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News

Austin - San Antonio Mixed-Use

Austin's Office Slump Is Fueling Mixed-Use Projects

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Austin's office spaces are increasingly being redeveloped into mixed-use sites as the market shows early signs of recovery but continues to grapple with elevated vacancy rates.

"You walk into a lender's office and show a beautiful presentation of an office park, and the conversation is going to be pretty tough," Shravan Parsi, CEO and founder of Austin-based mixed-use and multifamily developer American Ventures, said during a *Bisnow* event panel.

"However, when you present a mixed-use community that is fully integrated, with multiple demand drivers backing the same parcel ... I think the chance of having a good conversation is pretty high."



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LPA Design Studios' Nick Arambarri, Franklin Street's Ryan Bohls, Brick Row's Connor Greissing, Endeavor Real Estate Group's Anne Swift and EnvelopiQ's Rosie Fouke

The office market's elevated vacancy rate, which sat at around 25.8% in the second quarter, according to a JLL report, can be attributed to Austin's post-pandemic boom of office tower deliveries and shifting hybrid work habits, panelists said at *Bisnow*'s Future of Austin Office & Mixed Use event held at 823 Congress Ave. on Aug. 26.

"Single-use office is one of the toughest asset classes to get financed in America right now," Parsi said. "So the capital moved into the fully integrated communities — and the developers followed it."

With mixed-use sites, "location is critical," Hines Managing Director Alex Ohrn said. "It's an old cliché in real estate, and it's as true today as it ever been."

In addition to a mix of uses, new office properties must be conveniently located for tenants and come with the finishes and amenities that have driven the flight to quality, Ohrn said.

"It has to be the right product quality for what we're looking at," Ohrn said. "People want to go here. They want to shop here. They want to stay here. They want to live here. They want to go out, meet friends for drinks, and so that creates this really great experience."

Austin saw a flurry of post-pandemic office deliveries after Covid hit. From 2020 through 2025, nearly 14M SF of new office space entered the Austin office market, according to a 2025 Cushman & Wakefield report.

Those deliveries, plus a nationwide pullback in office use, drove up vacancy rates in the city and made lenders and developers reconsider new projects.

But now, the office market is seeing early signs of recovery. More office space was occupied than was vacated for the third consecutive quarter, with net absorption reaching 64,525 SF in the second quarter, according to the JLL report.

Vacancy was down slightly from 26% the previous quarter, and sublease vacancy was 3.1%, down from a peak of 4.6% in the second quarter of 2024.

The city's office development pipeline dropped to 1.7M SF under construction, "its lowest level in recent years," the JLL report said, and down from a peak of more than 3.5M SF in mid-2024.

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SmartTouch's Aaron Fichera, American Ventures' Shravan Parsi, Mark Hart Architecture's Mark Hart, Partners' Chris Price and Hines' Alex Ohrn

The office market vacancy rate is projected to continue to decline as the construction pipeline clears out and tenant demand absorbs excess supply, as reports indicate. New tenants will "soak up available office space," the Austin Business Journal reported.

"Austin's office market is well positioned for long-term growth, supported by ongoing business expansion, tenant interest, and the city's strong innovation-driven economy," a recent Colliers report noted.

Meanwhile, the market's older, outdated office properties are becoming obsolete. Tenants are trading out legacy spaces for ultra-amenitized Class-A buildings, leaving pre-2013 properties with vacancy rates above 32%, the Austin Business Journal reported.

Austin's vintage offices are increasingly being redeveloped into mixed-use sites.

Sometimes, the older office buildings are converted into new Class-A buildings. But capital is more willing to invest in mixed-use development over traditional office buildings or complexes.

"The stats speak for themselves," Parsi said.

The office market will look toward Class-A and mixed-use development moving forward. Among the upcoming mixed-use developments in Austin that will include office space are Uptown ATX, a 66-acre master-planned community by Brandywine Realty Trust, and Northline, a 116-acre urban mixed-use district.

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