NEWMARK

Market Overview

Austin Office

4Q25

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Market Observations

Economy

- The market's unemployment rate ticked down by 15 basis points year over year to 3.5%, remaining below the five-year average of 4.1%.
- Overall nonfarm annual job growth decelerated below the national average to 0.4%, reflecting an annual decline of 193 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 financial activities leading job gains at 2.7% over the past 12 months.
- As of the end of September 2025, office-using employment in the market totaled 412,410 jobs, down 2.5% from the all-time high. However, office-using employment remains 28.6% above the year-end 2019 level.

Leasing Market Fundamentals

- Annual full-service rental rates spiked to a new high of $45.27/SF, reflecting quarterly and annual increases of 1.0% and 9.3%, respectively.
- Overall vacancy increased by 20 basis points quarter over quarter to a record high of 23.4% as historically low recent net absorption has been driven by business and professional and technology companies continuing to shed excess space.
- The under-construction pipeline continued to empty out, ending the quarter with 100,453 SF under construction as restrictive fiscal policies and rising building costs have curbed new office groundbreakings.
- Quarterly leasing activity decreased to 1.1 MSF as compared to the previous quarter and remains well below the 16-year fourth-quarter average of 1.9 MSF as corporations slow leasing decisions to evaluate the impacts of artificial intelligence and hybrid work policies on space utilization.

Major Transactions

- Nvidia remained a dominant player in leasing this quarter, renewing and expanding its 79,346 SF lease at The Crossings at Lakeline – Building 2. This follows last quarter's top lease transaction, where the company signed a new lease at Uptown ATX – Block A – One Uptown.
- Four of the quarter's five largest 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.
- Google, after keeping Sail Tower on the sublease market for several quarters, occupied most of their pre-leased space. The top three floors remain on the sublease market. This leaves the 804,000-SF building with only 57,984 SF, or 7.2% on the sublease market.

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, higher 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 during the previous quarter 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 to stimulate leasing activity.
- Vacancy is expected to remain elevated in the near term as corporations continue to adjust their office footprints, and the market works through the recent surge in deliveries that have occurred over the past several years.

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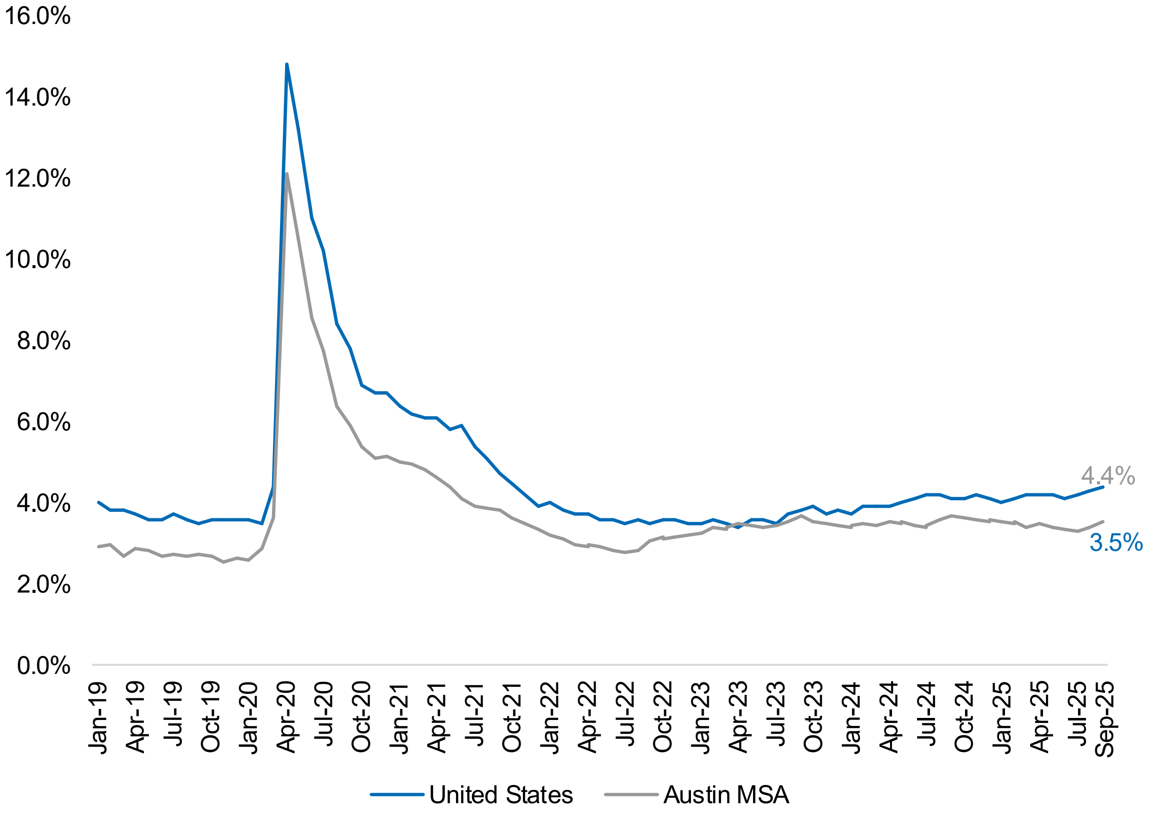
Economy

