

# AUSTIN INDUSTRIAL | Q3 2021 QUARTERLY MARKET REPORT

## Austin Industrial market posts lowest vacancy rate since 2016

### OCTOBER 2021

#### EXECUTIVE SUMMARY

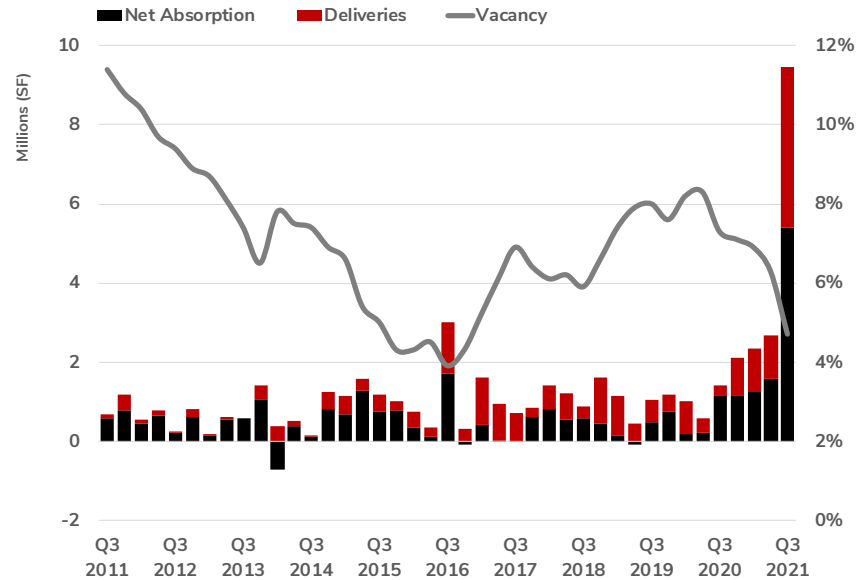
##### VACANCY TIGHTENS TO 4.7%

Vacancies have compressed down to 4.7%, levels not seen since 2016. Quarter-over-quarter the drop in vacancy was 160 basis points and year-over-year the Austin industrial market experience an even steeper decline of 260 basis points. With more than 4 million sq. ft. delivered to the market during 2021, 93% of that space has been spoken for. Q3 2021 marks the fifth consecutive quarter that demand for industrial space (5.4 million sq. ft.) outpaced supply (4.0 million sq. ft.) in the Austin metro. Leasing was also once again robust, with Austin recording 1.7 million sq. ft. of activity, just below the five-year quarterly average of 2.2 million sq. ft. With 4.0 million sq. ft. delivered since the beginning of the year, 11.1 million sq. ft. under construction, and another 5 million sq. ft. planned through 2022, the demand for industrial real estate may continue to outpace supply. According to commercial real estate association NAIOP's most recent Industrial Space Demand Forecast, the nationwide push toward industrial development is likely to continue for the rest of the year and through 2022.

##### AUSTIN JOBLESS RATE LOWEST SINCE PANDEMIC BEGAN

The Austin economy continued to expand in August, as the unemployment rate dropped to 3.8%, the lowest level since the pandemic began in March 2020. This is well below the state's jobless rate of 5.9% and the national rate of 5.2%. Nearly 140,000 local nonfarm jobs were shed in March and April last year amid the initial shock of the pandemic. Austin's current jobless rate signals how far the recovery has come since last year, when unemployment hit a pandemic peak of about 12% in April 2020. After that peak, the jobless rate spent months hovering in a monthly range of about 5% to 6% — roughly double pre-pandemic levels since the area's jobless rate had been 2.6% in February 2020.

