# Austin Industrial

## Q1 2025

QUARTERLY MARKET REPORT

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# Austin Industrial | Q1 2025
## Quarterly Market Report

Austin's Industrial Market Shows Resilience with Strong Absorption Despite Rising Vacancy and Deliveries

## Executive Summary

### Q1 In Review

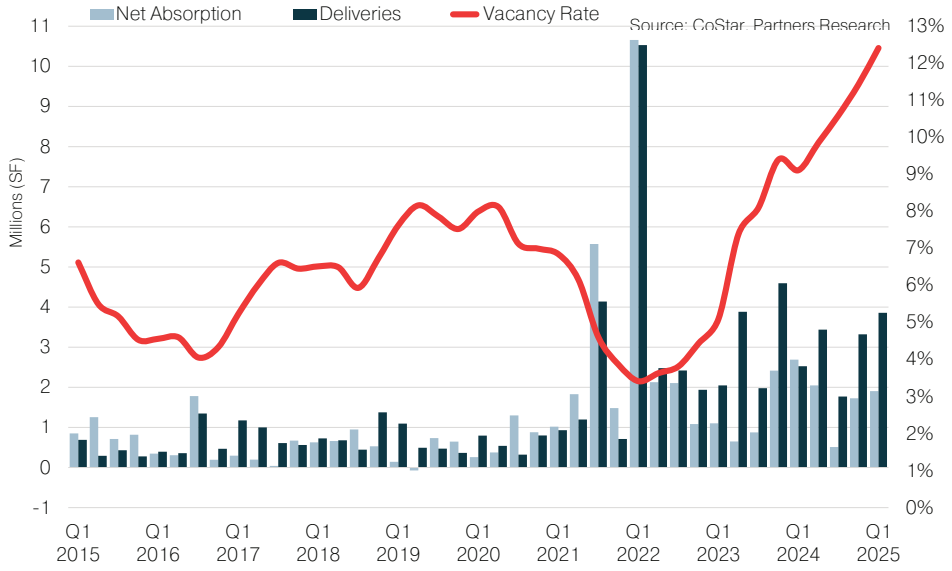
Austin's industrial market exhibited resilience in Q1 2025, with net absorption reaching 1,907,446 sq. ft., a 10.5% increase from the prior quarter's 1,725,353 sq. ft., though still below the 2,690,964 sq. ft. recorded a year ago. Warehouse/Distribution properties led the charge with 1,982,813 sq. ft. absorbed, while Flex space saw negative absorption of 80,467 sq. ft., and Manufacturing remained nearly flat at 5,100 sq. ft. Leasing activity, however, declined significantly, dropping 33.8% quarter-over-quarter to 1,999,505 sq. ft. from 3,021,885 sq. ft. The vacancy rate rose to 12.4%, up from 11.4% last quarter and 9.1% a year ago, reflecting increased supply pressure from 3,858,908 sq. ft. of deliveries. Available sublease space also climbed, contributing to a total availability rate of 17.7%, up from 17.3% in Q4 2024.

Construction activity continued to cool, with 15,116,722 sq. ft. underway, down 9.3% from the prior quarter and 13.4% year over year. Average asking rents edged up slightly to $14.65 per sq. ft. (NNN), a 0.9% increase from $14.52 in Q4 2024, though still below the $15.14 seen in Q1 2024. Submarkets like Central and Northwest commanded the highest rates at $18.81 and $16.76 per sq. ft., respectively.

### Austin Economic Update

Austin's unemployment rate dipped to 3.3% in December, below the state and national rates of 4.2% and 4.1%, respectively. In December, the local labor force expanded at an annualized 7.5%, outpacing the state's 3.1% increase and the nation's 1.7% growth. Employment growth strengthened to an annualized 2.4% in December, up from 0.5% in November, with fourth-quarter job growth averaging 2.0%. Growth was broad-based, with the greatest gains in government (2,700 jobs) and construction and mining (1,900 jobs). Sectors that saw declines included leisure and hospitality (1,400 jobs) and manufacturing (500 jobs). Year over year, Austin's employment growth remained sluggish at an annualized 0.5%, trailing the state's 1.7% increase and the nation's 1.3% growth.

