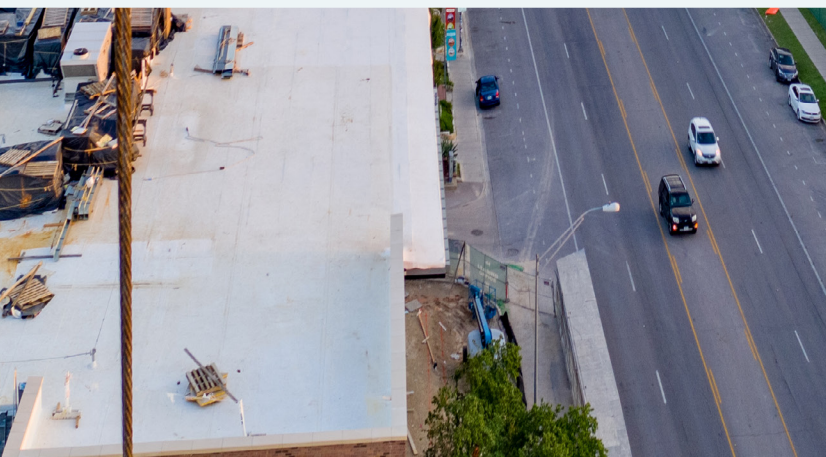




MARKET EDGE

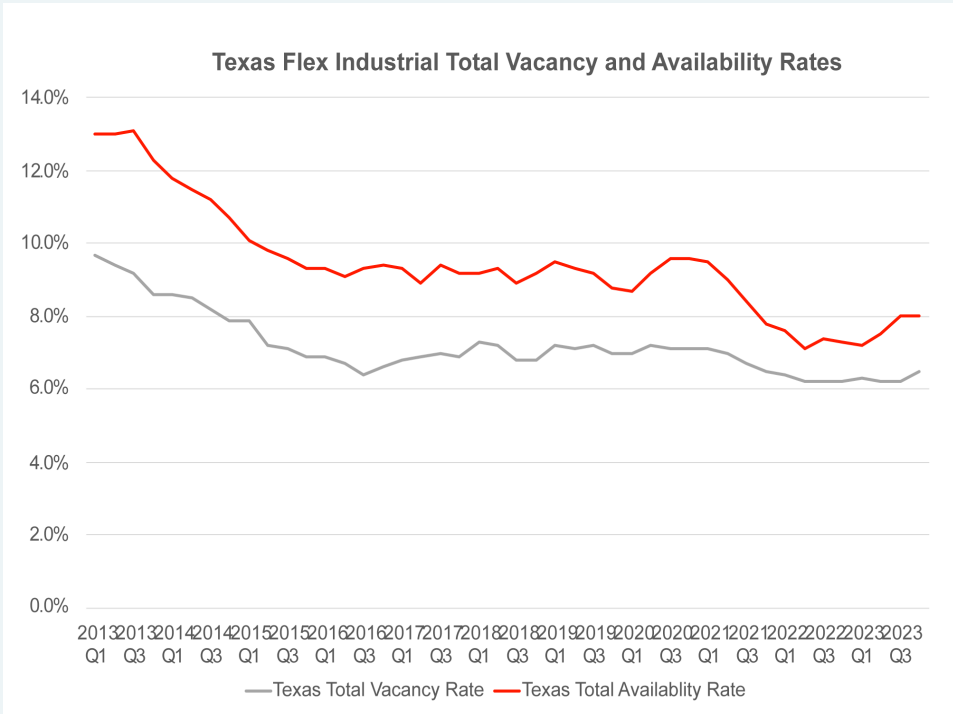
BY partners

Texas Flexes its Muscles: Flex Industrial in Major Texas Markets

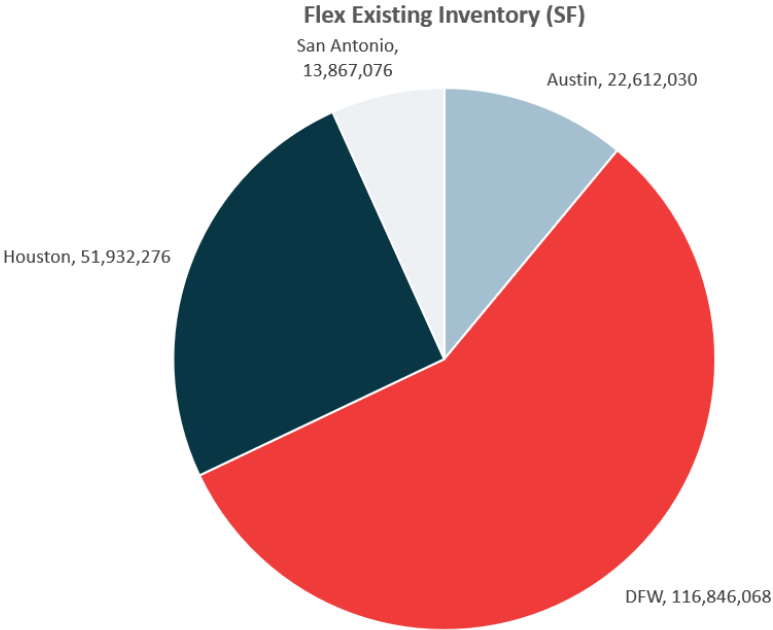


The state of Texas has long been a powerhouse in various industries, and its real estate market is no exception. In recent years, the flex industrial market in major Texas cities, including Austin, Dallas/Fort Worth, Houston, and San Antonio, has experienced significant growth and transformation. This report will delve into the dynamics of the flex industrial market in these key Texas markets.