#### SUPPLY & DEMAND



#### MARKET INDICATORS

	CURRENT Q3 2021	PRIOR QUARTER Q2 2021	PRIOR YEAR Q3 2020
Vacant Total	4.7%	6.3% ↓	7.3% ↓
Vacant Direct	4.3%	5.8% ↓	6.6% ↓
Vacant Sublease	0.5%	0.5% ▬	0.8% ↓
Available Total	7.6%	7.4% ↑	10.2% ↓
Available Direct	7.1%	6.9% ↑	8.9% ↓
Available Sublease	0.5%	0.5% ▬	1.5% ↓
Net Absorption (SF)	5,398,201	1,594,896 ↑	1,143,147 ↑
Leasing Activity (SF)	1,725,874	3,417,959 ↓	2,189,432 ↓
Construction (SF)	11,105,224	13,327,372 ↓	7,541,628 ↑
Deliveries (SF)	4,044,886	1,085,171 ↑	269,895 ↑
Avg Asking Rent (NNN)	\$0.94	\$0.94 ▬	\$0.92 ↑
Inventory (SF)	102,411,957	98,367,071 ↑	95,187,735 ↑

**DEMAND FOR DISTRIBUTION**

Much of Austin’s industrial growth has been the result of the expanding local economy and improving fundamentals. Local companies like Elliott Electrical Supply and Tri Supply have recently driven demand, alongside national companies like Lowes and Amazon, which have leased significant amounts of space in recent months. Housing starts, an important measure for a locally driven distribution market like Austin’s, continues to see a calming trend in September. As the region’s population grows, addressing housing affordability and increasing available inventory should continue being a priority. Home sales decreased 5.1% compared to September 2020 as the median sales price of \$450,000 set a record for the month of September across the area.

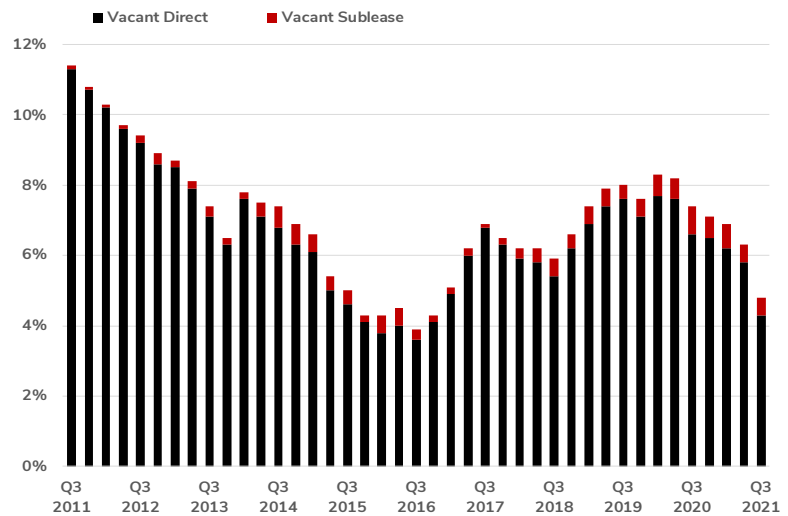
**ROBUST LEASING ACTIVITY**

The volume of signed lease transactions during the third quarter was 1.7 million sq. ft.—down from the previous quarter’s 3.4 million sq. ft., registering an impressive 8.4 million sq. feet of transactions in the first nine months of 2021. The largest leases in the third quarter included Javelin Logistics leasing 145,170 sq. ft. at Tech Ridge 4.3B and occupying an additional 89,623 sq. ft. in Tech Ridge 4.1 in the Northeast submarket in August; Texas Speed & Performance inking a deal for 100,526 sq. ft. in the currently under construction property at 101 Velocity Drive in Georgetown in September; Cooperative Laundry leasing 90,000 sq. ft. at 1225 Fortuna Road in Hays County in September; and Uplift taking 64,847 sq. ft. in Northpointe Trade Center in the Far Northeast submarket in July.

