

# Austin Industrial

## Q3 2024

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## Quarterly Market Report

Austin industrial market sees cooling demand amid record-high construction pipeline and steady rental rates

### Executive Summary

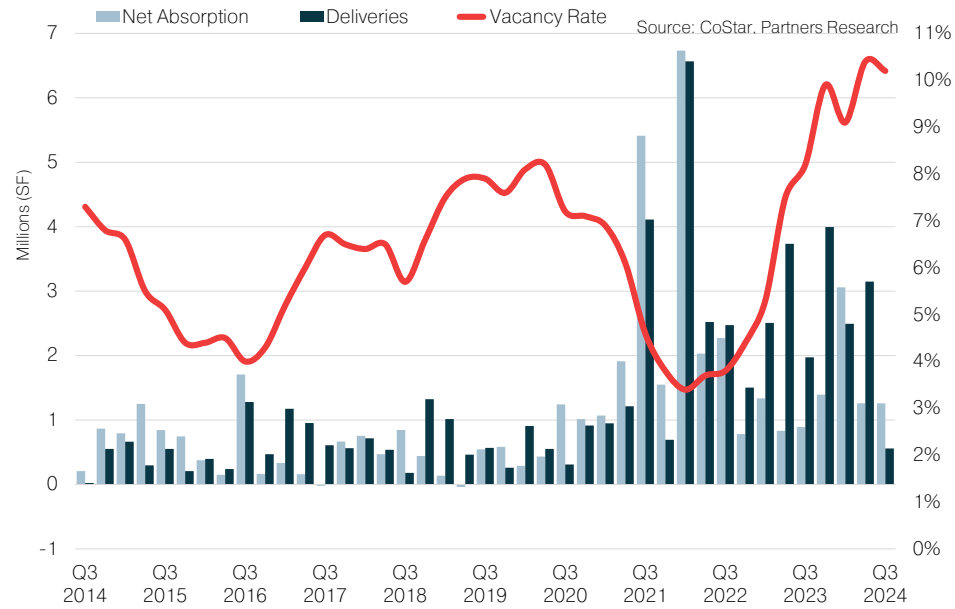
#### Q3 In Review

The Austin industrial market is experiencing a cooling trend, with net absorption decreasing to 363,217 sq. ft. this quarter, a 59% drop year-over-year. Flex and Manufacturing properties exhibited negative absorption, while Warehouse/Distribution properties remained strong. Leasing activity has also declined, down 21% from the previous quarter. Despite these softening indicators, the construction pipeline remains at a record 19 million sq. ft., with 50% pre-leased, suggesting that supply may outpace demand in the near term. The vacancy rate dipped slightly to 10.2% but remains elevated compared to the prior year, and average rental rates held steady at \$1.25 per sq. ft., matching prior market highs.

#### Austin Economic Update

According to the latest release of Austin's Economic Indicators, Austin's unemployment rate remained at 3.4% in August—below the state's and nation's rates of 4.1% and 4.2%, respectively. In August, the local labor force grew 2.0%, while the state's increased 3.6%, and the nation's grew 0.9%. Austin employment grew 4.7% in August after dropping 2.3% in July. Sectors that saw a decline included education and health services (-1,585 jobs) and information services (-134 jobs). Sectors with the most growth were professional and business services (2,741 jobs) and construction and mining (1,106 jobs). Year to date in August, Austin employment fell 0.3%, below the state's and nation's growth of 2.2% and 1.4%, respectively.

### Supply & Demand



### Key Market Indicators

	CURRENT Q3 2024	PRIOR QUARTER Q2 2024		PRIOR YEAR Q3 2024	
Vacant Total	10.2%	10.4%	↓	8.0%	↑
Vacant Direct	9.6%	9.7%	↓	7.3%	↑
Available Total	16.5%	16.9%	↓	14.1%	↑
Available Direct	15.3%	15.8%	↓	13.2%	↑
Net Absorption (SF)	363,217	1,259,341	↓	892,411	↓
Leasing Activity (SF)	1,853,060	2,349,432	↓	3,308,329	↓
Construction (SF)	19,026,916	16,754,644	↑	17,956,197	↑
Deliveries (SF)	559,662	3,148,728	↓	1,978,968	↓
Avg Asking Rent (NNN)	\$1.25	\$1.21	↑	\$1.09	↑
Inventory (SF)	141,354,012	136,237,843	↑	131,044,300	↑

