CBRE

Market fundamentals maintain strength; 2024 opens with record Q1 absorption

▲ **8.7%**
Vacancy Rate

▲ **2,568,166**
SF Net Absorption

▲ **16,034,242**
SF Construction

▲ **$13.29**
NNN / Lease Rate

Note: Arrows indicate change from previous quarter.

MARKET OVERVIEW

— Austin posted a record-breaking 2,568,166 sq. ft. of net absorption in Q1 2024; absorption was largely driven by SpaceX and Tesla occupying build-to-suit facilities and by Tesla suppliers occupying speculative space.

— 3.1 million sq. ft. of new construction delivered in the first quarter, which was 48.3% pre-leased.

— Industrial asking rents increased 1.2% in Q1 to $13.29 market-wide.

— Vacancy climbed slightly to 8.7%, a 60-basis point (bps) increase quarter-over-quarter.

— Availability increased by one percentage point to 9.9%, mostly attributable to the completion of one large speculative project in Round Rock where 229,506 SF delivered unleased.

Net absorption topped 2.5 million sq. ft. in Q1 2024, nearly doubling historic absorption records for the first quarter. 20.3% of net absorption is attributable to SpaceX occupying its newly constructed 512,512-sq.-ft. facility in Bastrop County. Prolonged construction timelines continue into 2024 as liquidity remains scarce in the construction sector; 38.8% of Austin's construction pipeline is pre-leased as of Q1 2024.

FIGURE 1: Net Absorption and Vacancy

Sq. Ft. (000's)

Vacancy Rate (%)

Legend: Q1, Q2, Q3, Q4, Vacancy Rate
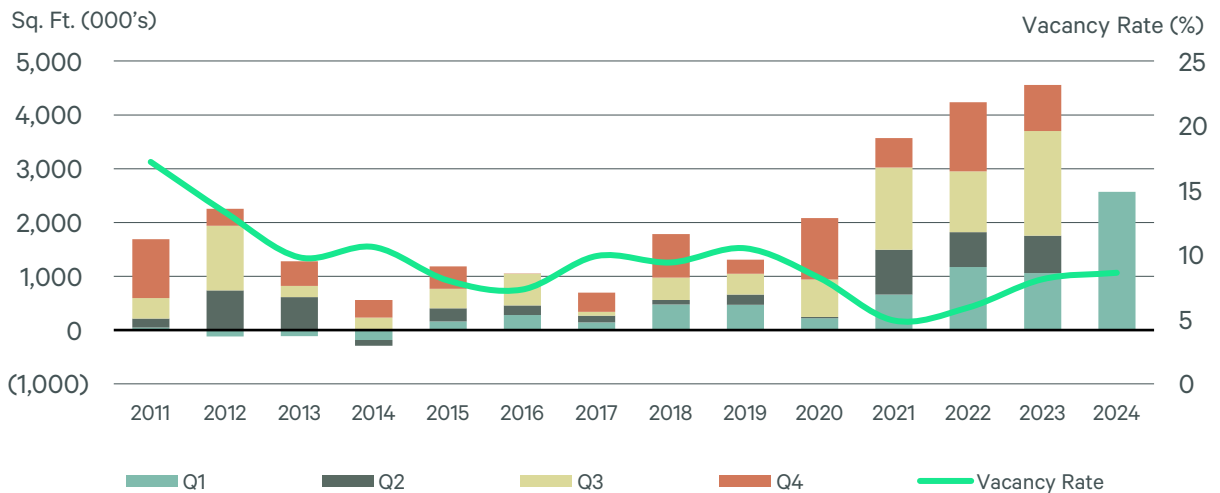
Source: CBRE Research, Q1 2024.

