



Austin Industrial Market

Industrial Market Closes Q2 Strong Due to Demand and Economy

Austin’s industrial sector continued to build off a strong start to 2021, as the market reaches to meet the needs of the growing workforce, population and commercial tenants. The high level of continued interest in the region, burgeoning population and increasing development allow the market to be well poised to meet consumer demands, especially in the distribution and cold storage sectors as rooftops continue to expand in the region and allows the Austin industrial market to see 2021 as a year of positive metrics in the market.

Austin Metrics Enforce Strong Market Outlook

The average asking rental rate for available industrial space stabilized this quarter to \$11.38/SF NNN. Rates have continued to climb across all property types of industrial stock, even as the COVID pandemic impacted retail and office stock. Overall, of the major submarkets tracked, five had total asking rents in excess of \$13.00/SF across all industrial property types. Likewise, sublease space saw asking rents rebound during the quarter and now stands at \$10.80/SF and four submarkets within Austin have sublease rates above the market average. Additionally, the gains seen in stock absorbed further show a market rebounding from the COVID impact.

Current Conditions

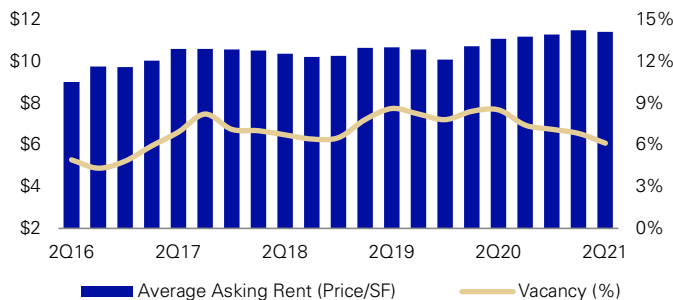
- 1.5M SF absorption marks 9th consecutive quarter of positive take up
- Leasing activity hit an all time market high of more than 3.0M SF
- Sublease space down nearly 1.0M SF from Q2 2020 and at the lowest mark since Q4 2017 overall.
- UC of 12.9MSF nearly 10MSF more than Q2 2020

Market Summary

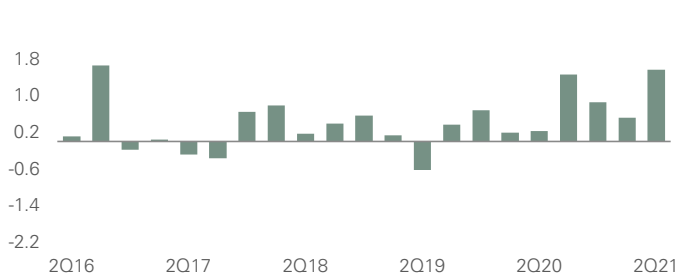
	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	97.5 MSF	95.9 MSF	94.6 MSF	↑
Vacancy Rate	6.1%	6.8%	8.3%	↓
Quarterly Net Absorption (SF)	1.56 MSF	517,062	253,059	↑
Average Asking Rent/SF	\$11.38	\$11.45	\$11.24	↑
Under Construction (SF)	12.9 MSF	11.4 MSF	2.4 MSF	↑

Market Analysis

ASKING RENT AND VACANCY RATE



NET ABSORPTION



RESEARCH Q2 2021

Austin's industrial market saw continued strong leasing activity. At 3.1M square feet leased, activity continued to be strong, and set an all time market high in the quarter. Leasing transactions this quarter averaged just over 13,600 square feet. This represented a slight decrease in average square footage per transaction. COVID-19's impact has been muted in the industrial sector as more tenants shift their needs to meet consumer demand changes brought on by WFH and social distancing needs.

Continuing the positive trend seen throughout the last nine quarters, the Austin industrial market absorbed just over 1.5 million square feet of space in the quarter. This marks 9th consecutive and overall, the 13th out of the past 14 quarters that the Austin market saw positive take up. Outside of the central submarket, all other submarkets showed positive take up this quarter, and the North, Southeast and Southwest submarkets all registered greater than 300,000 SF of positive absorption during the quarter.

Thankfully, Austin is driven largely still by a robust tech economy, which is least affected by any pandemic-related economic slowdown. Tesla continues to push into all parts of Texas, with the Austin market being Elon's preferred home for multiple parts of the company. The massive manufacturing plant that has been discussed previously continues to show a mid 2021 completion and will generate nearly 5,000 new jobs in the area. Continued positive momentum that has resulted from demand changes is seen in the spike in demand for cold storage industrial space, as large scale grocers and retailers look to capitalize on the continued change in consumer sending habits as it relates to food and grocery purchases.

