

2Q25

Austin Industrial Market Overview

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1. Economy
2. Leasing Market Fundamentals
3. Appendix
4. San Antonio Appendix

Market Observations

Economy

- The market's unemployment rate ticked down by 14 basis points year over year to 3.4%, remaining below the five-year average of 4.0%.
- Employment growth in May 2025 decelerated by 75 basis points year over year to 1.6%.
- Most sectors reported employment gains, with education and healthcare leading job gains at 3.9% over the past 12 months.
- Most industrial-using job sectors in the market reflected yearly growth, with trade/transportation/utilities and mining and construction reporting growth of 1.9% and 2.9%, respectively. Meanwhile, manufacturing employment declined by 1.2% on a yearly basis.

Major Transactions

- Advanced manufacturer Tesla signed the second quarter of 2025's largest lease, taking 296,960 SF at Austin Hills Commerce Center – Building 1.
- Most of the notable leases in the second quarter of 2025 were new, underscoring sustained demand for high-quality industrial space in the market.
- Tariffs have muted demand for industrial space, but consumer goods importers such as Stone Alliance and Burlebo are still taking space in the market.
- Leasing activity slowed on a quarterly and yearly basis to 1.9 MSF, but remains above the second-quarter average of 1.8 MSF dating back to 2000.

Leasing Market Fundamentals

- The market recorded 202,559 SF of positive absorption in the second quarter of 2025, marking the 24th consecutive quarter of positive absorption.
- Overall rental rates declined 1.5% quarter over quarter to \$14.33/SF, reflecting a decline of 4.2% from the historic high achieved during the first quarter of 2024.
- The construction pipeline delivered 2.6 MSF during the second quarter of 2025. The under-construction pipeline ended the quarter with 14.1 MSF remaining under construction, below the previous quarter's pipeline of 14.6 MSF.
- After three years of new deliveries outpacing annual demand, vacancy increased by 430 basis points year over year to a record high of 14.3%.

Outlook

- The Austin industrial market is poised for an influx of new supply in the near term, with 9.2% of the current inventory under construction. New deliveries, which are 55.4% preleased, will outpace demand in the near term as the market absorbs its elevated under-construction pipeline and deliveries.
- Vacancy rates are projected to rise in the short term as new supply outpaces occupancies.
- Asking rents are anticipated to flatten or modestly decline, driven by an increase in the vacancy rate from the delivery of an elevated under-construction pipeline.

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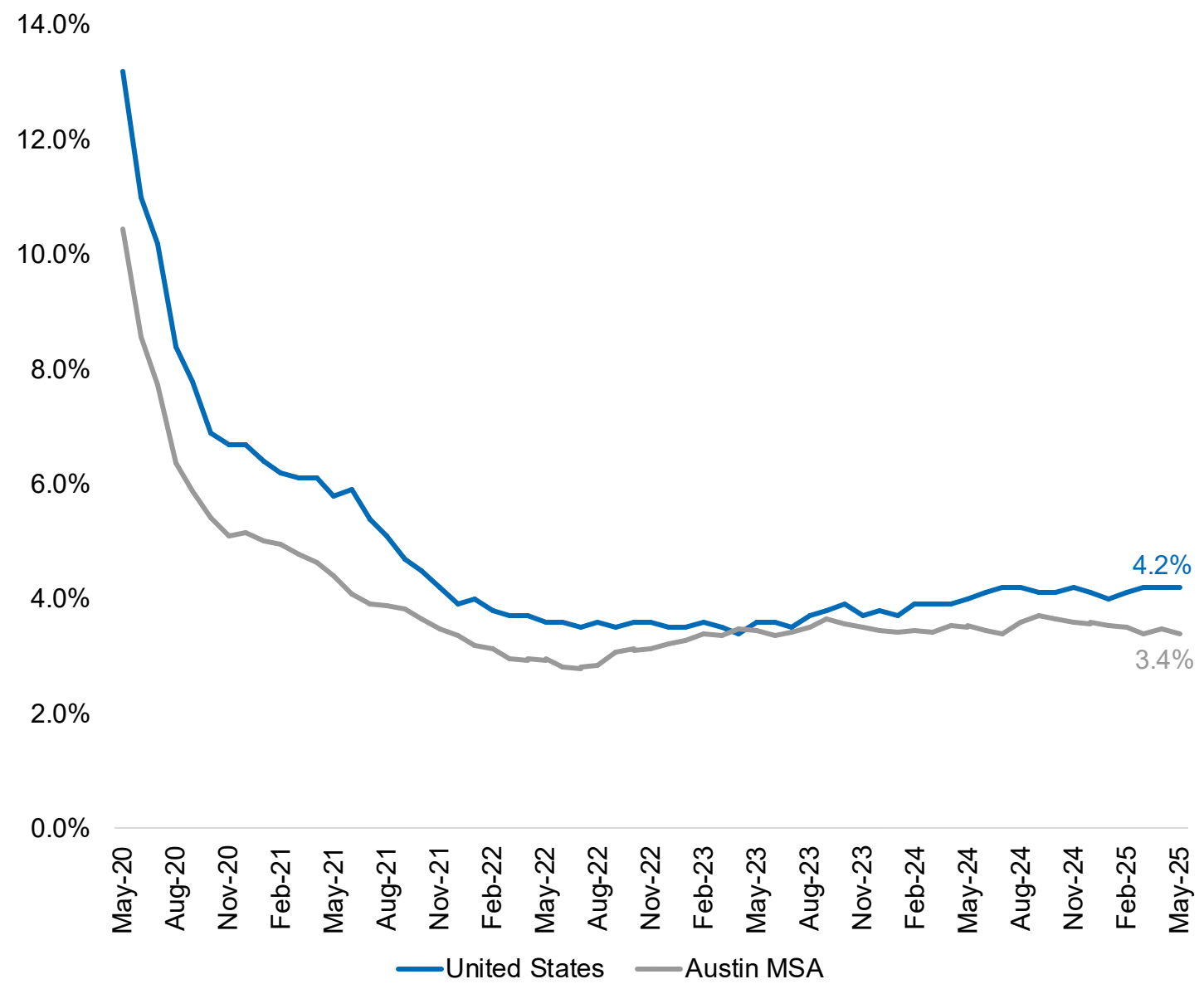
Economy



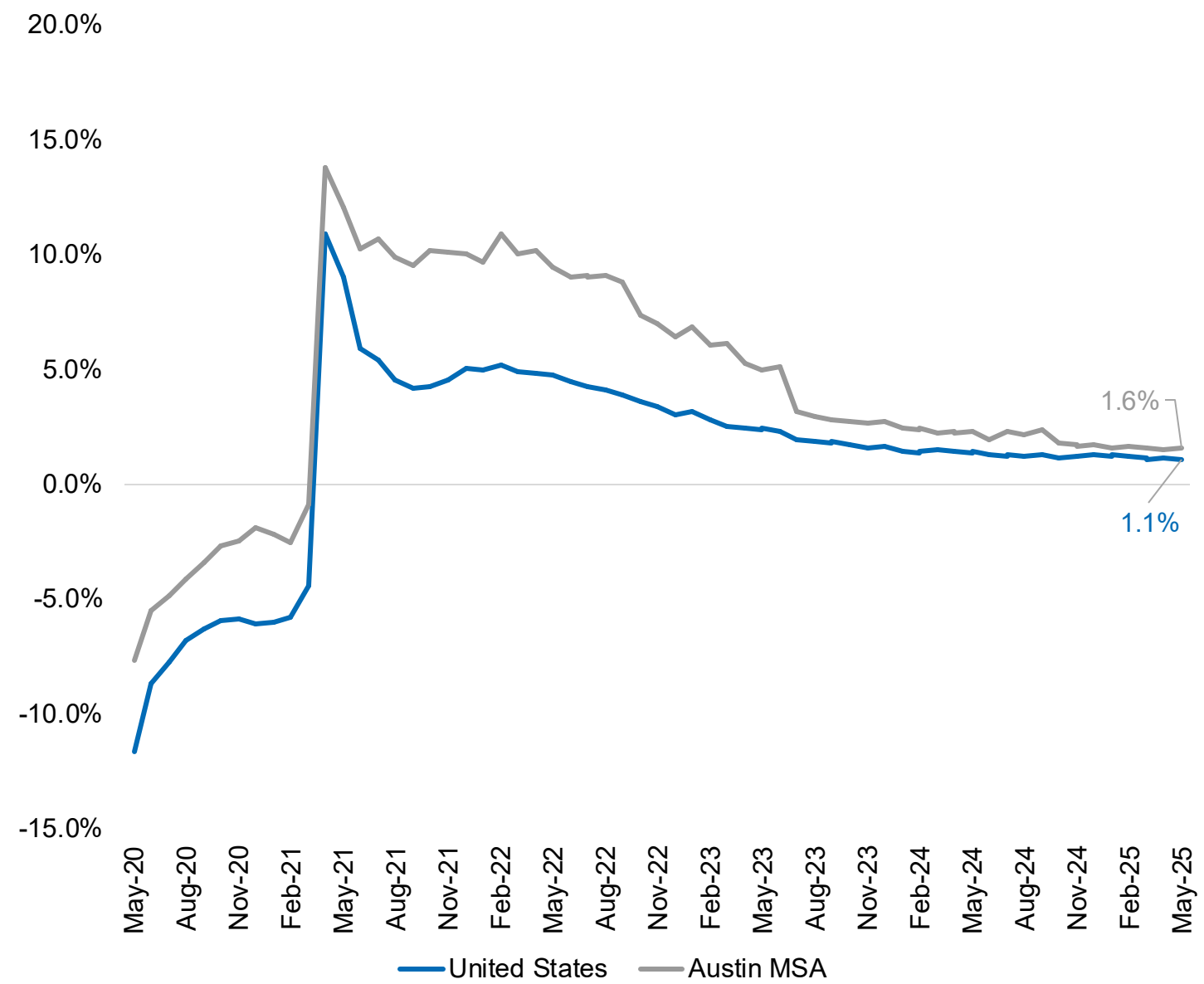
Defying National Economic Headwinds, Austin Outperforms in Employment Growth

