

YoY Chg      12-Mo. Forecast

**7.1%**  
Vacancy Rate      ▲      ▲

**934K**  
Net Absorption, SF      ▼      ▲

**\$14.30**  
Asking Rent, PSF      ▲      —

Overall, Net Asking Rent

**ECONOMIC INDICATORS Q2 2023**

YoY Chg      12-Mo. Forecast

**1.3M**  
Austin Employment      ▲      ▲

**3.6%**  
Austin Unemployment Rate      ▲      ▼

**3.6%**  
U.S. Unemployment Rate      —      ▲

Source: BLS

**ECONOMIC OVERVIEW: Despite economic concerns, Austin remains a top growth market**

Economic uncertainty continued to weigh on the U.S. economy as the first half of 2023 came to an end. Interest rate hikes persisted as the Federal Reserve worked to control stubborn inflation leading to stunted job growth at the national level. Despite this, the Austin metro continues to rank among the top high-growth markets in the nation, including #1 nationally for projected job growth through 2027 according to Oxford Economics. Although Austin’s unemployment rate rose 70 basis points (bps) over the previous quarter to 3.6%, the region continues to post positive job growth, adding more than 51,000 jobs over the last 12 months.

**SUPPLY AND DEMAND: Additional supply push vacancy levels higher but demand remains strong**

An abundance of freshly built industrial space pushed vacancy levels upward 100 bps from the prior quarter. The first half of 2023 closed with an overall vacancy rate of 7.1% for all product types. Warehouse/distribution (W/D) space vacancy increased as well, rising 110 bps to 7.4%. Office service (flex) vacancy remained stable at a healthy 5.7%. Overall absorption for the quarter was strong with approximately 934,000 square feet (sf) of positive absorption recorded citywide – pushing the year-to-date (YTD) absorption total to approximately 1.7 million square feet (msf). Despite economic headwinds, demand for industrial space across the region remains strong. Leasing activity tallied approximately 2.4 msf for the quarter, moving YTD leasing totals to 3.8 msf.

The industrial construction pipeline for the Austin metro area continues to expand. There was approximately 2.8 msf of industrial product delivered in Q2 2023, with another 11.8 msf under construction throughout the region. Areas of significant industrial development include the I-35 corridor in Hays County, Southeast Austin, and the Georgetown/Round Rock region in northern Austin. Not surprisingly, each of these areas consistently rank among the fastest-growing population centers in the nation.

**PRICING: Rent growth continues to climb**

The sustained demand for industrial space and an onslaught of newer W/D product, continue to push asking rates upward. The average net rental rate for all property types for Q2 2023 was \$14.30 per square foot (psf), a year-over-year (YOY) increase of 8.1%. W/D continues to be the most desired of all product types, climbing by 7.8% YOY with an average overall rate of \$11.97 psf. Office service properties also performed well as healthy fundamentals remained. Overall average rental rates of that product type finished the quarter at \$18.22 psf, nearly stable 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	1,167,869	113,184	50,000	14.0%	0	-84,921	0	0	\$18.09	\$12.00
Central	1,095,594	0	112,200	10.2%	0	578	0	0	\$24.93	\$16.60
East	4,291,218	12,000	228,757	5.6%	42,800	23,098	0	184,434	\$28.00	\$15.09
Far Northeast	10,277,655	122,484	350,053	4.6%	827,670	1,230,532	1,725,639	648,793	\$15.01	\$15.02
Far Northwest	639,845	0	2,500	0.4%	0	46,920	0	0	\$17.50	\$17.00
Georgetown	7,444,712	0	1,535,614	20.6%	284,523	634,918	2,964,508	1,319,080	\$20.12	\$11.01
Hays County	11,052,742	73,678	1,135,120	10.9%	64,457	225,122	2,401,505	1,731,702	\$10.00	\$14.48
North	13,377,740	136,353	622,132	5.7%	-63,621	-260,627	0	0	\$20.79	\$14.50
Northeast	8,225,975	151,939	188,555	4.1%	121,860	52,040	0	0	\$15.43	\$11.68
Northwest	2,898,315	32,400	59,401	3.2%	-3,108	4,239	0	0	\$20.00	\$12.14
Round Rock	4,385,987	0	83,761	1.9%	-22,570	-37,070	1,674,491	0	\$12.24	\$13.95
South	1,415,796	0	54,375	3.8%	-8,264	-17,858	576,059	0	\$18.11	\$18.28
Southeast	14,074,421	110,865	518,879	4.5%	-269,412	-125,980	2,422,458	316,184	\$13.42	\$11.75
<b>AUSTIN TOTALS</b>	<b>80,347,869</b>	<b>752,903</b>	<b>4,941,347</b>	<b>7.1%</b>	<b>974,335</b>	<b>1,690,991</b>	<b>11,764,660</b>	<b>4,200,193</b>	<b>\$18.22</b>	<b>\$11.97</b>

## KEY LEASE TRANSACTIONS Q2 2023

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

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

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
Kyle35	Hays County	Tesla	960,000	New
Northeast Crossing	Far Northeast	HBPO	343,000	New
Settlers Grove 3	Round Rock	Dixie Carpet	93,000	New

## KEY SALES TRANSACTIONS Q2 2023

PROPERTY	SUBMARKET	SELLER / BUYER	SF
Springbrook Corporate Center	Far Northeast	IDI Logistics / Blackstone	503,000
Corridor Commerce Center	Hays County	Alliance Industrial / Barings	157,500
4806 Commercial Park	East	East Monroe Block / Blue Vista	54,000

## KEY CONSTRUCTION COMPLETIONS Q2 2023

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
Kyle35 Logistics Park	Hays County	Tesla	1,393,000	Alliance Industrial
Crosspoint Building Park	Georgetown	Grander Distribution	489,000	Jackson Shaw
130 Crossing	Far Northeast	Applied Materials	457,000	Ironwood Realty Partners

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