

FIGURES | AUSTIN INDUSTRIAL | Q4 2022

Another record setting year for the Austin Industrial Market



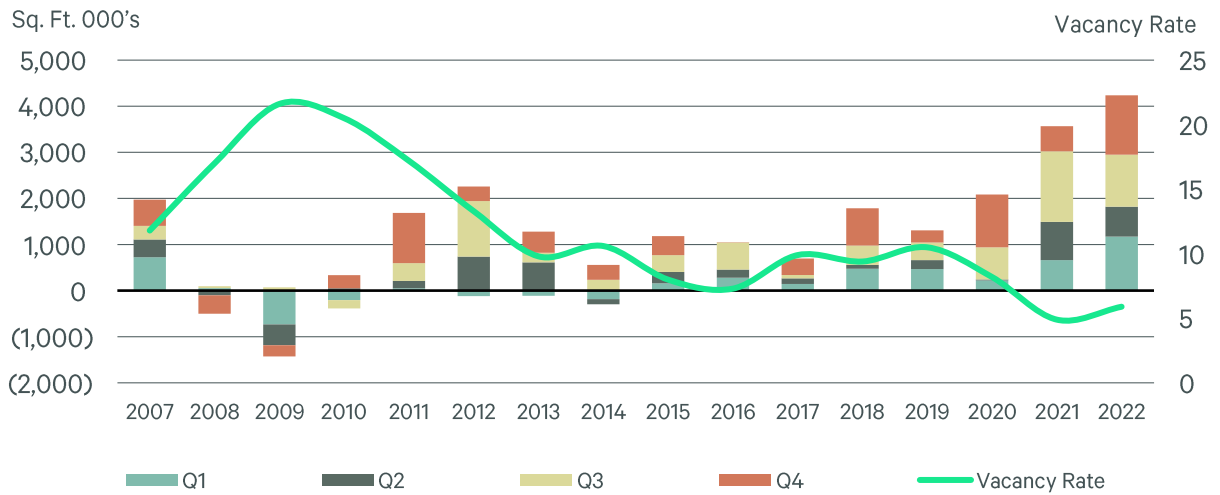
Note: Arrows indicate change from previous quarter.

IN THE FACE OF FLUID GLOBAL ECONOMIC LANDSCAPE, AUSTIN REMAINED AN EMERGING INDUSTRIAL HUB SOUGHT BY INVESTORS AND OCCUPIERS

- 2022 was a record year for industrial absorption in Austin, with 4.2 million sq. ft. of net absorption over the year.
- Industrial asking rents were up 4.4% year-over-year to a market average of \$11.56 NNN.
- Developers in Austin have responded to supply chain realignment that has driven industrial demand across the country and ready to offer new product in Central Texas.

Demand for industrial product continued to drive market fundamentals in 2022. Just over 4.2 million sq. ft. of positive net absorption was tracked by CBRE Research over the year – a new record for the Austin Industrial Market. Developers continued to add space to the market, and 1.6 million sq. ft. of new product was delivered in Q4 2022. Quarter deliveries were 56.4% pre-leased and accounted for 542,409 sq. ft. of quarterly absorption. Concessions remained minimal as occupiers head to industrial submarkets on the northern and southern ends of the city. New product underway in these areas could provide some relief to industrial occupiers in the future, by providing more choice for in demand logistics space.

FIGURE 1: Net Absorption and Vacancy



Source: CBRE Research, Q4 2022.

