

YoY Chg 12-Mo. Forecast

**7.5%**  
Vacancy Rate

**82K**  
Net Absorption, SF

**\$10.42**  
Asking Rent, PSF

Overall, Net Asking Rent

**ECONOMIC INDICATORS Q2 2020**

YoY Chg 12-Mo. Forecast

**1,015k**  
Austin Employment

**12.1%**  
Austin Unemployment Rate

**13.0%**  
U.S. Unemployment Rate

Source: BLS

**ECONOMIC OVERVIEW: Unemployment and Layoffs Disrupt Austin's Decade Long Expansion**

Prior to the COVID-19 pandemic, Austin's job growth was the 6th best in the country, increasing 2.5% between March 2019 and March 2020. However, like most of the country, job losses have mounted as mandated quarantines forced many Austin businesses to shutter. The local unemployment rate, which was 2.5% in February of this year, climbed to 3.4% in March, and closed Q2 2020 at 12.1%, which significantly outpaced the previous high of 7.8% recorded in June 2009 during the Great Recession. The COVID-19 pandemic struck the U.S. in March 2020, late in the quarter but with enough time to have a significant impact on first quarter market fundamentals. In the second quarter of 2020, the U.S. economy felt its effects more fully, as government-mandated shutdowns along with shelter-in-place ordinances pushed the country deeper into recession. The situation remains very fluid. Access the most recent information specific to COVID [here](#).

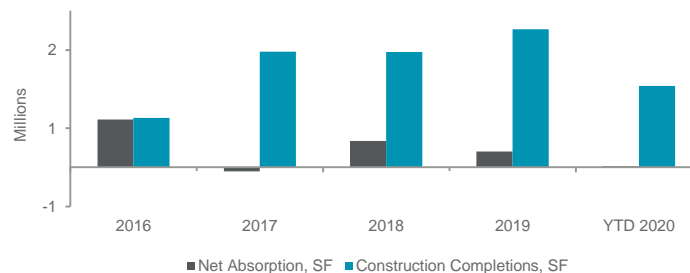
**SUPPLY AND DEMAND: eCommerce Demand Bouys a Precarious Industrial Market**

Strong demand from the eCommerce sector fueled leasing activity during Q2 2020. A handful of deals, particularly by eCommerce giant Amazon, helped bolster demand for distribution space in the Austin market. Conversely, the generally solid flex-office sector took a hit, as the pandemic has taken its toll on many small businesses and led to a decline in the need for flex and value-office space. Absorption levels for the quarter remained flat, recording just over 82,000 square feet (sf) of positive absorption in Q2 2020. This helped push the year-to-date net absorption levels into positive territory with approximately 16,000 sf of positive absorption. Despite the uncertainty of the near-term Austin economy, developers continue to add more supply to the market, with approximately 1.3 million square feet (msf) currently under construction, the majority of which is warehouse/distribution space.

**PRICING: Asking Rents Remain Stable, but Uncertainty Ahead**

Although demand has lessened, landlords have generally kept rental rates flat, even as newer, high-end industrial product pushed overall rental rates upward. The average net rental rate for all property types for Q2 2020 was \$10.42 per square foot (psf). Warehouse/Distribution rates increased \$0.66 from the previous quarter to \$8.33 psf, while office service (flex) properties continued to outperform other industrial types, with an overall average rental rate of \$13.81 psf. With the pandemic continuing to disrupt Austin's once red-hot economy and the possibility that housing construction could slow considerably for the first time in over a decade, overall industrial demand is expected to decline, possibly leading to asking rate reductions throughout the Austin market.

**SPACE DEMAND / DELIVERIES**



**OVERALL VACANCY & ASKING RENT**



## MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION	YTD OVERALL ABSORPTION (SF)	UNDER CNSTR (SF)	YTD CNSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG NET RENT (OS)	OVERALL WEIGHTED AVG NET RENT (W/D)
Far Northwest	1,949,588	45,465	153,455	14.3%	17,416	23,454	0	0	\$12.24	\$9.44
North Central	6,333,168	69,456	343,370	6.5%	-6,261	66,143	0	0	\$12.65	\$9.90
Northeast	10,789,968	178,468	674,855	7.5%	-153,927	16,313	148,585	0	\$10.68	\$8.44
South Central	1,846,592	7,305	161,995	8.4%	-25,021	-23,412	0	0	\$15.81	\$9.19
Southeast	12,928,476	161,822	777,595	6.8%	253,223	62,490	442,974	867,113	\$13.10	\$7.56
Southwest	542,549	0	13,500	1.9%	13,246	12,163	27,900	0	\$14.04	\$13.46
Round Rock	9,377,884	51,355	640,061	8.4%	-16,479	-141,352	707,480	172,795	\$12.38	\$7.28
<b>AUSTIN TOTALS</b>	<b>43,768,225</b>	<b>513,871</b>	<b>2,764,831</b>	<b>7.5%</b>	<b>82,197</b>	<b>15,799</b>	<b>1,326,869</b>	<b>1,039,908</b>	<b>\$13.81</b>	<b>\$8.33</b>

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

## KEY LEASE TRANSACTIONS Q2 2020

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
Chisholm Trail Trade Center	Round Rock	Amazon	441,520	New
9500 Metric Lane	Northeast	Undisclosed	117,000	New
NorthTech 7	Round Rock	Amazon	111,300	Renewal
Heatherwilde & SH 45	Round Rock	Undisclosed	58,583	New

## KEY SALES TRANSACTIONS Q2 2020

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
3910 S. Industrial Blvd	Southeast	Sage Land Company / Stonelake Capital Partners	91,842	Undisclosed
2809 S. Interstate 35	Southeast	John C Lewis / Bircher PGM of Texas, LLC	84,386	Undisclosed
4405 Springdale Road	East	Urban intownhomes Ltd / Alex Y Yu	43,920	Undisclosed

## KEY CONSTRUCTION COMPLETIONS YTD 2020

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
Kyle Crossing	Southeast	Undisclosed	535,113	Majestic Realty
Vista Ridge Building II	Southeast	None	206,000	HPI
Settlers Crossing - Phase II	Round Rock	None	172,795	EastGroup Properties

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