

Austin Industrial

Q1 2024

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Quarterly Market Report

Austin's Industrial Market hits the sweet spot with steady demand matching robust construction efforts

Executive Summary

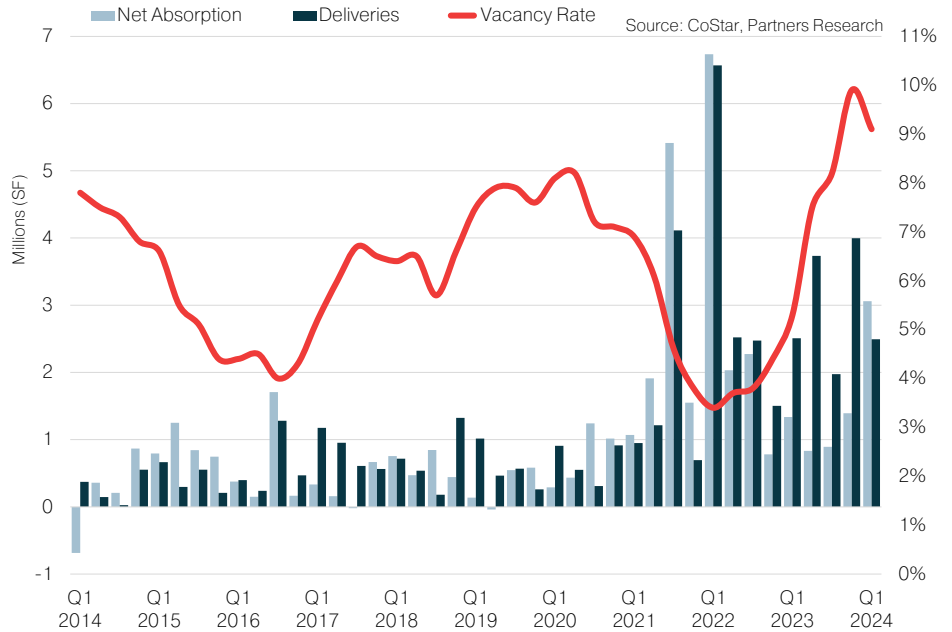
Q1 in Review

By the end of Q1 2024, the overall vacancy rate in Austin's industrial market decreased 80 basis points over the past quarter from 9.9% to 9.1%. Despite the quarterly decline, the vacancy rate is up year over year 320 basis points from a surge of new construction deliveries. Construction is at 16.3 million sq. ft.; this is a decrease from the record-high 18.6 million sq. ft. that was underway in the first quarter of 2023. Samsung's Semiconductor—a 2.8 million sq. ft. warehouse—started in March and marked the largest industrial construction endeavor over the past year. Deliveries are at 2.5 million sq. ft. for the quarter. Net absorption outpaced new deliveries by over 500,000 sq. ft. for the quarter and leasing activity remains healthy at 2 million sq. ft.—both of which are good indicators of strength in the market. Lastly, the average monthly rental rate (NNN) reached \$1.24 per sq. ft.—a record-high for the metro's industrial sector.

Austin Economic Update

According to the latest release of Austin's Economic Indicators, Austin's unemployment rate rose to 3.5%, remaining below the state's and the nation's rate of 3.9%. In February, the local labor force increased an annualized 8.8%, while the state's increased 2.1% and the nation's fell 0.1%. Austin employment increased 9.5% in February after decreasing 1.0% in January. Sectors with the most growth were professional and business services (4,811 jobs), government (3,119 jobs), and leisure and hospitality (1,382 jobs). Sectors that saw a decline included trade, transportation and utilities (-952 jobs) and manufacturing (-112 jobs). Year to date, Austin has seen 4.1% employment growth, below the state's 4.3% but above the nation's 2.1%.

Supply & Demand



Key Market Indicators

	CURRENT Q1 2024	PRIOR QUARTER Q4 2023	PRIOR YEAR Q1 2023
Vacant Total	9.1%	9.9%	5.9%
Vacant Direct	8.3%	9.2%	5.2%
Available Total	15.6%	15.4%	14.5%
Available Direct	14.7%	14.3%	13.6%
Net Absorption (SF)	3,059,869	1,393,278	1,110,241
Leasing Activity (SF)	1,990,545	2,389,561	1,367,785
Construction (SF)	16,301,903	17,797,471	18,647,693
Deliveries (SF)	2,493,351	3,996,353	2,153,474
Avg Asking Rent (NNN)	\$1.24	\$1.18	\$1.10
Inventory (SF)	130,023,749	130,367,609	120,786,508