*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 (S/SF)	Under Construction (SF)	Q1 2024 Deliveries (SF)	Q1 2024 Net Absorption	YTD 2024 Total Net Absorption
BASTROP COUNTY	1,317,583	1.4	1.4	6.00	222,346	521,521	521,521	521,521
CALDWELL COUNTY	583,557	3.8	-	-	312,000	-	-	-
CEDAR PARK	7,356,049	5.0	7.0	18.51	570,549	-	(68,588)	(68,588)
CENTRAL	1,728,330	7.6	9.0	16.63	-	-	(13,181)	(13,181)
EAST	9,501,795	2.9	4.4	14.11	2,858,749	-	84,602	84,602
FAR NORTH	7,896,051	27.9	20.9	7.87	923,509	460,464	471,251	471,251
FAR NORTHEAST	3,216,552	25.2	25.1	10.84	3,125,927	366,115	216,532	216,532
HAYS COUNTY	13,772,390	14.9	14.5	9.92	1,543,931	575,869	1,217,480	1,217,480
NORTH	16,071,960	7.0	12.0	13.67	-	-	(430,782)	(430,782)
NORTHEAST	27,481,378	5.0	5.9	10.54	2,487,112	203,800	333,020	333,020
NORTHWEST	708,902	3.5	2.8	17.00	-	-	(4,540)	(4,540)
ROUND ROCK	5,966,189	7.1	8.0	14.87	692,863	562,522	345,905	345,905
SOUTH	2,760,576	6.5	10.2	13.49	-	-	14,519	14,519
SOUTHEAST	17,762,654	7.1	9.7	9.14	3,297,256	384,652	(86,771)	(86,771)
SOUTHWEST	3,889,041	4.8	7.3	20.60	-	-	(32,802)	(32,802)
AUSTIN TOTAL	120,013,007	8.7	9.9	**13.29**	16,034,242	3,074,943	**2,568,166**	**2,568,166**

Source: CBRE Research, Q1 2024..

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MARKET FUNDAMENTALS

Q1 2024 marks the 39th consecutive quarter of positive net demand for the Austin industrial market. Austin's location along I-35, which forms the spine of an auto manufacturing megaregion that spans from the Bajio in Mexico to North Texas, makes for an excellent location for original equipment manufacturer (OEM) suppliers up and down this major transportation artery. Samsung and Tesla have invested heavily in the Austin MSA, prompting an influx of multinational and U.S.-based automotive and semiconductor OEM suppliers to the region, notably including Tesla suppliers HBPO, Simwon North America Corp., and U.S. Farathane; and Samsung suppliers LS Electric Co. and Hanyang Eng USA. In February, Samsung announced its total 2023 economic impact of $26.8 billion in Central Texas, driven by Austin operations and the construction of Samsung's new manufacturing facility in Taylor, TX.

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 headquarter relocations over the past five years, with 66 HQs relocating to the metro area, according to CBRE Research.

ASKING RATES

Surveyed industrial asking rates increased to $13.29 per sq. ft. NNN, up 1.2% quarter-over-quarter from $13.13 per sq. ft. at the end of Q4 2023. Distribution/Logistics rents increased by 12.4% quarter-over-quarter to $12.62 per sq. ft., while Flex/R&D rates dropped 13.2% to $15.17 per sq. ft. The decline in Flex/R&D rates is primarily due to limited availability in Q1 among Class A Flex/R&D spaces; the majority of surveyed asking rents reflect Class B and Class C availabilities, which command lower rates than like kind Class A assets.

DEVELOPMENT PIPELINE

Product under construction increased to 16.0 million sq. ft., with roughly 3.1 million sq. ft. delivered in the first quarter, including SpaceX's highly anticipated 512,512-sq.-ft. facility in Bastrop. 38.8% of product underway is pre-leased, while 48.3% of delivered product was leased upon completion. Of the 23 buildings delivered in Q1 2024, five were built-to-suit. Construction starts nearly tripled in the first quarter relative to Q4 2023, with eight developments totaling 2.1 million sq. ft. added to the pipeline. Notable speculative developments breaking ground included Park 290 in Manor, a four-building, 789,000-sq.-ft. project by Brookfield; and Airfield 130 in Southeast Austin, a four-building, 439,000-sq.-ft. building park by Patrinely & Realterm.