FIGURE 2: Austin Industrial Market Statistics

Submarket	Net Rentable Area (SF)	Total Vacancy (%)	Total Availability (%)	Asking Rate, NNN Avg. Annual (\$/SF)	Under Construction (SF)	Q4 2022 Deliveries (SF)	Q4 2022 Net Absorption	2022 YTD Total Net Absorption
CBD	26,776	0.0	0.0	-	-	-	-	-
CENTRAL	1,237,275	8.0	10.2	17.24	-	-	(4,600)	29,314
EAST	2,822,163	7.0	12.8	14.17	-	84,094	48,950	407,720
FAR NORTHEAST	4,865,182	11.0	5.9	8.87	1,418,600	526,226	418,112	747,085
FAR NORTHWEST	530,614	0.0	0.0	-	-	-	2,950	2,950
GEORGETOWN	3,304,251	22.3	13.7	10.38	4,011,035	466,997	422,010	505,588
HAYS COUNTY	3,692,850	8.0	14.7	7.65	2,785,885	42,803	302,358	1,333,876
NORTH	14,375,162	3.3	9.3	16.77	-	-	24,849	46,510
NORTHEAST	8,416,435	2.8	4.7	12.36	270,442	-	120,599	711,783
NORTHWEST	2,626,118	3.6	5.4	13.81	-	-	(40,407)	(35,216)
ROUND ROCK	4,822,466	4.7	5.2	14.60	1,041,645	-	3,741	260,566
SOUTH	1,486,861	3.8	4.1	18.04	657,500	-	(9,099)	(1,628)
SOUTHEAST	13,466,388	5.1	10.2	9.00	1,375,542	490,144	(19,033)	225,914
SOUTHWEST	394,773	0.0	5.1	-	-	-	15,592	-
AUSTIN TOTAL	62,067,314	5.9	8.6	11.56	11,557,649	1,610,264	1,286,022	4,234,462

Source: CBRE Research, Q42022.

MARKET FUNDAMENTALS

Q4 2022 marked the 34th consecutive quarter of positive demand for the Austin industrial market. While Austin has not traditionally been considered a bulk warehouse market, trends that have spurred demand in larger distribution markets have also resulted in increased demand as companies look to realign their logistics networks and deepen coverage of last-mile delivery. Furthermore, Austin’s location along I-35, which forms the spine of an auto manufacturing megaregion that spans from the Bajío in Mexico to North Texas, makes for an excellent location for OEM suppliers up and down this major transportation artery. In the most recent publication of the *PwC Emerging Trends in Real Estate*, Austin was named one of five ‘Supernova’ cities. Supernova cities were markets that were identified as having between one million and two million residents, while also experiencing phenomenal economic and population growth. On CBRE’s most recent U.S. Investor Intention Survey for 2023, Austin was ranked as the second most preferred market for real estate investment.

