

## Industrial Q1 2023

	YoY Chg	12-Mo. Forecast
<b>7.4%</b> Vacancy Rate	▲	▲
<b>-14K</b> Net Absorption, SF	▼	▲
<b>\$14.02</b> Asking Rent, PSF	▲	▬

*Overall, Net Asking Rent*

### ECONOMIC OVERVIEW: Austin job market remains “hot” despite economic challenges

Economic uncertainty continued to weigh heavily on the U.S. economy in the first quarter of 2023. Additional interest rate hikes, mass layoffs, and several large bank failures added pressure on an already fragile national economy. Despite these concerning events, Austin continued to outperform other large metro areas, ranking 2<sup>nd</sup> nationally as the “hottest job market”, according to a recent study by the Wall Street Journal and Moody’s Analytics. Austin’s unemployment rate remained stable over the previous quarter at 2.9%, lower than both the state and national levels of 4.0% and 3.5%, respectively.

### SUPPLY AND DEMAND: Strong demand remains but new supply pushes vacancy levels higher

An abundance of new supply – particularly distribution space – pushed vacancy levels upward 250 basis points from the prior quarter. The first quarter of 2023 closed with an overall vacancy rate of 7.4% for all product types. Warehouse/distribution space vacancy also increased, rising 260 bps to 7.9%. Industrial flex product continued to fair quite well, with vacancy stabilized at a healthy 6.0%. Although overall absorption for the quarter was mostly flat, its expected to increase significantly in the second quarter of 2023 when many of the large leases signed in 2022 begin to occupy. Despite growing headwinds, demand for industrial space across the region appear strong. Leasing activity remained robust with approximately 683,000 square feet (sf) signed in Q1 2023.

### ECONOMIC INDICATORS Q1 2023

	YoY Chg	12-Mo. Forecast
<b>1.3M</b> Austin Employment	▲	▼
<b>2.9%</b> Austin Unemployment Rate	▼	▼
<b>3.5%</b> U.S. Unemployment Rate	▼	▲

Source: BLS

The industrial construction pipeline for the Austin metro area remains historically high. There was approximately 1.2 million square feet (msf) of industrial product delivered in Q1 2023, with another 10.6 msf under construction throughout the region. 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: Rent growth continues to accelerate

The sustained demand for industrial space and an onslaught of newer warehouse-distribution product, has pushed asking rates to new highs. The average net rental rate for all property types for Q1 2023 was \$14.02 per square foot (psf), a year-over-year (YOY) increase of 9.8%. Warehouse/Distribution continues to be the most desired of all product types, climbing by 11.2% YOY with an average overall rate of \$11.93 psf. Office service (flex) properties also continue to perform well as healthy fundamentals persisted. Overall average rental rates of that product finished the year at \$18.03 psf, up 17.1% 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%	0	0	0	0	\$18.09	\$12.00
Central	782,891	0	5,778	0.7%	0	0	0	0	\$22.67	\$11.83
East	3,128,528	0	221,457	7.1%	-13,498	-13,498	0	184,231	\$28.00	\$15.85
Far Northeast	3,309,157	0	62,390	1.9%	101,184	101,184	1,728,140	0	\$24.00	\$16.00
Far Northwest	529,276	0	0	0.0%	0	0	0	0	\$16.50	\$17.03
Georgetown	5,026,755	0	1,252,135	24.9%	16,358	16,358	2,537,822	651,454	-	\$11.08
Hays County	5,095,547	73,678	630,922	13.8%	106,250	106,250	3,616,754	360,633	\$10.00	\$14.51
North	11,294,932	84,739	472,159	4.8%	-81,436	-81,43	0	0	\$17.04	\$12.26
Northeast	5,385,927	11,184	107,643	2.2%	-10,140	-10,140	329,677	0	\$15.00	\$11.47
Northwest	1,273,869	32,400	37,397	5.5%	-3,108	-3,108	0	0	\$19.48	\$12.14
Round Rock	2,801,381	4,553	30,600	1.3%	-22,570	-22,570	1,172,217	0	\$13.82	\$14.24
South	993,718	0	40,028	4.0%	-33,506	-33,506	0	0	\$18.21	\$20.22
Southeast	10,831,917	32,400	699,506	6.8%	-73,074	-73,074	1,185,460	0	\$15.39	\$12.48
<b>AUSTIN TOTALS</b>	<b>51,203,859</b>	<b>238,954</b>	<b>3,560,015</b>	<b>7.4%</b>	<b>-13,540</b>	<b>-13,540</b>	<b>10,570,070</b>	<b>1,196,318</b>	<b>\$18.03</b>	<b>\$11.93</b>

## KEY LEASE TRANSACTIONS Q1 2023

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

OS = Office Service/Flex W/D = Warehouse/Distribution

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
Park 183	Southeast	Spec's Wine & Spirits	160,327	New
Crystal Park B	Round Rock	3-Way Logistics	130,438	New
Heritage Crossing	North	FGO Logistics	66,255	New

## KEY SALES TRANSACTIONS Q1 2023

PROPERTY	SUBMARKET	SELLER / BUYER	SF
Braker Business Park	North	World Class Capital / MIG Real Estate	545,000
111 Halmar	Georgetown	TOP Equipment / New Star Food Service	150,500
Expo Business Park 1	Southeast	Ford Motor Company / Undisclosed	72,000

## KEY CONSTRUCTION COMPLETIONS Q1 2023

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
Gateway35 2 & 3	Georgetown	None	420,500	Titan Development
Whisper West	Hays County	None	208,387	McDonald Development
Central Austin Business Park 2 & 3	East	Undisclosed	184,231	Majestic Realty

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