

FIGURES | AUSTIN INDUSTRIAL | Q4 2023

Net absorption reaches record annual high, surpassing 4.5 million sq. ft. in 2023



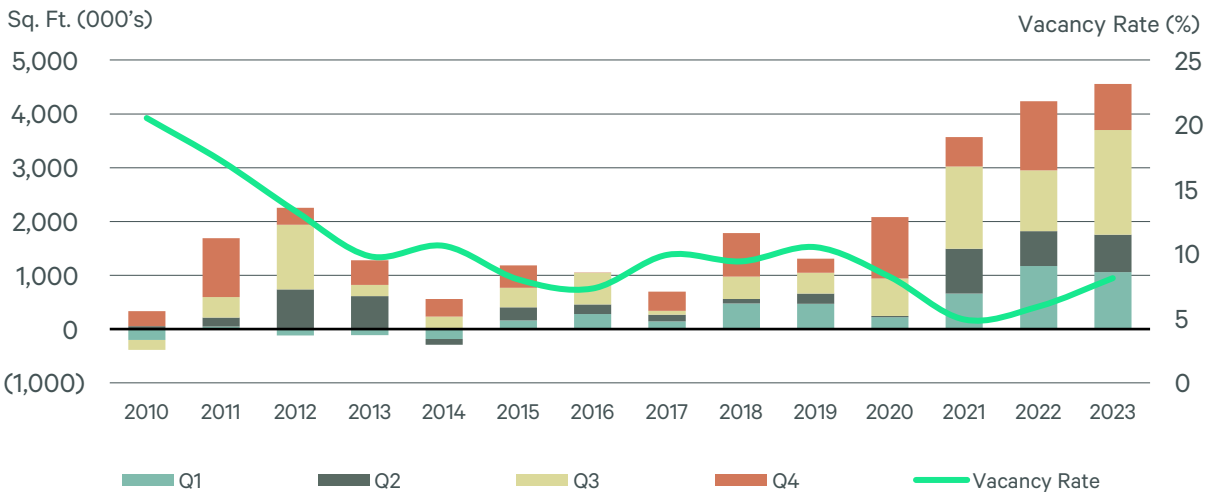
Note: Arrows indicate change from previous quarter.

MARKET OVERVIEW

- Austin posted its third consecutive year of record-breaking absorption in 2023, reaching a total of 4.5 million square feet in positive net absorption by the end of Q4.
- 2.4 million sq. ft. of new construction delivered in the fourth quarter, bringing total annual deliveries to 9.8 million sq. ft. in 2023.
- Industrial asking rents increased \$1.09 from Q3 2023 to a market average of \$13.13 NNN.
- Vacancy climbed to 8.1% in Q4 in a 19% increase over Q3.

2023's record absorption follows record-setting new construction deliveries in the second half of 2022 and the first half of 2023, demonstrating resilient tenant demand. In the fourth quarter of 2023, product under construction dipped to 14.1 million sq. ft., which was 31.1% was pre-leased. Construction starts fell below one million sq. ft. for the first time in several quarters, with only 713,000 sq. ft. added to the pipeline in Q4. Prolonged construction timelines were a prevalent theme throughout 2023 as liquidity remained scarce in the construction sector. Additionally, vacancy has risen steadily on an annual basis following a surge of speculative construction, but remains well below pre-pandemic levels.

FIGURE 1: Net Absorption and Vacancy



Source: CBRE Research, Q4 2023.

*As of Q1 2023, owner-occupied properties are now included in our tracked inventory to better reflect the entire market.

