

YoY Chg 12-Mo. Forecast

8.2%

Vacancy Rate



1.1M

Net Absorption, SF



\$13.54

Asking Rent, PSF



Overall, Net Asking Rent

ECONOMIC INDICATORS Q3 2023

YoY Chg 12-Mo. Forecast

1.3M

Austin Employment



3.5%

Austin Unemployment Rate



3.7%

U.S. Unemployment Rate



Source: BLS

ECONOMIC OVERVIEW: Austin economy remains robust despite economic challenges

Despite the ongoing challenges facing the national economy, the Austin metro area continues to perform exceptionally well in terms of its job market. Year-over-year (YOY), the Texas capital has added over 35,000 jobs, making it one of the best performing among the largest metro areas. A recent study by Bankrate.com ranked Austin as the number-one spot to launch a career. This recognition reflects the city's reputation as a favorable location for career opportunities and professional development. The city's low unemployment rate of 3.5% continues to fall below both the state and national levels of 4.1% and 3.7% respectively.

SUPPLY AND DEMAND: Vacancy levels inch higher but demand remains strong

The Austin industrial market continues to undergo rapid growth as 5.7 million square feet (msf) of new product delivered year-to-date (YTD). This surge in supply has led to a rapid increase in the overall vacancy rate, reaching 8.2% at the close of the third quarter. This represents a substantial YOY climb of 540 basis points (bps), nearly tripling the vacancy rate during this time frame. However, warehouse/distribution (W/D) vacancy did decrease slightly over the prior quarter, dipping 20 bps to 8.7%. Office service (flex) vacancy increased 110 bps, reaching 6.6% to end the third quarter, as demand for that type of product started to decline.

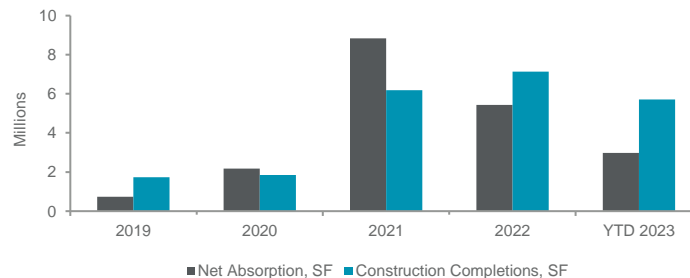
Even with a notable increase in vacancy, the trend of positive absorption persisted, concluding the quarter with 1.1 million square feet (msf) of net absorption. This brings the YTD total for 2023 to 3.0 msf. Despite economic challenges, there remains strong demand for industrial space across the region, with leasing activity reaching approximately 2.1 msf for the quarter, pushing the YTD leasing totals to 5.2 msf.

With Austin's population continuing to explode, industrial development has followed suite. As of Q3 2023, there were approximately 11.5 msf of industrial product under construction. Areas of significant industrial development include the I-35 corridor in Hays County, Southeast Austin, and the Georgetown/Round Rock region in northern Austin.

PRICING: Warehouse rental rates on the rise as newer product comes to market

The sustained demand for industrial space, coupled with an influx of newer warehouse/distribution product, continued to push asking rates higher in that product type. In Q3 2023, The average net rental rate for W/D space was \$11.73 per square foot (psf), marking a 51 bps increase from the previous quarter. Meanwhile, the rates for office service (flex) space began to decrease as more sublease space in that sector became available. Overall average rental rates of that product type finished the quarter at \$17.98 psf, representing a 3.7% decline from the previous quarter.

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	1,207,899	113,184	70,000	15.2%	20,190	-39,571	271,689	20,190	\$18.09	\$12.00
Central	1,094,794	0	121,670	11.1%	7,730	9,672	0	0	\$22.00	\$16.60
East	4,661,637	12,000	186,076	4.2%	68,858	62,276	0	208,584	\$22.32	\$15.09
Far Northeast	10,294,960	122,484	270,543	3.8%	38,875	1,299,960	1,860,628	0	\$15.01	\$15.02
Far Northwest	639,845	1,517	14,017	2.4%	-11,517	36,603	0	0	\$17.50	\$17.00
Georgetown	9,393,824	79,957	2,475,054	27.2%	775,566	1,427,650	2,184,220	3,198,331	\$20.12	\$11.01
Hays County	11,067,591	111,167	1,061,717	10.6%	8,710	243,996	2,153,317	1,961,014	\$10.00	\$14.48
North	13,528,074	118,394	655,806	5.7%	73,648	-165,055	0	0	\$20.34	\$14.50
Northeast	8,475,777	182,237	183,891	4.3%	-82,887	-27,753	696,432	0	\$17.18	\$11.68
Northwest	2,898,315	84,240	72,976	5.4%	-65,415	-61,176	0	0	\$20.45	\$12.14
Round Rock	4,421,711	0	144,289	3.3%	53,151	21,798	1,307,616	0	\$12.24	\$13.95
South	1,415,796	1,911	50,840	3.7%	-4,376	-19,731	0	0	\$23.17	\$18.28
Southeast	14,164,746	139,549	574,795	5.0%	256,636	189,046	3,069,709	316,184	\$15.05	\$11.75
AUSTIN TOTALS	83,264,969	966,640	5,881,674	8.2%	1,139,169	2,977,715	11,543,611	5,704,303	\$17.98	\$11.73

KEY LEASE TRANSACTIONS Q3 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	1,045,817	New
GTX Logistics Park	Georgetown	US Farathane	262,874	New
Crossroads Logistics Center	Far Northeast	Undisclosed	176,548	New

KEY SALES TRANSACTIONS Q3 2023

PROPERTY	SUBMARKET	SELLER / BUYER	SF
Freeport Tech Center South	Southeast	TA Realty / Richland Communities	322,600
1551 Clovis R. Barker Road	Hays County	Bearden Investments / Peak Rock Capital	174,515
Innovation Business Park 3	Georgetown	TPG Real Estate / Goldman Sachs	150,000

KEY CONSTRUCTION COMPLETIONS Q3 2023

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
Georgetown Logistics Park	Georgetown	None	618,198	Alliance Industrial
NorthPark 35	Georgetown	ZT Systems (owner)	435,714	ZT Systems / Titan
1300 Westinghouse	Georgetown	None	176,546	Freehill Development

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