FIGURE 3: Asking Rates & Vacancy, Warehouse/Distribution & Flex/R&D
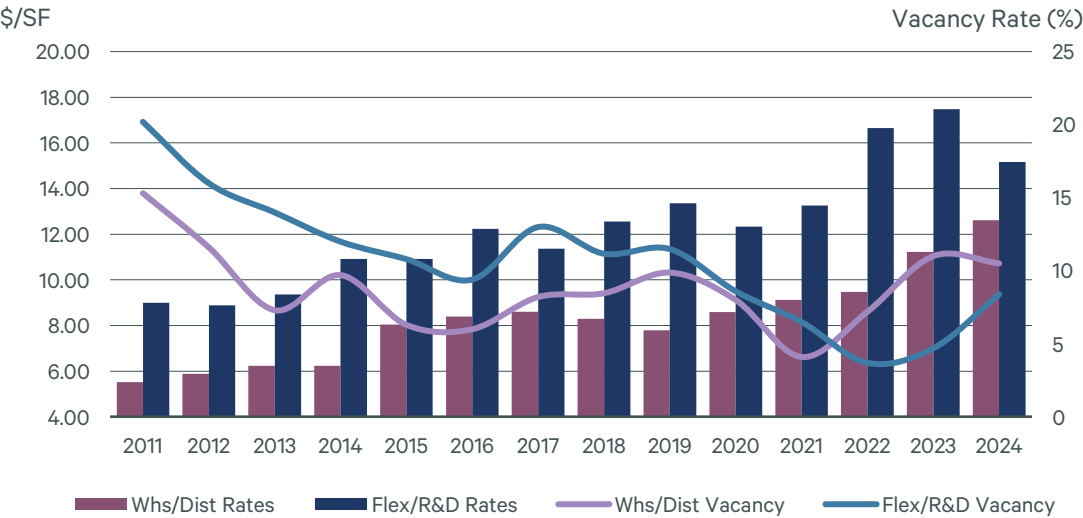
Source: CBRE Research, Q1 2024.

FIGURE 4: Historical Construction & Deliveries
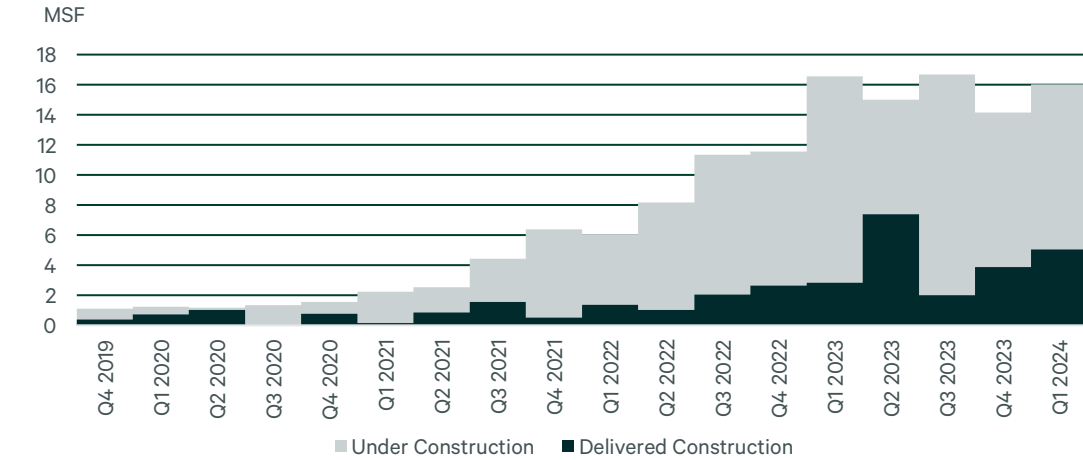
Source: CBRE Research, Q1 2024.

