

NEWMARK

Market Overview

Austin Office

3Q26

NMRK.COM



Market Observations

Economy

- The market's unemployment rate eased 12 basis points year over year to 3.5%, remaining in line with the five-year average recorded from 2021 through year-end 2025.
- Annual nonfarm job growth slowed 94 basis points to 1.2%, still well ahead of the national rate, which fell 168 basis points to -0.5%.
- Most employment sectors grew over the past year, led by business and professional services at 3.3% and mining and construction at 3.2%. Among office-using sectors, business and professional services and financial activities grew 3.3% and 0.8%, respectively, while the information sector contracted 5.7%.
- Office-using employment reached a record high of 436,800 jobs in the third quarter of 2026, up 1.7% year over year and 36.1% since year-end 2019.

Leasing Market Fundamentals

- Average full-service asking rents rose 0.7% quarter over quarter to $44.72/SF but are down 1.2% year over year.
- Overall vacancy rose 30 basis points quarter over quarter and 50 basis points year over year to 22.8%, as 730,000 SF of deliveries outpaced 309,410 SF of net absorption in the third quarter of 2026.
- The construction pipeline fell 75.2% quarter over quarter to 220,707 SF, or 0.3% of inventory, its lowest level in a decade as restrictive fiscal policies and rising building costs continue to limit new groundbreakings.
- Leasing activity totaled 1.4 MSF, up 8.4% quarter over quarter but down 17.8% year over year and below the 16-year third-quarter average of 2.1 MSF, as firms weigh artificial intelligence and macroeconomic uncertainty in space decisions.

Major Transactions

- Professional and financial services firms led leasing this quarter. Jackson Walker LLP, Virtu Financial and Freese and Nichols signed three of the top five leases in the quarter. The tech sector also stayed active, with Qualcomm Technologies' 65,628-SF sublease ranking third.
- Four of the quarter's five largest leases were direct new leases, suggesting tenants continue to use lease expirations to relocate into higher-quality buildings.
- Tenants continued to look beyond the North/Domain submarket. The quarter's notable leases were signed in the CBD, Northeast and Northwest submarkets, and it remains unclear whether this is temporary or a lasting shift in leasing patterns.

Outlook

- Near-term growth is expected to remain muted as the pipeline shrinks, and demand remains below historical norms. Investment activity should stay subdued amid higher borrowing costs, though Brandywine's July sale of the fully leased 405 Colorado to Hines for $151.0 million signals assets may begin trading again.
- Expiring pre-pandemic leases will likely push tenants to shed underutilized space and move into smaller, higher-quality, well-located spaces. Vacancy should stay elevated in the near term but drift lower as the market works through recent deliveries.
- The market is expected to remain tenant-friendly despite this quarter's modest rent uptick, as landlords hold asking rents flat or reduce them to compete for tenants.

Table of Contents

Economy 4

Leasing Market Fundamentals 8

Market Statistics & Map 17

Supplemental Analysis 23

San Antonio Appendix 28

01

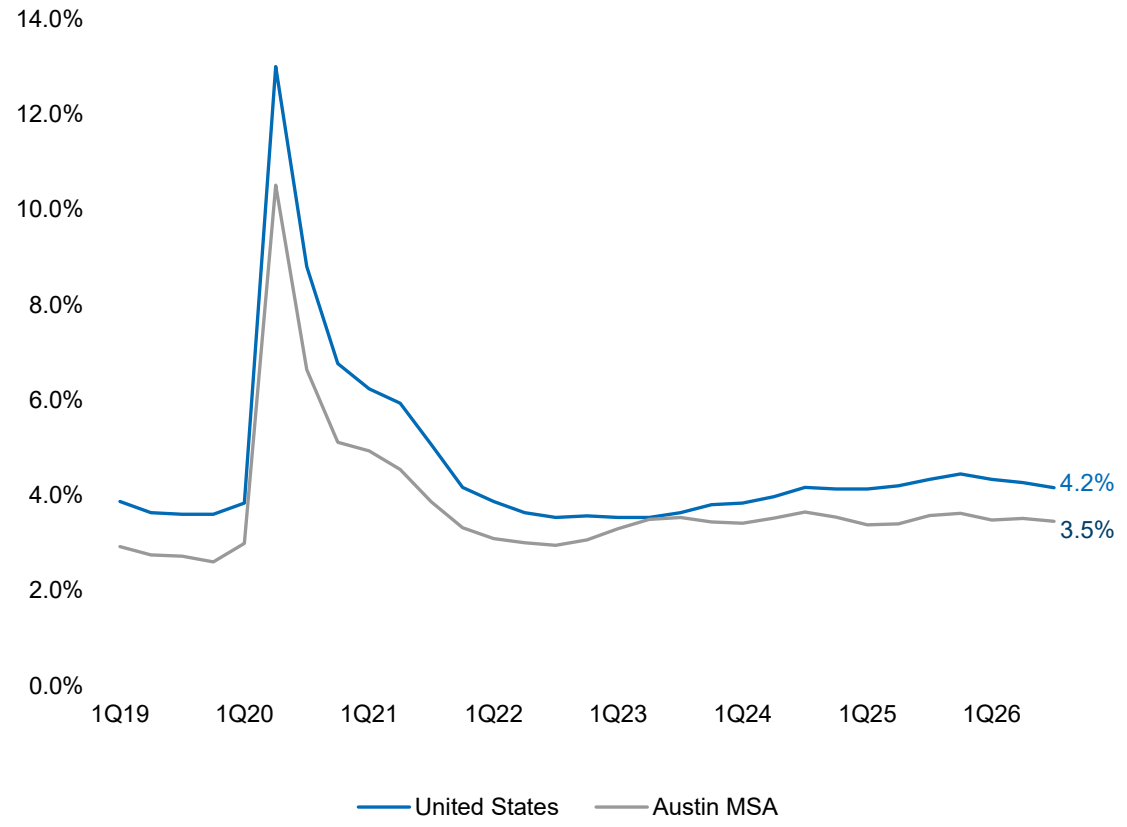
Economy



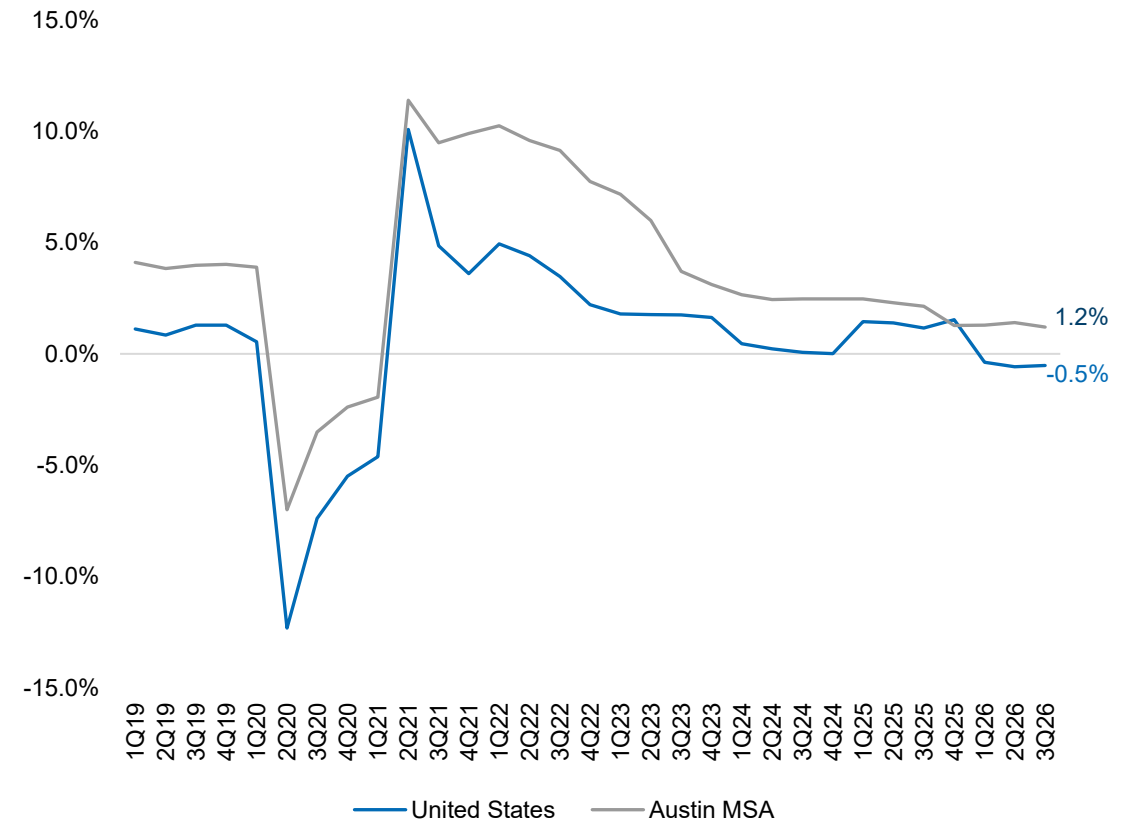
Austin Maintains Its Edge Over U.S., Job Growth Moderates

Historically, Austin has posted a lower unemployment rate and stronger job growth than the United States as a whole, a trend that held true in the third quarter of 2026. The metro's overall unemployment rate eased slightly, dipping 12 basis points year over year to 3.5%, while the national rate fell by 18 basis points to 4.2%, keeping Austin roughly 71 basis points below the national average. Annual nonfarm payroll growth in the Austin metro slowed 94 basis points to 1.2% year over year but remains ahead of the nation, where growth declined by 168 basis points over the past year to negative 0.5%.