Market Overview

Net Absorption Remains Strong, Up for Quarter and Year Overall

Net absorption—move-ins minus move-outs—is at 3.1 million sq. ft., this up from 1.4 million sq. ft. last quarter and the 1.1 million sq. ft. year over year. Flex space logged negative absorption of -221,955 sq. ft. for the quarter, but Manufacturing Warehouse/Distribution space were both positive at 117,422 sq. ft. and 3,164,432 sq. ft., respectively. Notable move-ins for the first quarter include Spec's taking 140,000 sq. ft. at 7900 Industry Way in the Southeast submarket and Glazer's Wholesale Drug taking 112,000 sq. ft. of sublease space at 8119 Exchange Dr in the Northeast submarket.

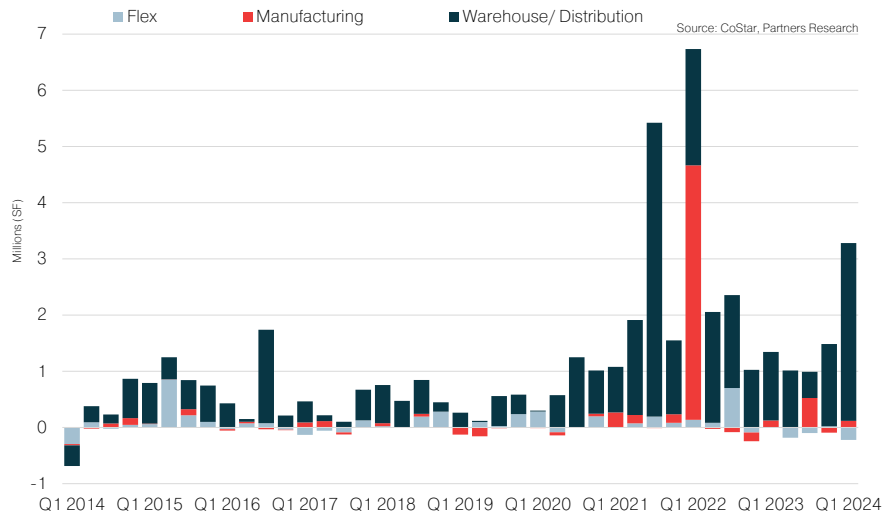
Leasing Activity Remains Robust

Quarterly leasing velocity—comprised of new leases and renewals—stood at 2 million sq. ft., down from 2.4 million last quarter, but up from 1.4 million sq. ft. last year. Recent leasing activity includes FMT signing a lease for 187,558 sq. ft. at 500 SH-130 in Georgetown; Cangshan signing a sublease deal for 158,351 sq. ft. at 201 Velocity in Georgetown; and Flextronics signing a lease for 152,400 sq. ft. at 2200 Chisholm Trail in Round Rock.

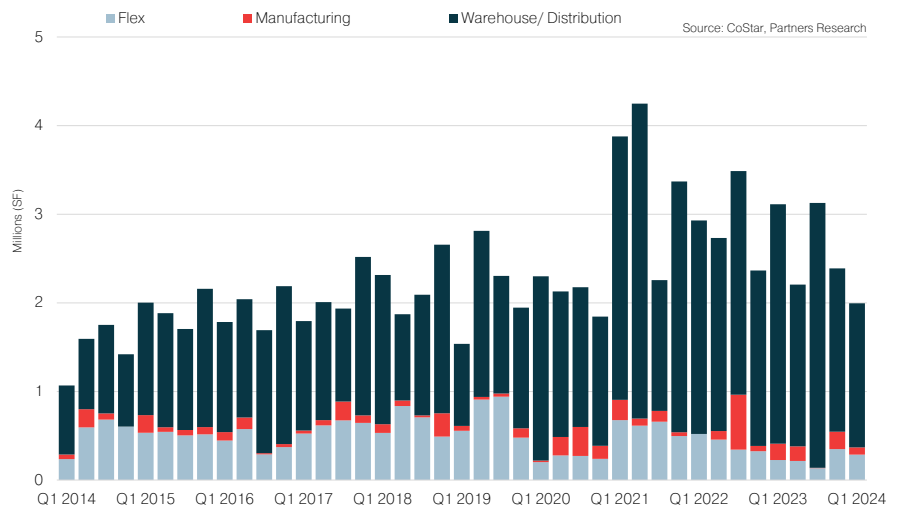
Construction Pipeline Moderates to 16.3 Million Sq. Ft

Austin's industrial pipeline remains higher than the historic norm but decreased from a record high of 18.6 million in the first quarter of 2023 to 16.3 million sq. ft. in Q1 2024. Quarter-over-quarter, construction decreased 12% over the past year. Most of the construction pipeline is concentrated in warehouse/distribution properties (84%), while Flex and Manufacturing properties make up 6% and 10%, respectively. On a submarket level, the Georgetown/Round Rock submarket has 5.6 million sq. ft. currently underway, followed by the Northeast submarket which has 5.2 million sq. ft. underway.

