



NEWMARK

Austin Industrial Market Overview

2Q26

Market Observations



Economy

- The market's unemployment rate increased by 20 basis points year over year to 3.6%, remaining below the five-year average of 4.0%.
- Overall nonfarm annual job growth decelerated to 1.2%, reflecting an annual decline of 123 basis points. The national job growth rate decelerated 29 basis points to 0.3%.
- Most employment sectors reporting annual growth, with mining and construction leading job gains at 6.2% over the past 12 months.
- Most industrial-using job sectors in the market reflected annual increases, with mining and construction and trade/transportation/utilities reporting gains of 0.4% and 6.2%, respectively. Meanwhile, manufacturing employment marginally shrunk by 1.3% on a yearly basis.



Major Transactions

- Major regional heavyweights Tesla and Samsung have further deepened their commitment to Austin by signing two of the second quarter of 2026's largest leases, with Tesla signing the largest lease for 681,259 SF at Austin Hills Commerce Center – Building 6. Samsung recently celebrated 30 years of doing business in Austin, with 2025 marking \$10.9 billion of economic impact for the Austin economy.
- Semiconductor manufacturer Atomic Semi relocated its operations from San Francisco to Austin to capitalize on regional investments from Tesla and Samsung.
- Most major leases signed during the quarter were direct leases, underscoring sustained demand for high quality industrial space near major regional advanced manufacturers, such as Samsung in Taylor.



Leasing Market Fundamentals

- The market recorded 1.3 MSF of positive absorption in the second quarter of 2026, marking the 28th consecutive quarter of positive absorption.
- Overall rental rates grew by 3.4% quarter over quarter and 7.3% year over year to a new record high of \$15.00/SF.
- After four consecutive years of new deliveries outpacing annual demand, the imbalance persisted into the first half of 2026. Through the second quarter of 2026, developers completed 3.3 MSF of new space versus 1.6 MSF of net absorption, creating a 1.7 MSF demand deficit that has driven the vacancy rate up by 200 basis points year over year to 15.7%.
- The under-construction pipeline continues to be elevated with 12.5 MSF, composing 7.9% of the market's total industrial inventory, under construction as of the end of the second quarter of 2026.



Outlook

- The Austin industrial market is poised for an influx of new supply in the near term, with 7.9% of the current inventory under construction. New deliveries, which are 53.5% preleased, will outpace demand in the near term as the market absorbs its elevated pipeline. This trend will continue as advanced manufacturers, such as Samsung and Tesla, continue to invest in the region and grow their presence.
- Vacancy rates are projected to rise in the short term as deliveries outpace occupancies and the market works through its elevated under-construction pipeline.
- Asking rents are expected to flatten or ease slightly as the volume of new supply continues to outpace demand in the near term and landlords compete to fill space.

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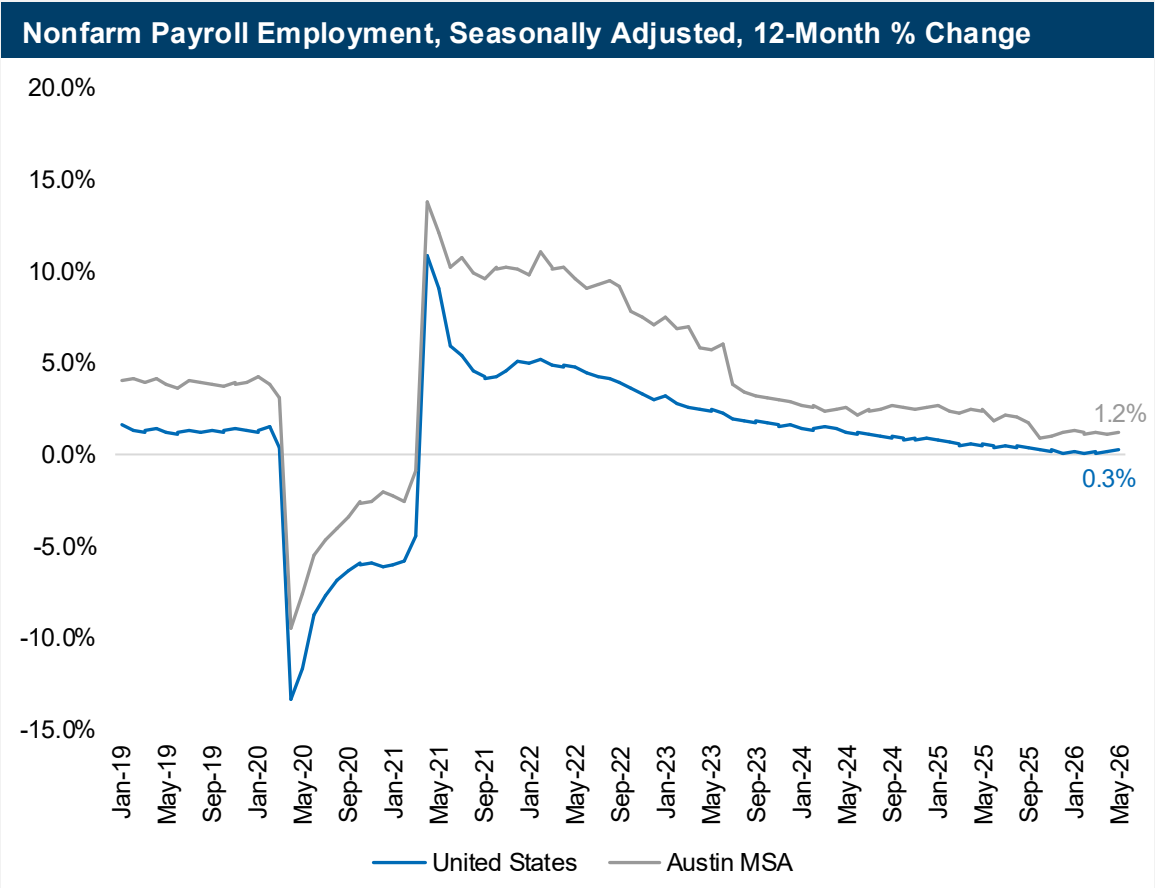
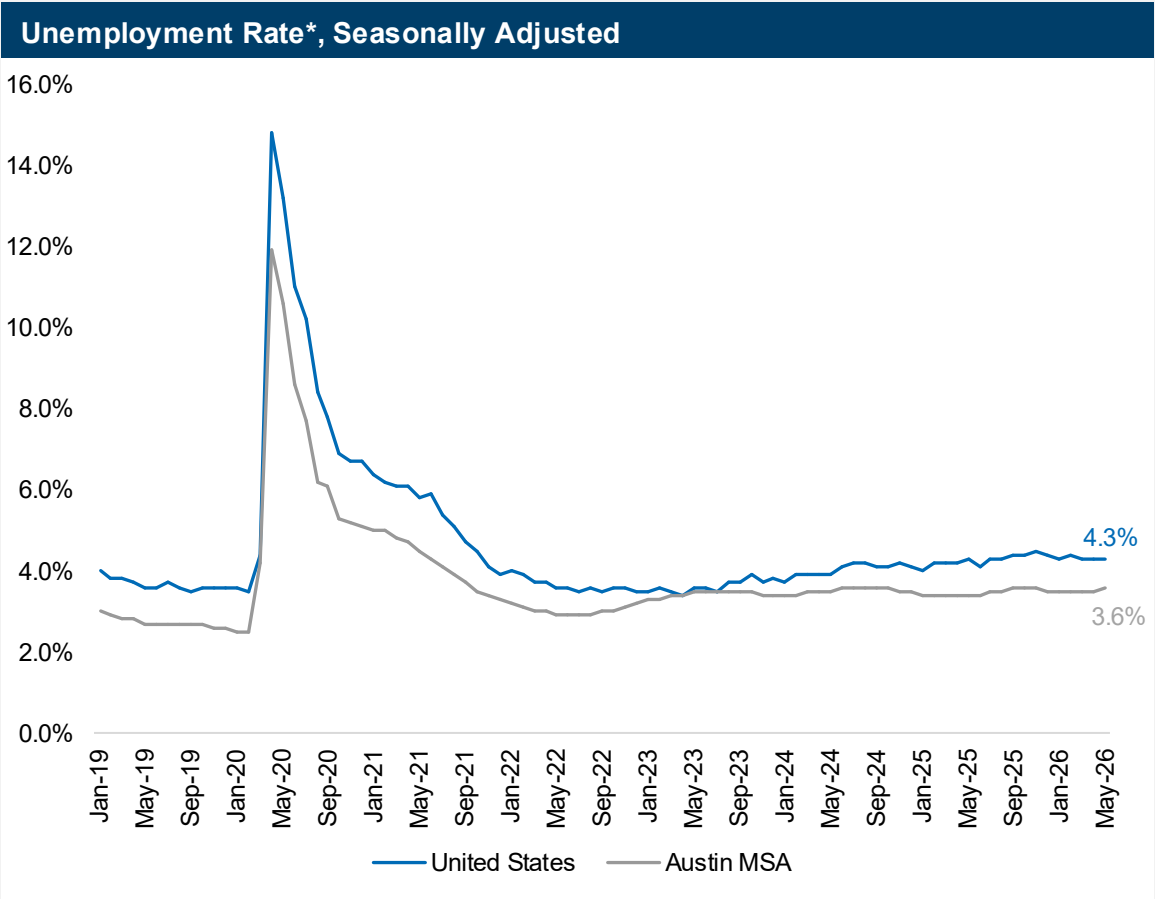
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Economy