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 2023 Deliveries (SF)	Q4 2023 Net Absorption	2023 Total Net Absorption
BASTROP COUNTY	796,062	2.3%	2.3%	6.00	840,617	-	-	-
CALDWELL COUNTY	583,557	-	-	-	-	167,794	167,794	167,794
CEDAR PARK	7,356,049	4.0%	6.0%	18.80	321,120	-	15,132	(21,930)
CENTRAL	1,737,426	6.6%	9.6%	16.64	-	-	4,952	5,003
EAST	9,500,486	2.5%	2.8%	18.50	1,897,071	-	37,069	121,865
FAR NORTH	7,870,265	33.5%	26.2%	7.52	704,229	831,029	94,927	1,690,245
FAR NORTHEAST	2,746,358	17.3%	16.7%	11.30	1,920,480	203,471	196,128	273,010
HAYS COUNTY	13,163,502	20.7%	13.0%	13.00	2,003,246	450,767	81,112	460,516
NORTH	16,116,960	3.5%	11.0%	15.92	-	-	143,770	363,445
NORTHEAST	27,254,578	5.2%	4.8%	17.05	1,936,135	564,080	26,578	949,676
NORTHWEST	708,902	2.8%	3.4%	17.00	-	-	(1,500)	30,580
ROUND ROCK	5,251,036	1.0%	1.6%	12.00	1,334,012	25,000	(5,600)	138,347
SOUTH	2,761,687	7.0%	11.6%	16.53	-	-	(33,213)	(80,385)
SOUTHEAST	17,411,714	3.4%	8.1%	10.14	3,186,604	121,950	133,507	468,066
SOUTHWEST	3,889,041	3.9%	8.6%	20.35	-	-	-	(8,076)
AUSTIN TOTAL	117,147,623	8.1%	8.9%	13.13	14,143,514	2,364,091	860,656	4,558,156

Source: CBRE Research, Q4 2023.

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MARKET FUNDAMENTALS

Q4 2023 marks the 38th 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 once again named one of five ‘Supernova’ cities and was ranked among the top five cities to watch in 2024 for overall real estate prospects. Supernova cites are markets that were identified as having between one million and two million residents, while also experiencing phenomenal economic and population growth. Additionally, Austin led the nation in corporate headquarters relocations over the past five years with 66 HQs relocating to Austin, according to CBRE Research.

ASKING RATES

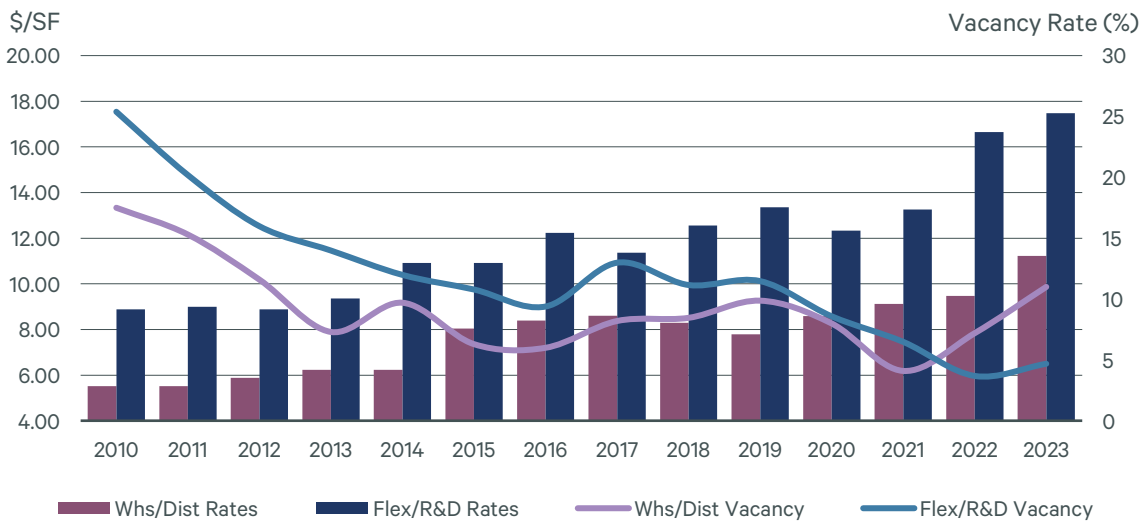
Surveyed industrial asking rates increased to \$13.13 per sq. ft. NNN, a 9.1% increase quarter-over-quarter from \$12.04 per sq. ft. at the end of Q3. Distribution/logistics rents rose by 6.0% quarter-over-quarter to \$11.23 per sq. ft., while Flex/R&D rates climbed 4.9% to \$17.48 per sq. ft. Concessions remained minimal throughout the market.