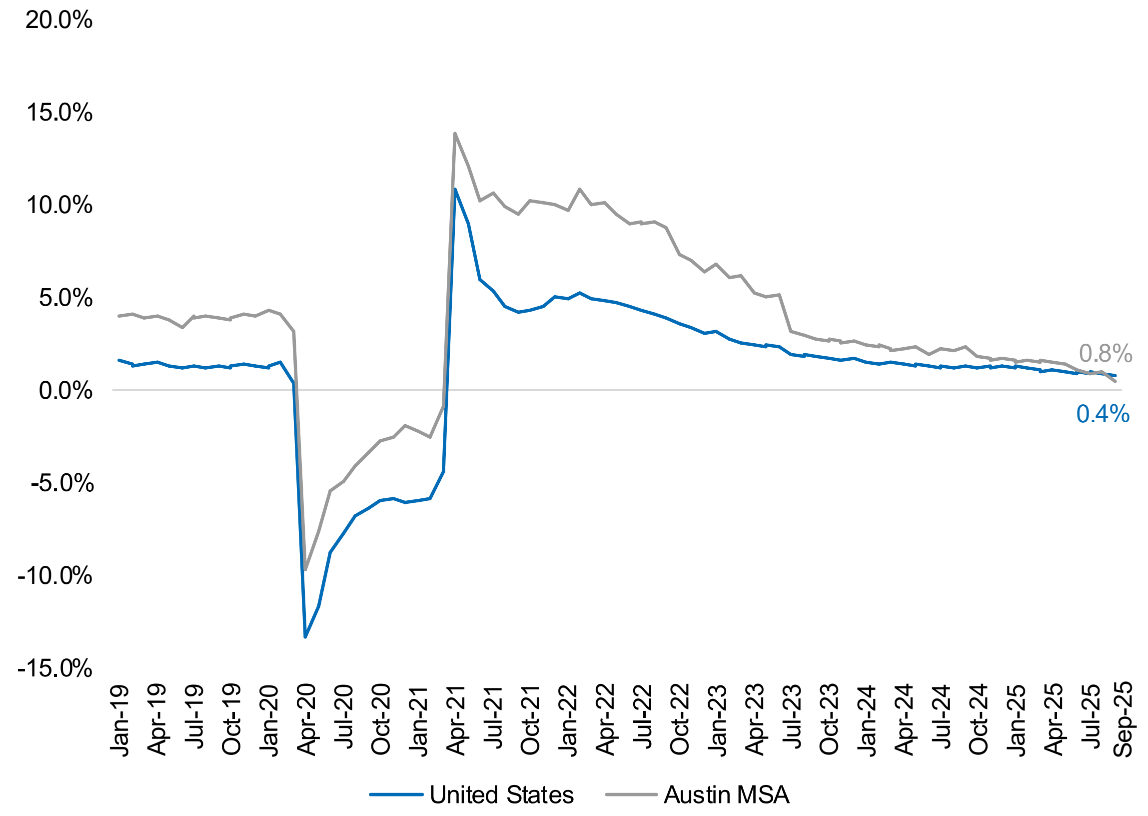
Employment Growth Continues to Slow, Unemployment Remains Below National Average

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 and dropped below the national average as of September 2025. Most nonfarm payroll yearly growth has been concentrated in the financial activities, government and education and health sectors. Despite continued national economic headwinds in the fourth quarter of 2025, the region's unemployment rate ticked down by 15 basis points year over year. Meanwhile, employment growth decelerated by 193 basis points as compared to the prior year.

Unemployment Rate, Seasonally Adjusted



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

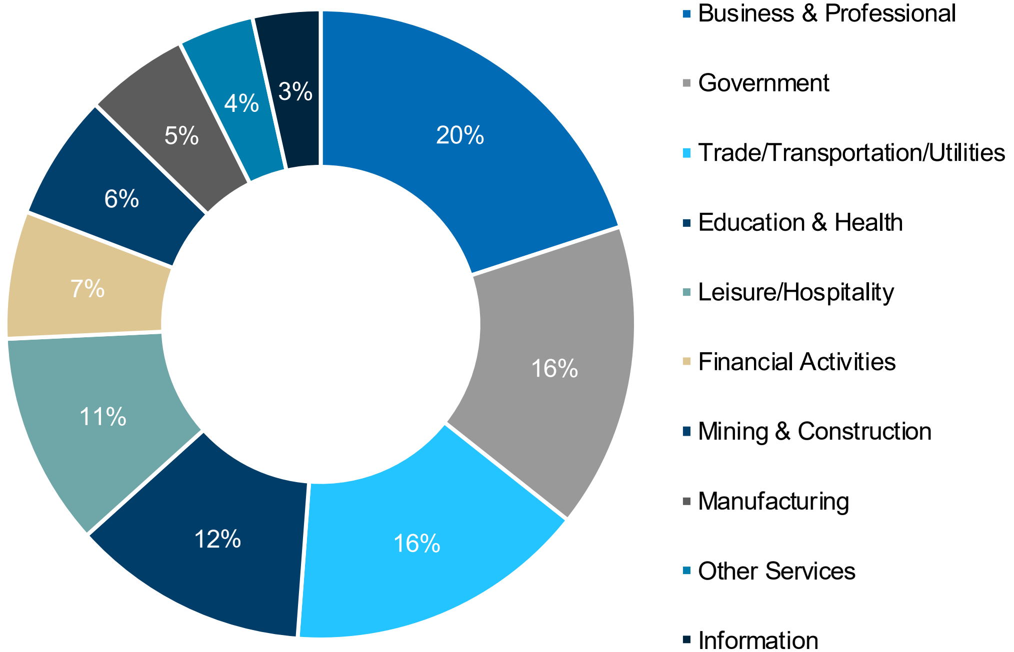


Source: U.S. Bureau of Labor Statistics, Austin-Round Rock MSA

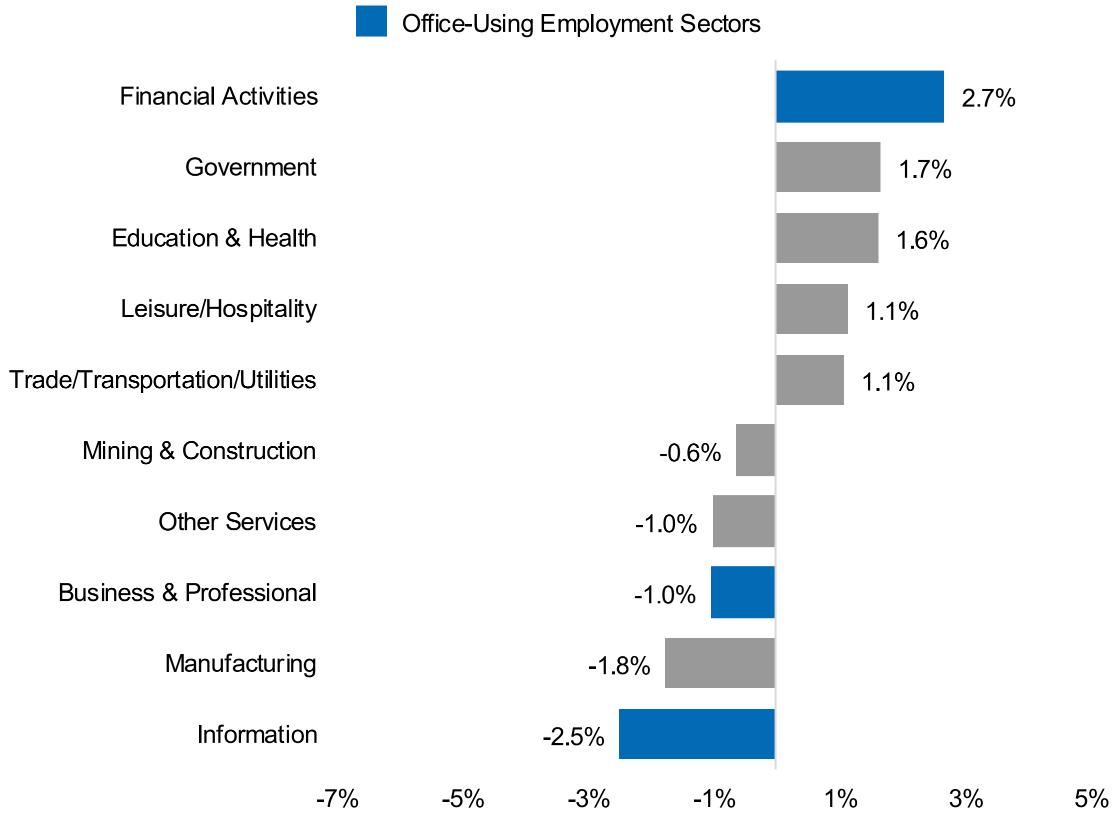
Most Office-Using Jobs Sectors Report Yearly Job Losses

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 has recently overtaken trade/transportation/utilities to become the second largest employment sector. 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 2.7%. Meanwhile, the business and professional and information sectors reported declines of 1.0% and 2.5%, respectively.

