



# Austin Industrial Market

## Construction Pipeline Bursting as New Deliveries Drive Up Rental Rates

The Austin industrial market is experiencing unprecedented levels of development and record-low vacancy rates as the first quarter of 2022 ends. For the quarter, the market realized 5.9 million square feet of positive absorption, narrowly outpacing completions by 184,000 square feet. Vacancy continues to drop, as rates fell 340 basis points year-over-year and are now 3.4%. Since the start of 2020, vacancy rates have decreased by 13.4%. Rental rates continue to rise, driven upward by new building stock and demand. In the first quarter of 2022, the average industrial rental rate crossed the \$12.00/SF threshold and stands at \$12.11/SF, an increase of 6.1% in the past 12 months.

Since the start of the pandemic, rental rates have risen 13.4% in the Austin industrial market and new product is expected to keep prices high for the foreseeable future. Rents are highest in the Central and Northwest submarkets at \$17.38/SF and \$17.12/SF, respectively. In total, six submarkets have rents above the market average.

### Current Conditions

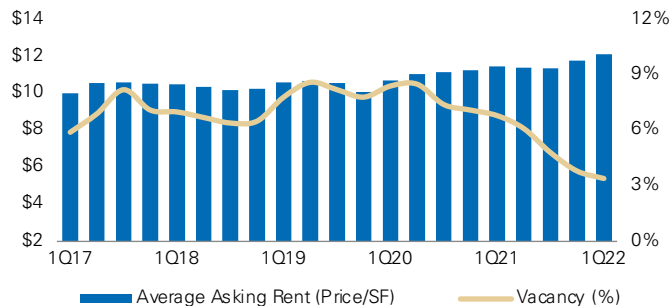
- The market realized 5.9 million square feet of positive absorption in the first quarter of 2022.
- Overall vacancy stands at 3.4%, a decrease of 340 basis points year-over-year.
- Leasing activity totaled more than 1.8 million square feet.
- The Austin Industrial market delivered 5.7 million square feet across 8 buildings.

### Market Summary

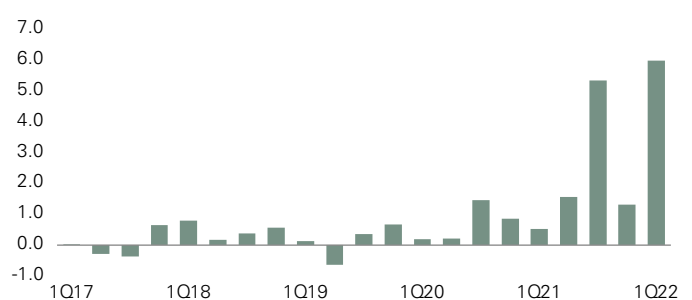
	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	108.4 M	102.6 M	97.1 M	↑
Vacancy Rate	3.4%	3.8%	6.8%	↑
Quarterly Net Absorption (SF)	5.9 M	1.3 M	1.0 M	↓
Average Asking Rent/SF	\$12.11	\$11.83	\$11.41	↑
Under Construction (SF)	9.0 M	12.1 M	12.8 M	↑

### Market Analysis

#### ASKING RENT AND VACANCY RATE



#### NET ABSORPTION (SF, MILLIONS)



As companies shore up supply chains, just-in-time distribution is expected to phase out, ushering in increased demand for distribution space. The tight industrial market in Austin and south along the I-35 Corridor is fueled by rising demand from ecommerce, supply chain logistics and the influx of tech manufacturing. The push to revive American manufacturing and establish a resilient supply chain will help drive the Austin industrial market in the coming years.

### Leasing Activity

In the first quarter of 2022, leasing activity in the Austin industrial market totaled 1.8 million square feet. While leasing dropped quarter-over-quarter, it remains on par with levels seen throughout the pandemic and should pick up for the remainder of the year. The largest lease of the quarter came from American Canning LLC. The company manufactures aluminum cans and beverage packaging and illustrates the expansion of manufacturing in the Austin area. American Canning LLC signed for 154,786 square feet at Building 5 in Park 183 in South Austin. The location will serve as American Canning's new headquarters and is three times larger than the company's current footprint in Building 2 in the same park. Other notable leases for the quarter include REE Automotive taking 118,132 square feet at 15825 Impact Way in the Far Northeast submarket and Valex taking 56,721 square feet at 120 E. Old Settlers Rd. in Round Rock.