# Market Overview

## Net Absorption Remains Positive, but Trending Down Over Recent Quarters

Net absorption—move-ins minus move-outs—is at 363,217 sq. ft., this down from the 1.3 million sq. ft. last quarter and down 59% from year over year levels. Flex properties and Manufacturing properties showed the lowest levels of demand, both recording negative net absorption for the quarter at 296,302 sq. ft. and 2,065 sq. ft., respectively. Warehouse/Distribution remained much healthier with a positive 661,584 sq. ft. Notable recent move-ins include ProLift Rigging taking 229,312 sq. ft. at Whisper Logistics 35; FMT taking 187,558 sq. ft. at Gateway 35; Cangshan taking 158,351 sq. ft. at 201 Velocity in Georgetown; and US Farathane taking 146,948 sq. ft. at 600 FM 972 in Georgetown.

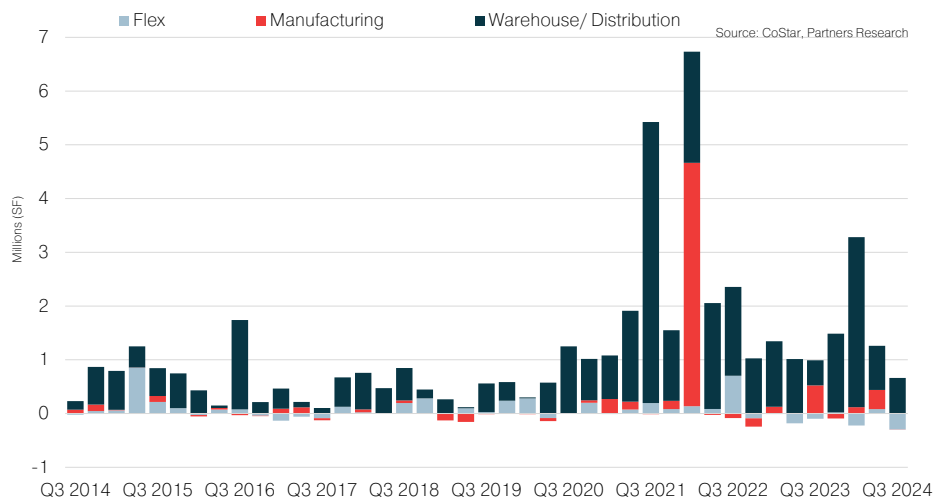
## Leasing Activity Trending Downward

Quarterly leasing velocity—comprised of new leases and renewals—stood at 1.9 million sq. ft., down 21% from the 2.3 million last quarter, and down 44% from the 3.3 million sq. ft. in Q3 2023. Historically leasing activity has averaged 2.3 million sq. ft. per quarter over the past 10 years but saw record high volumes in the 2021/2022 period. Recent leasing activity includes Four Hands leasing 570,489 sq. ft. at 6106 Ross Rd; Tesla leasing 183,000 sq. ft. at Taylor Logistics Park; and Control Panels USA signing a lease for 145,450 sq. ft. at Crosspoint Building 2.

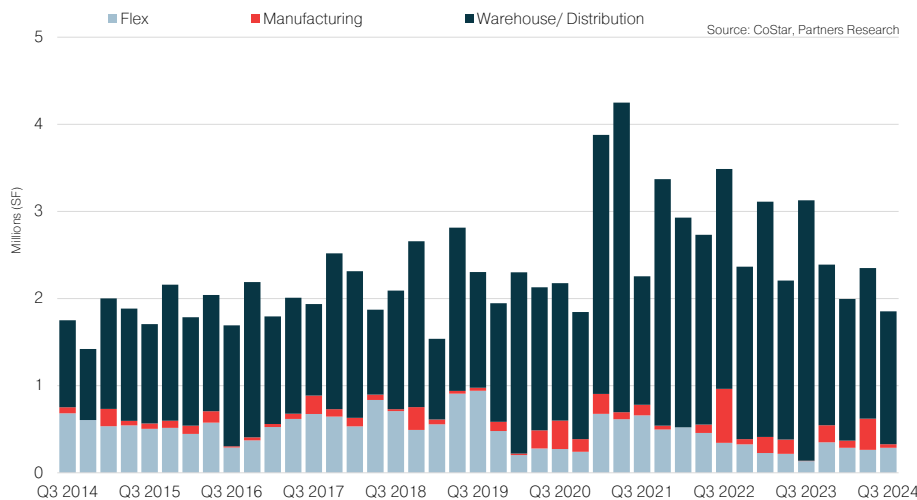
## Construction Pipeline Still Elevated at 19 million sq. ft.