Annual Employment Growth Declines, Unemployment Remains Below National Average

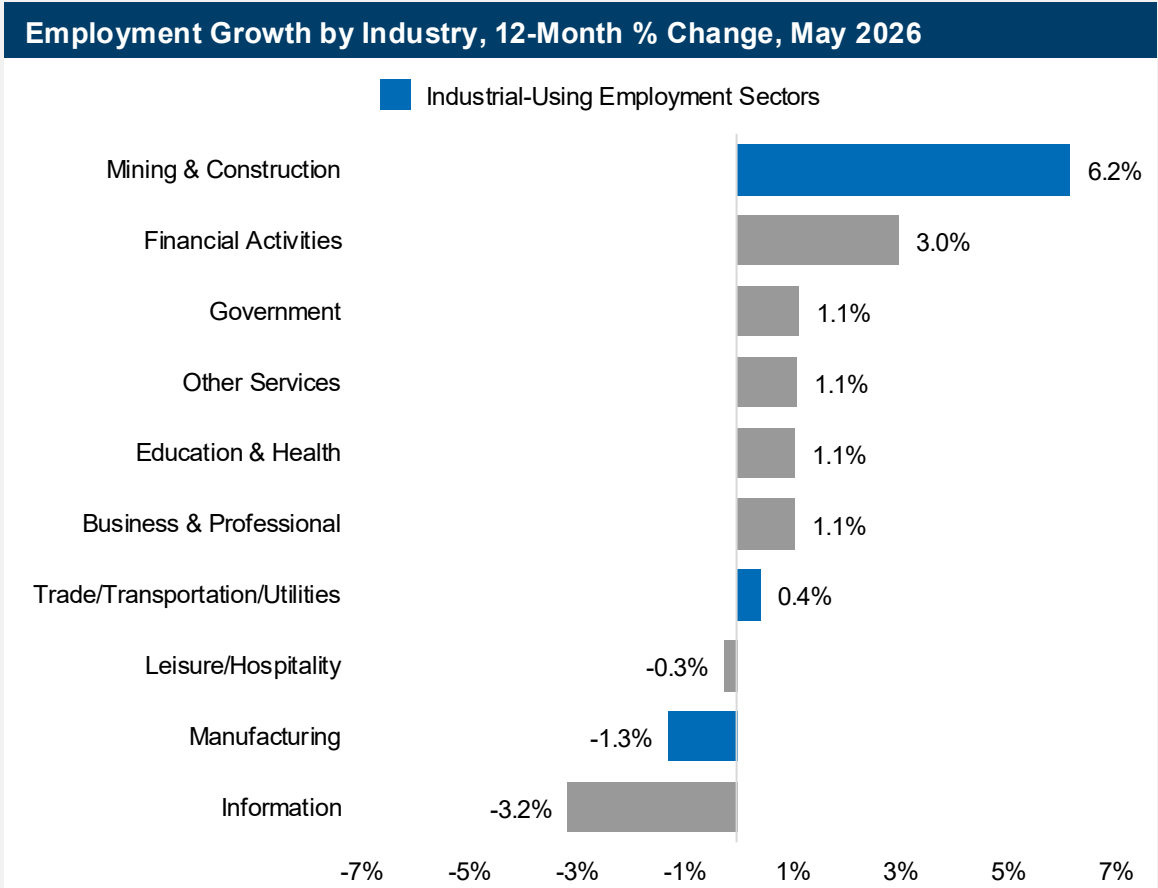
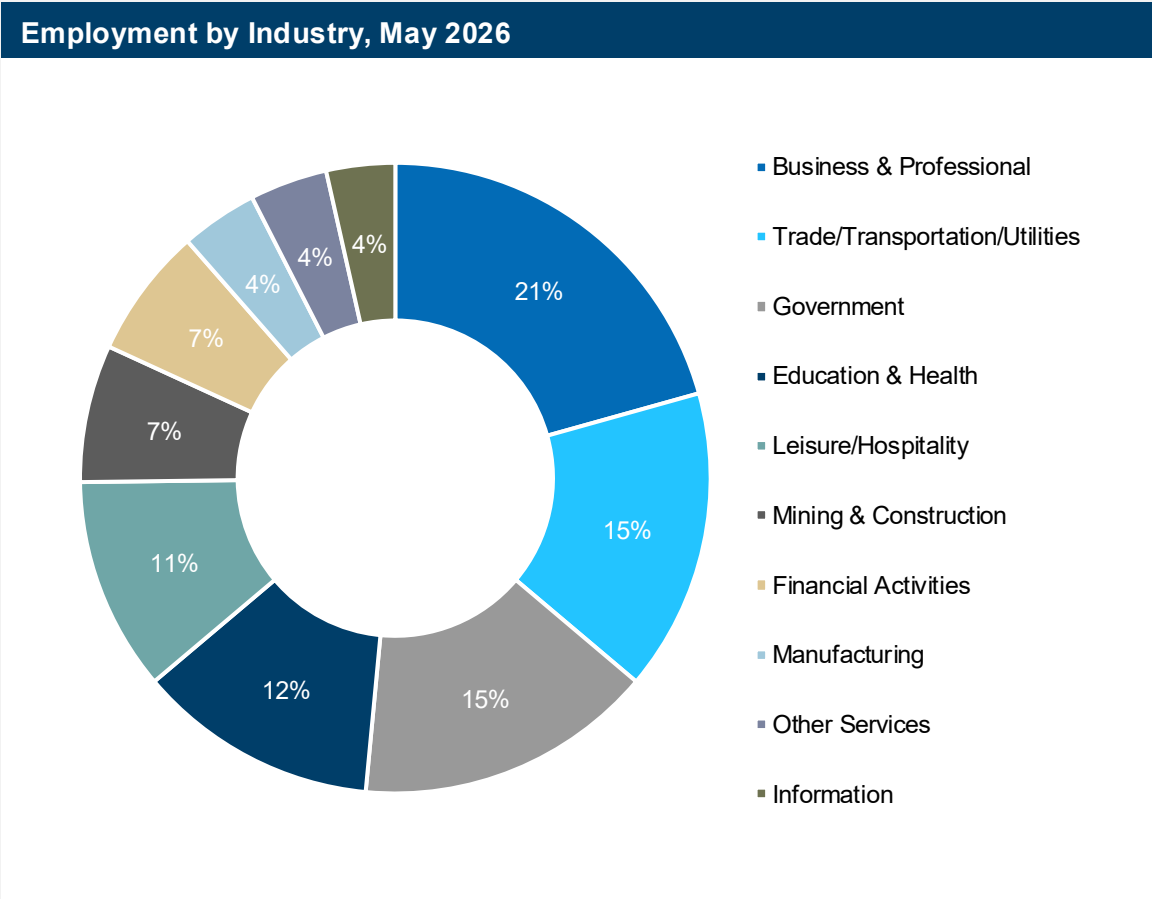
Austin has historically reported lower unemployment rates compared to the national average, while outperforming the United States in employment growth. The country and Austin’s unemployment rates have recently begun to converge, with the market’s unemployment rate increasing 20 basis points to 3.6% and the nation’s unemployment holding steady at 4.3% on an annual basis. The gap in Austin's job-growth outperformance of the United States narrowed through recent quarters but began to re-widen at the end of 2025 as growth stabilized, with the United States decreasing by 29 basis points and Austin declining by 123 basis points to 0.3% and 1.2%, respectively. Most annual nonfarm payroll growth in the market has been concentrated in the mining and construction, financial activities and government sectors.