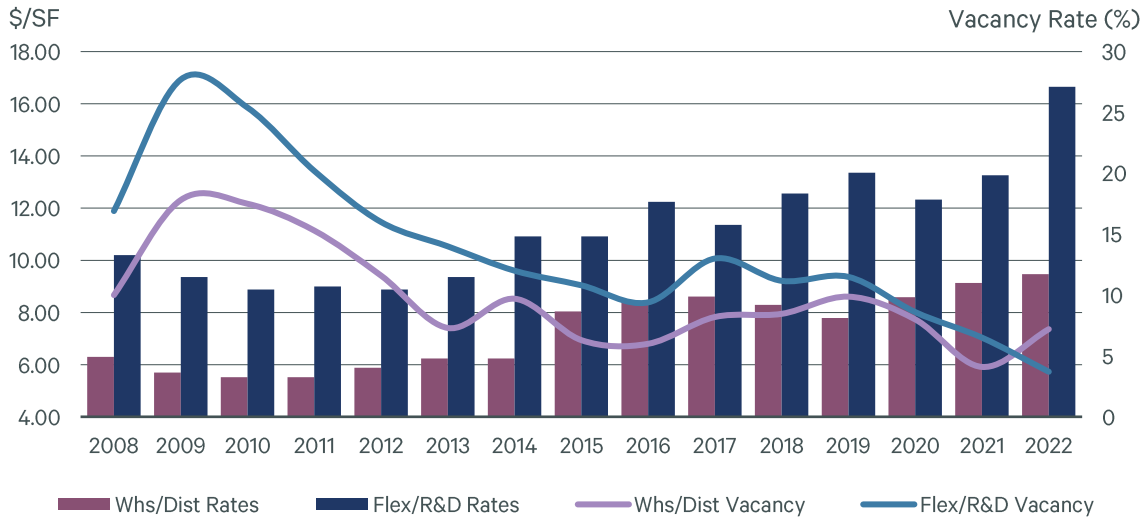
ASKING RATES

Surveyed industrial asking rents were up 4.4% year-over-year, growing to \$11.56 per sq. ft. NNN. Concessions remained minimal throughout the market.

DEVELOPMENT PIPELINE

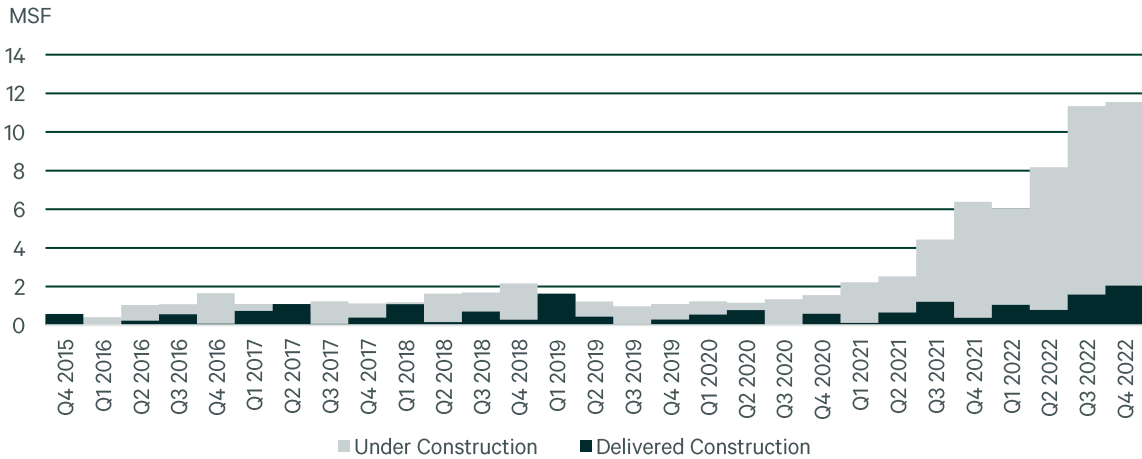
Product under construction continued to grow over the quarter and CBRE Research tracked 11.6 million sq. ft. in projects at the end of the year, which was 11.3% pre-leased. This is the largest amount of active industrial developments tracked by CBRE Research in the Austin market. Part of the reason for inflated under construction volume is due to the extended time it is taking buildings to deliver, and developers are having to source construction materials earlier in the building process. Several institutional owners are actively developing in Austin, along with regional players. The most active submarkets with product underway continue to be at the northern and southern ends of Austin. Developers kicked off just over two million sq. ft. in new developments market-wide. Most of the new projects were for distribution spaces, while one large build-to-suit for manufacturing related activity began construction.

FIGURE 3: Asking Rates & Vacancy, Warehouse/Distribution & Flex/R&D



Source: CBRE Research, Q4 2022.

FIGURE 4: Historical Construction & Deliveries



Source: CBRE Research, Q4 2022.

AUSTIN METRO ECONOMIC TRENDS

Unemployment in Austin was 2.8% in August, below the state figure of 4.0% and the national rate of 3.5%. Total nonfarm employment grew by 4.7% year-over-year in November. The sector with the largest employment gains was leisure and hospitality, unsurprisingly as Austin has emerged as a popular destination for group travel. The sector experienced 19.4% year-over-year growth, or about 19,400 jobs, according to the Bureau of Labor Statistics (BLS). Both professional and business services and manufacturing contribute disproportionately to the regional economy compared to other parts of Texas. “Made in the USA” has cachet again, and Austin was the top metro in Texas for manufacturing growth and was up 9.2% year-over-year at the end of November, according to the BLS. In fact, Texas was the state with the most manufacturing gains over the year, just over 47,000 jobs, of which 9,000 landed in the Capitol Metro. Increased investment in semiconductor manufacturing in Texas and Mexico should be beneficial to the regional high-tech manufacturing sector.