DEVELOPMENT PIPELINE

Product under construction dipped to 14.1 million sq. ft., with roughly 2.4 million sq. ft. delivered in the third quarter and a total of 9.8 million sq. ft. delivered in 2023. 31.1% of product underway is pre-leased, while 48.0% of delivered product was leased upon completion; of the 20 buildings delivered in Q4, three were built-to-suit.

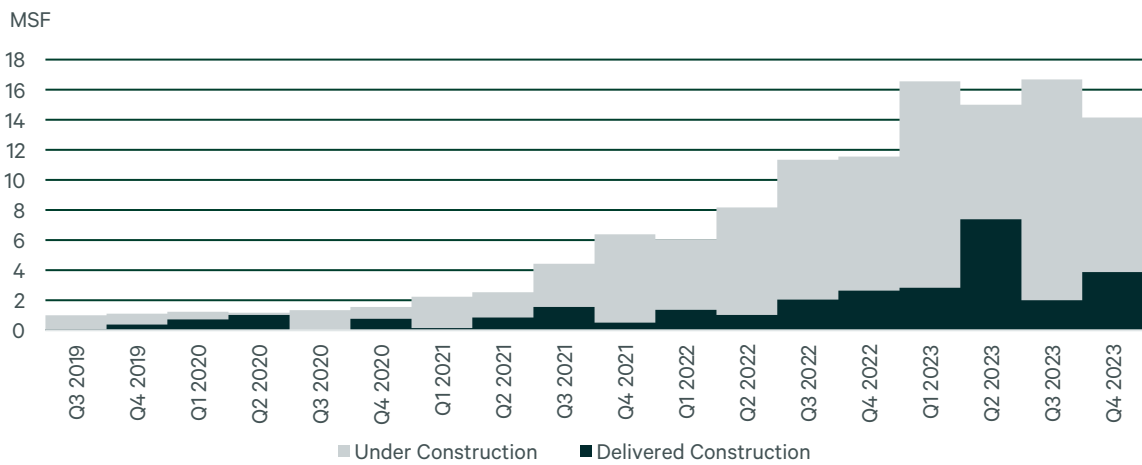
Construction starts dropped significantly in the second half of 2023, with only six projects totaling 713,000 sq. ft. added to the pipeline in Q4. The most active submarkets with product underway continue to be clustered in the northeastern and southern ends of the market.

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



Source: CBRE Research, Q4 2023.

FIGURE 4: Historical Construction & Deliveries



Source: CBRE Research, Q4 2023.

AUSTIN METRO ECONOMIC TRENDS

In Q4 2023, the overall economic health of the Austin metro area exhibited strength, primarily influenced by population and wage growth. The Austin Business-Cycle Index (a broad measure of economic activity created by the Federal Reserve Bank of Dallas) increased by 6.6% annually in October; this index increase was driven by population and wage growth.

According to the Federal Reserve Bank of Dallas, the Austin metro experienced a 6.8% year-over-year decline in median home prices. This decrease resulted in a median price of \$464,014 for residential properties in the region.

