

# AUSTIN INDUSTRIAL | Q1 2021 QUARTERLY MARKET REPORT

## Austin Industrial market vacancy declines

APRIL 2021

### EXECUTIVE SUMMARY

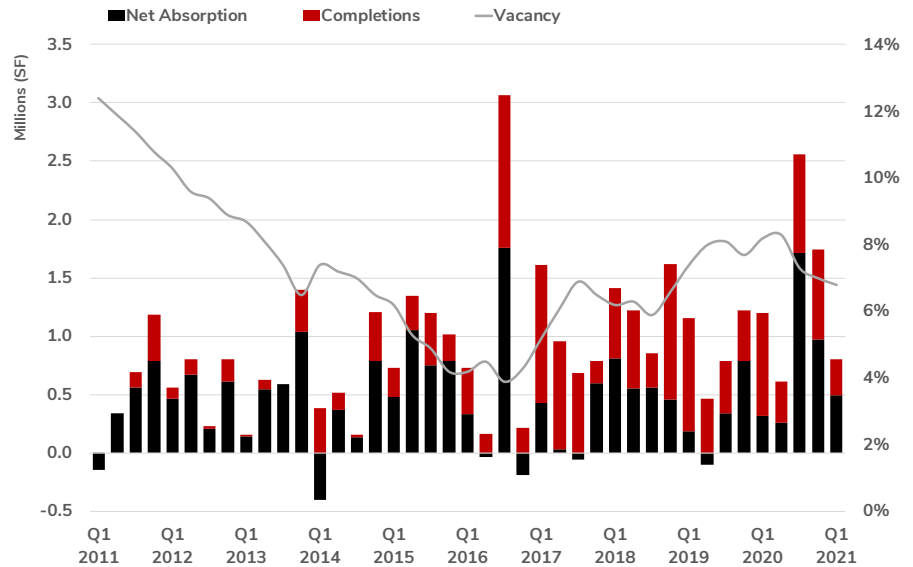
#### VACANCY RATE AT 6.8%

The Austin industrial market's overall vacancy rate dropped 20 basis points quarter-over-quarter at 6.8%, and a significant 140 basis points lower year-over-year. Class A space ended the first quarter at 11.7% vacancy, down substantially from 24.5% this time last year, based on a total inventory of 10.1 million sq. ft. in 102 existing industrial properties. In addition, overall net absorption totaled 496,000 sq. ft., down from the 969,000 sq. ft. this time last year. There is 11.6 million sq. ft. under construction that includes Tesla's 4.5 million-sq.-ft. Gigafactory and Amazon's 3.8 million-sq.-ft. distribution center, with a remaining 2.0 million sq. ft., or 17%, available for lease. Of the 391,000 sq. ft. completed in Q1 2021, 253,000 sq. ft. or 65% of that space is available. Triple net average monthly asking rents registered at \$0.95 per sq. ft. in the first quarter, up from this time last quarter at \$0.93 and last year at \$0.89 per sq. ft.

#### ECONOMIC INDICATORS

The Federal Reserve Bank of Dallas reported that the Austin economy continued to expand in February, albeit at a slower pace. While jobs were added, Austin's unemployment rate ticked up to 5.3% in February from 5.1% in January. This is well below the state's jobless rate of 6.9% and the nation's 6.2%. Austin payrolls grew by 12,915 net jobs in the three months ending in February. The "other services" sector led the job expansion (1,945 jobs), followed by professional and business services (8,390 jobs) and construction and mining (2,180 jobs). Two sectors declined—government (5,585 jobs) and manufacturing (800 jobs). As of February, 76.3% of the 135,520 jobs lost at the onset of the pandemic in March and April of last year have been recovered.