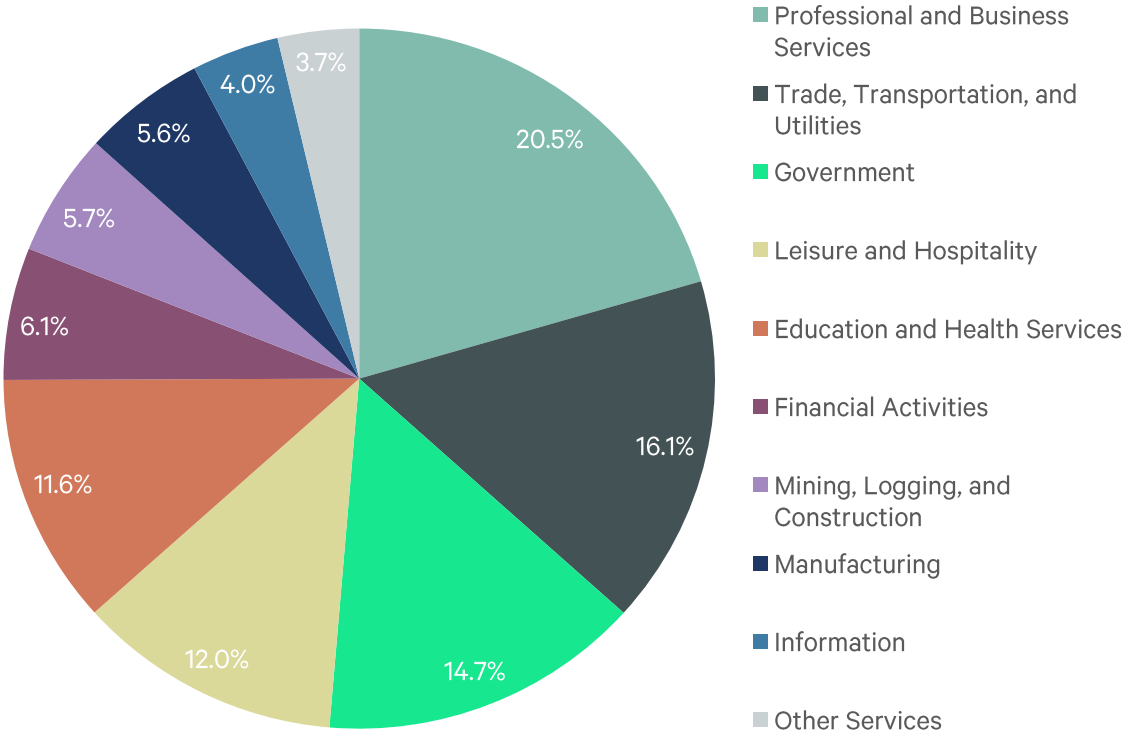
CBRE ECONOMIC HOUSE VIEW

Everybody from Jerome Powell to single parents and Wall Street banks have been laser focused on inflation during the past year. Thankfully, the increase in the CPI has been decelerating due to improved supply chains, lower energy prices, while higher interest rates are curtailing demand for housing and autos. Despite this good news inflation remains a menace. Food and shelter prices are heightened, and fears persist that inflation is embedded in the labor market.

Consequently, the Federal Reserve continues its aggressive tightening program. The pace of recent rate hikes has been the most dramatic in decades and this has increased volatility in the financial markets. Sharply reduced expectations of earnings growth in 2023, means that firms are looking to cut costs, helping to fulfill recessionary prophecies.