Unemployment Rate, Seasonally Adjusted



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

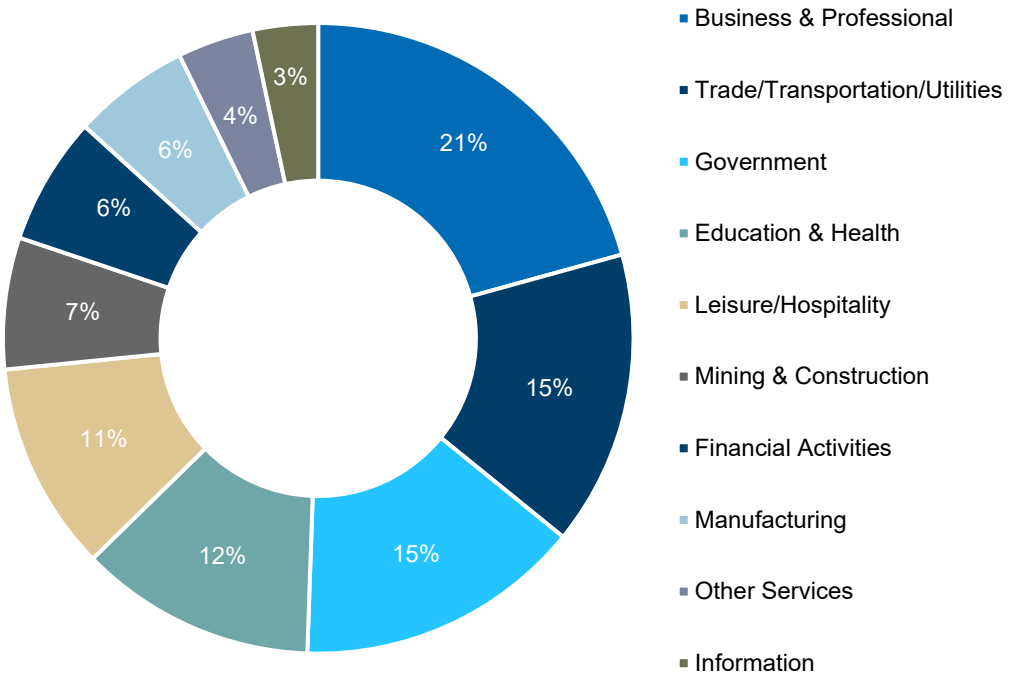


Source: Oxford Economics, Austin MSA

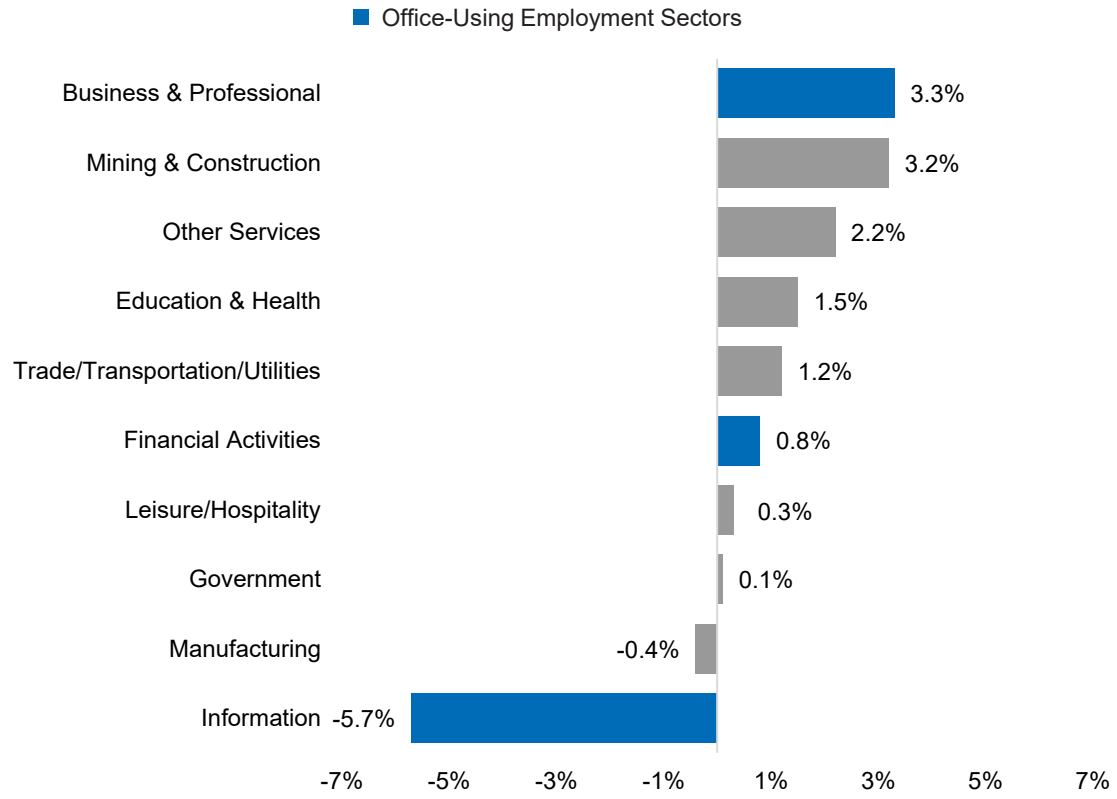
Business and Professional Services Leads as Information Sector Contracts

In tech-centric Austin, the two largest employment industries, business and professional services and trade/transportation/utilities, account for 35.8% of all jobs in the metro. The business and professional services sector—the largest driver of office employment—makes up the largest portion of total employment at 20.7%, while trade/transportation/utilities and government round out the top three fields of employment at 15.1% and 14.7%, respectively. Eight out of ten employment sectors reported annual job growth, led by business and professional services at 3.3% and mining and construction at 3.2%. Office-using employment reached an all-time high in the third quarter of 2026, with business and professional services and financial activities growing year over year by 3.3% and 0.8%, respectively. These gains helped to offset a 5.7% annual decline in employment in the information sector.

Employment by Industry, 3Q26



Employment Growth by Industry, 12-Month % Change, 3Q26

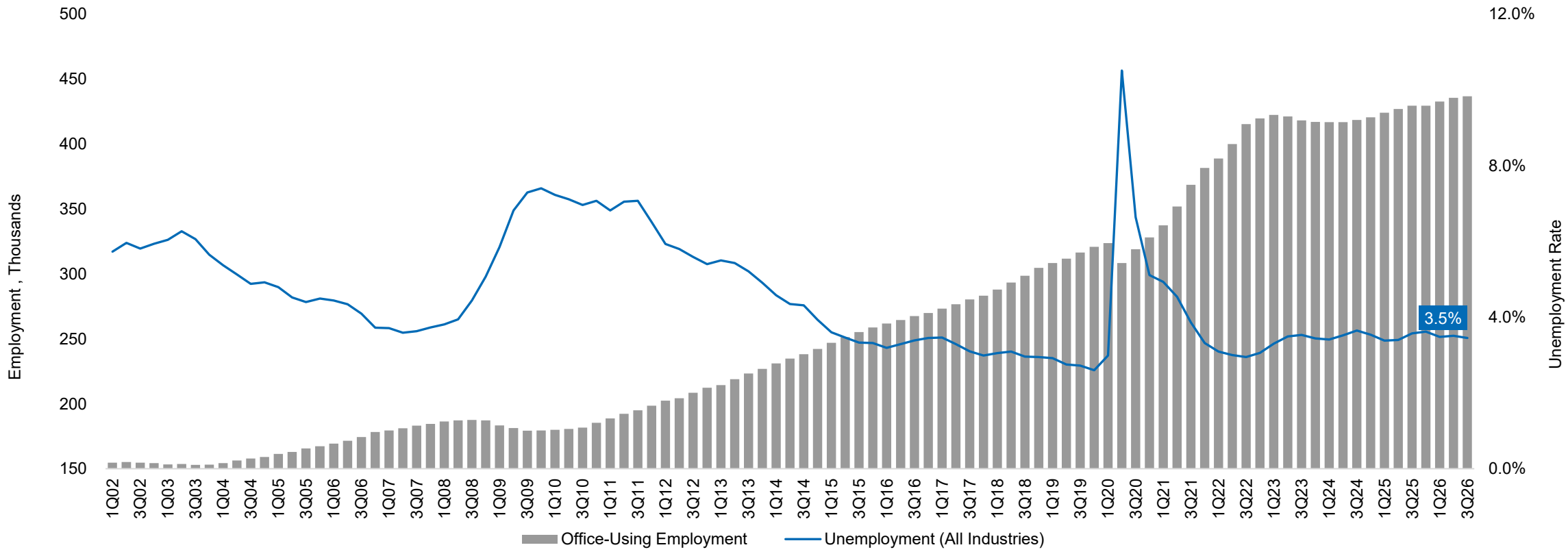


Source: U.S. Bureau of Labor Statistics, Austin MSA

Office-Using Employment Reaches Record High

Office-using employment in the Austin metro reached a new record high of 436,780 jobs in the third quarter of 2026, up 0.3% from the prior quarter and 1.7% year over year. Business and professional services drove the increase, adding roughly 9,500 jobs over the year, while financial activities added about 750. These gains more than offset continued losses in the information sector, which shed approximately 2,900 jobs over the same period. The market's seasonally adjusted unemployment rate stood at 3.5%, down six basis points from the prior quarter and 12 basis points year over year.

Office-Using Employment* and Unemployment Rate Across All Industries



Source: Oxford Economics, Austin MSA

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

02

Leasing Market Fundamentals



Vacancy Rate Climbs to Record High as Supply Outpaces Demand

Vacancy in the Austin office market has generally trended upward post-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 by hybrid work and artificial intelligence's implementation into workflows that reduced corporate headcounts and space requirements. During the third quarter of 2026, the market delivered 730,000 SF of new office space against just 309,410 SF of occupancy gains. As a result of supply outpacing demand in the quarter, vacancy climbed by 30 basis points quarter over quarter and 50 basis points year over year to a new all-time high of 22.8% and remains above the 20-year average of 14.3%. In the near term, vacancy should remain elevated but trend down as new deliveries decline and the market works through recently delivered product.

