

AUSTIN INDUSTRIAL

Economic Indicators

	Q4 2017	Q4 2018	12-Month Forecast
Austin Employment	1,045k	1,081k	▲
Austin Unemployment	2.9%	2.9%	▼
U.S. Unemployment	4.1%	3.7%	▼

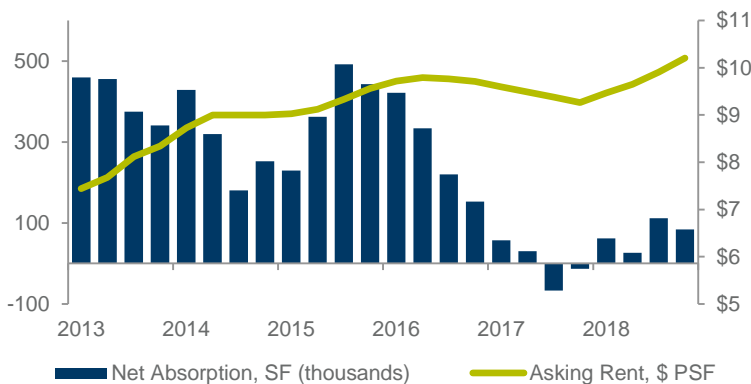
Market Indicators (Overall, All Classes)

	Q4 2017	Q4 2018	12-Month Forecast
Vacancy	8.8%	7.3%	▲
Net Absorption (sf)	334k	222k	▲
Under Construction (sf)	950k	1.6M	▼
Average Asking Rent*	\$9.24	\$10.43	▼

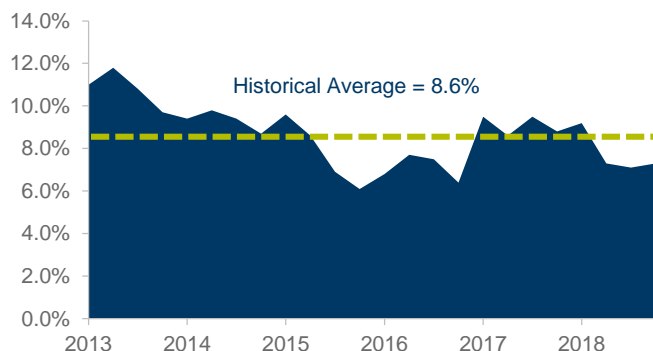
*Rental rates reflect net asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

As 2018 came to a close, the performance of Austin’s economy remained rock solid. The area’s unemployment rate of 2.9% is one of the lowest of the top 50 large metro areas in the United States. Additionally, the Austin market continues to generate jobs. According to a recent workforce report by LinkedIn, hiring was up 14.3% between July 2017-July 2018 and the U.S. Bureau of Labor Statistics reports the city added just under 36,000 jobs over the same time period. These strong economic indicators coupled with Austin’s high-quality of living continue to make the Texas capital a popular destination for both corporate relocations and individuals alike.

Market Overview

The Austin industrial market recorded just over 222,000 square feet (sf) of positive absorption during fourth quarter 2018. Absorption levels in the Round Rock submarket saw the most significant increase, as more than 185,000 sf was absorbed with several large move-ins taking place during the quarter. Vacancy rates for all industrial product types remained below historical levels, coming in at 7.3% to end fourth quarter 2018. Warehouse/Distribution vacancy continued to remain low at 6.7%, while office service (flex) product dipped 120 basis points from the previous quarter to 8.5%. The average net rental rate for all property types for fourth quarter 2018 was \$10.43 per square foot (psf). Warehouse/Distribution rates increased to \$7.96 psf, while office service (flex) property types continued to perform well with an overall average rental rate of \$13.42 psf. As has been the case during the current market cycle, office service (flex) property type has consistently mirrored Austin’s red-hot office market, as traditional office users are priced out of expensive space and turn to “value” office alternatives.

Outlook

Demand for quality warehouse and flex properties pushed construction starts up as developers looked to fill voids in the market. As of year-end 2018, more than 1.6 million square feet (msf) of industrial product is under construction, nearly doubling the 950,000 sf in fourth quarter 2017. With overall vacancy rates at near record lows and asking rates on the rise, newer deliveries are expected to lease quickly. Population growth continues to be a main driver in Austin’s industrial sector, increasing demand for both warehouse/distribution and flex space throughout 2019.

MARKETBEAT

Austin

Industrial Q4 2018



SUBMARKET	INVENTORY	OVERALL VACANCY RATE	YTD NET OVERALL ABSORPTION	UNDER CNSTR	DIRECT WEIGHTED AVG. NET RENT (MF)	DIRECT WEIGHTED AVG. NET RENT (OS)	DIRECT WEIGHTED AVG. NET RENT (W/D)
Far Northwest	1,929,328	11.3%	-142,731	139,290	N/A	\$14.80	\$8.31
North Central	7,119,270	7.6%	22,548	0	\$9.08	\$13.44	\$7.29
Northeast	10,250,582	7.5%	55,171	618,408	N/A	\$11.47	\$8.26
South Central	1,583,442	7.5%	-94,071	23,978	N/A	\$14.03	\$7.05
Southeast	11,248,715	6.7%	158,578	377,768	N/A	\$11.22	\$7.33
Southwest	349,937	6.1%	-24,221	0	N/A	\$14.93	\$9.70
Round Rock	8,825,849	5.7%	361,517	443,200	N/A	\$11.55	\$8.26
AUSTIN TOTALS	41,307,123	7.3%	336,791	1,602,644	\$9.08	\$13.46	\$7.96

*Rental rates reflect asking \$psf/year

MF = Manufacturing OS = Office Service/Flex W/D = Warehouse/Distribution

Key Lease Transactions 2018

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
12555 Harris Branch Pkwy	144,113	Elliott Electric Supply	New	Northeast
905 West Howard	135,738	Javelin	New	Northeast
Heritage Crossing 5	107,780	Goodwill	New	Round Rock
Parmer 7.3	83,470	Hyllion	New	Far Northwest

Key Sales Transactions 2018

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
Global Business Park, Tuscany Distribution Center, & Metric Center A & B	459,585	ATCAP Partners / Dalfen America Corp	Undisclosed	Northeast & North Central
101 Chisholm Trail	200,411	Gramercy Property Trust / Blackstone	Undisclosed	Round Rock
200 Michael Angelo Way	136,492	Highridge Provender / Blackstone	\$21,145,974 / \$155	North Central
1307 Smith Road	133,000	GPT Austin Owner LLC / 1307 Smith Westward LTD	Undisclosed	Northeast

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