Austin has historically reported lower unemployment rates compared to the national average, while being an outperformer in employment growth. However, the gap between Austin’s outperformance of the United States average has narrowed in recent quarters. Despite continued national economic headwinds in the second quarter of 2025, the region’s unemployment rate ticked down by 14 basis points year over year. Meanwhile, nonfarm employment growth decelerated by 75 basis points compared to the prior year. Most yearly growth has been concentrated in the education and healthcare sectors, financial activities and government sectors.

Unemployment Rate, Seasonally Adjusted



Nonfarm Payroll Employment, Seasonally Adjusted, 12-Month % Change

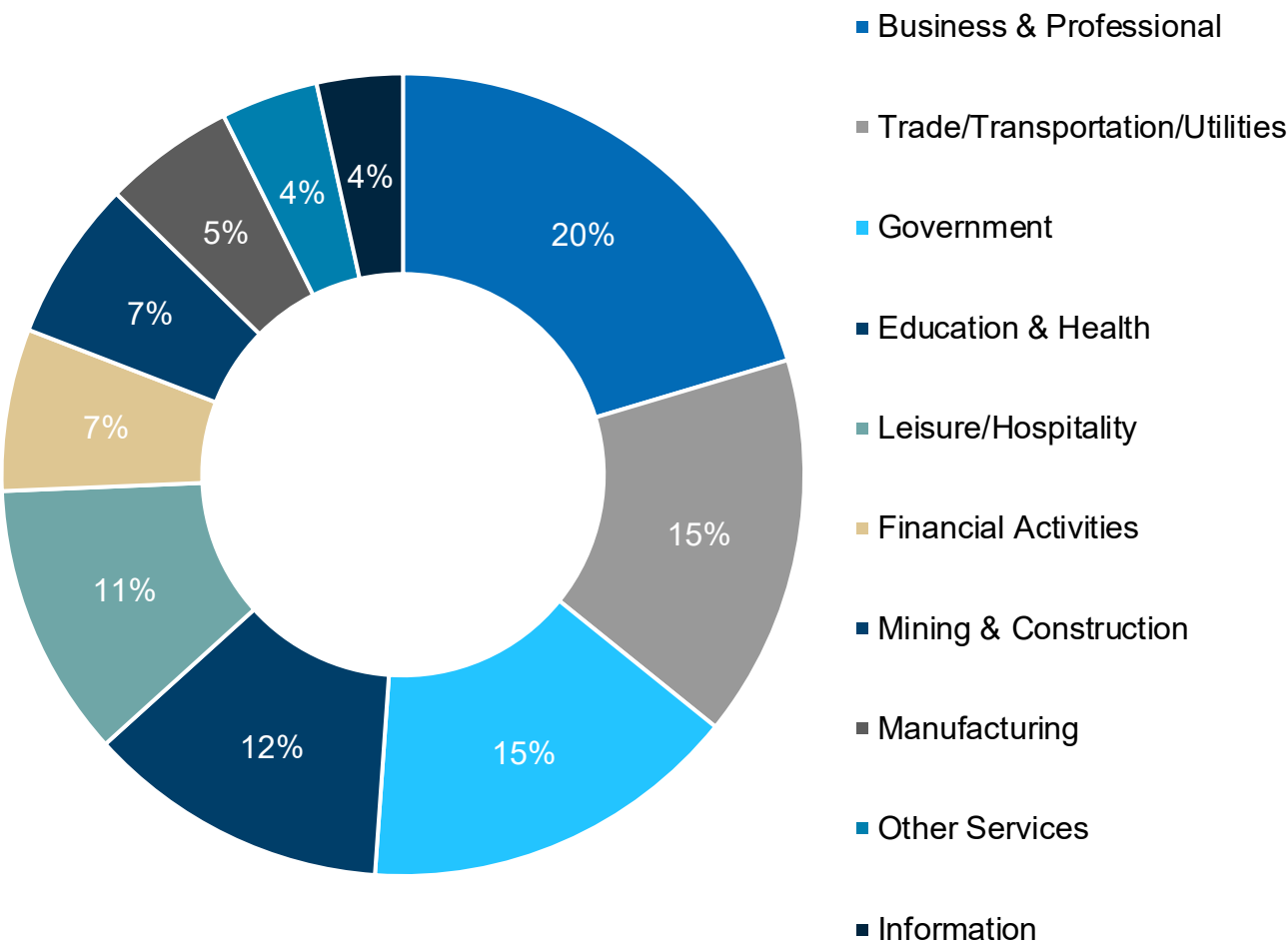


Source: U.S. Bureau of Labor Statistics, Austin-Round Rock MSA

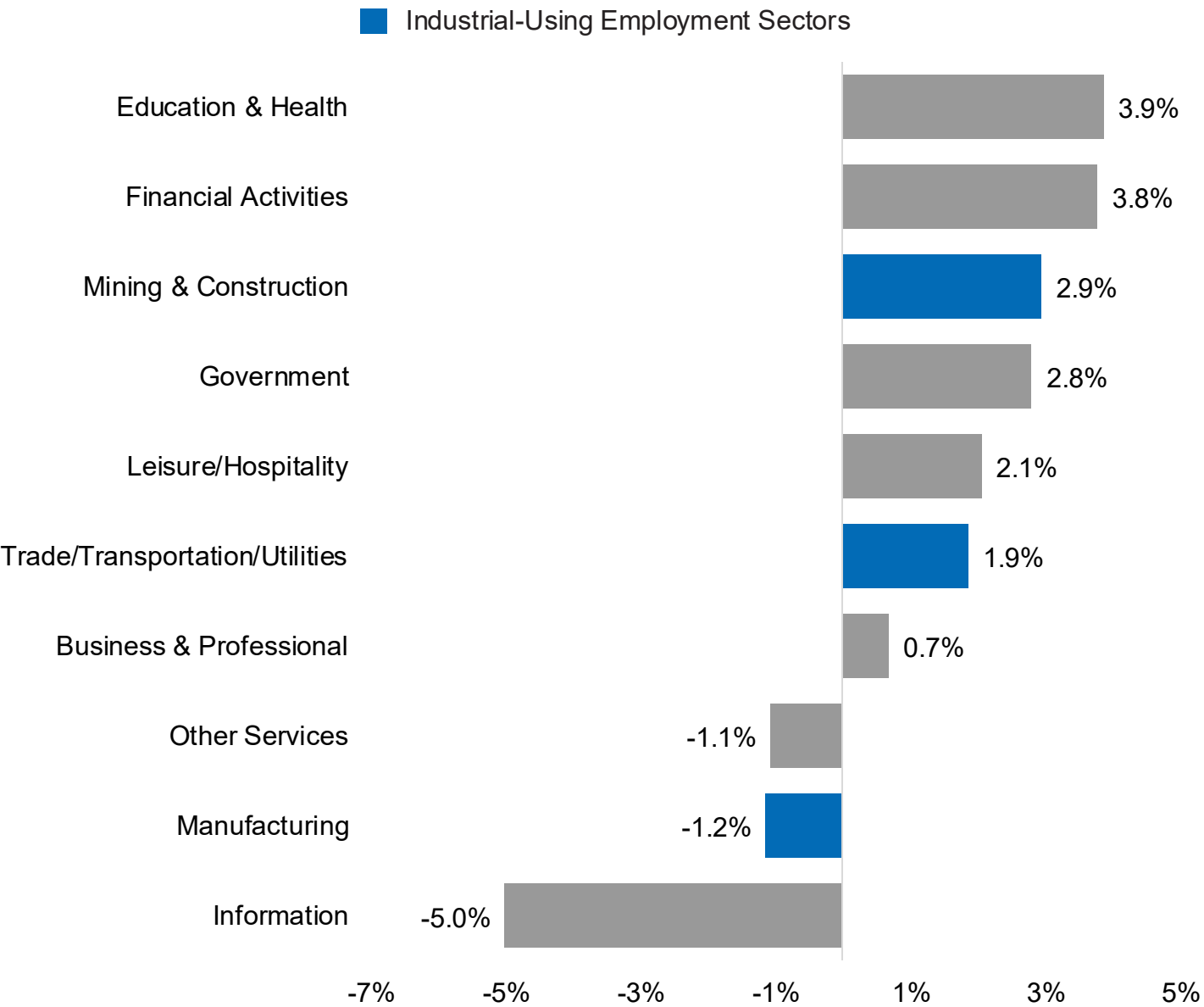
Employment Growth Continues Across Most Industrial-Using Sectors

