

Austin

Industrial | Q3 2023 Market Report

Quarterly Snapshot

- ↑ Average Rent
\$14.21/SF
- ↑ Vacancy
8.2%
- ↓ Net Absorption
4,057,437 SF

Occupier's Perspective

Despite a challenging interest rate and city-wide growing pains, industrial projects continue to break ground of which, nearly 2 million square feet broke ground across 18 projects in the third quarter of 2023.

Supply is expected to relieve upward pressures on the constantly rising rates and allow tenants to have more options in terms of location and quality of buildings.

Market wide rent growth has been strong at 5.6 percent year-over-year. Industrial leasing rates have reached an all-time high of \$14.21 per square foot.

Austin's robust expansions and tight industrial market conditions exhibited a slight softening in the third quarter compared to the previous year. However, the market's strong demand is expected to persist with more large industrial developments nearing completion.

While new leases signed in the first half of the year exceeded historical averages at 5.5 million square feet, there was a deceleration from the 6.2 million square feet signed in the same period in 2022. Long-term optimism has prompted developers to increase development, with a current construction pipeline of 20.3 million square feet, marking a 35 percent increase from a year prior. However, spec development is more than 12.6 million square feet and is 14.3 percent pre-leased with most deals in Georgetown, Roundrock and Northeast Austin, indicating a risk of rising vacancies and weakening rent growth in other submarkets.

Market-wide rent growth remains robust at 5.6 percent year-over-year but is showing signs of cooling from all-time highs. The investment volume has declined, with 3 million square feet of sales volume in 2023. Observations indicate price contractions, especially in lesser-quality products, exemplified by a recent sale at \$135 per square foot, reflecting a 10 percent decline over the past year in suburban areas.

Recent Transactions

Tenant	Size (SF)	Submarket	Type	Building
Tesla	474,397 SF	Hays County	New Lease	Industrial
US Faranthane	262,874 SF	Georgetown	New Lease	Industrial
Benchmark Electronics	44,680 SF	North	Renewal	Industrial

Submarket Movement

Vacancy Rate	QOQ Change	Direct Asking Rent (\$/SF)	Submarket
5.4%	▼	\$11.43	Bastrop County
23.2%	▲	\$11.62	Georgetown
45.5%	▲	\$11.93	Caldwell County
16.5%	▲	\$12.23	Hays County
4.1%	▼	\$12.54	Far Northeast
5.6%	▼	\$13.76	Southeast
6.4%	▲	\$14.60	North
3.5%	▲	\$14.98	Northeast
3.3%	▼	\$15.02	Round Rock
2.5%	▼	\$15.45	East
2.7%	▲	\$16.87	Northwest
0.0%	◆	\$17.08	West Central
7.6%	▼	\$17.51	Central
5.7%	▲	\$17.57	South
6.4%	▲	\$17.76	Cedar Park
2.2%	▲	\$17.94	Far Northwest
4.5%	▲	\$19.21	Southwest
0.0%	▼	\$25.37	CBD