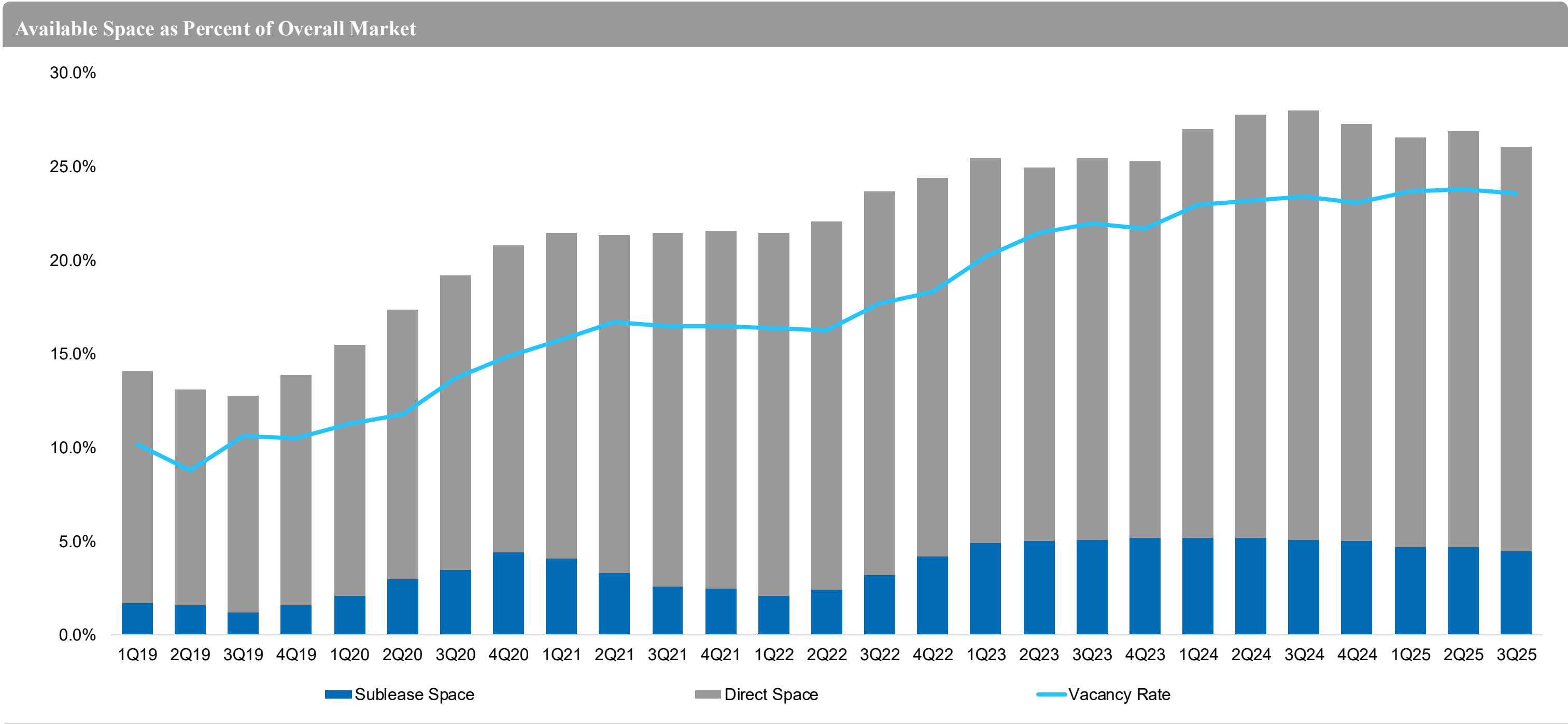


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Declines in Direct and Sublet Availabilities Push Vacancy Down Quarter over Quarter