### Manufacturing Moving In

Global supply chain disruptions resulting from the pandemic, increased consumer demand and ecommerce volume have driven a recent push for the return of American manufacturing. Earlier this year, the Biden-Harris administration laid out plans to secure critical supply chains and revitalize American manufacturing, including modernizing transportation systems, strengthening the manufacturing workforce and expanding access to capital for small manufacturers. The Austin industrial market is sure to capitalize on the expansion of US-based manufacturing and logistics due to its location along the I-35 Corridor in Central Texas. Located less than 90 minutes south of Austin, San Antonio provides access to several major highways and an airport. Together, the two metros are expected to see unprecedented population growth and development in the coming years, with many projecting that the two will end up merging into a metroplex, like Dallas-Fort Worth.

Investors and occupiers are already taking note of the region's potential, with big names like Tesla and Navistar committing to mega-developments. The Corridor is quickly becoming an

automotive hub, as San Antonio was already home to Toyota and Caterpillar. Recently DeLorean announced it was moving its headquarters from a Houston suburb to San Antonio as it plans to revive the iconic car in an electric version. Domestic battery production is expected to quadruple by 2025, according to data from AlixPartners. At the start of the year, 25 lithium-ion battery projects were considering the region per the Greater Austin Chamber of Commerce. Currently, there are 28 industrial developments greater than 100,000 square feet under construction or proposed along the I-35 Corridor between Austin and San Antonio.

### Development

There is no end in sight for industrial construction in the Austin market, as the market currently has over 9.0 million square feet of space underway. Roughly 6.9 million square feet of the market's current total is expected to deliver by year-end. In 2021, the market delivered 6.3 million square feet of new building stock. Construction starts are forecasted for 1.7 million square feet of space for the remainder of 2022. In the Northeast submarket, 3.2 million square feet of industrial space is being constructed, including Building 37 at Applied Logistics Center. The property will total 725,000 square feet of warehouse space upon completion in December and is fully leased.

The Georgetown-Round Rock submarket has over 2.5 million square feet of space under construction. The submarket has been experiencing a rise in the construction of industrial development since the early days of the pandemic and has added 2.5 million square feet of industrial stock to the market since the first quarter of 2020. Developed by Green Point Property Co. of Dallas, GTX Logistics Park will break ground early in the second quarter of 2022. The 231-acre industrial park is planned to include 3.0 million square feet across three buildings and will aim to attract large-scale manufacturing, big-box distribution companies and third-party logistics companies as tenants.

Cellink Corporation, a California-based company that supplies flex harness technology for electric vehicles, confirmed it is opening a facility in Georgetown. The 295,000-square-foot manufacturing located in Building 1 of Gateway35 Commerce Center will open in June. The industrial park is being developed by Titan Development Ltd. Cellink chose Georgetown in part for the city's commitment to renewable energy. The company is expected to employ roughly 2,000 workers, making it the city's largest employer.

Submarket Statistics								
	Total Inventory (SF)	Under Construction (SF)	Total Availability Rate	Qtr Absorption (SF)	YTD Absorption (SF)	Direct Asking Rent (Price/SF)	Sublet Asking Rent (Price/SF)	Total Asking Rent (Price/SF)
<b>Central</b>	2,011,046	-	7.4%	19,110	19,110	\$17.38	-	\$17.38
<b>East</b>	10,917,846	341,158	1.5%	4,584,079	4,584,079	\$14.22	-	\$14.22
<b>Georgetown/RR</b>	12,300,017	2,586,557	6.5%	89,041	89,041	\$8.62	-	\$8.62
<b>North</b>	16,105,396	-	4.9%	-102,568	-102,568	\$14.73	\$14.05	\$14.69
<b>Northeast</b>	24,591,660	3,206,085	2.8%	22,780	22,780	\$10.83	\$9.64	\$10.64
<b>Northwest</b>	7,757,663	283,872	2.3%	-4,989	-4,989	\$16.71	\$19.13	\$17.12
<b>Southeast</b>	20,367,056	148,221	2.7%	381,392	381,392	\$16.35	\$10.57	\$15.87
<b>Southwest Hays</b>	14,391,954	2,455,481	2.8%	993,532	993,532	\$11.48	\$14.00	\$11.54
<b>Market</b>	<b>108,442,638</b>	<b>9,021,374</b>	<b>3.4%</b>	<b>5,982,377</b>	<b>5,982,377</b>	<b>\$12.13</b>	<b>\$11.89</b>	<b>\$12.11</b>

Lease/User Transactions				
Tenant	Market	Building	Type	Square Feet
American Canning LLC	Austin – Southeast	Hwy 183 & Burleson Rd	Direct - New	154,786
REE Automotive	Austin – Far Northeast	15825 Impact Way	Direct – New	118,132
Unknown	Austin – North	15500 Wells Port Dr	Direct – New	84,678
Valex	Austin – Round Rock	120 E Old Settlers Rd	Direct – New	56,721