Some positive signals can be found in monthly payroll gains, but other labor market metrics are not so sanguine. Data from Challenger, Gray & Christmas shows that the current level of layoff announcements is consistent with past recessions. This is paired with business surveys exhibiting deteriorating activity and consumers grappling with eroding savings. The upshot is we believe the economy will face a moderate recession in 1H 2023.

FIGURE 5: Employment Sectors That Comprise the Austin Workforce



Source: BLS, December 2022.

Submarket	NNN \$/SF	WAREHOUSE			NNN \$/SF	FLEX/R&D			NNN \$/SF	INDUSTRIAL TOTAL		
		Total Vacant (SF)	Vacancy Rate (%)	Net Absorption (SF)		Total Vacant (SF)	Vacancy Rate (%)	Net Absorption (SF)		Total Vacant (SF)	Vacancy Rate (%)	Net Absorption (SF)
		Total RBA (SF)				Total RBA (SF)				Total RBA (SF)		
CBD	N/A	0 26,776	0.0	0	N/A	N/A N/A	N/A	N/A	N/A	0 26,776	0.0	0
Central	18.00	80,000 588,581	13.6	0	14.94	18,458 648,694	2.8	(4,600)	17.24	98,458 1,237,275	8.0	(4,600)
East	15.98	190,428 2,535,051	7.5	(1,050)	11.06	7,169 287,112	2.5	50,000	14.17	197,597 2,822,163	7.0	48,950
Far Northeast	8.62	529,679 4,276,388	12.4	418,112	15.00	7,250 588,844	1.2	0	8.87	536,929 4,865,182	11.0	418,112
Far Northwest	N/A	0 454,932	0.0	0	N/A	0 75,682	0.0	2,950	N/A	0 530,614	0.0	2,950
Georgetown	9.93	720,509 2,487,638	29.0	422,270	22.62	15,179 816,613	1.9	(260)	10.38	735,688 3,304,251	22.3	422,010
Hays County	7.65	294,404 3,599,503	8.2	302,358	N/A	0 93,347	0.0	0	7.65	294,404 3,692,850	8.0	302,358
North	9.77	131,749 9,369,260	1.4	11,986	18.97	338,350 5,005,902	6.8	12,863	16.77	470,099 14,375,162	3.3	24,849
Northeast	13.21	49,447 3,322,235	1.5	57,091	12.05	186,039 5,094,200	3.7	63,508	12.36	235,486 8,416,435	2.8	120,599
Northwest	13.81	36,107 522,475	6.9	(24,207)	N/A	58,003 2,103,643	2.8	(16,200)	13.81	94,110 2,626,118	3.6	(40,407)
Round Rock	12.24	143,021 3,221,688	4.4	1,090	15.00	82,016 1,600,778	5.1	2,651	14.60	225,037 4,822,466	4.7	3,741
South	16.44	54,570 1,294,940	4.2	(9,099)	27.50	2,450 191,921	1.3	0	18.04	57,020 1,486,861	3.8	(9,099)
Southeast	8.28	562,820 7,142,483	7.9	(7,596)	10.57	128,070 6,323,905	2.0	(11,437)	9.00	690,890 13,466,388	5.1	(19,033)
Southwest	N/A	0 137,648	0.0	15,592	N/A	0 257,125	0.0	0	N/A	0 394,773	0.0	15,592
AUSTIN TOTAL	9.47	2,792,734 38,979,548	7.2	1,186,547	16.65	842,984 23,087,766	3.7	99,475	11.56	3,635,718 62,067,314	5.9	1,286,022

Source: CBRE Research, Q4 2022.