UNEMPLOYMENT TRENDS

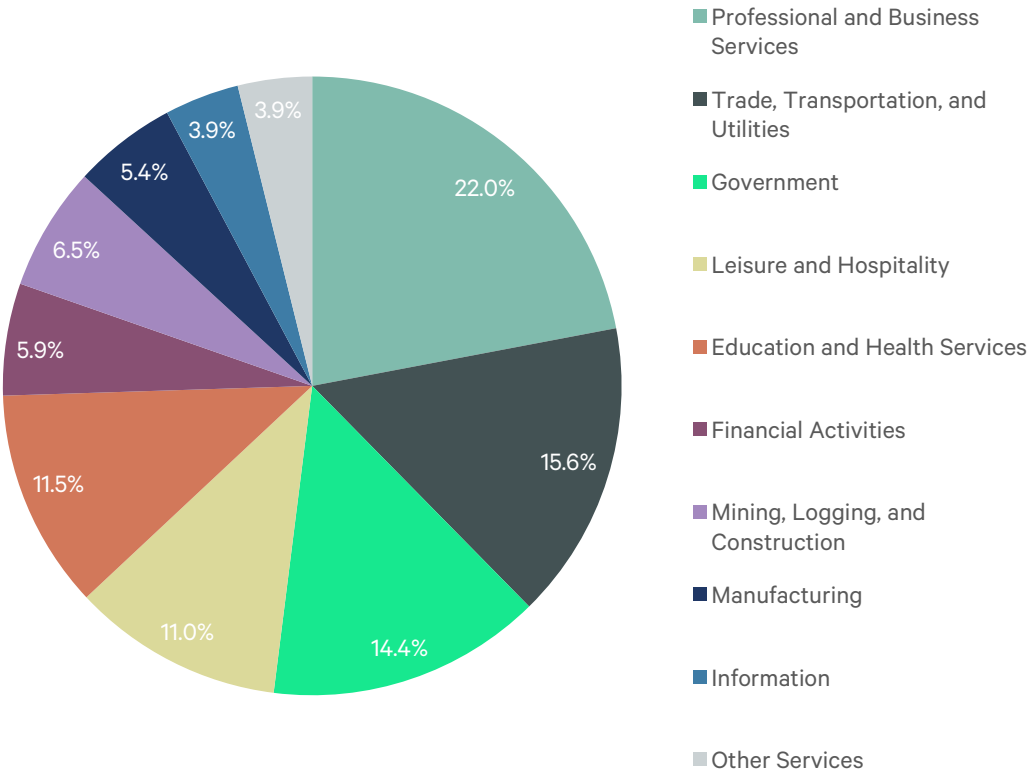
The three-month moving average of Austin wages declined 4.2% in October, dropping below the national average for a third month in a row. Austin’s unemployment rate remained stable at 3.6% in October, remaining below the national rate of 3.9%, and the statewide rate of 4.1%.

- During the period from September to October 2023, the construction and mining sector showed the most employment growth, increasing by 20.4% or 1,316 jobs.

CBRE ECONOMIC HOUSE VIEW

The combination of continued economic momentum with a likelihood that the Fed’s dramatic tightening cycle is now complete makes a ‘soft landing’ appear more likely for early 2024, but the pace of growth will be more modest than in recent quarters. Foremost, lower and middle-income households no longer have the luxury of excess savings and the pace of wage growth, whilst remaining elevated, is slowing. This nuance with wage growth is important. Higher wages is helping to maintain higher, albeit decelerating, core inflation. This backdrop will likely translate into the Fed only slowly lower its target rate in 2024. (CBRE expects 75 – 100 basis points worth of rate cuts in 2024.) This outlook may deter some spending, but it does help illuminate a pathway forward for real estate capital markets. Indeed, the combination of healthy fundamentals for many sectors and thawing credit markets could provide some welcome upside surprises for real estate performance in 2024.

FIGURE 5: Employment Sectors That Comprise the Austin Workforce



Source: BLS, October 2023.

