

FIGURES | AUSTIN OFFICE | Q1 2026

# Office Market Shows Early Signs of Stabilization

▼ 24.5%

Vacancy Rate

▲ 283,022

SF Net Absorption

▼ 48,000

SF Construction Delivered

▼ 755,642

SF Under Construction

▲ \$49.38

FSG/YR Direct Lease Rate

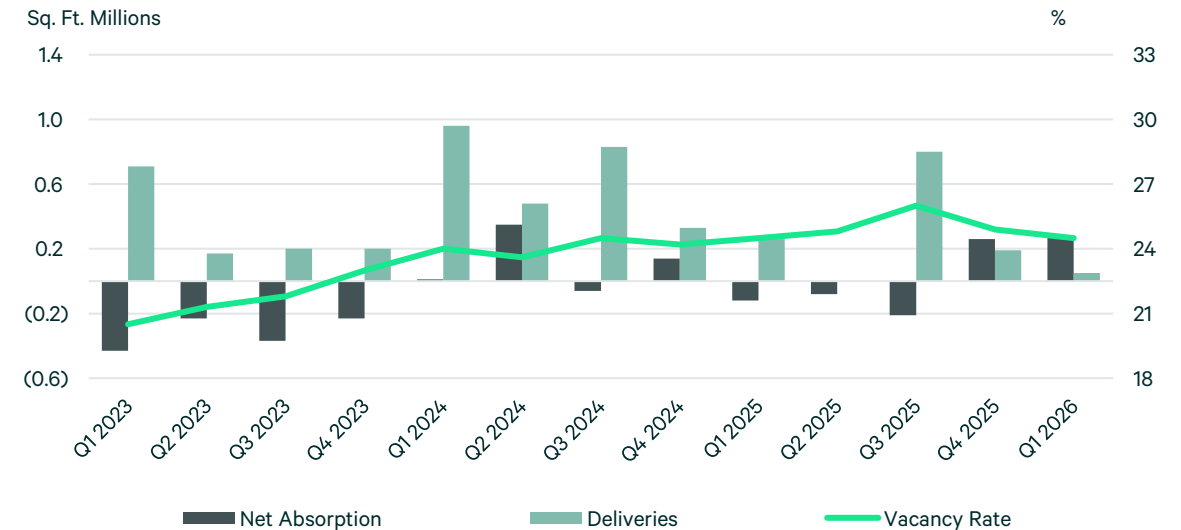
Note: Arrows indicate change from previous quarter.

## Market Overview

The Austin office market continued its upward trend in Q1 2026, recording 238,200 SF of positive net absorption. Performance this quarter built on the growth seen at the end of 2025. The Prime (Trophy) segment of the market continues to capture the flight-to-experience trend seen across the Austin office market. Office occupiers in the Austin metro continue to place a premium on high quality space, which offers elevated amenities and a work-live-play environment that helps attract and retain top talent in an increasingly tight labor market. The positive net absorption achieved this quarter was largely driven by tenants occupying space in the 2nd Street district of the CBD and the Domain district of the Northwest submarket. These two micro-markets have been major drivers of leasing activity over the past few years and continue to garner the highest rates in the metro.

As of March, more than 110 tenants are actively seeking space totaling over 4.4 million sq. ft. The technology sector is driving this demand and is currently pursuing more than 2.4 million sq. ft. of office space across the Austin metro. On the supply side, the construction pipeline continued to contract, dropping to 756,000 sq. ft. this quarter and is expected to be fully delivered by the end of Q3 2026.

Figure 1: Historical Net Absorption, Deliveries, and Vacancy



Source: CBRE Research, Q1 2026

## Vacancy

Despite the slight uptick in overall vacancy for the Austin office market in Q1 2026, total vacancy in Class A buildings declined by 80 basis points (bps) quarter-over-quarter reaching 25.3% in Q1 2026. For Class A, direct vacancy edged down to 21.3%, decreasing 40 bps compared to Q4 2025 and 60 bps year-over-year, while sublease vacancy fell 40 bps quarter-over-quarter and 20 bps year-over-year. The Class A vacancy rate is expected to continue improving in 2026 as new supply continues to contract and leasing activity remains concentrated in Class A product.

