MARKETBEAT

Austin

Industrial Q2 2019

CUSHMAN & WAKEFIELD

AUSTIN INDUSTRIAL

Economic Indicators

	Q2 2018	Q2 2019	12-Month Forecast
Austin Employment	1,066k	1,085k	▲
Austin Unemployment	3.0%	3.0%	▼
U.S. Unemployment	3.9%	3.6%	▼

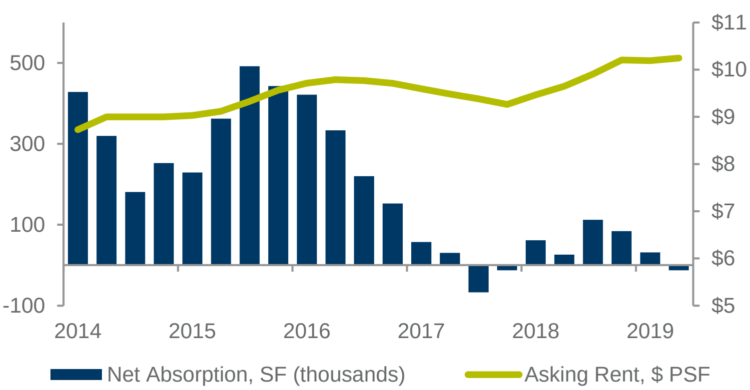
Market Indicators (Overall, All Classes)

	Q2 2018	Q2 2019	12-Month Forecast
Vacancy	7.3%	8.0%	▲
Net Absorption (sf)	-7k	-185k	▲
Under Construction (sf)	1.8M	1.2M	▼
Average Asking Rent*	$9.94	$10.16	▼

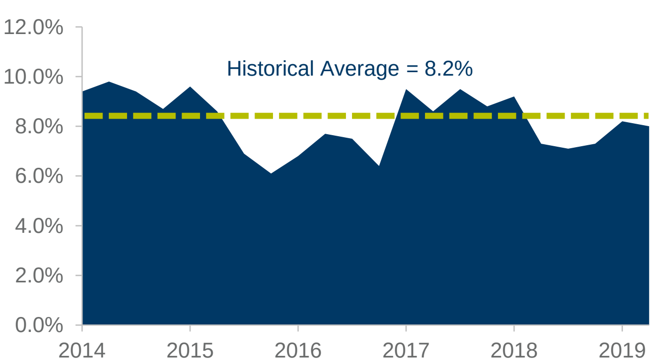
*Rental rates reflect net asking $psf/year

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

As the first half of 2019 came to a close, the Austin economy continued to perform as one of the strongest in the country. At 3.0%, the local unemployment rate remains near record lows as compared to the United States' rate of 3.6%. Additionally, the U.S. Bureau of Labor Statistics reports the city added approximately 19,000 jobs over the last 12 months. While the high-tech industry continues to be the significant driver of this explosive growth, a diversified and well-educated employment base has sustained the city's economic stability.

Market Overview

The Austin industrial market remained healthy to close out the second quarter of 2019. Leasing activity kept up a strong pace throughout the city while vacancy rates remained relatively steady at 8.0% for all product types. Approximately 850,000 square feet (sf) of new industrial product was delivered during the quarter, including Heatherwilde 45, which saw more 250,000 sf delivered in that project alone in the Northeast submarket. Absorption levels were tempered as some large move-outs contributed to the overall negative absorption figures. In particular, Southpark Commerce Center III, located in the Southeast submarket, recorded 203,000 sf of negative absorption during the quarter.

The average net rental rate for all property types for Q2 2019 was $10.16 per square foot (psf). Warehouse/Distribution rates increased by $.28 to $7.84, bolstered by new construction product hitting the market. Office service (flex) property types continued to perform well as a "value office" option, increasing to $12.98 psf citywide.

A record amount of inventory was added to the market in Q2 2019 as developers worked to keep pace with the fastest growing city in the nation. That brought the 2019 citywide delivery total to 1.5 million square feet (msf). Another 1.2 msf of product is currently under construction, much of which is located within the ever-growing Southeast submarket.

Outlook

Population growth continues to be a main driver in Austin's industrial sector, increasing demand for both warehouse/distribution and flex space. With overall vacancy rates at a healthy level and rental rates stable, the Austin industrial market will more than likely continue to trend in a positive direction.

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SUBMARKET	INVENTORY	OVERALL VACANCY RATE	YTD NET OVERALL ABSORPTION*	UNDER CNSTR	DIRECT WEIGHTED AVG. NET RENT** (MF)	DIRECT WEIGHTED AVG. NET RENT** (OS)	DIRECT WEIGHTED AVG. NET RENT** (W/D)
Far Northwest	1,929,328	22.0%	-62,582	260,040	N/A	$14.78	$9.41
North Central	7,119,270	7.2%	-64,155	0	$8.81	$12.81	$8.80
Northeast	10,789,968	7.4%	35,895	0	N/A	$11.52	$9.58
South Central	1,584,438	10.9%	29,761	0	N/A	$16.03	$7.17
Southeast	11,849,283	8.1%	-279,125	979,572	N/A	$12.17	$8.34
Southwest	360,057	6.6%	2,332	0	N/A	$15.24	$13.55
Round Rock	9,205,089	5.2%	31,257	0	N/A	$11.83	$8.30
AUSTIN TOTALS	42,837,433	8.0%	-306,617	1,239,612	$8.81	$12.98	$7.84

*Revised numbers, national reports may differ
**Rental rates reflect asking $psf/year

MF = Manufacturing OS = Office Service/Flex W/D = Warehouse/Distribution

Key Lease Transactions Q2 2019

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
6800 Metropolis Drive	129,600	KIPP Texas	New	Southeast
7900 E. Riverside Drive	99,925	OES Equipment	New	Southeast
Hwy 183 & Burleson Road	85,000	FedEx	New	Southeast
1309 Rutherford Lane	61,440	Goodwill	New	Northeast

Key Sales Transactions Q2 2019

PROPERTY	SF	SELLER/BUYER	PRICE / $PSF	SUBMARKET
Promontory Point	183,183	DRA Advisors / Boyd Watterson Asset Mgmt	$29,000,000 / $158.00	Northeast
5214 Burleson Road	93,750	Savills / Capital Investment Network	$12,187,494 / $130.00	Southeast
Wall Street Business Park	70,000	Savills / Capital Investment Network	$9,100,006 / $130.00	Northeast

Cushman & Wakefield
200 W Cesar Chavez St
Suite 250
Austin, TX 78701
cushmanwakefield.com

For more information, contact:
Jeff Graves
Market Director, Research
Tel: +1 512 474 2400
jeff.graves@cushwake.com

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