### SUPPLY & DEMAND



### MARKET INDICATORS

	CURRENT Q1 2021	PRIOR QUARTER Q4 2020	PRIOR YEAR Q1 2020
Vacant Total	6.8%	7.0% ↓	8.2% ↓
Vacant Direct	6.1%	6.4% ↓	7.6% ↓
Vacant Sublease	0.7%	0.6% ↑	0.6% ↑
Available Total	8.4%	8.7% ↓	10.3% ↓
Available Direct	7.7%	7.9% ↓	9.6% ↓
Available Sublease	0.7%	1.0% ↓	0.9% ↓
Net Absorption (SF)	495,612	968,704 ↓	315,859 ↑
Leasing Activity (SF)	2,258,373	1,845,724 ↑	2,297,263 ↓
Construction (SF)	11,645,965	10,687,213 ↑	2,490,724 ↑
Deliveries (SF)	308,255	777,513 ↓	880,837 ↓
Avg Asking Rent (NNN)	\$0.95	\$0.93 ↑	\$0.89 ↑
Inventory (SF)	95,941,061	95,632,806 ↑	93,659,670 ↑

**NET ABSORPTION**

Q1 2021 recorded 496,000 sq. ft. of net absorption which is on par with the 10-year average of 497,000 sq. ft. The Austin industrial market has grown to 96 million sq. ft., expanding the metro’s inventory by 16%, or 13.1 million sq. ft. in the last five years—with demand outpacing supply in the past three quarters. Net absorption is the measure of total square feet occupied in existing buildings, (indicated as a move-in) less the total space vacated (indicated as a move-out) over a given period. The total amount of net absorption for 2020 was 3.3 million sq. ft. realized primarily in Warehouse/Distribution space.

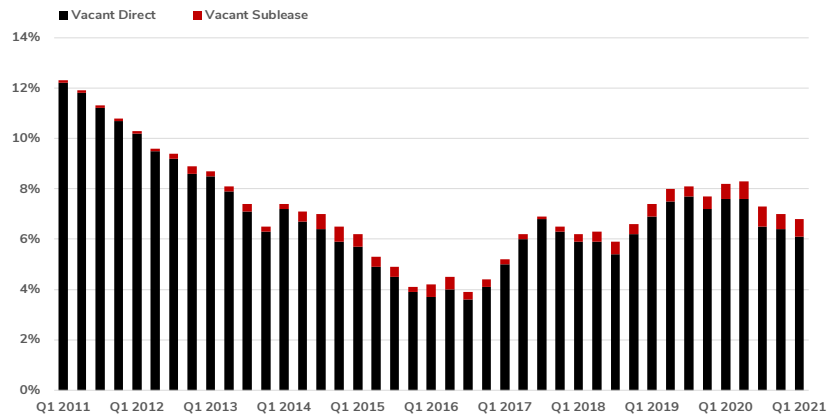
**LEASING ACTIVITY INCREASES IN Q1**

Leasing velocity increased during the first quarter at 2.3 million sq. ft.—up from the previous quarter’s 1.8 million sq. ft.—and equal to this time last year. Top transactions during the first quarter included UPS signing a deal for 99,200 sq. ft. at 16310 Bratton Lane in the North submarket; Eleiko Sport Inc. signed a deal for 52,946 sq. ft. at 3910 S. Industrial Blvd. in the Southeast submarket; and Harmony School of Excellence inking a deal for 49,966 sq. ft. at 2100 Saint Elmo Road E. in the Southeast submarket. As the coronavirus pandemic continues to weigh on the larger Austin economy, the industrial asset class has remained more resistant than most.