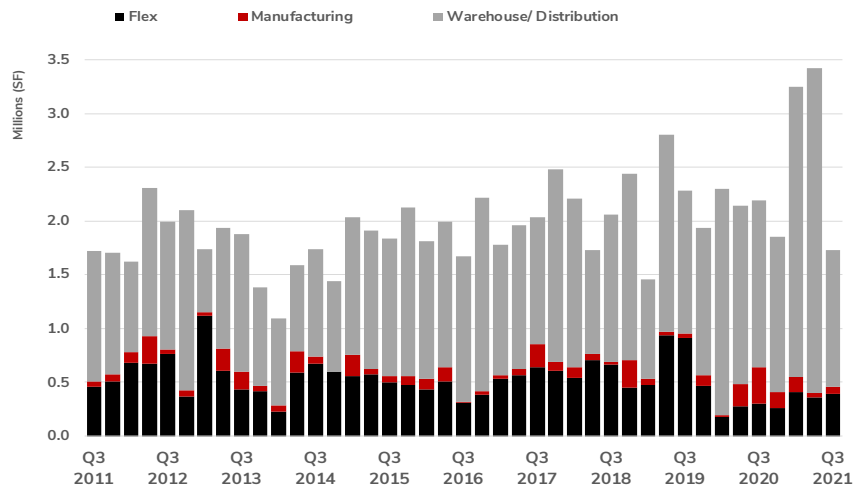
**INVESTMENT SALES ACTIVITY**

Real Capital Analytics data reports the cumulative monthly value of industrial sales as of September 30, 2021 in the Austin area at \$971.4 million, an increase of more than 200% compared to this time last year at \$305.8 million. The primary capital composition for buyers so far in 2021 was made up of 59.4% private investors and 35.0% institutional investors. For sellers, the largest percentage of investors was 51.7% private, and 31.9% institutional. A recent notable transaction involved the sale of Harris Ridge Business Center, a 387,838-sq.-ft. industrial park in far northeast Austin. Harris Ridge consists

**VACANCY**

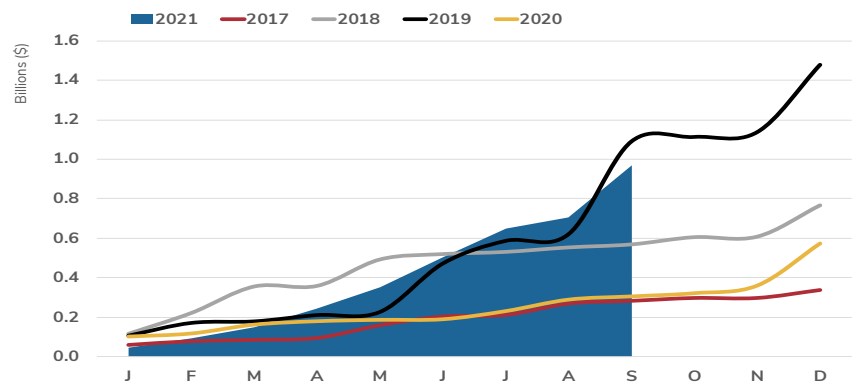


**LEASING ACTIVITY**



**CUMULATIVE MONTHLY SALES VOLUME**

SOURCE: REAL CAPITAL ANALYTICS



of five buildings that were constructed in phases between 2008 and 2021. The park was fully leased at the time of sale to a list of 11 tenants. TA Realty purchased the property from HPI Real Estate Services for an undisclosed price.

**TAYLORPORT RAIL PARK 01**

NAI Partners—the commercial real estate services business of Partners Real Estate Company—is the leasing agent for a 350,000-sq.-ft. spec rail-served distribution building called TaylorPort Rail Park 01 being developed by Partners Capital—the investment and development platform of Partners Real Estate Company—at RCR Taylor Logistics Park in Taylor, Texas. The scheduled completion date is the fourth quarter of 2022.