Known for its technology sector, Austin’s top two employment industries—business and professional and trade/transportation/utilities—account for 35.8% of jobs. The industrial-using trade/transportation/utilities sector is the second largest employment sector in the Austin market, representing 15.4% of the workforce. Year-over-year job growth was reported across all industry sectors except other services, manufacturing and information. The trade/transportation/utilities and mining and construction sectors posted gains of 1.9% and 2.9%, respectively. In contrast, manufacturing reported yearly job losses of 1.2%.

Employment by Industry, May 2025



Employment Growth by Industry, 12-Month % Change, May 2025

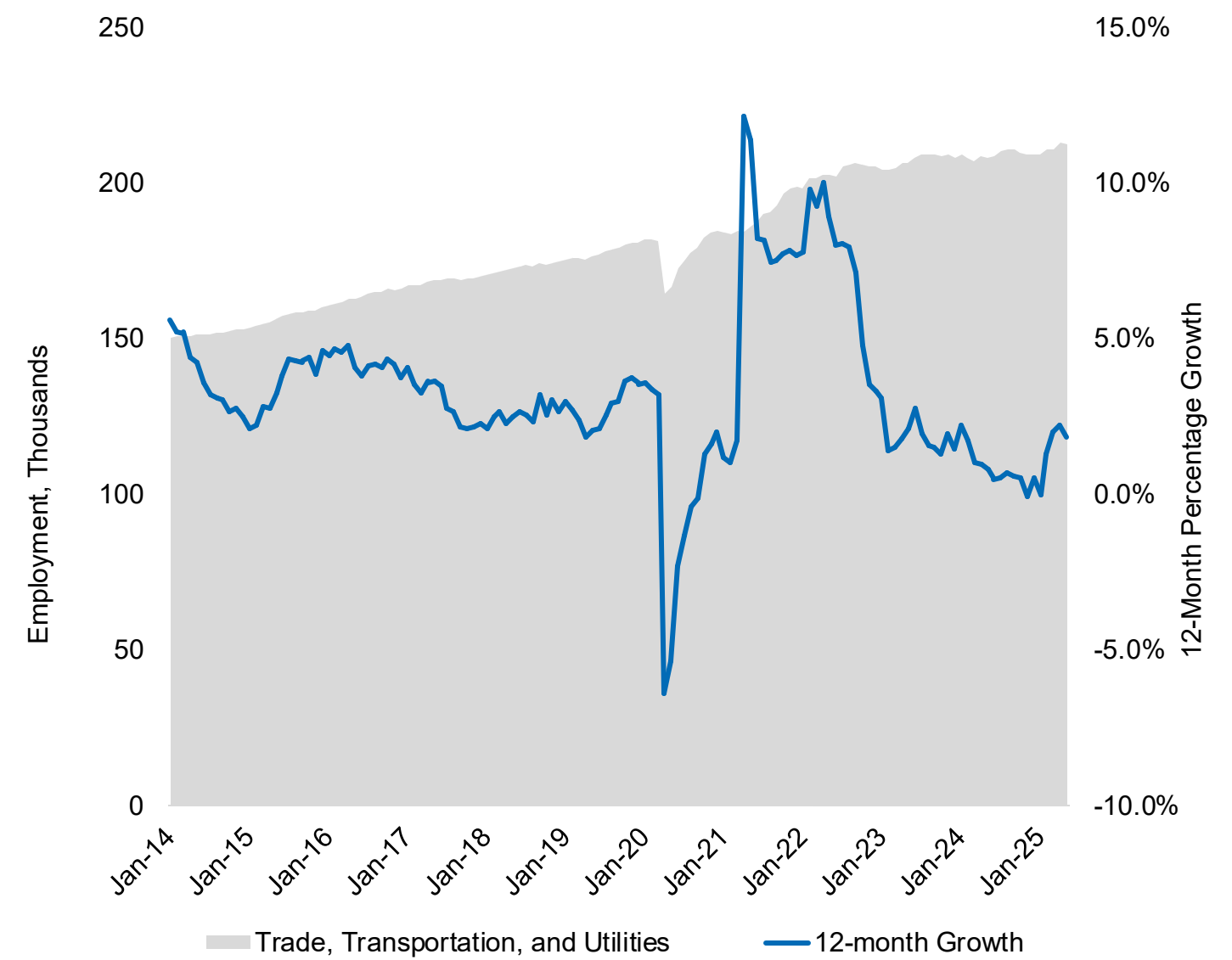


Source: U.S. Bureau of Labor Statistics, Austin MSA

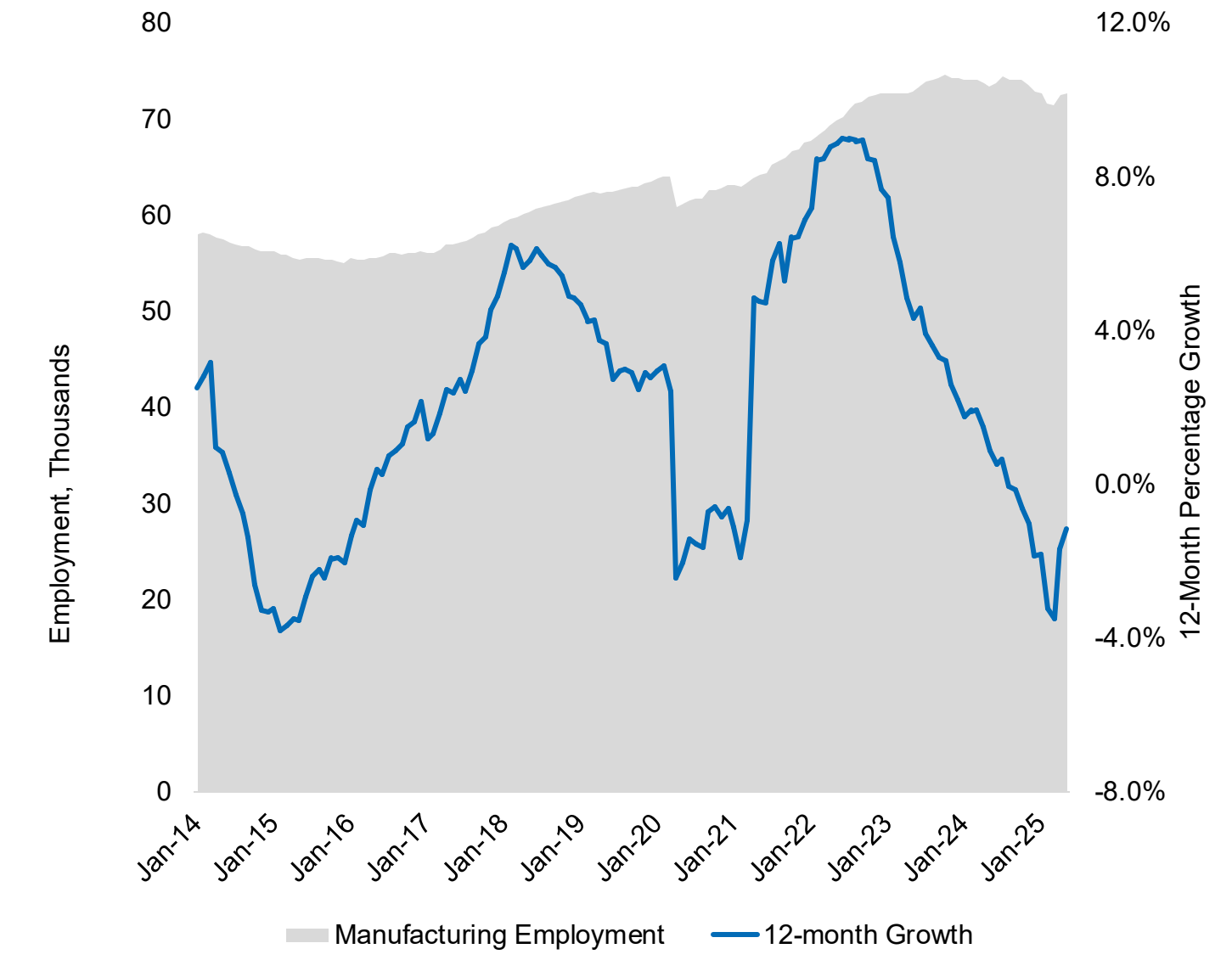
Industrial Employment Shows Mixed Results

Employment in the trade/transportation/utilities sector closed May 2025 with 212,299 jobs, just below the historical high set during the previous month. In contrast, manufacturing employment finished May 2025 with 72,658 jobs. Manufacturing jobs have been increasing over the past three consecutive months, but remain 2.6% below the peak recorded in October 2023. Overall, industrial-using employment showed mixed annual results, with trade/transportation/utilities growing by 1.9% and manufacturing shrinking by 1.2%.