Source: U.S. Bureau of Labor Statistics, Austin-Round Rock MSA
*October 2025 government shutdown missing data addressed with duplicating September 2025's data

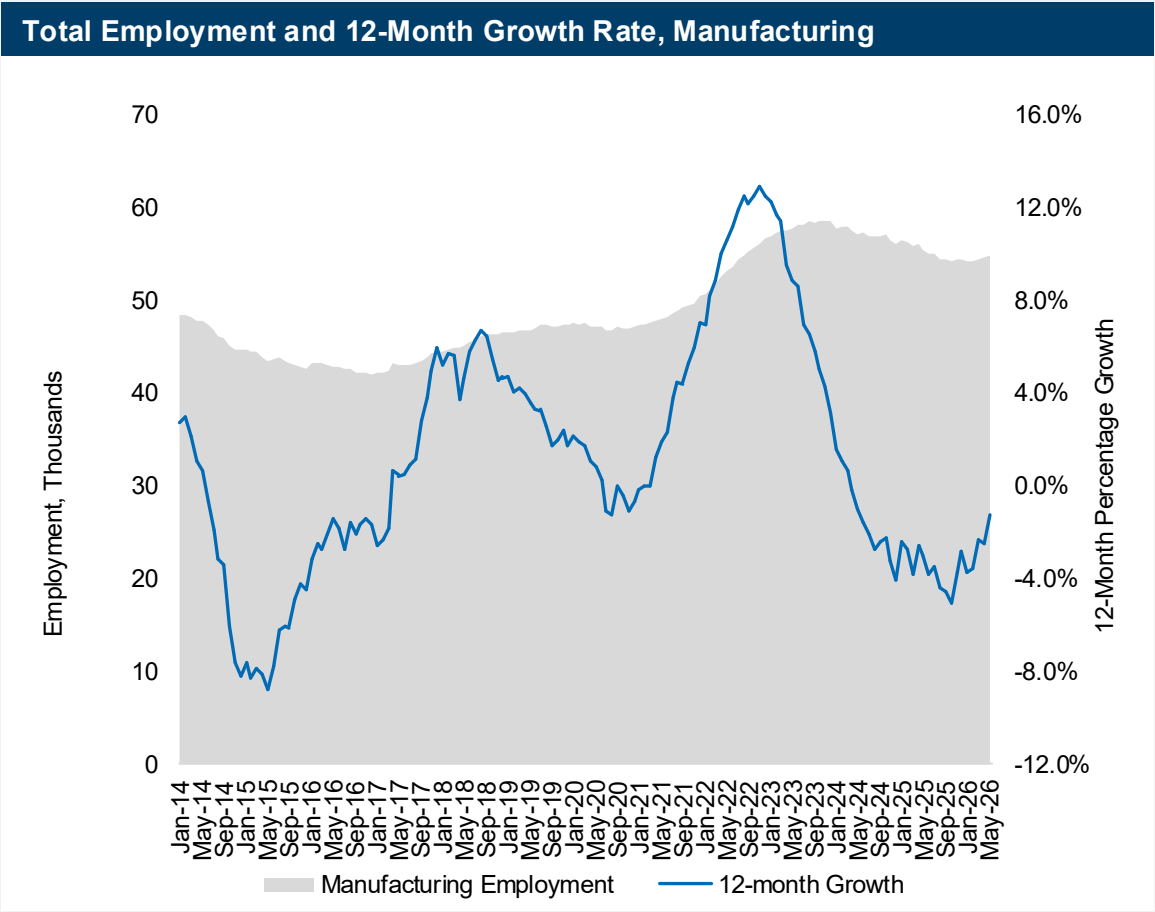
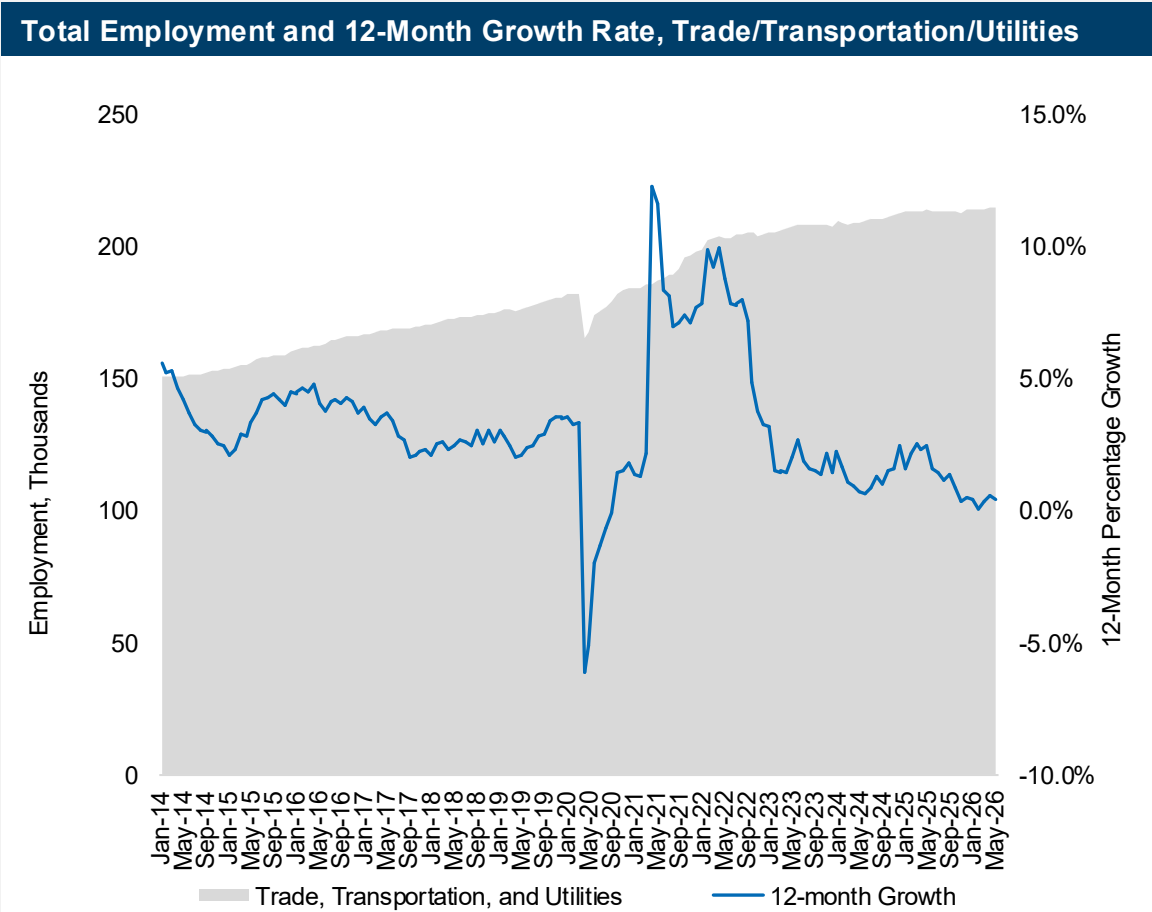
Most Industrial-Using Jobs Sectors Report Yearly Job Gains

Known for its tech sector, Austin’s top employment industries, business and professional services and trade/transportation/utilities, account for 36.2% of jobs. Most industrial-employment sectors reported job growth, with mining and construction leading overall market gains at 6.2% annual growth. Meanwhile, industrial-using trade/transportation/utilities, accounting for 15.5% of total jobs in the market, grew at 0.4% over the same period to overtake government employment to become the market’s second largest employment sector again. In contrast, manufacturing employment shrunk by 1.3% on an annual basis.



