

ECONOMIC OVERVIEW: Austin economy stable despite interest rate and inflation fears

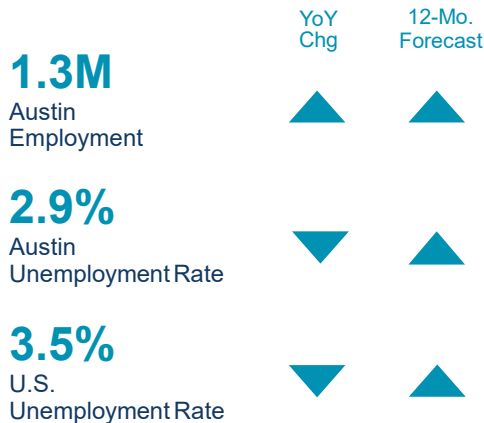
With both interest rates and inflation continuing to rise, the long-run of U.S. economic growth is trending downward. Despite this, Austin is positioned better than most markets to weather an economic storm with a diverse and stable local economy. The Texas capital continues to perform exceptionally well with a solid, growing job market and low unemployment. Austin's unemployment rate declined once again and now sits at 2.9%, lower than both the state and national levels of 4.1% and 3.5% respectively. In addition, the region continues to add new jobs as more businesses make their way to the Austin area.

SUPPLY AND DEMAND: Sustained Industrial demand keep vacancy rates historically low

Austin's sustained population growth continues to strengthen its already red-hot industrial market. Strong demand for industrial space across the region have kept vacancy rates near record lows for all types of industrial product, closing out the third quarter of 2022 with an overall vacancy rate of 3.8%. In particular, demand for quality warehouse and distribution space continues to keep vacancy in that product type low, coming in at 4.0% to close out the third quarter. Industrial flex product has also fared well, with vacancy stabilized at a healthy 3.1%.

As is the case with many major metro areas, the industrial construction pipeline continues to grow across the Austin MSA in order to keep up with pent-up demand. At close of the third quarter, there was approximately 7.5 million square feet of industrial product under construction in the Austin metro area. Areas of significant industrial development include the south I-35 corridor between Austin and San Antonio, as well as the Georgetown/Round Rock region in northern Austin. Each of these areas rank among the fastest-growing population centers in the nation.

ECONOMIC INDICATORS Q3 2022



PRICING: Rental rates continue to move upward as demand remains strong

The sustained demand for industrial space, particularly newer warehouse-distribution product, has asking rates trending upward. The average net rental rate for all property types for Q3 2022 was \$12.76 per square foot (psf), a year-over-year (YOY) increase of 13.5%. Warehouse/Distribution continues to be the most desired of all product types, increasing 9.5% YOY with an average overall rate of \$11.27 psf. Office service (flex) properties also continue to perform well as vacancy rates remained low. Overall average rental rates of flex product finished the third quarter at \$15.72 psf, up 5.9% YOY.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



Source: BLS

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 (WD)
Far Northwest	1,742,406	0	36,697	2.1%	1,650	-2,417	0	0	\$18.09	\$12.00
North Central	6,119,653	24,098	120,234	2.4%	79,980	175,552	0	0	\$18.61	\$10.05
Northeast	11,668,560	0	567,701	4.9%	522,883	762,267	254,197	393,120	\$13.56	\$12.09
South Central	3,102,015	0	288,145	9.3%	-19,710	589,785	1,750,772	1,878,710	\$16.24	\$10.87
Southeast	13,852,953	39,429	447,833	3.5%	27,189	946,376	1,224,874	317,572	\$15.29	\$13.44
Southwest	635,844	15,592	19,483	5.5%	-19,483	-9,962	0	0	\$15.96	\$13.50
Round Rock	10,403,605	8,864	221,361	2.2%	354,332	519,583	4,239,359	984,646	\$13.49	\$9.47
AUSTIN TOTALS	47,525,036	87,983	1,701,454	3.8%	946,841	2,981,184	7,469,202	3,574,048	\$15.72	\$11.27

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

KEY LEASE TRANSACTIONS OF Q3 2022

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
114 Southeast Inner Loop	Round Rock	GAF Energy	450,000	New
Buda Midway	South Central	Four Hands	360,000	New
Crossroads Logistics Center	Northeast	CASS	181,440	New
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KEY SALES TRANSACTIONS OF Q3 2022

PROPERTY	SUBMARKET	SELLER / BUYER	SF
Burleson Commerce Park 7	Southeast	Marbella Interests / GID Investment Advisors	62,500
203 Heritage Grove	Round Rock	Lonestar Tangible Assets / Lewis Investments	38,046
505 East Ben White	South Central	Zydeco Development / Fisch Properties	33,806

KEY CONSTRUCTION COMPLETIONS OF Q3 2022

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
Buda Midway	South Central	Four Hands	474,000	United Properties
Woodgate Corporate Park	Round Rock	Onx Homes	116,624	BlackRidge Capital
Hays Logistics Center	South Central	White Glove Storage	72,942	Cactus Commercial

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