Due to limited construction deliveries over recent years, the total vacancy rate for flex properties has been trending downward and is well below the historic average.

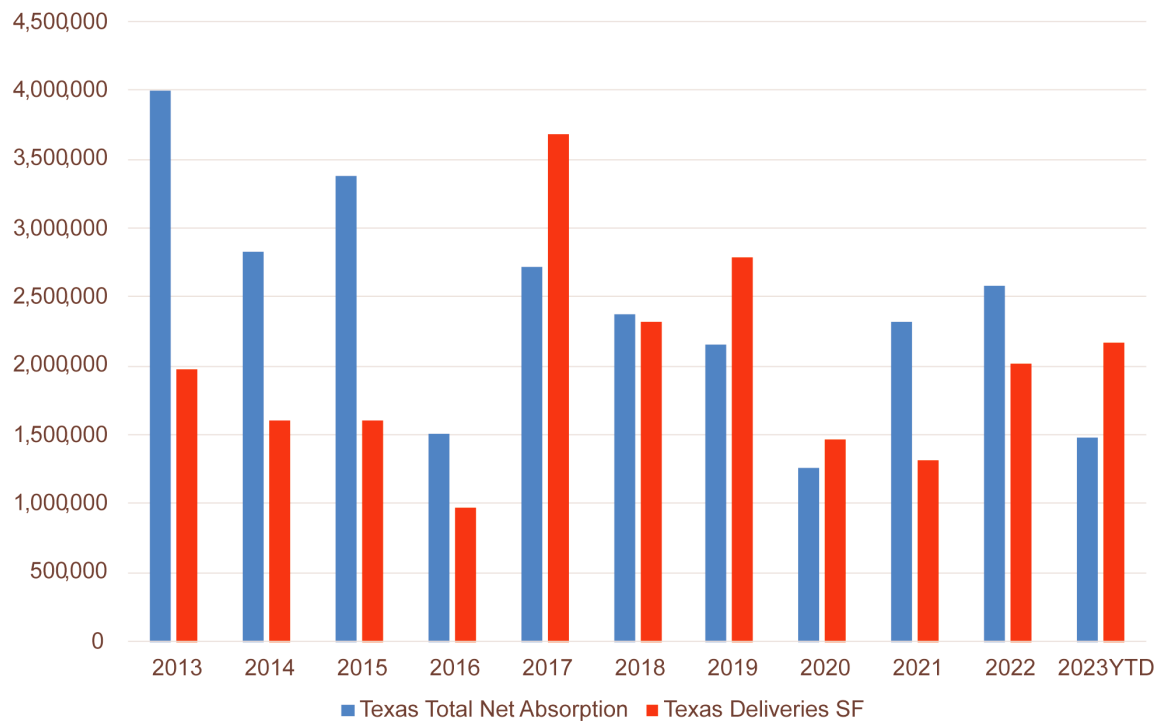


Flex Existing Inventory (SF)



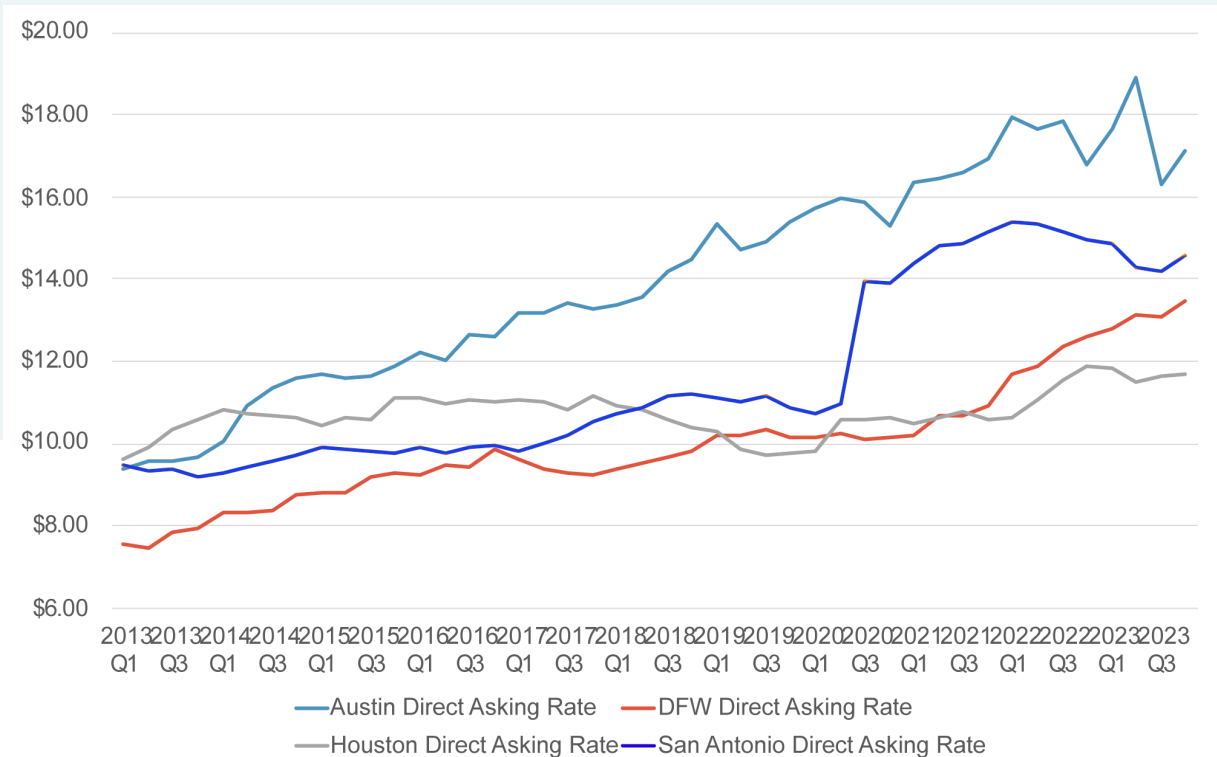
Market	Flex Total Vacancy Rate	Warehouse/Distr. Total Vacancy
Austin	7.2%	11.2%
DFW	5.3%	8.3%
Houston	9.0%	6.8%
San Antonio	5.7%	8.0%