Total Employment and 12-Month Growth Rate, Trade/Transportation/Utilities



Total Employment and 12-Month Growth Rate, Manufacturing



Source: U.S. Bureau of Labor Statistics, Austin MSA

Austin Gross Metropolitan Product

Austin Metropolitan Product continues to increase despite economic headwinds, albeit at a slower rate. At the end of 2023, Austin Metropolitan Product was 0.5% year over year to reach a new all-time high of roughly \$100 billion.



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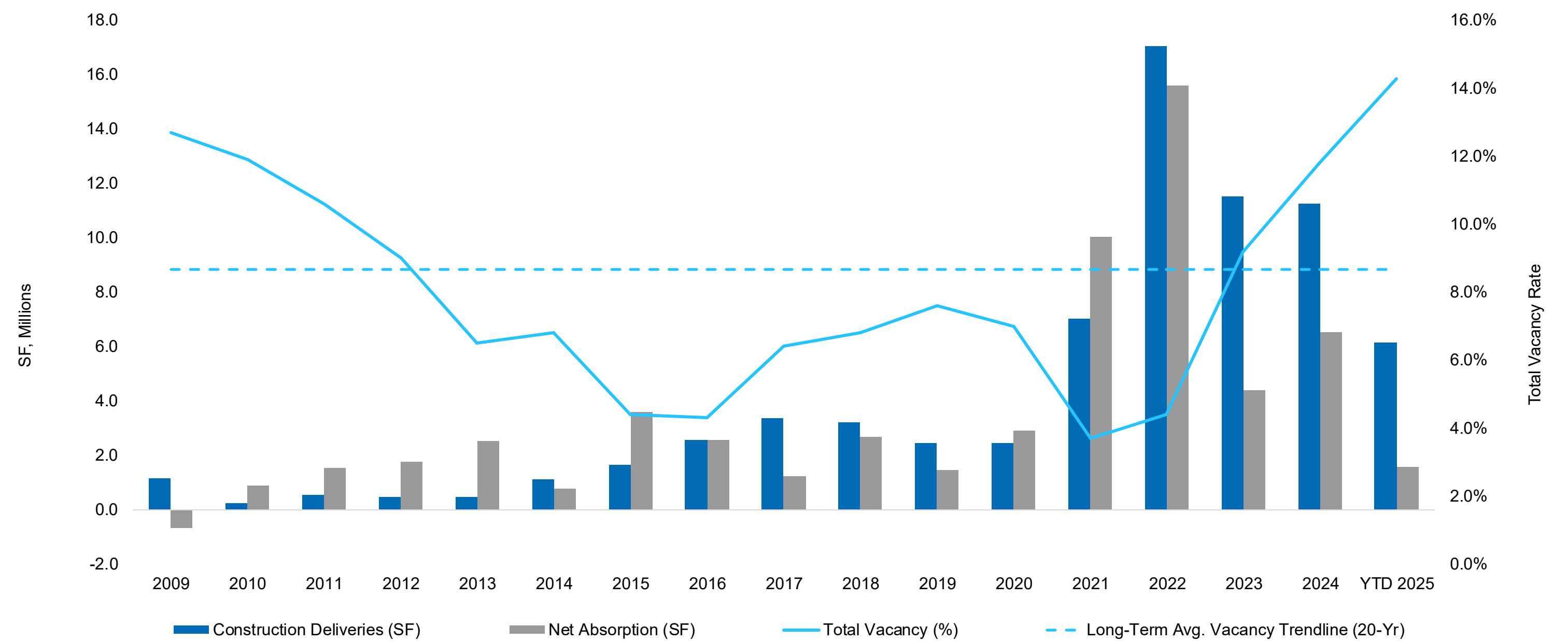
Leasing Market Fundamentals



Elevated Deliveries Push Vacancies to Record High

The Austin industrial vacancy rate rose by 430 basis points year over year to an all-time high of 14.3% in the second quarter of 2025, primarily due to another quarter of elevated deliveries that need to be absorbed by the market. Despite national economic headwinds, demand for industrial space remained positive for the 24th consecutive quarter as companies continue building out their supply chains along the I-35 trade corridor. Advanced manufacturers are also following Tesla and Samsung into the region, leveraging their regional investments.

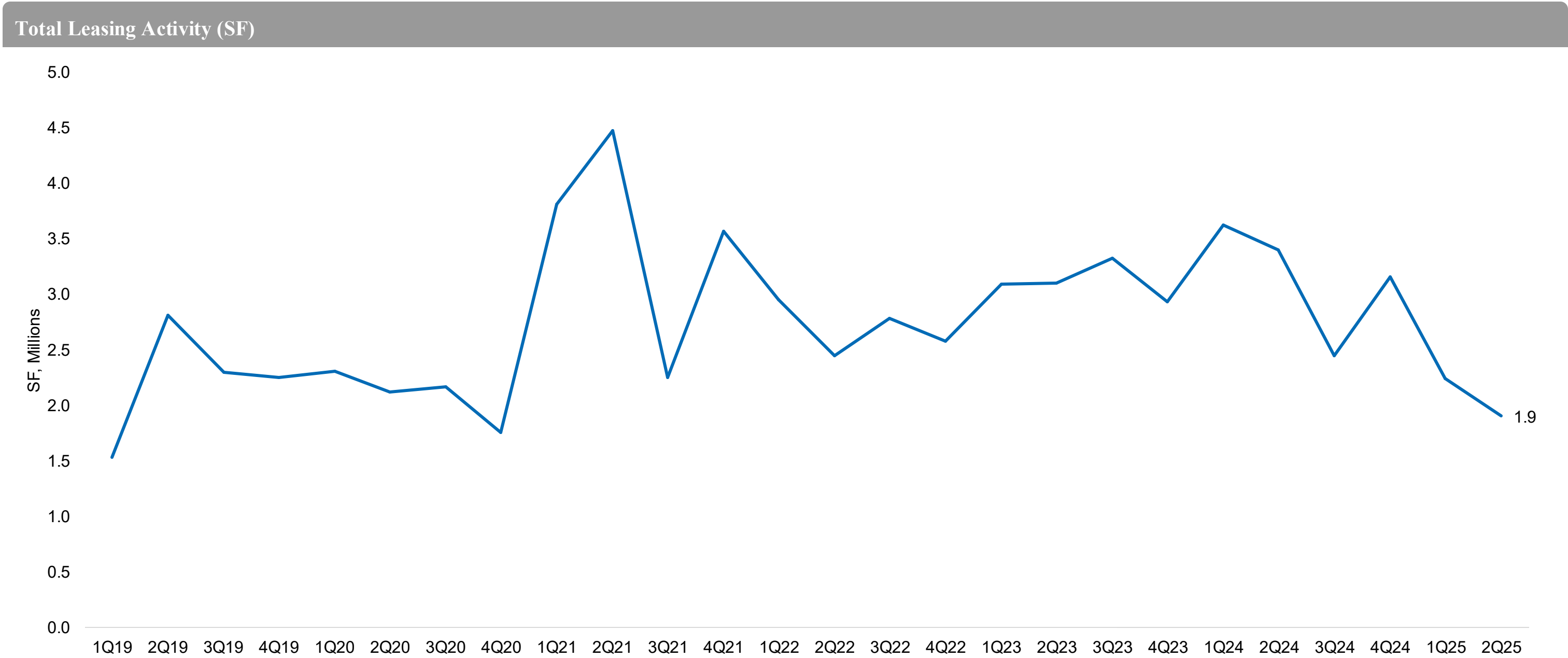
Historical Construction Deliveries, Net Absorption, and Vacancy