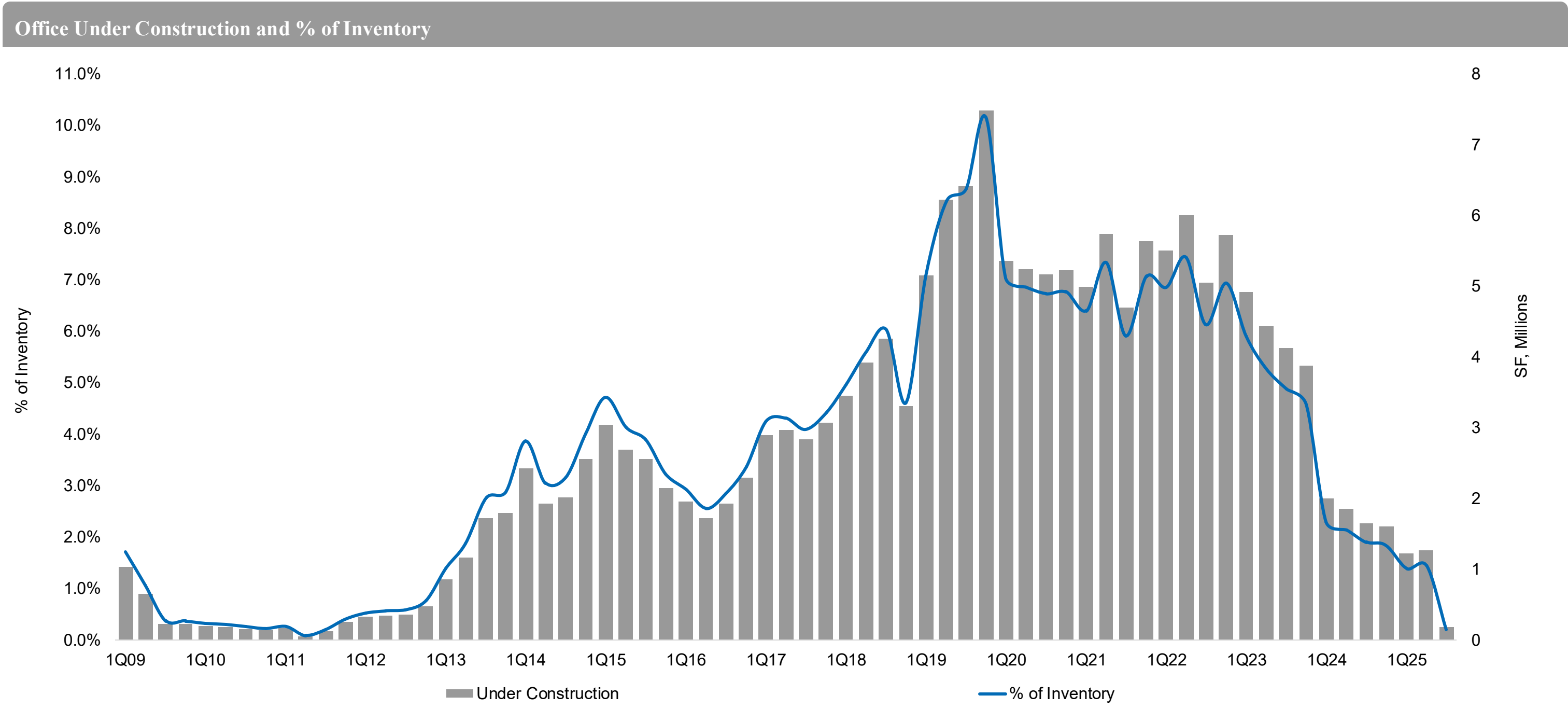
Sublease availabilities in the third quarter of 2025 edged down 20 basis points on a quarterly basis with a larger decline annually by 60 basis points to 4.5% as firms have sublet space put on the market by technology companies, such as PricewaterhouseCoopers’ sublet of Meta’s space at Sixth and Guadalupe. Meanwhile, direct availability decreased by 60 basis points quarter over quarter and 130 basis points year over year to 21.6%. As a result from decreasing availabilities, the overall vacancy rate subsequently also decreased by 20 basis points on a quarterly basis to 23.6%. However, overall vacancy remains 20 basis points higher year over year due to a plethora of recently delivered space that has yet to be absorbed. It will likely taper off as the market works through its recent deliveries.