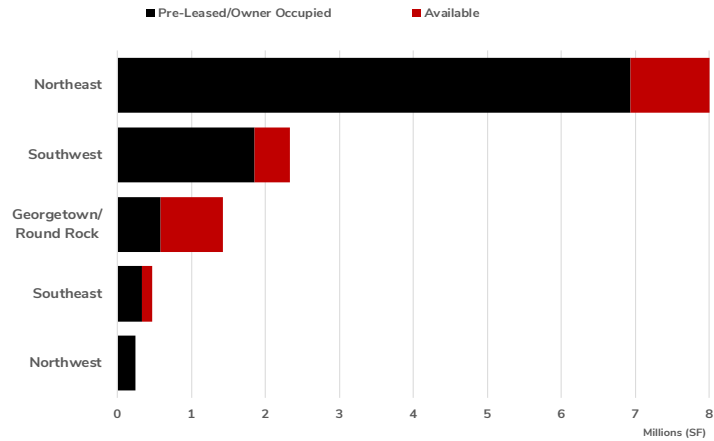
**CONSTRUCTION REMAINS ELEVATED**

There is 11.1 million sq. ft. under construction, which includes Tesla’s 4.5 million-sq.-ft. Gigafactory. Of the remaining 4.6 million sq. ft., 32% is available for lease. The number of projects under construction is at 59, up from 46 projects this time last year. Warehouse/Distribution space currently makes up 52% of the total under construction, with Manufacturing responsible for 42%, and Flex projects the remaining 6%. Of the 6.2 million sq. ft. completed so far in 2021, about 460,000 sq. ft. of that space is available. The 3.8 million- sq.-ft. Amazon Distribution Center at 2000 E. Pecan Street in Pflugerville has been completed. It is reported to feature a five-story building including 63 loading docks, 372 trailer stalls and 1,846 car parking stalls.

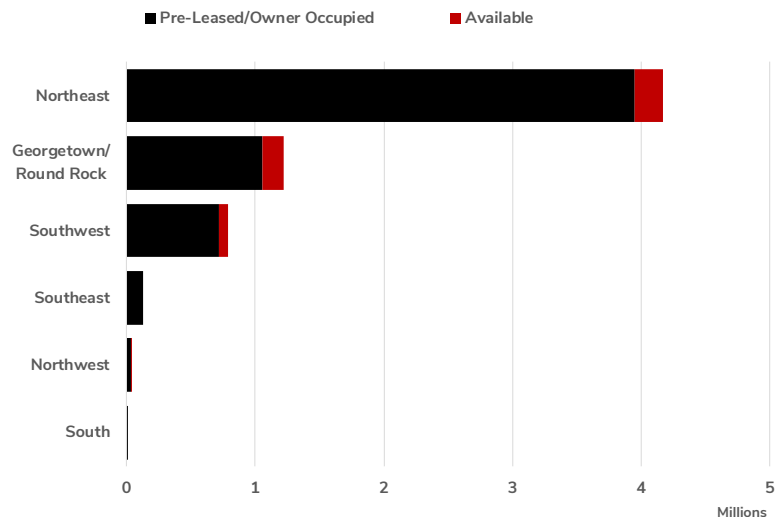
**AVERAGE ASKING NNN RENT**

Monthly rental rates for the entire Austin industrial market on average were \$0.94 per sq. ft. as of the end of Q3 2021, unchanged quarter-over-quarter, although an increase year-over-year from \$0.92. The monthly average rate for Flex space is currently at \$1.30 per sq. ft.; Manufacturing rates are at \$0.62; and Warehouse/Distribution space sits at \$0.83. The Northwest (\$1.33 PSF) and Southeast (\$1.21 PSF) submarkets currently have the highest monthly overall average rates, followed by the North Central (\$1.17 PSF). The shift towards ecommerce, as well as the recent institutional quality of the property type has steered the market to increased rent growth, leading landlords nationwide to feel encouragement.