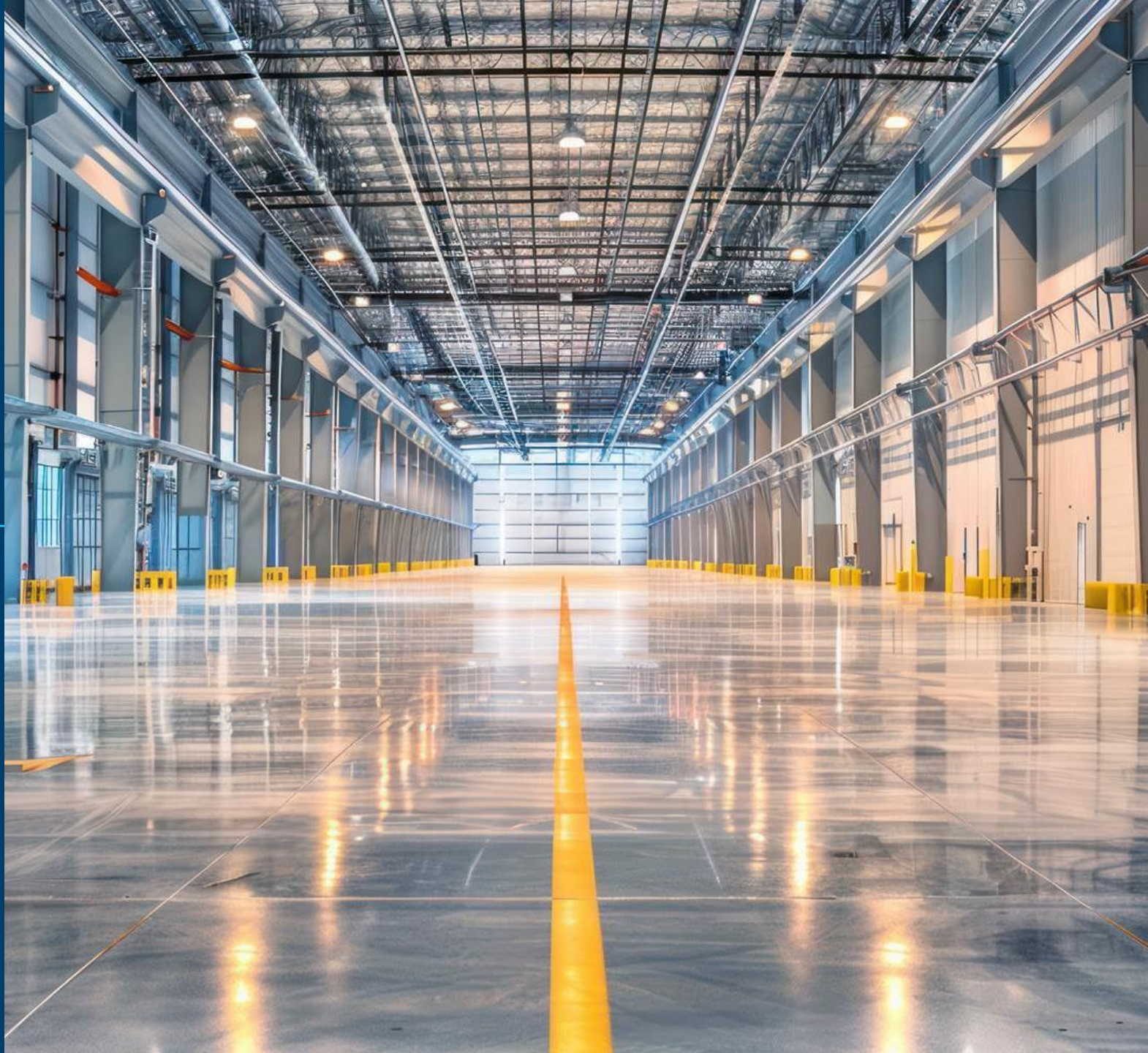
Industrial Employment Shows Mixed Results

Employment in the trade/transportation/utilities sector reached a new high of 215,100 jobs as of May 2026. Meanwhile, manufacturing stood at 54,800 jobs, or 6.3% below its 2023 high. Annual trends diverged, with trade/transportation/utilities growing 0.4% and manufacturing declining 1.3%.



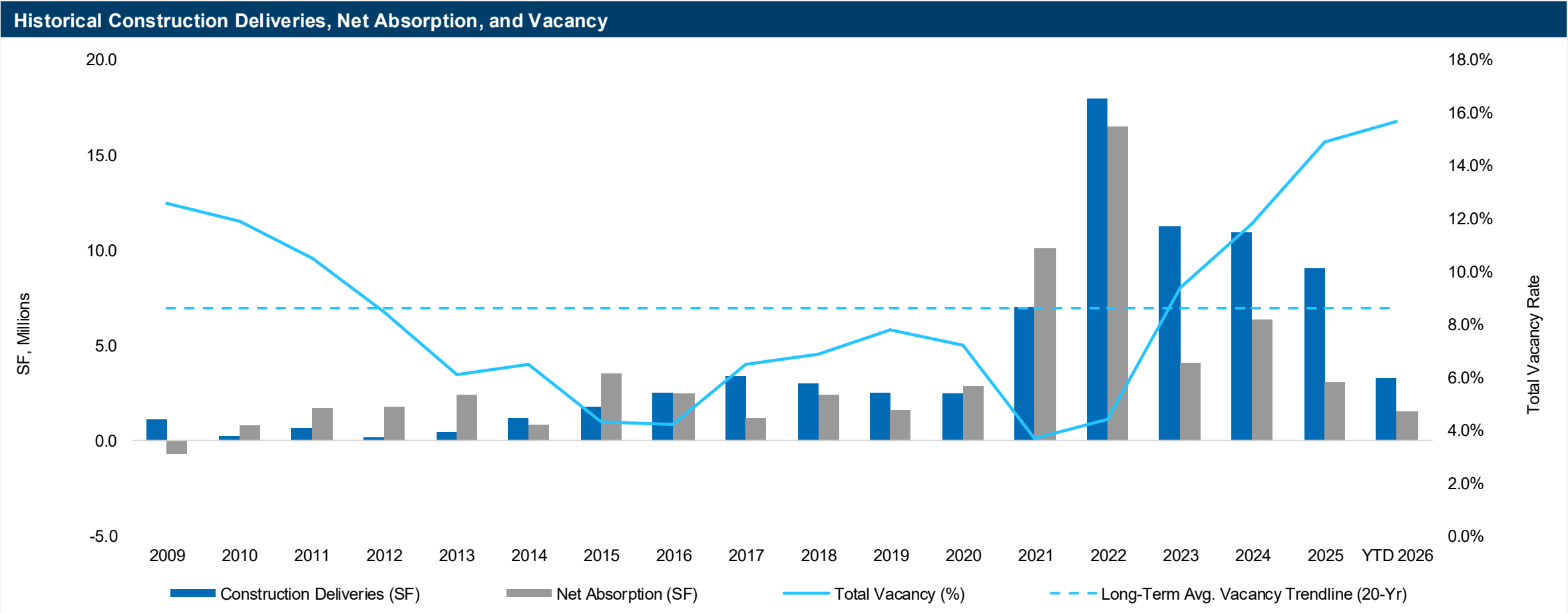
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Leasing Market Fundamentals



Demand Remains Positive for 28th Consecutive Quarter

The Austin industrial vacancy rate rose by 200 basis points year over year to 15.7% in the second quarter of 2026, only 10 basis points below the record high set during the previous quarter. The second quarter reported roughly 1.4 MSF of deliveries. Despite national economic headwinds, demand for industrial space remained positive for the 28th consecutive quarter, totaling 1.3 MSF. Vacancy is likely to trend upward as the market works through the elevated under-construction pipeline of predominantly speculative development that has occurred over recent years.



Preference for Modern Industrial Buildings Drives Demand and Pushes Vacancy Down

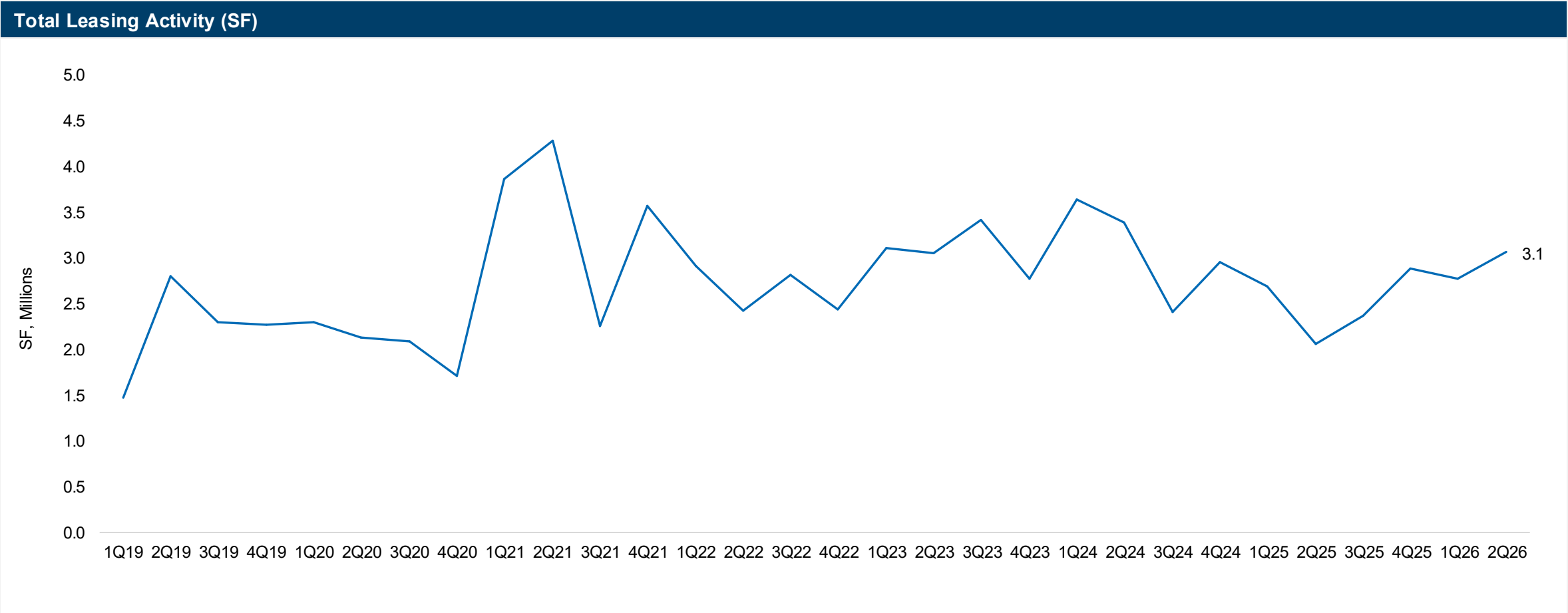
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Vacancy in Most Size Segments Trends Down from Record Highs