Source: Newmark Research, CoStar

Industrial Leasing Activity Declines Year Over Year; Quarter Over Quarter

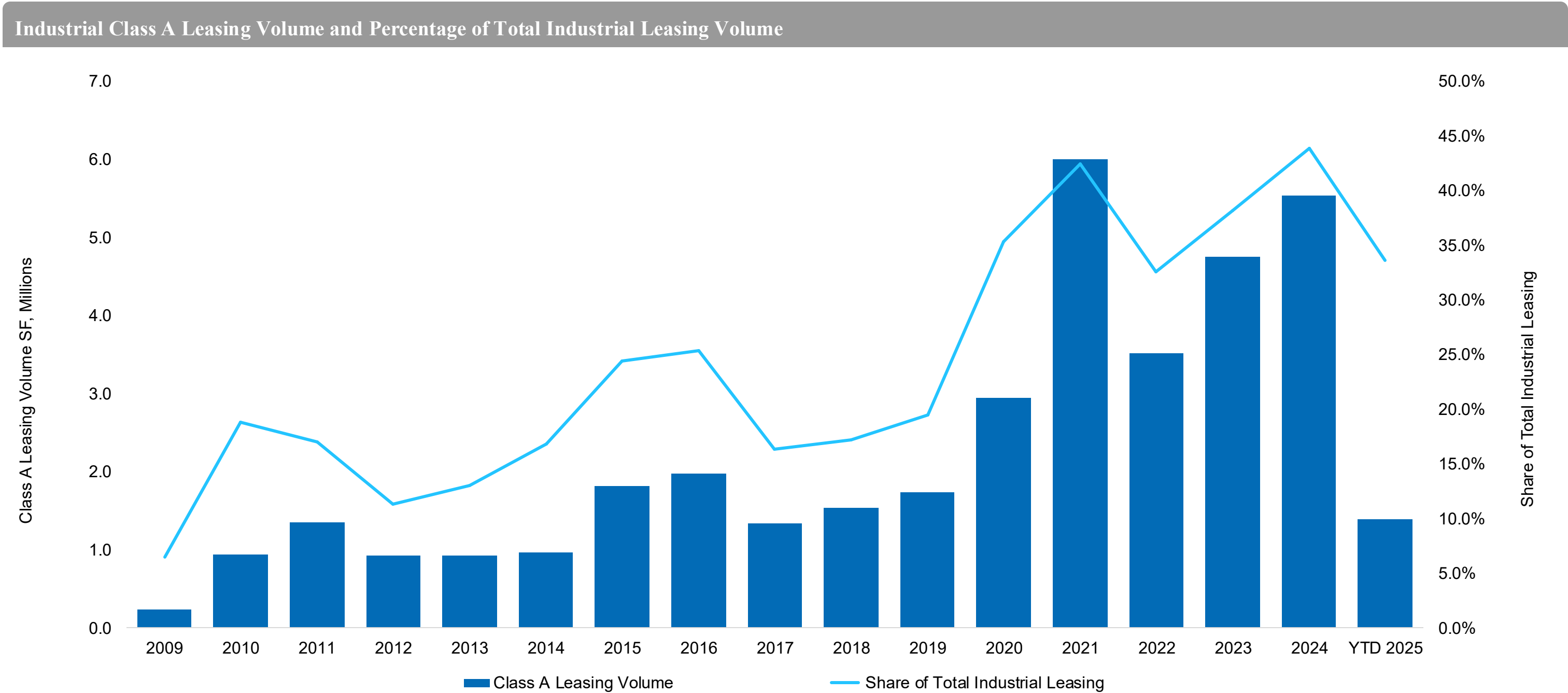
Leasing activity in Austin totaled 1.9 MSF at the close of the second quarter of 2025, marking the lowest point since the fourth quarter of 2020 and reflecting quarterly and yearly declines of 15.2% and 44.0%, respectively. Despite a slowdown driven by macroeconomic uncertainty stemming from monetary policy and tariffs, market demand remains positive.



Source: Newmark Research, CoStar

Class A Warehouse Share of Transaction Volume Craters

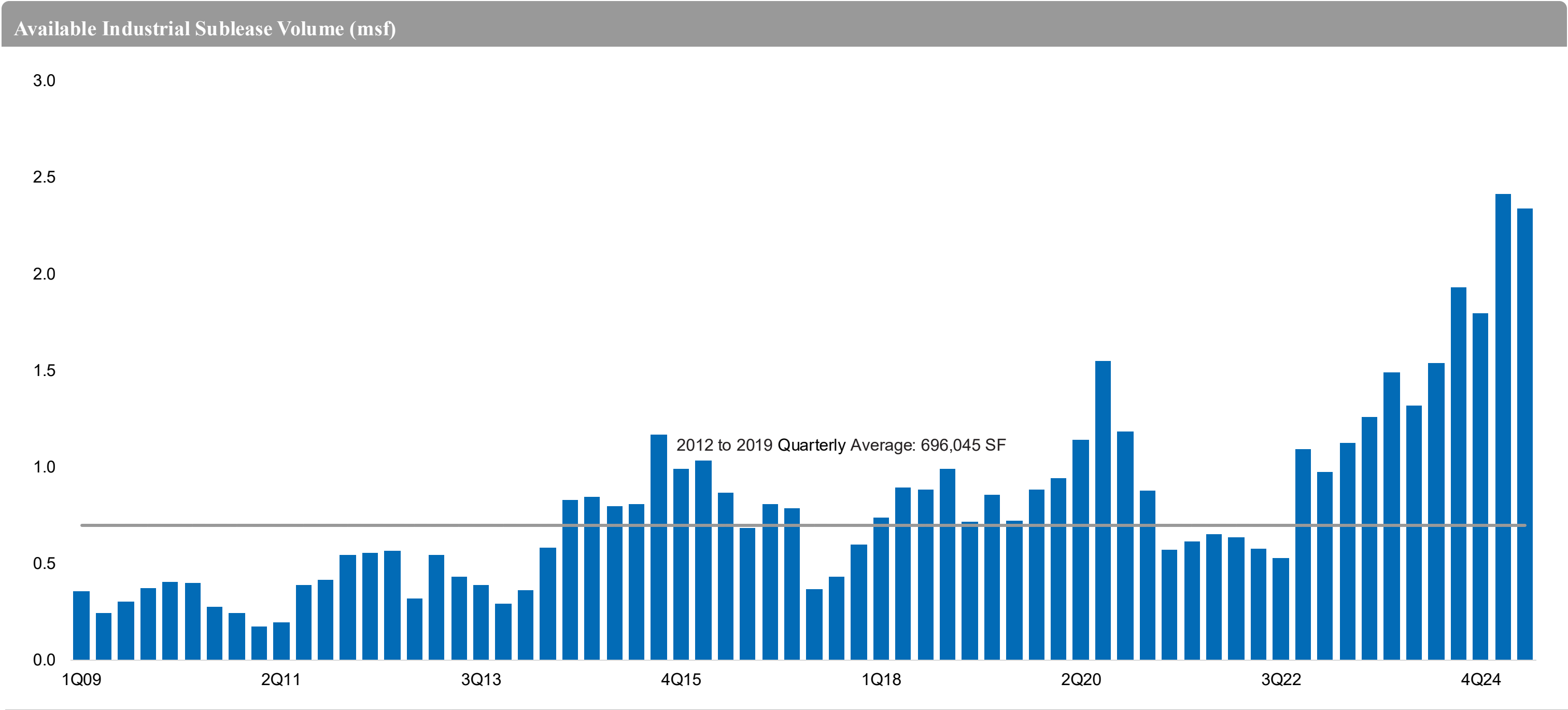
Leased square footage for Class A warehouse cratered by 72.3% from the previous quarter and by 83.4% on annual basis to 303,283 SF. Meanwhile, Class A warehouse’s share of leasing activity declined to 15.9% in the second quarter of 2025, reflecting decreases of 3,270 basis points quarter over quarter and 3,769 basis points year over year. However, overall Class A leasing activity remains above the second quarter 12.8% quarterly average reported from 2009 through 2019.



Source: Newmark Research, CoStar

Industrial Sublease Availability Inches Lower from Record High

At the end of the second quarter of 2025, sublease availabilities decreased by 3.0% quarter over quarter and increased by 52.3% year over year to 2.3 MSF. This is well above the 696,045 SF quarterly average that the market reported from 2012 through 2019. The increase in available sublet space is attributable to an emphasis on corporate efficiency amidst an uncertain macroeconomic environment stemming from tariffs and stubborn inflation. This coupled with a recent decline in consumer sentiment has likely pushed many companies to pare back and list underutilized warehouse space on the sublease market to aid in controlling costs in preparation for future volatility in trade. Notable occupants listing space include Cart.com and Thermo Fisher Scientific.

