

AUSTIN INDUSTRIAL | Q1 2022 QUARTERLY MARKET REPORT

Industrial vacancy rate in Austin shrinks to 3.3%, the lowest rate ever recorded.

APRIL 2022

EXECUTIVE SUMMARY

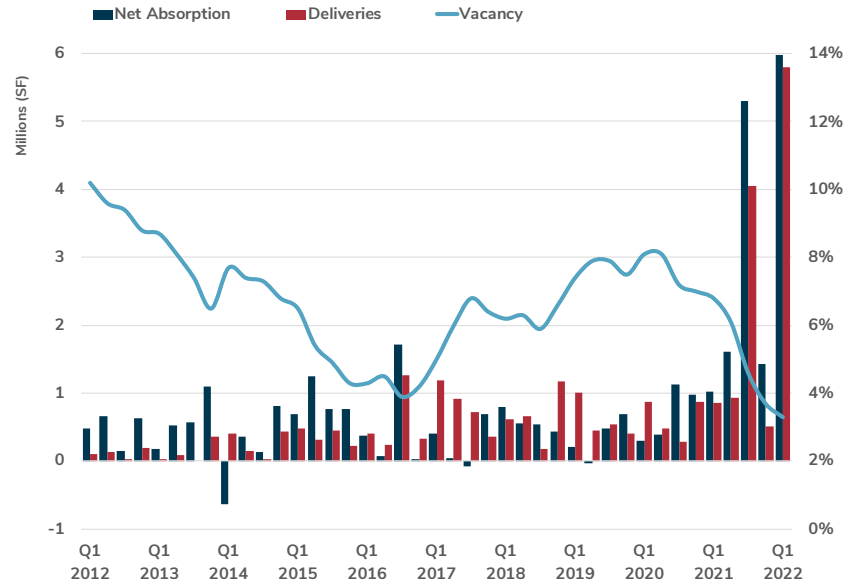
VACANCY TIGHTENS TO 3.3%

The vacancy rate has tightened to 3.3% in the Austin industrial market—the lowest rate ever recorded by NAI Partners. Quarter-over-quarter, the drop in vacancy was 40 basis points from 3.7%, while year-over-year, the market experienced an even sharper decline of 350 basis points from 6.8%. 5.8 million sq. ft. was delivered to the market during Q1 2022, with all of that space spoken for. Q1 2022 marks the seventh consecutive quarter that demand for industrial space (6 million sq. ft. of net absorption) outpaced supply (5.8 million sq. ft. delivered) in the Austin metro. Leasing was also strong again, with Austin recording 2 million sq. ft. of activity, just below the ten-year quarterly average of 2.1 million sq. ft. With 5.8 million sq. ft. delivered since the beginning of the year, 9.2 million sq. ft. under construction, and another 13 million sq. ft. proposed through 2023, the demand for industrial real estate may continue to outpace the amount of sq. ft. delivered.

AUSTIN RECOVERED ALL JOBS LOST SINCE PANDEMIC BEGAN

Austin's unemployment rate remained at 3.2% in February, the lowest level since the beginning of the pandemic. This is well below the state's jobless rate of 4.7% and the nation's rate of 3.8%. Growth in the metro labor force increased from an annualized 1.4% in January to 5.8% in February. Austin employment increased at a 2.1% annualized pace, or by 6,353 net jobs, in the three months ending in February. Leisure and hospitality (up 13.5%, or 4,122 jobs) led overall growth, followed closely by manufacturing (up 11.7%, or 1,833 jobs).

SUPPLY & DEMAND



MARKET INDICATORS

	CURRENT Q1 2022	PRIOR QUARTER Q4 2021	PRIOR YEAR Q1 2021
Vacant Total	3.3%	3.7% ↓	6.8% ↓
Vacant Direct	3.0%	3.3% ↓	6.1% ↓
Vacant Sublease	0.3%	0.4% ↓	0.7% ↓
Available Total	7.9%	7.0% ↑	7.8% ↑
Available Direct	7.4%	6.5% ↑	7.0% ↑
Available Sublease	0.5%	0.5% ▬	0.7% ↓
Net Absorption (SF)	5,982,377	1,420,558 ↑	1,017,807 ↑
Leasing Activity (SF)	1,980,707	3,095,009 ↓	3,881,556 ↓
Construction (SF)	9,163,057	12,112,209 ↓	12,852,499 ↓
Deliveries (SF)	5,797,614	511,674 ↑	852,118 ↑
Avg Asking Rent (NNN)	\$1.01	\$0.99 ↑	\$0.95 ↑
Inventory (SF)	108,684,002	102,875,588 ↑	97,388,857 ↑

