

MARKET RESEARCH · AUSTIN OFFICE · OCTOBER 2026

Lease or buy *in Austin*

20,000 SF FROM JULY 2027 · THREE PATHS, TEN YEARS

What the Austin office market looks like heading into 2027, and whether Quillfield should lease, buy, or buy and later sell with a lease back.

\$0.48M

LESS THAN LEASING: BUY, THEN SALE-LEASEBACK

25.8%

OFFICE VACANCY, Q2 2026

6.54%

SBA 504 RATE, 25-YEAR FIXED

PREPARED FOR

Quillfield Software

90 people · lease expires June 2027



MERIDIAN
TENANT ADVISORS

01 THE ANSWER

Buy with SBA 504, then sell with a leaseback. Bought and held, owning only ties leasing.

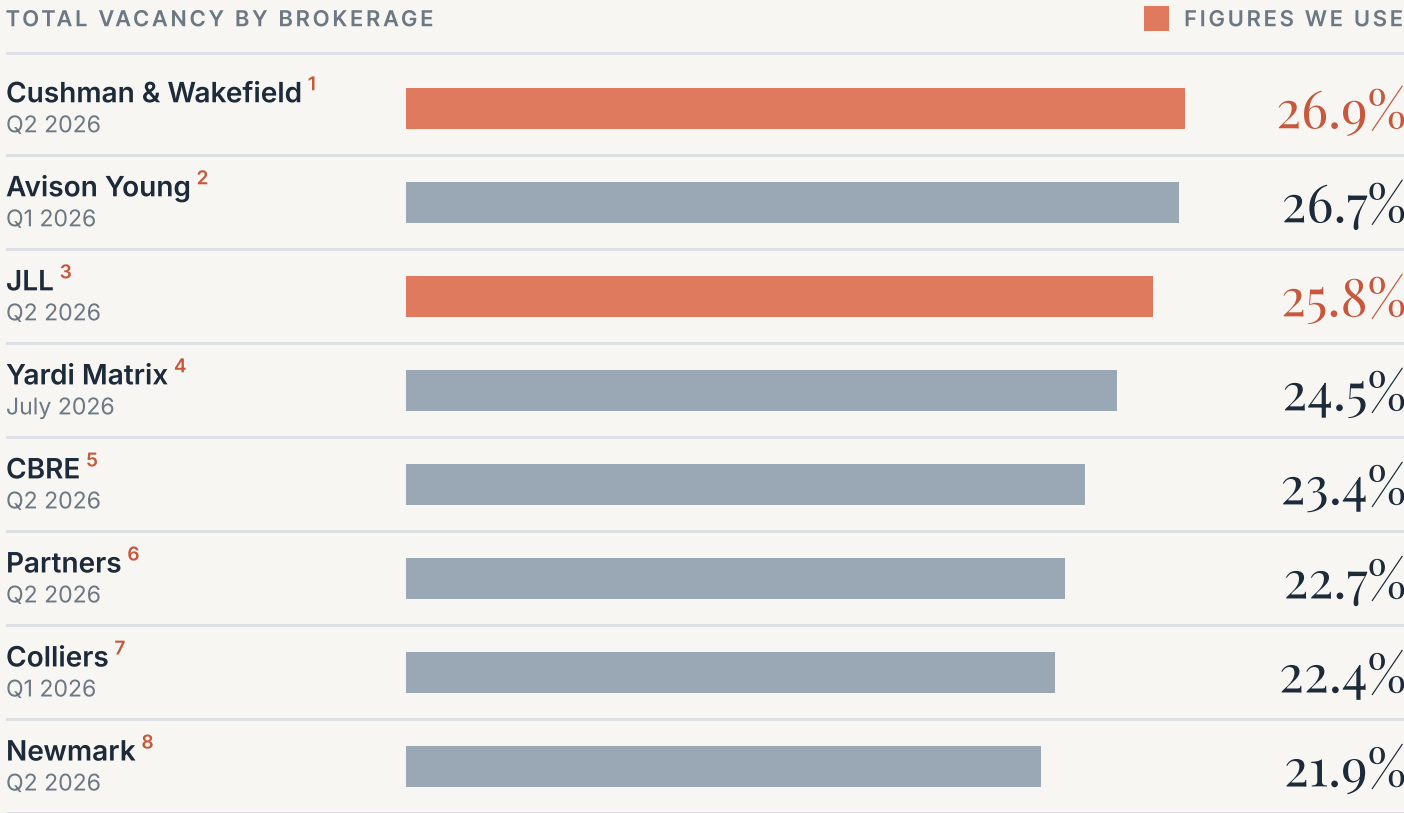
A year-5 sale-leaseback costs \$0.48M less than leasing over ten years, after tax, because an investor prices the building on Quillfield's lease: about \$351 a foot, against about \$215 from an owner-user. Held to a vacant sale in 2037, buying saves only \$0.02M. The catch is a 15 to 20 year lease; if Quillfield cannot commit that long, lease.



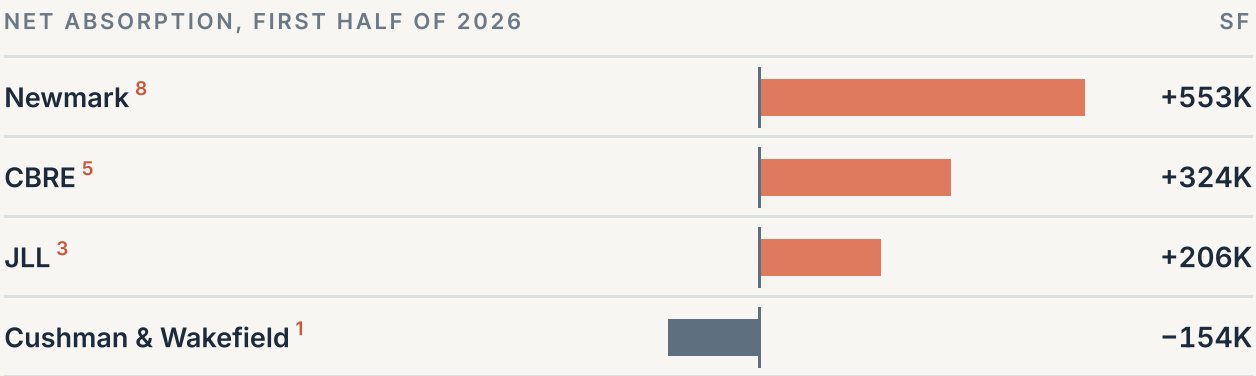
July 2027 to June 2037. Lease at \$42.00 full service, 8 months free, \$80 allowance. Purchase at \$190 a foot plus fit-out, 10% down. Buy and hold sells vacant to an owner-user at \$243 a foot in 2037; the sale-leaseback sells to an investor at 8.0%. Lower is better. Hover a path for detail.

02 WHAT IS HAPPENING IN THE MARKET

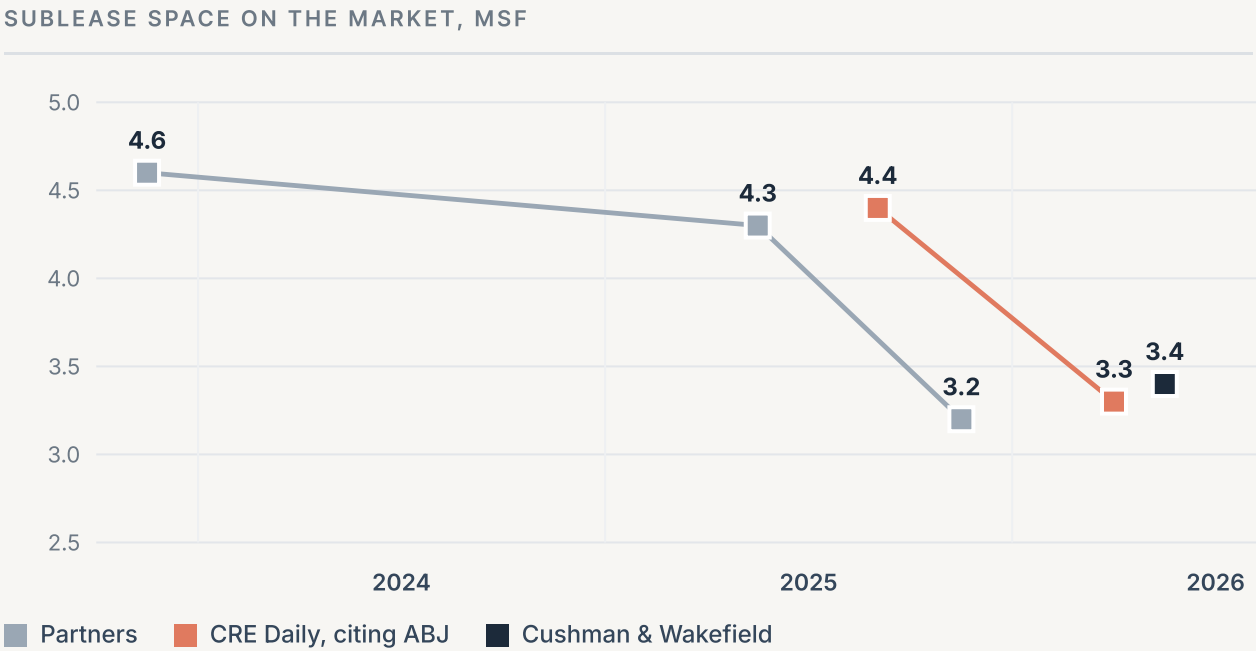
About a quarter of the market is empty, and it has stopped getting worse.