Austin's industrial pipeline broke new record levels with some recent starts that pushed the overall under construction total to just over 19 million sq. ft. This surpasses the previous record in early 2023, when 18.6 million sq. ft. was underway. Most of the construction pipeline is concentrated in Warehouse/Distribution properties (69%), while Flex and Manufacturing properties make up 3% and 28%, respectively. Roughly half of the construction pipeline has been pre-leased, while the other half is expected to outpace demand over the short term.

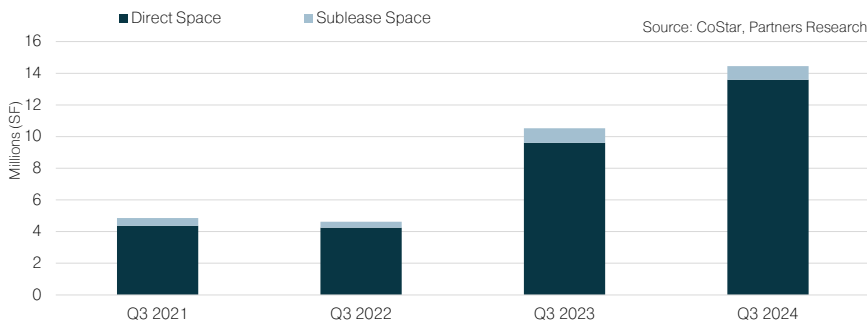
# Net Absorption



# Leasing Activity



# Vacancy



## Vacancy Rate Dips to 10.2%, Still Up Year over Year

The overall vacancy rate in the Austin industrial market is at 10.2%. Quarter-over-quarter, the vacancy rate decreased 20 basis points from 10.4%. Flex, Manufacturing, and Warehouse/Distribution space have vacancy rates of 11.7%, 2.3%, and 12.1%, respectively. There's still strong demand for industrial space, particularly warehouses and distribution centers. However, with a robust under construction pipeline still underway, the vacancy rate is likely to rise moderately over the next few quarters.