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SIGNIFICANT INDUSTRIAL MARKET DEMAND

During Q1 2022, the completion of the Tesla Gigafactory at 4.5 million sq. ft. and Amazon Sat6 at 767,000 sq. ft. added 5.3 million sq. ft. of net absorption to the Austin industrial market. In addition, 2 million sq. ft. of leasing activity comprised of both new leases and renewals took place during the same period. Seventy-nine properties—10,000 sq. ft and larger—are under construction, tallying 9.2 million sq. ft. with a 43% availability rate. 24.7 million sq. ft. has been added to the Austin Industrial market in the past five years, a 25% increase of total inventory, registering at 108.7 million sq. ft. as of March 31, 2022.

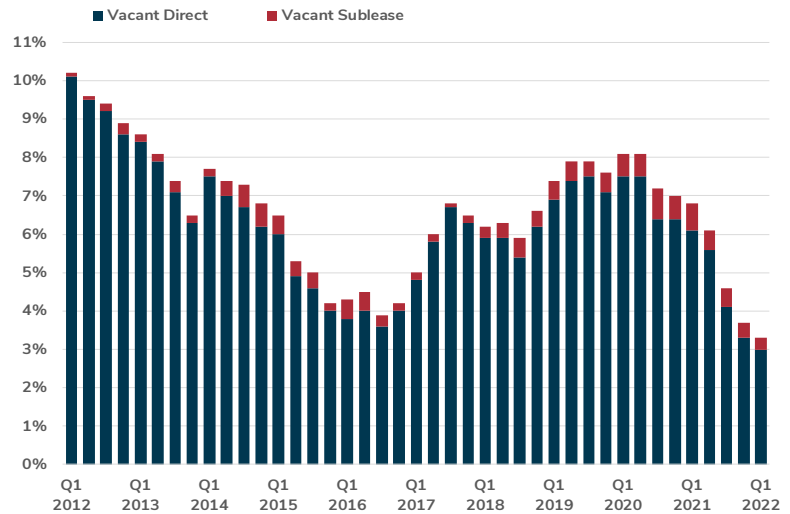
ROBUST LEASING ACTIVITY

The volume of signed lease transactions during the first quarter was 2 million sq. ft.—down from the previous quarter’s 3.1 million sq. ft., registering an impressive 149 transactions in properties 10,000 sq. ft. and larger. The largest leases in the first quarter include Amazon executing a lease for 767,000 sq. ft. at 1346 Fortuna Road in San Marcos in January; Simwon leasing 491,651 sq. ft. at 19200 Marketplace Avenue in Kyle with a start date in March; CelLink taking 187,572 sq. ft. at 2550 N. Interstate 35 in Georgetown with a start date in March, and Javelin Logistics Inking a 145,170 sq. ft. lease in Tech Ridge in the Northeast submarket in February.