Employment by Industry, September 2025



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

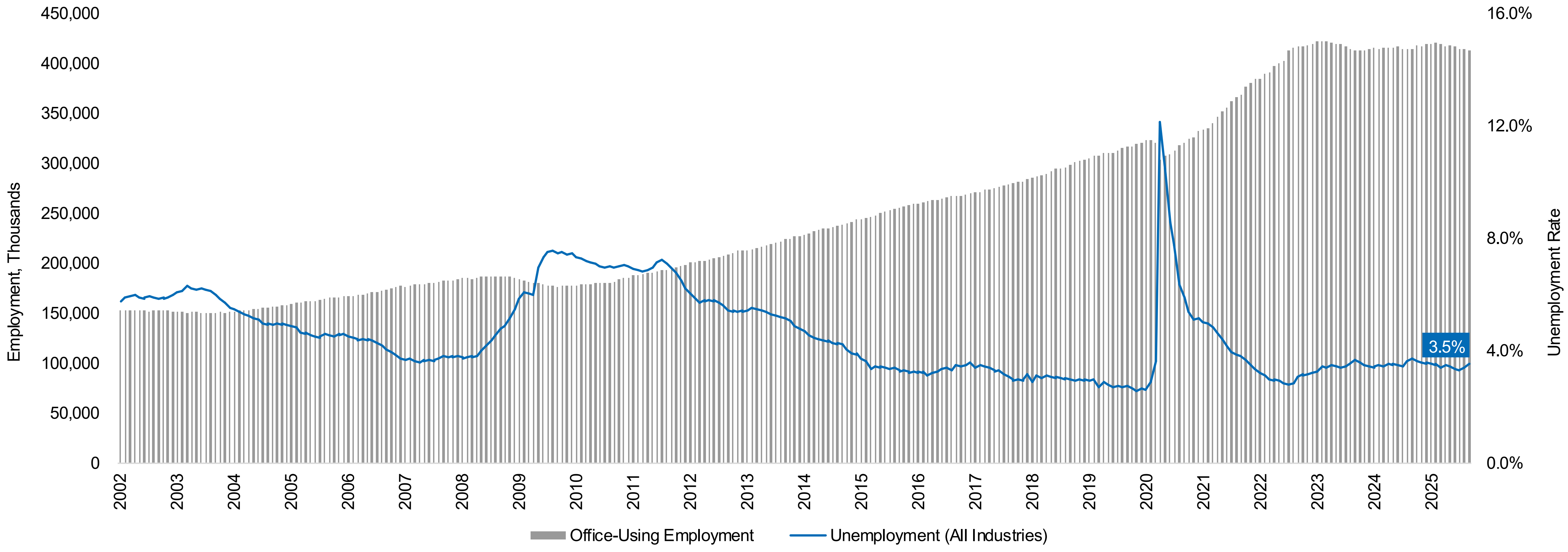


Source: U.S. Bureau of Labor Statistics, Austin-Round Rock MSA

Information, Business & Professional Job Losses Push Office Employment Down

Office-using employment in Austin ended September 2025 with 412,410 employees, down 2.5% from the historical high observed in the first quarter of 2023. The seasonally adjusted unemployment rate stands at 3.5%, reflecting a 20-basis point increase when compared to the previous quarter. However, unemployment remains 15 basis points lower than September 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.

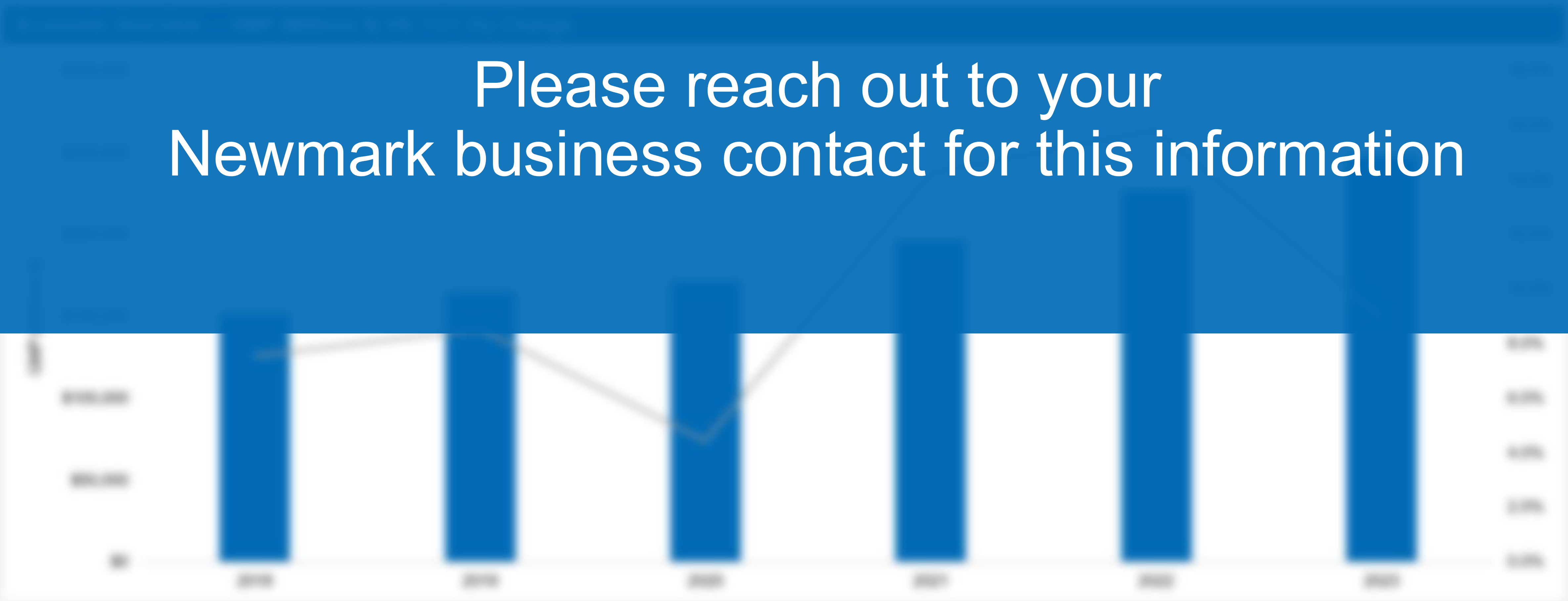
Office-Using Employment* and Unemployment Across All Industries



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.

