

FIGURES | AUSTIN OFFICE | Q3 2026

Waterline delivery lifts vacancy even as absorption stays positive

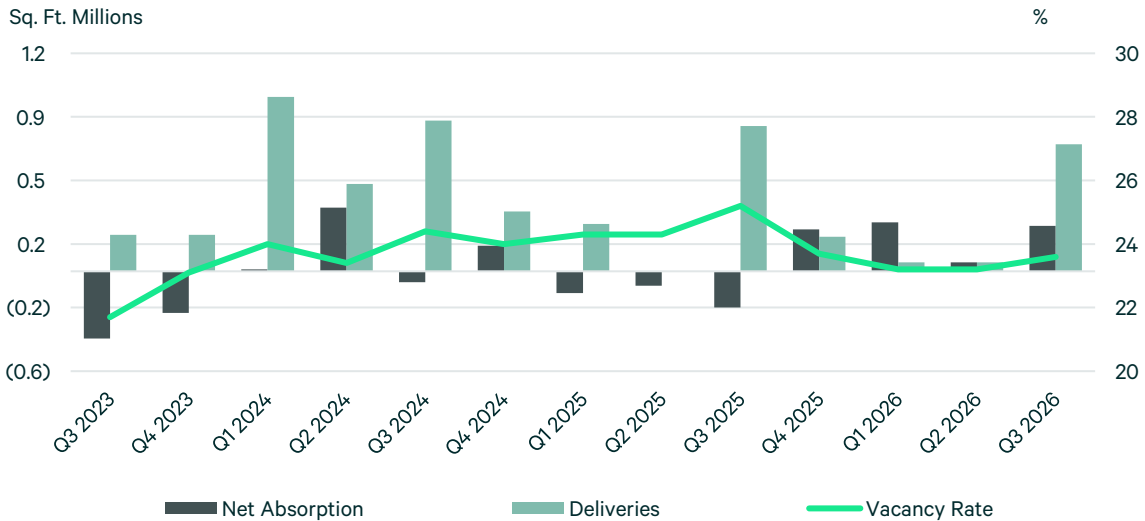


Note: Arrows indicate change from previous quarter.

Market Overview

In Q3 2026, the market recorded solid occupancy gains even as vacancy and availability edged higher. Net absorption totaled 253,000 sq. ft., lifting year-to-date net absorption to 577,000 sq. ft., yet vacancy rose 40 basis points quarter-over-quarter to 23.6%, and availability increased 150 bps to 28.5%. This uptick was triggered by the delivery of the Waterline Tower in the CBD, which added over 700,000 sq. ft. of vacant and available Class A space to the market. Strip out that one building and underlying market conditions remained steady in Q3 2026. Class B tightened, asking rates remained relatively stable, and the development pipeline has thinned to its lowest level in more than 10 years, limiting new supply pressure. Meanwhile, tenant demand continues to grow, reaching 5.1M SF as of Q3 2026, a 45% year-over-year increase. Leasing activity softened to 590,000 sq. ft. from 1.06 million sq. ft. in Q2, but the expanding demand pool suggests occupiers remain active. With asking rents stable and little new supply on the horizon, the market is positioned to absorb existing vacancy gradually.

Figure 1: Historical Net Absorption, Deliveries, and Vacancy



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Vacancy

In Q3 2026, vacancy diverged between Class A and Class B offices, with elevated rates for higher-quality space and tighter conditions for mid-tier product. Class A overall vacancy stood at 25.4%, up 100 basis points quarter-over-quarter but 170 bps lower year-over-year, and 280 bps higher than in Q3 2023 when it was 22.6%. Class A vacancy rose on the delivery of Waterline Tower, now the tallest building in Texas. The tower came online with no pre-leasing, adding more than 700,000 sq. ft. of vacant and available Class A space to the market. Class B overall vacancy was 19.8%, falling 90 bps quarter-over-quarter and 160 bps year-over-year, and 20 bps below its 20.0% level in Q3 2023. Direct vacancy followed a similar pattern, with Class A rising to 21.9% in the quarter while Class B eased to 18.9%.

Vacancy varied widely across submarkets in the quarter, spanning single-digit rates to very high levels in several peripheral locations. Southeast posted the lowest overall vacancy at 6.4%, with Southwest second lowest at 12.3%, highlighting comparatively tight conditions in the southern fringe. At the other end of the spectrum, Northeast recorded the highest overall vacancy at 46.6%, while East at 40.1% and the CBD at 30.1% underscored how empty space remained concentrated in select corridors.