The spread is mostly definitional. Cushman & Wakefield, JLL and Avison Young track a smaller competitive inventory (66 to 75 MSF); Newmark and Partners count 83 to 87 MSF, including more small, older and owner-occupied buildings. A 20,000 SF tenant shops the competitive set, so we use 25.8% to 26.9%.^{1,2,6,8}



Positive in three of four counts, after a flat 2025 (-3,600 SF in one count).⁹ Partners' larger figure (+1.74 MSF) includes SB Energy buying the 1.2 MSF former 3M campus.^{6,10,11}

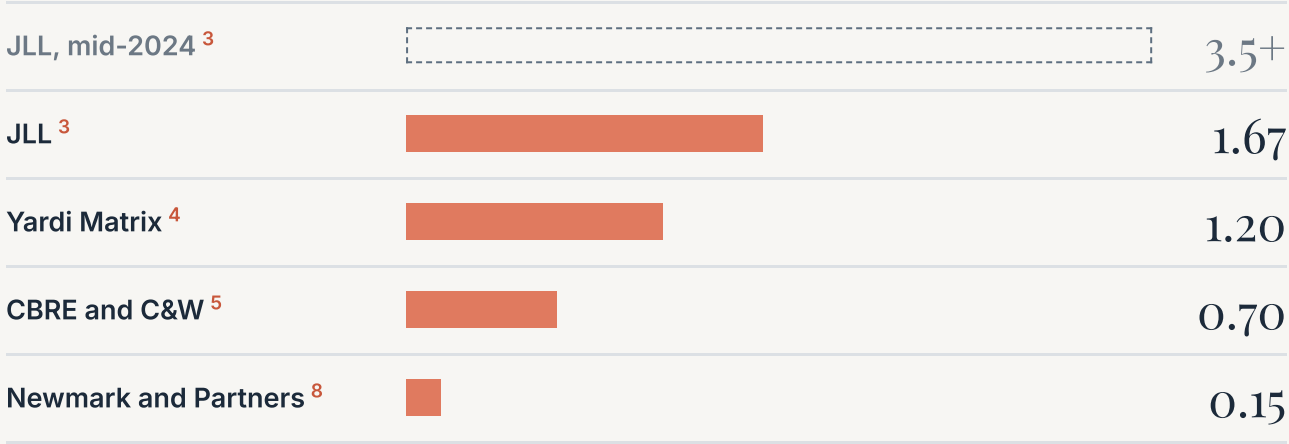


Down about a quarter from the peak, partly because owners withdrew space: Indeed pulled 118,000 SF at Domain Tower.^{3,12} Leasing ran 1.0 to 1.2 MSF in Q2, about half the 16-year Q2 average of 2.0 MSF.^{3,8,6}

03 SUPPLY, RENTS AND PRICES

New supply has nearly stopped. Rents are holding. Building prices have reset.

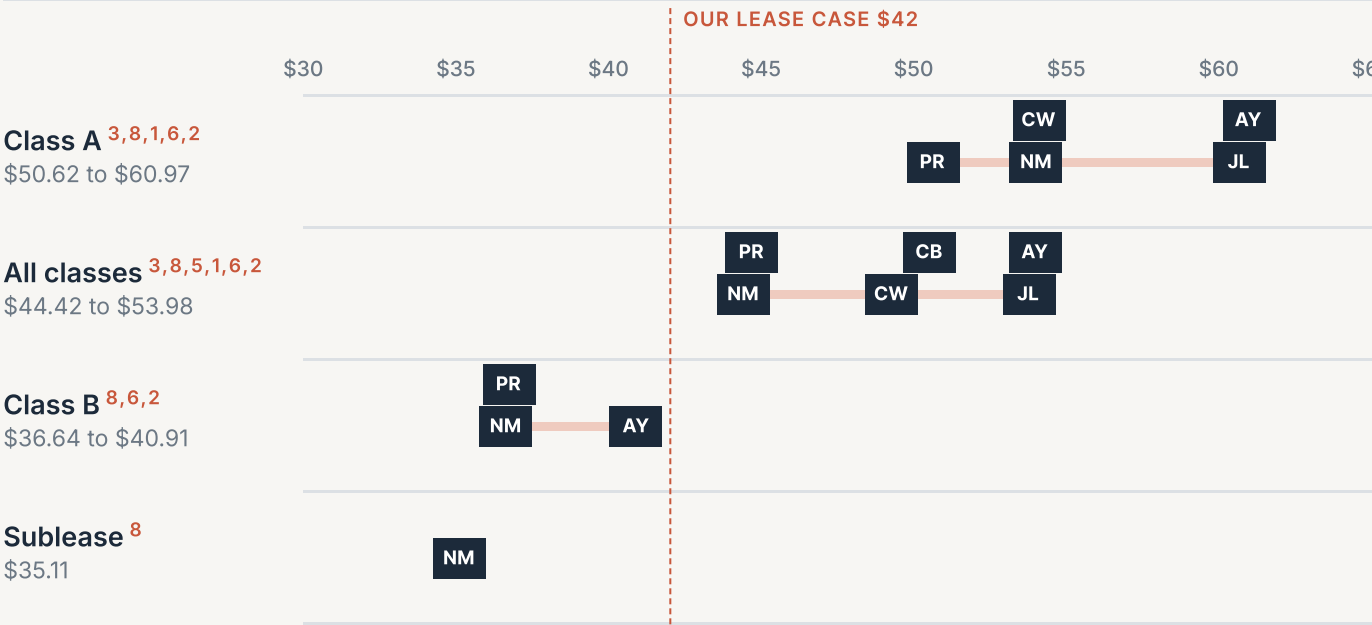
OFFICE UNDER CONSTRUCTION, MSF



The counts differ on what they include. JLL's total carries Apple's owner-occupied buildings; the Newmark and Partners counts appear to leave out Waterline, 715,005 SF delivering in 2026 with no tenants signed. Competitive speculative supply is about 0.7 MSF.^{3,2,15} Deliveries were 151,190 SF in Q2 2026 against about 14 MSF delivered from 2020 to 2025.^{8,16}

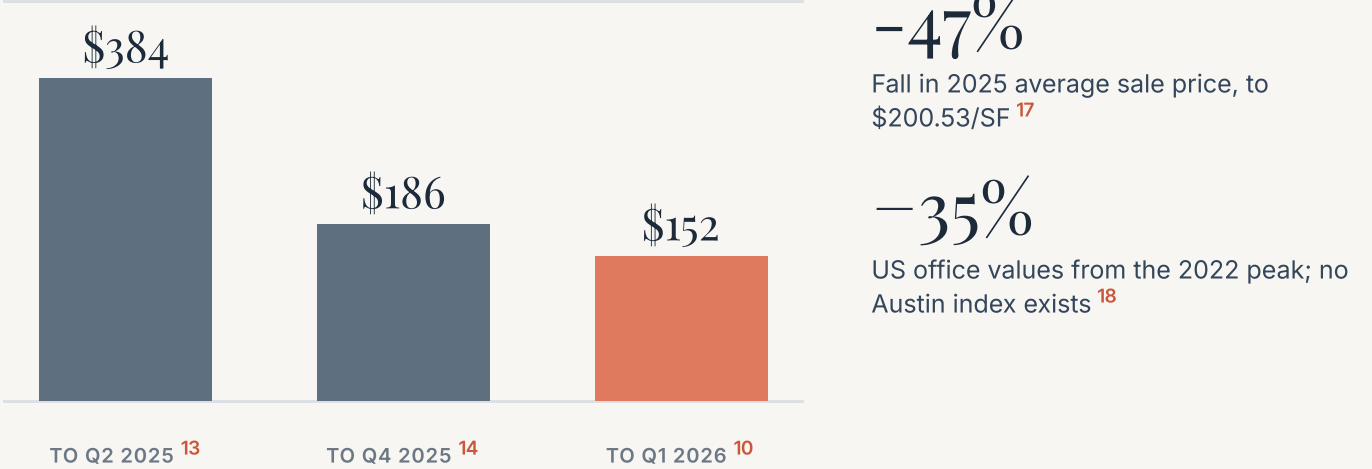
ASKING RENT, FULL SERVICE, \$/SF/YR

Q2 2026 UNLESS NOTED



Rents are flat to slightly up: Cushman & Wakefield +3.3% and CBRE +3.5% over the year. Newmark expects landlords to hold asking rents flat or trim them.^{1,5,8}

AVERAGE OFFICE SALE PRICE, TRAILING 12 MONTHS



04WHAT CHANGED IN 2025 AND 2026

Nine developments that set the terms for a 2027 decision.