FIGURE 6: Austin Market Statistics, Warehouse/Distribution & Flex/R&D

Submarket	DISTRIBUTION/LOGISTICS				FLEX/R&D				MANUFACTURING			
	NNN \$/SF	Total Vacant (SF)	Vacancy Rate (%)	Net Absorption (SF)	NNN \$/SF	Total Vacant (SF)	Vacancy Rate (%)	Net Absorption (SF)	NNN \$/SF	Total Vacant (SF)	Vacancy Rate (%)	Net Absorption (SF)
		Total RBA (SF)				Total RBA (SF)				Total RBA (SF)		
BASTROP COUNTY	-	- 536,671	-	-	-	- 42,685	-	-	6.00	18,500 216,706	8.5%	-
CALDWELL COUNTY	-	- 404,700	-	167,794	-	- 30,150	-	-	-	- 148,707	-	-
CEDAR PARK	14.14	75,887 2,358,076	3.2%	1,350	19.78	221,574 3,966,194	5.6%	13,782	-	- 1,031,779	-	-
CENTRAL	16.56	105,200 902,694	11.7%	-	17.29	10,032 711,738	1.4%	4,952	-	- 122,994	-	-
EAST	19.74	233,315 4,240,067	5.5%	37,069	11.06	7,169 315,919	2.3%	-	-	- 4,944,500	-	-
FAR NORTH	7.21	2,607,213 6,259,224	41.7%	94,927	22.55	32,414 814,181	4.0%	-	-	- 796,860	-	-
FAR NORTHEAST	11.06	467,400 2,514,583	18.6%	196,128	19.00	6,650 17,700	37.6%	-	-	- 214,075	-	-
HAYS COUNTY	12.56	2,725,311 11,380,783	23.9%	81,112	16.39	- 255,070	-	-	-	- 1,527,649	-	-
NORTH	14.81	243,396 10,406,383	2.3%	114,270	16.55	326,801 5,235,342	6.2%	29,500	-	- 475,235	-	-
NORTHEAST	14.28	1,011,091 16,342,494	6.2%	85,754	18.92	289,093 7,061,435	4.1%	(59,176)	-	112,000 3,850,649	2.9%	-
NORTHWEST	17.00	20,040 708,902	2.8%	(1,500)	-	- 0	-	-	-	- -	-	-
ROUND ROCK	12.00	36,775 3,822,792	1.0%	(30,600)	-	15,462 1,025,567	1.5%	-	-	- 377,677	-	25,000
SOUTH	15.61	130,046 1,791,158	7.3%	(30,763)	19.80	64,335 480,204	13.4%	(2,450)	-	- 490,325	-	-
SOUTHEAST	10.91	316,761 10,152,605	3.1%	117,614	9.90	270,278 6,299,134	4.3%	15,893	-	- 959,975	-	-
SOUTHWEST	15.39	9,356 820,061	1.1%	-	21.58	18,614 364,446	5.1%	-	-	124,000 2,704,534	4.6%	-
AUSTIN TOTAL	11.23	7,981,791 72,641,193	11.0%	833,155	17.48	1,262,422 26,619,765	4.7%	2,501	6.00	254,500 17,861,665	1.4%	25,000

Source: CBRE Research, Q4 2023.

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FIGURE 8: Historical Market Statistics

		2016	2017	2018	2019	2020	2021	2022	2023*
BASTROP COUNTY	Absorption (Net SF)	-	-	-	-	-	-	-	-
	Asking Rent, Avg. Annual	-	-	-	-	-	-	-	6.00
	Delivered Construction (SF)	-	-	-	-	-	-	-	-
	Vacancy Rate (%)	-	-	-	-	-	-	-	2.3
CALDWELL COUNTY	Absorption (Net SF)	-	-	-	-	-	-	-	167,794
	Asking Rent, Avg. Annual	-	-	-	-	-	-	-	-
	Delivered Construction (SF)	-	-	-	-	-	-	-	167,794
	Vacancy Rate (%)	-	-	-	-	-	-	-	-
CEDAR PARK	Absorption (Net SF)	-	-	-	-	-	-	-	(21,930)
	Asking Rent, Avg. Annual	-	-	-	-	-	-	-	18.80
	Delivered Construction (SF)	-	-	-	-	-	-	-	45,000
	Vacancy Rate (%)	-	-	-	-	-	-	-	4.0
CENTRAL	Absorption (Net SF)	53,480	(28,441)	64,038	84,444	(83,190)	(54,819)	29,314	5,003
	Asking Rent, Avg. Annual	12.60	10.02	9.49	14.02	15.59	17.18	17.24	16.64
	Delivered Construction (SF)	-	-	-	-	-	-	-	-
	Vacancy Rate (%)	4.1	6.2	6.1	4.7	5.6	10.3	8.0	6.6
EAST	Absorption (Net SF)	202,575	75,265	(70,360)	49,085	(117,749)	264,377	407,720	121,865
	Asking Rent, Avg. Annual	13.44	12.69	6.94	7.49	8.16	12.83	14.17	18.50
	Delivered Construction (SF)	-	27,000	-	-	-	-	84,094	120,337
	Vacancy Rate (%)	24.9	23.2	11.1	9.7	13.3	4.4	7.0	2.5
FAR NORTH	Absorption (Net SF)	-	-	-	-	-	-	-	1,690,245
	Asking Rent, Avg. Annual	-	-	-	-	-	-	-	7.52
	Delivered Construction (SF)	-	-	-	-	-	-	-	4,251,903
	Vacancy Rate (%)	-	-	-	-	-	-	-	33.5

Source: CBRE Research, Q4 2023.