The construction pipeline in the Austin industrial market remains robust, with almost 13.0M SF currently underway across 45 buildings. The increase of almost 1.5M square feet this quarter is largely due increases in the Northeast and Southwest submarkets' under construction stock. Additionally, the Northeast submarket accounts for the largest share of developing space with just over 5 million square feet of space. The five-year quarterly average has now breached 2.2M SF of new space, as the upward trend in construction continues. In the quarter, just over 860,000 SF delivered across the market, which rebounded from Q1's slow pace. In the past seven quarters, the market has seen four quarters that either matched or exceeded Q2 2021's mark. Currently, it appears that demand is able to keep pace with the new stock arriving to market and keeps the market in an equilibrium state. With the anticipated COVID related demand spike for last-mile and cold storage space during the next 12 to 18 months, it will be interesting to watch the quality and stock of new construction in the market shifting.

In Pflugerville, a 3.8 million square foot distribution center is currently in the planning stages. The proposed project on 94 acres just east of State Highway 130 is rumored to belong to Amazon.com Inc. Plans for the facility include 43,000 square feet of office space, 780,552 square feet of warehouse space, and 3.0 million square feet of space for robotics. If the facility does belong to Amazon, it would become the company's largest distribution center in Texas, four times larger than the company's current facility in San Marcos. Additional on-line retailers such as Wayfair, Igloo and others are rumored to be looking at the Austin and surrounding submarkets to expand their footprints or enter the booming market.

Asking Rent by Submarket			
ASKING RENT	2Q2021	2Q2020	
Northwest	\$14.80/SF	\$13.98/SF	↑
Central	\$16.03/SF	\$12.28/SF	↑
North	\$14.16/SF	\$13.71/SF	↑
East	\$13.43/SF	\$14.86/SF	↓
Southeast	\$13.67/SF	\$13.20/SF	↑

Vacancy Rate by Submarket			
VACANCY RATE	2Q2021	2Q2020	
Central	9.2%	9.3%	↓
Southwest	7.9%	13.8%	↓
Northwest	4.2%	6.3%	↓
East	4.4%	6.0%	↓
Georgetown/RR	8.7%	12.2%	↓

Lease/User Transactions

Tenant	Market	Building	Type	Square Feet
Amazon	Austin – Southeast	7000 Metropolis Dr	Direct - New	160,000
Total Office Solutions	Austin – Southeast	Hwy 183 and Bureson Rd	Direct - New	154,786
3-Way Logistics	Austin – Georgetown/RR	1316 New Meister Ln	Direct – New	124,200
Plastikon	Austin – Southwest Hays	19200 Marketplace Ave	Direct – New	98,380
USPS	Austin - Northeast	9101 Wall Street	Direct – New	94,000

Sales Transactions

Buyer/Seller	Market	Building	Price	Price/SF
BentallGreen/KBS Realty	Austin - Southeast	Southpark Commerce Center	Unknown	Unknown
TPG Real Estate/Bircher	Austin – Northeast	Pecan 130 Business Park	\$27,200,000 (refi)	\$151
Four Springs/Mohr	Austin – Southeast	7000 Metropolis Dr	\$37,100,000	\$231.25 (rumored)

Submarket Statistics (Combined Class A&B)

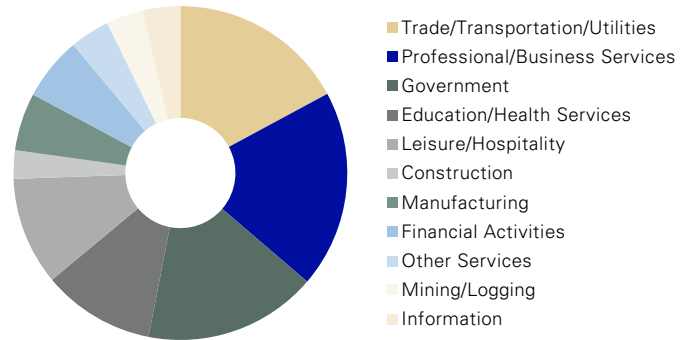
	Total Inventory (SF)	Under Construction (SF)	Total Availability Rate	Qtr Absorption (SF)	YTD Absorption (SF)	Direct Asking Rent (Price/SF)	Sublet Asking Rent (Price/SF)	Total Asking Rent (Price/SF)
Central	1,923,020	-	10.9%	-55,201	-46,429	\$16.03	\$13.00	\$15.98
Georgetown/RR	11,456,126	1,392,185	14.6%	276,986	614,018	\$8.63	\$8.40	\$8.63
East	6,207,295	4,500,000	1.9%	89,332	86,549	\$13.43	-	\$13.43
North	16,536,620	-	6.4%	352,672	317,344	\$14.16	\$10.58	\$13.71
Northeast	20,934,584	5,346,780	6.5%	136,841	120,888	\$10.96	\$8.73	\$10.59
Northwest	7,733,656	226,385	4.6%	93,716	98,515	\$14.79	\$14.99	\$14.80
Southeast	19,790,004	481,258	6.2%	324,534	308,218	\$14.08	\$11.10	\$13.67
Southwest Hays	12,903,849	997,299	10.7%	330,085	577,094	\$8.85	-	\$8.85
Market	97,557,559	12,943,907	7.4%	1,567,465	2,084,527	\$11.47	\$10.30	\$11.38