FIGURE 8: Historical Market Statistics

		2015	2016	2017	2018	2019	2020	2021	2022
CBD	Absorption (Net SF)	-	-	-	-	-	-	-	-
	Asking Rent, Avg. Annual	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Delivered Construction (SF)	-	-	-	-	-	-	-	-
	Vacancy Rate (%)	-	-	-	-	-	-	-	-
CENTRAL	Absorption (Net SF)	(6,247)	53,480	(28,441)	64,038	84,444	(83,190)	(54,819)	29,314
	Asking Rent, Avg. Annual	11.76	12.60	10.02	9.49	14.02	15.59	17.18	17.24
	Delivered Construction (SF)	-	-	-	-	-	-	-	-
	Vacancy Rate (%)	9.0	4.1	6.2	6.1	4.7	5.6	10.3	8.0
EAST	Absorption (Net SF)	(16,127)	202,575	75,265	(70,360)	49,085	(117,749)	264,377	407,720
	Asking Rent, Avg. Annual	11.88	13.44	12.69	6.94	7.49	8.16	12.83	14.17
	Delivered Construction (SF)	-	-	27,000	-	-	-	-	84,094
	Vacancy Rate (%)	22.9	24.9	23.2	11.1	9.7	13.3	4.4	7.0
FAR NORTHEAST	Absorption (Net SF)	52,143	121,445	84,699	78,521	422,117	149,781	234,115	747,085
	Asking Rent, Avg. Annual	7.44	6.48	11.12	10.78	9.23	9.58	10.47	8.87
	Delivered Construction (SF)	-	197,800	110,100	-	557,954	-	192,429	1,221,546
	Vacancy Rate (%)	8.5	10.5	8.0	6.7	11.6	5.2	2.7	11.0
FAR NORTHWEST	Absorption (Net SF)	7,509	(5,300)	(10,551)	130,186	2,750	(4,711)	1,761	2,950
	Asking Rent, Avg. Annual	9.84	11.28	13.50	9.11	N/A	14.00	15.00	N/A
	Delivered Construction (SF)	-	-	-	19,150	-	-	-	-
	Vacancy Rate (%)	0.5	1.5	4.4	23.1	-	0.9	0.6	0.0
GEORGETOWN	Absorption (Net SF)	(950)	(17,242)	(3,558)	27,409	55,200	22,122	307,363	505,588
	Asking Rent, Avg. Annual	8.40	11.52	11.11	15.79	8.85	6.85	7.98	10.38
	Delivered Construction (SF)	60,500	-	70,000	-	148,720	364,054	331,030	583,621
	Vacancy Rate (%)	5.4	6.7	8.8	5.1	7.5	17.4	15.4	22.3

Source: CBRE Research, Q4 2022.

