

FIGURES | AUSTIN INDUSTRIAL | Q3 2024

Developers remain bullish on Austin as 1.1 million sq. ft. breaks ground in Q3

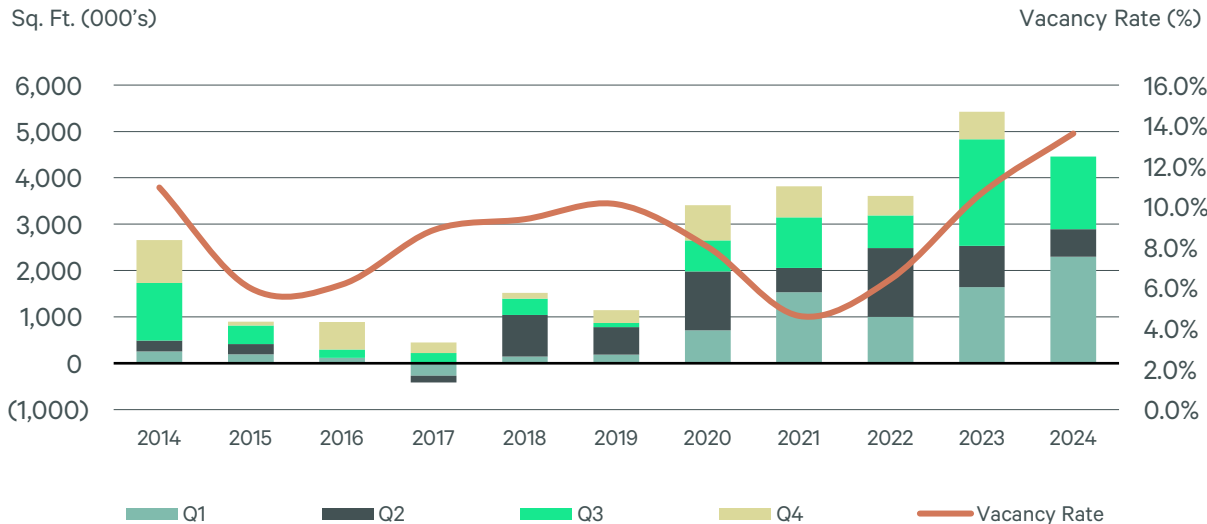


Note: Arrows indicate change from previous quarter.

MARKET OVERVIEW

- Austin posted nearly 1.6 million sq. ft. of total net absorption in Q3 2024, which brought vacancy down 230 basis points quarter-over-quarter. However, vacancy is up year-over-year, due to new product delivering vacant.
- This quarter, absorption was primarily driven by Tesla occupying 430,000 sq. ft. and Seoyon E-Hwa with 212,000 sq. ft.
- Excluding owner/user facility data predominately consisting of Tesla and Samsung, Austin’s total construction pipeline comprises 10 million sq. ft., of which more than 99% of product underway is speculative distribution space.
- 914,000 sq. ft. of new construction delivered in the third quarter, which was 9.5% pre-leased.
- Industrial asking rents dipped 4.9% in Q3 to \$12.05 market-wide.

FIGURE 1: Net Absorption and Vacancy



Source: CBRE Research, Q3 2024.

*As of Q3 2024, owner-occupied properties are no longer included in our tracked inventory for this data segment..