01 H1 2026 ABSORPTION TURNED POSITIVE JLL counts +205,700 SF and its third straight positive quarter; CBRE +324,000; Newmark +552,541. Cushman & Wakefield is still at −153,724 because it counts move-ins. ^{3,5,8,1}	02 Q2 2026 THE PIPELINE HIT A MULTI-YEAR LOW 1.7 MSF under construction against more than 3.5 MSF in mid-2024. Waterline, 715,005 SF, delivers in 2026 with no tenants signed. ^{3,15}	03 SEP 2025 TO APR 2026 THE SUBLEASE OVERHANG IS SHRINKING From 4.4 to 3.3 MSF. The Malin took 32,076 SF of Meta's space and a TERAFAB venture took about 112,000 SF at Seaholm; Indeed withdrew 118,000 SF. ^{12,3,19}
04 2025 TO 2026 USERS ARE BUYING THE BUILDINGS Austin Community College, the City of Austin, Round Rock ISD, Central Health, a church and Artivion bought at \$97 to \$233 a foot. Partners: users, not yield investors, are clearing deals. ^{6,20,21,22,23}	05 MAY TO SEP 2026 DOWNTOWN TOWERS TRADE AGAIN 405 Colorado sold for \$733.70 a foot and One Eleven Congress for \$401. 515 Congress appraised 22% below its 2022 value before it sold; 823 Congress also traded. ^{24,25,26,27,28}	06 MAR 2026 SB ENERGY TOOK THE BIGGEST BLOCK It bought the 1.2 MSF former 3M campus for R&D, removing the market's largest available block. ^{29,11,10}
07 2026 LARGE REQUIREMENTS ARE BACK 13 requirements over 100,000 SF, up from 9; CBRE counted 110+ tenants seeking 4.4 MSF. NXP leased 230,000 SF and PNC 140,000; Apollo named Austin a hub. ^{3,30,2,31,32}	08 SEP TO OCT 2026 BORROWING GOT MORE EXPENSIVE The Fed raised its target to 3.75% to 4.00% on September 16. The 10-year Treasury reached 5.24%, up from about 4.3% in May. ^{33,34,35}	09 TAX YEAR 2026 PROPERTY TAX RATES WENT UP The City of Austin adopted \$0.5799 per \$100, up from \$0.5240. Central Health rose to 13.29 cents from 11.80. ^{36,37,38,39}

DEMAND UNDERNEATH	1,415.9K Metro jobs, Aug 2026, +1.2% in a year ⁴⁰	428,800 Office-using jobs, 33.9% above 2019 ⁸	−5.5% Information-sector jobs in a year ⁴⁰	37 Relocations and expansions in 2026, 5,477 jobs ⁴¹	2.62M Metro population, +2.1% in a year ⁴²
-------------------	---	---	--	--	--

05 WHERE THE BROKERAGES DISAGREE

Seven numbers the reports disagree on, and the one we use.

METRIC	RANGE ACROSS PUBLISHED REPORTS	FIGURE WE USE	WHY
Total vacancy ^{8,1,3}		25.8% to 26.9%	JLL and C&W measure the competitive multi-tenant set this tenant shops. Newmark and Partners count more owner-occupied and Class B space.
Net absorption, H1 2026 ^{3,8,1}		+205,700 SF	Newmark and Partners are lifted by an owner buying a campus; C&W lags 1.2 MSF of signed leases. JLL sits between.
Asking rent, all classes ^{8,3,2}		By class: A \$54 to \$61, B \$36.64 to \$40.91	Averages swing with class mix and with whether sublease space is counted. We price by class and submarket.
Under construction ^{3,5,8}		About 0.7 MSF speculative	JLL's figure carries Apple's owner-occupied buildings. Waterline is the competitive supply.
Sublease space ^{6,1,12}		3.3 to 3.4 MSF available	Vacant-only counts leave out space still occupied but marketed. Available space is what competes on price.
Sale price ^{10,17,4,23,6}		\$159 to \$196 near our size	Yardi's average carries downtown towers at \$401 to \$734 a foot. Owner-user sales of existing buildings ran \$97 to \$233.
Cap rate ^{10,43,44,45}		7.1% to 7.9% single-tenant; we use 8.0%	The Austin average is a small multi-tenant sample. Sale-leaseback pricing turns on tenant credit and term. No Austin figure exists.

Dots are individual reports; the coral band is the figure we carry into the analysis. Hover a dot for the source. Colliers, Transwestern, NAI and Lee & Associates did not publish accessible Q2 2026 Austin tables⁴⁶, and Avison Young's latest is Q1 2026.



06 SUBMARKETS

The northwest suits both paths, Round Rock a buyer, downtown only a lease.

	SUBMARKET	VACANCY	ASKING RENT	FIT FOR QUILLFIELD
1	CBD Highest rents; Waterline's 715,005 SF delivers unleased; 1.28 MSF of sublet vacancy	28.5% to 32.2%	\$56.83 to \$71.91	LEASE ONLY 1,6,8,2,3
2	Domain / North Tight by suburban standards; few small buildings trade	14.9% to 17.1%	\$40.79 to \$44.94	STRONG TO LEASE 8,6,2
3	Northwest / Far Northwest Most owner-user sales near our size (\$183 to \$196.50); State Farm's 269,000 SF sublease	16.1% to 32.3%	\$35.42 to \$45.00	STRONG BOTH WAYS 8,6,1,2,12
4	Southwest No construction; Renesas took about 95,000 SF here in Q2	15.5% to 17.1%	\$42.77 to \$49.48	GOOD TO LEASE 8,6,1,2,3
5	Central Tightest close-in submarket; little space at 20,000 SF	5.7% to 13.3%	\$36.86 to \$55.15	THIN SUPPLY 1,8,6,2
6	East Atlassian's 158,000 SF on the sublease market	36.4% to 45.0%	\$55.62 to \$59.15	LEVERAGE TO LEASE 1,2,12
7	Northeast Artivion bought two Anderson Lane sites at \$97 and \$159 a foot	41.9% to 49.8%	\$33.12 to \$34.98	VALUE BUYS 1,6,2,23,47
8	Southeast / Airport ACC paid \$233 a foot for Bergstrom Tech Center; Superior HealthPlan 215,000 SF sublease	20.2% to 39.0%	\$33.07 to \$35.87	LOWEST RENTS 1,2,48,12
9	Round Rock / Cedar Park Tightest in Newmark and Partners data; combined tax rate 1.78 vs 2.05 per \$100 in Austin (2025)	8.2% to 22.7%	\$35.14 to \$37.93	STRONG TO BUY 8,6,1,2,49,50,51

Ranges across four brokerages; rents full service. Pins are reference points. ⁵² Hover a row to find it.

07 WHY QUILLFIELD COULD LEASE

A tenant in this market can ask for a lot.

25.8%

vacancy in the competitive set³

1.1 MSF

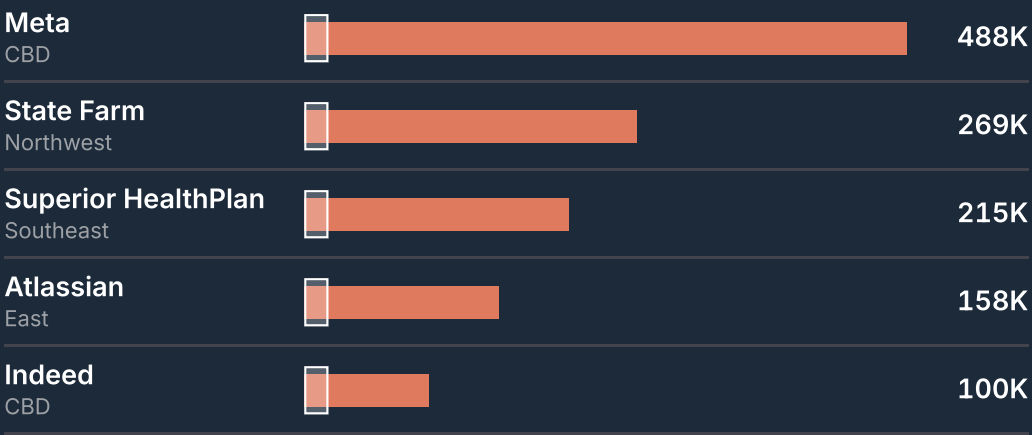
leased in Q2 against a 2.0 MSF Q2 average⁸

\$35.11

sublease asking rent vs \$44.42 for all space⁸

LEVERAGE	Landlords are carrying a quarter of the market empty. NAI reports concessions still elevated, keeping effective rents below asking; JLL calls them stable; Newmark expects the market to stay tenant friendly. ^{53,3,8}
SUBLEASE SUPPLY	3.3 to 3.4 MSF is offered, with eight blocks over 100,000 SF. Built-out sublease space can cut the fit-out bill and the move date. ^{1,12}
FLEXIBILITY	Leases in older buildings run five years or less; new buildings ask for ten. ⁵⁴ A lease carries no 51% occupancy rule and no building to sell if headcount moves. Information jobs fell 5.5% in a year. ^{55,40}
NO EXPOSURE TO VALUES	US office values sit 35% below the 2022 peak, and 515 Congress appraised 22% under 2022. ^{18,26} A tenant carries none of that, and none of a reassessment.
CAPITAL	Fit-out runs \$156.31 a foot in Austin against \$162 nationally. ^{56,57} In our case the lease still needs \$1.14M above an \$80 allowance, more than the \$0.70M SBA down payment. A larger allowance closes that gap.