Historical Construction Deliveries, Net Absorption, and Vacancy

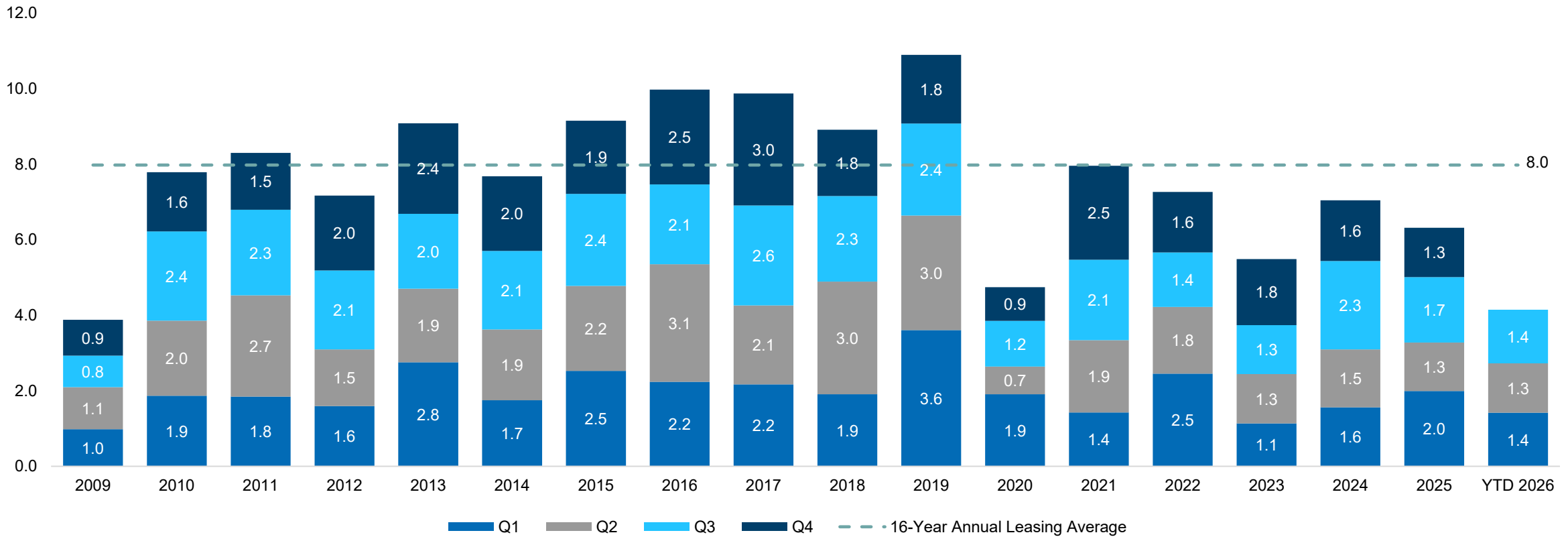


Source: Newmark Research, CoStar

Quarterly Leasing Improves but Remains Below Historical Norms

Leasing activity in the third quarter of 2026 totaled 1.4 MSF, well below the 16-year third-quarter average of 2.1 MSF. Overall, leasing activity in Austin increased by 8.4% on a quarterly basis but declined by 17.8% since the third quarter of 2025. Contributing factors to the leasing slowdown include companies controlling costs by right-sizing workforces and office space and pausing long-term decisions in an uncertain macroeconomic and geopolitical environment. Companies are also still evaluating the impacts of the adoption of artificial intelligence into workflows, which will likely impact occupiers' decision-making for the foreseeable future. Additionally, average deal size in the third quarter increased to 6,314 SF, up 16.1% quarter over quarter from the 5,437 SF per deal recorded in the second quarter of 2026.

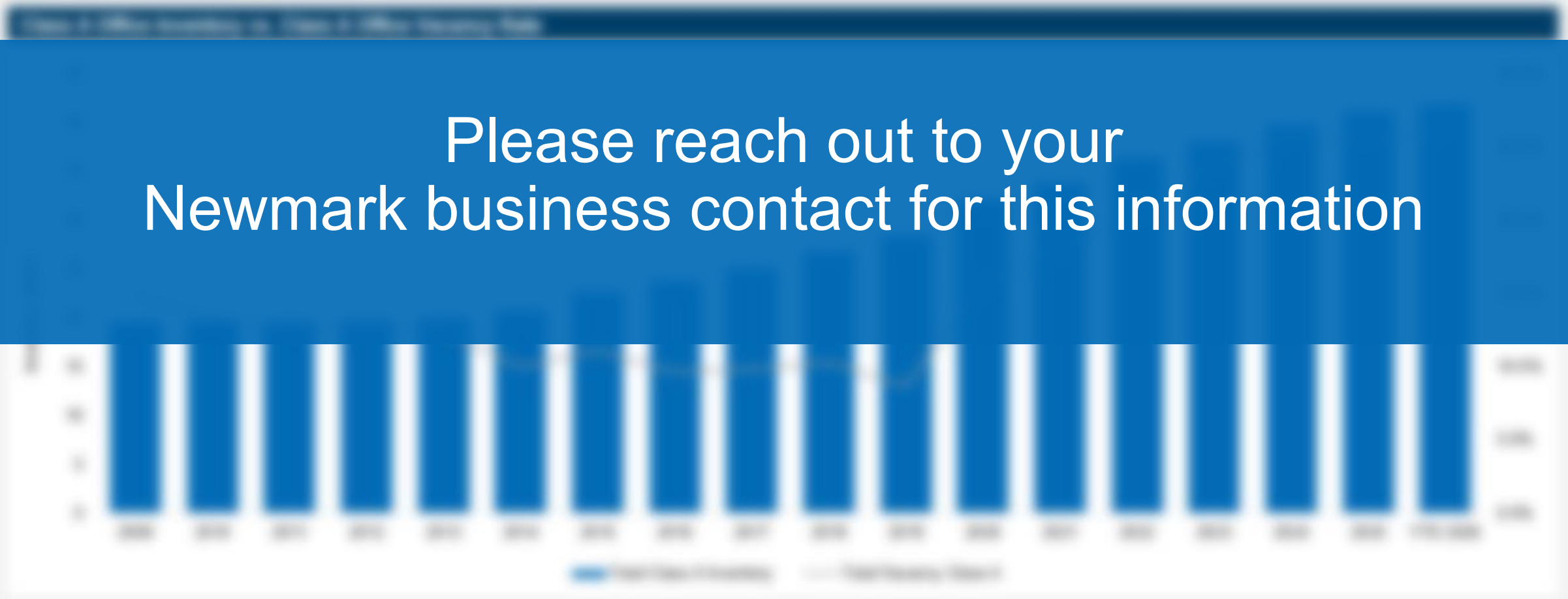
Total Leasing Activity (MSF)



Source: Newmark Research, CoStar

Austin Class A Vacancy Remains Elevated Despite Annual Decline

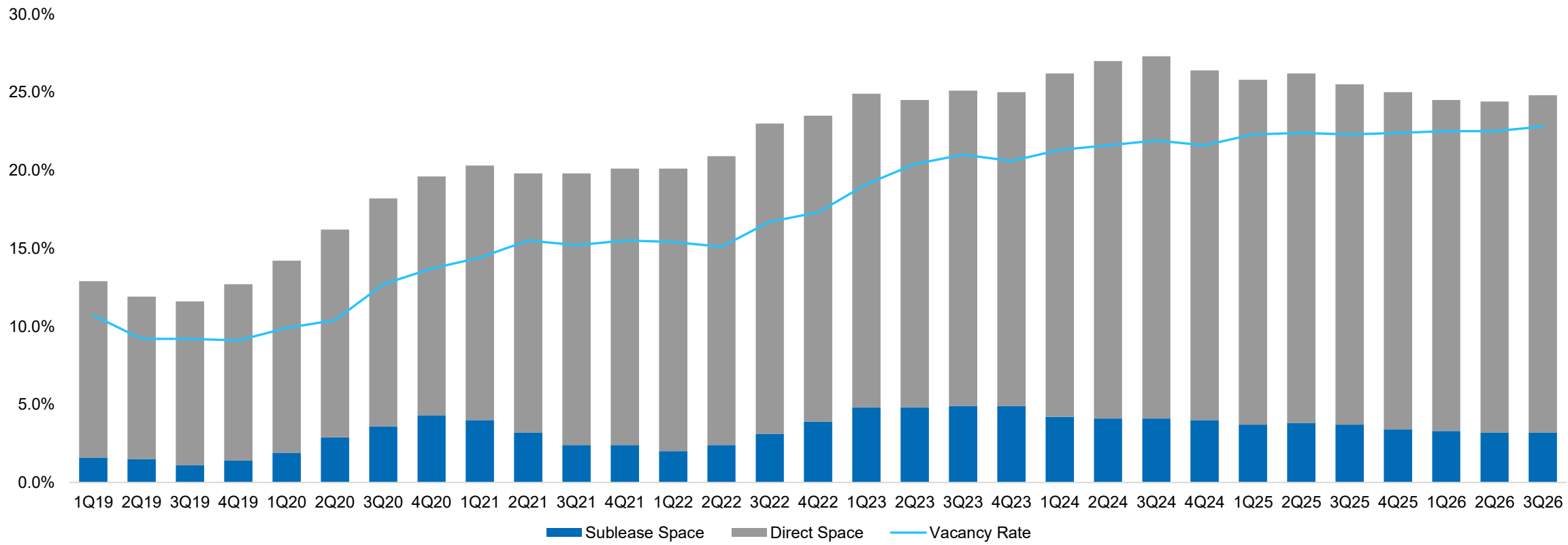
Please reach out to your
Newmark business contact for this information



Availabilities Decline Annually as Overall Vacancy Rises

In the third quarter of 2026, sublease availabilities in the Austin office market were unchanged quarter over quarter but dipped by 50 basis points year over year to 3.2%, as excess sublease space has begun to convert to direct availability. At the same time, direct availability increased by 40 basis points quarter over quarter but declined by 20 basis points year over year to 21.6%. Overall vacancy climbed by 30 basis points quarter over quarter and 50 basis points year over year to 22.8% as a result of the 730,000 SF of new office product brought to market during the quarter outpacing the 309,410 SF of occupancy gains. Vacancy is likely to begin trending downward as the market works through recent deliveries and the construction pipeline remains muted due to high interest rates impeding new development.