FIGURE 2: Austin Industrial Market Statistics

Submarket	Net Rentable Area (SF)*	Total Vacancy (%)	Total Availability (%)	Asking Rate, NNN Avg. Annual (\$/SF)	Under Construction (SF)	Q3 2024 Deliveries (SF)	Q3 2024 Net Absorption	YTD 2024 Total Net Absorption
BASTROP COUNTY	605,133	3.06	3.06	6.00	222,346	85,000	85,000	85,000
CALDWELL COUNTY	467,144	35.32	35.32	-	-	-	-	0
CEDAR PARK	5,144,424	13.59	15.67	18.15	229,977	271,689	21,477	(56,084)
CENTRAL	1,399,905	5.65	8.15	11.98	-	-	62,236	39,489
EAST	3,525,085	9.21	10.78	14.71	2,373,921	-	(81,487)	1,215
FAR NORTH	7,280,349	26.49	25.04	9.07	566,771	100,165	456,741	987,703
FAR NORTHEAST	3,063,040	26.54	25.54	10.93	995,266	245,507	250,047	481,722
HAYS COUNTY	11,100,504	13.48	14.49	11.22	1,323,551	35,384	480,331	1,847,903
NORTH	14,970,986	11.19	15.68	12.17	-	-	17,863	-741,316
NORTHEAST	20,749,525	9.61	13.74	12.23	1,758,953	135,927	169,467	897,981
NORTHWEST	31,5182	7.01	7.72	17	-	-	7,500	4,000
ROUND ROCK	5,313,685	9.86	11.15	14.77	874,815	-	(21,037)	607,444
SOUTH	2,405,515	7.94	7.75	15.68	-	-	17,863	-20,224
SOUTHEAST	17,425,940	16.82	16.91	8.53	1,694,913	40,000	325,085	172,275
SOUTHWEST	901,568	5.67	13.08	21.7	269,959	-	7,317	-32,512
AUSTIN TOTAL	94,667,985	13.64	15.6	12.03	10,088,126	913,672	1,571,695	4,274,596

Source: CBRE Research, Q3 2024..

*As of Q3 2024, the CBRE Research statistical methodology for Austin has been adjusted to exclude Owner/User industrial properties. As of Q3 2024, the CBRE Research statistical methodology for Austin Industrial has been adjusted to ensure alignment with the market and peer market comparisons. As such, consistent historical/pre-Q3 2024 statistics for new or substantially adjusted submarkets are not available and historical metrics reported for these areas will not sum to historical Austin market totals.

MARKET FUNDAMENTALS

Q3 2024 marks the 41st 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 Bajío 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.

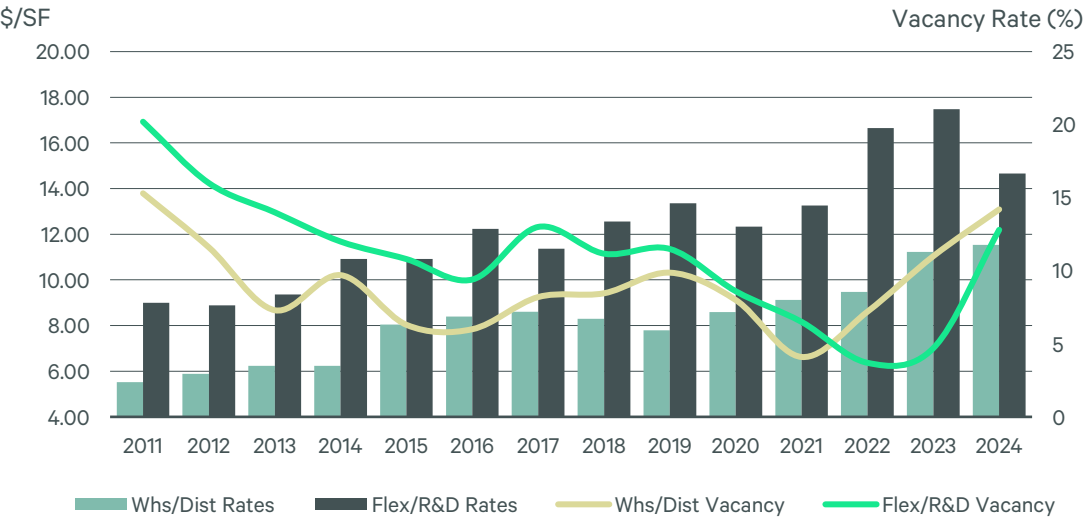
ASKING RATES

Market-wide industrial asking rates dipped to \$12.05 per sq. ft. NNN, down 4.1% quarter-over-quarter. Distribution/Logistics rents dropped by 8.2% quarter-over-quarter to \$10.58 per sq. ft., while Flex/R&D rates came down slightly to \$14.66 per sq. ft. NNN, a less than 1% decrease quarter-over-quarter. Manufacturing rates decreased by 2.3% to \$13.08 per sq. ft. quarter-over-quarter.

