

YoY Chg 12-Mo. Forecast

7.5%

Vacancy Rate



432K

Net Absorption, SF



\$10.25

Asking Rent, PSF



Overall, Net Asking Rent

ECONOMIC INDICATORS Q4 2019

YoY Chg 12-Mo. Forecast

1,105k

Austin Employment



2.5%

Austin Unemployment Rate



3.6%

U.S. Unemployment Rate



Source: BLS

ECONOMIC OVERVIEW: Growth fundamentals remain strong

The Austin market wrapped up 2019 and the decade much like it began – with job growth outpacing national averages and an unemployment rate that remains one of the lowest in the country at 2.5%, more than 100 basis points below the national average of 3.6%. The tech industry continues to be the primary driver of Austin’s economy. Expansion of Fortune 500 companies including Facebook, Google, Amazon and others remained prevalent in 2019. This growth has fueled the city’s secondary and tertiary industries as well, further boosting Austin’s economic fortunes. Furthermore, Austin remains one of the fastest growing metros in the country over the past decade and that trend is likely to continue as more and more companies move to or expand their operations in the Texas capital.

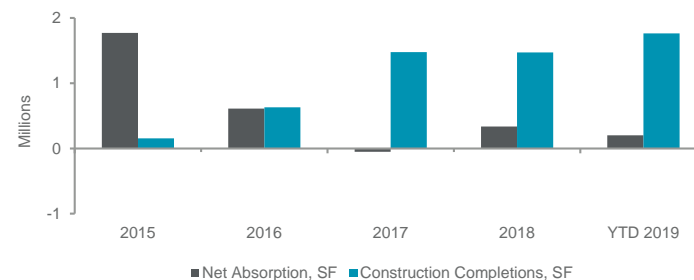
SUPPLY AND DEMAND: Construction Activity And Absorption Levels Up

The Austin industrial market closed out 2019 on a high note, recording nearly 432,000 square feet (sf) of positive absorption in Q4 2019. This helped push the year-to-date net absorption levels into positive territory with approximately 201,000 sf of absorption. Developers continue to add more supply to the market as more than 1.7 million square feet (msf) of new space was delivered in 2019 with another 1.9 msf currently under construction. Despite the influx of new product, vacancy rates for all industrial types remain healthy. The citywide vacancy rate for all product types decreased slightly from the previous quarter coming in at 7.5% for Q4 2019. Warehouse vacancy rose slightly to 8.2%, while office service (flex) product dipped 180 basis points from the previous quarter to 6.4%.

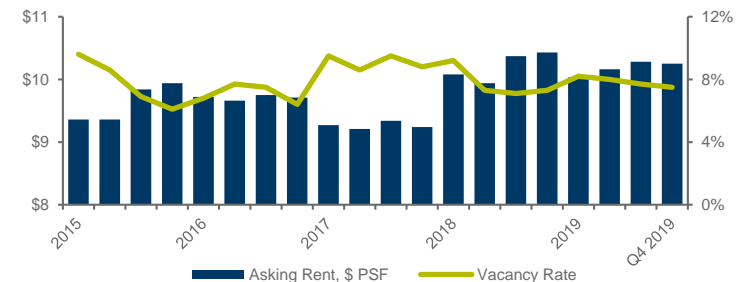
PRICING: Asking Rents Remain Stable

With an abundance of new supply available and leasing activity keeping the market mostly in balance, rental rates have remained steady. The average net rental rate for all property types for Q4 2019 was \$10.24 per square foot (psf). Warehouse/Distribution rates decreased slightly to \$7.80 psf, while office service (flex) properties continue to outperform other industrial types, with an overall average rental rate of \$13.12 psf. Its likely Austin will never compare with major industrial hubs such as Houston or Dallas, but as the city continues to prosper and major projects like Amazon’s 3.8 msf state-of-the-art distribution center in Pflugerville are announced, all signs seem to point to continued growth for Austin’s industrial market.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	OVERALL VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	CONSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG NET RENT (MF)	OVERALL WEIGHTED AVG NET RENT (OS)	OVERALL WEIGHTED AVG NET RENT (W/D)
Far Northwest	1,949,588	287,400	14.7%	6,038	-63,873	0	20,260	N/A	\$14.08	\$9.54
North Central	7,119,270	484,948	6.8%	93,588	-20,337	0	0	\$9.59	\$12.83	\$8.76
Northeast	10,789,968	771,275	7.1%	3,442	43,412	0	0	N/A	\$11.55	\$9.55
South Central	1,584,438	144,594	9.1%	48,634	78,548	0	0	N/A	\$15.78	\$7.17
Southeast	12,061,363	941,858	7.8%	111,155	56,152	1,038,513	140,080	N/A	\$12.14	\$8.38
Southwest	360,057	11,800	3.3%	-8,392	-3,758	948,915	0	N/A	\$15.33	\$13.46
Round Rock	9,205,089	598,980	6.5%	177,351	110,731	0	0	N/A	\$11.48	\$8.35
AUSTIN TOTALS	43,069,773	3,240,855	7.5%	431,816	200,875	1,987,428	160,340	\$9.59	\$13.12	\$7.80

*Rental rates reflect weighted net asking \$psf/year

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

KEY LEASE TRANSACTIONS YTD 2019

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
6800 Metropolis Drive	Southeast	KIPP Texas	129,600	New
2301 E. Saint Elmo Road	Southeast	Four Hands Furniture	119,100	New
7900 E. Riverside Drive	Southeast	OES Equipment	99,925	New
15855 Long Vista Drive	Round Rock	Western Pacific	86,700	Sublease
Hwy 183 & Burleson Road	Southeast	FedEx	85,000	New

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS YTD 2019

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
Springbrook Corporate Center	Southeast	Transwestern / Hillwood Development	502,800	Undisclosed
Southpark Commerce Center V	Northeast	Ivanhoe Cambridge / Oxford Properties	350,171	Undisclosed
905 W. Howard Lane	Northeast	Grupo Haddad / Stream Realty	226,076	Undisclosed

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KEY CONSTRUCTION COMPLETIONS YTD 2019

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
Park 35	Southeast	N/A	305,768	Exeter Property Group
Heatherwilde 45	Northeast	N/A	263,674	Live Oak Real Estate Development

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