Available Space as Percent of Overall Market

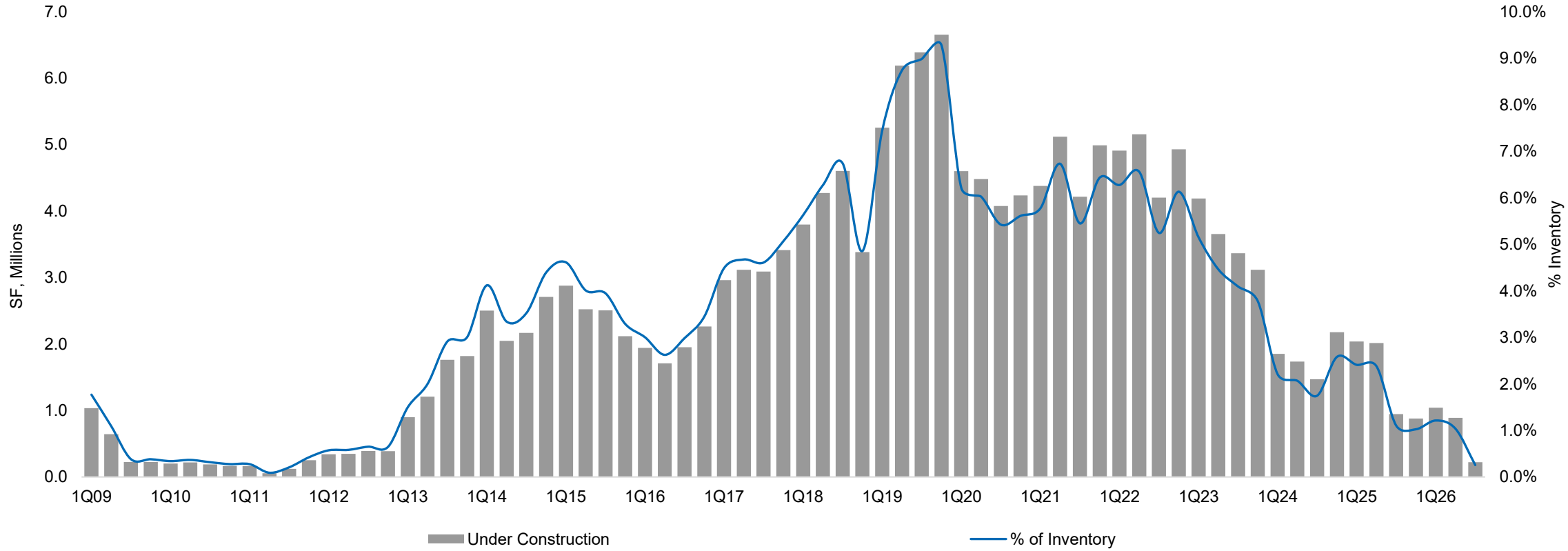


Source: Newmark Research, CoStar

Construction Pipeline Declines to Lowest Point in a Decade

Construction activity in Austin's office market surged in early 2019 and remained elevated through year-end 2023, largely driven by demand for high-quality space from the city's growing technology sector. After peaking at 6.7 MSF in the fourth quarter of 2019, the construction pipeline generally trended downward. Following the completion of the 730,000-SF Waterline in Austin's CBD submarket, the construction pipeline fell 75.2% quarter over quarter to a decade low of 220,707 square feet in the third quarter of 2026, representing just 0.3% of total market inventory. Restrictive fiscal policies and rising construction costs have limited new groundbreakings. However, the pipeline could expand again as Accesso Partners has reaffirmed plans to add office, retail, multifamily and hospitality space at 7700 Parmer.

Office Under Construction and % of Inventory

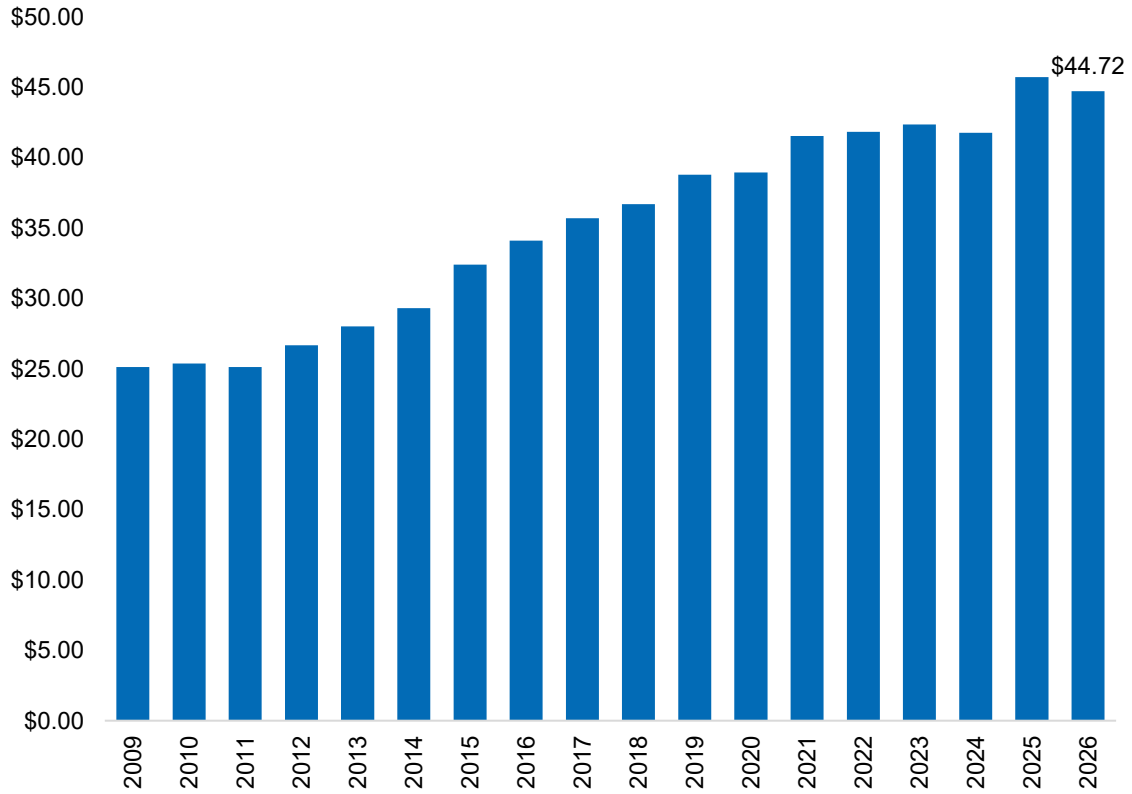


Source: Newmark Research, CoStar

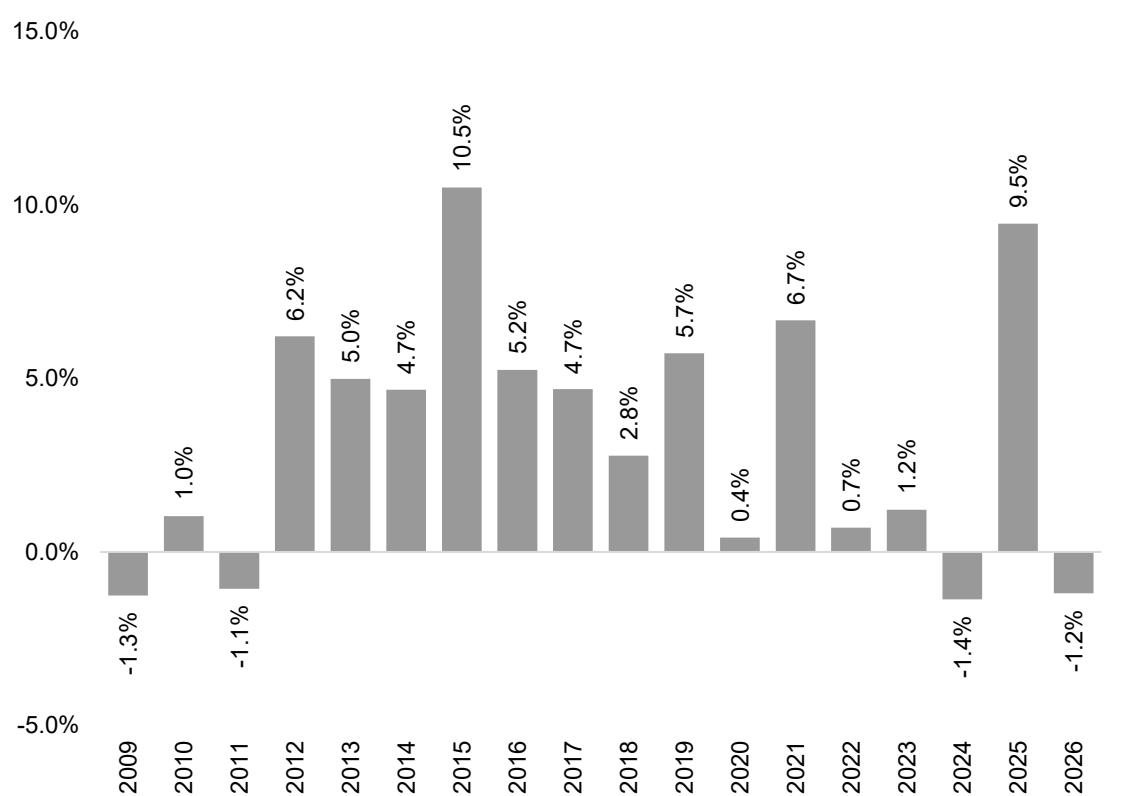
Asking Rents Edge Up Quarter Over Quarter but Decline Year Over Year

Austin office asking rents rebounded slightly in the third quarter of 2026, rising 0.7% quarter over quarter to $44.72/SF. Despite this increase, rents remained 1.2% below year-earlier levels and below the record high reached in the fourth quarter of 2025. Since 2010, Austin has generally reported positive yearly rent growth, a trend that reversed in the third quarter of 2026. With vacancy elevated and leasing activity below historical norms, landlords are expected to maintain competitive pricing, limiting rent growth over the near term.