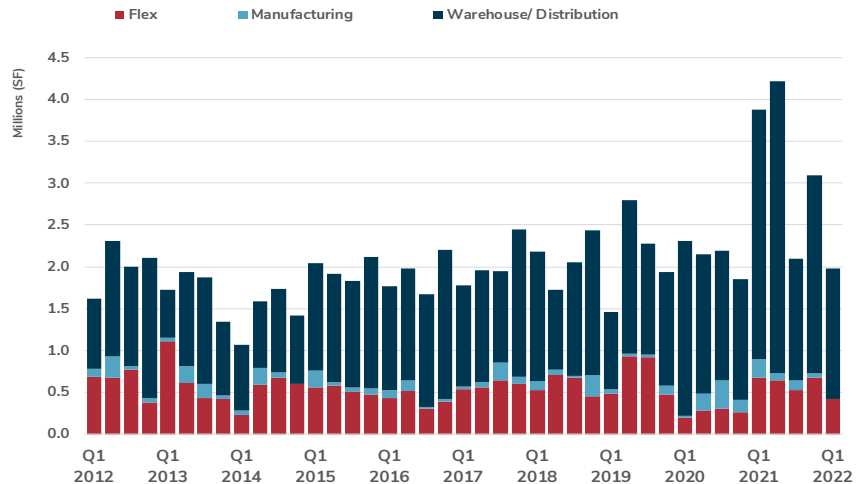
INVESTMENT SALES ACTIVITY

Real Capital Analytics data reports the cumulative monthly value of industrial sales as of March 31, 2022, in the Austin area at \$404 million, an increase of 157% compared to this time last year at \$157 million. The primary capital composition for buyers so far in 2022 was made up of 71% institutional investors and 29% private investors. The seller composition was 66% REIT/listed and 35% private. A recent notable transaction involved the sale of 1225 Fortuna Road – Whisper San Marcos, Building 1, a 90,000-sq.-ft. distribution building in San Marcos. The building was fully leased at the time of sale by McDonald Development Group. Greystar Real Estate Partners purchased the property for an undisclosed price.

VACANCY

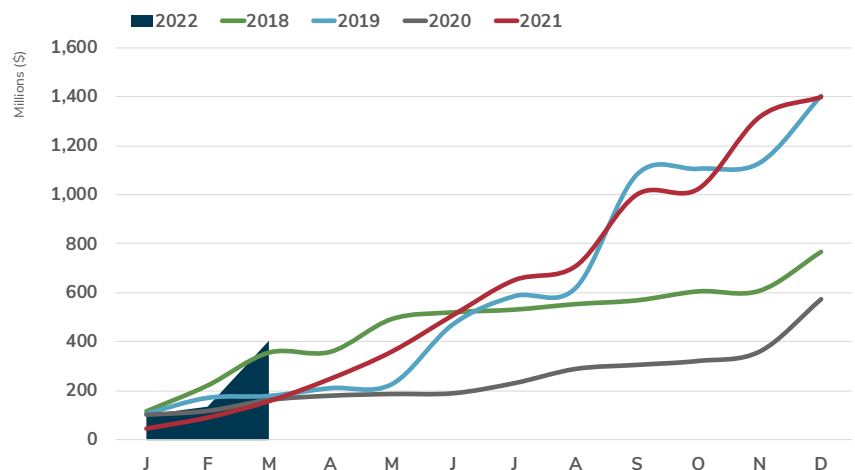


LEASING ACTIVITY



CUMULATIVE MONTHLY SALES VOLUME

SOURCE: REAL CAPITAL ANALYTICS



TAYLORPORT RAIL PARK 01

NAI Partners—the commercial real estate services business of Partners Real Estate Company—is the leasing agent for a 350,000-sq.-ft. spec rail-served distribution building called TaylorPort Rail Park 01 being developed by Partners Capital—the investment and development platform of Partners Real Estate Company—at RCR Taylor Logistics Park in Taylor, Texas. The scheduled completion date is the fourth quarter of 2022.