AUSTIN METRO ECONOMIC TRENDS

Austin's GDP is forecasted to grow 2.4% annually during 2024, with 2.6% growth over the subsequent four years, well above the forecasted national average of 1.7% during the same period. The Austin Business-Cycle Index (a broad measure of economic activity created by the Federal Reserve Bank of Dallas) increased by 5.1% year-over-year as of February 2024; this increase was driven by population and wage growth.
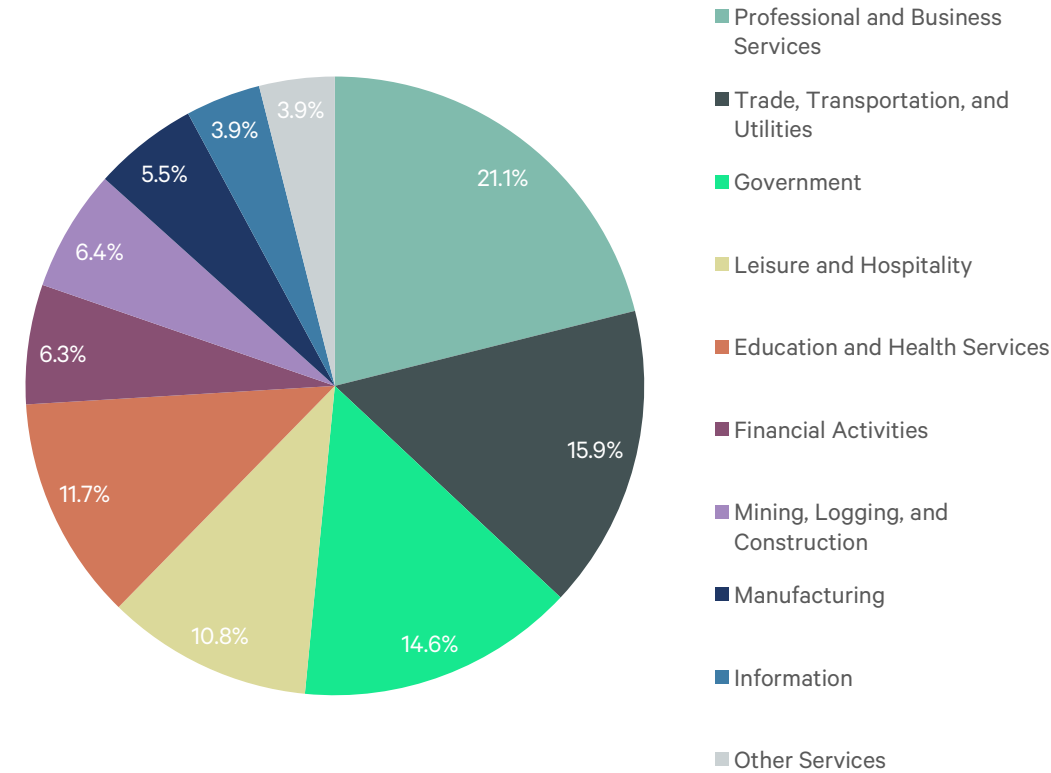
CBRE ECONOMIC HOUSE VIEW

Continued economic growth paired with the Fed signaling more accommodative policy all suggests the U.S. economy is heading toward a 'soft landing'. GDP growth should be less than half 2023's pace when growth topped 3%. Reasons for the slowdown include a more prudent consumer and much weaker hiring. This latter issue is most acute within interest rate sensitive sectors, such as tech start-ups and goods manufacturing. Notable exceptions include investment in EV and microchip production capacity.

More caution from businesses means a good chunk of recent hiring came from publicly funded sectors (e.g., education, healthcare, state & local governments). A key exception is leisure & hospitality, driven by continued demand for discretionary services. With many private firms on the sidelines the job openings rate declining to 5.5% from its peak of 7.8% in 2022. This has also meant the pace of wage growth has cooled, but not enough to see inflation fall quickly to 2%. With unemployment remaining below 4% and high-capacity utilization, CPI is unlikely to return to target until 2025.