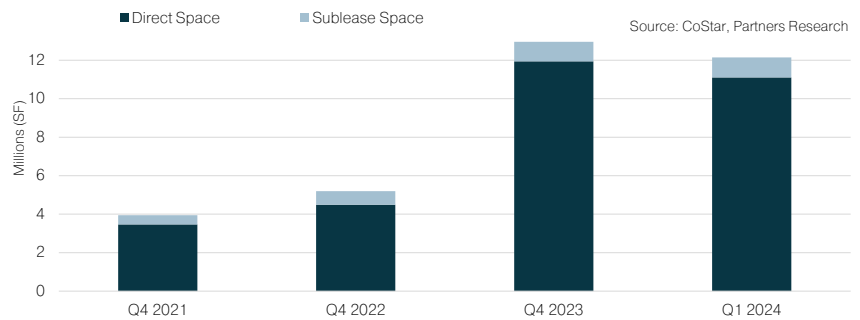
Net Absorption



Leasing Activity



Vacancy



Vacancy Rate Decreases To 9.1%

The overall vacancy rate in the Austin industrial market is at 9.1%. Quarter-over-quarter, the vacancy rate decreased 80 basis points from 9.9%. Year-over-year, the vacancy rate increased 320 basis points from 5.9%. Flex, Manufacturing, and Warehouse/Distribution space have vacancy rates of 7.4%, 2.5%, and 10.4%, respectively. The vacancy rate was flat for most industrial property types for the quarter but is up significantly year over year largely due to a robust construction pipeline.

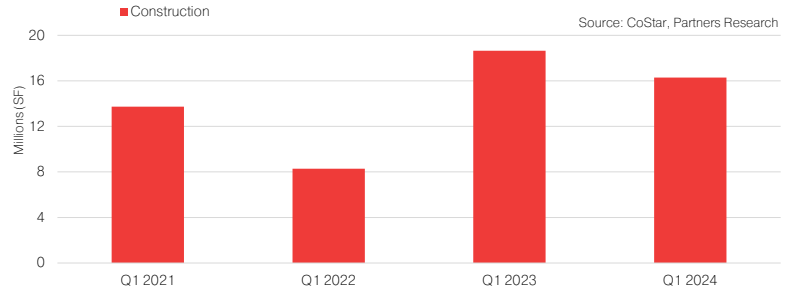
Investment Sales Trends

CoStar Capital Market Analytics reports the cumulative 12-month sales volume for Q1 2024 at \$281 million. Over the past year, 94 properties were sold with an average transaction price of \$232 per sq. ft. and an average cap rate of 7.9%. Notable transactions over the past year include Goldman Sachs's acquiring a 623,217-sq.-ft. industrial portfolio—consisting of 5 properties—from TPG for \$126 million and Blackstone acquiring a 3.7 million-sq.-ft. industrial portfolio—consisting of 16 properties—from IDI Logistics \$392 million.