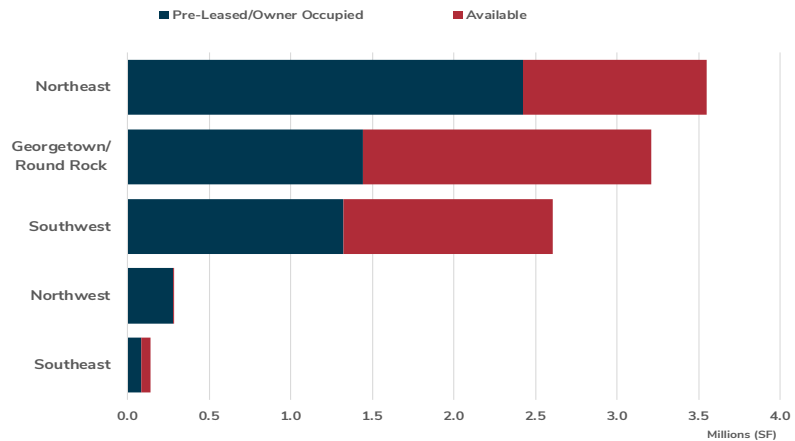
CONSTRUCTION REMAINS ELEVATED

There is 9.2 million sq. ft. under construction after Tesla's 4.3 million-sq.-ft. Gigafactory delivered in Q1 2022. Of the current amount of development, 43% is available for lease. There are 79 projects under construction, up from 53 projects this time last year. Warehouse/Distribution space currently makes up 90% of the total under construction, with Manufacturing responsible for 1% and Flex projects the remaining 9%. Of the 5.8 million sq. ft. completed so far in 2022, all that space is pre-leased or owner-occupied. Some of the largest projects underway include Jackson-Shaw Co. breaking ground on the 224-acre Georgetown Industrial Park along I-35, including three buildings totaling 488,000 sq. ft. delivering in Q2 2023; Titan Development breaking ground on the 297,057-sq.-ft. NorthPark 35 Building 5 in Georgetown, scheduled for completion in Q4 2022, and the 244,085-sq.-ft. Buda Midway Building 3 being developed at 1795 Fire Cracker Drive in Buda delivering in Q3 2022.

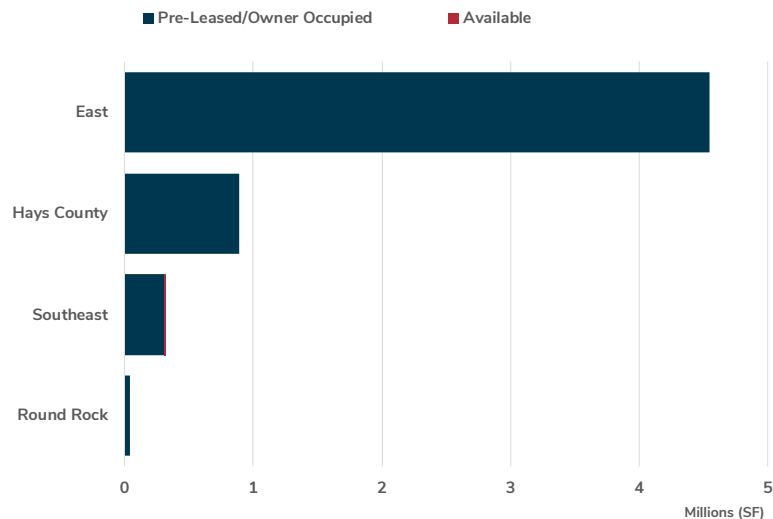
AVERAGE ASKING NNN AT ALL-TIME RECORD HIGH

Monthly rental rates for the Austin industrial metro, on average were \$1.01 per sq. ft. as of the end of Q1 2022, up from \$0.99 per sq. ft. quarter-over-quarter and an increase year-over-year from \$0.95. This is the first time the overall monthly average has surpassed \$1.00 per sq. ft. and an all-time record high. The monthly average rate for Flex space is currently at \$1.39 per sq. ft.; Manufacturing rates are at \$0.60, and Warehouse/Distribution space sits at \$0.87. The Northwest (\$1.43 PSF) and Southeast (\$1.32 PSF) submarkets currently have the highest monthly overall average rates, followed by North Central (\$1.28 PSF). The shift towards e-commerce, as well as the recent institutional quality of the property type, has steered the market to increased rent growth, leading landlords nationwide to feel encouraged.