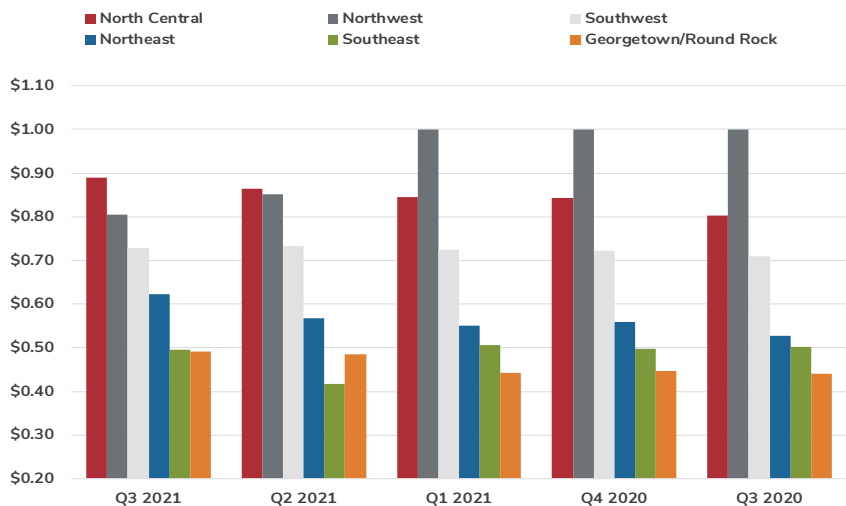
**CONSTRUCTION**



**DELIVERIES**



**AVERAGE ASKING MONTHLY NNN RENT**



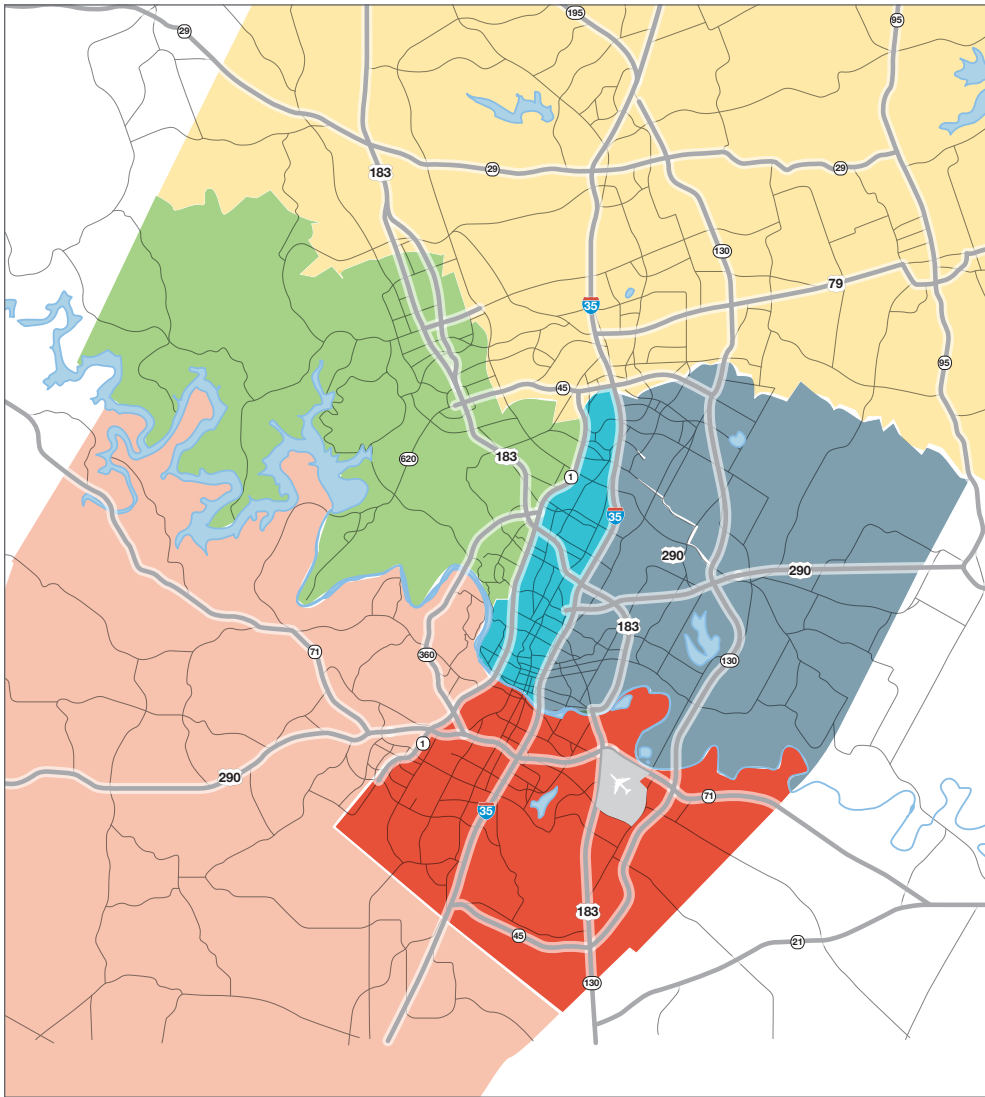
# MARKET OVERVIEW

## SUBMARKET STATS

Submarket Statistics	Inventory (SF)	Total Vacancy (%)	Total Availability (%)	Q3 2021 Total Net Absorption (SF)	YTD Total Net Absorption (SF)	Q3 2021 Deliveries (SF)	YTD Deliveries (SF)	Under Construction (SF)	Total Avg Asking Rent (\$/MO/PSF)
<b>Austin Market Total</b>	<b>102,411,957</b>	<b>4.7</b>	<b>7.6</b>	<b>5,398,201</b>	<b>8,230,530</b>	<b>4,044,886</b>	<b>6,235,709</b>	<b>11,105,224</b>	<b>0.94</b>
Flex	21,331,533	5.6	8.5	203,108	321,484	25,000	56,750	661,385	1.30
Manufacturing	15,954,415	1.5	1.3	85,348	447,293	0	71,255	4,625,000	0.62
Warehouse/Distribution	65,126,009	5.2	9.1	5,109,745	7,461,753	4,019,886	6,107,704	5,818,839	0.83
<b>Georgetown/Round Rock Total</b>	<b>12,171,984</b>	<b>7.6</b>	<b>13.7</b>	<b>215,584</b>	<b>1,602,280</b>	<b>81,063</b>	<b>1,218,846</b>	<b>1,421,434</b>	<b>0.72</b>
Flex	1,324,339	3.7	4.6	55,204	116,580	0	0	0	1.15
Manufacturing	2,061,858	0.3	0.3	-5,900	166,056	0	0	0	0.90
Warehouse/Distribution	8,785,787	9.9	17.5	166,280	1,319,644	81,063	1,218,846	1,421,434	0.69
<b>North Central Total</b>	<b>18,416,855</b>	<b>3.9</b>	<b>6.6</b>	<b>134,399</b>	<b>403,956</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1.17</b>
Flex	4,422,566	4.9	11.5	26,471	69,323	0	0	0	1.37
Manufacturing	1,432,524	0.0	0.0	0	57,247	0	0	0	1.21
Warehouse/Distribution	12,561,765	4.0	5.7	107,928	277,386	0	0	0	1.02