Austin Gross Metropolitan Product



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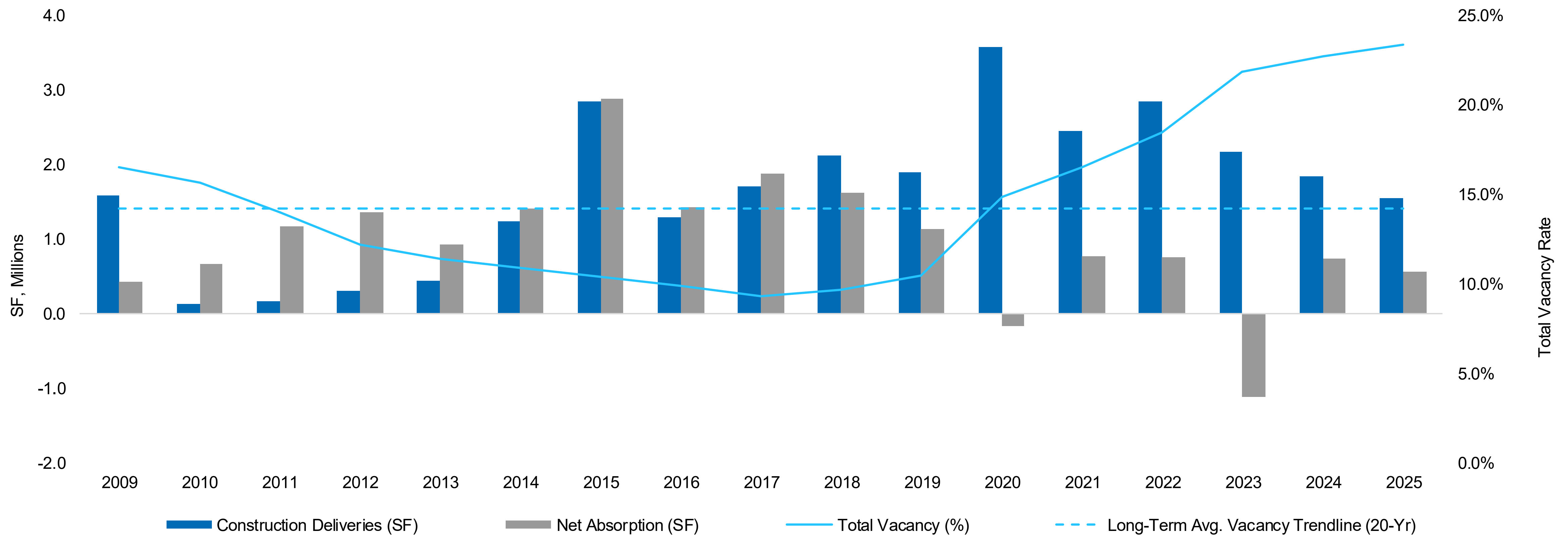
02

Leasing Market Fundamentals

Negative Quarterly Absorption Pushes Vacancy to 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 increased by 20 basis points quarter over quarter and 70 basis points year over year to a record high 23.4% in the fourth quarter of 2025, above the 20-year vacancy average of 14.2%. Vacancy is expected to remain elevated in the near term as corporations continue to adjust their office footprints, and the market works through the recent surge in deliveries that have occurred over the past several years.

Historical Construction Deliveries, Net Absorption, and Vacancy

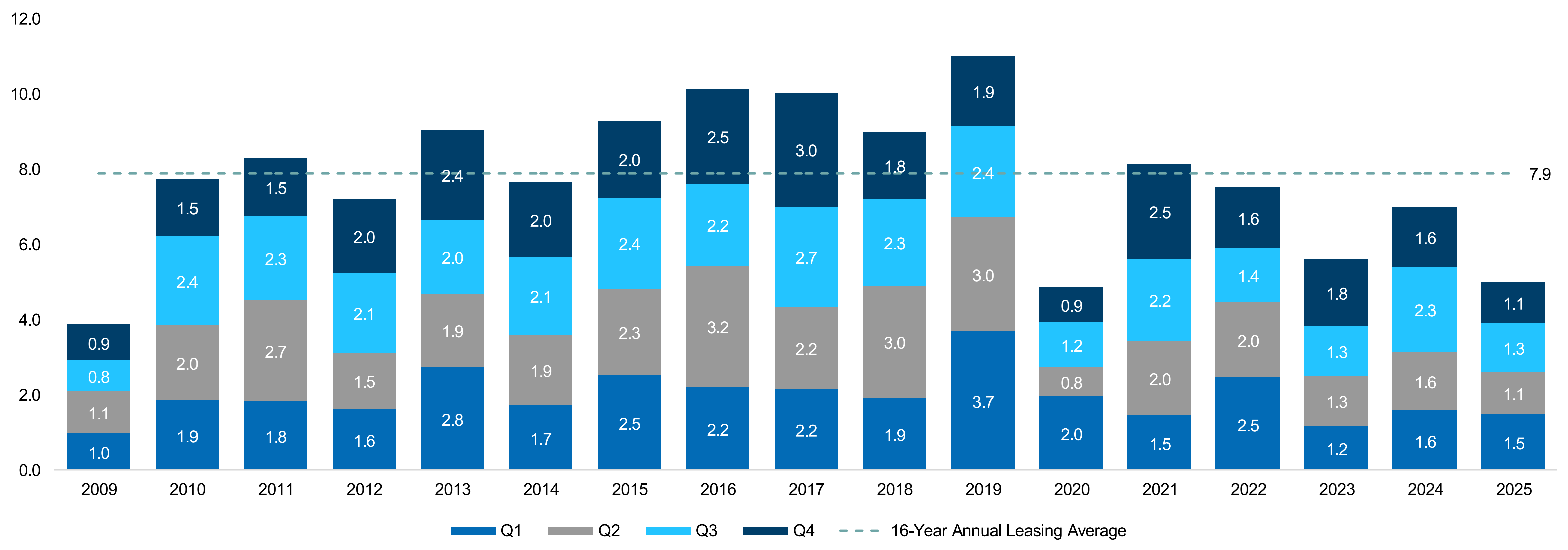


Source: Newmark Research, CoStar

Tariff Turmoil and Economic Uncertainty Slows Leasing Activity

Leasing activity in Austin declined on a quarterly and annual basis. The fourth quarter of 2025 reported total leasing activity of 1.1 MSF, well below the 16-year fourth quarter average of 1.9 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 and the adoption of artificial intelligence into workflows. However, leasing could rebound as companies phase out work from home policies and require more space to implement full-time in-person work. Average deal size for the fourth quarter of 2025 was 4,770 SF, significantly down from the fourth quarter of 2024's average deal size of 6,082 SF.