Asking Rent

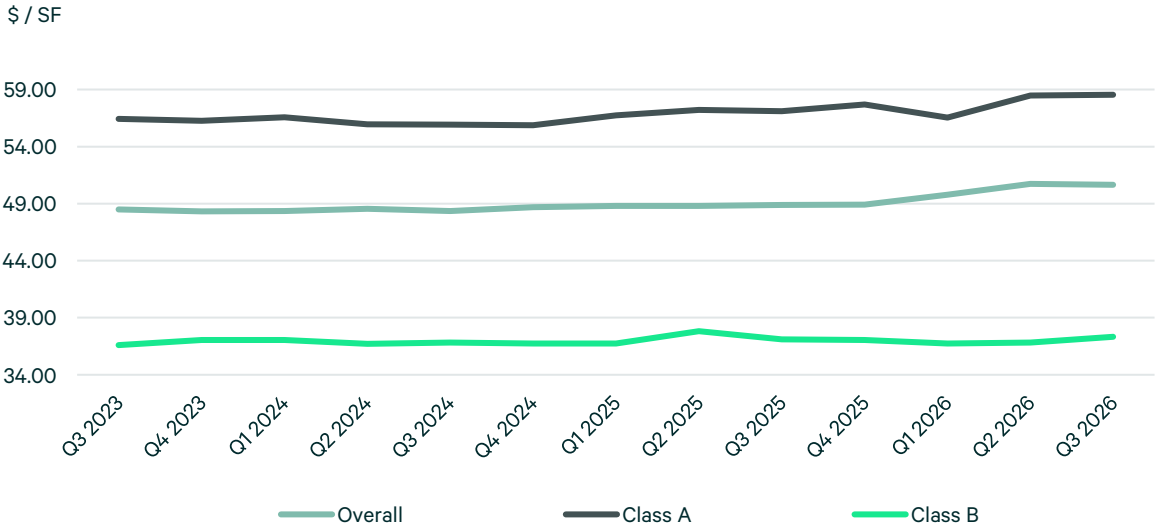
Average office asking rents continued to trend gradually higher through Q3 2026, with both overall and Class A rates posting modest gains over the period. The overall average asking rent in Q3 2026 was \$50.65 per sq. ft., essentially unchanged quarter-over-quarter but 3.6% higher year-over-year and 4.4% above the level recorded in Q3 2023. Class A space priced at \$58.54 per sq. ft. in Q3 2026, a 0.1% increase quarter-over-quarter and 2.5% higher year-over-year, maintaining a consistent premium compared to the overall market.

Figure 2: Vacancy Rates by Class



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Figure 3: Average Direct Asking Rate by Class



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Net Absorption

Net absorption strengthened meaningfully across the market in Q3 2026. Total net absorption reached 253,000 sq. ft., as Class A space recorded 124,000 sq. ft. and Class B space added 129,000 sq. ft. of occupancy gains. This total exceeded the 50,000 sq. ft. recorded in Q2 2026, marking a strong quarter-over-quarter improvement as occupiers took substantially more space than they returned. Net absorption also exceeded Q3 2025, when occupied space contracted by 201,000 sq. ft., highlighting a significant year-over-year shift from net move-outs to net move-ins.

Positive net absorption in Q3 2026 was anchored by the CBD and Northwest submarkets. The CBD saw occupied space increase by 235,000 sq. ft. and Northwest posted 92,000 sq. ft. of net absorption, while Southwest and South added 60,000 sq. ft. and 42,000 sq. ft., respectively, further supporting overall market gains. Conversely, properties in Far Northwest recorded the largest net occupancy loss, with net absorption totaling negative 270,000 sq. ft., followed by another portion of the CBD inventory with negative 41,000 sq. ft., representing the weakest submarket results this quarter.

Construction Activity

In Q3 2026, the Austin office development pipeline added a 177,000 sq. ft. project expected to be completed in late 2028, and delivered 703,000 sq. ft. of new Class A space bringing year-to-date 2026 deliveries to over 800,000 sq. ft. The total sum of space under construction declined quarter-over-quarter from 703,000 sq. ft. in Q2 2026 and year-over-year from 998,000 sq. ft. in Q3 2025. Austin's supply and demand landscape has reversed, shifting to a market driven by growing demand and dwindling new supply, a sharp contrast to the office market of 2020 through 2025.