Office Average Asking Rent, $/SF, FS



Year-over-Year Asking Rent Growth Rate

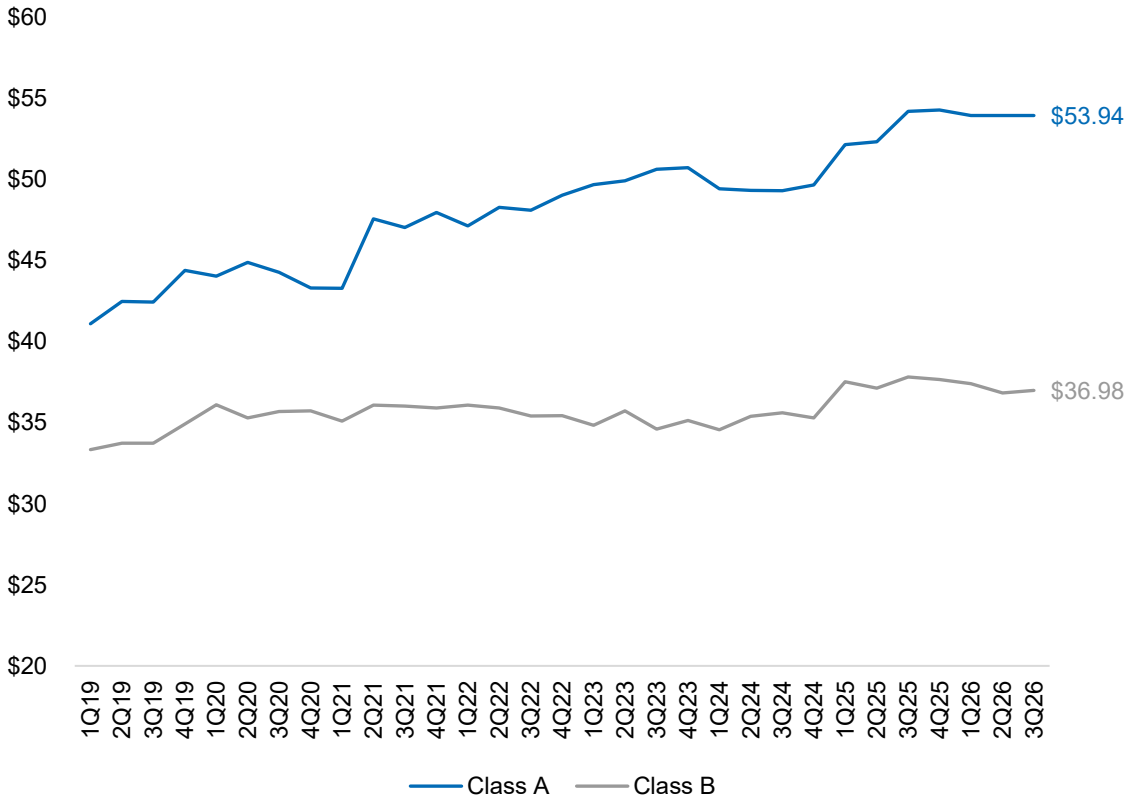


Source: Newmark Research, CoStar

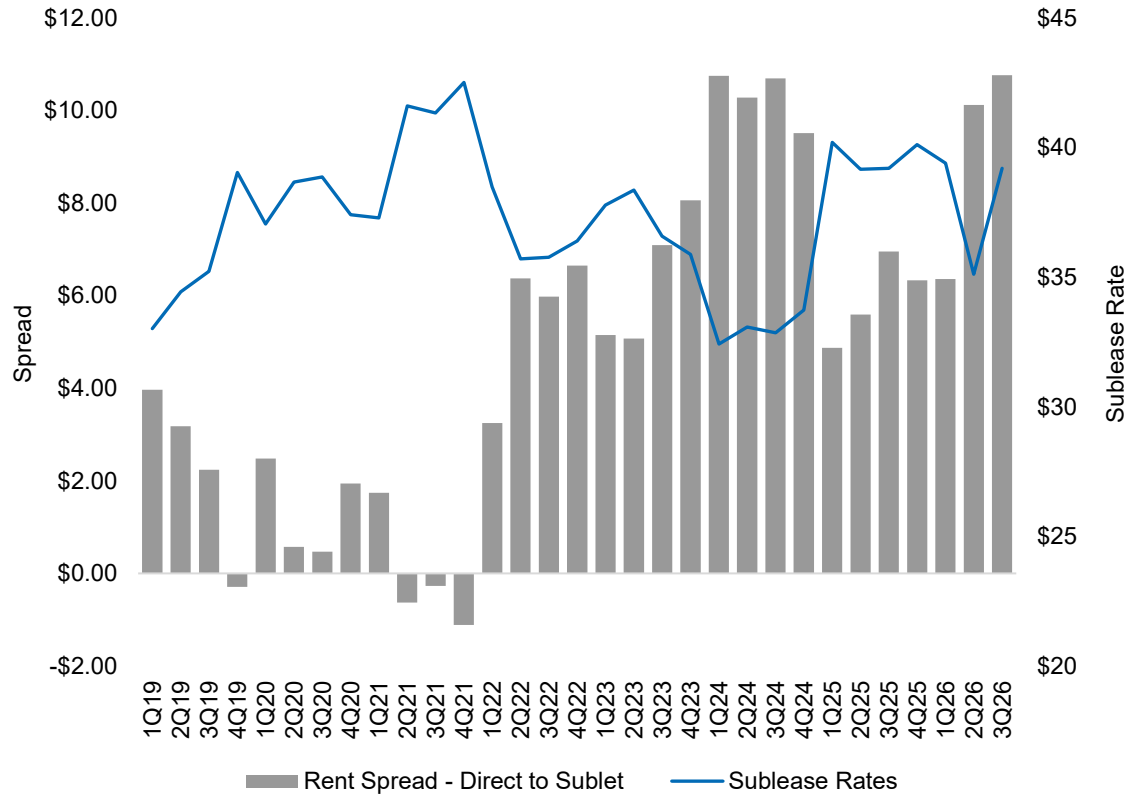
Gap Between Class A and Class B Rents Dips Slightly but Remains Near Record High

In the third quarter of 2026, Class A rents remained unchanged quarter over quarter and averaged $53.94/SF, while Class B rents increased by 0.4% quarter over quarter to $36.98/SF. The overall asking rent spread between Class A and Class B dipped slightly quarter over quarter to $16.96/SF – a 0.9% decline from the all-time high of $17.11/SF recorded in the previous quarter, but the spread has widened by 3.5% over the course of the past year. 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, while Class B landlords are likely lowering asking rents to stimulate demand. Meanwhile, the asking rent spread between direct and sublet space has increased quarter over quarter and year over year by 6.3% and 54.8%, respectively.

Class A and Class B Asking Rents



Sublease Rates



Source: Newmark Research, CoStar

The Republic Anchors Quarter's Top Leasing Activity

Leasing activity in the third quarter of 2026 was led by the CBD, where two of the quarter's five largest leases were signed at The Republic, a newly constructed 857,629-SF tower. The largest Texas-based law firm, Jackson Walker LLP, signed the quarter's largest lease, taking 117,038 SF across four floors. Virtu Financial followed with 54,288 SF, relocating from 18,778 SF in the Southwest submarket and nearly tripling its Austin footprint. Combined, the two leases total 171,326 SF. The Northeast submarket also had strong activity, with a confidential tenant leasing the entire 82,251-SF second floor at 717 Parmer and Qualcomm Technologies subleasing 65,628 SF at Parmer 4.1. Four of the quarter's five largest leases were direct new leases, indicating that tenants are seizing on market conditions to relocate into new, high-quality space.

Notable 3Q26 Lease Transactions

Tenant	Building(s)	Submarket	Type	Square Feet
Jackson Walker LLP	The Republic	CBD	Direct New	117,038
The largest Texas-based law firm, Jackson Walker LLP, inked a deal to occupy 117,038 SF across four floors at The Republic – a newly constructed 857,629-SF building at 401 W 4th Street in the heart of Austin's central business district.				
Confidential	717 Parmer	Northeast	Direct New	82,251
A confidential tenant leased the entire second floor at 717 Parmer, occupying the 82,251-SF space in August.				
Qualcomm Technologies, Inc.	Parmer 4.1	Northeast	Sublet	65,628
Qualcomm Technologies – the semiconductor and tech-development subsidiary of Qualcomm Incorporated – sublet the entire third floor formerly occupied by VXI at Parmer 4.1, a 187,321-SF building located in the Parmer Business Park.				
Virtu Financial	The Republic	CBD	Direct New	54,288
New York City-based financial services and trading technology company Virtu Financial will be relocating its Austin office to The Republic in Austin's central business district. The move marks a significant expansion of the firm's footprint in the market. Previously, the firm had occupied 18,778 SF at The Offices at Walsh Tarlton in the Southwest submarket.				
Freese and Nichols	Quarry Oaks III	Northwest	Direct New	38,990
Engineering and consulting firm Freese and Nichols signed a lease for 38,990 SF at Quarry Oaks III in Austin's Northwest submarket and will occupy the space in the first quarter of 2027.				