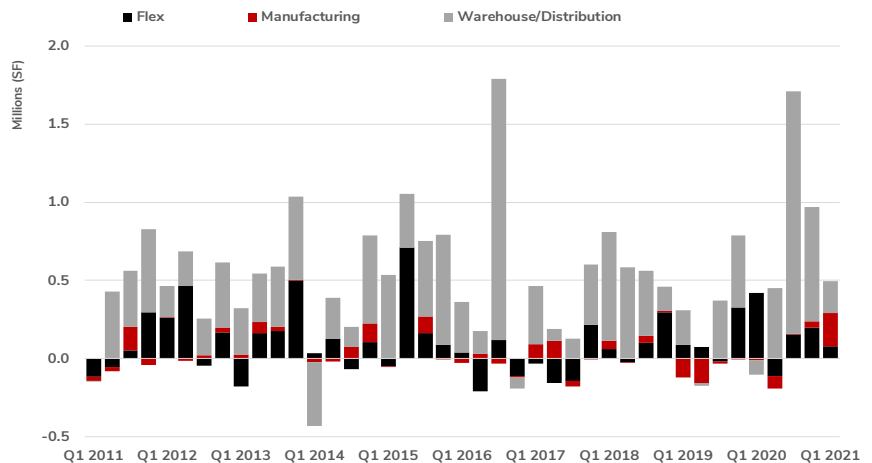
**INVESTMENT SALES ACTIVITY**

Real Capital Analytics data reports industrial sales volume for Q1 2021 in the Austin area at \$135.8 million, down from last quarter at \$266.2 million. The primary capital composition for buyers for far in 2021 was made up of 87.5% private investors and 12.5% institutional investors. For sellers, the largest percentage was 72.6% private investors, and 27.4% institutional. A significant transaction in Q1 involved the sale of a manufacturing facility at 220 Saint Elmo Rd E in the South submarket by Twin Oak Associates. The property was acquired by Elmo Willow Holdings, LLC consisting of 86,300 sq. ft. of industrial space occupying a land area of 4 acres.

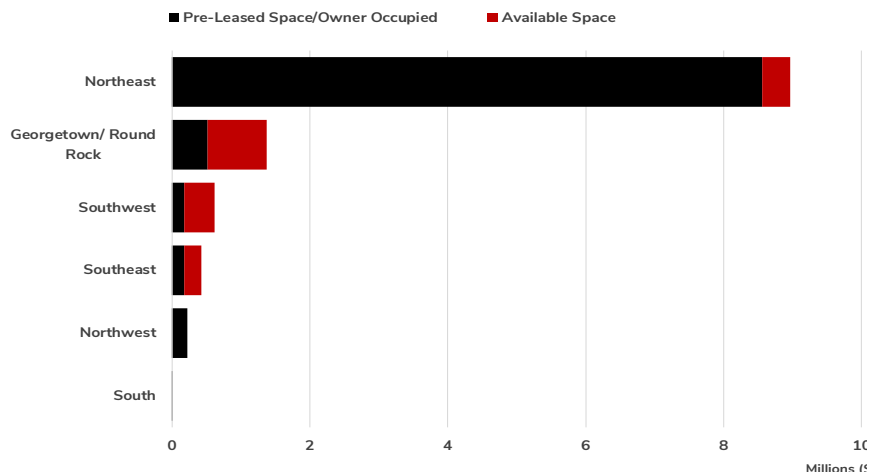
**VACANCY**



**NET ABSORPTION**



**CONSTRUCTION**



## 86-ACRE INDUSTRIAL PARK IN GEORGETOWN

Plans are underway for a Class A industrial park to be built along the State Highway 130 corridor. Gateway35 Commerce Center will be located on nearly 86 acres near the intersection of the 130 toll road and I-35. Titan Development plans to start on a 293,000-sq.-ft. speculative industrial building as soon as Q2 2021 with completion scheduled in Q4 2021.

## BSU RELOCATES HQ TO AUSTIN

BSU's manufacturing experience includes complex electronic, microelectronic and mechanical assemblies, as well as electrical, mechanical, thermal and systems design services within the defense, medical and transportation sectors. The company moved its headquarters in November from Ithaca, New York, as the relocation trend of headquarters moving to Austin continues. The company leased 20,000 sq. ft. at 1611 Headway Circle in North Austin to house its 28 current employees.

## SPRINGBROOK CORPORATE CENTER

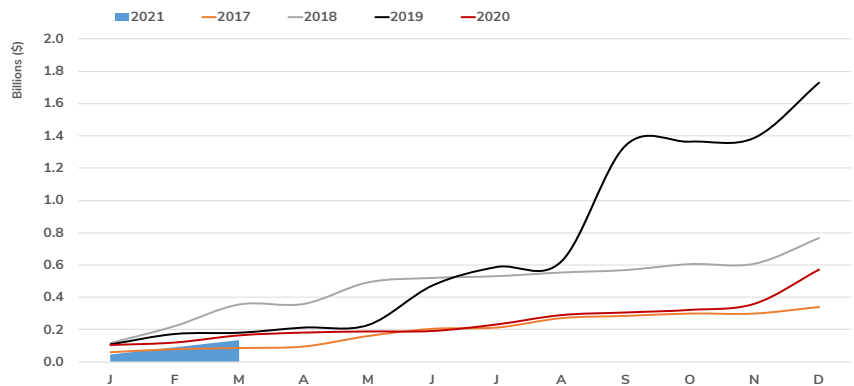
Building 2 (124,200 sq. ft.) and Building 3 (75,600 sq. ft.) at Springbrook Corporate Center were delivered to the Austin Industrial market in Q1 2021 totaling almost 200,000 sq. ft. The 49.47-acre park is located within the City of Pflugerville. Current zoning is light industrial, which allows warehouse/light manufacturing uses as well as administrative/medical office, or research/development.