Source: Newmark Research, CoStar

Delivery of The Republic Empties Out Construction Pipeline

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 6.8 MSF during the fourth quarter of 2022, with the sharpest decline occurring during the first quarter of 2024. As of the end of the third quarter of 2025, the construction pipeline totaled 185,641 SF, or 0.2% of total office inventory, reflecting the lowest level of under-construction activity since the third quarter of 2011. A significant portion of the steep drop in the under-construction pipeline can be attributed to the delivery of The Republic, an 816,543 SF mixed-use development in the CBD. Meanwhile, restrictive fiscal policies and rising building costs have curbed new groundbreakings.

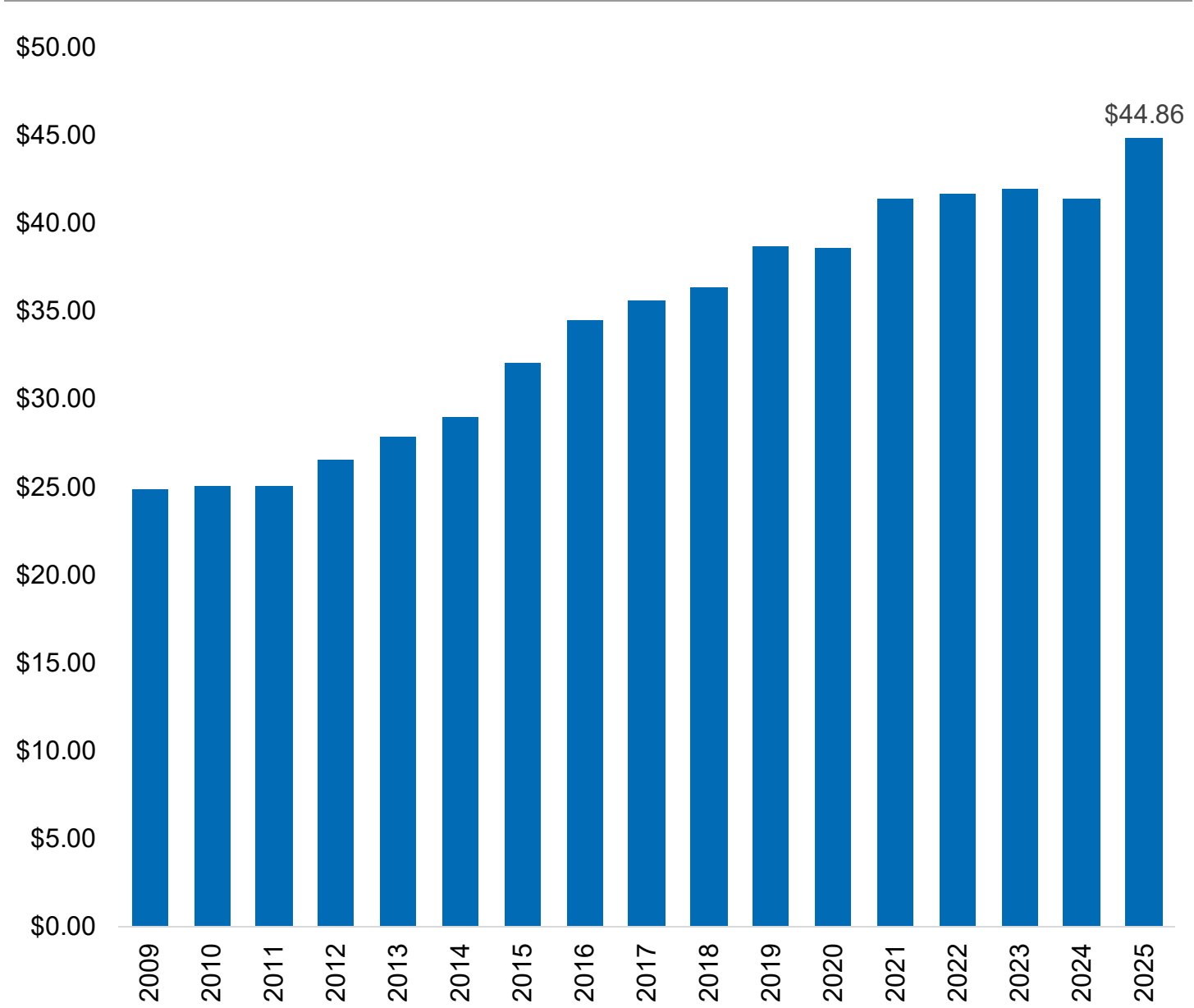


Source: Newmark Research, CoStar

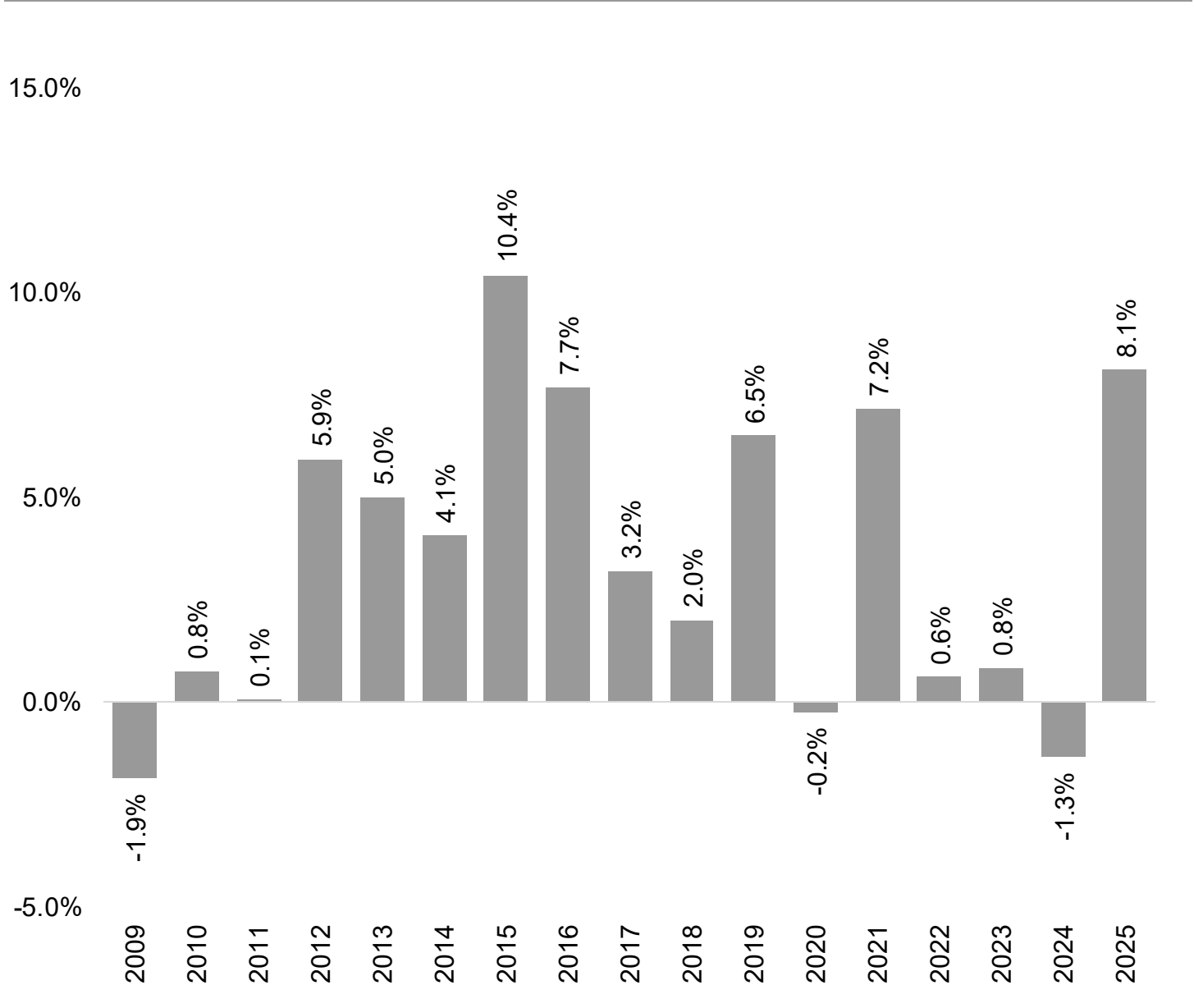
Asking Rents Rise to Record High

Asking rents spiked to a new record high of \$44.86/SF, reflecting quarterly and annual increases of 2.8% and 8.1%, respectively. Since 2009, Austin has generally reported positive yearly rent growth, with the trend continuing into the third quarter of 2025. The annual 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. The annual spike in rents is attributable to the delivery of The Republic in August 2025.