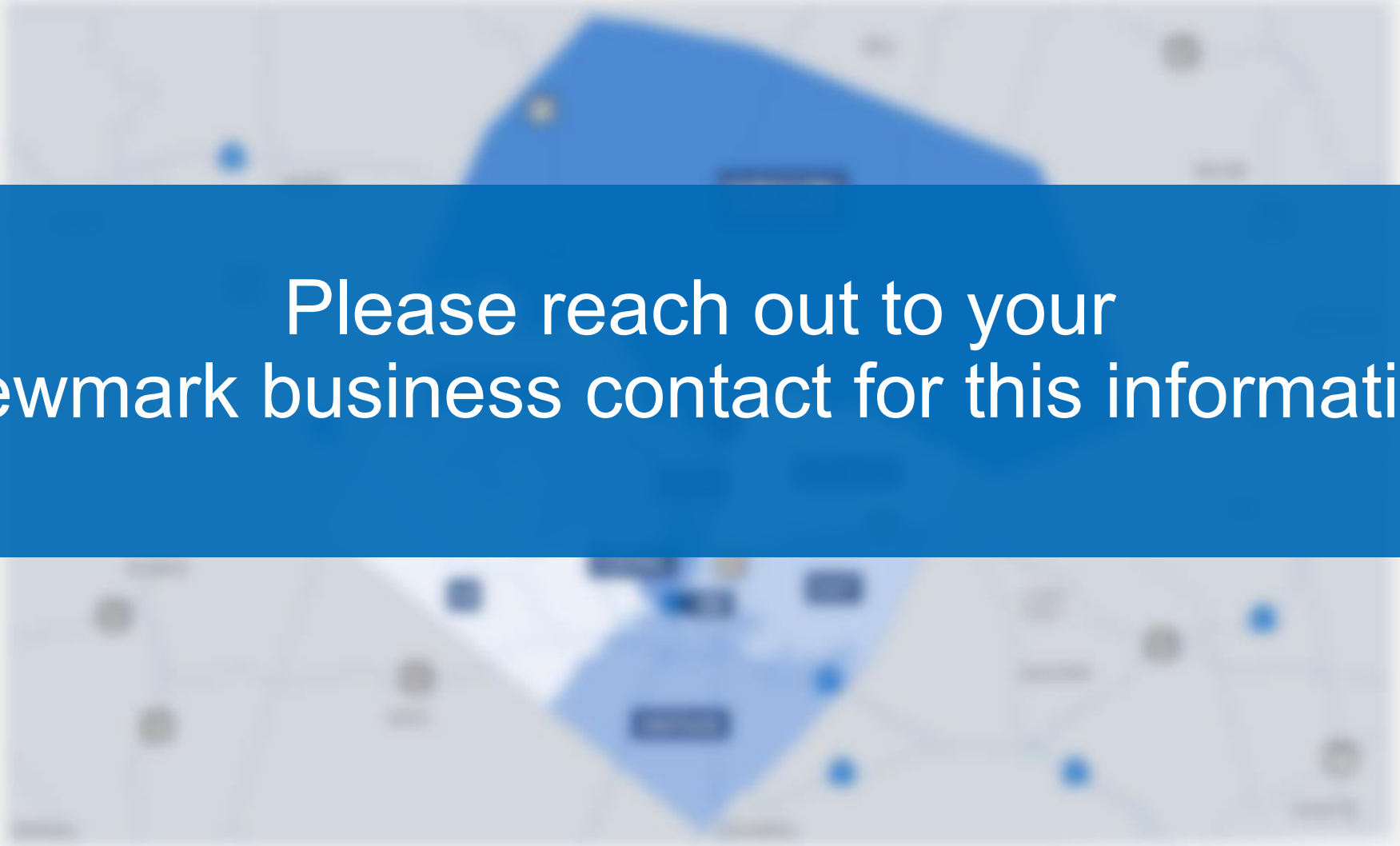
Source: Newmark Research, CoStar

03

Market Statistics & Map

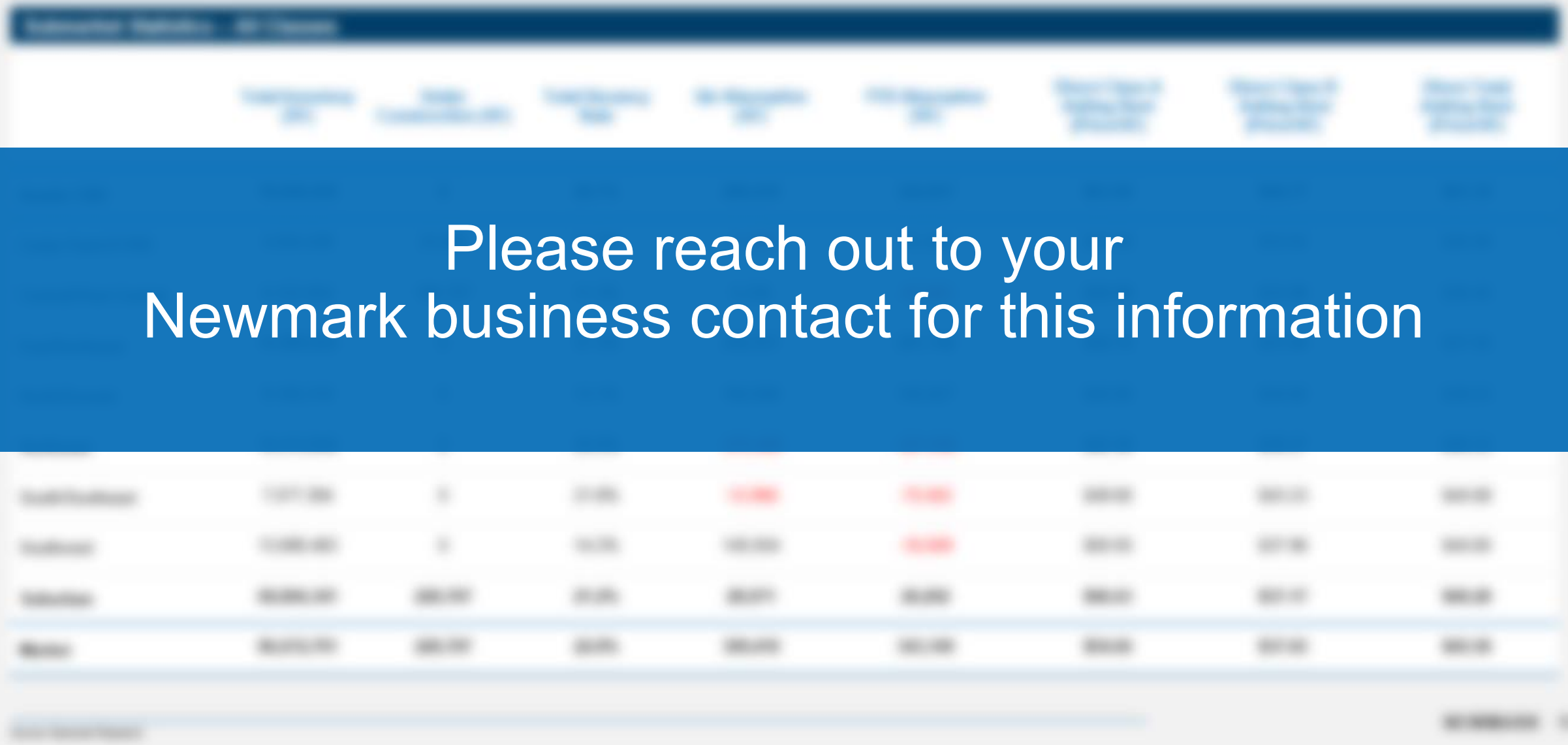


Austin Office Submarket Map



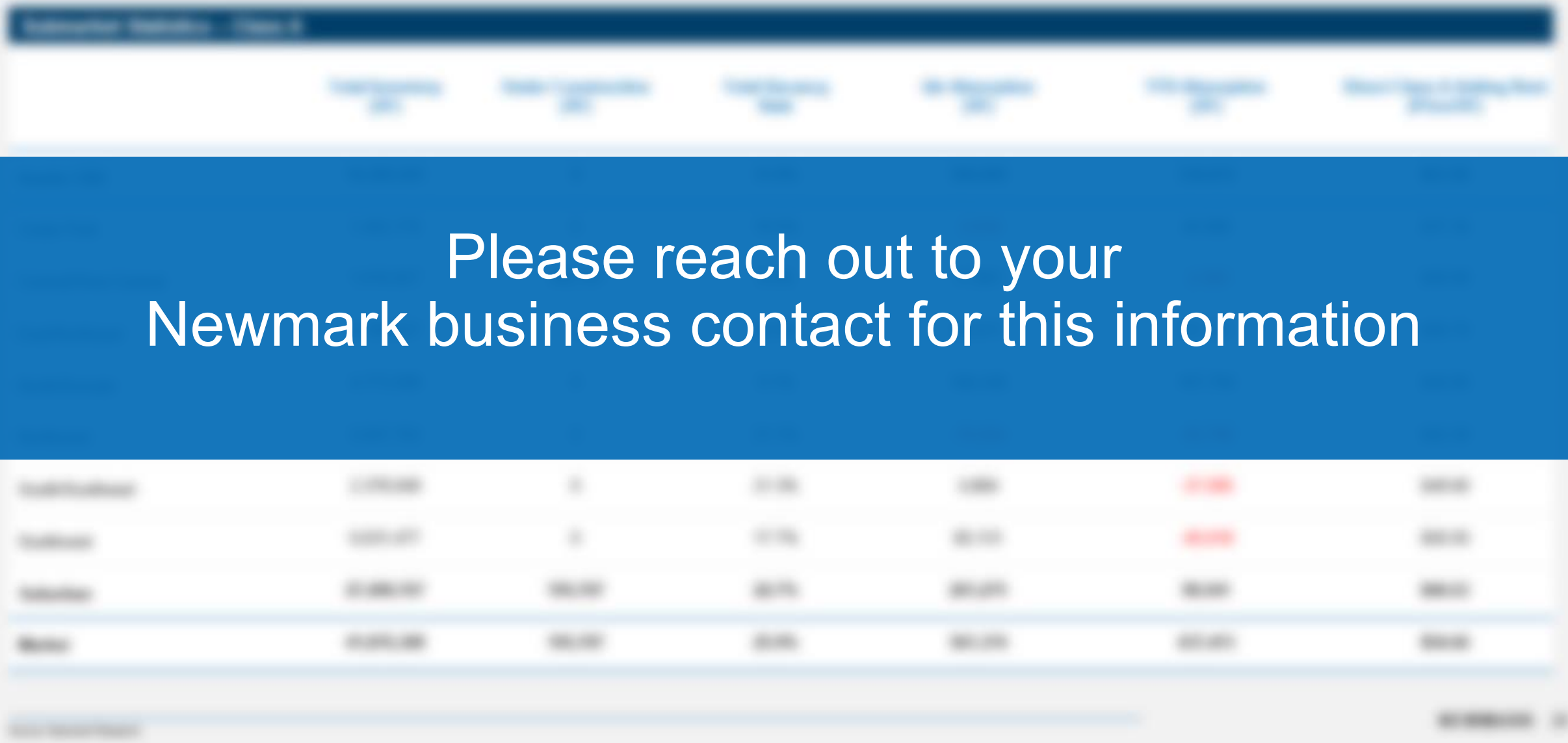
Please reach out to your
Newmark business contact for this information