## AVERAGE ASKING NNN RENT

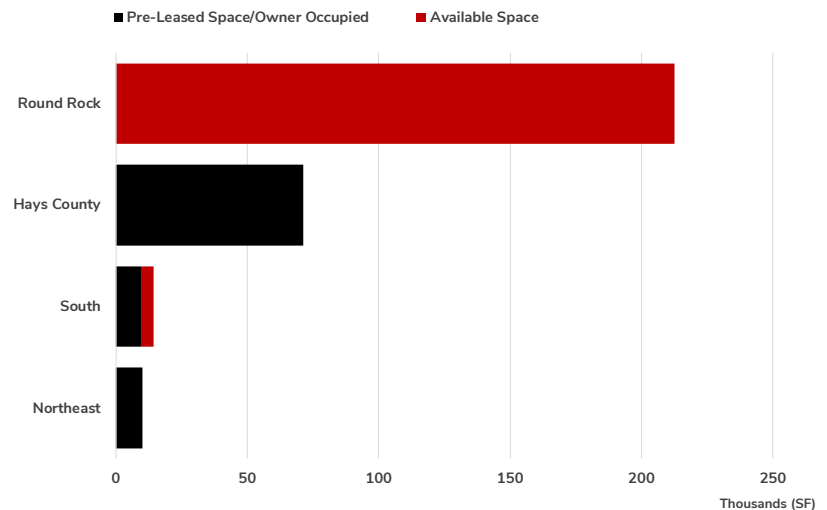
Monthly rental rates for the entire Austin industrial market on average was \$0.95 per sq. ft. as of the end of Q1 2021. That is up slightly quarter-over-quarter from \$0.93 per sq. ft., and also an increase year-over-year from \$0.89. The monthly average rate for Flex space is currently at \$1.33 per sq. ft.; Manufacturing rates are at \$0.61; and Warehouse/Distribution space sits at \$0.81. The Northwest (\$1.29 PSF) and Southeast (\$1.11 PSF) submarkets currently have the highest monthly overall average rate, followed by the North Central (\$1.02 PSF). With the rising costs to developers that are bringing new projects with high quality space to the market, rental rates could remain elevated.