## Supply & Demand




## Key Market Indicators

| | CURRENT Q1 2025 | PRIOR QUARTER Q4 2024 | | PRIOR YEAR Q1 2024 | |
|---|---|---|---|---|---|
| Vacant Total | 12.4% | 11.4% | ▲ | 9.1% | ▲ |
| Vacant Direct | 11.6% | 10.8% | ▲ | 8.5% | ▲ |
| Available Total | 17.7% | 17.3% | ▲ | 15.1% | ▲ |
| Available Direct | 16.3% | 16.2% | ▲ | 14.3% | ▲ |
| Net Absorption (SF) | 1,907,446 | 1,725,353 | ▲ | 2,690,964 | ▼ |
| Leasing Activity (SF) | 1,999,505 | 3,021,885 | ▲ | 3,671,138 | ▲ |
| Construction (SF) | 15,116,722 | 16,664,938 | ▼ | 17,455,015 | ▼ |
| Deliveries (SF) | 3,858,908 | 3,321,734 | ▲ | 2,525,105 | ▼ |
| Avg Asking Rent (NNN) | $14.65 | $14.52 | ▼ | $15.14 | ▲ |
| Inventory (SF) | 153,742,971 | 149,884,063 | ▲ | 141,352,492 | ▲ |

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Average hourly earnings rose to $35.51, reflecting a year-over-year increase of 4.1%, while home prices and inventories climbed, and single-family housing permits increased in December, though they remained down for the year. The Austin Business-Cycle Index, a broad measure of economic activity, grew at an annualized 5.9% in December, accelerating from the 1.2% gain in November. Year over year, the index was up 1.4%.

# Market Overview

## Net Absorption Remains Robust in Q1 2025

Net absorption—move-ins minus move-outs—totaled 1,907,446 sq. ft. for the quarter, up 10.5% from Q4 2024's 1,725,353 sq. ft. Warehouse/Distribution properties recorded 1,982,813 sq. ft. of positive absorption, driven by demand in submarkets like Airport (989,023 sq. ft.) and Southwest (353,230 sq. ft.). Flex space, however, posted negative absorption of 80,467 sq. ft., with notable declines in Northeast (-169,531 sq. ft.), while Manufacturing absorption was minimal at 5,100 sq. ft., concentrated in Round Rock/Hutto/Taylor.

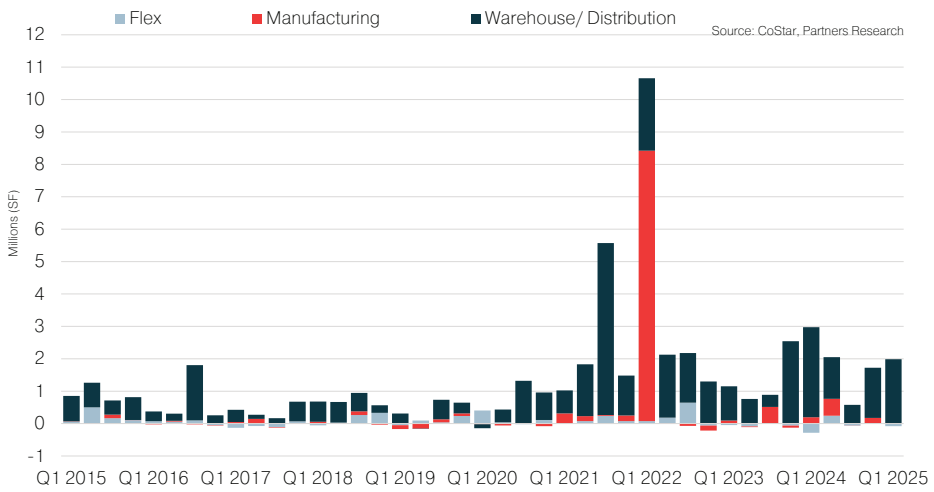
## Construction Pipeline Contracts, Deliveries Surge