Austin Office Submarket Overview – All Classes



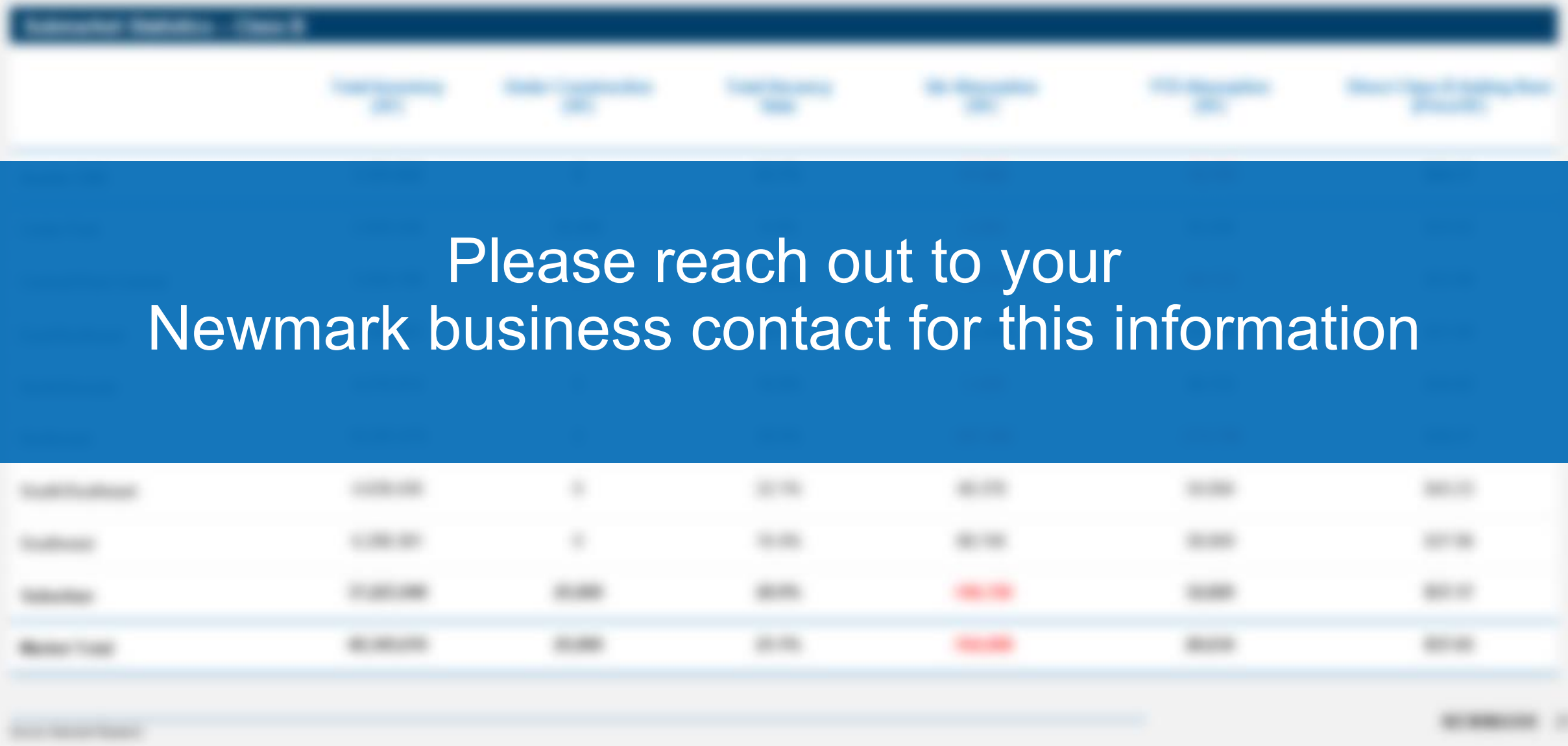
Please reach out to your
Newmark business contact for this information

Austin Office Submarket Overview – Class A



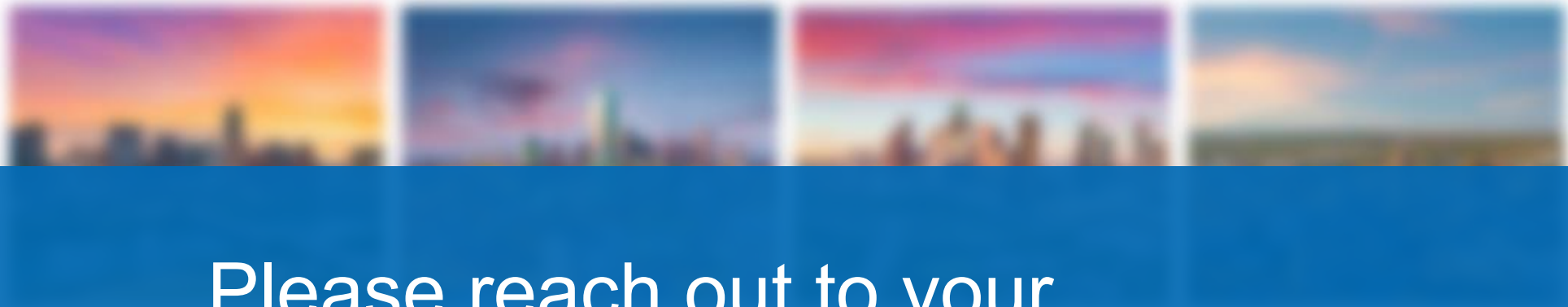
Please reach out to your
Newmark business contact for this information

Austin Office Submarket Overview – Class B



Please reach out to your
Newmark business contact for this information

3Q26 Texas Office Market Overview



Please reach out to your
Newmark business contact for this information

04

Supplemental Analysis

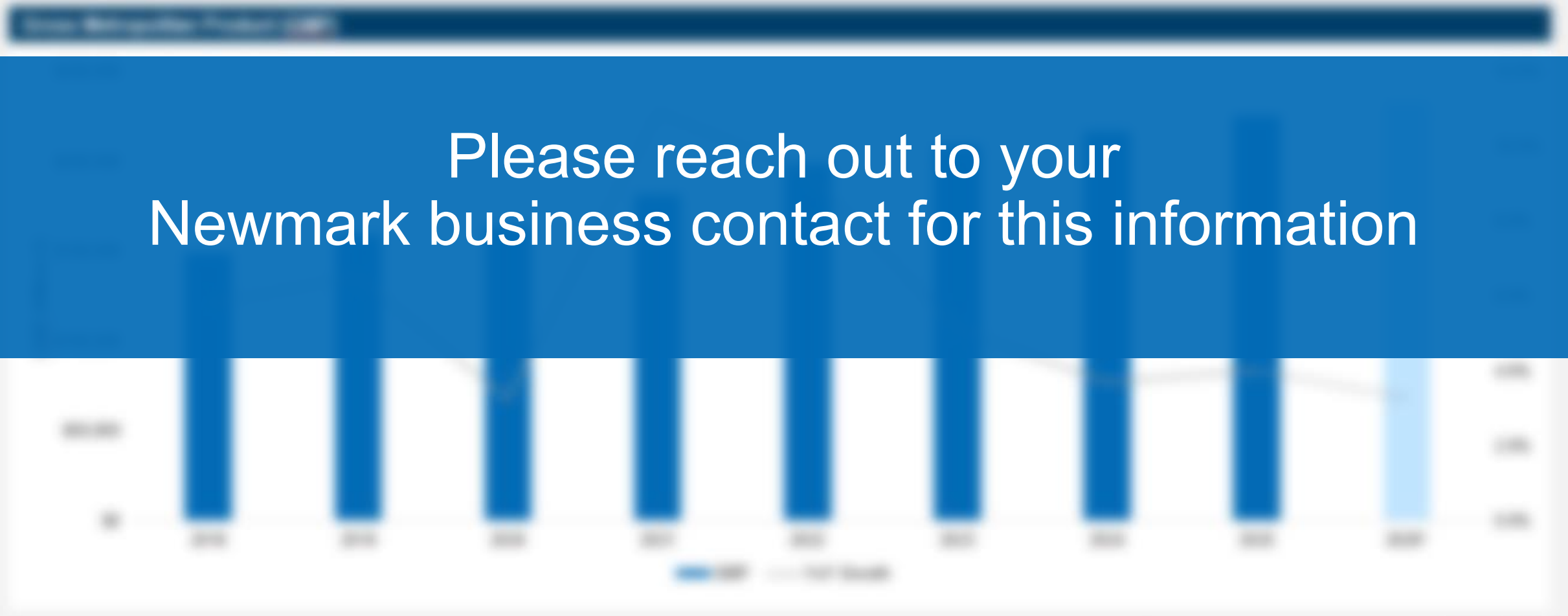


Austin Office Market

Please reach out to your
Newmark business contact for this information

Austin Gross Metropolitan Product Projected to Reach New High

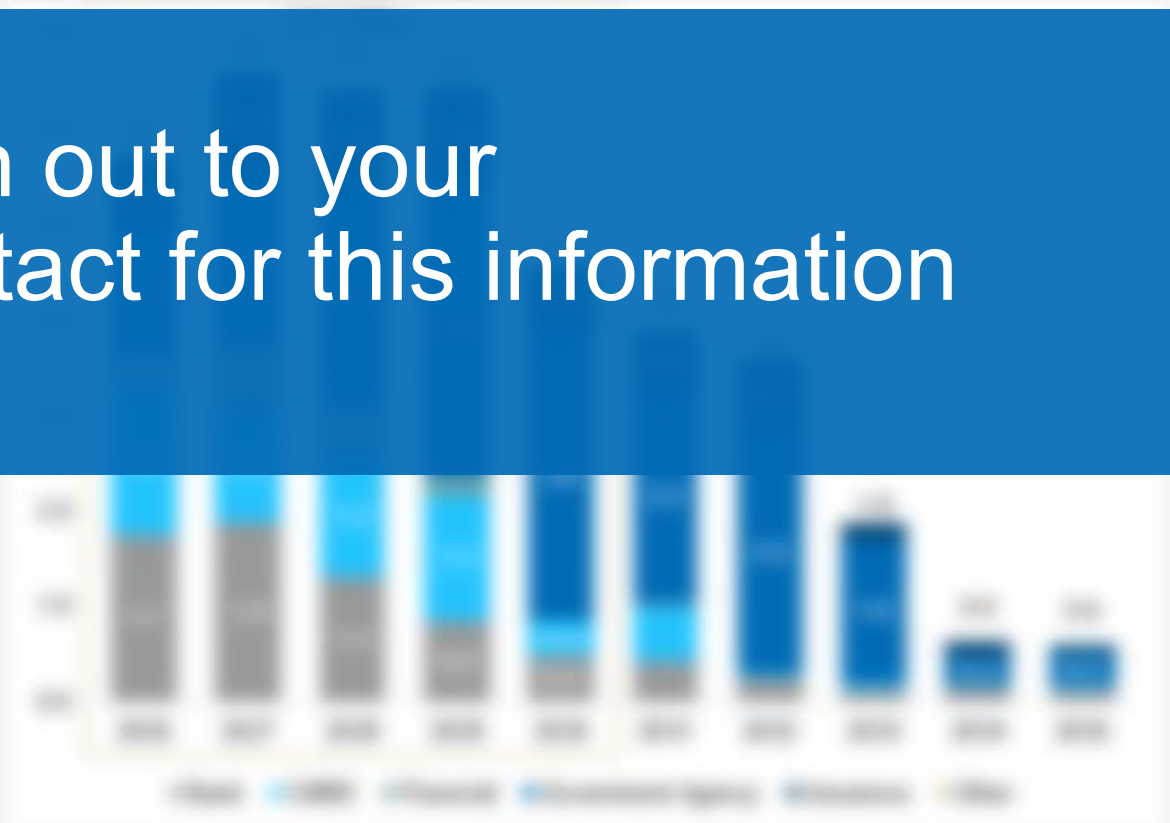
Please reach out to your
Newmark business contact for this information