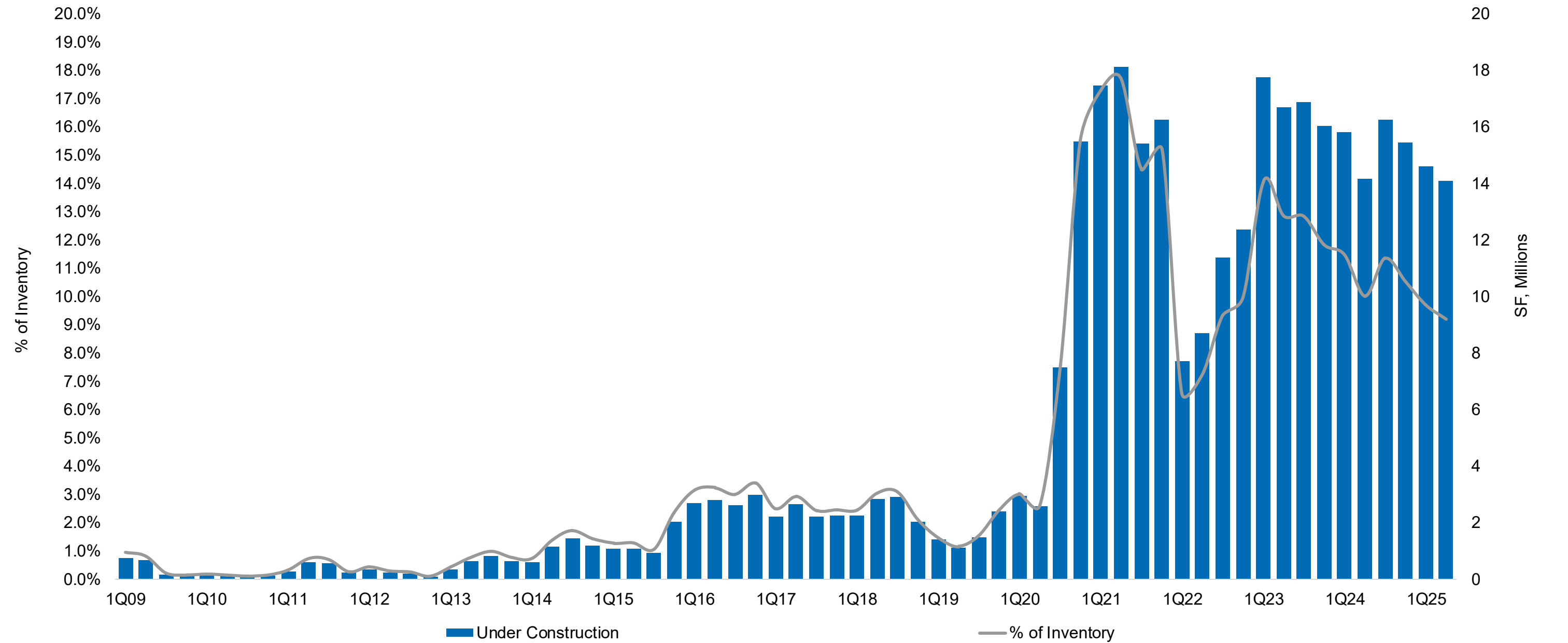


Source: Newmark Research, CoStar

Construction Activity Continues Decline but Remains Historically Elevated

Austin’s industrial pipeline remains historically elevated with 14.1 MSF of industrial space, comprising 9.2% of the market’s total inventory, under construction as of the end of the second quarter of 2025. Developers continue to launch new projects, anticipating demand from advanced manufacturing companies moving into and expanding within the region. Meanwhile, significant regional investments by firms like Tesla and Samsung are encouraging other companies to expand supply chains along the I-35 Corridor. This may accelerate if the Trump administration’s tariffs incentivize firms to re-shore manufacturing,. Under-construction projects are 55.4% preleased.

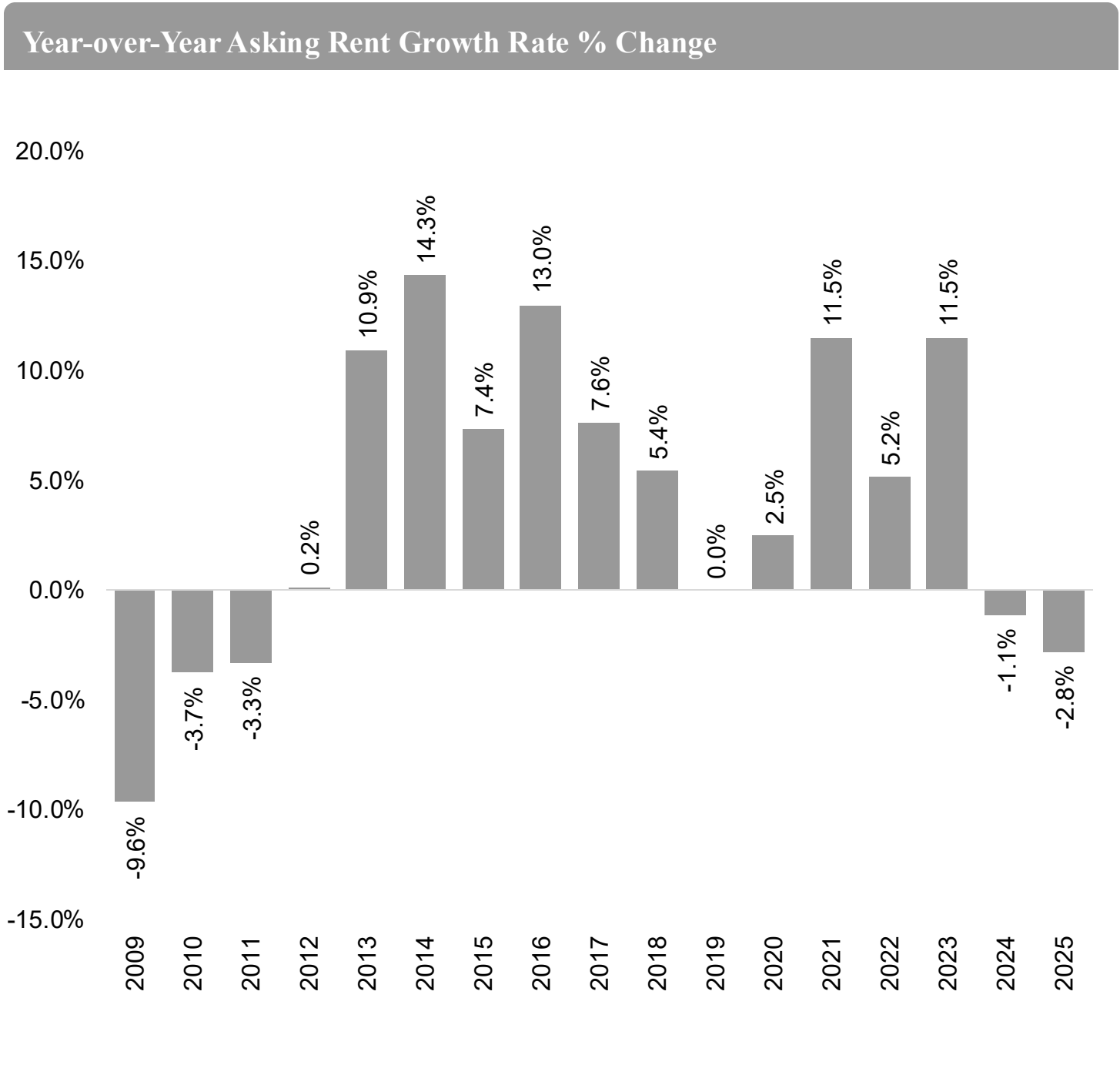
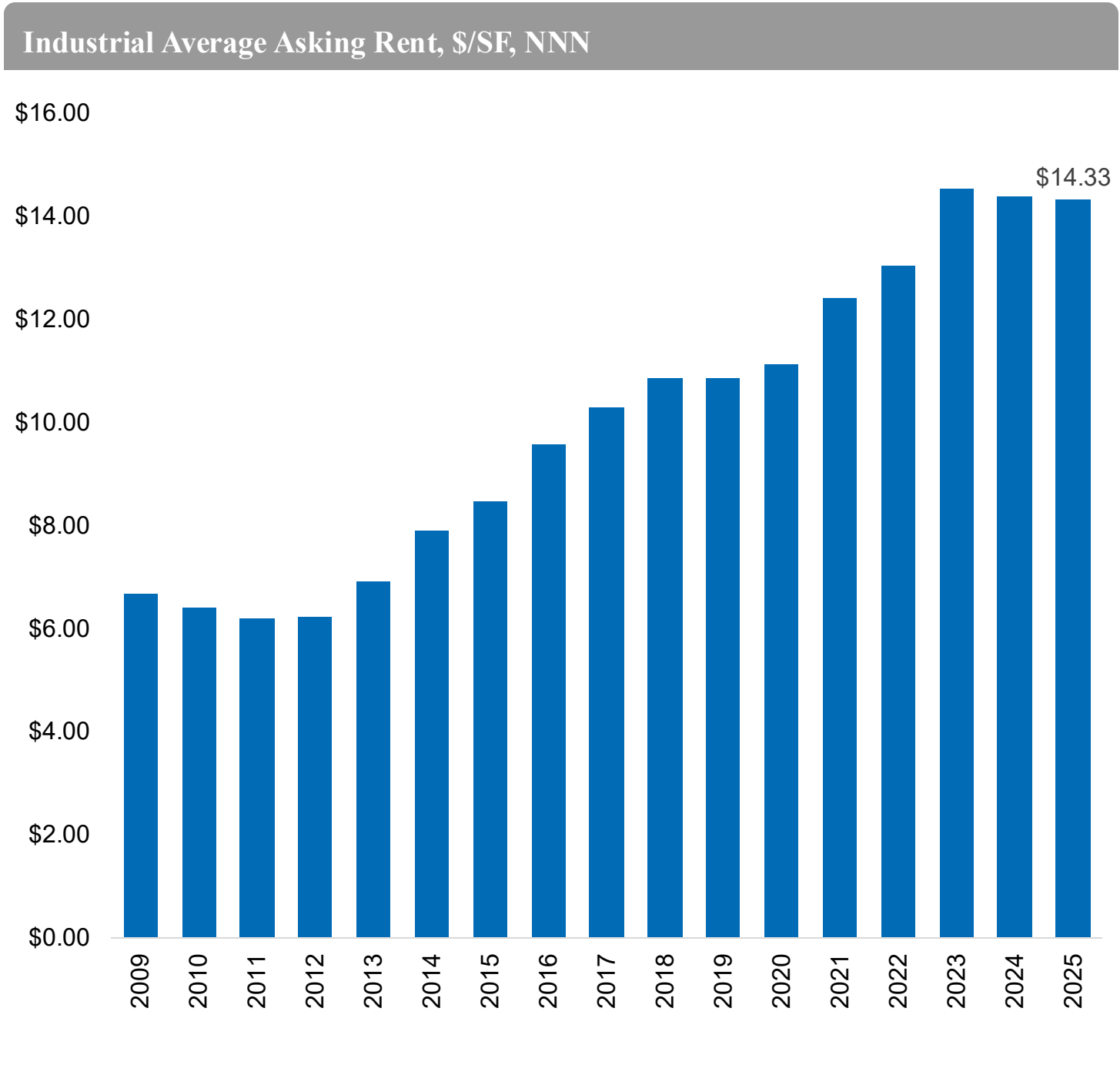
Industrial Under Construction and % of Inventory