Deliveries jumped to 3,858,908 sq. ft. in Q1 2025, a 16.2% increase from 3,321,734 sq. ft. in Q4 2024 and 52.8% higher than the 2,525,105 sq. ft. delivered in Q1 2024. Of the current 15.1 million sq. ft. in the construction pipeline, 6.3 million sq. ft. is made of built-to-suit projects, including Tesla and Samsung. The construction pipeline shrank to 15,116,722 sq. ft., down 9.3% from 16,664,938 sq. ft. last quarter and 13.4% from 17,455,015 sq. ft. a year ago. Significant construction remains concentrated in Round Rock/Hutto/Taylor (5,977,136 sq. ft.) and Northeast (3,086,418 sq. ft.).

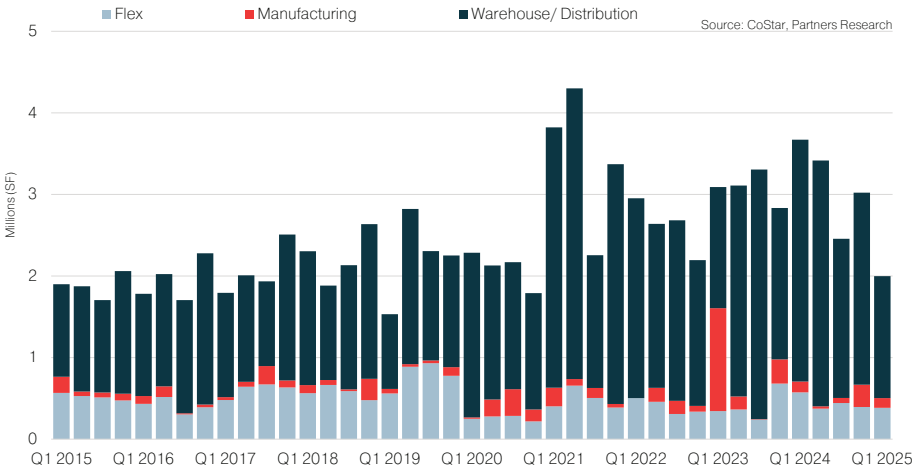
## Leasing Activity Declines Sharply

Quarterly leasing velocity—new leases and renewals—fell to 1,999,505 sq. ft., a 33.8% decrease from 3,021,885 sq. ft. in Q4 2024 and 45.5% below the 3,671,138 sq. ft. recorded in Q1 2024. Flex leasing totaled 384,560 sq. ft., Manufacturing 118,787 sq. ft., and Warehouse/Distribution 1,496,158 sq. ft., reflecting a broad-based slowdown.

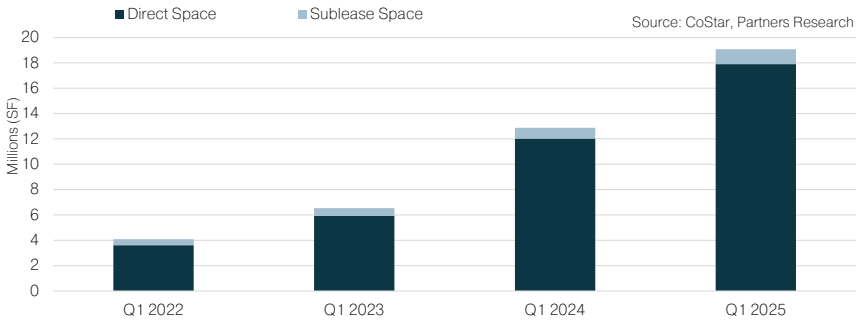
## Net Absorption




## Leasing Activity




## Vacancy

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## Vacancy Rate Climbs to 12.4%

The overall vacancy rate rose to 12.4% in Q1 2025, up from 11.4% in Q4 2024 and 9.1% in Q1 2024, a year-over-year increase of 330 basis points. Direct vacancy reached 11.6%, while total availability hit 17.7%, driven by 17,904,655 sq. ft. of direct vacant space and 1,179,219 sq. ft. of sublease space. Georgetown posted the highest vacancy at 21.7%, while Central remained tight at 5.4%.