Office Average Asking Rent, \$/SF, FS



Year-over-Year Asking Rent Growth Rate

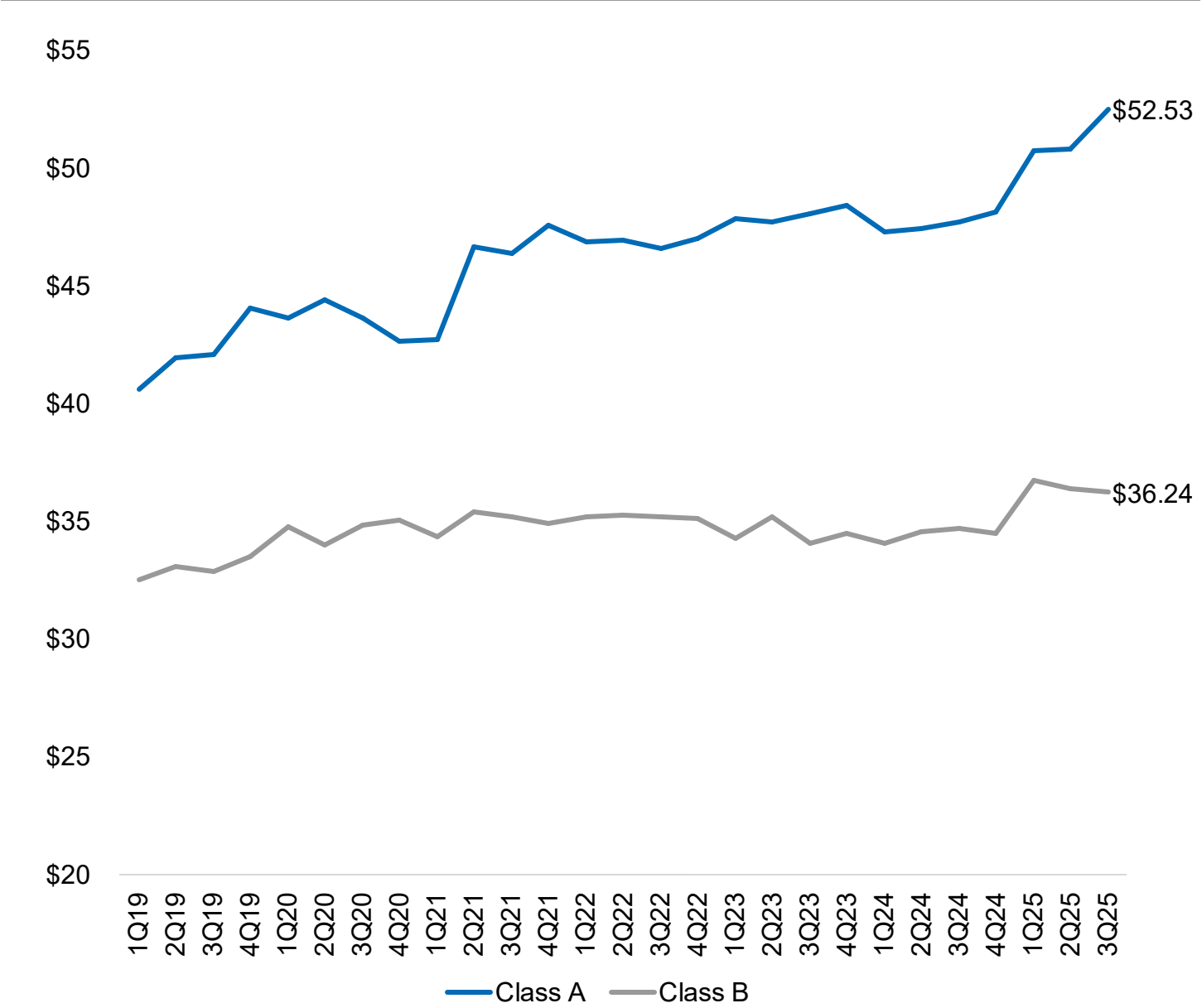


