

YoY Chg 12-Mo. Forecast

**7.0%**

Vacancy Rate



**442K**

Net Absorption, SF



**\$10.57**

Asking Rent, PSF



Overall, Net Asking Rent

## ECONOMIC INDICATORS Q3 2020

YoY Chg 12-Mo. Forecast

**1,083k**

Austin Employment



**5.9%**

Austin Unemployment Rate



**8.8%**

U.S. Unemployment Rate



Source: BLS

## ECONOMIC OVERVIEW: Unemployment Remains Elevated, but Optimism Growing

Like most major cities across the globe, Austin continues to deal with disruptions caused by the COVID-19 pandemic. Austin employment fell by nearly 3.5% year-over-year, losing approximately 39,000 jobs since Q3 2019. Despite this decline and the uncertainty surrounding the national economy, expectations for Austin remain upbeat. The local unemployment rate of 5.9%, although high by Austin standards, is significantly lower than both the state and national level, which are 6.8% and 8.8% respectively. Austin's diversified economy of technology, government, education, and healthcare has generally insulated the city from past economic downturns, providing a resiliency not seen in other large cities. Additionally, many believe Austin will benefit in the long run as more and more businesses flee large mega-cities like San Francisco and New York, spurring economic growth in smaller metros, including Austin. In recent months, Tesla announced its intentions to come to Austin and began construction on its largest production facility. This move, along with the continued growth of Austin tech companies like Apple, Google, Facebook, and others prove most remain bullish on Austin's future. Access the most recent information specific to COVID [here](#).

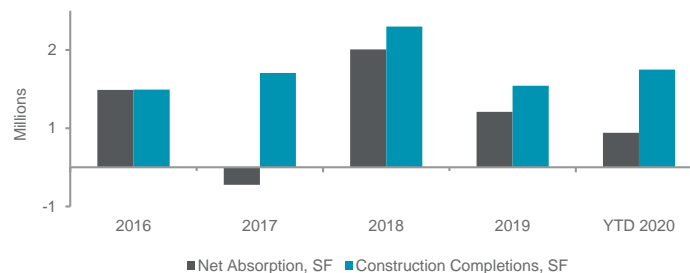
## SUPPLY AND DEMAND: e-commerce and the 'Tesla Effect' Buoy Austin Industrial Market

Continued demand from the e-commerce sector has bolstered leasing activity over the last two quarters. Distribution centers in particular remain a hot commodity. In addition to the large leases signed by e-commerce giant Amazon in the first half of 2020, several other significant leases were signed in Q3, including Lowe's, which leased approximately 119,000 square feet (sf) in the fast-growing Austin suburb of Kyle. Additionally, the construction of Tesla's new \$1 billion Gigafactory in southeast Austin has spurred significant demand of warehouse space as associated vendors of the electric vehicle giant look for space in and around that area. Despite the uncertainty associated with the pandemic, the demand for warehouse/distribution space in Austin appears to be on solid footing.

## PRICING: New Construction Deliveries push Asking Rents Higher

The demand for high-end industrial product has pushed overall rental rates upward. The average net rental rate for all property types for Q3 2020 was \$10.57 per square foot (psf). Warehouse/Distribution continues to be the darling of all product types, increasing to \$9.65 psf. Office service (flex) properties also continue to perform well as vacancy rates remained healthy despite the pandemic. Overall average rental rates of flex product were steady at \$13.78 psf. With the uncertainty of the economy as a whole, overall industrial demand will be monitored closely.

## 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	110,099	11.2%	69,406	92,860	58,800	0	\$12.33	\$9.44
North Central	6,447,370	60,140	300,513	5.6%	-6,164	59,979	0	0	\$12.65	\$9.88
Northeast	11,327,063	171,545	679,355	7.4%	68,532	84,845	3,920,050	78,535	\$10.64	\$8.57
South Central	1,899,078	6,337	164,337	8.0%	-33,040	-56,452	0	0	\$15.81	\$9.17
Southeast	12,300,690	171,862	665,802	7.0%	287,045	349,535	411,226	996,713	\$13.07	\$7.47
Southwest	542,549	0	13,157	2.5%	-5,657	6,506	27,900	0	\$14.04	\$13.46
Round Rock	9,510,022	45,072	660,535	7.1%	61,052	-79,850	1,762,176	172,795	\$12.42	\$7.78
<b>AUSTIN TOTALS</b>	<b>43,976,360</b>	<b>500,421</b>	<b>2,593,798</b>	<b>7.0%</b>	<b>441,624</b>	<b>457,423</b>	<b>6,180,152</b>	<b>1,248,043</b>	<b>\$13.78</b>	<b>\$9.65</b>

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

## KEY LEASE TRANSACTIONS Q3 2020

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
Parmer Sector 8	Northeast	BAE	394,000*	New
710 West Howard	Northeast	Three Way Logistics	130,000	New
4801 Freidrich	Southeast	Omni Logistics	124,000	New
Kyle Crossing	Southeast	Lowe's	120,000	New

\*Consists of both office and R&D space

## KEY SALES TRANSACTIONS Q3 2020

PROPERTY	SUBMARKET	SELLER / BUYER	SF
Southpark Commerce Center V	Southeast	Hillwood / Stockbridge	350,171
5010 Burlleson Road	Southeast	John McCall / PlaceMKR	133,140
21 Strandman Cove	East	Borden Dairy Company / Capital Peak Partners	64,525

## KEY CONSTRUCTION COMPLETIONS YTD 2020

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
Kyle Crossing	Southeast	Lowe's	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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