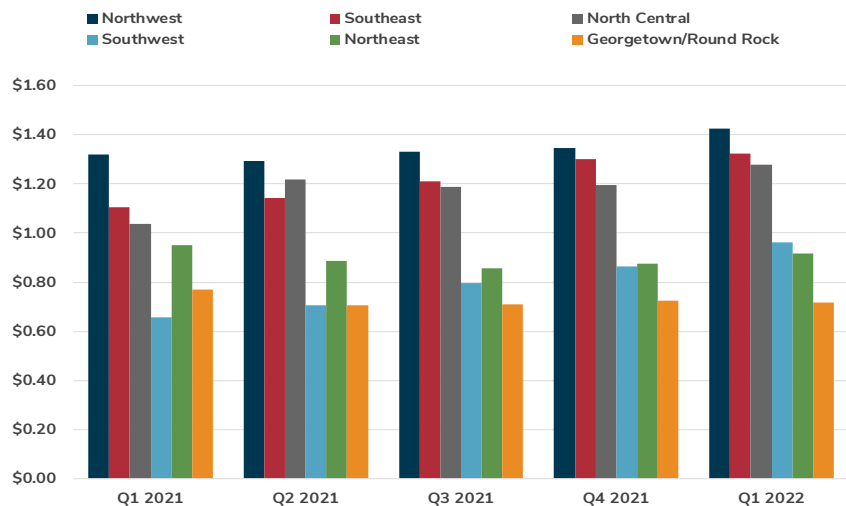
CONSTRUCTION



DELIVERIES



AVERAGE ASKING MONTHLY NNN RENT



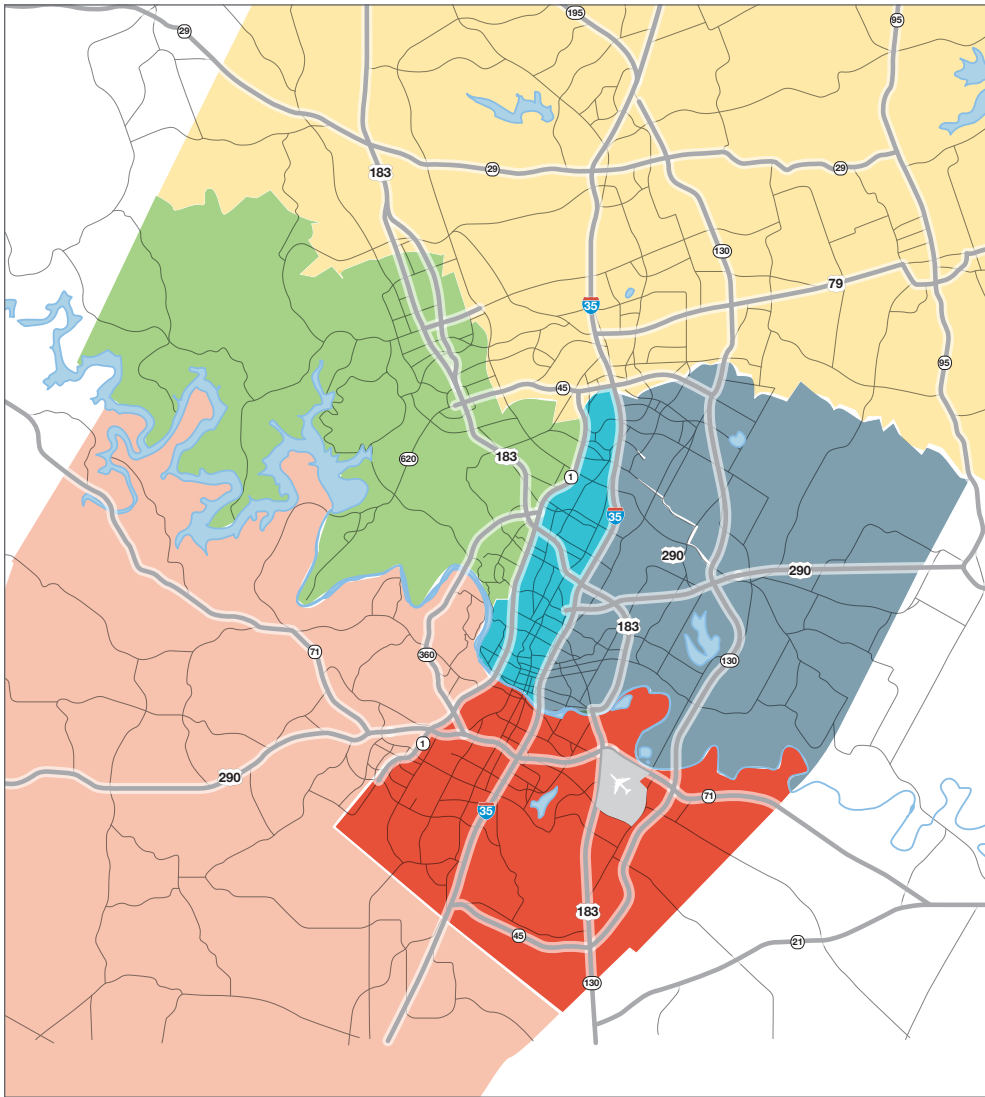
MARKET OVERVIEW

SUBMARKET STATS

Submarket Statistics	Inventory (SF)	Total Vacancy (%)	Total Availability (%)	Q1 2022 Total Net Absorption (SF)	YTD Total Net Absorption (SF)	Q1 2022 Deliveries (SF)	YTD Deliveries (SF)	Under Construction (SF)	Total Avg Asking Rent (\$/MO/PSF)
Austin Market Total	108,684,002	3.3	7.9	5,982,377	5,982,377	5,797,614	5,797,614	9,163,057	1.01
Flex	21,123,267	4.6	8.4	68,757	68,757	0	0	831,752	1.39
Manufacturing	21,048,931	1.6	2.1	4,527,607	4,527,607	4,542,562	4,542,562	110,000	0.60
Warehouse/Distribution	66,511,804	3.5	9.3	1,386,013	1,386,013	1,255,052	1,255,052	8,221,305	0.87
Georgetown/Round Rock Total	12,310,817	6.5	12.9	89,041	89,041	43,286	43,286	2,586,557	0.72
Flex	1,369,682	2.8	3.4	-26,295	-26,295	0	0	15,150	1.09
Manufacturing	2,069,164	0.0	0.0	0	0	0	0	110,000	0.90
Warehouse/Distribution	8,871,971	8.6	16.5	115,336	115,336	43,286	43,286	2,461,407	0.71
North Central Total	18,060,872	4.6	8.9	-83,458	-83,458	0	0	0	1.28
Flex	4,524,777	6.3	13.0	34,034	34,034	0	0	0	1.49
Manufacturing	1,432,524	1.5	1.5	45	45	0	0	0	1.21
Warehouse/Distribution	12,103,571	4.4	8.2	-117,537	-117,537	0	0	0	1.05
Northeast Total	35,604,388	2.4	5.6	4,606,859	4,606,859	4,542,562	4,542,562	3,547,243	0.92