The Fed will likely make three, 25 basis point cuts this year. This outlook is putting downward pressure on longer-term rate expectations, providing some optimism for real estate capital markets, but the recovery will only begin after the first cut is actually delivered. Better than expected growth over the last 18 months has been helpful in holding real estate vacancy down, notably in the industrial, retail and multifamily sectors.

FIGURE 5: Employment Sectors That Comprise the Austin Workforce

- Professional and Business Services — 21.1%
- Trade, Transportation, and Utilities — 15.9%
- Government — 14.6%
- Leisure and Hospitality — 10.8%
- Education and Health Services — 11.7%
- Financial Activities — 6.3%
- Mining, Logging, and Construction — 6.4%
- Manufacturing — 5.5%
- Information — 3.9%
- Other Services — 3.9%

Source: BLS, March 2024.

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

Submarket	DISTRIBUTION/LOGISTICS				FLEX/R&D				MANUFACTURING			
	NNN $/SF	Total Vacant (SF) / Total RBA (SF)	Vacancy Rate (%)	Net Absorption (SF)	NNN $/SF	Total Vacant (SF) / Total RBA (SF)	Vacancy Rate (%)	Net Absorption (SF)	NNN $/SF	Total Vacant (SF) / Total RBA (SF)	Vacancy Rate (%)	Net Absorption (SF)
BASTROP COUNTY	-	- / 1,058,192	-	521,521	-	- / 42,685	-	-	6.00	18,500 / 216,706	8.5	-
CALDWELL COUNTY	-	22,273 / 404,700	5.5	-	-	- / 30,150	-	-	-	- / 148,707	-	-
CEDAR PARK	12.50	70,782 / 2,358,076	3.0	5,105	19.90	295,267 / 3,966,194	7.4	(73,693)	-	- / 1,031,779	-	-
CENTRAL	16.60	108,200 / 905,694	11.9	-	17.10	23,213 / 699,642	3.3	(13,181)	-	- / 122,994	-	-
EAST	14.11	206,552 / 4,240,742	4.9	87,712	-	65,273 / 370,913	17.6	(3,110)	-	- / 4,890,140	-	-
FAR NORTH	12.74	2,179,748 / 6,285,010	34.7	465,251	22.00	26,414 / 814,181	3.2	6,000	-	- / 796,860	-	-
FAR NORTHEAST	10.84	811,312 / 2,984,777	27.2	209,882	-	- / 17,700	-	6,650	-	- / 214,075	-	-
HAYS COUNTY	12.04	1,999,399 / 11,969,671	16.7	1,229,980	10.21	12,000 / 275,070	4.4	(2,000)	14.51	41,135 / 1,527,649	2.7	(10,500)
NORTH	12.28	603,621 / 10,406,383	5.8	(270,875)	15.19	523,102 / 5,190,342	10.1	(159,907)	-	- / 475,235	-	-
NORTHEAST	15.02	807,720 / 16,546,294	4.9	423,371	14.72	448,322 / 7,084,435	6.3	(90,351)	-	112,000 / 3,850,649	2.9	-
NORTHWEST	17.00	24,580 / 708,902	3.5	(4,540)	-	- / -	-	-	-	- / -	-	-
ROUND ROCK	10.80	412,259 / 4,537,945	9.1	339,669	17.50	9,226 / 1,025,567	0.9	6,236	15.00	- / 402,677	-	-
SOUTH	12.56	112,237 / 1,790,047	6.3	16,269	21.37	66,085 / 480,204	13.8	(1,750)	-	- / 490,325	-	-
SOUTHEAST	13.00	505,515 / 10,514,705	4.8	171,346	9.09	755,903 / 6,247,572	12.1	(298,519)	-	- / 1,000,377	-	40,402
SOUTHWEST	15.69	43,508 / 820,061	5.3	(34,152)	28.00	17,264 / 364,446	4.7	1,350	-	124,000 / 2,704,534	4.6	-
AUSTIN TOTAL	12.62	7,907,706 / 75,531,199	10.5	3,160,539	15.17	2,242,069 / 26,609,101	8.4	(622,275)	6.00	295,635 / 17,872,707	1.7	29,902

Source: CBRE Research, Q1 2024.