## CUMULATIVE MONTHLY SALES VOLUME

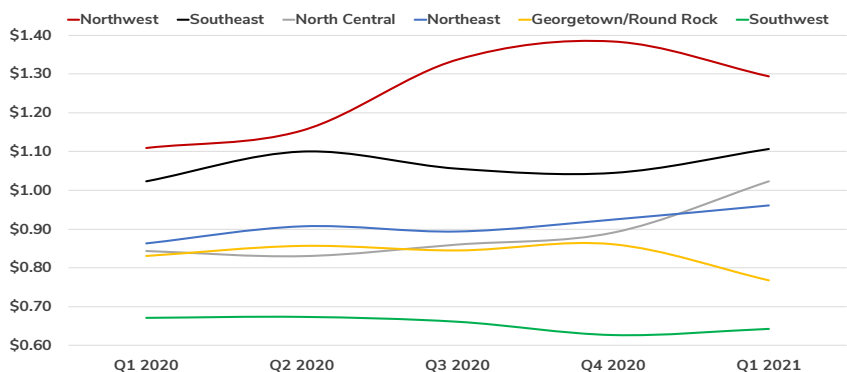
SOURCE: REAL CAPITAL ANALYTICS



## DELIVERIES



## AVERAGE ASKING MONTHLY NNN RENT



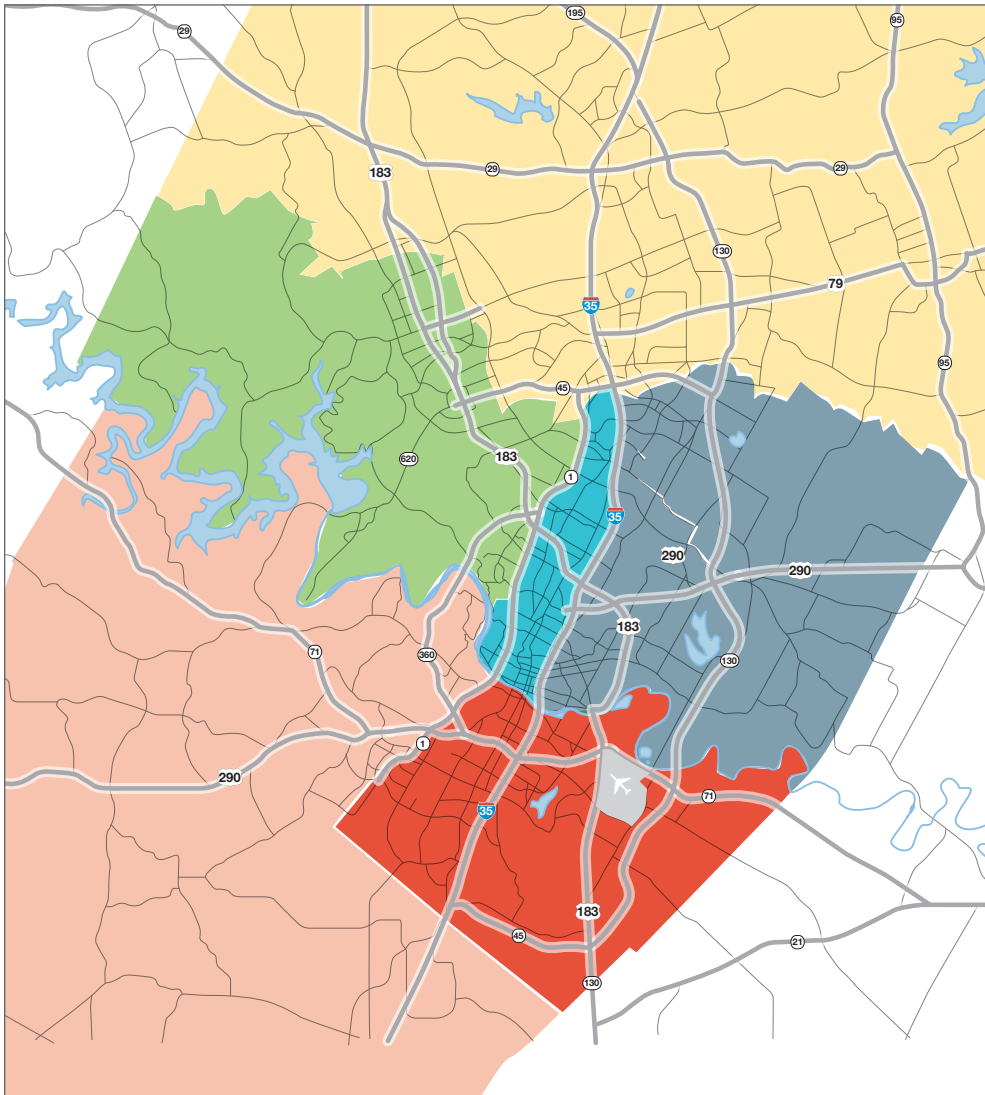
# MARKET OVERVIEW

## SUBMARKET STATS

Submarket Statistics	Inventory (SF)	Total Vacancy (%)	Total Availability (%)	Q1 2021 Total Net Absorption (SF)	YTD Total Net Absorption (SF)	Q1 2021 Deliveries (SF)	YTD Deliveries (SF)	Under Construction (SF)	Total Avg Asking Rent (\$/MO/PSF)
<b>Austin Market Total</b>	<b>95,941,061</b>	<b>6.8</b>	<b>8.4</b>	<b>495,612</b>	<b>495,612</b>	<b>308,255</b>	<b>308,255</b>	<b>11,645,965</b>	<b>0.95</b>
Flex	20,854,656	5.9	9.3	78,903	78,903	0	0	272,135	1.33
Manufacturing	16,013,775	2.9	2.3	214,073	214,073	71,255	71,255	4,500,000	0.61
Warehouse/Distribution	59,072,630	8.1	10.0	202,636	202,636	237,000	237,000	6,873,830	0.81
<b>Georgetown/Round Rock Total</b>	<b>11,290,768</b>	<b>9.6</b>	<b>16.1</b>	<b>331,270</b>	<b>331,270</b>	<b>212,600</b>	<b>212,600</b>	<b>1,376,456</b>	<b>0.77</b>
Flex	1,308,899	11.6	11.9	14,429	14,429	0	0	0	1.21
Manufacturing	2,061,858	0.0	0.0	171,956	171,956	0	0	0	0.90
Warehouse/Distribution	7,920,011	12.0	20.3	144,885	144,885	212,600	212,600	1,376,456	0.71
<b>North Central Total</b>	<b>18,459,640</b>	<b>6.3</b>	<b>6.9</b>	<b>-26,257</b>	<b>-26,257</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1.02</b>
Flex	4,457,765	5.3	11.5	49,944	49,944	0	0	0	1.38
Manufacturing	1,432,524	5.4	2.4	-20,822	-20,822	0	0	0	0.85
Warehouse/Distribution	12,569,351	6.7	5.8	-55,379	-55,379	0	0	0	0.83
<b>Northeast Total</b>	<b>26,521,746</b>	<b>5.7</b>	<b>6.0</b>	<b>-14,514</b>	<b>-14,514</b>	<b>10,000</b>	<b>10,000</b>	<b>9,027,970</b>	<b>0.96</b>