Economic Indicators

The rebound of the Austin economy from the COVID pandemic impact can now be more readily seen in the second quarter data. The data shows the impact that an opening economy and vaccine distribution has had regarding a return to a new normal . Across 12 of the 12 employment sectors tracked, 12 month growth percentages have rebounded to positive growth. Combined with unemployment rates continuing to rebound, companies continuing to ramp up hiring in and around the region, and the aforementioned California to Texas pipeline that is open and flowing in terms of major company headquarters relocations, the Austin economy is poised to recover perhaps the quickest of all the Texas metros in a post-COVID landscape.

Employment By Industry

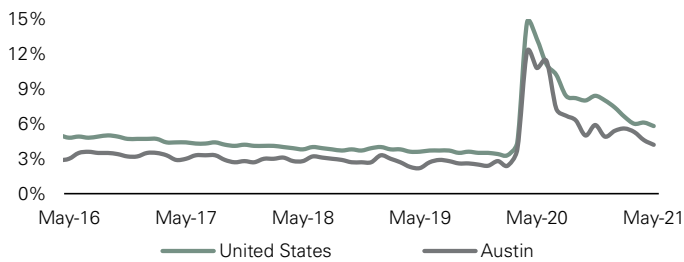
AUSTIN, MAY 2021



Source: US Bureau of Labor Statistics, November 2020

Unemployment Rate

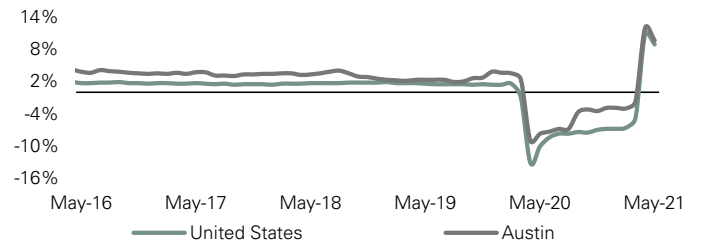
NON-SEASONALLY ADJUSTED



Source: US Bureau of Labor Statistics, November 2020

Payroll Employment

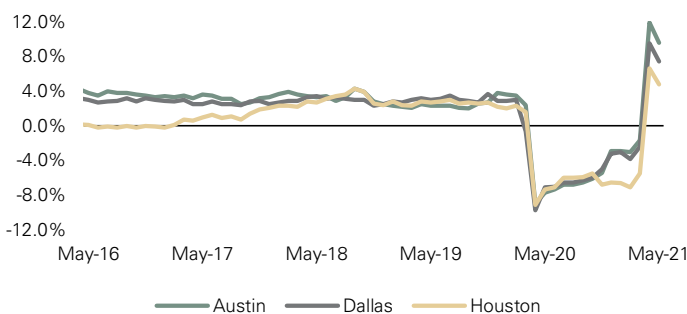
TOTAL NONFARM, NOT SEASONALLY ADJUSTED, 12-MONTH % CHANGE



Source: U.S. Bureau of Labor Statistics, October 2020

Payroll Employment – Select Texas Markets

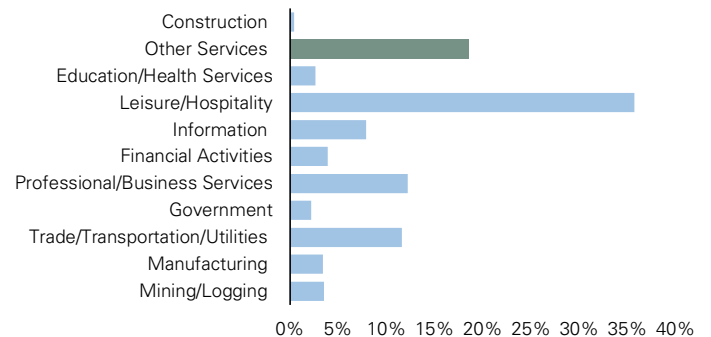
TOTAL NONFARM, 12-MONTH % CHANGE, NON-SEASONALLY ADJUSTED



Source: U.S. Bureau of Labor Statistics, October 2020

Employment Growth (Industry)