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		2016	2017	2018	2019	2020	2021	2022	2023*
FAR NORTHEAST	Absorption (Net SF)	121,445	84,699	78,521	422,117	149,781	234,115	747,085	273,010
	Asking Rent, Avg. Annual	6.48	11.12	10.78	9.23	9.58	10.47	8.87	11.30
	Delivered Construction (SF)	197,800	110,100	-	557,954	-	192,429	1,221,546	831,501
	Vacancy Rate (%)	10.5	8.0	6.7	11.6	5.2	2.7	11.0	17.3
HAYS COUNTY	Absorption (Net SF)	51,585	66,030	(45,343)	(219,415)	567,665	758,841	1,333,876	460,516
	Asking Rent, Avg. Annual	6.00	11.40	12.62	9.55	6.90	7.32	7.65	13.00
	Delivered Construction (SF)	-	-	341,500	588,741	347,840	534,058	1,402,708	2,661,862
	Vacancy Rate (%)	7.6	-	28.9	41.6	16.3	3.9	8.0	20.7
NORTH	Absorption (Net SF)	(26,184)	163,017	1,002,508	307,926	(63,126)	271,490	46,510	363,445
	Asking Rent, Avg. Annual	9.84	9.86	11.21	10.38	10.71	12.02	16.77	15.92
	Delivered Construction (SF)	50,759	80,340	276,493	-	96,462	-	-	125,030
	Vacancy Rate (%)	6.7	9.2	6.4	5.7	7.3	4.5	3.3	3.5
NORTHEAST	Absorption (Net SF)	82,339	51,761	258,348	120,216	25,163	303,651	711,783	949,676
	Asking Rent, Avg. Annual	8.76	8.78	10.34	9.73	9.34	10.66	12.36	17.05
	Delivered Construction (SF)	-	240,821	82,826	354,734	-	303,356	70,121	1,298,897
	Vacancy Rate (%)	4.9	9.5	7.8	9.4	7.8	8.6	2.8	5.2
NORTHWEST	Absorption (Net SF)	108,260	12,478	34,234	(94,690)	195,446	(14,900)	(35,216)	30,580
	Asking Rent, Avg. Annual	11.52	14.99	15.27	11.35	9.12	16.13	13.81	17.00
	Delivered Construction (SF)	55,000	-	231,030	-	-	-	-	50,620
	Vacancy Rate (%)	2.8	3.6	2.7	5.9	1.7	2.2	3.6	2.8
ROUND ROCK	Absorption (Net SF)	134,762	92,709	(70,623)	57,289	670,891	452,935	260,566	138,347
	Asking Rent, Avg. Annual	9.72	9.61	8.60	10.05	11.29	10.41	14.60	12.00
	Delivered Construction (SF)	-	58,500	200,728	217,610	614,814	75,600	344,689	25,000
	Vacancy Rate (%)	6.7	3.8	11.5	18.5	11.0	1.9	4.7	1.0

Source: CBRE Research, Q4 2023.