Flex	6,582,405	4.2	7.5	-3,444	-3,444	0	0	30,000	1.21
Manufacturing	5,426,486	0.5	0.3	-19,834	-19,834	0	0	4,500,000	0.96
Warehouse/Distribution	14,512,855	8.3	8.5	8,764	8,764	10,000	10,000	4,497,970	0.89
<b>Northwest Total</b>	<b>7,733,666</b>	<b>5.4</b>	<b>5.0</b>	<b>10,870</b>	<b>10,870</b>	<b>0</b>	<b>0</b>	<b>226,385</b>	<b>1.29</b>
Flex	3,468,519	7.0	7.5	5,342	5,342	0	0	210,385	1.37
Manufacturing	1,240,777	4.1	1.3	-50,332	-50,332	0	0	0	-
Warehouse/Distribution	3,024,370	4.2	4.2	55,860	55,860	0	0	16,000	1.06
<b>Southeast Total</b>	<b>19,658,828</b>	<b>6.8</b>	<b>8.8</b>	<b>-31,316</b>	<b>-31,316</b>	<b>14,400</b>	<b>14,400</b>	<b>431,226</b>	<b>1.11</b>
Flex	4,045,947	6.3	10.9	8,268	8,268	0	0	31,750	1.37
Manufacturing	1,726,134	4.4	3.7	61,850	61,850	0	0	0	0.65
Warehouse/Distribution	13,886,747	7.3	8.8	-101,434	-101,434	14,400	14,400	399,476	0.93
<b>Southwest Total</b>	<b>12,276,413</b>	<b>7.9</b>	<b>10.8</b>	<b>225,559</b>	<b>225,559</b>	<b>71,255</b>	<b>71,255</b>	<b>583,928</b>	<b>0.64</b>
Flex	991,121	8.0	10.3	4,364	4,364	0	0	0	1.05
Manufacturing	4,125,996	5.7	7.8	71,255	71,255	71,255	71,255	0	0.50
Warehouse/Distribution	7,159,296	9.2	12.4	149,940	149,940	0	0	583,928	0.65

# MARKET OVERVIEW

## AUSTIN INDUSTRIAL SUBMARKETS



- 1. Georgetown/  
Round Rock
- 2. North Central
- 3. Northeast
- 4. Northwest
- 5. Southeast
- 6. Southwest

Information and data within this report were obtained from sources deemed to be reliable. No warranty or representation is made to guarantee its accuracy.

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Q1 2021

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