DEVELOPMENT PIPELINE

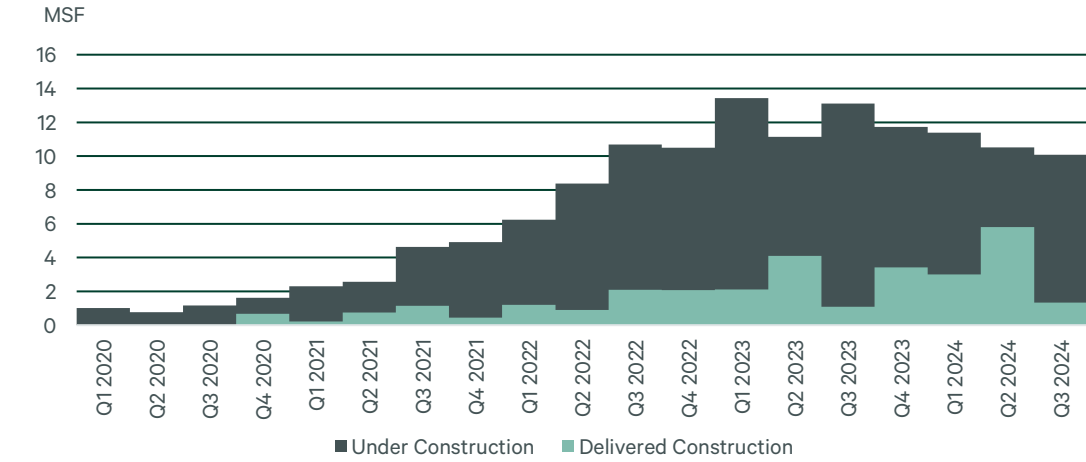
Developers added 913,672 thousand sq. ft. of new construction to the pipeline in Q3. Inclusive of Samsung, Tesla, and other owner/user forthcoming facilities, Austin’s total construction pipeline comprises 14.7 million sq. ft., equal to nearly 12% of the total existing Industrial inventory. More than 61.7% of product underway is speculative distribution space. 914,000 sq. ft. of new construction delivered in the third quarter, which was 9.5% pre-leased.

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



Source: CBRE Research, Q3 2024.

FIGURE 4: Historical Construction & Deliveries



Source: CBRE Research, Q3 2024.

CBRE ECONOMIC HOUSE VIEW

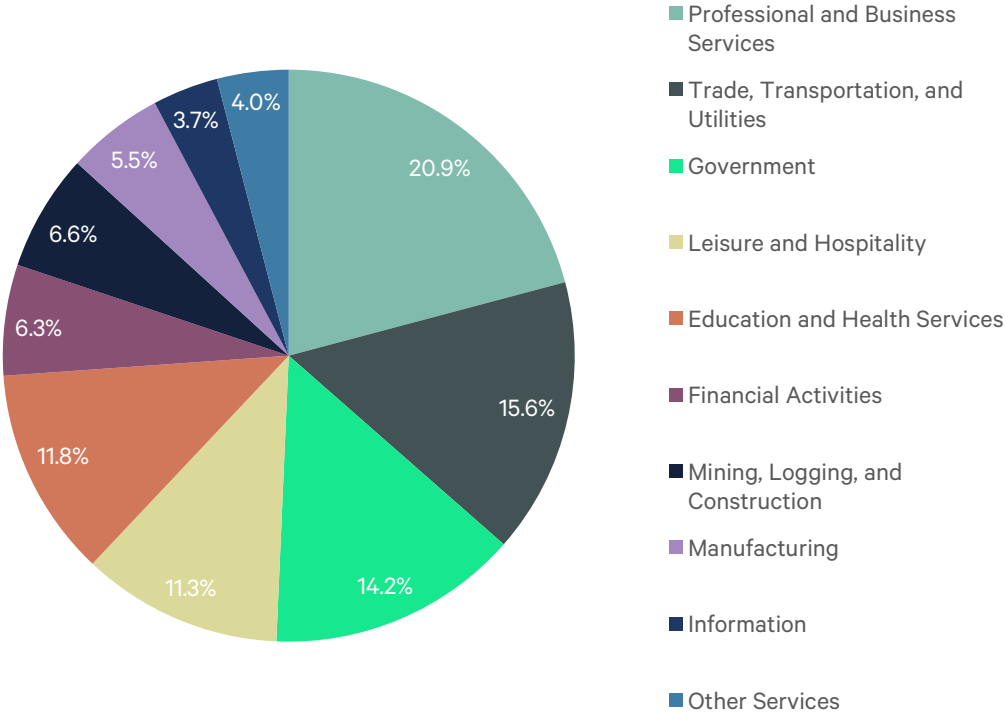
Soft landings are rare, but recent data suggest that this outcome for the economy is increasingly likely. Business investment is holding its own and consumer distress is confined to a few vulnerable segments. Discretionary spending, such as travel, is generally on a par with last year although many signs indicate the post-pandemic spending boom is over. The key threat to consumption is a rollover in the labor market although the recent bump in unemployment appears benign, mainly driven by an increase in participation. A reason for concern is the decline in the share of private industries that are creating jobs. On the other hand, companies are not shedding workers at a particularly high rate. The labor market has slowed, but it is not slumping.