Total Leasing Activity (msf)



Source: Newmark Research, CoStar

Class A Vacancy Stays Near Record High Amid Office Downsizing and Recent Deliveries

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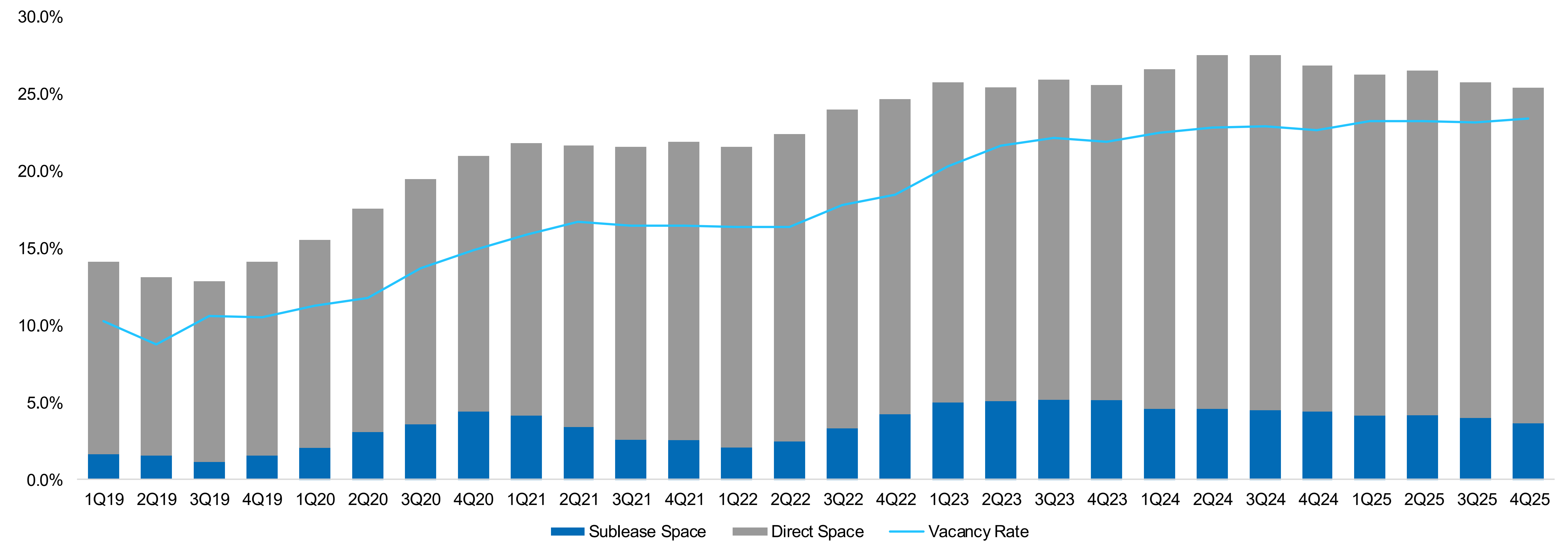
Direct and Sublet Availabilities Show Quarterly and Annual Declines

Sublease availabilities in the fourth quarter of 2025 declined 30 basis points on a quarterly basis with a larger decline annually by 70 basis points to 3.7% as firms have sublet space put on the market by technology companies, such as PricewaterhouseCoopers' sublet of Meta's space at Sixth and Guadalupe during the previous quarter. Meanwhile, direct availability edged lower by 10 basis points quarter over quarter and 80 basis points year over year to 21.7%. However, overall vacancy remains 20 basis points higher quarter over quarter and 70 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 and the under-construction pipeline remains muted.

Available Space as Percent of Overall Market

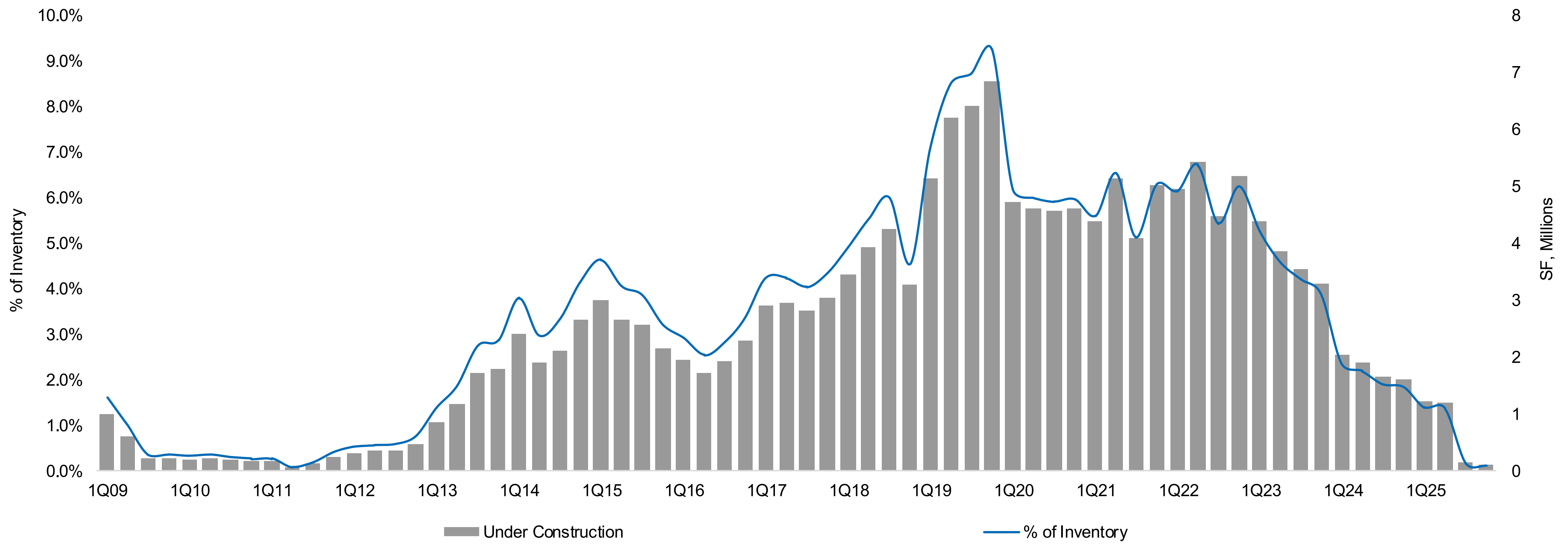


Source: Newmark Research, CoStar

Construction Activity Continues to Decline

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 6.9 MSF during the fourth quarter of 2019, with the sharpest decline in total square footage under construction occurring during the first quarter of 2020. As of the end of the fourth quarter of 2025, the construction pipeline totaled 100,453 SF, or 0.1% of total office inventory, the lowest proportion of under construction activity since the second quarter of 2011. 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 The Republic in the CBD. Meanwhile, restrictive fiscal policies and rising building costs have curbed new groundbreakings.