Construction activity in the quarter was entirely concentrated in the CBD submarket, where the 5th & Walsh general office project at 1200 W 5th St accounted for all 177,000 sq. ft. of space under construction in the market and was 48.0% pre-leased with estimated delivery in Q4 2028. No other submarkets recorded any groundbreaking activity in 2026.

Figure 4: Net Absorption Trend

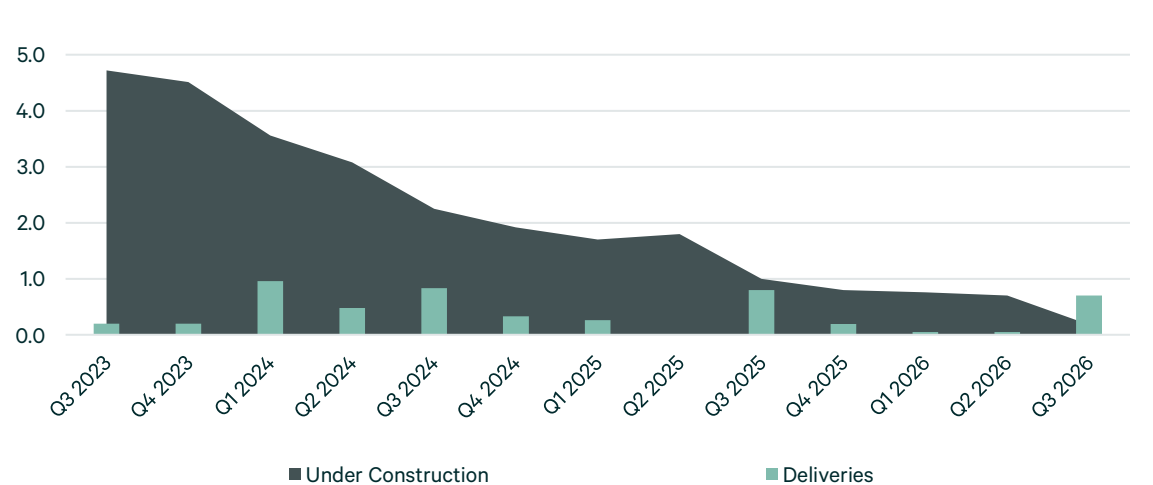
Sq. Ft. (millions)



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Figure 5: Construction Activity

Sq. Ft. Millions



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Leasing Activity

Leasing activity totaled 589,000 sq. ft. in Q3 2026, with year-to-date 2026 volume reaching 2.70 million sq. ft. This marked a 44.4% quarter-over-quarter decrease from 1.06 million sq. ft. leased in Q2 2026 and a 51.5% year-over-year decline from 1.22 million sq. ft. in Q3 2025.

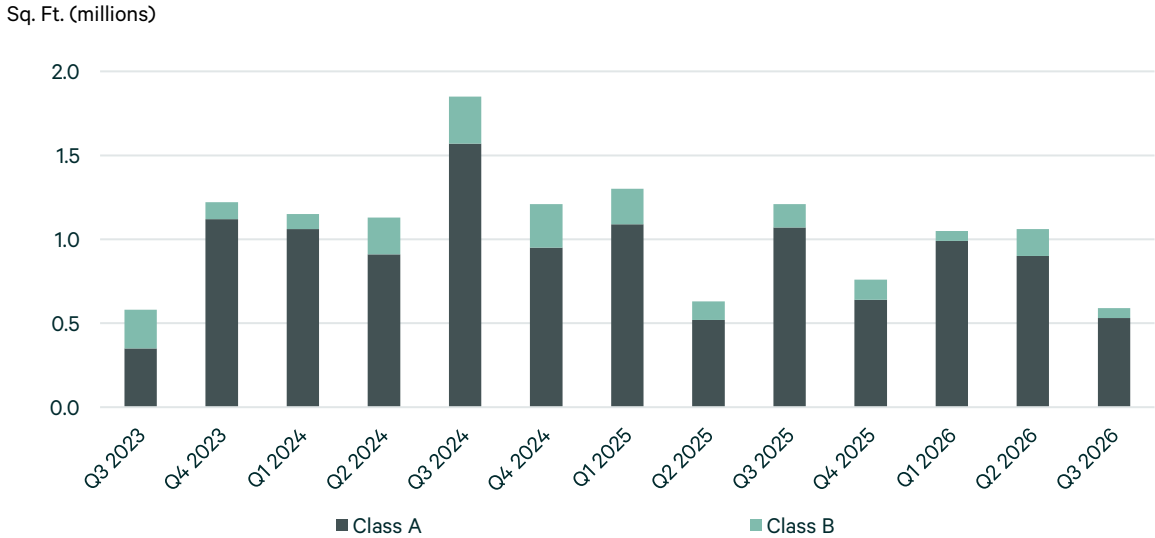
Positive leasing activity in Q3 2026 was concentrated in the CBD and Northwest submarkets, which recorded 185,000 sq. ft. and 84,000 sq. ft. of signed space respectively. Additional submarkets with positive volume included Southwest with 83,000 sq. ft., Northeast with 82,000 sq. ft., East, Far Northwest and South each with 42,000 sq. ft., and Central with 27,000 sq. ft., highlighting a broad though uneven distribution of deals across the market.