Source: Newmark Research, CoStar

Asking Rents Move Lower as Landlords Compete to Fill Space

At the end of the second quarter of 2025, industrial average asking rents edged lower to \$14.33/SF, roughly 4.2% below the historic high of \$14.96 recorded during the first quarter of 2024. This reflects decreases of 1.5% quarter over quarter and 2.8% year over year. Rent growth is expected to stay flat or modestly decline as vacancy rises with the continued delivery of new, high-quality assets and landlords compete for tenants to fill space.



Source: Newmark Research, CoStar

Tariffs Mute Industrial Demand but Consumer Goods Companies Still Lease Space

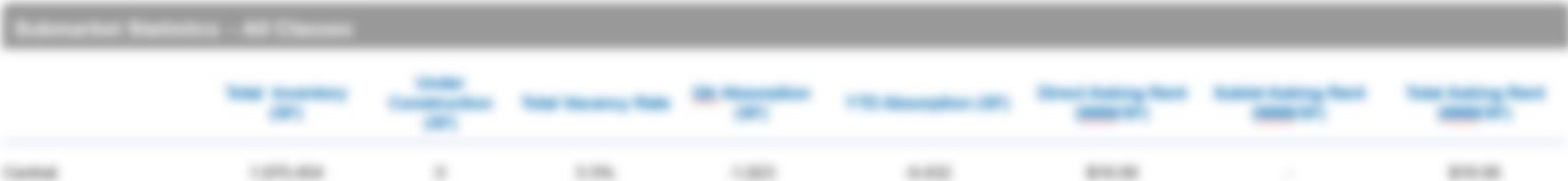
Leasing activity slowed in the second quarter of 2025 on a quarterly and annual basis with quarterly leasing activity at 1.9 MSF, but remains above the second-quarter quarterly average of 1.8 MSF reported since 2000. However, despite tariffs muting demand for industrial space, the impact has not stymied all demand for industrial space by goods importers. Consumer goods importers Stone Alliance and Burlebo both signed some of the second quarter’s largest leases. Meanwhile, advanced manufacturing remains a key player in the market as Tesla expanded in Austin when it inked the second quarter’s largest lease. Notably, all major leases signed in the second quarter of 2025 were new direct leases, underscoring sustained strong demand for industrial space in the market.

Notable 2Q25 Lease Transactions

| Tenant | Building | Submarket | Type | Square Feet |
|--|---|---------------|------------|-------------|
| Tesla <i>Advanced manufacturer Tesla signed the largest of the quarter at Building 1 of 11801 Decker Lake, as it continues to expand its manufacturing presence in the region.</i> | Austin Hills Commerce Center – Building 1 | East | Direct New | 296,960 |
| Stone Alliance <i>Premium stone slab importer and supplier Stone Alliance leased 104,884 SF at Northgate 35 Commerce Center in Pflugerville.</i> | Northgate 35 Commerce Center | Far Northeast | Direct New | 104,884 |
| Burlebo <i>Outdoor men’s sportswear retailer Burlebo inked a lease for 95,763 SF at Building 3 of 2301 East Saint Elmo Road. The company is headquartered in nearby Dripping Springs.</i> | Southpark Commerce Center IV – Building 3 | Southeast | Direct New | 95,763 |
| Undisclosed <i>An undisclosed tenant will be moving into 60,878 SF at 8330 Cross Park Drive in July 2025.</i> | 8330 Cross Park Dr | Northeast | Direct New | 60,878 |
| Undisclosed <i>An undisclosed tenant leased 56,298 SF and moved into 259 Stream Way in Buda during May 2025.</i> | Buda Commerce Center – Building 5 | Hays County | Direct New | 56,296 |

Source: Newmark Research

Austin Industrial Submarket Overview



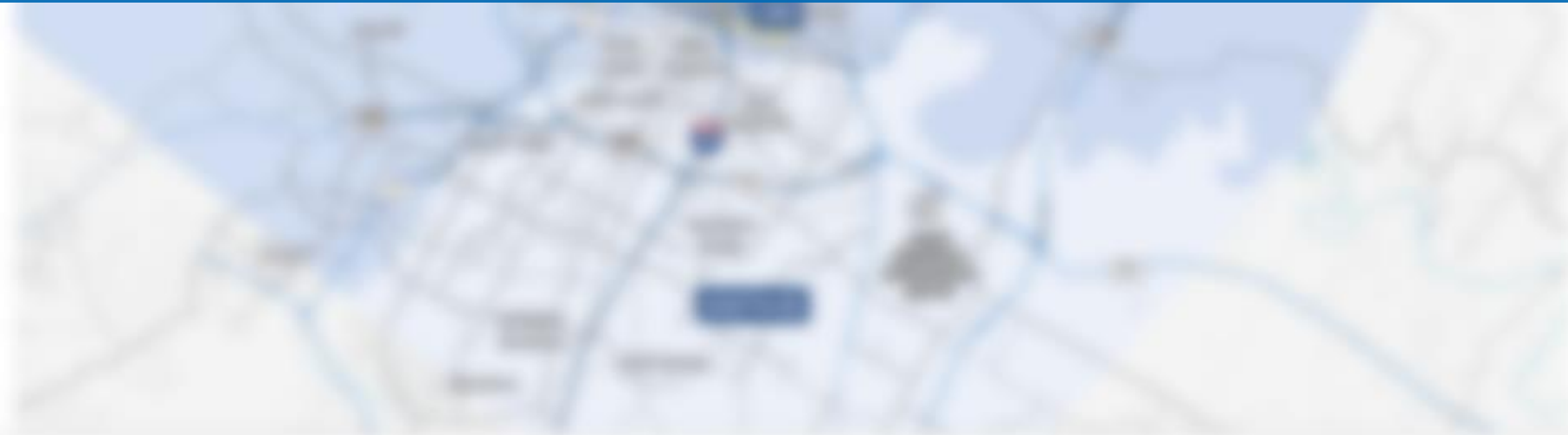
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|------------------|-------------|------------|-------|---------|---------|------|------|------|
| Industrial | 25,000,000 | 1,000,000 | 10.0% | 100,000 | 100,000 | 2015 | 2016 | 2017 |
| Industrial (Non) | 25,000,000 | 1,000,000 | 10.0% | 100,000 | 100,000 | 2015 | 2016 | 2017 |
| Other | 100,000,000 | 10,000,000 | 10.0% | 100,000 | 100,000 | 2015 | 2016 | 2017 |

Austin Industrial Submarket Map



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2Q25 Texas Industrial Market Overview



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|------------|-----------|-----------|-----------|-----------|-----------|
| 2025-01-01 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 |
| 2025-02-01 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 |
| 2025-03-01 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 |
| 2025-04-01 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 |
| 2025-05-01 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 |
| 2025-06-01 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 |

2Q25

Appendix



Austin Industrial Market



- The region has excellent transportation infrastructure, including major highways, airports, and ports.
- Austin's industrial market benefits from strong demand driven by logistics and advanced manufacturing sectors, allowing numerous companies to accelerate manufacturing and distribution strategies.