Office Under Construction and % of Inventory

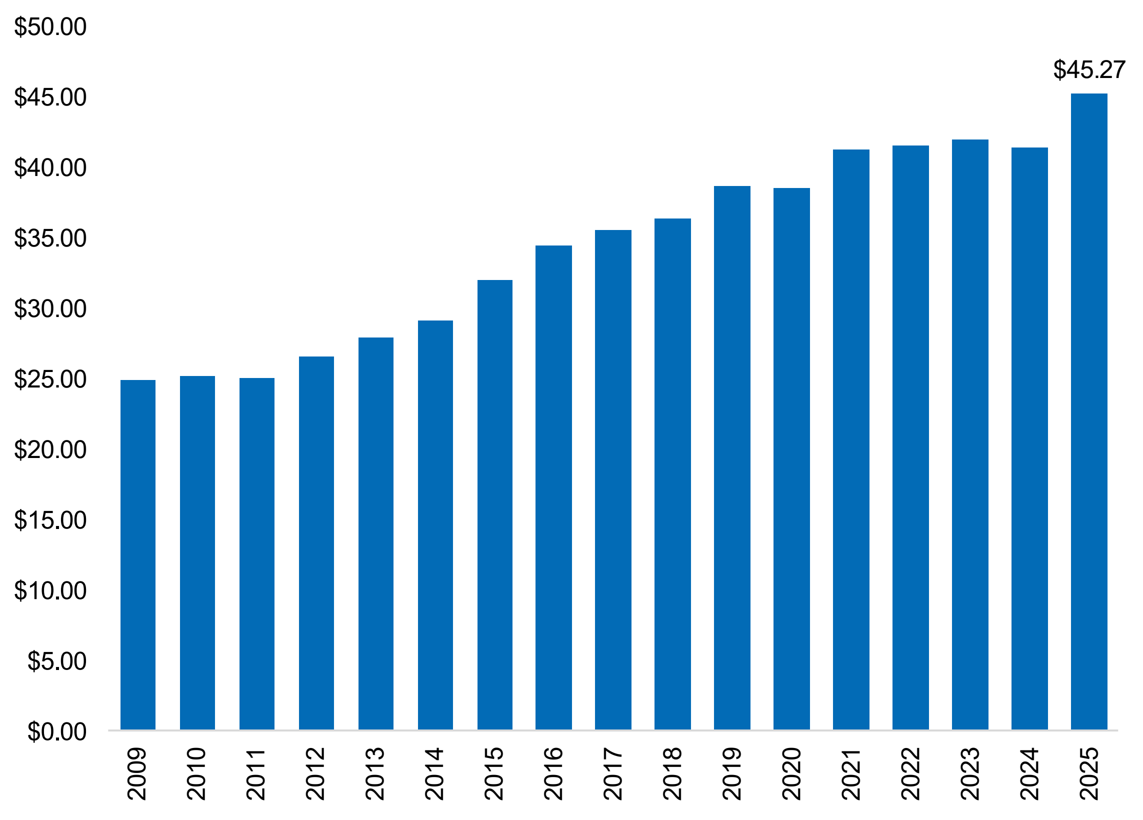


Source: Newmark Research, CoStar

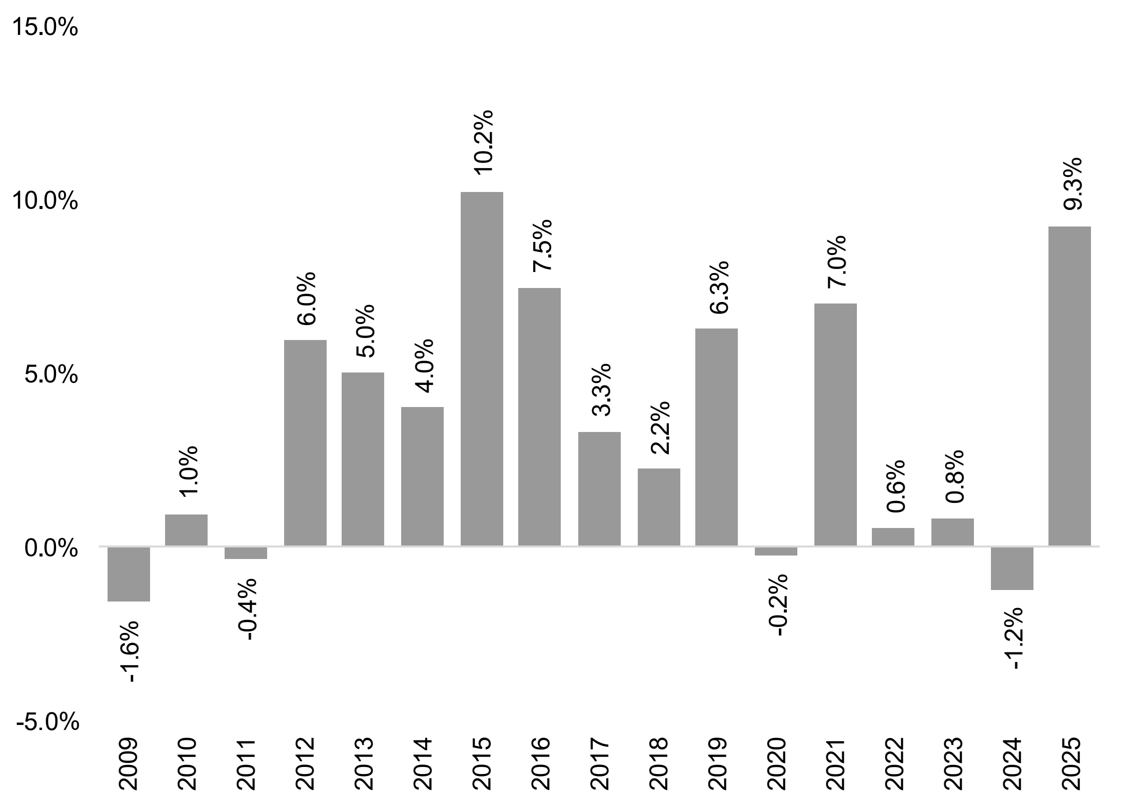
Asking Rents Rise to Record High

Asking rents spiked to a new record high of $45.27/SF, reflecting quarterly and annual increases of 1.0% and 9.3%, respectively. Since 2010, Austin has generally reported positive yearly rent growth, with the trend continuing into the fourth 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, like The Republic, 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