SUBLEASE BLOCKS ON THE MARKET, APRIL 2026



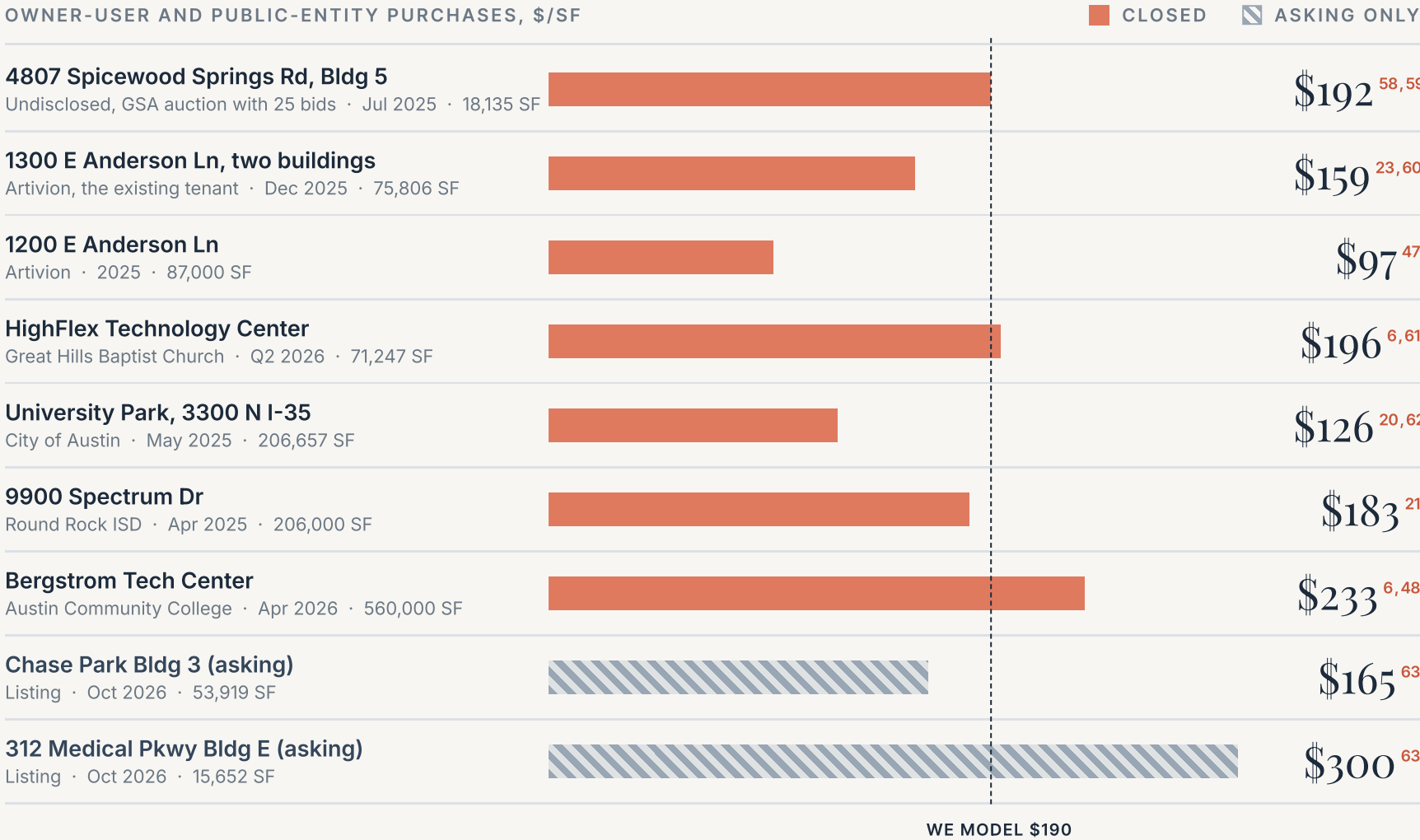
The pale bar is Quillfield's 20,000 SF. Any of these could be split.^{12,3}

RECENT LEASES AT QUILLFIELD'S SIZE

TENANT	SF	TYPE
Celestica Domain 3	33,081	New ^{8,1}
Alpha Schools McGarrah-Jessee	33,596	Lease ⁶
The Malin Sixth and Guadalupe	32,076	Sublease of Meta space ^{3,8}
Texas Capital Bank 415 Colorado	27,012	New ^{3,1}
Ryan Colorado Tower	24,532	New ⁸

08 WHY QUILLFIELD COULD BUY

Owner–users bought existing buildings for *\$97 to \$233* a foot.



No closed sale of a 10,000 to 40,000 SF standalone office building with a published price was found: Texas does not require sale prices to be disclosed.⁶⁴ The five largest 2025 sales, 1.46 MSF, and October's Lavaca Plaza sale closed without public prices.^{65,66} The closest in size are the GSA condo at \$192 and Artivion's buildings at \$159.

WHY THE WINDOW IS OPEN

\$152

Partners' 12-month average sale price to Q1 2026, from \$384 a year earlier^{10,13}

\$26M

What the City of Austin paid for University Park, which the appraisal district carried at \$58.07M^{20,62}

–22%

515 Congress's 2026 appraisal against 2022, \$117M from \$150M²⁶

"Users, not yield–driven investors, are clearing deals."

PARTNERS, Q2 2026⁶

Our \$190 purchase price sits inside the range for buildings near the target size. Add \$20 of base-building work and \$136.77 of fit-out and the all-in cost is \$351 a foot. An owner-user would pay about \$243 in 2037 at 2.5% a year: the fit-out adds little resale value.

SBA 504 ON A \$7.01M PROJECT

10% down

Purchase, base-building work and fit-out financed together. The debenture is capped at \$5.5M and the owner must occupy at least 51% of an existing building. ^{78,79,80,55}

\$3.51M

BANK, 50% · 7.26%

\$2.80M

SBA 504, 40% · 6.54%

\$0.70M

DOWN, 10%

DEBT SERVICE

\$532K a year

09 FINANCING, TAX AND CONTROL

SBA 504 lets a 90-person firm buy with 10% down, at a blended 6.9% fixed.

WHAT IT COSTS TO BORROW

SBA 504, 25-year 6.54% ^{67,68}
Effective, September 2026 pricing; debenture 5.41%

SBA 504, 20 and 10-year 6.53% / 6.60% ^{67,68}
Next pricing October 8, 2026

SBA 7(a) 7.00% ^{69,34,70}
Best case; prime 7.00% plus up to 3.0% on variable loans

Conventional owner-occupied 7.26% ^{69,71}
Best case; quoted range 6.43% to 9.53%, up to 85% LTV

10-year Treasury 5.24% ^{34,72,35}
October 1, up from 4.26% to 4.34% in May

Banks eased standards for this kind of loan slightly in Q2. ⁸¹

\$574K

FIT-OUT DEDUCTION

Qualified improvement property gets 100% bonus depreciation, now permanent: \$2.74M deducted in year one. ^{85,86,87} A cost segregation study can move more of the building into short lives. ⁸⁸

\$90K

BUILDING, A YEAR

39-year straight line. ⁸⁵ The new production-property deduction excludes offices. ⁸⁹ Section 179 caps at \$2.56M. ⁹⁰

PROPERTY TAX PER \$100, AUSTIN ISD AREA

	2025	2026
City of Austin	0.5240	0.5799 ^{37,36}
Austin ISD	0.9252	0.9184 ⁷³
Travis County	0.3758	0.3862 ^{74,75}
Austin Community College	0.1034	0.1036 ^{76,77}
Central Health	0.1180	0.1329 ^{39,38}

Combined, per \$100 2.0465 2.1210

\$106K in year one on a \$250/SF taxable value. Office values on the 2026 roll rose 9.8%, low-rise office fell 1.2%, and appeals cut 2025 office values 9.5%. ^{82,83} Round Rock's combined 2025 rate was 1.78. ^{49,50,51,84}

\$1.36M

EQUITY BUILT

Principal repaid over ten years, recovered at a sale or refinance.

49%

CAN BE LEASED OUT

The owner controls changes and can lease up to 49% to others. ⁵⁵ Insurance rates fell 13% in Q2. ^{91,92}

10 BUY, THEN SALE-LEASEBACK

Own while it is cheap. Sell to an investor later and stay as the tenant.

1 2027 BUY AND BUILD Close, fit out and move in on \$7.01M of 504 financing.	2 YEARS 1 TO 5 OCCUPY AND PAY DOWN After tax, owning runs about level with leasing; loans amortize.	3 YEAR 5 SELL WITH A LEASE A net-lease investor pays first-year rent divided by the cap rate.	4 15 TO 20 YEARS LEASE IT BACK Absolute net. The model counts rent only to June 2037, as for the lease.
--	---	---	---

YEAR-6 RENT

\$28.04

/SF net: market rent less owner costs. Average net asking: \$31.91⁹⁴

÷

CAP RATE

8.0%

our base case

=

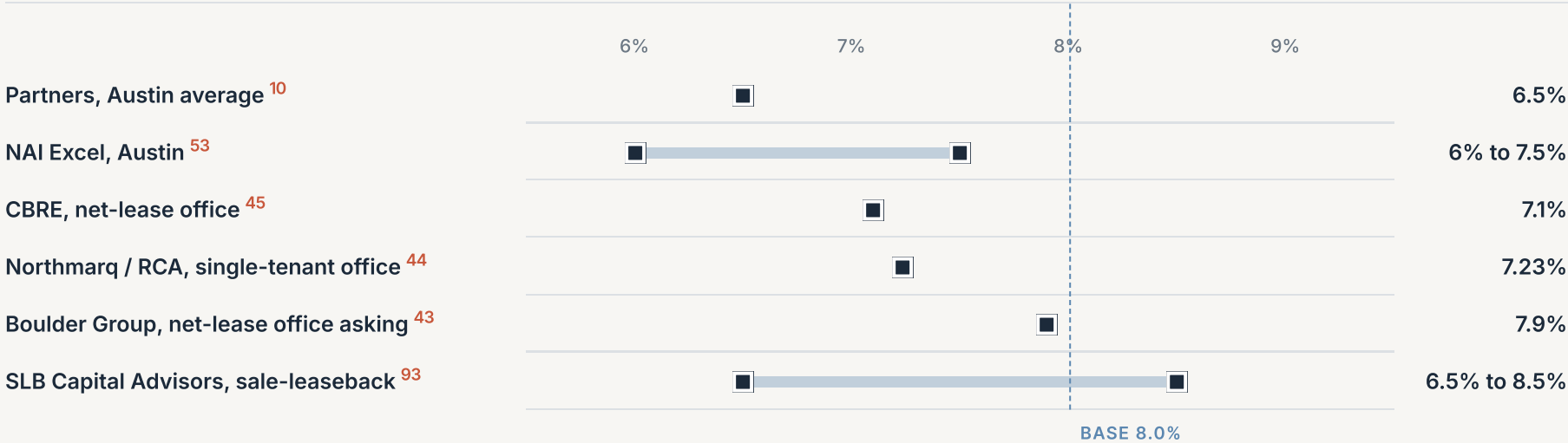
SALE PRICE

\$7.01M

\$351 a foot

CAP RATE EVIDENCE

NO AUSTIN OR TEXAS SALE-LEASEBACK FIGURE IS PUBLISHED; CBRE'S AUSTIN TABLES ARE GATED⁹⁵



WHO IS BUYING, AND ON WHAT TERMS

14%

Office share of net-lease volume in Q2 2026, from 20% a year earlier⁴⁵

6.7%

Sale-leaseback share of net-lease volume in Q2, against a 13.1% average since 2019⁹⁶