FIGURE 8: Historical Market Statistics

		2015	2016	2017	2018	2019	2020	2021	2022
HAYS COUNTY	Absorption (Net SF)	63,700	51,585	66,030	(45,343)	(219,415)	567,665	758,841	1,333,876
	Asking Rent, Avg. Annual	10.32	6.00	11.40	12.62	9.55	6.90	7.32	7.65
	Delivered Construction (SF)	-	-	-	341,500	588,741	347,840	534,058	1,402,708
	Vacancy Rate (%)	14.4	7.6	-	28.9	41.6	16.3	3.9	8.0
NORTH	Absorption (Net SF)	340,211	(26,184)	163,017	1,002,508	307,926	(63,126)	271,490	46,510
	Asking Rent, Avg. Annual	12.84	9.84	9.86	11.21	10.38	10.71	12.02	16.77
	Delivered Construction (SF)	109,887	50,759	80,340	276,493	-	96,462	-	-
	Vacancy Rate (%)	6.3	6.7	9.2	6.4	5.7	7.3	4.5	3.3
NORTHEAST	Absorption (Net SF)	298,062	82,339	51,761	258,348	120,216	25,163	303,651	711,783
	Asking Rent, Avg. Annual	7.68	8.76	8.78	10.34	9.73	9.34	10.66	12.36
	Delivered Construction (SF)	89,600	-	240,821	82,826	354,734	-	303,356	70,121
	Vacancy Rate (%)	5.4	4.9	9.5	7.8	9.4	7.8	8.6	2.8
NORTHWEST	Absorption (Net SF)	(32,747)	108,260	12,478	34,234	(94,690)	195,446	(14,900)	(35,216)
	Asking Rent, Avg. Annual	8.64	11.52	14.99	15.27	11.35	9.12	16.13	13.81
	Delivered Construction (SF)	-	55,000	-	231,030	-	-	-	-
	Vacancy Rate (%)	2.2	2.8	3.6	2.7	5.9	1.7	2.2	3.6
ROUND ROCK	Absorption (Net SF)	117,757	134,762	92,709	(70,623)	57,289	670,891	452,935	260,566
	Asking Rent, Avg. Annual	6.96	9.72	9.61	8.60	10.05	11.29	10.41	14.60
	Delivered Construction (SF)	-	-	58,500	200,728	217,610	614,814	75,600	344,689
	Vacancy Rate (%)	10.6	6.7	3.8	11.5	18.5	11.0	1.9	4.7
SOUTH	Absorption (Net SF)	(18,483)	1,583	7,305	(84,327)	61,093	53,736	56,636	(1,628)
	Asking Rent, Avg. Annual	11.40	12.60	11.6	17.70	18.04	17.91	18.19	18.04
	Delivered Construction (SF)	-	-	-	117,087	23,978	-	-	-
	Vacancy Rate (%)	2.2	2.1	2.4	6.8	5.8	5.7	3.7	3.8

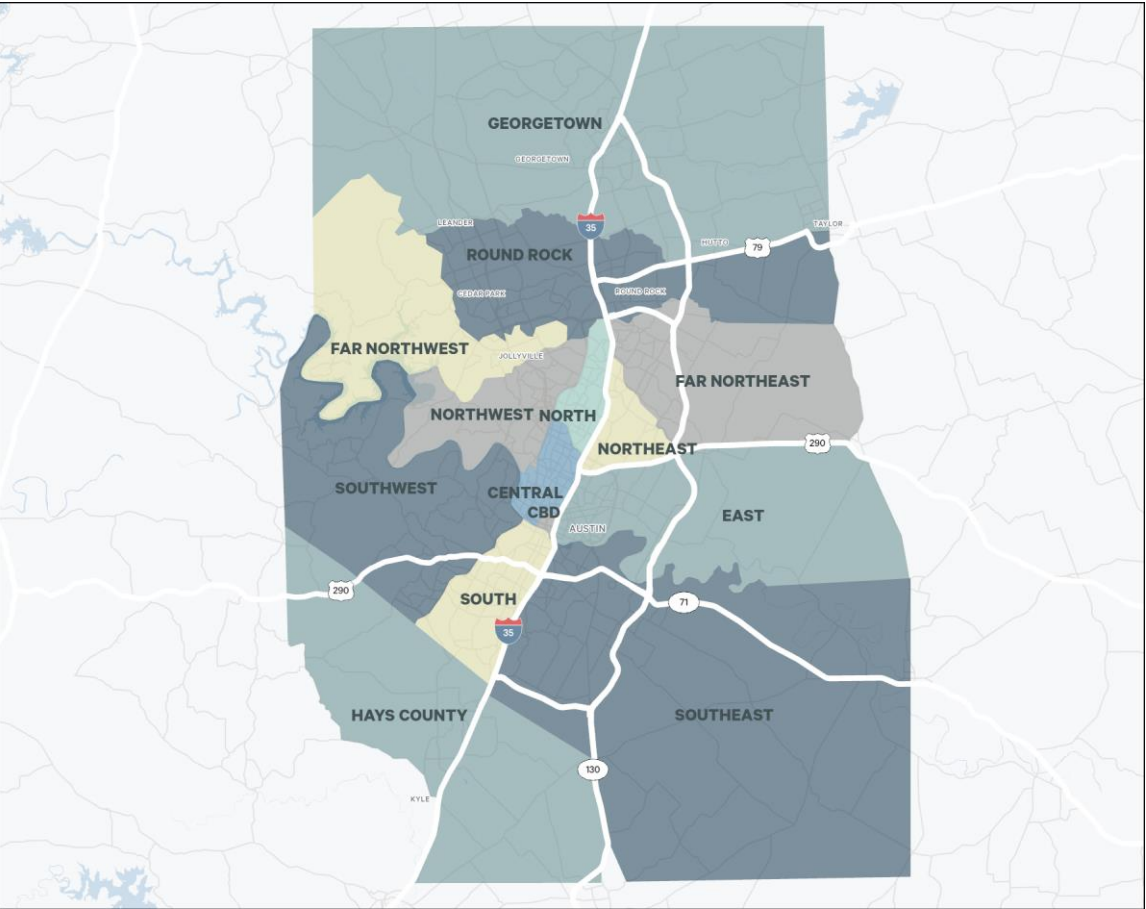
Source: CBRE Research, Q4 2022.