Texas Flex Industrial Total Net Absorption and New Deliveries



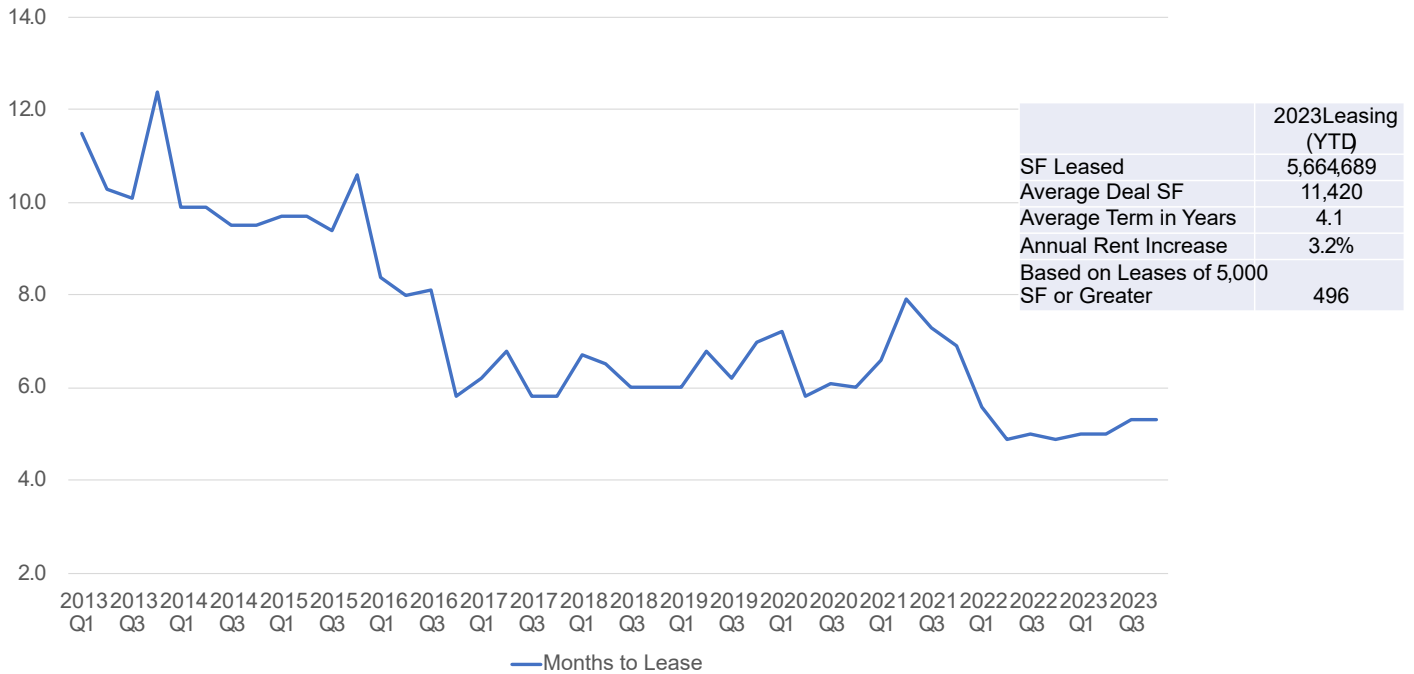
10-Year historic trend is 45 M SF to be delivered for warehouse/distribution space per quarter, while it is about 1 M SF for Flex.

Direct Asking Flex Rates by Market (NNN)



Austin and San Antonio, being much smaller markets, have seen average direct asking rates outpace gains from DFW and Houston.