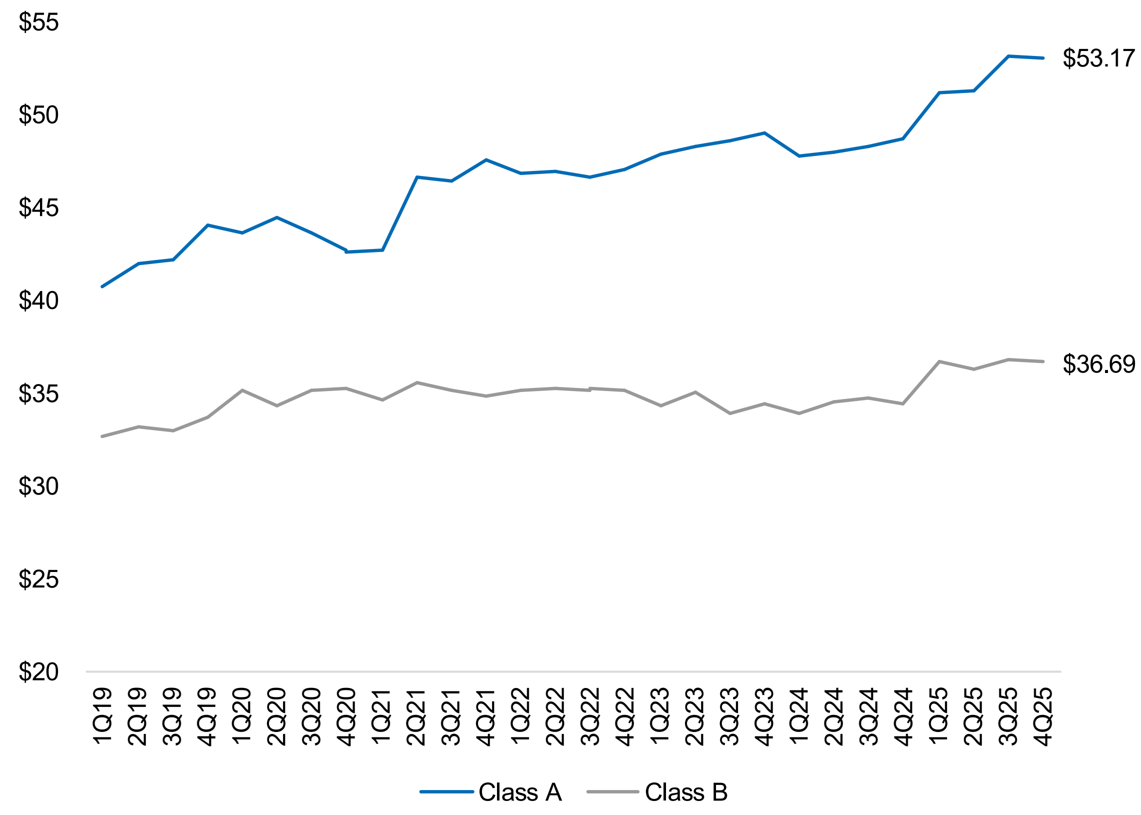


Source: Newmark Research, CoStar

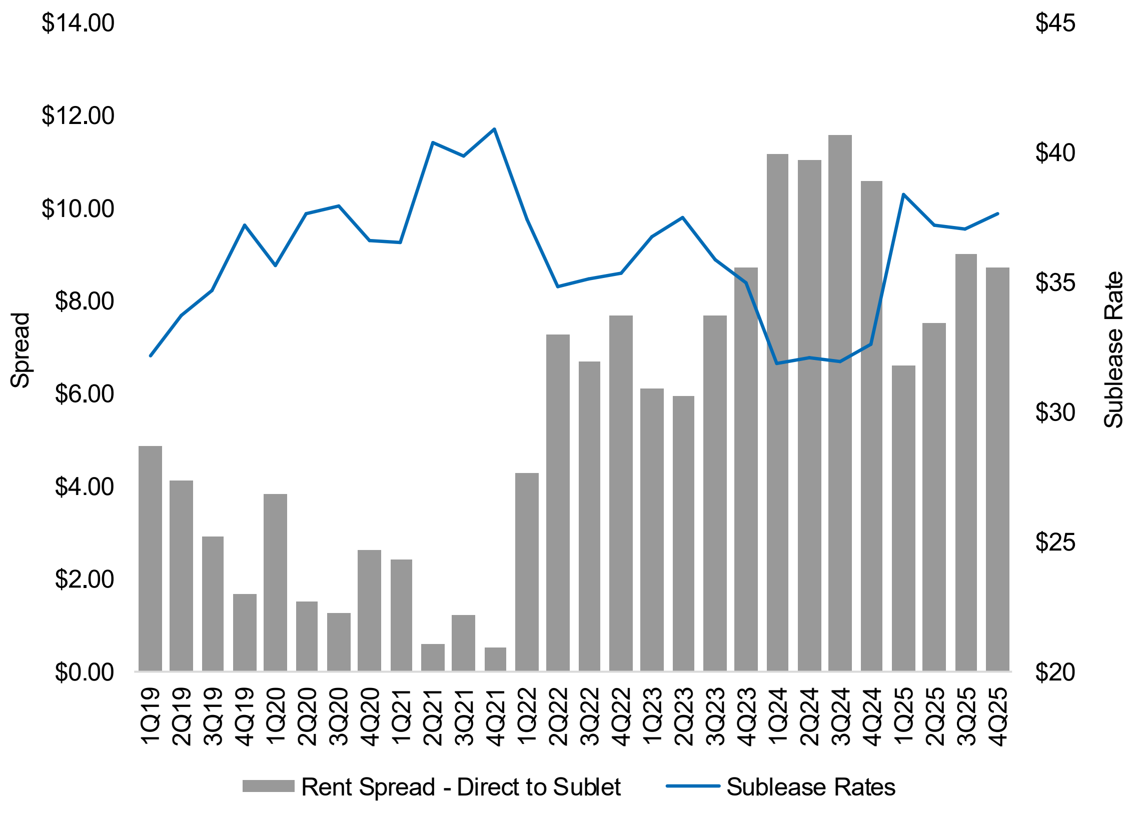
Class A and B Rents Drop from Prior-Quarter Peaks, Yet Remain Higher Year Over Year

As of the end of the fourth quarter of 2025, Class A rents averaged $53.17/SF, while Class B rents were $36.69/SF. These reflect marginal declines for both classes from the record highs reported during the previous quarter. Class A asking rents rose by 9.0% on a yearly basis, while Class B asking rents increased 6.5%. Overall rent spread between Class A and Class B asking rents also climbed to a historic high of $16.48/SF, reflecting a 58.5% increase since the fourth quarter of 2019. The increasing divergence between Class A and Class B rents is likely driven by Class A landlords leveraging growing demand for highly-amenitized spaces and diminishing supply of such spaces to push up asking. Meanwhile, sublease asking rents increased by 1.6% quarter over quarter and 15.5% year over year during the fourth quarter of 2025.

