

AUSTIN INDUSTRIAL

Economic Indicators

| | Q3 2018 | Q3 2019 | 12-Month Forecast |
|---------------------|---------|---------|-------------------|
| Austin Employment | 1,076k | 1,100k | ▲ |
| Austin Unemployment | 2.9% | 2.6% | ▼ |
| U.S. Unemployment | 3.8% | 3.7% | ▲ |

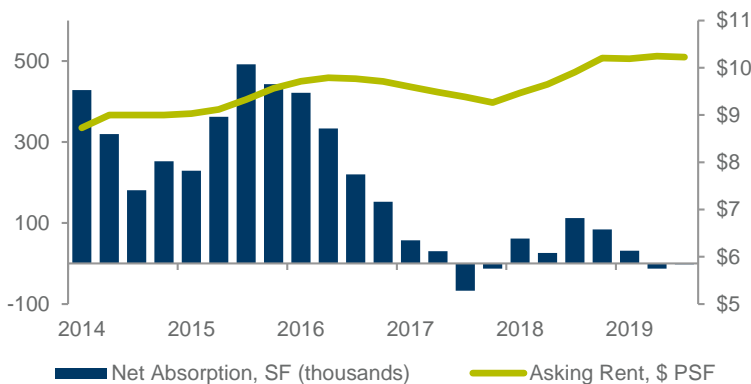
Market Indicators (Overall, All Classes)

| | Q3 2018 | Q3 2019 | 12-Month Forecast |
|-------------------------|---------|---------|-------------------|
| Vacancy | 7.1% | 7.7% | ▲ |
| Net Absorption (sf) | 33k | 76k | ▲ |
| Under Construction (sf) | 2.1M | 1.5M | ▼ |
| Average Asking Rent* | \$10.37 | \$10.28 | ▼ |

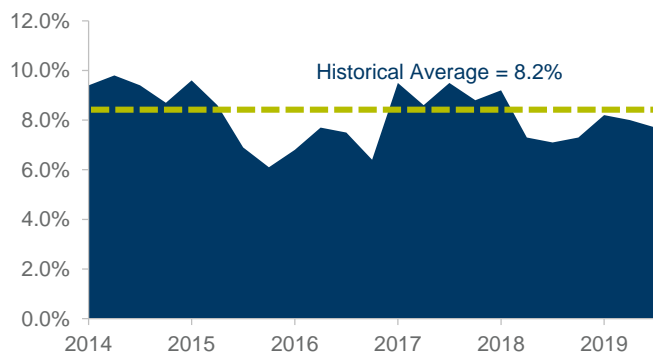
*Rental rates reflect net asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

Austin’s economy continued to grow robustly as Q3 2019 came to a close. The city’s unemployment rate of 2.6% remained significantly lower than both the national average of 3.7% and state average of 3.4%. Local job growth continued to flourish with the Austin metro adding more than 24,000 jobs over the past 12 months, ending Q3 2019. While high-tech and creative industries continued to be the driving force behind this economic expansion, growth in other sectors, including financial, legal, medical, hospitality, and governmental service lines, helped bolster an already strong local economy.

Market Overview

Shiny new developments continue to define the Austin industrial market. Inventory levels have risen sharply as over 3.1 million square feet (msf) of new industrial product hit the market in 2018 and 2019. Couple this with the 1.5 msf of space currently under construction, much of which remains unleased, and Austin appears to have ample supply of industrial product to serve the market for the immediate future. Q3 2019 did see a return to positive absorption levels, as the Austin market recorded just under 76,000 square feet (sf) of net absorption within the quarter.

Vacancy rates for all industrial product types remained low however, with an overall rate of 7.7%, down 30 basis points from the 8.0% rate recorded in Q2 2019. New higher priced product pushed rental rates slightly upward. The average net rental rate for all property types for Q3 2019 was \$10.28 per square foot (psf), which was up 1.2% from the previous quarter. Office service (flex) property types continued to perform strongly, with an overall average rental rate of \$13.04 psf. This property type has consistently mirrored Austin’s red-hot office market, as traditional office users look for “value” office alternatives.

Outlook

Although there are obvious concerns with the U.S. economy and rumblings of a possible recession, Austin’s diversified economy appears poised to withstand a downturn better than most cities and confidence in the Texas capital remains strong. A recent report by the Urban Land Institute ranked Austin the top city for real estate prospects for 2020. However, with new industrial supply likely to outpace current demand, vacancy levels are likely to increase until this newly delivered space is slowly absorbed.

MARKETBEAT

Austin

Industrial Q3 2019



| 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 | 9.9% | -69,911 | 144,010 | N/A | \$14.18 | \$9.54 |
| North Central | 7,119,270 | 6.4% | -113,925 | 0 | \$9.10 | \$12.78 | \$8.76 |
| Northeast | 10,789,968 | 7.8% | 39,970 | 0 | N/A | \$11.63 | \$9.55 |
| South Central | 1,584,438 | 7.7% | 29,914 | 0 | N/A | \$15.87 | \$7.17 |
| Southeast | 11,921,283 | 7.3% | -55,003 | 1,133,252 | N/A | \$12.24 | \$8.38 |
| Southwest | 360,057 | 5.3% | 4,634 | 0 | N/A | \$15.31 | \$13.46 |
| Round Rock | 9,205,089 | 7.5% | -66,620 | 172,795 | N/A | \$11.77 | \$8.35 |
| AUSTIN TOTALS | 42,909,433 | 7.7% | -230,941 | 1,450,057 | \$9.10 | \$13.04 | \$7.88 |

*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 Q3 2019

| PROPERTY | SF | TENANT | TRANSACTION TYPE | SUBMARKET |
|---------------------------|--------|-------------------------|------------------|------------|
| 4616 W. Howard Lane | 54,408 | Western Industries Corp | New | Round Rock |
| 900 E. Old Settlers Blvd. | 52,866 | Undisclosed | New | Round Rock |
| 201 W. Howard Lane | 50,000 | State of Texas | New | Northeast |
| 980 South Loop 4 | 30,000 | Dynamic Glass | New | Southeast |

Key Sales Transactions Q3 2019

| PROPERTY | SF | SELLER/BUYER | PRICE / \$PSF | SUBMARKET |
|------------------------|---------|--|---|------------|
| 905 W. Howard Lane | 226,076 | Grupo Haddad / Stream Realty | Undisclosed | Northeast |
| 101 Chisholm Trail | 200,411 | Link Industrial Properties / Lineage Master RE | Undisclosed | Round Rock |
| 2120 Grand Avenue Pkwy | 171,589 | GLP / The Blackstone Group | Undisclosed *Part of Bulk Portfolio Sale | Round Rock |

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