Source: Newmark Research, CoStar

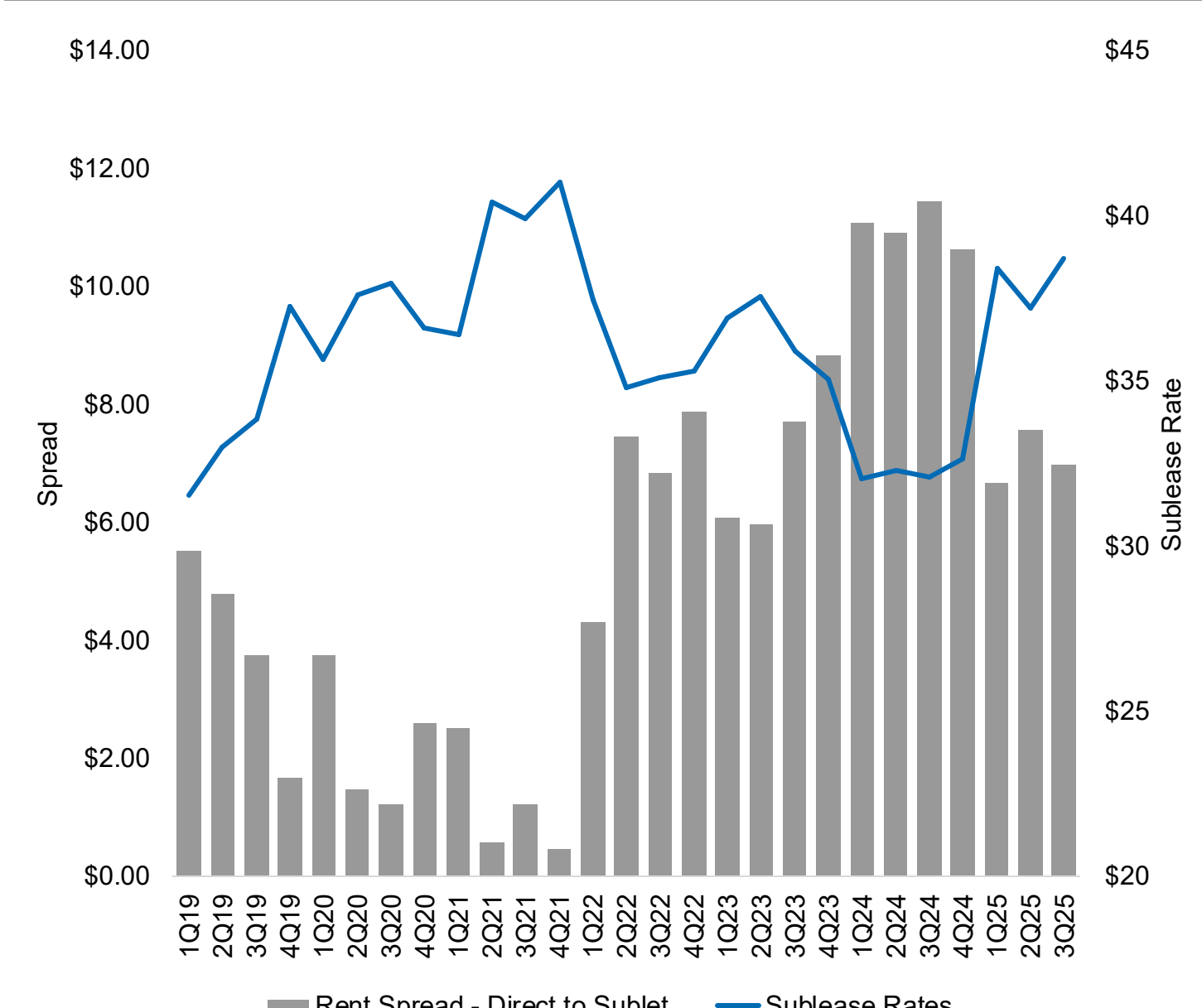
Record-High Class A Asking Rates Expand Rent Spread to New Peak

