INVESTMENT FORECAST

Office

Austin Metro Area

IPA | INSTITUTIONAL PROPERTY ADVISORS

2025

Leasing Activity Supports Highest Average Rent of Texas Metros; Demand in CBD Set to Return

Pre-leasing metrics underscore supply intake. Multiple 100,000-square-foot move-ins this year will aid the market in absorbing much of the incoming supply. Highlighting 2025 move-ins will be Apple completing their 369,000 square-foot campus expansion near Jollyville. The tech giant's continued commitment to Austin may also draw supporting firms to the metro. Additionally, Vista Equity Partners and Kirkland & Ellis will together occupy fifty percent of the space within The Republic Tower when it opens downtown in October. During 2022, amid the evolving interplay of working habits, there was a shift toward suburban offices. Now that large firms are solidifying their stance in favor of traditional office use, trends may refocus on the CBD. At the onset of 2025, over 650,000 square feet of office space was already set to be absorbed in downtown Austin throughout the year, with more leases likely to be signed. This culture shift will likely lead to long-term changes, including lower vacancies in the CBD and lifted rental rates.

Investment trends could follow leasing shifts. Some institutional investors are returning from the sidelines and may become more active in the CBD as leasing activity accelerates in urban areas. Submarkets just outside of downtown may continue to hold buyer attention, such as Cedar Hills and Southwest. Both submarkets noted additional sales activity last year. Investors seeking areas with relatively lower vacancies may be attracted to Round Rock, Central metro and Southeast, all of which have inventories over 5.5 million square feet. Round Rock entered 2025 with a vacancy rate in the mid-5 percent range. The submarket, which has continued to exhibit strong population growth since 2020, also benefits from amenities like an expanding sports center. Nearly half of the properties traded here over the last five years have been sold to out-of-state buyers.

2025 MARKET FORECAST

+1.8% — **EMPLOYMENT:** Employment growth picks up slightly from 2024, as changes to traditionally office-using employment will be positive again with 2,000 new roles added to the segment this year.

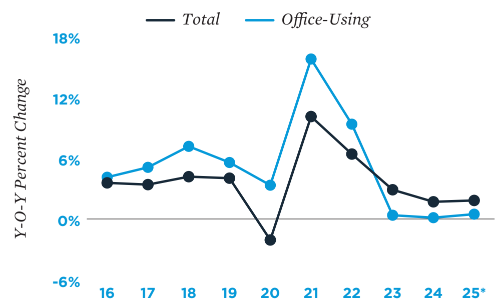
2,032,000 *sq. ft.* — **CONSTRUCTION:** Development pulls back in 2025, increasing inventory by 1.7 percent. Even with this drop in intensity, Austin will still be in the top five for inventory expansion among major metros.

+30 bps — **VACANCY:** Net absorption will exceed 1 million square feet for the first time since 2022. Despite this jump in demand, the vacancy rate will inch up to 21.3 percent by year-end — the highest on record.

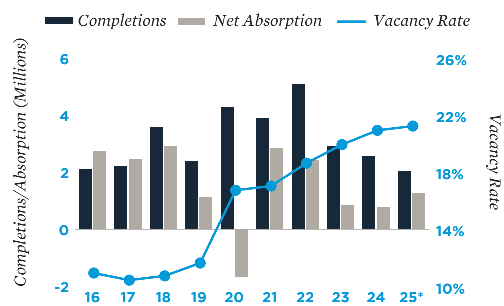
-0.4% — **RENT:** The average asking rent lowers slightly to $29.60 per square foot, continuing a slowing growth trend started in 2023. The mean rent will remain slightly above the trailing five years.

INVESTMENT: *Bullish investors with larger capital pools could be interested in the West Central submarket. This area holds the highest average asking rent in the metro and enters 2025 with a vacancy rate below 10 percent.*

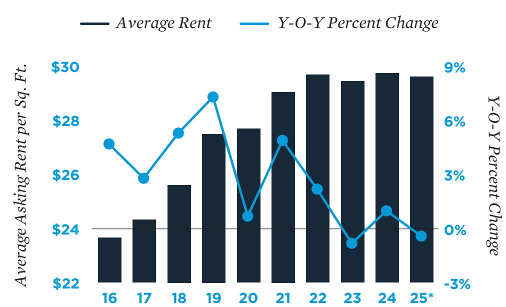
Employment Trends



Supply and Demand



Rent Trends



* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

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