Flex	6,616,575	4.8	7.2	-90,403	-90,403	0	0	562,730	1.19
Manufacturing	10,248,579	1.6	1.6	4,527,562	4,527,562	4,542,562	4,542,562	0	0.96
Warehouse/Distribution	18,739,234	1.9	6.9	169,700	169,700	0	0	2,984,513	0.80
Northwest Total	7,899,977	2.3	3.6	-4,989	-4,989	0	0	283,872	1.43
Flex	3,512,876	3.8	5.4	-4,989	-4,989	0	0	228,872	1.47
Manufacturing	1,266,909	0.0	0.0	0	0	0	0	0	-
Warehouse/Distribution	3,120,192	1.5	2.9	0	0	0	0	55,000	1.16
Southeast Total	20,370,958	2.7	5.5	381,392	381,392	317,572	317,572	137,421	1.32
Flex	4,069,955	4.6	11.0	95,656	95,656	0	0	0	1.48
Manufacturing	1,746,134	1.1	2.5	0	0	0	0	0	1.08
Warehouse/Distribution	14,554,869	2.4	4.3	285,736	285,736	317,572	317,572	137,421	1.19
Southwest Total	14,436,990	2.8	12.6	993,532	993,532	894,194	894,194	2,607,964	0.96
Flex	1,029,402	0.5	3.8	60,754	60,754	0	0	25,000	1.09
Manufacturing	4,285,621	3.1	5.1	0	0	0	0	0	0.50
Warehouse/Distribution	9,121,967	2.9	16.2	932,778	932,778	894,194	894,194	2,582,964	1.08

MARKET OVERVIEW

AUSTIN INDUSTRIAL SUBMARKETS



- 1. Georgetown/
Round Rock
- 2. North Central
- 3. Northeast
- 4. Northwest
- 5. Southeast
- 6. Southwest

Information and data within this report were obtained from sources deemed to be reliable. No warranty or representation is made to guarantee its accuracy.

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