Texas Flex Industrial Months to Lease

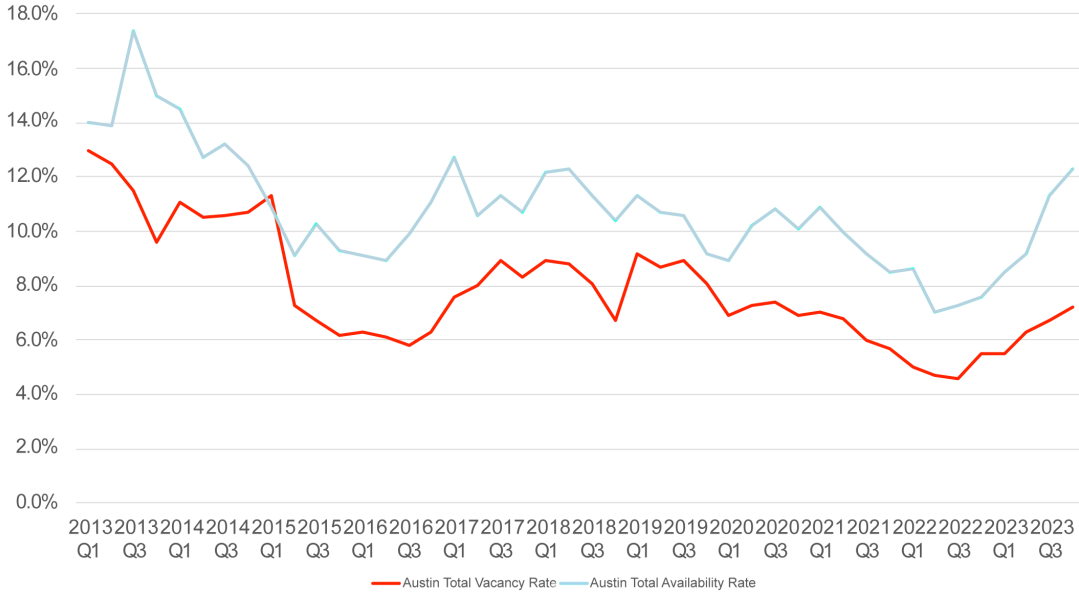


Austin: The Tech Hub’s Impact on Flex Industrial Spaces

Austin, often dubbed “Silicon Hills” due to its booming tech industry, has witnessed a surge in demand for flex industrial spaces. The influx of tech companies and startups has driven the need for adaptable spaces that can accommodate both office and light industrial operations. The city’s flexible industrial market caters to the diverse requirements of tech innovators, fostering a dynamic ecosystem for collaboration and growth.

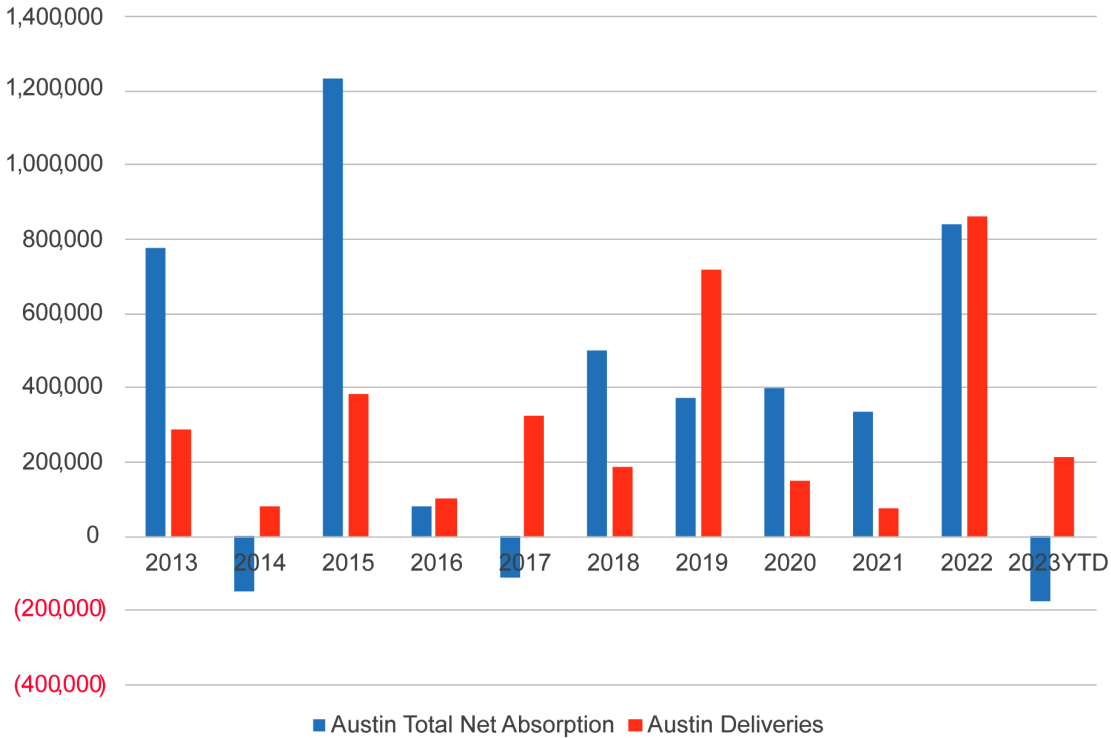


Austin Flex Total Vacancy and Availability Rates



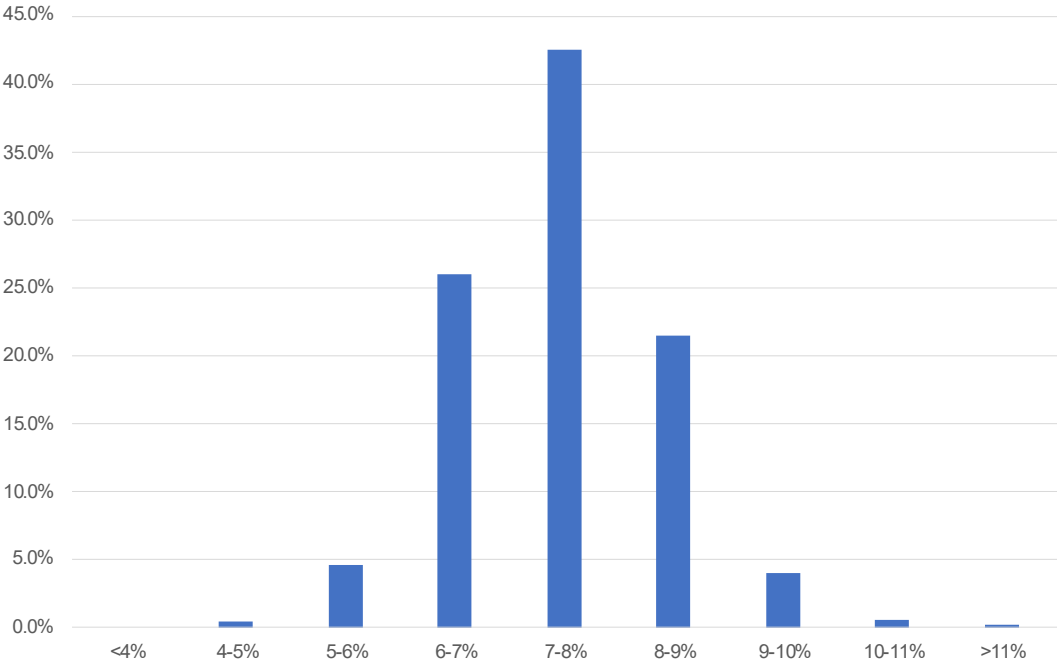
The tech sector is a key component of the Austin commercial real estate market, and this sector’s recent struggles increased both the total vacancy and availability rates.