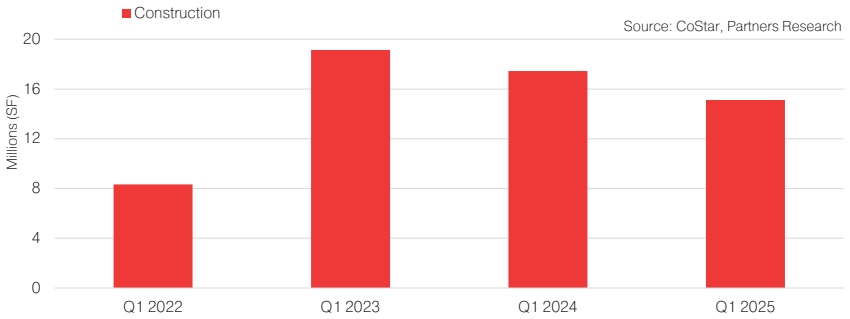
## Investment Sales Trends

For the first quarter of 2025, 33 industrial and flex properties sold for a combined 1.9 million sq. ft. The average price per square foot was $196 and the average cap rate was 7.6%. Notable transactions included Ares Management Corp. purchasing Westinghouse35 from WIM Resources. The 230,954 sq. ft. warehouse was 41% leased to OnTrac at the time of the sale. Also, EQT Real Estate purchased Settlers Grove IV from Highland Resources. The 134,400 sq. ft. industrial property is 100% leased to Trade Management Solutions and Wondercide.

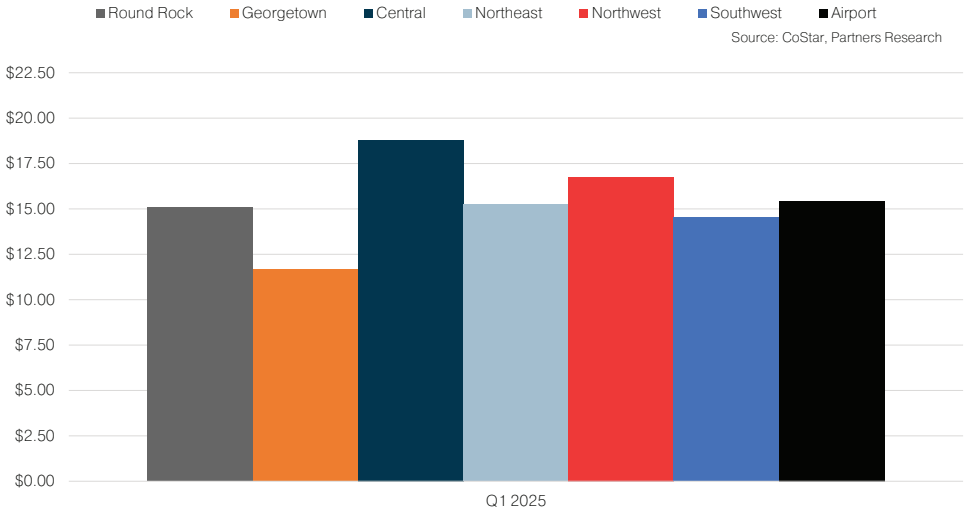
## Rates Inch Up Quarter-over-Quarter

Austin's average asking rent (NNN) rose to $14.65 per sq. ft., up 0.9% from $14.52 in Q4 2024 but down 3.2% from $15.14 in Q1 2024. Flex space averaged $18.14 per sq. ft., Manufacturing $12.31 per sq. ft., and Warehouse/Distribution $13.58 per sq. ft. Submarket leaders included Central at $18.81 per sq. ft. and Northwest at $16.76 per sq. ft., while Georgetown trailed at $11.66 per sq. ft.