Class B vacancy increased to 22.8%, up 40 bps quarter-over-quarter and 180 bps over the year. The Class A–B total vacancy spread narrowed to 250 bps from 510 bps a year earlier as market-wide leasing activity has been largely captured by Class A buildings. Top tier office product in the metro continues to outperform. The vacancy rate for the Prime (Trophy) segment of the Austin office market reached 19.3%, a significant 520 bps below the overall market vacancy rate of 24.5%.

## Asking Rent

The overall average direct asking lease rate in Q1 2026 is \$49.38 per sq. ft., up 1.0% quarter-over-quarter and 1.2% year-over-year. Over the last three years, Class A rents have risen 1.6% and Class B just 0.1%, indicating very modest cumulative growth across the market. This growth has been largely driven by the delivery of new Class A office space. As the supply of new space coming to the metro has dwindled, asking rates are expected to remain relatively flat until the next development cycle begins.

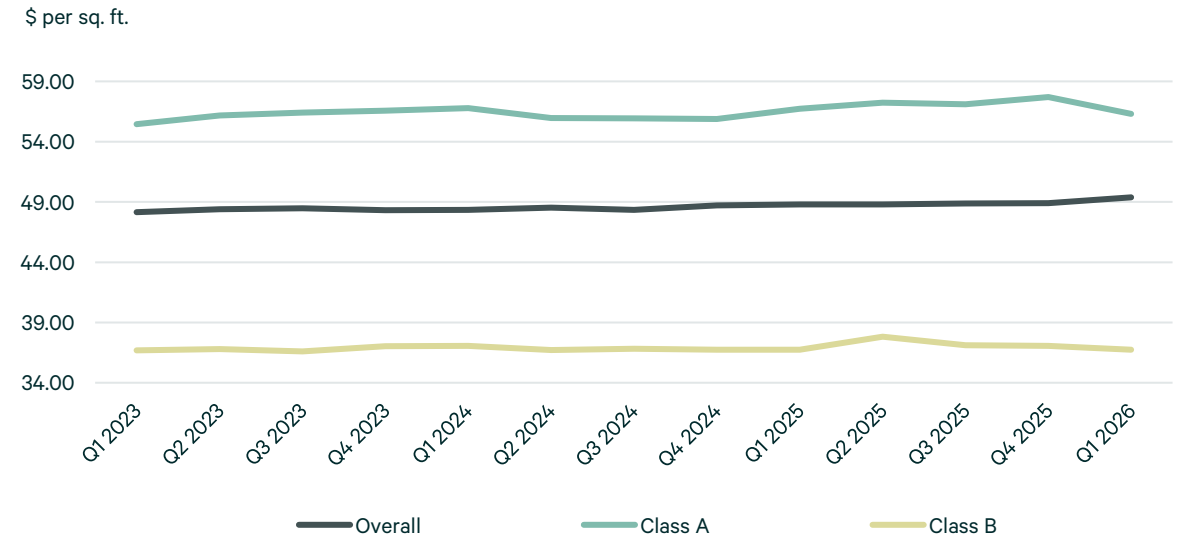
The CBD submarket currently has the highest average direct asking rate on a combined Class A and B basis at \$60.28 per sq. ft., with Class A space in the CBD commanding \$69.46 per sq. ft., well above the market-wide average. The East and Northwest submarkets had the next highest average direct asking rates, reaching \$53.88 and \$41.07, respectively in Q1 2026.

Figure 2: Vacancy Rates by Class



Source: CBRE Research, Q1 2026

Figure 3: Average Direct Asking Rate by Class



Source: CBRE Research, Q1 2026

## Net Absorption

Total net absorption for Q1 2026 reached 283,000 sq. ft., exceeding the prior quarter’s 255,000 sq. ft. and reversing the negative 119,000 sq. ft. recorded in Q1 2025. Performance was driven by 481,000 sq. ft. of Class A absorption and was partly offset by negative 198,000 sq. ft. of Class B absorption.