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FIGURE 8: Historical Market Statistics

		2017	2018	2019	2020	2021	2022	2023*	2024 YTD
BASTROP COUNTY	Absorption (Net SF)	-	-	-	-	-	-	-	521,521
	Asking Rent, Avg. Annual	-	-	-	-	-	-	6.00	6.00
	Delivered Construction (SF)	-	-	-	-	-	-	-	521,521
	Vacancy Rate (%)	-	-	-	-	-	-	2.3	1.4
CALDWELL COUNTY	Absorption (Net SF)	-	-	-	-	-	-	167,794	-
	Asking Rent, Avg. Annual	-	-	-	-	-	-	-	-
	Delivered Construction (SF)	-	-	-	-	-	-	167,794	-
	Vacancy Rate (%)	-	-	-	-	-	-	-	3.8
CEDAR PARK	Absorption (Net SF)	-	-	-	-	-	-	(21,930)	(68,588)
	Asking Rent, Avg. Annual	-	-	-	-	-	-	18.80	18.51
	Delivered Construction (SF)	-	-	-	-	-	-	45,000	-
	Vacancy Rate (%)	-	-	-	-	-	-	4.0	5.0
CENTRAL	Absorption (Net SF)	(28,441)	64,038	84,444	(83,190)	(54,819)	29,314	5,003	(13,181)
	Asking Rent, Avg. Annual	10.02	9.49	14.02	15.59	17.18	17.24	16.64	16.63
	Delivered Construction (SF)	-	-	-	-	-	-	-	-
	Vacancy Rate (%)	6.2	6.1	4.7	5.6	10.3	8.0	6.6	7.6
EAST	Absorption (Net SF)	75,265	(70,360)	49,085	(117,749)	264,377	407,720	121,865	84,602
	Asking Rent, Avg. Annual	12.69	6.94	7.49	8.16	12.83	14.17	18.50	14.11
	Delivered Construction (SF)	27,000	-	-	-	-	84,094	120,337	-
	Vacancy Rate (%)	23.2	11.1	9.7	13.3	4.4	7.0	2.5	2.9
FAR NORTH	Absorption (Net SF)	-	-	-	-	-	-	1,690,245	471,251
	Asking Rent, Avg. Annual	-	-	-	-	-	-	7.52	7.87
	Delivered Construction (SF)	-	-	-	-	-	-	4,251,903	460,464
	Vacancy Rate (%)	-	-	-	-	-	-	33.5	27.9

Source: CBRE Research, Q1 2024.

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FIGURE 8: Historical Market Statistics