## Construction




## Average Monthly Rental Rate (NNN)

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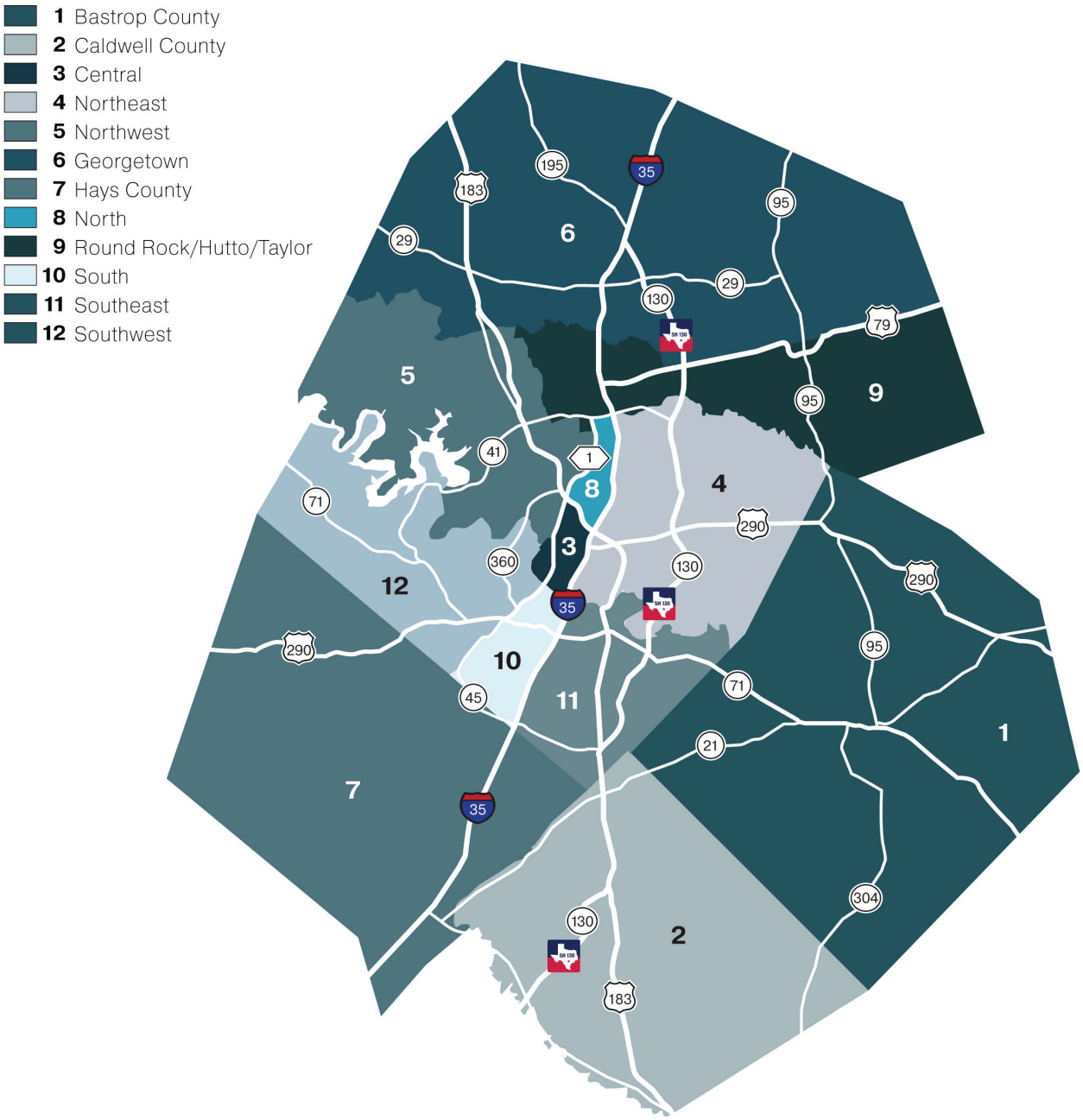
# Market Overview