On a combined basis across property classes, positive net absorption was concentrated primarily in the CBD submarket at 401,000 sq. ft., and the Northwest submarket at 94,000 sq. ft. Six submarkets recorded negative net absorption: Far Northwest with negative 59,000 sq. ft.; Southwest with negative 48,000 sq. ft.; Northeast with negative 45,000 sq. ft.; Central with negative 32,000 sq. ft.; Round Rock with negative 29,000 sq. ft.; and Southeast with negative 23,000 sq. ft.

## Construction Activity

As of Q1 2026, 755,000 sq. ft. is under construction market wide. The only delivery in Q1 2026 was the Workbench development in the East submarket, which was 86% pre-leased upon delivery. As a result, the construction pipeline declined by 48,000 sq. ft. quarter-over-quarter and by 944,000 sq. ft. year-over-year, down 6.0% from 803,000 sq. ft. in Q4 2025 and 55.6% from 1.7 million sq. ft. in Q1 2025. There were no new construction start in Q1 2026.

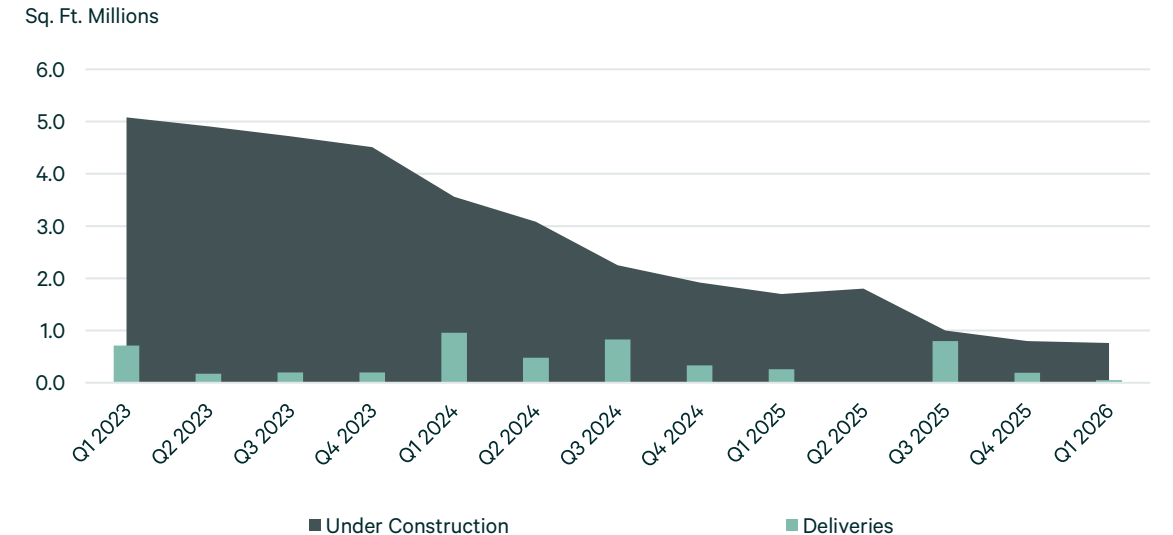
The CBD and South submarkets are the only areas with projects underway, led by the CBD at 703,189 sq. ft. of active construction and South at 52,453 sq. ft. The CBD submarket accounts for 93.1% of tracked construction volume, driven entirely by the 703,189 sq. ft. at Waterline Tower A. The South submarket’s two Class B projects total 52,453 sq. ft. and are 10.7% pre-leased as of Q1 2026.