|		2017	2018	2019	2020	2021	2022	2023*	2024 YTD
FAR NORTHEAST	Absorption (Net SF)	84,699	78,521	422,117	149,781	234,115	747,085	273,010	216,532
	Asking Rent, Avg. Annual	11.12	10.78	9.23	9.58	10.47	8.87	11.30	10.84
	Delivered Construction (SF)	110,100	-	557,954	-	192,429	1,221,546	831,501	366,115
	Vacancy Rate (%)	8.0	6.7	11.6	5.2	2.7	11.0	17.3	25.2
HAYS COUNTY	Absorption (Net SF)	66,030	(45,343)	(219,415)	567,665	758,841	1,333,876	460,516	1,217,480
	Asking Rent, Avg. Annual	11.40	12.62	9.55	6.90	7.32	7.65	13.00	9.92
	Delivered Construction (SF)	-	341,500	588,741	347,840	534,058	1,402,708	2,661,862	575,869
	Vacancy Rate (%)	-	28.9	41.6	16.3	3.9	8.0	20.7	14.9
NORTH	Absorption (Net SF)	163,017	1,002,508	307,926	(63,126)	271,490	46,510	363,445	(430,782)
	Asking Rent, Avg. Annual	9.86	11.21	10.38	10.71	12.02	16.77	15.92	13.67
	Delivered Construction (SF)	80,340	276,493	-	96,462	-	-	125,030	-
	Vacancy Rate (%)	9.2	6.4	5.7	7.3	4.5	3.3	3.5	7.0
NORTHEAST	Absorption (Net SF)	51,761	258,348	120,216	25,163	303,651	711,783	949,676	333,020
	Asking Rent, Avg. Annual	8.78	10.34	9.73	9.34	10.66	12.36	17.05	10.54
	Delivered Construction (SF)	240,821	82,826	354,734	-	303,356	70,121	1,298,897	203,800
	Vacancy Rate (%)	9.5	7.8	9.4	7.8	8.6	2.8	5.2	5.0
NORTHWEST	Absorption (Net SF)	12,478	34,234	(94,690)	195,446	(14,900)	(35,216)	30,580	(4,540)
	Asking Rent, Avg. Annual	14.99	15.27	11.35	9.12	16.13	13.81	17.00	17.00
	Delivered Construction (SF)	-	231,030	-	-	-	-	50,620	-
	Vacancy Rate (%)	3.6	2.7	5.9	1.7	2.2	3.6	2.8	3.5
ROUND ROCK	Absorption (Net SF)	92,709	(70,623)	57,289	670,891	452,935	260,566	138,347	345,905
	Asking Rent, Avg. Annual	9.61	8.60	10.05	11.29	10.41	14.60	12.00	14.87
	Delivered Construction (SF)	58,500	200,728	217,610	614,814	75,600	344,689	25,000	562,522
	Vacancy Rate (%)	3.8	11.5	18.5	11.0	1.9	4.7	1.0	7.1

Source: CBRE Research, Q1 2024.

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		2017	2018	2019	2020	2021	2022	2023*	2024 YTD
SOUTH	Absorption (Net SF)	7,305	(84,327)	61,093	53,736	56,636	(1,628)	(80,385)	14,519
	Asking Rent, Avg. Annual	11.6	17.70	18.04	17.91	18.19	18.04	16.53	13.49
	Delivered Construction (SF)	-	117,087	23,978	-	-	-	-	-
	Vacancy Rate (%)	2.4	6.8	5.8	5.7	3.7	3.8	7.0	6.5
SOUTHEAST	Absorption (Net SF)	184,309	450,896	427,400	676,526	973,650	225,914	468,066	(86,771)
	Asking Rent, Avg. Annual	8.23	9.94	8.51	10.31	10.21	9.00	10.14	9.14
	Delivered Construction (SF)	1,169,300	482,364	-	85,079	421,365	490,144	245,692	384,652
	Vacancy Rate (%)	13.2	13.9	13.6	8.3	3.4	5.1	3.4	7.1
SOUTHWEST	Absorption (Net SF)	3,585	10,025	34,374	(8,900)	11,500	-	(8,076)	(32,802)
	Asking Rent, Avg. Annual	13.50	16.83	11.34	10.41	N/A	N/A	20.35	20.60
	Delivered Construction (SF)	-	-	-	-	-	-	-	-
	Vacancy Rate (%)	5.7	8.3	4.5	6.8	-	-	3.9	4.8
AUSTIN TOTAL	**Absorption (Net SF)**	**698,608**	**1,785,512**	**1,307,789**	**2,083,654**	**3,566,600**	**4,234,462**	**4,558,156**	**2,568,166**
	Asking Rent, Avg. Annual	**10.15**	**10.53**	**9.80**	**10.17**	**11.07**	**11.56**	**13.13**	**13.29**
	Delivered Construction (SF)	**1,756,061**	**1,751,178**	**1,891,737**	**1,508,249**	**1,857,838**	**4,297,257**	**9,823,636**	**3,074,943**
	Vacancy Rate (%)	**9.9**	**9.4**	**10.5**	**8.2**	**4.9**	**5.9**	**8.1**	**8.7**

Source: CBRE Research, Q1 2024.

