

Austin

Extraordinary year with new milestone in development activity

- Average asking rates more than doubled in the last decade from \$5.21 in 2012 to \$10.59 in 2022.
- 11.8 million s.f. of new space entered the market in the past two years, which is greater than the total between 2010 and 2020.
- 2.1 million s.f. broke ground in Q4, pushing the total under construction activity to 15 million s.f. – a new record.

Austin's industrial market surpassed historical trends, despite a drop from 2021, which was an exceptional year due to an e-commerce giant entering the market. Total net absorption and deliveries in 2022 were nearly three times the five-year annual averages, excluding 2021, with 4.2 million s.f. of positive net absorption and 5.2 million s.f. of new construction delivered. The majority of the newly delivered buildings landed between 100k – 200k s.f. in size.

In Q4 2022, over 1 million s.f. of new space was delivered for the third consecutive quarter, of which 66% was preleased. The new deliveries pushed vacancy to 4.7%, the highest since Q2 2021. However, the newly delivered space will be quickly absorbed in the start of 2023 given preleasing volumes.

Despite the influx of new construction space added to the market, Austin still faces supply constraints as a result of the strong, ongoing demand that has been driven largely by suppliers for Tesla and Samsung. Applied Materials who supplies equipment to Samsung, for example, signed two leases at 130 Crossing buildings 3 and 4 for a total of 350,100 s.f. in the Northeast submarket. Developers remain active as projects under construction increased by nearly 60% from 2021, reaching 15 million s.f. – a new record. Most of the new development is in the Far North and Far South submarkets, where land is more available and affordable than central Austin. Timing of the new deliveries will continue to be a challenge as suppliers with time-sensitive contracts cannot wait and developers face delays caused by barriers to build, such as increased construction costs, high financing costs and long permit approvals.

Average direct asking rents increased 16.2% year-over-year due to the scarce supply of second-generation space, new-to-market tenants accustomed to paying higher rents and newly constructed buildings leasing at premium rates.

Outlook

Austin's industrial supply is expected to remain tight as the effects of Tesla's and Samsung's expansion have yet to be fully realized in addition to the area's growing population. As such, the market is well-positioned to endure the challenges in the potential scenario of an economic downturn. Pricing is expected to remain competitive and likely will continue to be in favor of the landlord in the first part of 2023.

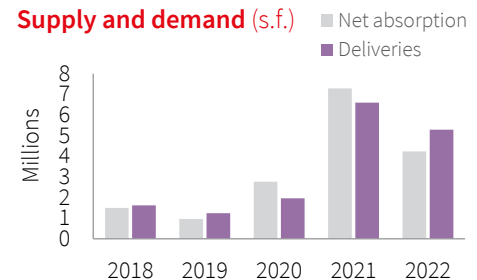
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Fundamentals

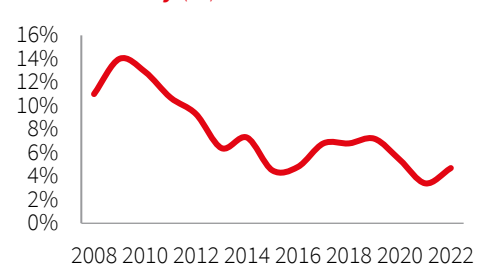
Forecast

YTD net absorption	4,231,775 s.f. ▲
Under construction	15,047,442 s.f. ►
Total vacancy	4.7% ▼
Sublease vacancy	60,115 s.f. ►
Direct asking rent	\$10.59 p.s.f. ▲
Sublease asking rent	\$10.45 p.s.f. ▲
Concessions	Stable ►

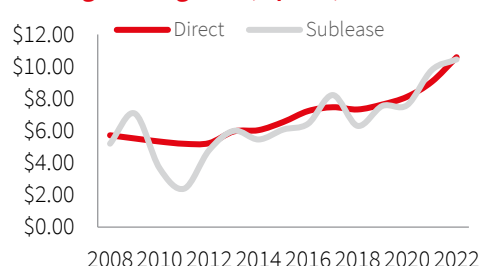
Supply and demand (s.f.)



Total vacancy (%)



Average asking rent (\$ p.s.f.)



