

	YoY Chg	12-Mo. Forecast
<b>4.9%</b> Vacancy Rate	▲	▲
<b>534K</b> Net Absorption, SF	▲	▲
<b>\$12.72</b> Asking Rent, PSF	▲	▬

*Overall, Net Asking Rent*

### ECONOMIC OVERVIEW: Austin employment remains stable despite growing recession fears

With most economists predicting a recession over the next 12 months, the U.S. economy is expected to slow significantly in 2023. As such, many companies have begun to reduce their employee headcount as revenue growth slows. While the downturn in the market is concerning, Austin continues to perform quite well with a diverse, growing job market and sustained low unemployment. Austin's unemployment rate remained stable over the previous quarter at 2.9%, significantly lower than both the state and national levels of 4.0% and 3.7% respectively.

### SUPPLY AND DEMAND: Demand remains elevated but new supply pushes vacancy levels upward

Strong demand for industrial space across the region continued to keep vacancy rates below historical averages, although an abundance of new supply – particularly distribution space – pushed vacancy levels upward 230 basis points from the prior quarter. Q4 2022 closed with an overall vacancy rate of 4.9% for all product types. Warehouse/distribution space vacancy also increased, rising 270 bps to 5.2%. Industrial flex product has continued to fair well, with vacancy stabilized at a healthy 4.1%. Positive net absorption levels continued their strong run in the fourth quarter with approximately 534,000 square feet (sf) of net absorption recorded citywide. Net absorption for the year totaled just over 2.6 million square feet (msf).

### ECONOMIC INDICATORS Q4 2022

	YoY Chg	12-Mo. Forecast
<b>1.3M</b> Austin Employment	▲	▲
<b>2.9%</b> Austin Unemployment Rate	▼	▲
<b>3.7%</b> U.S. Unemployment Rate	▼	▲

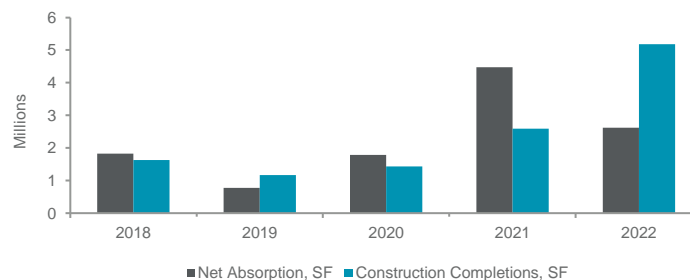
Source: BLS

As is the case with many major metro areas, the industrial construction pipeline continues to grow across the Austin MSA. At close of 2022, there was approximately 9.8 msf of industrial product under construction in the Austin metro area. Areas of significant industrial development include the I-35 corridor in Hays County, 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.

### PRICING: Rental rates remain elevated as demand persists

The sustained demand for industrial space, particularly newer warehouse-distribution product, has kept asking rates elevated. The average net rental rate for all property types for Q4 2022 was \$12.72 per square foot (psf), a year-over-year (YOY) increase of 11.1%. Warehouse/Distribution continues to be the most desired of all product types, climbing by 11.3% YOY with an average overall rate of \$11.39 psf. Office service (flex) properties also continue to perform well as vacancy rates remained low. Overall average rental rates of flex product finished the year at \$16.94 psf, up 9.1% YOY.

### 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)
Cedar Park	749,961	0	0	0.0%	68,068	92,996	0	0	\$18.09	\$12.00
Central	782,891	0	4,578	0.6%	-17,234	-6,427	0	0	\$22.67	\$12.00
East	3,152,598	0	200,497	6.4%	-10,000	5,802	100,134	122,971	\$28.00	\$15.33
Far Northeast	3,581,659	0	65,390	1.8%	35,125	282,516	1,423,700	1,001,160	\$24.00	\$15.70
Far Northwest	529,276	0	0	0.0%	2,950	6,116	0	0	\$16.50	-
Georgetown	4,814,210	24,000	544,029	11.8%	213,483	1,212,323	3,346,726	1,471,418	-	\$10.23
Hays County	4,661,029	0	360,559	7.7%	138,604	413,355	3,317,276	1,375,457	\$10.00	\$10.82
North	10,834,554	22,608	253,129	2.5%	91,722	38,752	0	0	\$15.90	\$12.37
Northeast	5,370,805	27,384	80,438	1.7%	53,006	151,564	0	783,453	\$13.82	\$11.47
Northwest	1,273,869	28,518	1,300	2.3%	-22,607	2,988	0	0	\$18.10	
Round Rock	2,889,068	4,553	18,161	0.8%	24,636	330,437	629,160	266,534	\$13.82	\$14.96
South	1,014,841	0	8,040	0.8%	17,333	1,622	0	0	\$16.81	\$19.78
Southeast	10,440,064	5,000	815,279	7.9%	-60,788	90,001	1,031,020	162,786	\$15.34	\$12.46
<b>AUSTIN TOTALS</b>	<b>50,094,825</b>	<b>112,063</b>	<b>2,351,400</b>	<b>4.9%</b>	<b>534,298</b>	<b>2,622,045</b>	<b>9,848,016</b>	<b>5,183,779</b>	<b>\$16.94</b>	<b>\$11.39</b>

## KEY LEASE TRANSACTIONS 2022

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

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
114 Southeast Inner Loop	Round Rock	GAF Energy	450,000	New
Buda Midway	Hays County	Four Hands	360,000	New
130 Crossing	Far Northeast	Applied Materials	170,000	New

## KEY SALES TRANSACTIONS 2022

PROPERTY	SUBMARKET	SELLER / BUYER	SF
Kyle Crossing	Hays County	Majestic Realty / Washington Capital Mgmt	535,113
Innovation Business Park	Georgetown	Ledo Capital Group / CenterPoint Properties	361,467
Gateway35	Georgetown	Titan Development / Property Reserve	294,297

## KEY CONSTRUCTION COMPLETIONS 2022

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
Buda Midway	Hays County	Four Hands	474,000	United Properties
GTX Logistics Park	Georgetown	None	409,822	Green Point Property
Hays Logistics Center	Hays County	RK Logistics	206,000	Hillwood Development

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