Economic Overview

Notable challenges persist, from elevated energy costs and interest rates to lingering geopolitical and technological uncertainties. Despite these concerns, the U.S. economy remains on track to grow by over 2% during 2026, supported by impressive AI-driven business investment. Also, a generally stable labor market continues to underpin consumer activity, providing a cushion against other risks.

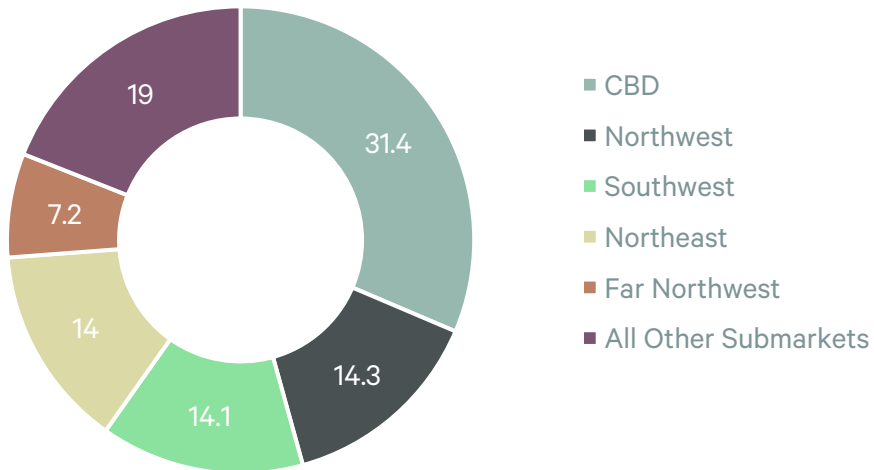
The final months of 2026 could prove pivotal. While economic growth supports healthy CRE occupier market fundamentals, the investment side of the market must contend with 5% Treasury yields. Signals from the Federal Reserve, inflation data, and global fixed-income markets suggest rates will remain elevated for the foreseeable future. A key upside catalyst would be a de-escalation in the U.S./Iran conflict, which could ease inflation and provide the Fed with more flexibility.

Figure 6: Leasing Activity Trend



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



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Market Statistics by Submarket

Figure 8

Submarket	Net Rentable Area (SF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate	Class A Asking Rent (\$/SF FSG/yr)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)
CBD	17.11M	30.1	33.1	26.9	6.2	68.40	72.78	194,000	683,000	703,000	177,000
Central	2.02M	16.1	20.8	18.5	2.2	35.09	51.38	(21,000)	(70,000)	-	-
East	4.25M	40.1	42.8	37.5	5.2	50.72	55.93	38,000	(59,000)	-	-
Far Northwest	5.16M	30.5	48.9	44.7	4.3	41.81	42.90	(220,000)	(279,000)	-	-
North	980,000	27.9	36.2	35.1	1.1	38.24	-	31,000	37,000	-	-
Northeast	3.01M	46.6	50.0	35.3	14.7	27.93	31.05	8,000	(63,000)	-	-
Northwest	17.80M	17.0	21.4	19.4	2.0	41.19	46.56	72,000	325,000	-	-
Round Rock	965,000	14.6	16.2	12.1	4.2	33.02	-	(3,000)	(42,000)	-	-
South	2.43M	25.9	28.5	25.4	3.1	45.79	59.92	75,000	101,000	-	-
Southeast	1.32M	6.4	27.2	9.6	17.6	36.57	41.06	9,000	(18,000)	-	-
Southwest	11.99M	12.3	15.2	13.8	1.4	44.02	50.61	70,000	(39,000)	-	-
Total	67.03M	23.6	28.5	24.3	4.3	50.65	58.54	253,000	577,000	703,000	177,000