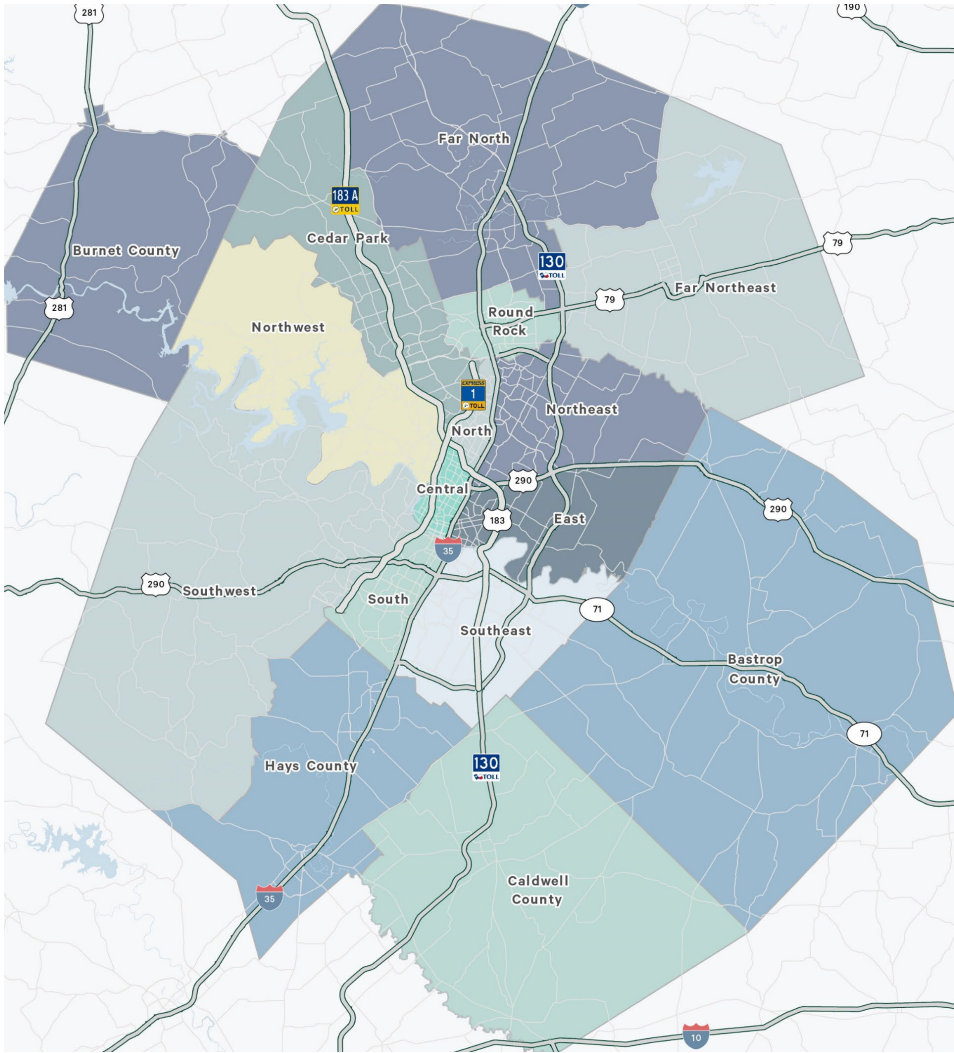
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FIGURE 8: Historical Market Statistics

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SOUTH	Absorption (Net SF)	1,583	7,305	(84,327)	61,093	53,736	56,636	(1,628)	(80,385)
	Asking Rent, Avg. Annual	12.60	11.6	17.70	18.04	17.91	18.19	18.04	16.53
	Delivered Construction (SF)	-	-	117,087	23,978	-	-	-	-
	Vacancy Rate (%)	2.1	2.4	6.8	5.8	5.7	3.7	3.8	7.0
SOUTHEAST	Absorption (Net SF)	307,315	184,309	450,896	427,400	676,526	973,650	225,914	468,066
	Asking Rent, Avg. Annual	9.48	8.23	9.94	8.51	10.31	10.21	9.00	10.14
	Delivered Construction (SF)	251,200	1,169,300	482,364	-	85,079	421,365	490,144	245,692
	Vacancy Rate (%)	6.1	13.2	13.9	13.6	8.3	3.4	5.1	3.4
SOUTHWEST	Absorption (Net SF)	35,551	3,585	10,025	34,374	(8,900)	11,500	-	(8,076)
	Asking Rent, Avg. Annual	15.00	13.50	16.83	11.34	10.41	N/A	N/A	20.35
	Delivered Construction (SF)	-	-	-	-	-	-	-	-
	Vacancy Rate (%)	6.6	5.7	8.3	4.5	6.8	-	-	3.9
AUSTIN TOTAL	Absorption (Net SF)	1,050,169	698,608	1,785,512	1,307,789	2,083,654	3,566,600	4,234,462	4,558,156
	Asking Rent, Avg. Annual	10.20	10.15	10.53	9.80	10.17	11.07	11.56	13.13
	Delivered Construction (SF)	554,759	1,756,061	1,751,178	1,891,737	1,508,249	1,857,838	4,297,257	9,823,636
	Vacancy Rate (%)	7.3	9.9	9.4	10.5	8.2	4.9	5.9	8.1

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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 owner and 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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