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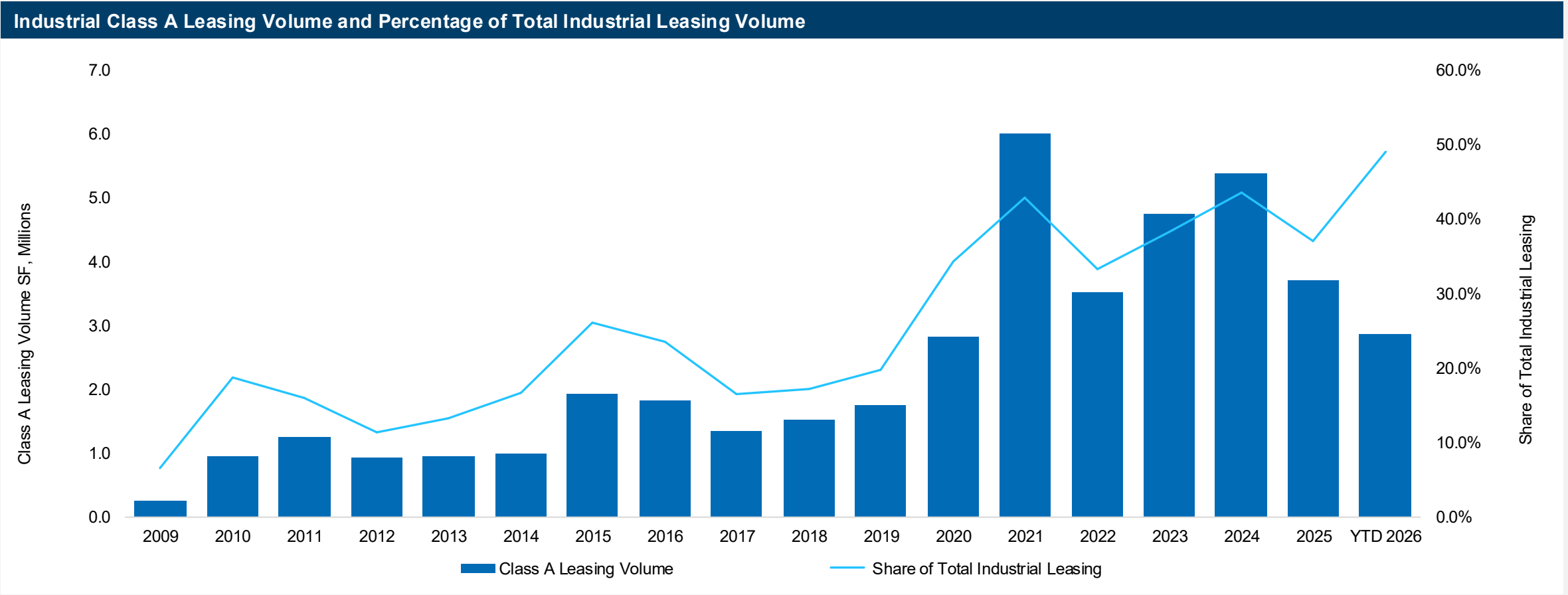
Regional Heavyweights Drive Leasing Activity

Leasing activity in Austin totaled 3.1 MSF at the close of the second quarter of 2026, reflecting quarterly and annual increases of 10.4% and 48.2%, respectively. Leasing activity has been generally increasing since reporting a recent low of 2.1 MSF during the second quarter of 2025. Despite a recent slowdown driven by macroeconomic uncertainty, leasing activity has trended upwards as companies build out regional supply chains and infrastructure. Demand will be further catalyzed from advanced manufacturers leveraging Tesla and Samsung’s regional investments to grow. Notably, Tesla and Samsung signed two of the second quarter of 2026’s largest leases, further deepening their commitments to the region.



Class A Warehouse Transaction Share of Leasing Activity Reaches New High

Class A warehouse space accounted for 1.7 MSF, or 54.0% of total industrial leasing activity, in the market during the second quarter of 2026 – a new high. The increase in Class A’s share of total leasing activity reflects quarterly and annual increases of 1,031 and 3,891 basis points, respectively. This pushed Class A’s share of total annual leasing activity to 2.9 MSF, or 49.1% of total year to date leasing activity. Class A’s share of leasing activity for the second quarter is well above the 12.8% second-quarter average that the market reported from 2009 through 2019. Class A warehouse’s share of leasing activity will likely increase as tenants who have traditionally been kept out of high-quality space will seize on favorable conditions to relocate and sign leases in such space. The market is currently working through a glut of recently delivered space which tenants have been opportunistically leasing.