Figure 4: Net Absorption Trend



Source: CBRE Research, Q1 2026

Figure 5: Construction Activity



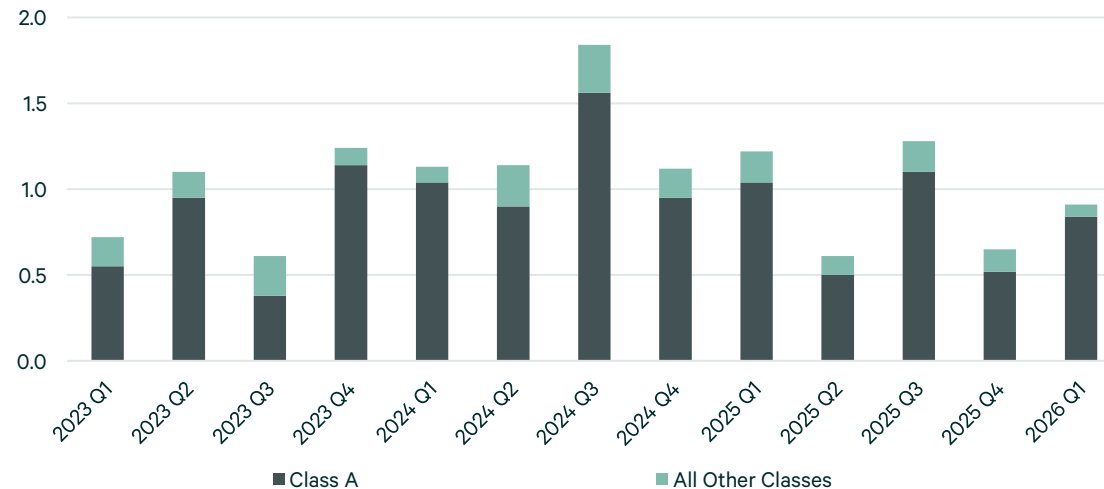
Source: CBRE Research, Q1 2026

## Leasing Activity

Total leasing activity (over 10,000 sq. ft.) increased in Q1 2026, reaching 900,000 sq. ft. across 35 leases, 82% of which were new leases. The average transaction size was up in Q1 2026, reaching 25,000 sq. ft., an 18% increase compared to Q4 2025.

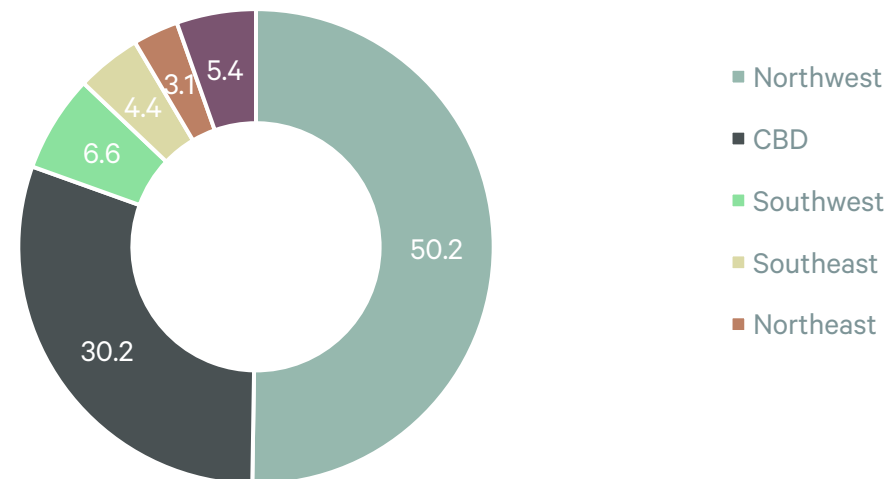
The Northwest and CBD submarkets posted the highest Q1 2026 leasing volumes, at 456,000 sq. ft. and 274,000 sq. ft. respectively. The Northwest submarket had the highest number of deals signed with 14 leases totaling 456,000 sq. ft. The most notable lease this quarter was signed by a joint venture between Tesla, SpaceX, xAI, and Intel. This newly formed entity will be subleasing roughly 112,000 sq. ft. at the former Athena Health space at the Seaholm Power Plant in the CBD. The Austin Business Journal also reported that this new venture plans to build a \$20 billion “Terafab” facility that will produce 1 terawatt/year of compute to power future advances in AI and robotic technology.