Highest Loan Volume Due in 2027

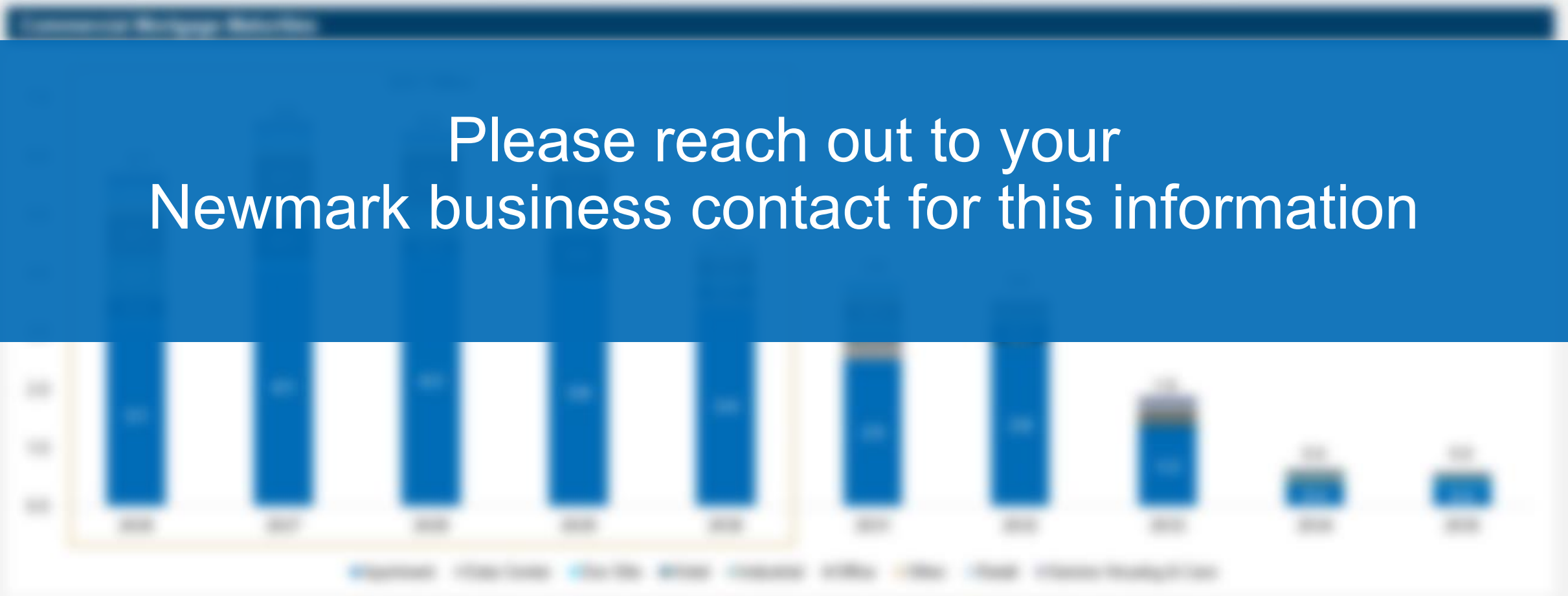
Please reach out to your
Newmark business contact for this information





Multifamily Maturities Particularly Elevated Through 2030, Office Not So Much

Please reach out to your
Newmark business contact for this information



05

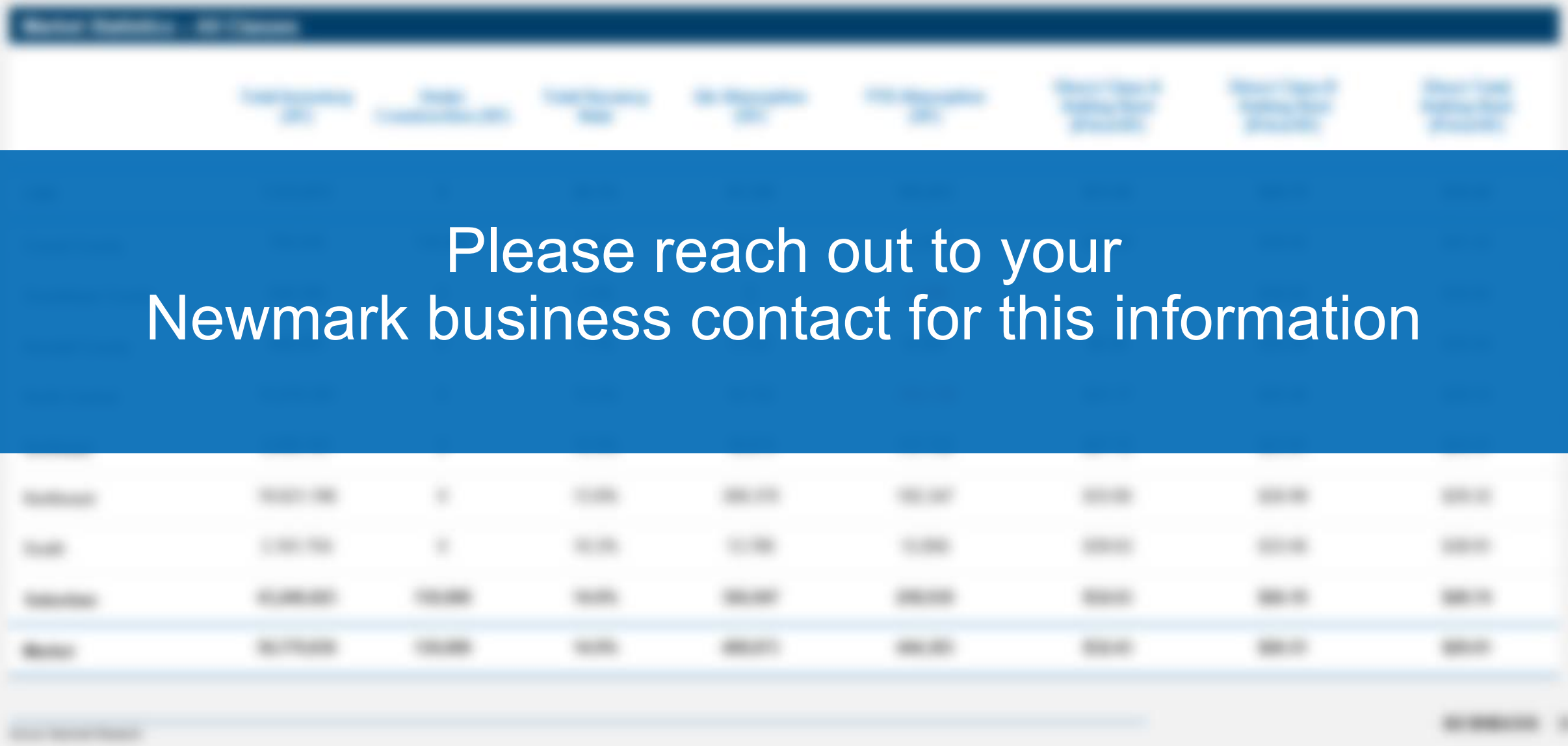
San Antonio Appendix



San Antonio Office Submarket Overview

Please reach out to your
Newmark business contact for this information

San Antonio Office Market Overview – All Classes



Please reach out to your
Newmark business contact for this information

Wyatt Horn
Senior Research Analyst
Wyatt.Horn@nmrk.com

Andrew Cook
Research Analyst
Andrew.Cook@nmrk.com

Kirsten Kempf
Senior Research Analyst
Kirsten.Kempf@nmrk.com

Austin
2530 Walsh Tarlton, Suite 200
Austin, TX 78746
t 512-342-8100

New York Headquarters
125 Park Ave.
New York, NY 10017
t 212-372-2000

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

All information contained in this publication (other than that published by Newmark) is derived from third party sources. Newmark (i) has not independently verified the accuracy or completeness of any such information, (ii) does not make any warranties or representations, express or implied, concerning the same and (iii) does not assume any liability or responsibility for errors, mistakes or inaccuracies of any such information. Further, the information set forth in this publication (i) may include certain forward-looking statements, and there can be no guarantee that they will come to pass, (ii) is not intended to, nor does it contain sufficient information, to make any recommendations or decisions in relation to the information set forth therein and (iii) does not constitute or form part of, and should not be construed as, an offer to sell, or a solicitation of any offer to buy, or any recommendation with respect to, any securities. Any decisions made by recipient should be based on recipient's own independent verification of any information set forth in this publication and in consultation with recipient's own professional advisors. Any recipient of this publication may not, without the prior written approval of Newmark, distribute, disseminate, publish, transmit, copy, broadcast, upload, download, or in any other way reproduce this publication or any of the information it contains with any third party. This publication is for informational purposes only and none of the content is intended to advise or otherwise recommend a specific strategy. It is not to be relied upon in any way to predict market movement, investment in securities, transactions, investment strategies or any other matter. If you received this publication by mistake, please reply to this message and follow with its deletion, so that Newmark can ensure such a mistake does not occur in the future.