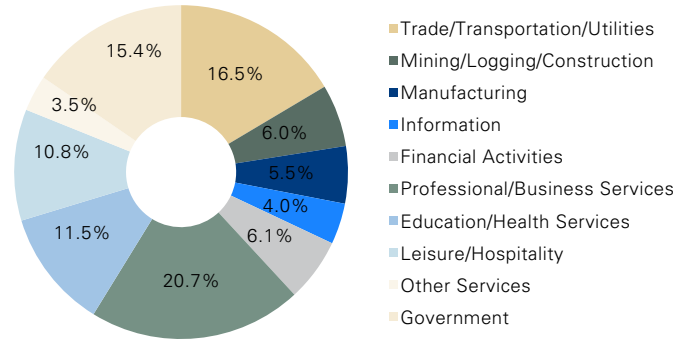
Sales Transactions				
Buyer/Seller	Market	Building	Type	Square Feet
Stacey Dobos-Trustee/ Game Creek Holdings	Austin – Georgetown/ Round Rock	4718 FM 1327	\$12,500,000	\$306
Undisclosed Buyer/ Dennis Wilhite Trust	Austin – South	3520 Wadley Place	\$1,850,000	\$161
Austin Grove Ventures/ Dusty Farrell	Austin – East	Manor Business Center 13419 E US Hwy 290	\$4,500,000	\$219
Undisclosed Buyer / Earl Gannaway Jr.	Austin – Southeast	12959 Wright Rd	\$2,700,000	\$135

### Economic Indicators

The Austin Business-Cycle Index moved to mid-expansion in the first quarter of 2022. The Business-Cycle Index grew 2.5% in January, and the Metro’s economy is expected to outperform the U.S. for the year. The Austin market has recovered all the jobs lost during the pandemic. In January, unemployment fell to 3.2%, the lowest rate since February 2020. Unemployment was at 4.8% for the State of Texas and 4.0% for the nation in January. In February, all industries saw employment growth, except for government, which contracted 0.9% year-over-year. The leisure and hospitality industry had the largest employment growth, expanding 24.1%. The median home price has risen 27.0% year-over-year, reaching \$500,142 in January. Housing affordability in Austin continues to decline, dropping to 50.3% in the fourth quarter of 2021.