\$1.3B

User-owned divestments in H1 2026, down 67.6% in a year⁹⁶

\$330M

Single-tenant office sales in the Southwest region in Q1 2026, of \$2.5B nationally⁴⁴

BASE TERM

15 to 20 years with renewal options, absolute net⁹³; some advisors fit 10 to 15³⁵

ESCALATORS

48% of W. P. Carey's rent is on fixed bumps; its average remaining term is 12.0 years⁹⁷

TAX

The gain is taxable. Section 1031 can defer it only into other real property, within 45 and 180 days^{98,99}

THE POINT OF THE SALE-LEASEBACK

With Quillfield's lease in place, the building is worth about **\$351 a foot** to an investor in year 5. Sold empty to an owner-user, about **\$215**. A private, unrated tenant should expect the top of the cap range, so we use 8.0%.

11THREE SALE-LEASEBACK SCENARIOS

A sale-leaseback releases less cash than the price suggests. Its value is the investor's price.

Year 3

SELL AT 7.75% CAP

Sale price	\$6.93M \$347/SF
Less cost of sale and loan payoff	(\$6.20M)
Cash released before tax	\$0.73M
Tax on the gain at 21%	(\$0.57M)
Cash released after tax	\$0.16M
Taxable gain	\$2.72M
New rent, first year	\$537K \$26.87/SF net
Rent plus owner costs, first year	\$905K \$45.23/SF
\$0.32M LESS THAN LEASING, PRESENT VALUE \$0.30M better than buy and hold	

Year 5

SELL AT 8.0% CAP

Sale price	\$7.01M \$351/SF
Less cost of sale and loan payoff	(\$5.96M)
Cash released before tax	\$1.05M
Tax on the gain at 21%	(\$0.62M)
Cash released after tax	\$0.43M
Taxable gain	\$2.97M
New rent, first year	\$561K \$28.04/SF net
Rent plus owner costs, first year	\$950K \$47.52/SF
\$0.48M LESS THAN LEASING, PRESENT VALUE \$0.46M better than buy and hold	

Year 7

SELL AT 8.5% CAP

Sale price	\$6.88M \$344/SF
Less cost of sale and loan payoff	(\$5.67M)
Cash released before tax	\$1.22M
Tax on the gain at 21%	(\$0.64M)
Cash released after tax	\$0.58M
Taxable gain	\$3.03M
New rent, first year	\$585K \$29.26/SF net
Rent plus owner costs, first year	\$998K \$49.92/SF
\$0.55M LESS THAN LEASING, PRESENT VALUE \$0.53M better than buy and hold	

SAVINGS AGAINST LEASING, PRESENT VALUE

By year of sale and the cap rate the investor pays. Blue favors the sale-leaseback; grey favors leasing. Hover for both costs.

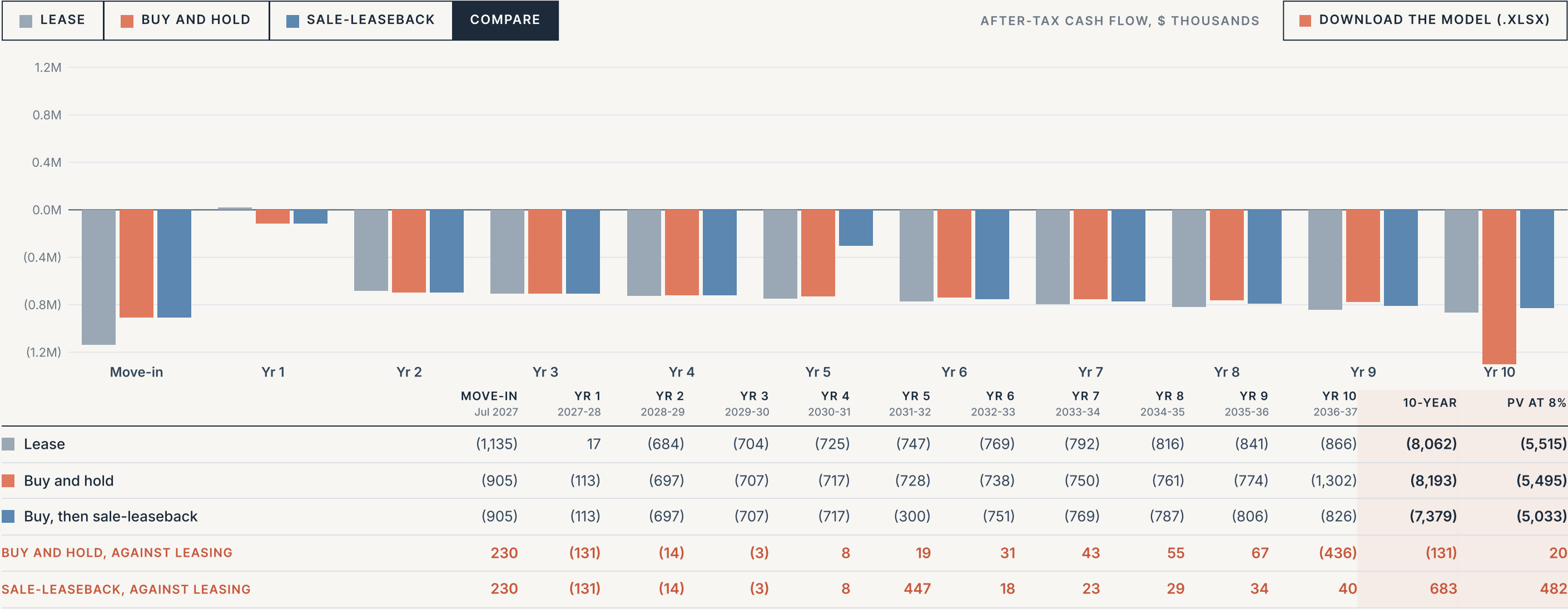
	7.0%	7.5%	8.0%	8.5%	9.0%
Sell in year 3	\$772K	\$460K	\$188K	-\$52K	-\$266K
Sell in year 5	\$1,005K	\$726K	\$482K	\$267K	\$76K
Sell in year 7	\$1,206K	\$956K	\$738K	\$546K	\$375K

Why the cash is small. 100% bonus depreciation on the fit-out front-loads the tax saving; a sale gives much of it back. In year 5, \$0.62M of the \$1.05M released goes to tax. The loans are still 91% outstanding.

When it wins. Against leasing and against buy and hold (sold empty to an owner-user at \$243 a foot in 2037), in every case but a year-3 sale at 8.5% or more. Breakeven caps: 8.4% in year 3, 9.2% in year 5, 10.3% in year 7. The leaseback runs 15 to 20 years; rent is counted only to June 2037.

12 THE TEN-YEAR MODEL

Owning costs about the same as leasing each year. How it ends decides it.



After-tax cash flows, \$ thousands; costs in parentheses. 20,000 SF, July 2027 to June 2037. Buy and hold's year-10 figure is the building sold empty to an owner-user at \$243 a foot, less cost of sale, loan payoff and tax on the gain. Move-in includes 4 months of interest and operating costs while the space is built out. Hover the chart for each year.

13 SENSITIVITY

Held to a vacant sale, buying is a coin flip.
Rent, price or exit value can each move
it \$0.3M.