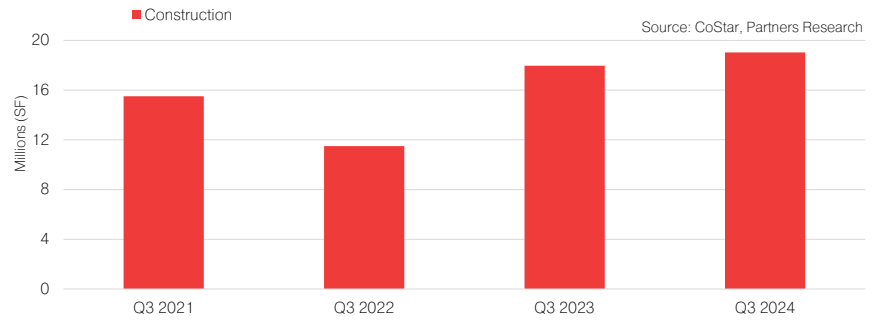
## Investment Sales Trends

CoStar Capital Market Analytics reports the cumulative 12-month sales volume for Q3 2024 at \$290 million. Over the past year, 126 properties were sold with an average transaction price of \$194 per sq. ft. and an average cap rate of 7.7%. Notable transactions in 2024 include EQT Exeter purchasing the GAF Energy Solar Shingle Plant at 110 SE Inner Loop. The 449,642-sq.-ft. property was built in 2023 and went for \$135 per sq. ft. Link Logistics sold the four building, 945,543-sq.-ft., Northeast Crossing business park to Longpoint Realty for \$166 per sq. ft. At the time, 110,440 sq. ft. was available for lease, while the remainder was occupied. Air Texo purchased building 7 (a 213,832-sq.-ft. manufacturing property) at the Innovation Business Park, which will be occupied by Seoyon E-hwa Manufacturing once tenant improvements are completed. Also, EQT Exeter also purchased the Lockhart 130 Industrial Park building 1, a 167,794-sq.-ft. distribution facility built in 2023. FBS Appliance fully leases the entire property.

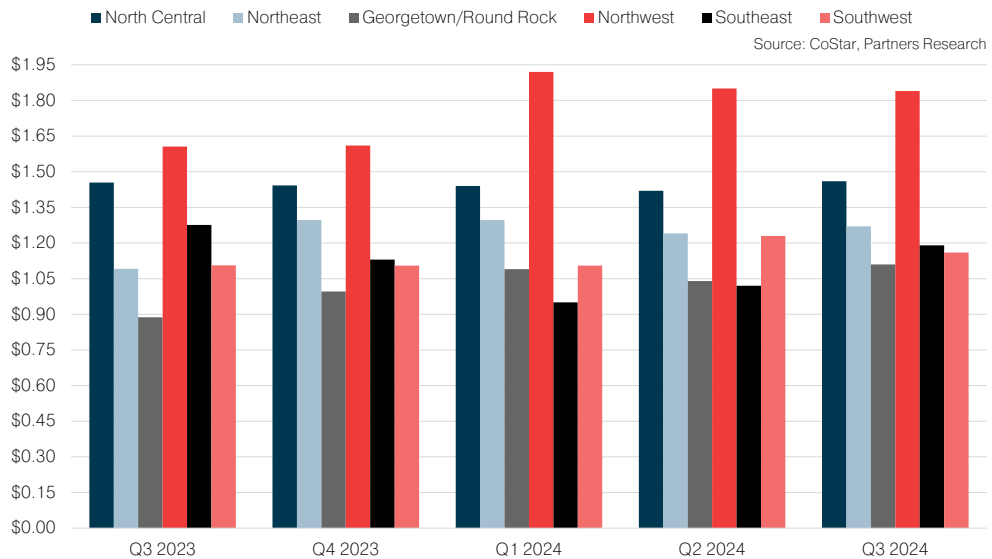
## Overall Asking Rates Up Slightly for the Quarter, Matching Previous Market Highs

The average monthly rental rate (NNN) for Austin's industrial market is currently \$1.25 per sq. ft.—this is a slight increase from record highs last quarter, and even with the previous market highs reached in early 2024. The average monthly rate per square foot for Flex space stood at \$1.58 per sq. ft., while the rates for Manufacturing space and Warehouse/Distribution space were at \$1.02 per sq. ft. and \$1.12 per sq. ft., respectively. The Northwest submarket commands the highest overall monthly average rate at \$1.84 per sq. ft., followed by the North Central submarket at \$1.46 per sq. ft.