FIGURE 8: Historical Market Statistics

		2015	2016	2017	2018	2019	2020	2021	2022
SOUTHEAST	Absorption (Net SF)	377,730	307,315	184,309	450,896	427,400	676,526	973,650	225,914
	Asking Rent, Avg. Annual	8.16	9.48	8.23	9.94	8.51	10.31	10.21	9.00
	Delivered Construction (SF)	399,200	251,200	1,169,300	482,364	-	85,079	421,365	490,144
	Vacancy Rate (%)	8.2	6.1	13.2	13.9	13.6	8.3	3.4	5.1
SOUTHWEST	Absorption (Net SF)	407	35,551	3,585	10,025	34,374	(8,900)	11,500	-
	Asking Rent, Avg. Annual	14.04	15.00	13.50	16.83	11.34	10.41	N/A	N/A
	Delivered Construction (SF)	-	-	-	-	-	-	-	-
	Vacancy Rate (%)	15.1	6.6	5.7	8.3	4.5	6.8	-	-
AUSTIN TOTAL	Absorption (Net SF)	1,182,965	1,050,169	698,608	1,785,512	1,307,789	2,083,654	3,566,600	4,234,462
	Asking Rent, Avg. Annual	9.60	10.20	10.15	10.53	9.80	10.17	11.07	11.56
	Delivered Construction (SF)	659,187	554,759	1,756,061	1,751,178	1,891,737	1,508,249	1,857,838	4,297,257
	Vacancy Rate (%)	10.5	7.3	9.9	9.4	10.5	8.2	4.9	5.9

Source: CBRE Research, Q4 2022.

Market Area Overview



Definitions

Available Sq. Ft.: Space in a building, ready for occupancy within six months; can be occupied or vacant. Availability Rate: Total Available Sq. Ft. divided by the total building Area. Average Asking Lease Rate: A calculated average that includes net and gross lease rate, weighted by their corresponding available square footage. Building Area: The total floor area sq. ft. of the building, typically taken at the “drip line” of the building. Gross Lease Rate: Rent typically includes real property taxes, building insurance, and major maintenance. Net Absorption: The change in Occupied Sq. Ft. from one period to the next. Net Lease Rate: Rent excludes one or more of the “net” costs (real property taxes, building insurance, and major maintenance) typically included in a Gross Lease Rate. Occupied Sq. Ft.: Building Area not considered vacant. Vacancy Rate: Total Vacant Sq. Ft. divided by the total Building Area. Vacant Sq. Ft.: Space that can be occupied within 30 days.

Survey Criteria

Includes all non-owner occupied, non-medical industrial buildings 10,000 sq. ft. and greater in size in greater metropolitan area of Austin, TX. Buildings which have begun construction as evidenced by site excavation or foundation work.

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