Figure 6: Leasing Activity Trend  
Sq. Ft. Millions



Source: CBRE Research, Q1 2026

Figure 7: Leasing by Submarket (% of Total Activity)



Source: CBRE Research, Q1 2026

## Economic Overview

The current business cycle may be five years old, but U.S. growth appears resilient, despite clear risks on the horizon. GDP growth should average 2.1%, matching 2025 and exceeding peer economies. America’s aggressive build-out of AI infrastructure is a unique edge. Hyperscaler capex is nearing 3% of GDP—just below residential investment. Concerns about the sustainability of this growth and its broader impact are rattling both credit and equity markets. Operation Epic Fury and global energy prices are also a concern. Assuming the conflict is resolved quickly, and U.S. oil prices stay in the \$80/bbl range, the impact on U.S. growth should be minimal. The impact on headline inflation, which is forecast to average 3.2% this year, up from the mid-2% range in February, will be material. Should the conflict escalate, this would elevate inflation and long-term yields and would likely impact the commercial real estate market.

Figure 8

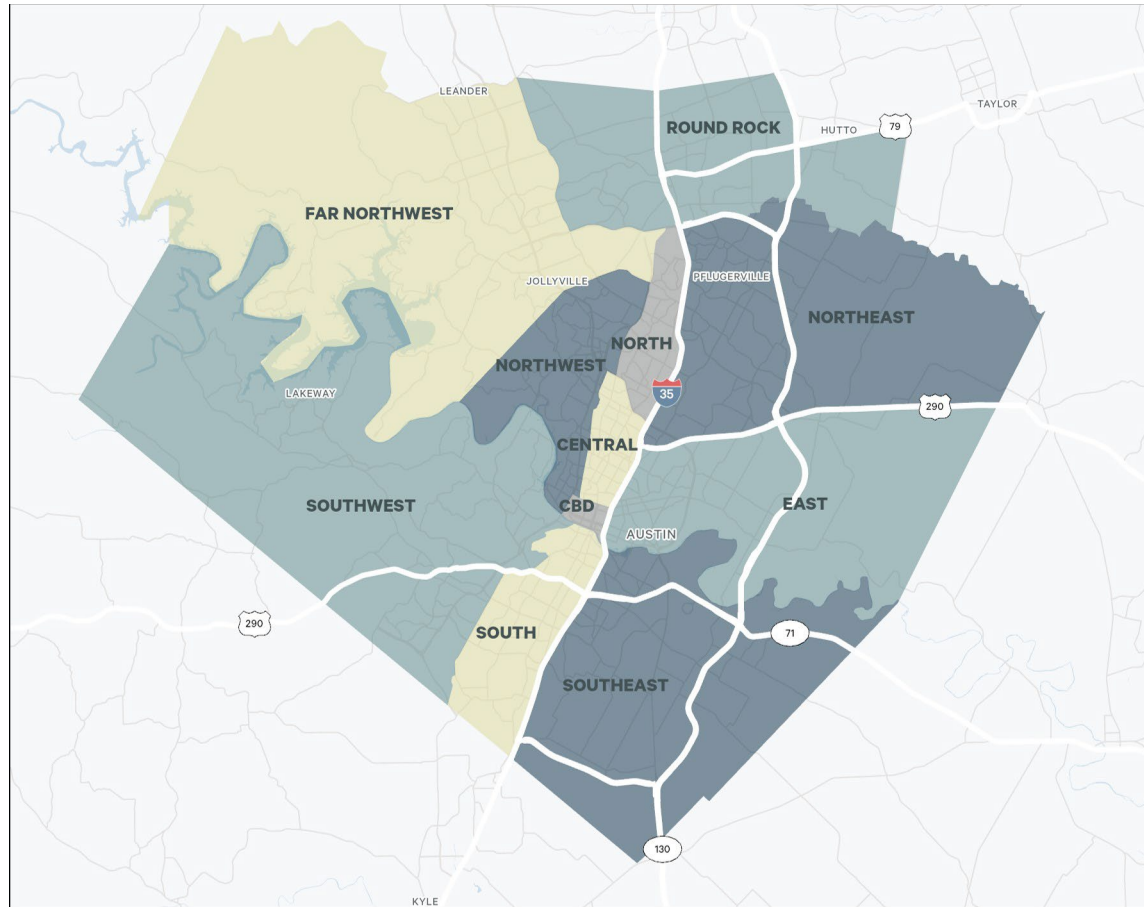
Submarket	Net Rentable Area (MSF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate (\$/SF FSG/yr)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)
CBD	16.40	28.8	32.2	24.7	7.5	65.81	402,000	402,000	-	703,000
Central	2.02	19.4	18.0	17.8	0.2	33.74	(32,000)	(32,000)	-	-
East	4.24	41.9	43.0	35.6	7.4	53.88	7,000	7,000	48,000	-
Far Northwest	5.16	27.8	36.2	28.2	8.0	40.50	(59,000)	(59,000)	-	-
North	0.98	30.1	33.2	32.1	1.1	37.24	4,000	4,000	-	-
Northeast	3.01	46.7	51.7	37.5	14.2	27.53	(44,000)	(44,000)	-	-
Northwest	17.90	19.2	22.8	20.5	2.4	41.07	93,000	93,000	-	-
Round Rock	0.96	13.4	13.6	6.3	7.2	30.89	(29,000)	(29,000)	-	-
South	2.57	25.1	28.1	24.7	3.4	48.78	14,000	14,000	-	52,000
Southeast	1.83	19.3	36.5	23.5	13.0	34.63	(23,000)	(23,000)	-	-
Southwest	11.47	15.0	17.2	15.9	1.3	45.80	(48,000)	(48,000)	-	-
<b>Total</b>	<b>66.55</b>	<b>24.5</b>	<b>28.3</b>	<b>23.2</b>	<b>5.0</b>	<b>49.38</b>	<b>283,000</b>	<b>283,000</b>	<b>48,000</b>	<b>756,000</b>