## Construction



## Average Monthly Rental Rate (NNN)



# Market Overview

## Submarket Stats

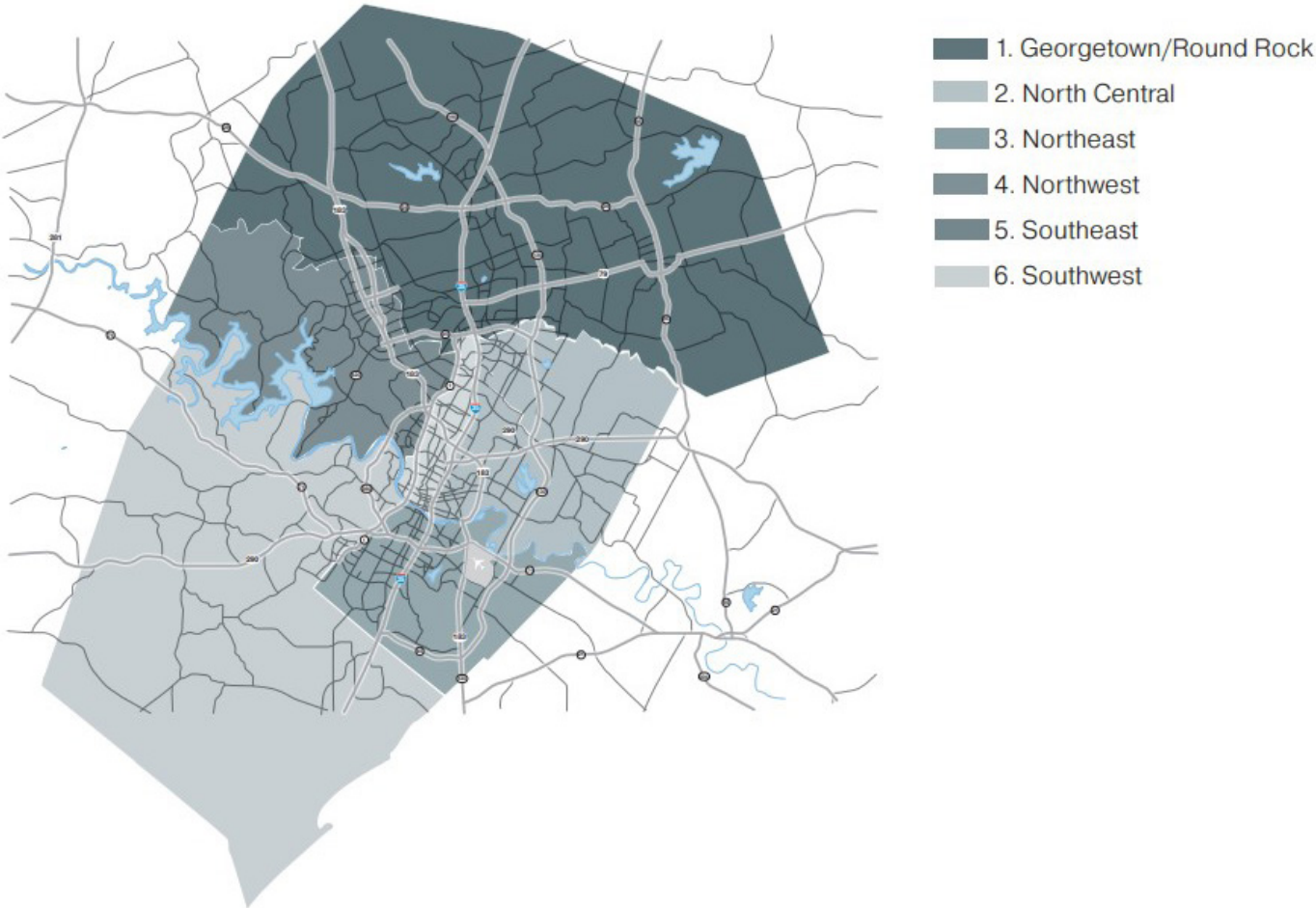
Submarket Statistics (Total reflects Flex/Manf/ WD)	Total Inventory (SF)	Total Vacancy (%)	Total Availability (%)	Q3 2024 Net Absorption (SF)	2024 YTD Net Absorption (SF)	Q3 2024 Deliveries (SF)	2024 YTD Deliveries (SF)	Under Construction(SF)	Overall Average Asking Rent (NNN/MO)
<b>Austin Market Total</b>	<b>141,354,012</b>	<b>10.20%</b>	<b>17.30%</b>	<b>363,217</b>	<b>4,682,427</b>	<b>559,662</b>	<b>6,201,741</b>	<b>19,026,916</b>	<b>1.25</b>
Flex	22,464,016	11.70%	16.50%	-296,302	-436,911	30,000	526,000	624,578	1.58
Manufacturing	26,270,521	2.30%	3.80%	-2,065	473,153	0	487,958	5,277,327	1.02
Warehouse/Distribution	92,619,475	12.10%	21.60%	661,584	4,646,185	529,662	5,187,783	13,125,011	1.12
<b>Georgetown/Round Rock Total</b>	<b>23,026,722</b>	<b>16.70%</b>	<b>21.80%</b>	<b>475,381</b>	<b>3,059,739</b>	<b>12,000</b>	<b>2,170,869</b>	<b>7,191,066</b>	<b>1.11</b>
Flex	2,226,286	10.00%	24.50%	-2,873	402,724	0	496,000	415,042	1.39
Manufacturing	3,097,908	2.90%	3.70%	-5,200	204,282	0	224,732	3,004,280	0.88
Warehouse/Distribution	17,702,528	20.00%	26.60%	483,454	2,452,733	12,000	1,450,137	3,771,744	1.05
<b>North Central Total</b>	<b>18,927,209</b>	<b>9.20%</b>	<b>14.70%</b>	<b>-134,497</b>	<b>-512,924</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1.46</b>
Flex	5,107,592	15.50%	21.10%	-61,115	-208,005	0	0	0	1.62
Manufacturing	1,390,692	0.00%	0.00%	0	0	0	0	0	-
Warehouse/Distribution	12,428,925	7.60%	13.60%	-73,382	-304,919	0	0	0	1.20
<b>Northeast Total</b>	<b>46,775,357</b>	<b>5.80%</b>	<b>15.30%</b>	<b>-64,035</b>	<b>288,408</b>	<b>244,232</b>	<b>870,715</b>	<b>7,676,902</b>	<b>1.27</b>