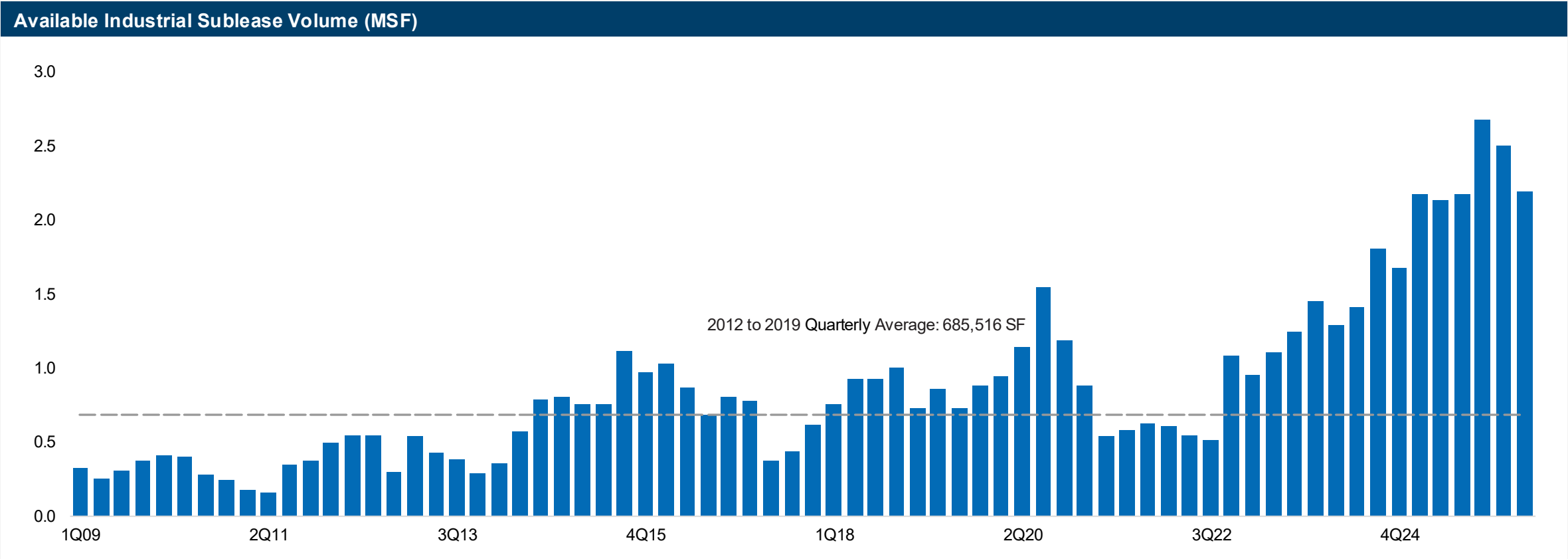


Five Largest Deals Done by Industry Type

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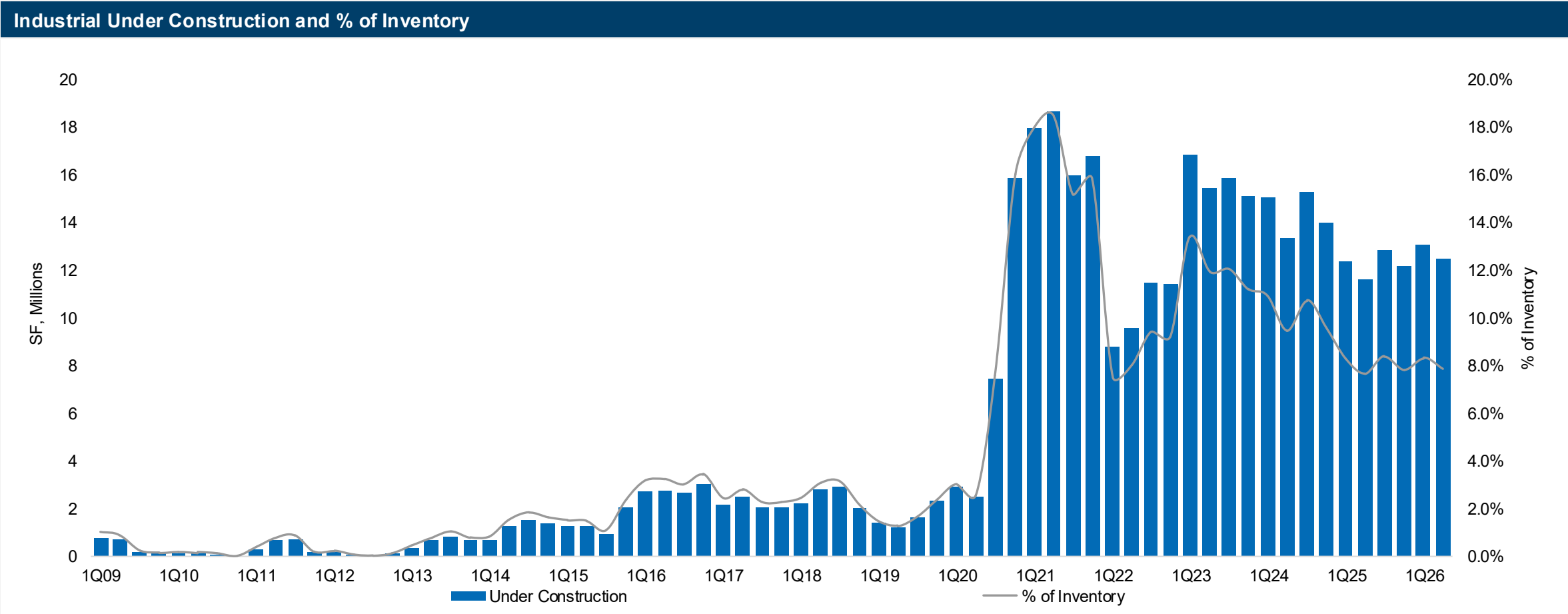
Sublease Availability Marks Second Consecutive Quarter of Decline from Record High

At the end of the second quarter of 2026, sublease availabilities decreased by 12.6% quarter over quarter to 2.1 MSF but remained 2.8% higher on an annual basis. This is well above the 685,516 SF quarterly average that the market reported from 2012 through 2019, but marks a second consecutive quarter of decline from the record high of 2.7 MSF that the market recorded during the fourth quarter of 2025. The increase in available sublet space is attributable to an emphasis on corporate efficiency amidst an uncertain macroeconomic and geopolitical environment stemming from surging energy costs and stubborn inflation. This emphasis on corporate efficiency, 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 trade volatility. Notable occupants listing space include PODS (99,000 SF) and Vayan Group (49,672 SF).



Construction Activity Declines on a Quarterly Basis but Remains Elevated

Austin’s industrial pipeline remains historically elevated at 12.5 MSF under construction, comprising 7.9% of the market’s total inventory as of the end of the second quarter of 2026. Developers continue to launch new projects, anticipating demand from advanced manufacturing companies moving into and expanding within the region. Meanwhile, significant regional investments and agreements by firms like Tesla and Samsung are leading the expansion of supply chains along the I-35 corridor. Under-construction projects are 53.5% preleased.

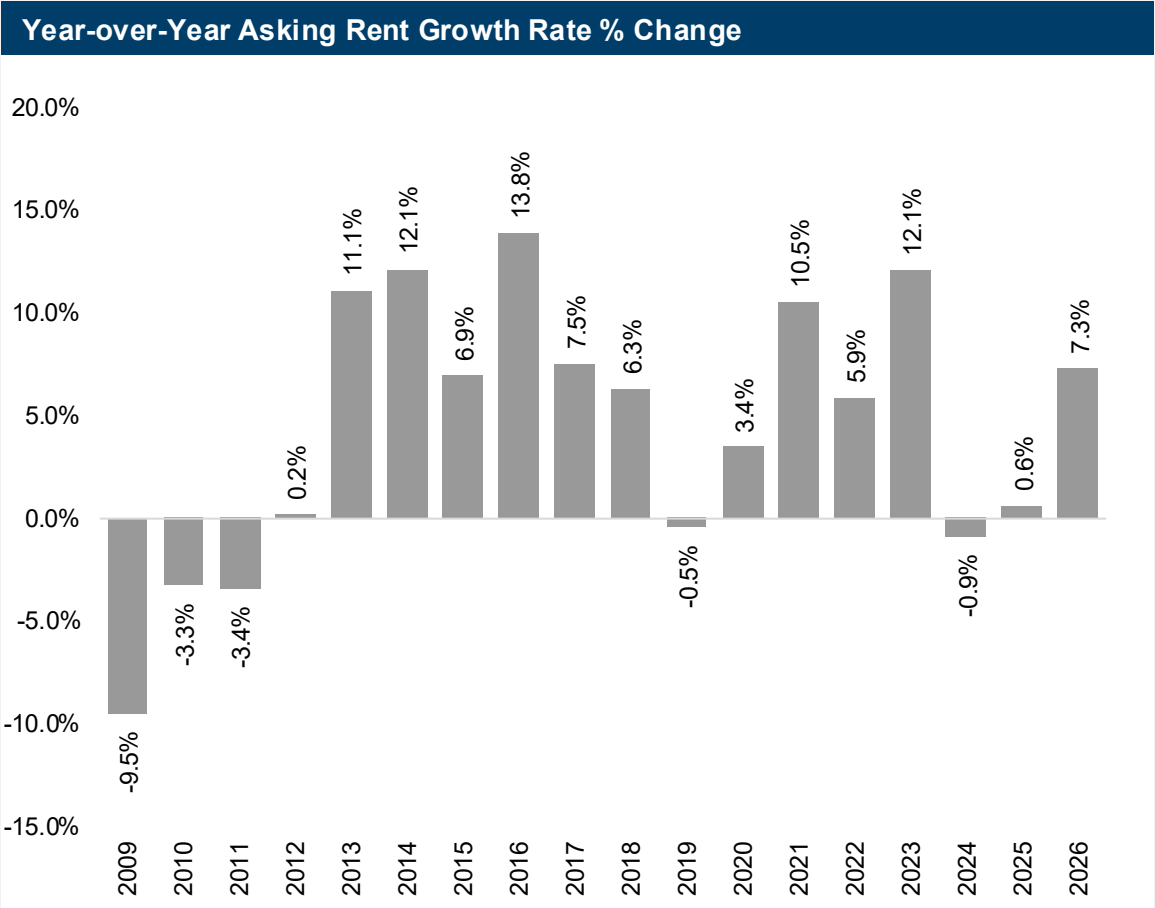
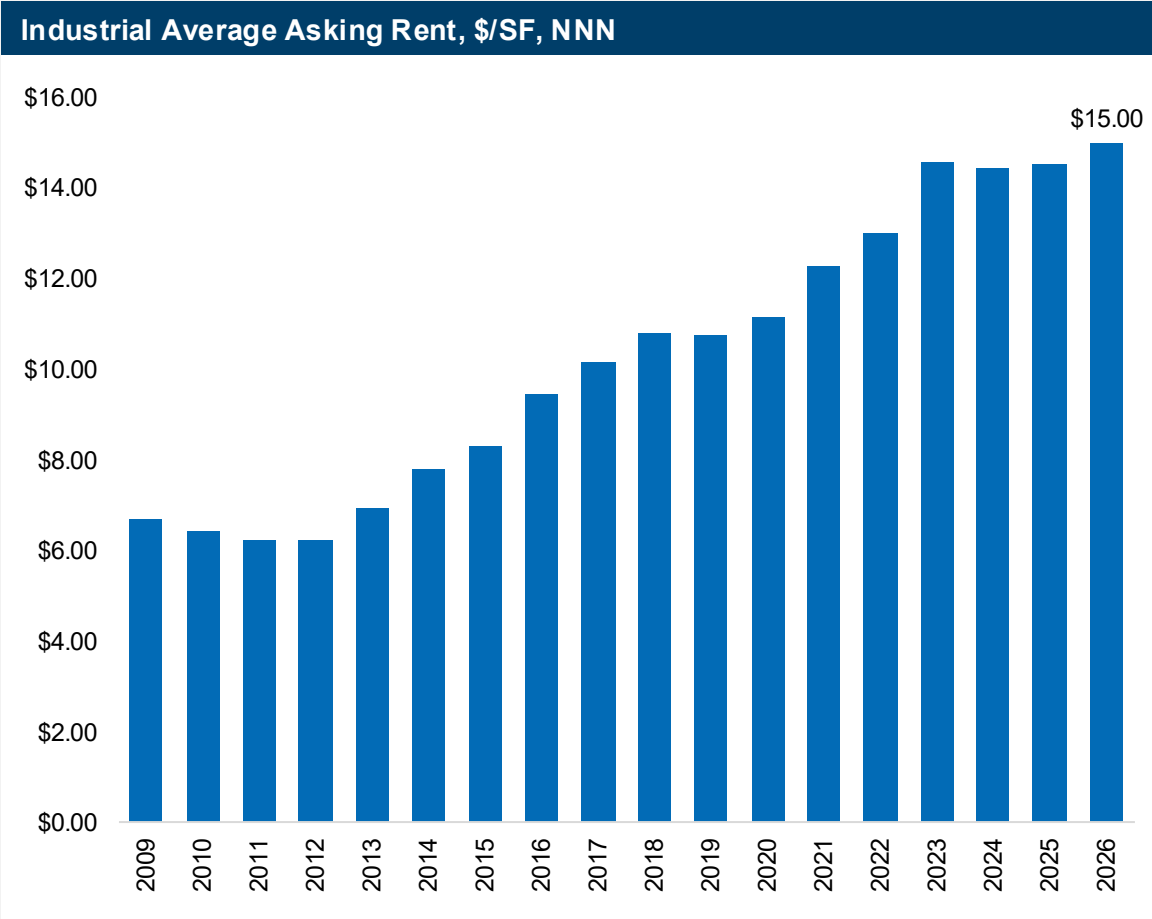