AUSTIN, MAY 2021, 12-MONTH % CHANGE, NON-SEASONALLY ADJUSTED



Source: U.S. Bureau of Labor Statistics, October 2020

For more information:

Austin

2350 Walsh Tarlton Ln
Suite 250
Austin, TX 78746
t 512-342-8100

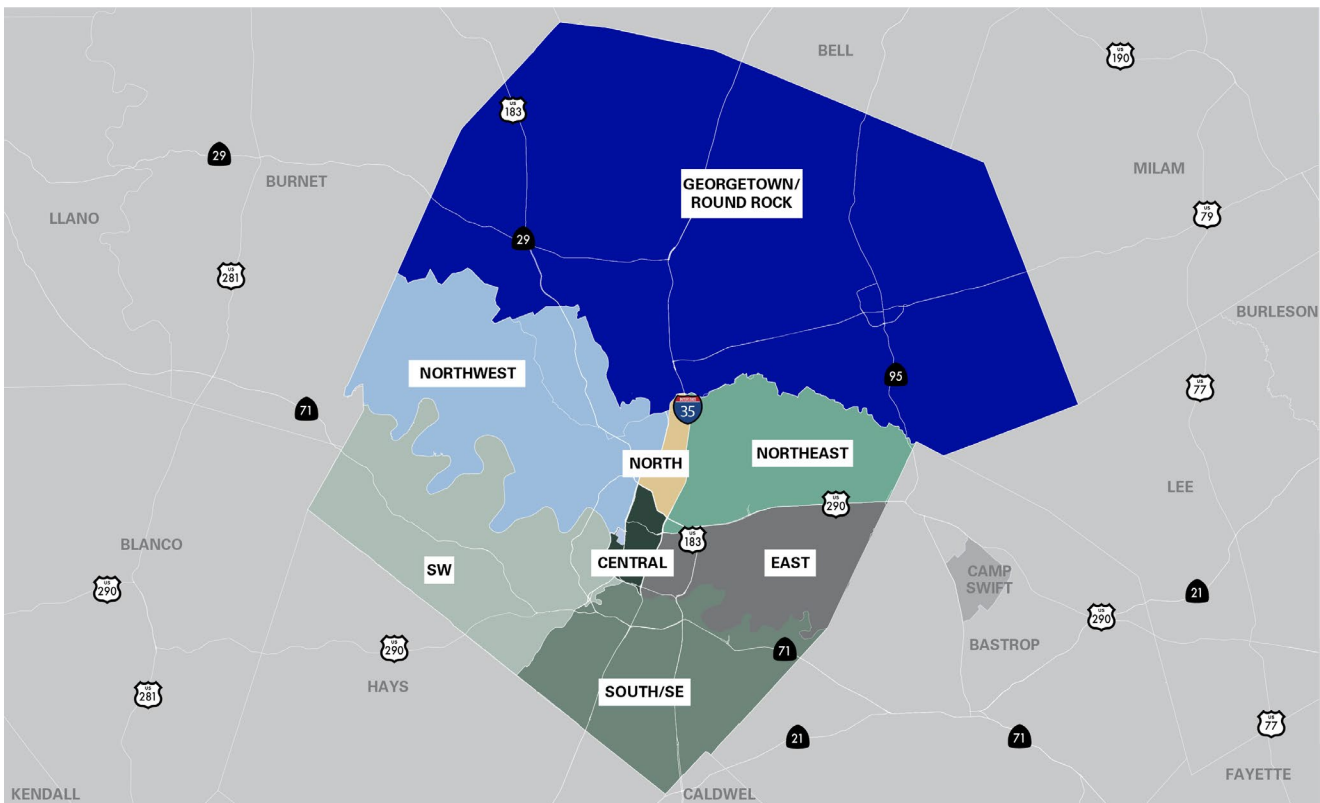
Graham Hildebrand

Director
Texas Research
graham.hildebrand@ngkf.com

Walter Bruton

Research Coordinator
Texas Research
walter.bruton@ngkf.com

nmrk.com



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