Source: CBRE Research, Q1 2026

Property Class	Net Rentable Area (MSF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate (\$/SF FSG/yr)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)
Class A	44.39	25.3	28.9	23.3	5.6	56.31	481,000	481,000	48,000	703,000
Prime	7.80	19.3	21.6	8.5	13.1	75.22	322,000	322,000	-	-
Other Class A	36.60	26.6	30.4	26.5	4.0	55.01	159,000	159,000	48,000	703,000
Class B	22.15	22.8	27.0	23.0	3.9	36.73	(198,000)	(198,000)	-	52,000
<b>Total</b>	<b>66.55</b>	<b>24.5</b>	<b>28.3</b>	<b>23.2</b>	<b>5.0</b>	<b>49.38</b>	<b>283,000</b>	<b>283,000</b>	<b>48,000</b>	<b>756,000</b>

Source: CBRE Research, Q1 2026

## Market Area Overview



### Definitions

Available Sq. Ft.: Space in a building, ready for occupancy within six months; can be occupied or vacant. Availability Rate: Total Available Sq. Ft. divided by the total building Area. Average Asking Lease Rate: A calculated average that includes net and gross lease rate, weighted by their corresponding available square footage. Building Area: The total floor area sq. ft. of the building, typically taken at the “drip line” of the building. Gross Lease Rate: Rent typically includes real property taxes, building insurance, and major maintenance. Net Absorption: The change in Occupied Sq. Ft. from one period to the next. Net Lease Rate: Rent excludes one or more of the “net” costs (real property taxes, building insurance, and major maintenance) typically included in a Gross Lease Rate. Occupied Sq. Ft.: Building Area not considered vacant. Vacancy Rate: Total Vacant Sq. Ft. divided by the total Building Area. Vacant Sq. Ft.: Space that can be occupied within 30 days.

### Survey Criteria

Includes all Class A & B non-owner occupied, non-medical office buildings 10,000 sq. ft. and greater in size in greater metropolitan area of Austin, TX. Buildings which have begun construction as evidenced by site excavation or foundation work.

\* Submarket created in 2017

\*\* Annual totals include North Central submarket, which was broken up in 2017

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