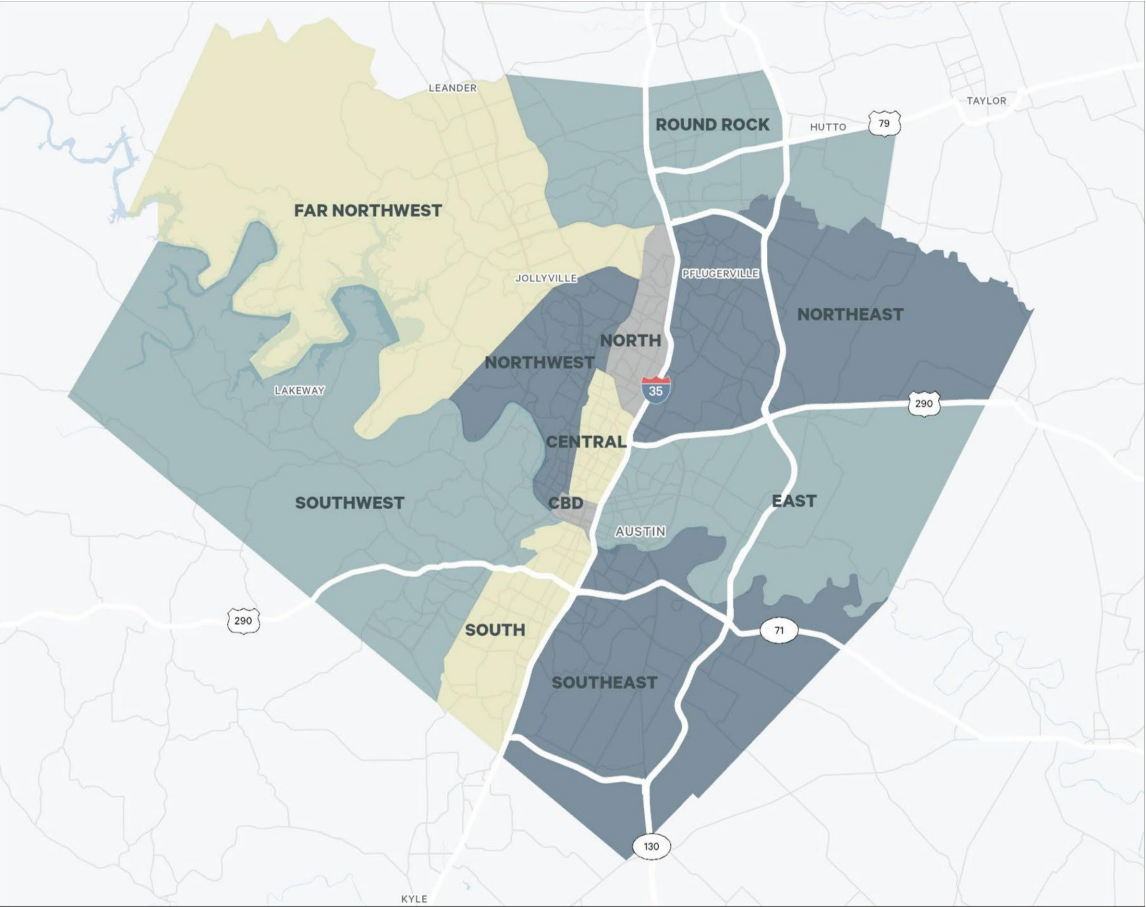
Source: CBRE Research, Q3 2026

Figure 9: Metro Market Statistics by Class

Property Class	Net Rentable Area (SF)	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	45.31M	25.4	29.3	24.2	5.2	58.54	124,000	674,000	703,000	177,000
Prime	8.50M	22.2	22.7	13.3	9.3	78.13	180,000	584,000	703,000	-
Other Class A	36.81M	26.1	30.9	26.7	4.2	54.87	(56,000)	91,000	-	177,000
Class B	21.72M	19.8	26.9	24.5	2.4	37.32	129,000	(97,000)	-	-
Total	67.03M	23.6	28.5	24.3	4.3	50.65	253,000	577,000	703,000	177,000

Source: CBRE Research, Q3 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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