Georgetown/Round Rock Submarket Leads With New Construction and Deliveries

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Delivery of New Product Pushes Rents to Record High

At the end of the second quarter of 2026, industrial average asking rents grew by 3.4% quarter over quarter to \$15.00/SF, a new record high. Meanwhile, rents increased 7.3% year over year, reflecting a normalization in rent growth that has recently ranged from negative to modestly positive. Deliveries of a plethora of high-quality new product continue to keep pushing asking rents to record highs, as landlords look to recover elevated building costs. However, rent growth is expected to stay flat or ease slightly as the volume of new supply continues to outpace demand in the near term and landlords compete to fill vacant space.



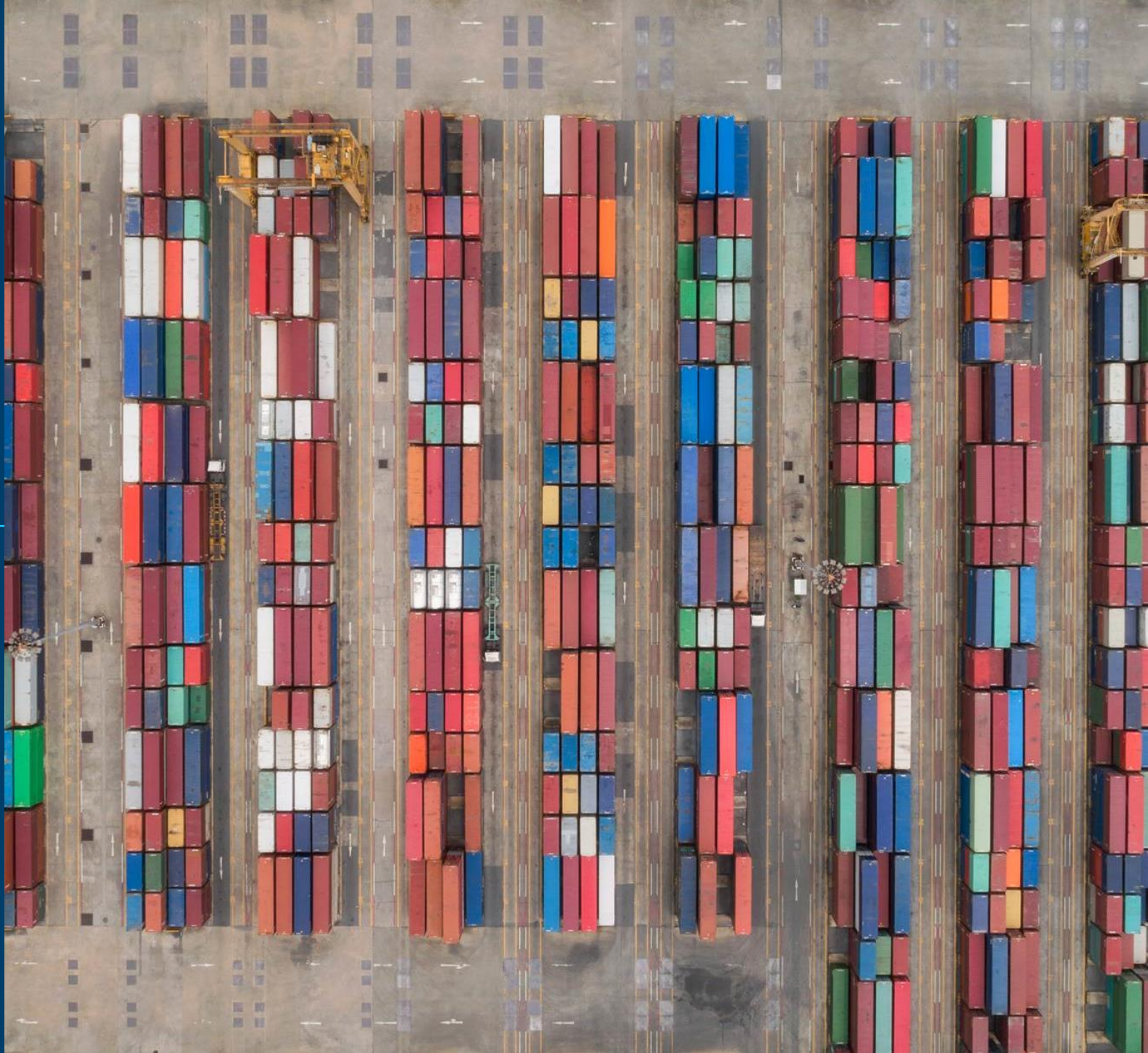
Local Heavyweights Deepen their Regional Commitments

Major regional heavyweights Tesla and Samsung have further deepened their commitment to Austin by signing two of the second quarter of 2026’s largest leases, with Tesla signing the largest lease for 681,259 SF at Austin Hills Commerce Center – Building 6. Samsung recently celebrated 30 years of doing business in Austin, with 2025 marking \$10.9 billion of economic impact for the Austin economy. Meanwhile, semiconductor manufacturer Atomic Semi relocated its operations from San Francisco to Austin to capitalize on regional investments from Tesla and Samsung. Most major leases signed during the quarter were direct leases, underscoring sustained demand for high quality industrial space near major regional advanced manufacturers, such as Samsung in Taylor.

Notable 2Q26 Lease Transactions				
Tenant	Building(s)	Submarket	Type	Square Feet
Tesla	Austin Hills Commerce Center – Building 6	East	Direct New	681,259
Electric car manufacturer Tesla signed the largest lease of the quarter, taking 681,259 SF at 11801 Decker Lake Road. The firm has been aggressively investing in and expanding within the region over the past several years, as it grows its global headquarters at the Gigafactory.				
The American Housing Corporation	Southeast Crossing – Building 1	Southeast	Direct New	157,251
Austin-based The American Housing Corporation, a real estate development company and homebuilder, leased 157,251 SF at 7400 Burleson Road. It is expected that the space will support the company’s pre-fabricated housing plant in Austin, which was completed in 2025.				
Samsung	Park79 Commerce Center – Building 3	Georgetown	Direct New	139,889
Samsung, which recently celebrated 30 years of doing business in Austin, furthered deepened its long-term commitment to the region. The company signed a lease for 139,889 SF at 14501 Highway 79.				
Atomic Semi	Expo 8	Southeast	Sublease	122,400
Semiconductor fabricator Atomic Semi sublet Thermo Fisher Scientific’s 122,400-SF space at 6301 East Stassney Lane for research and development and production. The company will be relocating to Austin from San Francisco.				
United States Postal Service	Prologis Walnut Creek – Building 13	Northeast	Renewal	94,000
The United States Postal Service renewed its lease for 94,000 SF at 9101 Wall Street. It has occupied the space since 2024.				