Industrial Statistics

	Inventory (s.f.)	Quarterly total net absorption (s.f.)	YTD total net absorption (s.f.)	YTD total net absorption (% of stock)	Total vacancy (%)	Total availability (%)	Average total asking rent (\$ p.s.f.)	Quarterly Completions (s.f.)	YTD Completions (s.f.)	Under construction (s.f.)
Austin total										
Warehouse & Distribution	54,269,118	670,139	4,198,625	7.7%	5.6%	16.9%	\$10.57	1,187,912	5,286,580	9,990,002
Manufacturing	11,871,506	2,253	33,150	0.3%	0.3%	1.0%	\$11.90	0	0	5,057,440
Overall Total	66,140,624	672,392	4,231,775	6.4%	4.7%	13.6%	\$10.59	1,187,912	5,286,580	15,047,442
Suburbs total										
Warehouse & Distribution	54,269,118	670,139	4,198,625	7.7%	5.6%	16.9%	\$10.57	1,187,912	5,286,580	9,990,002
Manufacturing	11,871,506	2,253	33,150	0.3%	0.3%	1.0%	\$11.90	0	0	5,057,440
Overall Total	66,140,624	672,392	4,231,775	6.4%	4.7%	13.6%	\$10.59	1,187,912	5,286,580	15,047,442
Central										
Warehouse & Distribution	693,103	0	-1,100	-0.2%	15.6%	15.6%	\$16.60	0	0	0
Manufacturing	51,943	0	0	0.0%	0.0%	0.0%	\$0.00	0	0	0
Overall Total	745,046	0	-1,100	-0.1%	14.5%	14.5%	\$16.60	0	0	0
East										
Warehouse & Distribution	3,231,001	776	23,913	0.7%	15.8%	9.3%	\$10.04	419,874	419,874	84,094
Manufacturing	424,545	-14,288	-14,288	-3.4%	3.4%	0.0%	\$0.00	0	0	4,500,000
Overall Total	3,655,546	-13,512	9,625	0.3%	14.3%	3.7%	\$10.04	419,874	419,874	4,584,094
Far South										
Warehouse & Distribution	7,827,483	350,121	1,845,598	23.6%	0.5%	26.5%	\$8.75	0	1,419,927	2,945,799
Manufacturing	1,208,807	0	0	0.0%	0.0%	0.0%	\$0.00	0	0	0
Overall Total	9,036,290	350,121	1,845,598	20.4%	0.4%	23.8%	\$8.75	0	1,419,927	2,945,799
North										
Warehouse & Distribution	8,804,773	-88,161	-377,023	-4.3%	5.5%	8.3%	\$13.65	0	0	0
Manufacturing	1,467,574	0	-20,822	-1.4%	1.4%	1.4%	\$15.60	0	0	0
Overall Total	10,272,347	-88,161	-397,845	-3.9%	4.9%	7.3%	\$13.71	0	0	0
Northeast										
Warehouse & Distribution	14,636,755	235,097	1,586,228	10.8%	5.7%	5.6%	\$10.87	362,880	2,223,549	1,550,742
Manufacturing	5,054,705	9,000	0	0.0%	0.0%	0.0%	\$0.00	0	0	0
Overall Total	19,691,460	244,097	1,586,228	8.1%	4.2%	4.3%	\$10.87	362,880	2,223,549	1,550,742
Northwest										
Warehouse & Distribution	1,586,480	0	0	0.0%	1.1%	3.7%	\$13.77	0	0	0
Manufacturing	1,095,614	0	0	0.0%	0.0%	0.0%	\$0.00	0	0	0
Overall Total	2,682,094	0	0	0.0%	0.7%	2.2%	\$13.77	0	0	0
Far North										
Warehouse & Distribution	6,384,920	89,633	958,605	15.0%	9.2%	39.4%	\$10.29	96,674	914,746	4,992,417
Manufacturing	1,492,567	0	0	0.0%	0.0%	6.4%	\$11.50	0	0	557,440
Overall Total	7,877,487	89,633	958,605	12.2%	7.5%	34.4%	\$10.33	96,674	914,746	5,549,857
South										
Warehouse & Distribution	1,620,548	-10,353	50,295	3.1%	0.8%	1.2%	\$15.39	0	0	0
Manufacturing	195,536	0	0	0.0%	0.0%	0.0%	\$0.00	0	0	0
Overall Total	1,816,084	-10,353	50,295	2.8%	0.7%	1.1%	\$15.39	0	0	0
Southeast										
Warehouse & Distribution	9,116,395	93,026	73,801	0.8%	5.1%	14.6%	\$13.00	308,484	308,484	416,950
Manufacturing	538,109	0	60,719	11.3%	0.0%	4.5%	\$10.89	0	0	0
Overall Total	9,654,504	93,026	134,520	1.4%	4.8%	14.1%	\$12.95	308,484	308,484	416,950
Far Southeast										
Warehouse & Distribution	159,787	0	38,308	24.0%	0.0%	0.0%	\$0.00	0	0	0
Manufacturing	298,788	0	0	0.0%	0.0%	0.0%	\$0.00	0	0	0
Overall Total	458,575	0	38,308	8.4%	0.0%	0.0%	\$0.00	0	0	0
Southwest										
Warehouse & Distribution	207,873	0	0	0.0%	0.0%	0.0%	\$0.00	0	0	0
Manufacturing	43,318	7,541	7,541	17.4%	0.0%	0.0%	\$0.00	0	0	0
Overall Total	251,191	7,541	7,541	3.0%	0.0%	0.0%	\$0.00	0	0	0