As of the end of the third quarter of 2025, Class A rents averaged an all-time high of \$52.53/SF, while Class B rents were \$36.24/SF. Class A asking rents rose by 10.1% on a yearly basis, while Class B asking rents increased 4.3%. Overall rent spread between Class A and Class B asking rents also climbed to a historic high of \$16.29/SF, reflecting a 54.8% 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, while Class A landlords are leveraging growing demand for highly-amenitized spaces to push up asking rents. Meanwhile, sublease asking rents increased by 4.0% quarter over quarter and 20.5% year over year during the third quarter of 2025.

Class A and Class B Asking Rents



Sublease Rates



Source: Newmark Research, CoStar

Signs of Life in the CBD?

Contrary to headlines that Austin’s reputation as a tech hub is fading, tech continued to play a dominant role in leasing. Nvidia signed the largest lease of the quarter at Uptown ATX in the Domain submarket. The top three leases signed this quarter were direct new leases, indicating that tenants are using lease expirations to relocate into higher quality buildings to entice employees into the office. Meanwhile, two of the third quarter’s top leases were signed in the Central Business District, in contrast to expectations that tenants would continue to leave the CBD. Time will tell if this is a new trend or an aberration. However, The Domain remains a favorite of technology companies, as evidenced by Nvidia’s lease.

Notable 3Q25 Lease Transactions

Tenant	Building(s)	Submarket	Type	Square Feet
Nvidia	Uptown ATX – One Uptown	North/Domain	Direct New	99,370
Technology company and artificial intelligence darling Nvidia inked the largest deal of the quarter when it leased space on the 1 st , 13 th and 14 th floors of 11515 Burnet Road. Nvidia will retain the option to match any deal that the landlord can negotiate and expand within the building over the term of the 10-year lease. The company is expected to occupy the space in early 2026.				
Confidential Government Tenant	400 West	CBD	Direct New	94,211
An undisclosed governmental entity has leased the 8 th through 12 th floors of 400 W 15 th Street in the Central Business District.				
Base Power	205 East Riverside Drive	South	Direct New	43,122
Austin-based energy company Base Power signed a 43,122-SF lease for space on the 1 st , 2 nd and 3 rd floors of 205 East Riverside Drive. The building will serve as the company’s headquarters, with occupancy expected in November 2025.				
Bazaarvoice	Quarry Oaks III	Northwest	Renewal	36,592
Austin-based software company Bazaarvoice renewed its space on the fourth floor of 10901 Stonelake Boulevard. The company has maintained its headquarters in the space since 2016.				
PricewaterhouseCoopers	Sixth and Guadalupe	CBD	Sublease	32,000
Multi-national accounting firm PwC sublet space from Meta on the 29 th floor of 400 West Guadalupe Street. PwC’s lease at Shoal Creek Walk is scheduled to expire in July 2026. Meta never occupied the space and placed the space up for lease a year before the building was completed.				