While many are focused on November’s election the most consequential policy lever has already been pulled via the FOMC’s 50 bps September cut and signaling another 50 by year-end. This easing of financial conditions combined with continued economic growth should support modest hiring and consumption that precedes tighter commercial space market fundamentals. This backdrop will breathe fresh wind into real estate transactions markets and coincides with other signals that cap rates have peaked and may be starting to fall in some sectors.

AUSTIN METRO ECONOMIC TRENDS

Austin’s job growth continued to lead the top 50 metros in the nation with a 4.7% growth rate in 2023, more than doubling the national rate of 2.3%, according to Oxford Economics. Job growth was concentrated in Austin’s headquarters sector, state and local government, and restaurants. Austin’s GDP is forecasted to grow 3.9% annually during 2024, with 2.5% growth over the subsequent four years. GDP growth continues to be driven by real estate and tech-related services. The Austin Business-Cycle Index (a broad measure of economic activity created by the Federal Reserve Bank of Dallas) increased by 6.6% year-over-year as of August 2024; this increase was driven by population and wage growth. Austin experienced strong employment growth in August, accompanied by a stable unemployment rate. Home prices and the months’ supply of inventory ticked down. Both downtown and suburban office vacancies increased, with downtown vacancies rising above the Texas metro average.

FIGURE 5: Employment Sectors That Comprise the Austin Workforce



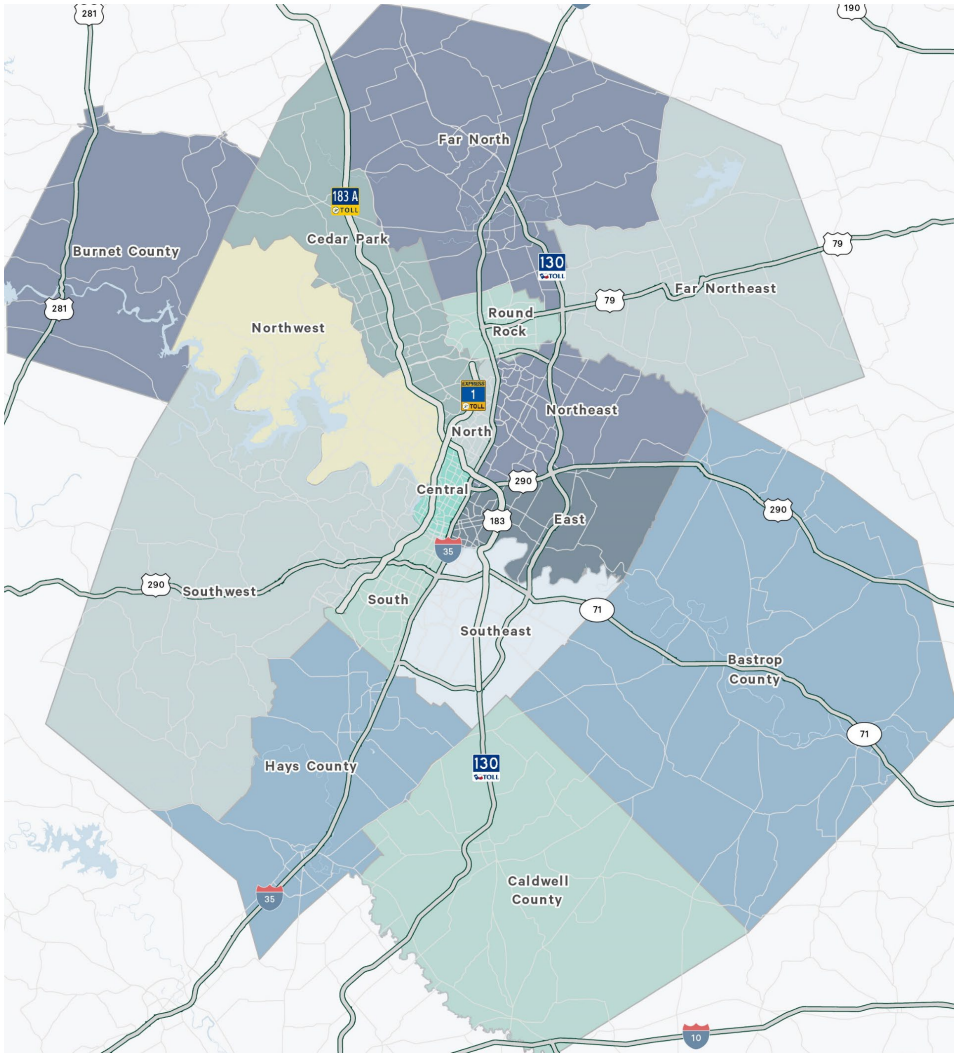
Source: BLS, September 2024

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

Submarket	DISTRIBUTION/LOGISTICS				FLEX/R&D				MANUFACTURING			