Austin Flex Total Net Absorption and New Deliveries (SF)

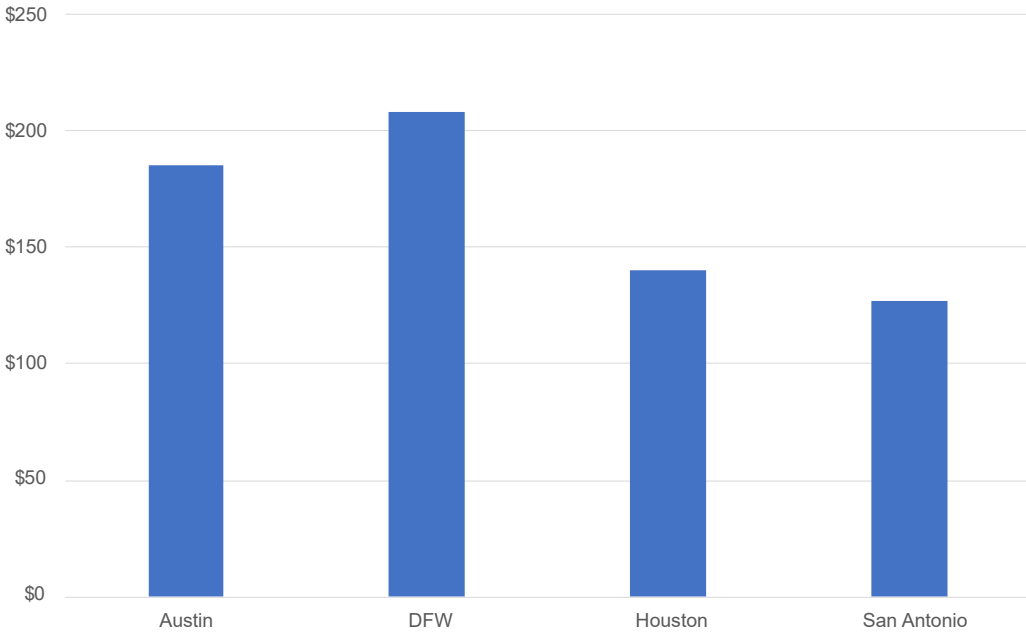


Austin has been more volatile from a net absorption aspect than the other Texas markets, largely due to the tech sector, but overall demand has outpaced deliveries over the past 10 years (374K SF and 306K SF, per year respectively).

Texas Flex Industrial Cap Rate Distribution



Flex Sales Comps Avg. PSF (2023)

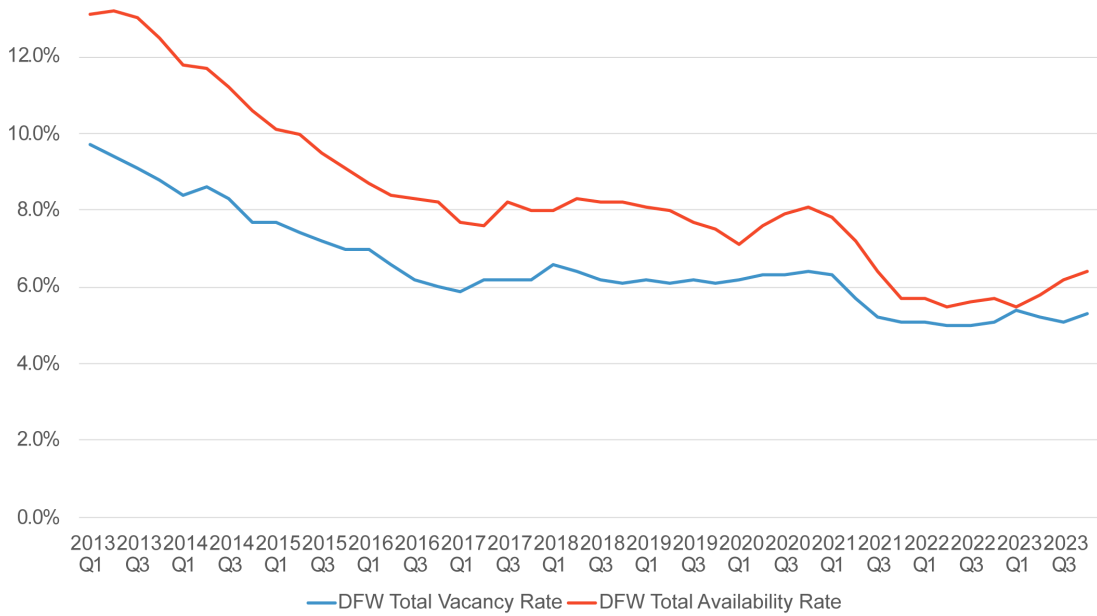


Dallas/Fort Worth: Logistics and E-Commerce Drive Flex Industrial Development

The Dallas/Fort Worth metroplex stands as a logistical hub with a robust infrastructure network. The flex industrial market here is heavily influenced by the e-commerce boom, driving demand for distribution centers and last-mile delivery facilities. As consumers increasingly turn to online shopping, companies are seeking flexible industrial spaces to efficiently manage their supply chains. The DFW area is witnessing a proliferation of modern, flexible industrial developments to meet these evolving needs.