Class A and Class B Asking Rents



Sublease Rates



Source: Newmark Research, CoStar

Nvidia Remains a Dominant Force in Leasing for a Second Consecutive Quarter

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 The Crossings at Lakeline – Building 2, where it renewed and expanded its lease. This builds on momentum from the previous quarter, when they signed also the quarter's largest lease. 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 to entice employees into the office. A recent bright spot of activity in the market was Google moving into its space at Sail Tower, which it had previously listed for sublease for several quarters. The top six floors remain on the sublease market.

Notable 4Q25 Lease Transactions

Tenant	Building(s)	Submarket	Type	Square Feet
Nvidia	The Crossings at Lakeline – Building 2	Cedar Park	Renewal	79,346
Technology company and artificial intelligence darling Nvidia signed one of the quarter's largest deals of the quarter when it renewed its lease and expanded its occupied space at 11001 Lakeline Boulevard. This expands their Austin presence and builds on the lease that they signed during the previous quarter at Uptown ATX – One Uptown.				
Cigna	Uptown ATX – Block A – One Uptown	North/Domain	Direct New	43,939
Insurance company Cigna will join Nvidia and others at 11515 Burnet Road. It leased the entirety of the ninth floor and is expected to move in during the second quarter of 2026.				
The McKinsey Club	Summit at Addie Roy	Southwest	Direct New	33,007
Austin-based golf and social club The Mackenzie Club leased the entirety of 260 Addie Roy Road. The property is currently under renovation and expected to be completed during the first half of 2026. The firm will move in shortly thereafter.				
Pulte Homes	The Crossings at Lakeline Building 1	Cedar Park	Direct New	28,715
National homebuilder Pulte Homes leased the third floor of 11001 Lakeline Boulevard. It is expected to move in during the second quarter of 2026.				
One Gas	The Terrace 6	Southwest	Direct New	22,247
Tulsa-based natural gas distribution services provider One Gas inked a 10-year lease for the second floor of 2901 Via Fortuna Drive. They are expected to move in during the second quarter of 2026.				

Source: Newmark Research, CoStar

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Market Statistics & Map

Austin Office Submarket Map

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Austin Office Submarket Overview

Submarket Statistics – All Classes

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Austin Office Submarket Overview – Class A

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Austin Office Submarket Overview – Class B

Submarket Statistics – Class B

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4Q25 Texas Office Market Overview

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Supplemental Analysis

Austin Office Market

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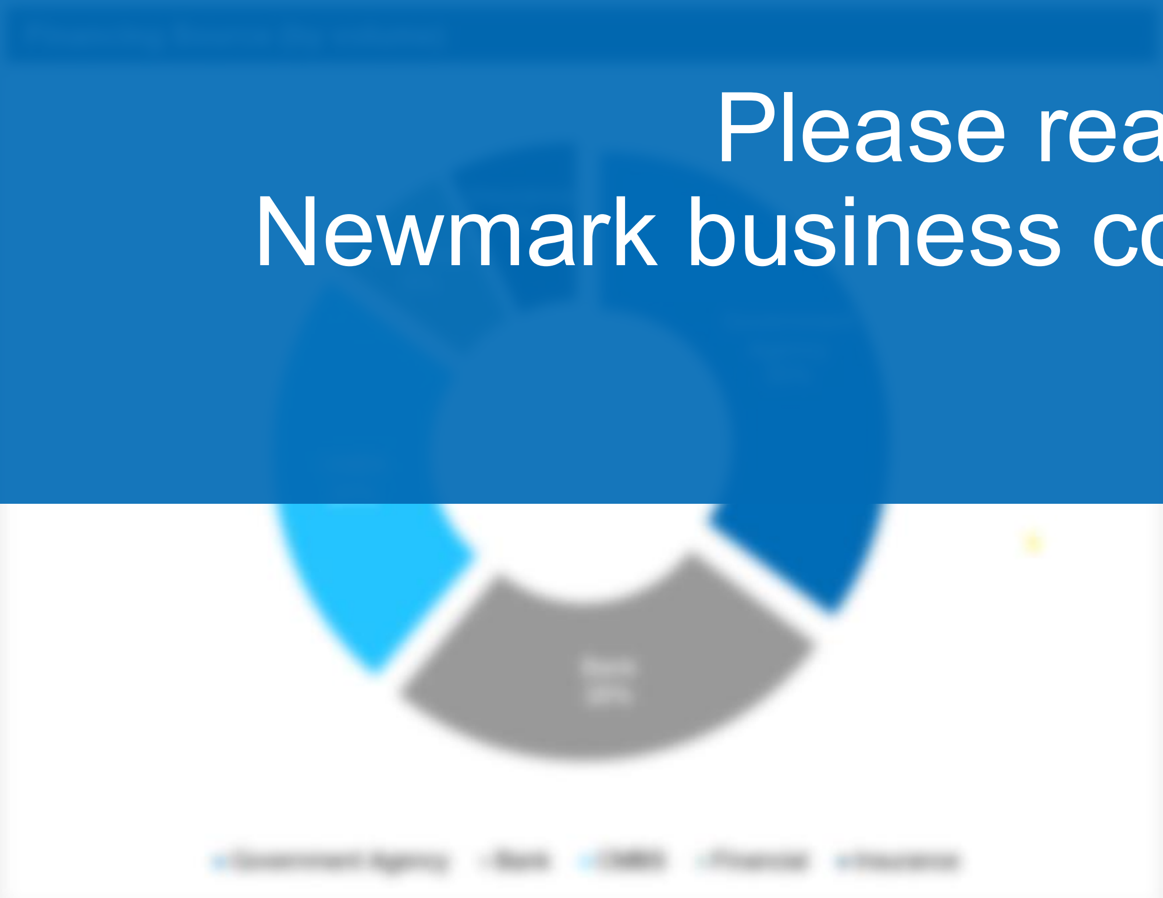
Highest Loan Volume Due in 2029



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Multifamily Maturities Particularly Elevated Through 2029, Office Not So Much

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San Antonio Appendix

San Antonio Office Market Overview

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San Antonio Office Submarket Overview

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