

INVESTMENT FORECAST

Office
Austin Metro Area

IPA
INSTITUTIONAL
PROPERTY
ADVISORS

2026

Entrepreneurial Growth Continues to Bolster Office Demand, Despite Some Headwinds

Supply drop-off and business formations secure second year of vacancy decline. In 2025, Austin's vacancy rate declined year-over-year for the first time since 2017, supported by net absorption of over 3 million square feet, and despite losing roughly 9,000 office-using jobs. While some large companies have laid off workers, Austin is still a top city to start a business. In recent years, record-high business births and a relatively elevated entry rate — the share of new businesses compared to existing ones — have supported office absorption. Class A properties accounted for nearly 90 percent of net absorption in 2025, highlighting a strong preference for premium space. In 2026, more than half of the new supply will come from Apple's Capstone Phase 2 and local government office buildings, preserving competition for existing quality space. Leasing momentum in the CBD and bordering submarkets signals that core areas will absorb a significant share of space.

Capital flows resume amid pricing adjustments across submarkets. Pricing trends are creating a more attractive entry point for new investors compared to previous years. The average price per square foot fell to \$401 in 2025, extending a decline that began in 2023. Cap rates have risen for four consecutive years, narrowing the spread against the U.S. average. These conditions have already contributed to more sales in 2025, with most capital targeting Class B properties built after 1980, predominantly in Central, Southeast, and Southwest Austin. Setting the stage for 2026, legislative changes like SB 840 and SB 2477 streamline office-to-residential conversions and reduce entitlement risk, while property tax caps support NOI stability. These factors position Austin's office market for value-driven acquisitions and redevelopment. Favorable financing could help facilitate sales in 2026 as completions slow and vacancies tighten.

2026 MARKET FORECAST

+0.6%



Employment: Total employment will rise by 8,000 positions, including 2,000 traditionally office-using roles. This marks the smallest annual gain since 2020, with 4,000 fewer jobs than last year.

1,082,000

sq. ft.



Construction: Total completions hit their lowest level in over a decade, with inventory up 0.9 percent as deliveries decrease by about 2 million square feet from 2025.

-60 bps



Vacancy: Austin remains among the 10 most vacant markets nationally, with the rate easing to 19.6 percent. Conditions continue to improve, but the rate remains higher than 2019's 11.2 percent.

+0.8%

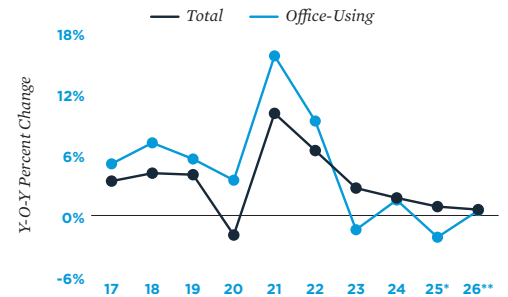


Rent: While new supply continues to be well absorbed, rent growth remains modest, with the average asking rent inching up to \$31.15 per square foot by year-end.

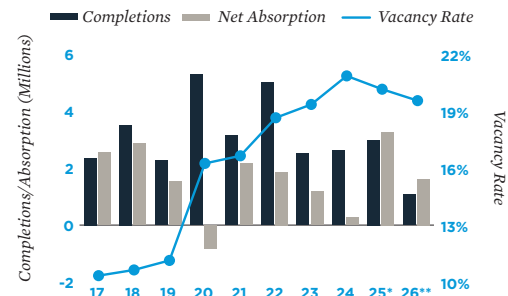
INVESTMENT:

Georgetown is seeing an elevated level of office development. As developers own many of these projects, investors seeking new properties could find opportunities here as these projects finalize.

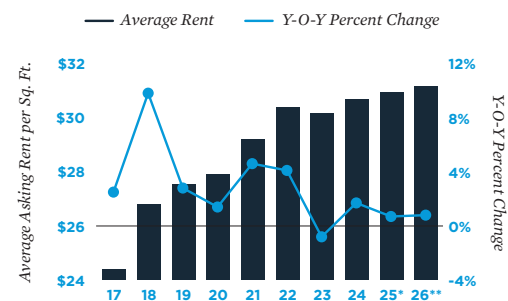
Employment Trends



Supply and Demand



Rent Trends



* Estimate ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

IPA Office

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Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of January 2026. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Sales data includes transactions valued at \$1,000,000 and greater unless otherwise noted. Forecasts for employment and office data are made during the fourth quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied, may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guarantee regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.