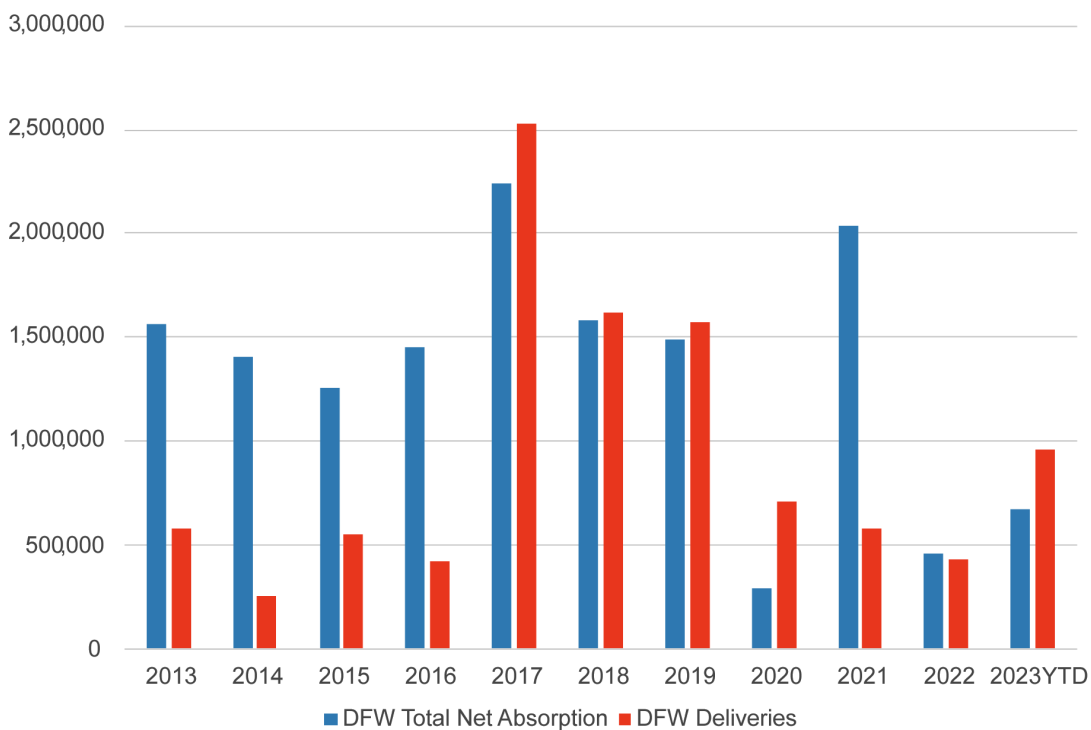


DFW Flex Total Vacancy and Availability Rates



Dallas-Fort Worth is the largest Texas flex market via inventory. With limited construction levels, the market maintained a lower than average vacancy and availability rates.

DFW Flex Total Net Absorption and Deliveries (SF)



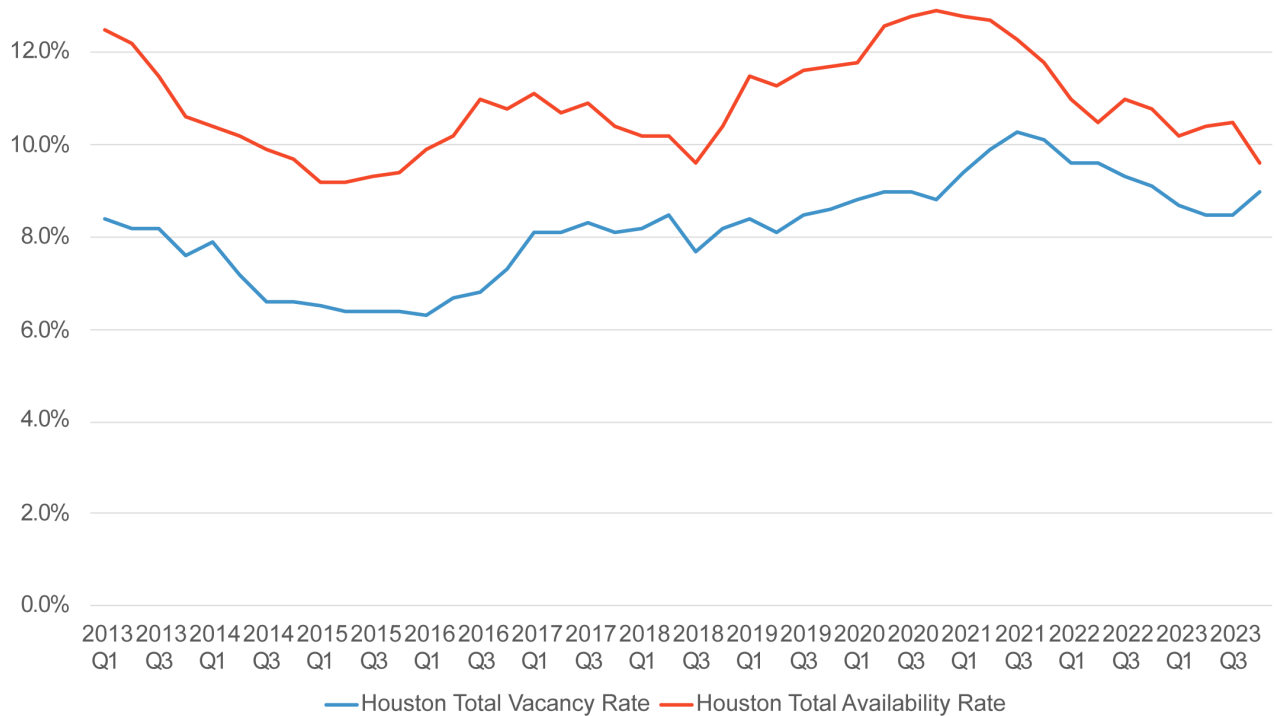
The DFW Flex market is more than double the Houston market, despite 925K SF of annual deliveries, demand has outpaced it (1,314K SF per year).