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Market Statistics & Map



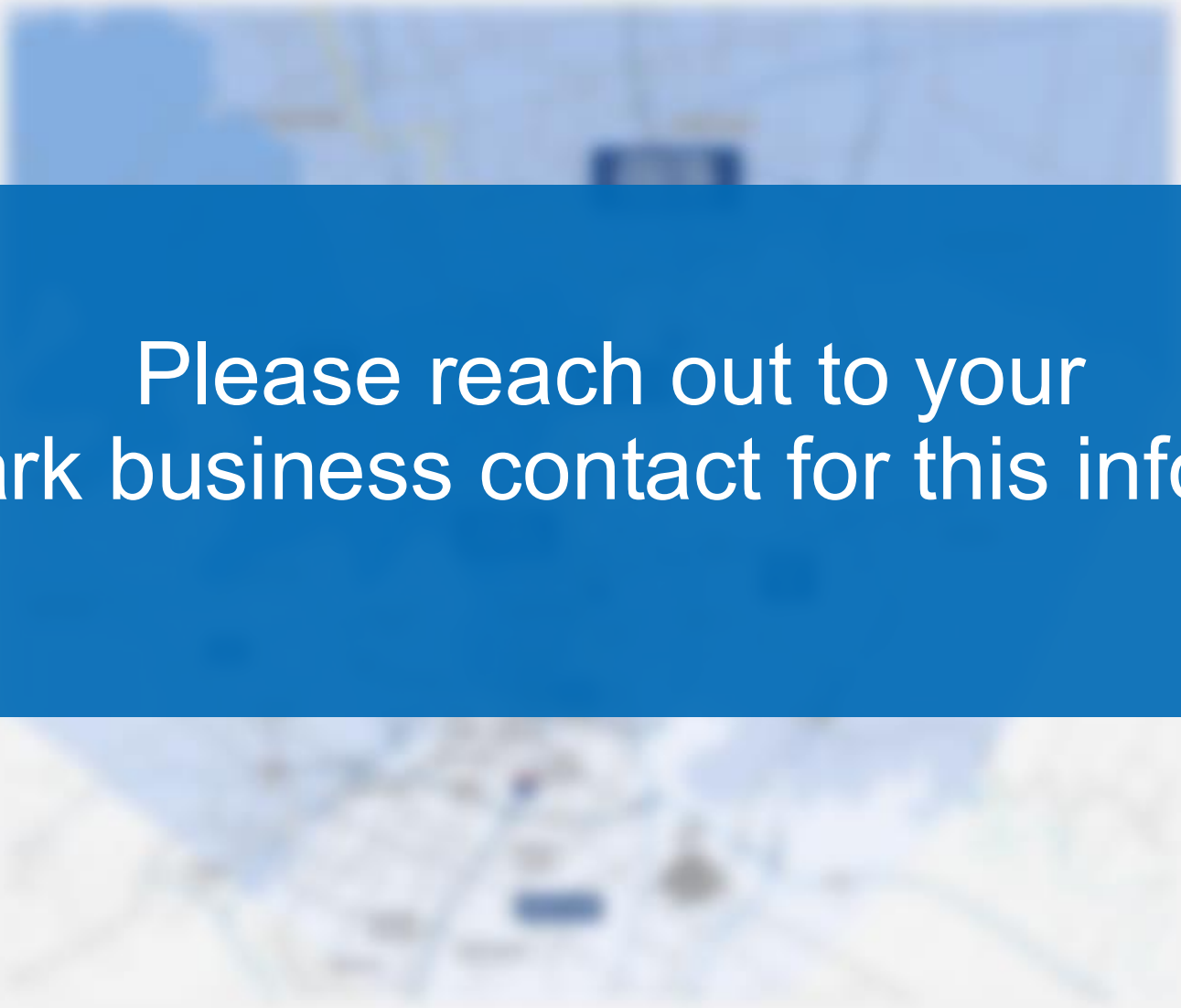
Austin Industrial Submarket Overview



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Industrial	2017-2020	2021-2025	2026-2030	2031-2035	2036-2040	2041-2045	2046-2050	2051-2055
Manufacturing	2017-2020	2021-2025	2026-2030	2031-2035	2036-2040	2041-2045	2046-2050	2051-2055
Warehouse	2017-2020	2021-2025	2026-2030	2031-2035	2036-2040	2041-2045	2046-2050	2051-2055

Austin Industrial Submarket Map



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2Q26 Texas Industrial Market Overview



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2025-2026	2025-2026	2025-2026	2025-2026	2025-2026	2025-2026
2025-2026	2025-2026	2025-2026	2025-2026	2025-2026	2025-2026
2025-2026	2025-2026	2025-2026	2025-2026	2025-2026	2025-2026
2025-2026	2025-2026	2025-2026	2025-2026	2025-2026	2025-2026

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Supplemental Analysis



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Austin Gross Metropolitan Product

2020-2021 Austin Gross Metropolitan Product (GMP) by Sector. The chart shows the contribution of each sector to the total GMP. The largest contributors are the services sector, followed by the manufacturing sector, and the construction sector. The agriculture sector is the smallest contributor.

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Multifamily Maturities Particularly Elevated Through 2030, Industrial Not So Much

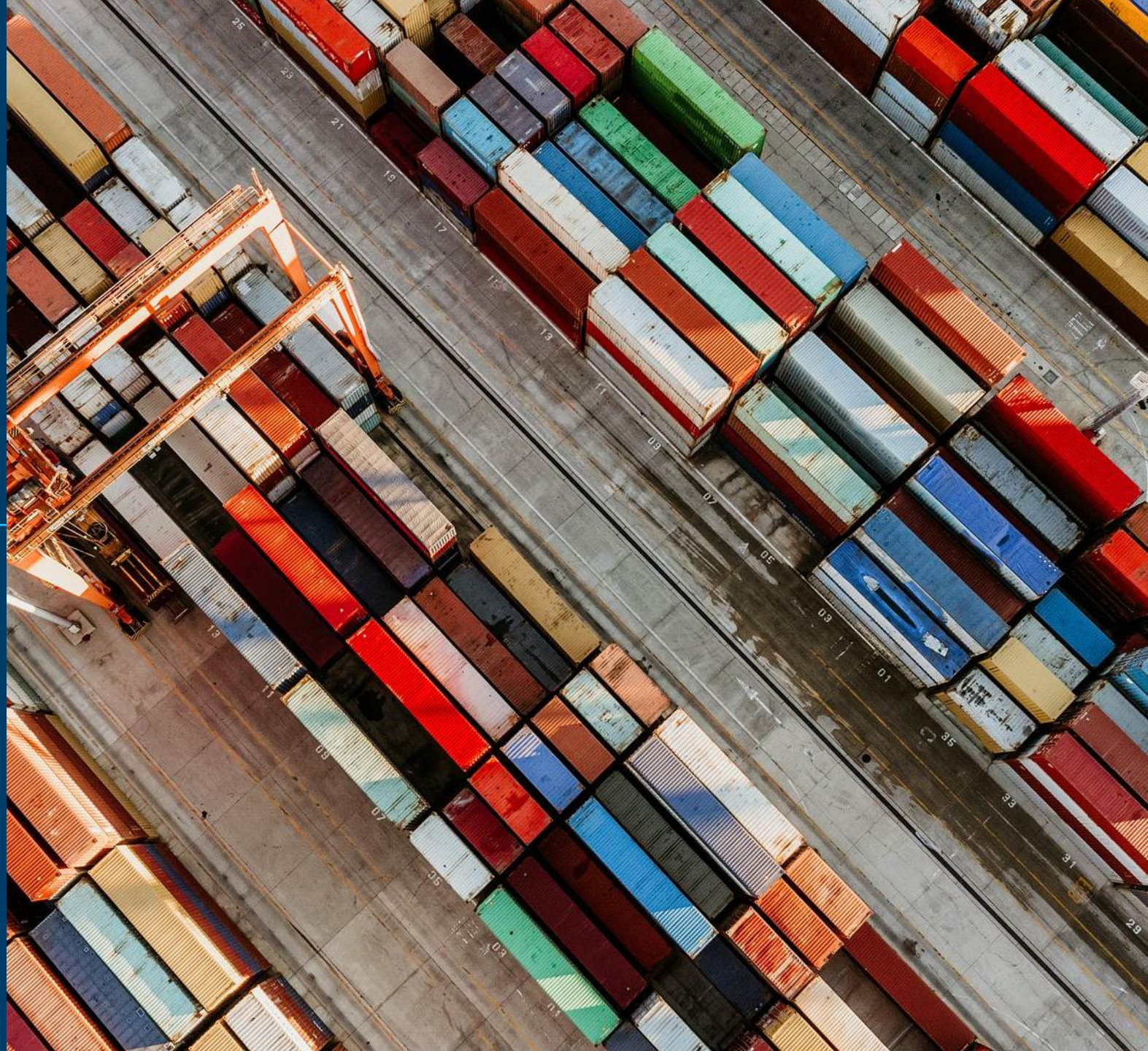
As of the second quarter of 2022, multifamily maturities were elevated through 2030, while industrial maturities were not so much. This is due to the fact that multifamily properties are typically financed with long-term debt, while industrial properties are typically financed with short-term debt. This is due to the fact that multifamily properties are typically financed with long-term debt, while industrial properties are typically financed with short-term debt. This is due to the fact that multifamily properties are typically financed with long-term debt, while industrial properties are typically financed with short-term debt.

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San Antonio Appendix



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San Antonio Industrial Submarket Overview

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