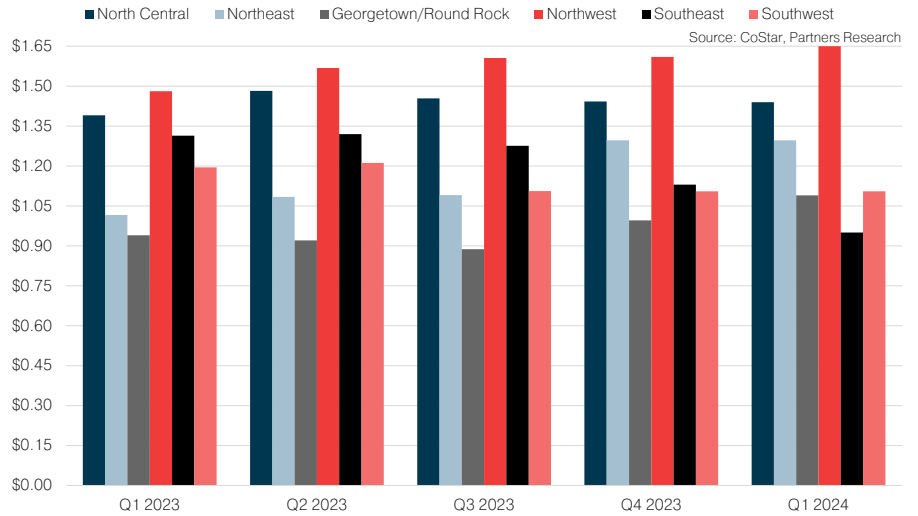
Record-High Asking Rent

The average monthly rental rate (NNN) for Austin's industrial market increased to \$1.24 per sq. ft.—a record-high for the metro's industrial sector—up 13% from the previous year's \$1.10 per sq. ft. The average monthly rate per square foot for Flex space stood at \$1.55 per sq. ft., while the rates for Manufacturing space and Warehouse/Distribution space were at \$1.16 per sq. ft. and \$1.11 per sq. ft., respectively. The Northwest submarket commands the highest overall monthly average rate at \$1.92 per sq. ft., followed by the North Central submarket at \$1.44 per sq. ft.

Construction



Average Monthly Rental Rate (NNN)