Houston: Energy Sector Resilience and Diversification

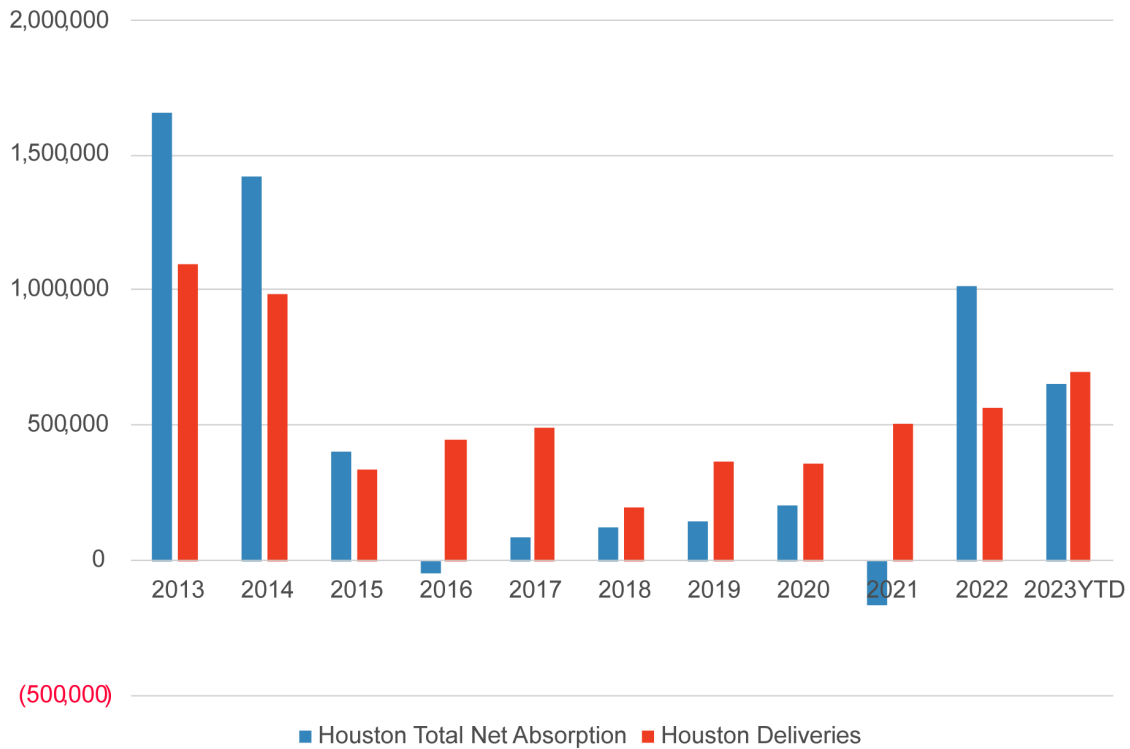
Houston, historically known for its dominance in the energy sector, has diversified its economy in recent years. The flex industrial market in Houston caters to a wide range of industries, including manufacturing, technology, and logistics. The city's strategic location as a gateway to Latin America further enhances its appeal for businesses seeking flexible industrial spaces. Houston's resilience and adaptability contribute to the flourishing flex industrial market, making it an attractive destination for companies looking for versatile real estate solutions.

Houston Flex Total Vacancy and Availability Rates



Larger than Austin and San Antonio, the Houston flex market has had less volatility for its total vacancy and availability rates.

Houston Flex Total Net Absorption and Deliveries (SF)