Flex	6,129,713	8.40%	12.50%	16,206	-190,286	0	0	0	1.62
Manufacturing	14,329,848	1.60%	1.90%	-21,315	70,664	0	0	2,273,047	1.20
Warehouse/Distribution	26,315,796	7.50%	23.00%	-58,926	408,030	244,232	870,715	5,403,855	1.17
<b>Northwest Total</b>	<b>7,965,505</b>	<b>8.40%</b>	<b>10.90%</b>	<b>24,208</b>	<b>-52,743</b>	<b>273,430</b>	<b>295,430</b>	<b>143,036</b>	<b>1.84</b>
Flex	3,283,334	7.60%	10.60%	8,216	-67,585	0	0	143,036	1.91
Manufacturing	1,131,072	0.00%	0.00%	0	0	0	0	0	-
Warehouse/Distribution	3,551,099	11.80%	14.60%	15,992	14,842	273,430	295,430	0	1.49
<b>Southeast Total</b>	<b>21,130,332</b>	<b>14.40%</b>	<b>20.80%</b>	<b>-160,785</b>	<b>199,671</b>	<b>0</b>	<b>2,109,882</b>	<b>1,924,489</b>	<b>1.19</b>
Flex	3,886,165	16.40%	16.40%	-227,040	-328,758	0	0	0	1.83
Manufacturing	1,533,838	6.40%	8.30%	24,450	214,707	0	263,226	0	-
Warehouse/Distribution	15,710,329	14.60%	23.10%	41,805	313,722	0	1,846,656	1,924,489	1.17
<b>Southwest Total</b>	<b>23,528,887</b>	<b>10.50%</b>	<b>17.30%</b>	<b>222,945</b>	<b>1,700,276</b>	<b>30,000</b>	<b>754,845</b>	<b>2,091,423</b>	<b>1.16</b>
Flex	1,830,926	11.70%	18.60%	-29,696	-45,001	30,000	30,000	66,500	1.42
Manufacturing	4,787,163	3.60%	10.90%	0	-16,500	0	0	0	1.12
Warehouse/Distribution	16,910,798	12.30%	18.80%	252,641	1,761,777	0	724,845	2,024,923	1.11

# Market Overview

## Austin Industrial Submarkets

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### Austin Industrial Submarkets



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## Steve Triolet

SVP of Research and Market Forecasting

tel 214 223 4008

[steve.triolet@partnersrealestate.com](mailto:steve.triolet@partnersrealestate.com)

partners

HOUSTON

+ 713 629 0500

1360 Post Oak Blvd #1900

Houston, Texas 77056

[PARTNERSREALESTATE.COM](http://PARTNERSREALESTATE.COM)