

YoY Chg 12-Mo. Forecast

5.7%
Vacancy Rate

1.8M
Net Absorption, SF

\$11.03
Asking Rent, PSF

Overall, Net Asking Rent

ECONOMIC INDICATORS Q4 2020

YoY Chg 12-Mo. Forecast

1,115k
Austin Employment

5.6%
Austin Unemployment Rate

6.7%
U.S. Unemployment Rate

Source: BLS

ECONOMIC OVERVIEW: Unemployment Struggles Continue, but Optimism Reigns in Austin

The year 2020 marked a painful year of uncertainty around the globe, and like many other cities, Austin felt the economic effects of the prolonged COVID-19 pandemic. Local employment fell by nearly 1.5% year-over-year, losing approximately 16,000 jobs since Q4 2019. The local unemployment rate remained elevated at 5.6%, and although high by Austin standards, is still lower than both state and national levels of 8.1% and 6.7% respectively. In Texas — and Austin in particular — optimism is high as the “Lone Star State” appears to be the preferred destination for a multitude of corporate relocations and expansions. The year 2020 saw a record influx of companies fleeing other high-priced and overcrowded markets to capitalize on Texas’ tax-friendly and pro-business environment. In addition to Tesla’s high-profile move to Austin, other large companies have announced their plans to go all-in on the Texas capital, including tech giant Oracle, who recently announced they will move their corporate headquarters out of the San Francisco Bay Area and call Austin home. As more businesses make similar moves, new jobs should follow, and despite the pandemic, help drive an economic recovery in Central Texas.

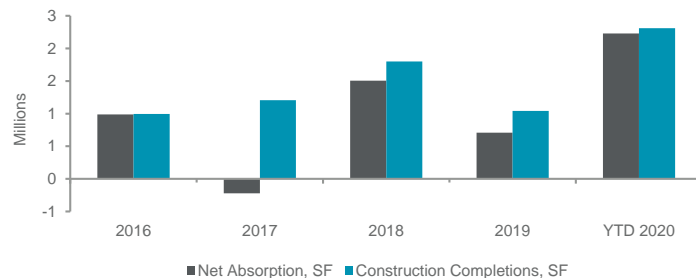
SUPPLY AND DEMAND: E-Commerce Demand Continues to Push Vacancy Levels Lower

As the population has embraced “social distancing” during the COVID-19 pandemic, consumers have begun shopping online in greater numbers. With e-commerce revenues skyrocketing over the past 12 months, an unprecedented demand for warehouse and distribution space has emerged. As is the case in many large metro areas, Amazon continues to gobble up industrial space at a blinding speed. Over the four quarters of 2020, the e-commerce giant leased more than 1 million square feet (msf) in the Austin area alone. This is in addition to their 3.8 msf fulfillment center currently under construction in the northeast Austin suburb of Pflugerville. Additionally, the construction of Tesla’s new \$1 billion Gigafactory in southeast Austin continues to spur demand for space in and around that area.

PRICING: Asking Rents on the Rise as Demand Outpaces Supply

The continued demand for high-end industrial product has overall rental rates trending upward. The average net rental rate for all property types for Q4 2020 was \$11.03 per square foot (psf). Warehouse/Distribution continues to be the darling of all product types, increasing once again to \$9.90 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 increased to \$14.08 psf.

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	0	164,922	8.5%	-31,517	61,343	0	0	\$16.32	\$9.44
North Central	6,447,370	45,140	280,829	5.1%	8,374	68,353	0	0	\$13.57	\$10.93
Northeast	11,327,063	47,612	520,749	5.0%	193,061	277,906	3,870,050	78,535	\$11.70	\$9.26
South Central	1,899,078	1,675	112,750	6.0%	28,629	-27,823	0	0	\$16.04	\$11.20
Southeast	12,300,690	148,061	610,239	6.2%	894,104	1,243,639	411,226	996,713	\$15.19	\$8.23
Southwest	542,549	0	12,857	2.4%	6,300	12,806	0	0	\$18.00	\$12.48
Round Rock	10,571,120	144,272	478,103	5.9%	671,953	592,103	1,187,815	1,183,893	\$15.55	\$7.81
AUSTIN TOTALS	45,037,458	386,760	2,180,449	5.7%	1,770,904	2,228,327	5,469,091	2,259,141	\$14.08	\$9.90

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

KEY LEASE TRANSACTIONS 2020

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
Chisholm Trail Trade Center	Round Rock	Amazon	441,520	New
Parmer Sector 8	Northeast	BAE	394,000*	New
Kyle Crossing	Southeast	Amazon	307,840	New
Kyle Crossing	Southeast	Lowe's	120,000	New

*Consists of both office and R&D space

KEY SALES TRANSACTIONS 2020

PROPERTY	SUBMARKET	SELLER / BUYER	SF
Tuscany Industrial Center	Northeast	Black Creek Group / Prologis	517,000
Hutto Innovation Business Park	Round Rock	Titan Development / St. Clair Capital	359,895
Southpark Commerce Center V	Southeast	Hillwood / Stockbridge	350,171
Pecan 130 Business Park	Northeast	EVS Metal / Birtcher Anderson Realty & Alex Brown Realty	240,000

KEY CONSTRUCTION COMPLETIONS 2020

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
Kyle Crossing	Southeast	Lowe's	535,113	Majestic Realty
Chisholm Trail Trade Center	Round Rock	Amazon	441,520	Transwestern
Hutto Innovation Business Park	Round Rock	None	359,895	St. Clair Capital

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