	NNN \$/SF	Total Vacant (SF)	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)		Total RBA (SF)						
BASTROP COUNTY		- 460,923	-	85,000	-	- -	-	-	6.00	18,500 144,210	12.8	-
CALDWELL COUNTY	-	- 271,994	-	-	-	- 30,150	-	-	-	165,000 165,000	100.0	-
CEDAR PARK	13.74	368,543 1,982,079	18.6	9,360	19.78	294,467 3,114,345	9.5	12,117	17.00	36,000 48,000	75.0	12,000
CENTRAL	10.54	368,543 829,022	3.8	83,000	17.41	47,999 505,189	9.5	(20,764)	-	- 65,694	0.0	-
EAST	17.53	263,486 3,019,185	8.7	(81,487)	11.06	61,022 342,106	17.8	-	-	- 163,794	-	423,032
FAR NORTH	9.07	1,907,061 5,957,034	32.0	456,741	-	21,525 742,881	2.9	-	-	- 580,434	-	-
FAR NORTHEAST	10.83	794,816 2,565,258	31.0	2,450	19.85	4,850 17,700	27.4	(4,850)	-	- 426,907	-	-
HAYS COUNTY	9.68	1,397,992 10,216,720	13.7	503,689	19.37	17,008 226,222	7.5	(5,008)	14.25	30,635 422,939	7.2	-
NORTH	10.33	767,286 9,299,641	8.3	(133,798)	14.04	908,388 5,634,946	16.1	(75,407)	-	- 36,399	-	-
NORTHEAST	11.06	1,293,217 14,706,963	8.8	226,733	13.17	660,091 5,032,683	13.1	(49,181)	-	- 241,486	-	112,000
NORTHWEST	17.00	22,080 315,182	7.0	7,500	-	- -	-	-	-	- -	-	-
ROUND ROCK	13.46	463,356 4,329,230	10.7	106	17.50	35,835 959,455	3.7	(21,143)	15.00	25,000 25,000	100.0	-
SOUTH	17.6	112,683 1,457,222	7.7	9,913	20.00	78,217 480,204	16.3	7,950	-	- 468,089	-	-
SOUTHEAST	13.00	2,072,463 10,935,589	19.0	274,238	9.4	78,217 6,212,238	13.8	30,847	-	- 258,113	-	-
SOUTHWEST	-	15,382 544,125	2.8	7,317	21.70	35,744 329,719	10.8	-	-	- 27,724	-	-
AUSTIN TOTAL	10.58	9,509,509 66,890,167	14.2	1,450,762	14.66	3,023,363 23,627,838	12.8	(125,439)	13.08	275,135 3,073,789	9.0	547,032

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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 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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