PRICE × VALUE IN 2037

PRICE × LOAN RATES

PRESENT-VALUE SAVING FROM BUYING AND HOLDING INSTEAD OF LEASING

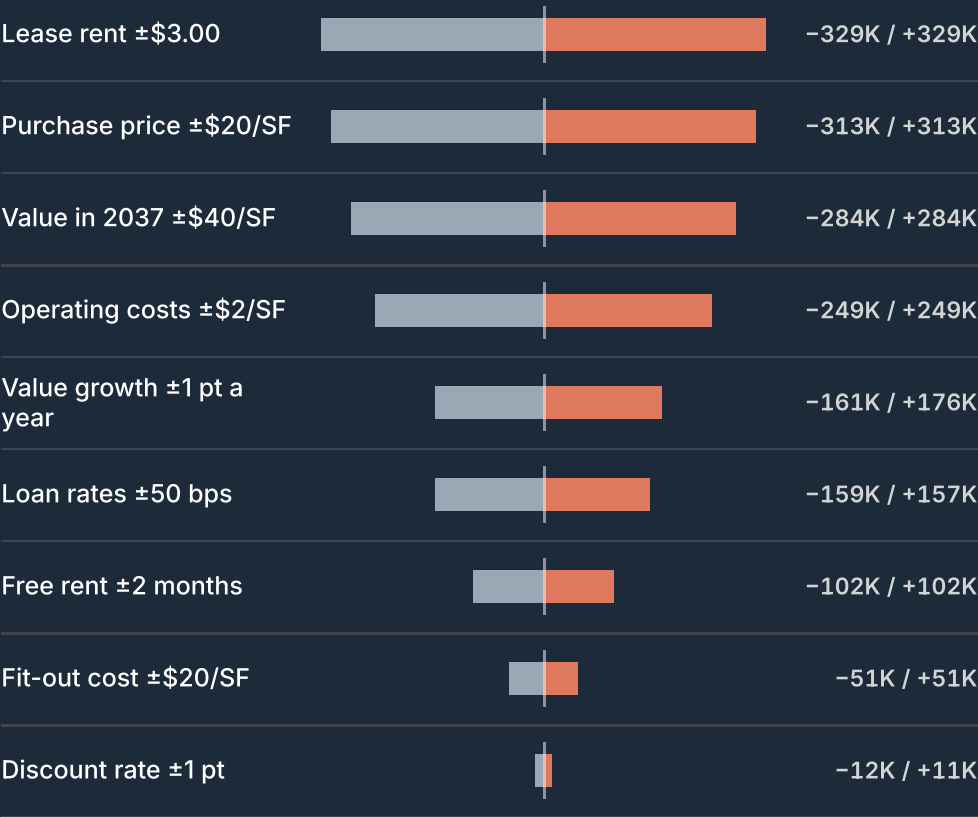
HOVER A CELL

PRICE / SF	\$160 BELOW TODAY	\$190 FLAT	\$243 BASE	\$300	\$390 WITH A LEASE
\$150	\$54K	\$267K	\$645K	\$1,048K	\$1,685K
\$170	-\$258K	-\$45K	\$332K	\$735K	\$1,373K
\$190 BASE	-\$571K	-\$358K	\$20K	\$423K	\$1,060K
\$210	-\$883K	-\$671K	-\$293K	\$110K	\$748K
\$230	-\$1,196K	-\$983K	-\$605K	-\$202K	\$435K

Coral: buying saves. Grey: buying costs more. Base case outlined: \$190 purchase, sold empty for \$243 a foot in 2037. The right-hand column is the price an investor would pay with an 8.0% lease in place. Loan-rate changes apply to both loans.

ONE INPUT AT A TIME

Against a \$20K base saving, any one
of these can flip it



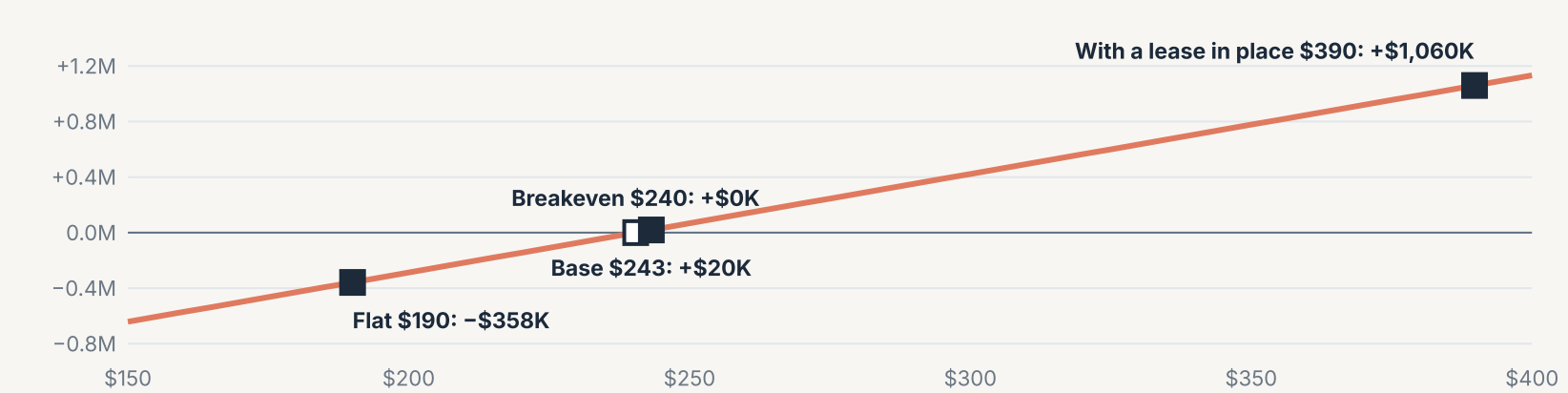
Coral: the change that helps buying. Grey: the change that hurts it.

14 WHAT DECIDES IT

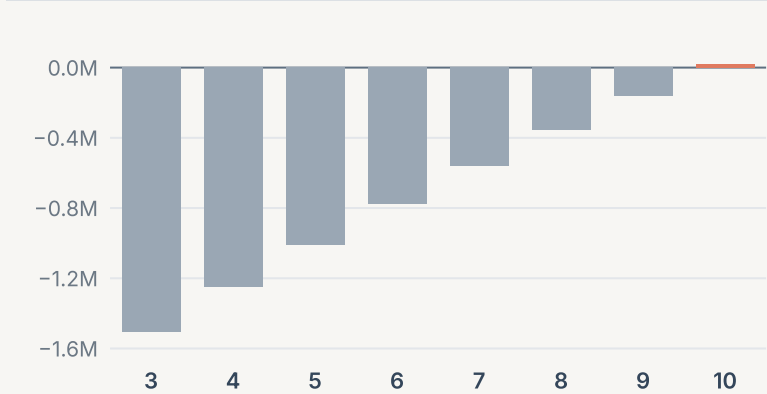
Three things decide it: the value at exit, how long Quillfield stays, and cash at move-in.

BUY AND HOLD AGAINST LEASING, PRESENT VALUE, BY THE BUILDING'S VALUE IN 2037

HOVER THE LINE



BY YEARS BEFORE SELLING EMPTY



Buying only catches up at ten years. Every shorter stay favors leasing.

BUY AND HOLD BREAKS EVEN AT

	BASE	BREAKEVEN
Value in 2037	\$243/SF	\$240/SF
Value growth a year	2.5%	2.38%
Purchase price	\$190/SF	\$191.27/SF
Lease rent, full service	\$42.00	\$41.82
Free rent on the lease	8 months	8.4 months
Loan rates	today	+0.06 pt
Discount rate	8%	6.4%

Every breakeven sits next to the base case: held to a vacant sale, owning is a tie.

CASH AT MOVE-IN, BEFORE TAX

\$1.14M

LEASE

Fit-out above the allowance

\$0.96M

BUY

10% down plus 4 months of carry

\$0.96M

SALE-LEASEBACK

Same as buying until the sale

WHAT THE MODEL CANNOT PRICE

- 01 COMMIT FOR THE LONG RUN**
Buy and hold only breaks even at ten years; a sale-leaseback adds a 15 to 20 year lease. The 504 loan needs Quillfield in at least 51% of the building.⁵⁵
- 02 USE THE DEDUCTIONS**
The case counts \$2.74M of first-year depreciation at 21%. Without taxable income to absorb it, owning saves less.
- 03 CLOSE AND BUILD BY MID-2027**
Search, SBA approval, closing and a fit-out all have to land before June 2027, or the current lease needs a short extension.
- 04 CARRY THE BUILDING**
Repairs, insurance, tax protests and vacancy risk that a lease leaves with the landlord.

15 RISKS AND WHAT WOULD CHANGE THE ANSWER

Most market risks argue for leasing, or for handing value risk to an investor.

RISK	WHAT IT MEANS	IT FAVORS
Waterline delivers 715,005 SF unleased	JLL expects vacancy to rise when it does. ^{3,15}	LEASE
Information jobs keep falling	Down 5.5% in a year; Newmark ties slower leasing to tech restructuring. Fewer heads, less space. ^{40,8}	LEASE
Sublease space stays high	3.3 to 3.4 MSF, eight blocks over 100,000 SF. More cheap space for tenants. ^{1,12}	LEASE
Rates rise further	The 10-year Treasury passed 5% and the Fed raised in September. A 504 locks the rate at closing. ^{34,33}	LEASE, UNTIL CLOSING
Tax rates and values climb	City and Central Health rates rose for 2026; the roll grew 5.48% with office among the drivers. ^{36,38,100}	LEASE
Office values fall again	US office values are 35% off the 2022 peak. Buy and hold carries the 2037 value: below \$240 a foot, leasing wins. A sale-leaseback hands that risk to the investor. ¹⁸	LEASE OR SALE-LEASEBACK
Investors cool on office leases	Office fell to 14% of net-lease volume; sale-leaseback share is half its average. Above a 9.2% cap in year 5, the sale-leaseback loses to leasing. ^{45,96}	LEASE OR BUY AND HOLD
Quillfield's headcount moves	Buy and hold needs about ten years to break even and a leaseback runs 15 to 20. Both assume roughly 20,000 SF in Austin for a long time.	LEASE
Large tenants return	13 requirements over 100,000 SF and 1.2 MSF signed but not yet occupied would tighten the market. ^{3,1}	BUY
Concessions tighten	Free rent nationally fell from a record 9.6 months in 2023 to 8.9 in 2024. Less free rent widens the gap. ^{101,102}	BUY

"It favors" is the path the risk helps if it happens. The decision turns most on the firm's own headcount plan, which no market report covers.