<b>Northeast Total</b>	<b>31,191,969</b>	<b>4.3</b>	<b>7.3</b>	<b>4,169,142</b>	<b>4,384,813</b>	<b>3,842,019</b>	<b>4,167,626</b>	<b>6,525,118</b>	<b>0.86</b>
Flex	6,991,941	6.7	8.9	-39,115	-47,038	0	0	426,000	1.04
Manufacturing	5,426,486	0.8	0.4	-8,752	-34,942	0	0	4,500,000	0.96
Warehouse/Distribution	18,773,542	4.4	10.2	4,217,009	4,466,793	3,842,019	4,167,626	1,599,118	0.81
<b>Northwest Total</b>	<b>7,743,785</b>	<b>3.0</b>	<b>3.9</b>	<b>115,421</b>	<b>222,007</b>	<b>25,000</b>	<b>41,000</b>	<b>240,385</b>	<b>1.33</b>
Flex	3,498,998	4.3	4.9	60,821	95,097	0	0	210,385	1.38
Manufacturing	1,181,417	0.0	0.0	0	0	0	0	0	-
Warehouse/Distribution	3,063,370	2.6	4.1	54,600	126,910	25,000	41,000	30,000	1.12
<b>Southeast Total</b>	<b>19,601,902</b>	<b>4.2</b>	<b>6.3</b>	<b>335,314</b>	<b>628,532</b>	<b>49,144</b>	<b>143,054</b>	<b>468,114</b>	<b>1.21</b>
Flex	4,044,603	6.5	9.8	64,627	30,653	0	31,750	0	1.44
Manufacturing	1,726,134	2.9	0.6	0	87,677	0	0	0	0.65
Warehouse/Distribution	13,831,165	3.6	6.0	270,687	510,202	49,144	111,304	468,114	1.01
<b>Southwest Total</b>	<b>13,285,462</b>	<b>6.3</b>	<b>7.4</b>	<b>428,341</b>	<b>988,942</b>	<b>47,660</b>	<b>665,183</b>	<b>2,450,173</b>	<b>0.79</b>
Flex	1,049,086	5.1	5.8	35,100	56,869	25,000	25,000	25,000	1.10
Manufacturing	4,125,996	3.3	5.1	100,000	171,255	0	71,255	125,000	0.50
Warehouse/Distribution	8,110,380	7.9	8.4	293,241	760,818	22,660	568,928	2,300,173	0.84

# 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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