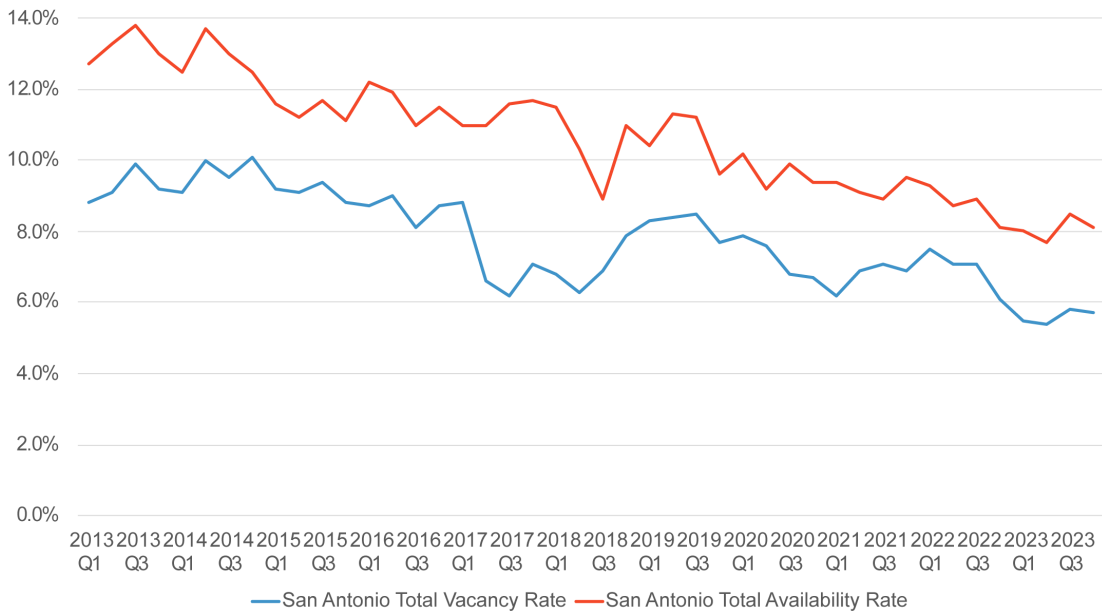
The Houston Flex market has been balanced over the past 10 years with new deliveries only slightly outpacing demand (499K SF and 549K SF per year, respectively).



San Antonio: Balancing Tradition with Modernity in Flex Industrial Spaces

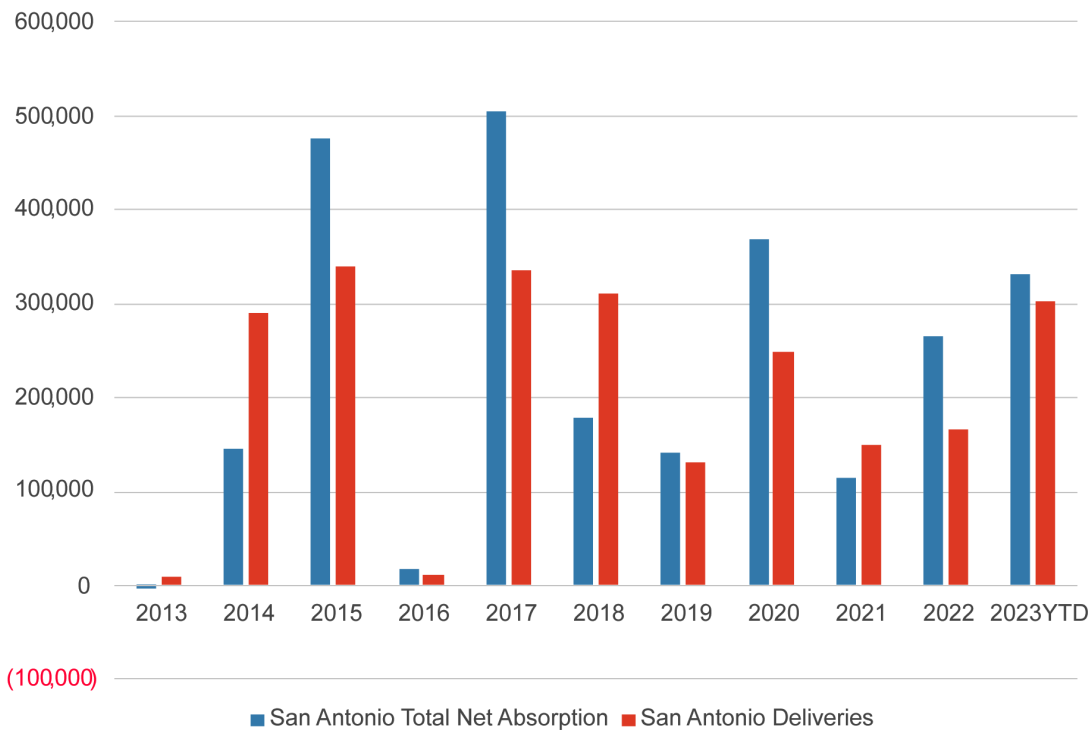
San Antonio, with its rich cultural heritage, is finding a balance between tradition and modernity in its flex industrial market. The city's industrial landscape is evolving to accommodate the needs of a diverse set of businesses, ranging from traditional manufacturing to emerging technology ventures. The strategic positioning of San Antonio, coupled with its affordable real estate options, is driving the growth of the flex industrial market, making it an enticing prospect for companies looking for adaptable spaces.

San Antonio Flex Total Vacancy and Availability Rates



San Antonio does not have a very large flex inventory (less than 14 million square in total), both the total vacancy and availability rates have been trending downward.

San Antonio Flex Total Net Absorption and Deliveries (SF)



The San Antonio Flex market has been very balanced over the past 10 years between demand and new supply (230K SF and 209K SF per year, respectively).

Challenges and Opportunities

While the flex industrial market in these Texas cities presents numerous opportunities, it also faces challenges. Rapid population growth, infrastructure demands, and the need for sustainable practices are crucial considerations. Developers and businesses alike must navigate these challenges to create a resilient and sustainable flex industrial landscape.

Conclusion

The flex industrial market in major Texas cities is undergoing a transformative phase, shaped by the unique demands of diverse industries. Austin's tech-driven growth, Dallas/Fort Worth's logistical prowess, Houston's resilience, and San Antonio's blend of tradition and modernity collectively contribute to the dynamic landscape of the state's flex industrial market. As Texas continues to attract businesses from various sectors, the flex industrial market is poised to remain a key player in the state's economic development.



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