16

INPUTS AND ASSUMPTIONS

Every input, and where it comes from.

8 of 33 inputs come straight from published sources and one from the client. The other 24 are our assumptions, set inside published ranges where they exist: rent, concessions, operating costs, financing terms, values and cap rates. Change any of them in the workbook.

DOWNLOAD THE MODEL (.XLSX)

SPACE AND LEASE

Space requirement 90 people at about 220 SF a head	20,000 RSF	CLIENT
Lease asking rent, year 1 Inside Domain/North and Northwest ranges, \$35.42 to \$45.00	\$42.00 FSG	ASSUMPTION
Lease rent escalation Fixed annual bump	3%	ASSUMPTION
Free rent 12-market average 8.9 months, 2024	8 months	ASSUMPTION
Tenant improvement allowance 12-market average \$87.51, 2024	\$80/SF	ASSUMPTION
Fit-out cost, second-generation space Austin \$156.31/SF, less 12.5% for second generation	\$136.77/SF	SOURCED
Market rent growth C&W +3.3% in a year; Newmark expects flat	2.50%	ASSUMPTION

OWNING COSTS

Operating costs excluding property tax No Austin figure published	\$11.00/SF/yr	ASSUMPTION
Capital reserve	\$0.50/SF/yr	ASSUMPTION
Cost and tax-value growth	3%	ASSUMPTION
Months owned before move-in March close to July move-in, interest only	4 months	ASSUMPTION

PURCHASE AND FINANCING

Purchase price Comps near this size: \$159 to \$196.50	\$190/SF	ASSUMPTION
Closing costs	2%	ASSUMPTION
Base-building work Roof, HVAC, restrooms on an older building	\$20/SF	ASSUMPTION
504 senior bank loan 50 / 40 / 10 structure	50%	SOURCED
504 CDC debenture Debenture capped at \$5.5M	40%	SOURCED
Owner equity At least 10% (13 CFR 120.801)	10%	SOURCED
Bank rate, 504 first lien Conventional best case; range 6.43–9.53%	7.26%	ASSUMPTION
504 debenture rate, 25-year September 2026 pricing	6.54%	SOURCED
Amortization, both loans Matches the 25-year debenture	25 years	ASSUMPTION

PROPERTY TAX

Taxable value Between purchase price and all-in cost	\$250/SF	ASSUMPTION
Property tax rate, 2026 Five taxing units, Austin ISD area	\$2.1210 per \$100	SOURCED

EXIT AND SALE-LEASEBACK

Owner-user value today Same comps, \$159 to \$196.50	\$190/SF	ASSUMPTION
Owner-user value growth Set equal to market rent growth	2.50%	ASSUMPTION
Cost of sale	3%	ASSUMPTION
Sale-leaseback cap rate National 7.1–7.9%; higher for an unrated tenant	8.00%	ASSUMPTION
Sale-leaseback rent escalation 48% of W. P. Carey rent is on fixed bumps	2%	ASSUMPTION
Sale-leaseback year (base case)	Year 5	ASSUMPTION

INCOME TAX AND DISCOUNTING

Federal income tax rate C corporation; franchise tax in every path	21%	ASSUMPTION
Building share of price	80%	ASSUMPTION
Building depreciation	39 years	SOURCED
Bonus depreciation on fit-out (QIP) Permanent after Jan 19, 2025	100%	SOURCED
Discount rate Client's cost of capital	8%	ASSUMPTION

Terms. FSG: full-service gross rent, which includes operating costs and taxes. MSF: million square feet. Net absorption: the change in occupied space. bps: basis points, hundredths of a percent. CDC: the certified development company that issues the SBA 504 debenture, the 40% second loan. Qualified improvement property: interior work eligible for faster depreciation. Second-generation space: space built out by an earlier tenant.

17 NEXT STEPS

Run both tracks now. Decide in February.

NOW TO MID-NOVEMBER

Set the requirement

Decide whether Quillfield will commit to Austin for ten years or more. Ask the current landlord for a three to six month extension option as cover.

NOVEMBER

Line up the money

Talk to a 504 lender and CDC about eligibility and terms; debenture rates reprice monthly. Price a sale-leaseback with two net-lease investors. Have the tax advisor confirm the firm can use bonus depreciation.

NOVEMBER TO JANUARY

Run two tracks

Tour buildings for sale in the Northwest, North and Round Rock at 18,000 to 30,000 SF. In parallel, send lease proposals to six to eight buildings to set the benchmark and keep leverage.

FEBRUARY

Pick, then negotiate

Letter of intent on a building if one prices near \$190 a foot and an investor will bid near 8.0% on a leaseback. Otherwise sign the best lease: held to a vacant sale, buying breaks even at about \$191.

MARCH TO JUNE 2027

Close and build

SBA approval, closing, design and fit-out on a fixed price. Move in July 2027.



MERIDIAN
TENANT ADVISORS

Adrian Solberg

Principal
(512) 555-0147 · asolberg@meridian.example

Tessa Lindqvist

Associate, research and analysis
(512) 555-0162 · tlindqvist@meridian.example

Meridian represents tenants and buyers only.

18

SOURCES

103 sources, numbered as cited.

1. **Cushman & Wakefield**, [MarketBeat Austin Office Q2 2026](#), Jul 2026 (Q2 2026 report).

2. **Avison Young**, [Austin Office market snapshot | Q1 2026](#), Apr 2026.

3. **JLL**, [Austin Office Market Dynamics, Office | Q2 2026](#), Jul 2026 (Q2 2026 report).

4. **Commercial Property Executive**, [Austin Office Pipeline Outpaces Peers \(Yardi Matrix data\)](#), Sep 29, 2026.

5. **CBRE**, [Austin Office Figures - Q2 2026](#), Jul 9, 2026.

6. **Partners Real Estate**, [Austin Office | Q2 2026 | Quarterly Market Report \(web page and PDF\)](#), Aug 18, 2026.

7. **CRE Daily**, [Austin Office Job Growth Surges as Vacancy Stays High](#), Jun 17, 2026.

8. **Newmark**, [Market Overview: Austin Office 2Q26](#), Jul 2026 (Q2 2026 report).

9. **The Real Deal**, [What to Expect in The Austin Office Market For 2026](#), Jan 19, 2026.

10. **Partners Real Estate**, [Austin Office | Q1 2026 | Quarterly Market Report](#), Apr 21, 2026.

11. **Four Points News**, [Former 3M site will continue to be R&D site, not a data center](#), Apr 30, 2026.

12. **CRE Daily**, [Austin Office Sublease Glut Eases as Big Blocks Linger](#), May 7, 2026.

13. **Partners Real Estate**, [Austin Office Q2 2025 Quarterly Market Report](#), Jul 2025.

14. **Partners Real Estate**, [Austin Office | Q4 2025 | Quarterly Market Report](#), Jan 16, 2026.

15. **Community Impact**, [Waterline, Texas' new tallest tower, tops out in Austin](#), Jul 31, 2025.

16. **Bisnow**, [Austin's Office Slump Is Fueling Mixed-Use Projects](#), Sep 30, 2026.

17. **CommercialCafe**, [Austin Office Rent Price & Sales Report \(Yardi Research\)](#), Jan 2026 (2025 data).

18. **Green Street**, [Commercial Property Plods Along \(Commercial Property Price Index press release\)](#), May 6, 2026.
19. **ECR (Equitable Commercial Realty)**, [Austin CRE Market Update - April 2026](#), May 14, 2026.

20. **JLL Newsroom**, [Central Austin office property sold to The City of Austin for \\$26M](#), May 14, 2025.

21. **The Real Deal**, [Round Rock School District Pays \\$38M for Austin-Area Office](#), Apr 3, 2025.

22. **The Real Deal**, [Travis County Hospital District Buys North Austin Office](#), Dec 29, 2025.

23. **U.S. SEC (EDGAR)**, [Artivion Inc. Exhibit 10.1, Real Estate Purchase and Sale Contract, 1300 E. Anderson Lane](#), Sep 26, 2025 (contract).

24. **Commercial Property Executive**, [Hines Pays \\$151M for Austin Asset](#), Jul 14, 2026.

25. **Commercial Property Executive**, [Cousins Properties Sells Austin Office Asset for \\$208M](#), Jul 31, 2026.

26. **Commercial Property Executive**, [KBS Sells Austin Office Tower](#), Sep 2026.

27. **Connect CRE**, [KBS Sells 26-Story Austin Office Tower](#), Sep 24, 2026.

28. **Hoodline**, [Private Austin Investor Buys 823 Congress Office Tower](#), May 27, 2026.

29. **Four Points News**, [SB Energy purchases former 3M campus at River Place Blvd.](#), Mar 31, 2026.

30. **CBRE**, [Austin Office Figures - Q1 2026](#), Apr 9, 2026.

31. **Hoodline**, [PNC Moves Austin Headquarters To ATX Tower With Crown Signage](#), Apr 2026.

32. **Apollo Global Management**, [Apollo Selects Austin for Strategic Hub for Talent, Innovation and Long-Term Growth](#), Aug 3, 2026.

33. **Board of Governors of the Federal Reserve System**, [Federal Reserve issues FOMC statement \(September 16, 2026\)](#), Sep 16, 2026.

34. **Board of Governors of the Federal Reserve System**, [H.15 Selected Interest Rates \(Daily\)](#), October 2, 2026, Oct 2, 2026.