### Employment By Industry

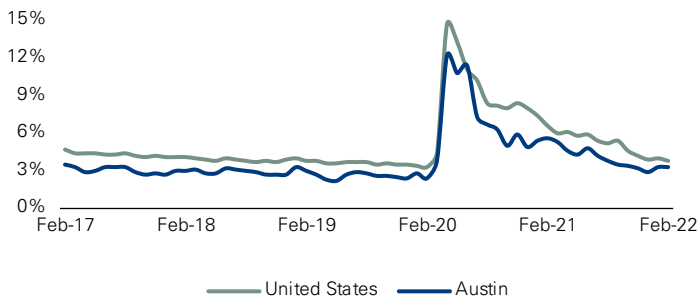
AUSTIN, FEBRUARY 2022



Source: U.S. Bureau of Labor Statistics, March 2022

### Unemployment Rate

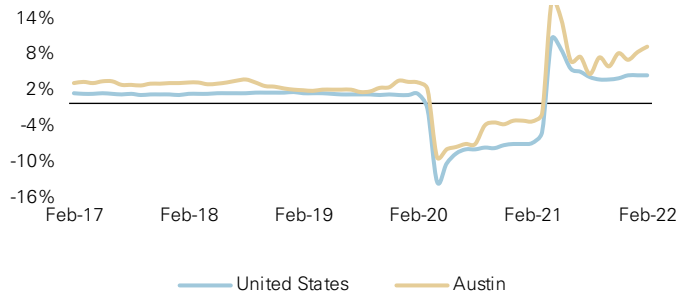
NON-SEASONALLY ADJUSTED



Source: U.S. Bureau of Labor Statistics, March 2022

### Payroll Employment

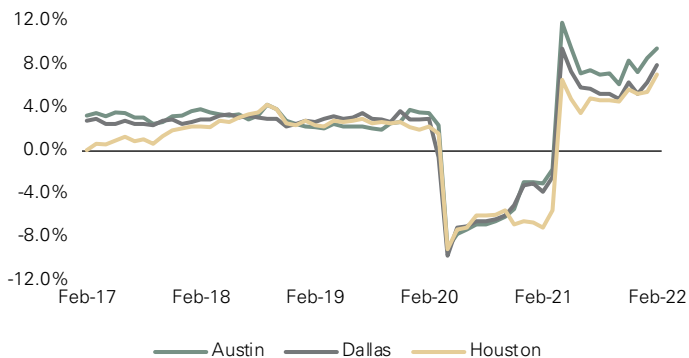
TOTAL NONFARM, NOT SEASONALLY ADJUSTED, 12-MONTH % CHANGE



Source: U.S. Bureau of Labor Statistics, March 2022

### Payroll Employment – Select Texas Markets

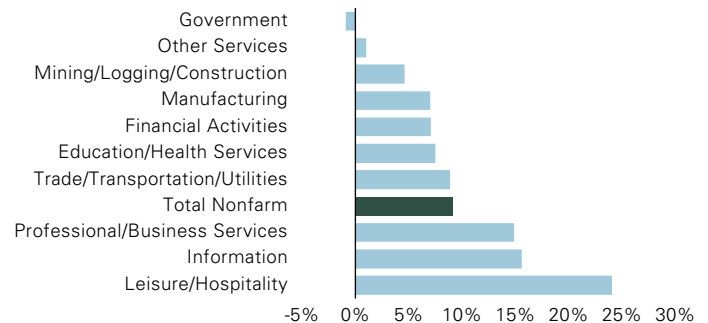
TOTAL NONFARM, 12-MONTH % CHANGE, NON-SEASONALLY ADJUSTED



Source: U.S. Bureau of Labor Statistics, March 2022

### Employment Growth (Industry)

AUSTIN, FEBRUARY 2022, 12-MONTH % CHANGE, NON-SEASONALLY ADJUSTED



Source: U.S. Bureau of Labor Statistics, March 2022

*For more information:*

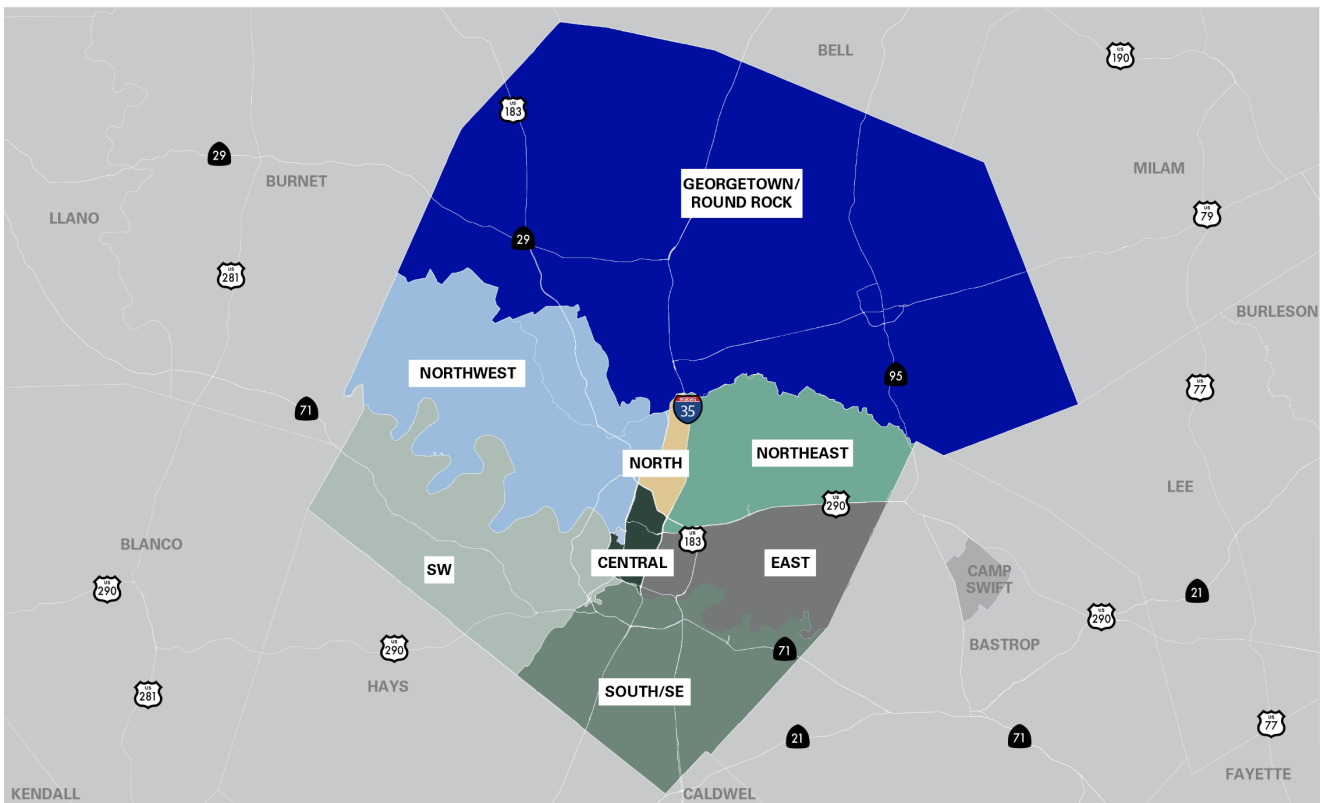
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