Market Overview

Submarket Stats

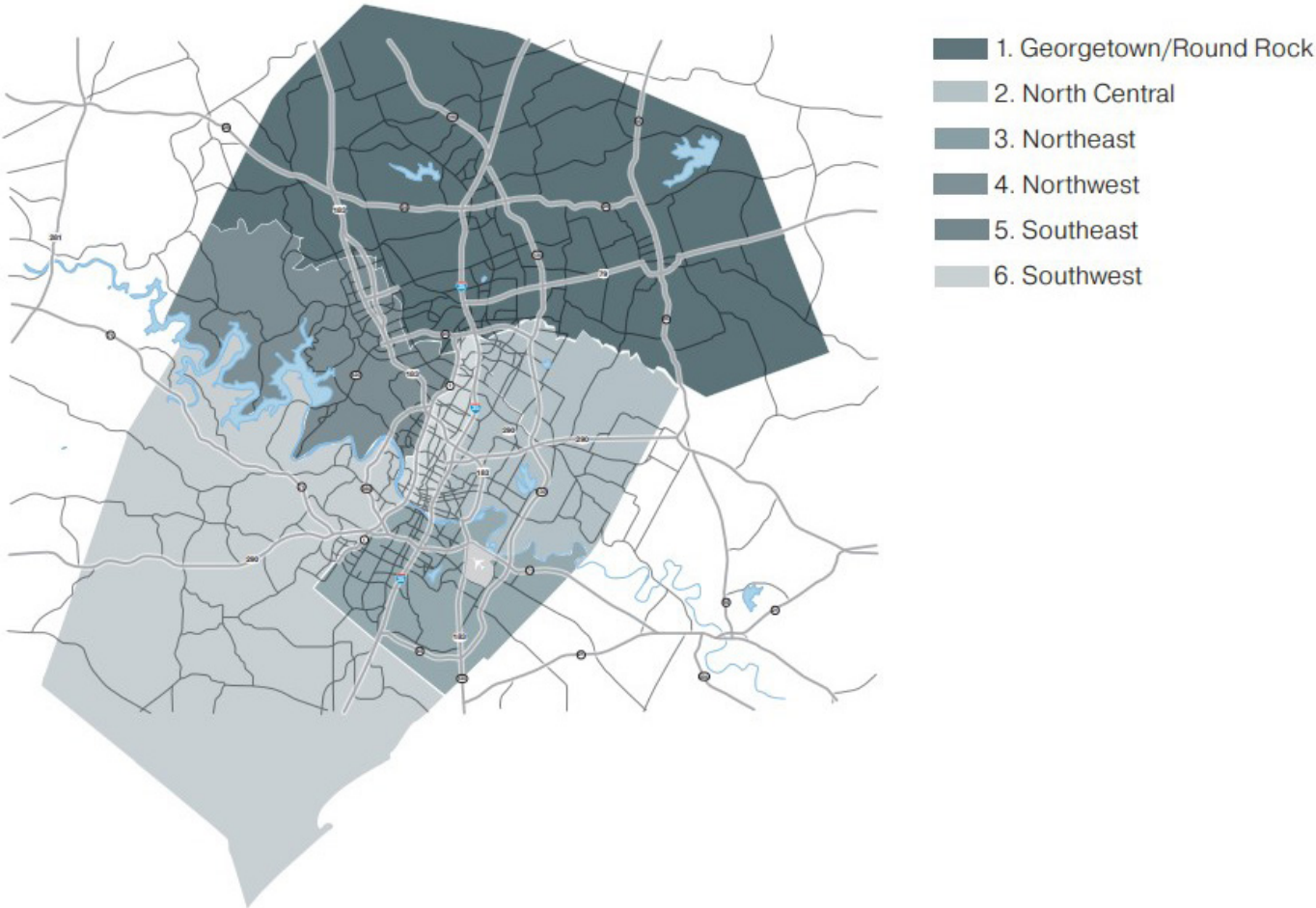
Submarket Statistics (Total reflects Flex/Manf/ WD)	Total Inventory (SF)	Total Vacancy (%)	Total Availability (%)	Q4 2023 Net Absorption (SF)	2023 YTD Net Absorption (SF)	Q4 2023 Deliveries (SF)	2023 YTD Deliveries (SF)	Under Construction(SF)	Overall Average Asking Rent (NNN/MO)
Austin Market Total	130,023,749	9.10%	15.60%	3,059,869	3,059,869	2,493,351	2,493,351	16,301,903	1.24
Flex	21,581,209	7.40%	12.40%	-221,985	-221,985	31,950	31,950	935,946	1.55
Manufacturing	21,747,782	2.50%	4.20%	117,422	117,422	487,958	487,958	1,616,808	1.16
Warehouse/Distribution	86,694,758	10.40%	18.50%	3,164,432	3,164,432	1,973,443	1,973,443	13,749,149	1.11
Georgetown/Round Rock Total	22,321,371	21.40%	21.40%	1,392,976	1,392,976	1,552,259	1,552,259	5,603,058	1.09
Flex	1,773,634	9.00%	23.30%	-23,779	-23,779	31,950	31,950	666,410	1.29
Manufacturing	3,074,376	8.90%	9.90%	21,650	21,650	224,732	224,732	189,280	1.09
Warehouse/Distribution	17,473,361	23.60%	23.70%	1,395,105	1,395,105	1,295,577	1,295,577	4,747,368	1.11
North Central Total	19,052,093	6.70%	11.80%	-172,924	-172,924	0	0	0	1.44
Flex	5,084,463	13.00%	18.60%	-78,091	-78,091	0	0	0	1.58
Manufacturing	1,389,294	0.00%	0.00%	0	0	0	0	0	0.00
Warehouse/Distribution	12,578,336	5.90%	11.60%	-94,833	-94,833	0	0	0	1.32
Northeast Total	42,144,600	6.00%	10.60%	156,359	156,359	57,997	57,997	5,218,261	1.30
Flex	6,751,607	5.50%	9.80%	-26,956	-26,956	0	0	0	1.73
Manufacturing	10,462,552	3.00%	3.20%	-10,021	-10,021	0	0	1,427,528	1.17
Warehouse/Distribution	24,930,441	5.70%	14.70%	193,336	193,336	57,997	57,997	3,790,733	1.14
Northwest Total	7,750,597	6.10%	12.10%	-67,544	-67,544	22,000	22,000	486,466	1.92
Flex	3,276,072	9.90%	13.10%	-73,181	-73,181	0	0	143,036	2.02
Manufacturing	1,022,533	0.00%	0.00%	0	0	0	0	0	0.00
Warehouse/Distribution	3,451,992	4.40%	14.60%	5,637	5,637	22,000	22,000	343,430	1.53
Southeast Total	19,068,732	5.80%	20.50%	207,668	207,668	263,226	263,226	3,242,387	0.95
Flex	3,607,513	9.10%	13.70%	-35,125	-35,125	0	0	0	1.25
Manufacturing	1,516,809	13.00%	13.00%	116,293	116,293	263,226	263,226	0	0.00
Warehouse/Distribution	13,944,410	4.20%	22.90%	126,500	126,500	0	0	3,242,387	0.95
Southwest Total	19,686,356	11.70%	19.90%	1,543,334	1,543,334	597,869	597,869	1,751,731	1.11
Flex	1,087,920	6.70%	18.80%	15,147	15,147	0	0	126,500	1.64
Manufacturing	4,282,218	3.90%	6.00%	-10,500	-10,500	0	0	0	1.23
Warehouse/Distribution	14,316,218	14.50%	23.80%	1,538,687	1,538,687	597,869	597,869	1,625,231	1.07

Market Overview

Austin Industrial Submarkets

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Austin Industrial Submarkets



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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