35. **Commercial Property Executive**, [Sale-Leaseback or Commercial Loan: Which Path Works Best in 2026?](#), Jun 3, 2026.
36. **City of Austin**, [Austin City Council Approves \\$6.6 Billion Budget for Fiscal Year 2026-2027](#), Aug 12, 2026.

37. **City of Austin**, [Austin City Council Approves Amended Fiscal Year 2025-2026 Budget](#), Nov 20, 2025.

38. **KUT**, [Travis County set to decide if Central Health can raise taxes to support mental health initiatives](#), Sep 14, 2026.

39. **Travis County**, [Notice of Public Hearing and Vote on Tax Increase \(Travis County Healthcare District / Central Health, 2026\)](#), Aug 2026.

40. **U.S. Bureau of Labor Statistics**, [Austin-Round Rock-San Marcos, TX Economy at a Glance](#), Sep 2026 (Aug 2026 data, preliminary).

41. **Opportunity Austin (Austin Chamber)**, [Relocations & Expansions](#), accessed Oct 5, 2026.

42. **U.S. Census Bureau**, [Slow Growth Impacts Nation's Largest Counties Hardest \(Vintage 2025 estimates\)](#), Mar 26, 2026.

43. **The Boulder Group**, [Net Lease Market Report Q2 2026](#), Jul 2026.

44. **Commercial Property Executive**, [2026 Office Net Lease Sales Volume and Cap Rates \(Northmarq / RCA data\)](#), Jul 24, 2026.

45. **CBRE**, [Net-Lease Investment Volume Rises in Q2 2026, Extending Broad Market Momentum](#), Aug 13, 2026.

46. **REBusinessOnline**, [Lee & Associates' Q2 Report: Office, Retail Markets Gain Momentum...](#), Aug 6, 2026.

47. **Stock Titan (summary of SEC 8-K)**, [AORT 8-K Filings - Artivion, Inc.](#), Sep 29, 2025.

48. **Hoodline**, [ACC Buys \\$130.5M Site Near Austin Airport For Infrastructure Academy](#), Apr 2026.

49. **City of Round Rock**, [City Property Taxes](#), accessed Oct 5, 2026.

50. **CitizenPortal.ai**, [Round Rock ISD sets 2025 tax rate, approves tax-anticipation note and board nominations](#), Sep 18, 2025.

51. **Williamson County**, [Williamson County Approves FY25-26 Budget and Sets Tax Rate](#), Sep 4, 2025.

52. **OpenStreetMap Foundation**, [Nominatim geocoding search API \(OpenStreetMap data\)](#), accessed Oct 5, 2026.

53. **NAI Excel**, [Outlook 2026 Commercial Real Estate Market Report, Austin \(Vol. 37\)](#), Feb 2026.

54. **AQUILA Commercial**, [How Much Does It Cost to Lease Office Space in Austin, Texas?](#), Aug 20, 2026.

55. **eCFR (National Archives)**, [13 CFR 120.131 Leasing part of new construction or existing building to another business](#), current as of Oct 5, 2026.

56. **Cushman & Wakefield**, [Office Fit Out Cost Guide Americas 2026](#), Mar 2026.

57. **Cushman & Wakefield**, [Office Fit-Out Costs Across the Americas Rise 5.5%... \(2026 Cost Guide press release\)](#), Mar 26, 2026.

58. **U.S. General Services Administration**, [GSA announces public sale by auction of office condominium in Austin](#), Mar 21, 2025.

59. **U.S. General Services Administration**, [GSA Sells \\$3.49M Office Condominium in Austin](#), Jul 28, 2025.

60. **Hoodline**, [Artivion Buys Austin Manufacturing Campus for \\$20.3M](#), Mar 2026.

61. **Coy Davidson (blog)**, [Texas Office Market Snapshot - Q2 2026](#), Jul 20, 2026.

62. **Community Impact**, [Austin City Council OKs \\$26M office purchase](#), Apr 25, 2025.

63. **CommercialCafe**, [Austin, TX Office Buildings for Sale \(listing page\)](#), accessed Oct 5, 2026.

64. **MetroTex Association of Realtors**, [Fact or Fiction: Must I Report Sales Prices to the MLS?](#), May 30, 2023.

65. **AQUILA Commercial**, [2025 Recap: 5 Largest Office Building Sales in Austin, Texas](#), Jan 9, 2026.

66. **Commercial Property Executive**, [CRE Transactions in the Southwest \(Week of September 28 / October 5, 2026\)](#), Oct 2026.

67. **SomerCor (CDC)**, [September 2026 SBA 504 Interest Rates](#), Sep 10, 2026.

68. **Growth Corp (CDC)**, [SBA 504 Rate Pricing](#), Sep 2026.

69. **Select Commercial Funding**, [Commercial Mortgage Rates Start at 6.40%, October 5, 2026](#), Oct 5, 2026.

70. **U.S. Small Business Administration**, [7\(a\) loans](#), accessed Oct 5, 2026.

71. **Commercial Loan Direct**, [Commercial Loan Rates & Key Mortgage Indexes](#), Oct 5, 2026.

72. **Federal Reserve Bank of St. Louis (FRED)**, [10-Year Treasury Constant Maturity Rate \(DGS10\)](#), Oct 2, 2026.

73. **Austin ISD**, [Taxpayer Impact Statement, Tax Year 2026](#), Sep 2026.

74. **Travis County**, [Fiscal Year 2026 - Tax Year 2025 Travis County Taxpayer Impact Statement](#), 2025.

75. **Travis County**, [Notice of Public Hearing on Tax Increase \(Travis County, 2026\)](#), Sep 4, 2026.

76. **Austin Community College**, [ACC Approves New Property Tax Rate For FY25-26](#), Sep 16, 2025.

77. **Austin Current**, [Austin property tax rates rise, but some bills may fall](#), Oct 5, 2026.

78. **Capital CDC**, [SBA 504 Loans](#), accessed Oct 5, 2026.

79. **eCFR (National Archives)**, [13 CFR Part 120 Subpart H, Development Company Loan Program \(504\)](#), incl. 120.801, current as of Oct 5, 2026.

80. **U.S. Small Business Administration**, [504 loans](#), accessed Oct 5, 2026.

81. **Board of Governors of the Federal Reserve System**, [July 2026 Senior Loan Officer Opinion Survey on Bank Lending Practices](#), Aug 3, 2026.

82. **O'Connor & Associates**, [Travis County Taxable Value Increased by \\$17.26 Billion in 2026](#), Apr 10, 2026.

83. **O'Connor & Associates**, [Successful ARB Hearings Improve 2025 Travis County Property Tax Appeal Results](#), Oct 6, 2025.

84. **Austin Community College**, [ACC District & Service Area](#), accessed Oct 5, 2026.

85. **IRS**, [Publication 946 \(2025\), How To Depreciate Property](#), 2025 edition.

86. **IRS**, [Treasury, IRS issue guidance on the additional first year depreciation deduction amended as part of the One, Big, Beautiful Bill \(IR-2026-06, Notice 2026-11\)](#), Jan 14, 2026.

87. **PwC**, [OB3 provides bonus depreciation, qualified production property](#), 2025.

88. **IRS**, [Cost Segregation Audit Techniques Guide \(Publication 5653\)](#), Feb 2025 revision.

89. **Plante Moran**, [OB3B boosts U.S. manufacturing through new qualified production property deduction](#), Nov 2025.

90. **Current Federal Tax Developments**, [2026 Inflation Adjustments for Tax Professionals: Revenue Procedure 2025-32 Analysis](#), Oct 9, 2025.

91. **Marsh**, [US Insurance Rates \(Global Insurance Market Index, Q2 2026\)](#), Jul 2026.

92. **Insurance Journal**, [Q2 Global Commercial Insurance Rates Keep Dropping, Except for US Casualty](#), Jul 23, 2026.

93. **SLB Capital Advisors**, [Sale Leaseback Transactions: Frequently Asked Questions](#), updated May 11, 2026.

94. **ECR (Equitable Commercial Realty)**, [Austin Commercial Real Estate Market Report \(Office, Q2 2026\)](#), Jul 22, 2026.

95. **CBRE**, [U.S. Cap Rate Survey H1 2026](#), Aug 12, 2026.

96. **Commercial Property Executive**, [Sale-Leaseback Deals Slide, Even as STNL Investment Grows \(Newmark data\)](#), Sep 21, 2026.

97. **W. P. Carey (SEC EDGAR)**, [W. P. Carey 4Q25 Investor Presentation](#), Feb 2026.

98. **IRS**, [Like-kind exchanges - real estate tax tips](#), accessed Oct 5, 2026.

99. **IRS**, [Instructions for Form 8824 \(2025\)](#), 2025.

100. **Travis Central Appraisal District**, [2026 Market Values On Their Way To Travis County Property Owners](#), Mar 25, 2026.

101. **CBRE**, [Office Building Owners Offering Fewer Concessions to Tenants](#), Mar 6, 2025.

102. **CBRE**, [Growth of Office Effective Rents Limited by Record-High Concessions](#), Dec 20, 2023.

103. **Texas Comptroller of Public Accounts**, [Franchise Tax](#), accessed Oct 5, 2026.

Figures are as published by each source for the period shown; brokerages define inventory and submarkets differently. Map reference points from OpenStreetMap. Market data current to October 5, 2026.

DOWNLOAD THE MODEL (.XLSX)

20 / 20

MERIDIAN TENANT ADVISORS

·

MARKET RESEARCH

Sample deliverable: the client, broker and building are fictional. Market figures are published data, cited on each page.