## Submarket Stats

| Submarket Statistics | Inventory (SF) | Total Vacancy (%) | Total Availability (%) | Q1 2025 Total Net Absorption (SF) | YTD Total Net Absorption (SF) | Q1 2025 Deliveries (SF) | YTD Deliveries (SF) | Under Construction (SF) | Total Avg Asking Rent (NNN) |
|---|---|---|---|---|---|---|---|---|---|
| **Austin Market Total** | **153,742,971** | **12.4%** | **17.7%** | **1,907,446** | **1,907,446** | **3,858,908** | **3,858,908** | **15,116,722** | **14.65** |
| Flex | 23,943,012 | 12.1% | 16.2% | -80,467 | -80,467 | 188,287 | 188,287 | 436,181 | 18.14 |
| Manufacturing | 27,138,174 | 2.2% | 4.0% | 5,100 | 5,100 | 0 | 0 | 4,271,705 | 12.31 |
| Warehouse/Distribution | 102,661,785 | 15.2% | 21.8% | 1,982,813 | 1,982,813 | 3,670,621 | 3,670,621 | 10,408,836 | 13.58 |
| **Bastrop County Total** | **2,065,395** | **2.5%** | **7.9%** | **0** | **0** | **0** | **0** | **107,250** | **15.97** |
| Flex | 230,929 | 8.4% | 8.4% | 0 | 0 | 0 | 0 | 0 | - |
| Manufacturing | 229,967 | 8.0% | 13.8% | 0 | 0 | 0 | 0 | 0 | 9.13 |
| Warehouse/Distribution | 1,604,499 | 0.8% | 7.1% | 0 | 0 | 0 | 0 | 107,250 | 18.00 |
| **Caldwell County Total** | **1,422,452** | **11.6%** | **31.1%** | **330,076** | **330,076** | **310,000** | **310,000** | **62,360** | **11.50** |
| Flex | 60,150 | 0.0% | 0.0% | 0 | 0 | 0 | 0 | 0 | - |
| Manufacturing | 14,000 | 0.0% | 0.0% | 0 | 0 | 0 | 0 | 0 | - |
| Warehouse/Distribution | 1,348,302 | 12.2% | 32.7% | 330,076 | 330,076 | 310,000 | 310,000 | 62,360 | 11.50 |
| **Central Total** | **1,982,282** | **5.4%** | **5.4%** | **-7,609** | **-7,609** | **0** | **0** | **0** | **18.81** |
| Flex | 686,744 | 9.1% | 9.1% | -15,196 | -15,196 | 0 | 0 | 0 | 20.41 |
| Manufacturing | 174,937 | 0.0% | 0.0% | 0 | 0 | 0 | 0 | 0 | - |
| Warehouse/Distribution | 1,120,601 | 4.0% | 4.0% | 7,587 | 7,587 | 0 | 0 | 0 | 16.95 |
| **Northeast Total** | 50,414,512 | 11.3% | 15.5% | 21,386 | 21,386 | 1,970,580 | 1,970,580 | 3,086,418 | 15.25 |
| Flex | 6,330,504 | 10.9% | 16.8% | -169,531 | -169,531 | 0 | 0 | 0 | 16.72 |
| Manufacturing | 14,470,028 | 1.9% | 1.9% | 0 | 0 | 0 | 0 | 1,166,705 | 19.65 |
| Warehouse/Distribution | 29,613,980 | 16.0% | 21.9% | 190,917 | 190,917 | 1,970,580 | 1,970,580 | 1,919,713 | 14.54 |
| **Northwest Total** | 8,019,658 | 10.1% | 13.3% | -26,980 | -26,980 | 0 | 0 | 96,518 | 16.76 |
| Flex | 3,576,935 | 12.4% | 14.7% | -4,356 | -4,356 | 0 | 0 | 96,518 | 21.40 |
| Manufacturing | 984,672 | 0.0% | 0.9% | -1,649 | -1,649 | 0 | 0 | 0 | 15.00 |
| Warehouse/Distribution | 3,458,051 | 10.5% | 14.5% | -20,975 | -20,975 | 0 | 0 | 0 | 12.34 |