Source: Newmark Research, CoStar

3Q25

Market Statistics & Map



Austin Office Submarket Map

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Austin Office Submarket Overview

Austin Office Submarket Overview - All Offices								
	Total Inventory [K]	Total Occupancy [K]	Total Leasing Rate [K]	Total Occupancy [K]	Total Leasing Rate [K]	Total Leasing Rate [K]	Total Leasing Rate [K]	Total Leasing Rate [K]
Office 1000	10,000,000	0	10.0%	10,000,000	10,000,000	10.0%	10.0%	10.0%
Office 1000/1000	1,000,000	0	10.0%	1,000,000	1,000,000	10.0%	10.0%	10.0%
Office 1000/1000	1,000,000	0	10.0%	1,000,000	1,000,000	10.0%	10.0%	10.0%

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Office 1000	10,000,000	10,000,000	10.0%	10,000,000	10,000,000	10.0%	10.0%	10.0%
Office 1000	10,000,000	10,000,000	10.0%	10,000,000	10,000,000	10.0%	10.0%	10.0%
Total Market Report								

Austin Office Submarket Overview—Class A

Austin Office Submarket Overview—Class A						
	Year Ending 2021	Year Ending 2020	Year Ending 2019	2021 Occupancy (%)	2020 Occupancy (%)	2019 Occupancy (%)
Market Total	11,000,000	0	10,000,000	85.0%	80.0%	85.0%
Market Total	1,000,000	0	1,000,000	85.0%	80.0%	85.0%

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Market Total	11,000,000	0	10,000,000	85.0%	80.0%	85.0%
Market Total	1,000,000	0	1,000,000	85.0%	80.0%	85.0%
Market Total	11,000,000	0	10,000,000	85.0%	80.0%	85.0%

Austin Office Submarket Overview—Class B

Austin Office Submarket Overview—Class B						
	Year Beginning 1/1/15	Year Beginning 1/1/16	Year Beginning 1/1/17	Year Beginning 1/1/18	Year Beginning 1/1/19	Year Ending 12/31/2019
Available Space	1,200,000	0	10,000	10,000	10,000	10,000
Under Construction	1,700,000	0	0	0	0	0

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Available Space	1,200,000	0	10,000	10,000	10,000	10,000
Under Construction	1,700,000	0	0	0	0	0
Market Total	2,900,000	0	10,000	10,000	10,000	10,000
Source: Newmark Research						

3Q25 Texas Office Market Overview



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Top Markets	2024	2025	2026	2027
Office Building (S&P 500)	100%	100%	100%	100%
Industrial Building (S&P 500)	100%	100%	100%	100%
Healthcare Building (S&P 500)	100%	100%	100%	100%
New Market Entry				

3Q25

Supplemental Analysis



Austin Office Market



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Highest Loan Volume Due in 2029

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Multifamily Maturities Particularly Elevated Through 2029, Office Not So Much

As the debt market in 2020, multifamily maturities were elevated through 2029, while office maturities were more evenly distributed. This is due to the fact that multifamily debt is typically structured with a 10-year term, while office debt is typically structured with a 15-year term. This means that multifamily debt is more likely to mature in the near term, while office debt is more likely to mature in the long term.



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San Antonio Appendix



San Antonio Office Market Overview

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