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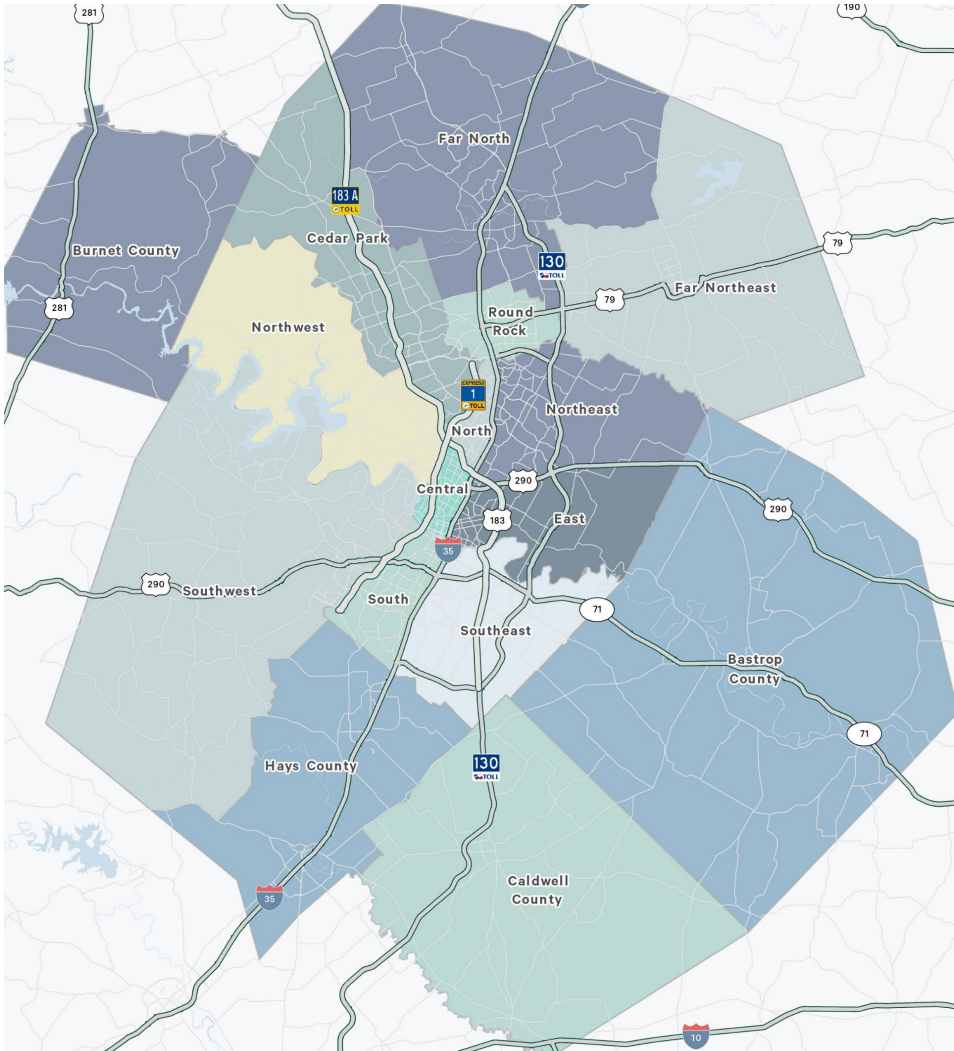
Market Area Overview

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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