| **Georgetown** | 15,829,318 | 21.7% | 29.3% | 344,592 | 344,592 | 745,528 | 745,528 | 2,092,175 | 11.66 |
| Flex | 1,114,535 | 26.0% | 31.4% | 17,514 | 17,514 | 165,037 | 165,037 | 104,413 | 14.28 |
| Manufacturing | 2,553,161 | 1.8% | 7.9% | 0 | 0 | 0 | 0 | 240,000 | 9.90 |
| Warehouse/Distribution | 12,161,622 | 25.4% | 33.4% | 327,078 | 327,078 | 580,491 | 580,491 | 1,747,762 | 11.33 |
| **Hays County Total** | 17,612,738 | 15.4% | 21.6% | 355,160 | 355,160 | 81,734 | 81,734 | 1,498,918 | 13.59 |
| Flex | 730,999 | 12.8% | 24.0% | 13,396 | 13,396 | 23,250 | 23,250 | 123,250 | 18.83 |
| Manufacturing | 1,703,148 | 2.0% | 22.7% | 0 | 0 | 0 | 0 | 0 | 12.49 |
| Warehouse/Distribution | 15,178,591 | 17.0% | 21.3% | 341,764 | 341,764 | 58,484 | 58,484 | 1,375,668 | 12.47 |
| **North Total** | 16,987,920 | 10.5% | 14.8% | -174,097 | -174,097 | 0 | 0 | 0 | 14.21 |
| Flex | 4,140,394 | 15.3% | 15.3% | 8,145 | 8,145 | 0 | 0 | 0 | 19.88 |
| Manufacturing | 1,362,717 | 2.7% | 5.4% | 1,649 | 1,649 | 0 | 0 | 0 | 15.00 |
| Warehouse/Distribution | 11,484,809 | 9.7% | 15.9% | -183,891 | -183,891 | 0 | 0 | 0 | 11.87 |
| **Round Rock/Hutto/ Taylor Total** | 9,244,692 | 13.9% | 14.0% | 321,475 | 321,475 | 311,716 | 311,716 | 5,977,136 | 15.09 |
| Flex | 1,377,665 | 8.0% | 15.1% | -3,469 | -3,469 | 0 | 0 | 0 | 16.22 |
| Manufacturing | 838,474 | 3.6% | 3.6% | 5,100 | 5,100 | 0 | 0 | 2,815,000 | 14.48 |
| Warehouse/Distribution | 7,028,553 | 16.3% | 16.3% | 319,844 | 319,844 | 311,716 | 311,716 | 3,162,136 | 14.91 |
| **South Total** | 3,420,163 | 8.2% | 8.6% | -21,415 | -21,415 | 0 | 0 | 15,000 | 16.91 |
| Flex | 609,006 | 14.4% | 16.0% | -29,111 | -29,111 | 0 | 0 | 0 | 16.35 |
| Manufacturing | 500,325 | 0.0% | 0.0% | 0 | 0 | 0 | 0 | 0 | - |
| Warehouse/Distribution | 2,310,832 | 8.4% | 8.6% | 7,696 | 7,696 | 0 | 0 | 15,000 | 17.29 |
| **Southeast Total** | 22,511,244 | 11.1% | 21.3% | 750,051 | 750,051 | 439,350 | 439,350 | 1,910,988 | 15.44 |
| Flex | 4,345,598 | 11.7% | 13.1% | 91,104 | 91,104 | 0 | 0 | 112,000 | 14.25 |
| Manufacturing | 1,622,277 | 4.1% | 4.1% | 0 | 0 | 0 | 0 | 50,000 | 9.13 |
| Warehouse/Distribution | 16,543,369 | 11.6% | 24.6% | 658,947 | 658,947 | 439,350 | 439,350 | 1,748,988 | 16.27 |
| **Southwest Total** | 7,652,760 | 12.5% | 18.7% | -6,608 | -6,608 | 0 | 0 | 284,959 | 14.54 |
| Flex | 1,348,559 | 12.3% | 19.5% | -18,074 | -18,074 | 0 | 0 | 0 | 18.67 |
| Manufacturing | 3,184,793 | 3.2% | 12.1% | 0 | 0 | 0 | 0 | 0 | 12.40 |
| Warehouse/Distribution | 3,119,408 | 15.0% | 20.2% | 11,466 | 11,466 | 0 | 0 | 284,959 | 13.41 |

# Market Overview
## Austin Industrial Submarkets

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