- High vacancy rates, due to a range of market and economic conditions, supporting demand.
- Increasing and rising rental costs can be a challenge for some businesses.
- Continued strong growth in logistics and construction may continue to drive growth.
- Increasing demand for industrial space continues to drive growth.

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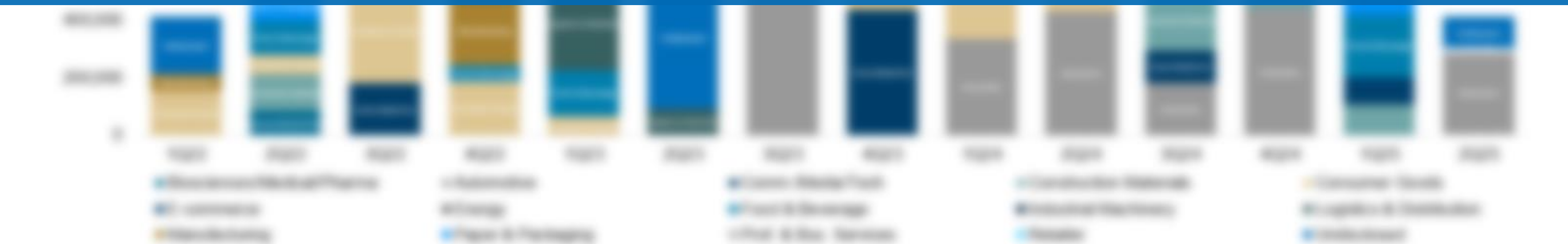
- Continued demand for industrial space, including advanced manufacturing and logistics, is driving growth in the region.
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Top Five Largest Deals Done by Industry Type

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Preference for Modern Industrial Buildings Drives Demand

Modern industrial buildings currently account for 10% of the total supply space in the market. However, modern industrial buildings have contributed to nearly all positive net absorption over the past two years, underscoring strong new demand for these facilities. The higher vacancy rate for modern developments is largely supply-driven, whereas the continued rise in vacancies among older legacy industrial properties is a result of sustained negative net absorption over the past two years, indicating a potential weakening or compression of demand.



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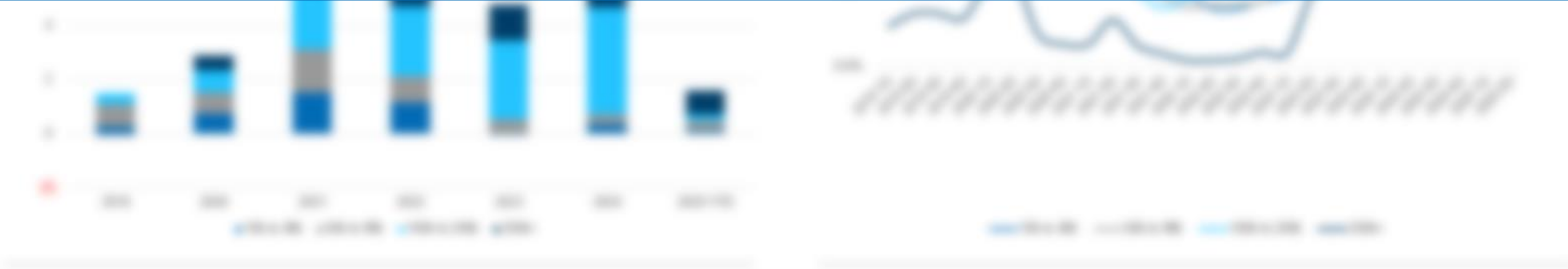


Large Buildings Drive Absorption, Yet Inadequate to Offset Rising Vacancy Rates

Buildings exceeding 1,000,000 sq ft continue to drive office demand, particularly for large properties in the 1,000,000 to 2,000,000 sq ft and 2,000,000 sq ft+ segments. However, the rapid pace of new delivery has disrupted the balance, contributing to rising vacancy rates across all size categories. The 1,000,000 to 2,000,000 sq ft and 2,000,000 to 3,000,000 sq ft segments have seen the most significant increases year over year, rising by 15% and 18% respectively. While vacancy rates for smaller properties (10,000 to 100,000 sq ft) have remained relatively stable, slightly above historical levels, vacancy for properties over 2,000,000 sq ft has also increased, despite representing the lowest vacancy rate of any size segment. This still highlights the ongoing challenge of aligning supply with demand in a market experiencing unprecedented levels of new construction.



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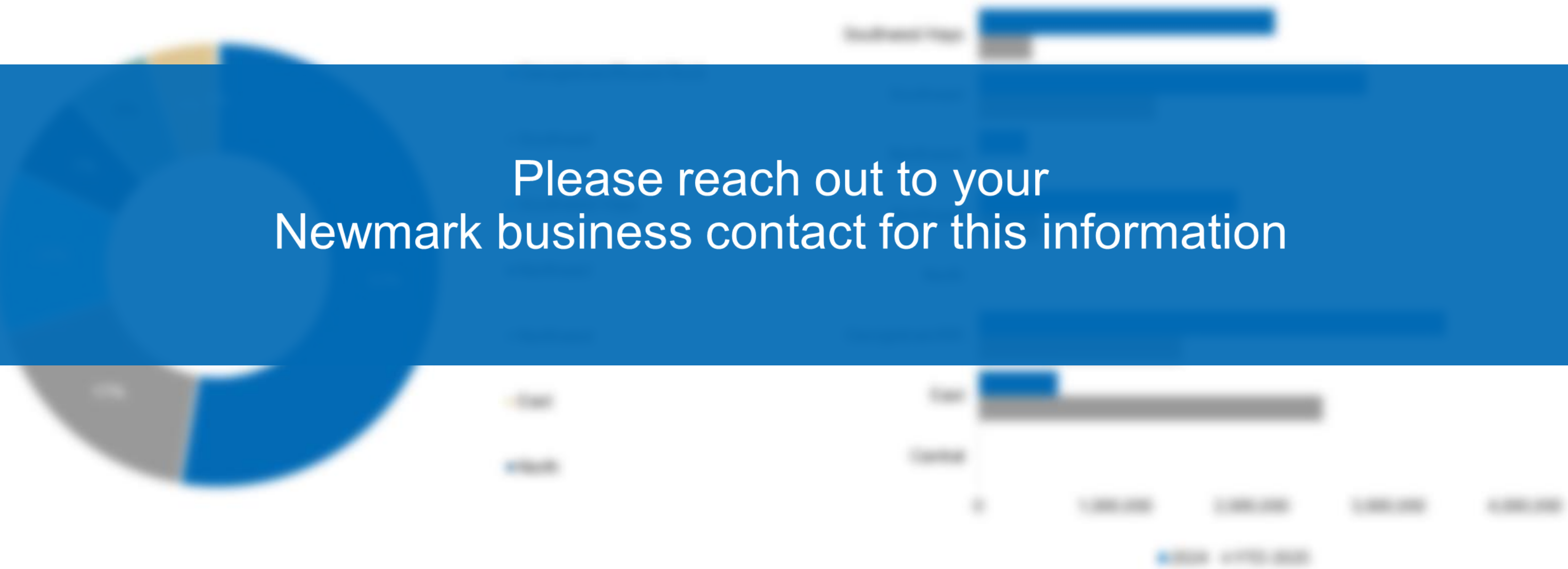


Georgetown/Round Rock Submarket Leads With New Construction and Deliveries

The Georgetown/Round Rock submarket continues to lead industrial inventory growth with a 1.5M SF addition since the beginning of 2020. The submarket currently makes up 30% of all under-construction inventory, at 7.5M SF. Developers have been drawn to the submarket as advanced manufacturers. This has continued to grow its trade (logistics, advanced manufacturers have been capitalizing on Texas incentives and leasing space throughout the year-end).

Georgetown/Round Rock Submarket Inventory Growth by Submarket

Georgetown/Round Rock Submarket Inventory Growth by Submarket



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San Antonio Appendix





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San Antonio Industrial Submarket Overview

| San Antonio Industrial Submarket Overview | | | | | | | | |
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