

Austin Industrial Market Overview

Market Observations

Economy

- The market's unemployment rate ticked down by 23 basis points year over year to 3.4%, remaining below the five-year average of 4.1%.
- Overall nonfarm annual job growth decelerated to the national average of 0.9%, reflecting an annual decline of 123 basis points. A notable shift, given Austin's usual outperformance over the national average.
- Employment growth reported mixed results that were evenly split between growth and contraction, with government leading job gains at 4.0% over the past 12 months.
- Most industrial-using job sectors in the market reflected yearly declines, with mining and construction and trade/transportation/utilities reporting declines of 0.4% and 1.9%, respectively. Meanwhile, trade/transportation/utilities employment increased by 1.1% on a yearly basis.

Major Transactions

- 3D shoe manufacturer Zellerfeld inked the third quarter of 2025's largest deal, leasing 135,442 SF at Tech Ridge Five.
- All notable leases in the third quarter of 2025 were new, underscoring sustained demand for high-quality industrial space in the market.
- Advanced manufacturers were undeterred by the economic turmoil that characterized the quarter and signed all the market's largest leases during the third quarter of 2025.
- Leasing activity slowed in the third quarter of 2025 on both a quarterly and annual basis to 1.7 MSF, on par with the third-quarter average of 1.7 MSF reported since 2000.

Leasing Market Fundamentals

- The market recorded 812,120 SF of positive absorption in the third quarter of 2025, marking the 25th consecutive quarter of positive absorption.
- Overall rental rates increased by 3.5% quarter over quarter to \$14.82/SF, reflecting a decline of 1.1% from the historic high achieved during the first quarter of 2024.
- The construction pipeline delivered 1.6 MSF during the third quarter of 2025. The under-construction pipeline ended the quarter with 16.1 MSF remaining under construction, ticking up 1.6% quarter over quarter.
- After three consecutive years of new deliveries outpacing annual demand, the imbalance has persisted in 2025. Through the third quarter, developers have delivered 7.2 MSF of new space compared with 2.8 MSF of net absorption, a 4.4 MSF gap that has driven the vacancy rate up by 330 basis points year over year to a record 14.1%.

Outlook

- The Austin industrial market is poised for an influx of new supply in the near term, with 10.5% of the current inventory under construction. New deliveries, which are 56.2% preleased, will outpace demand in the near term as the market absorbs its elevated pipeline.
- Vacancy rates are projected to rise in the short term as new supply outpaces occupancies.
- Asking rents are expected to flatten or ease slightly as the volume of new supply continues to outpace demand in the near term.

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2. Leasing Market Fundamentals
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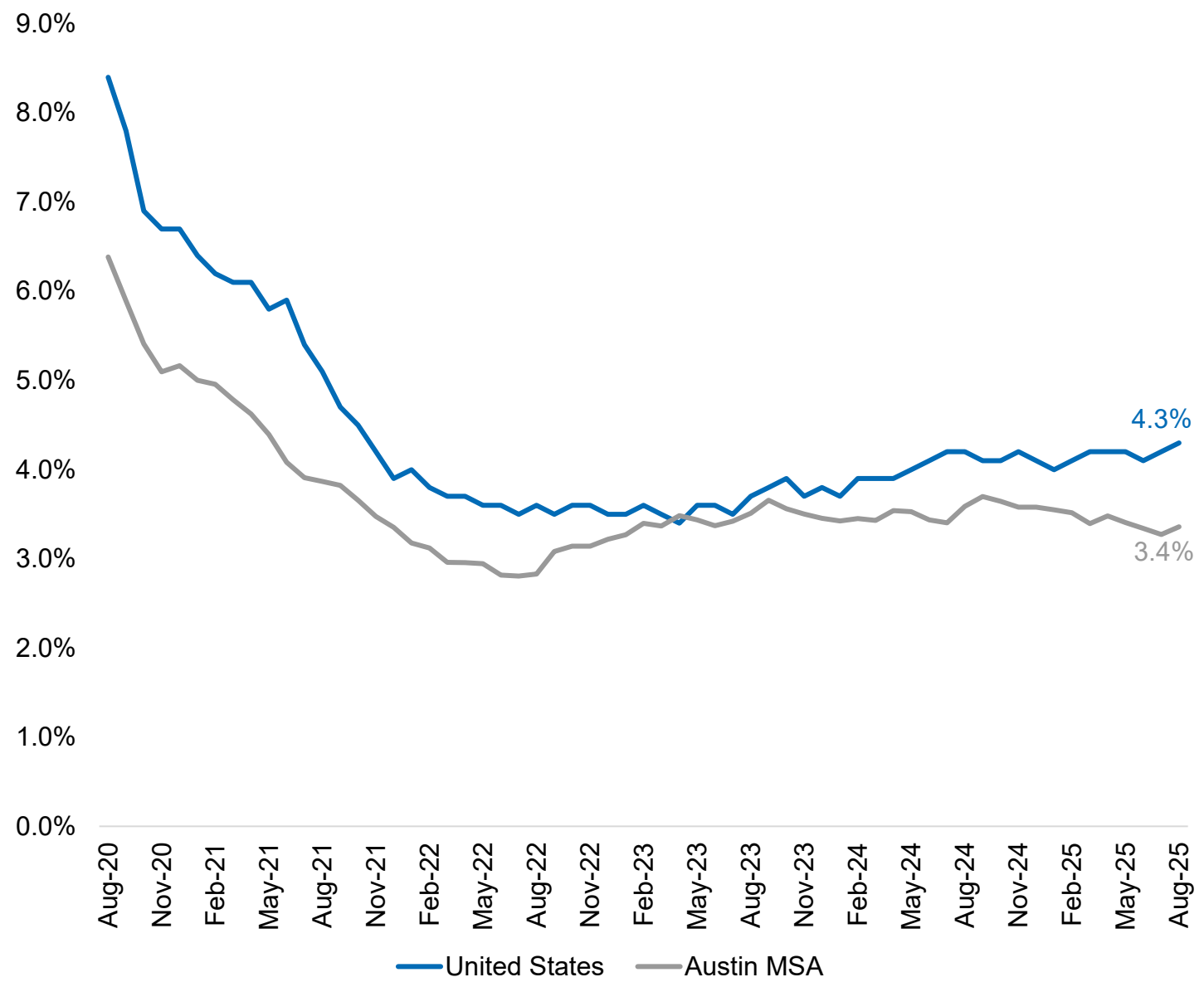
Economy



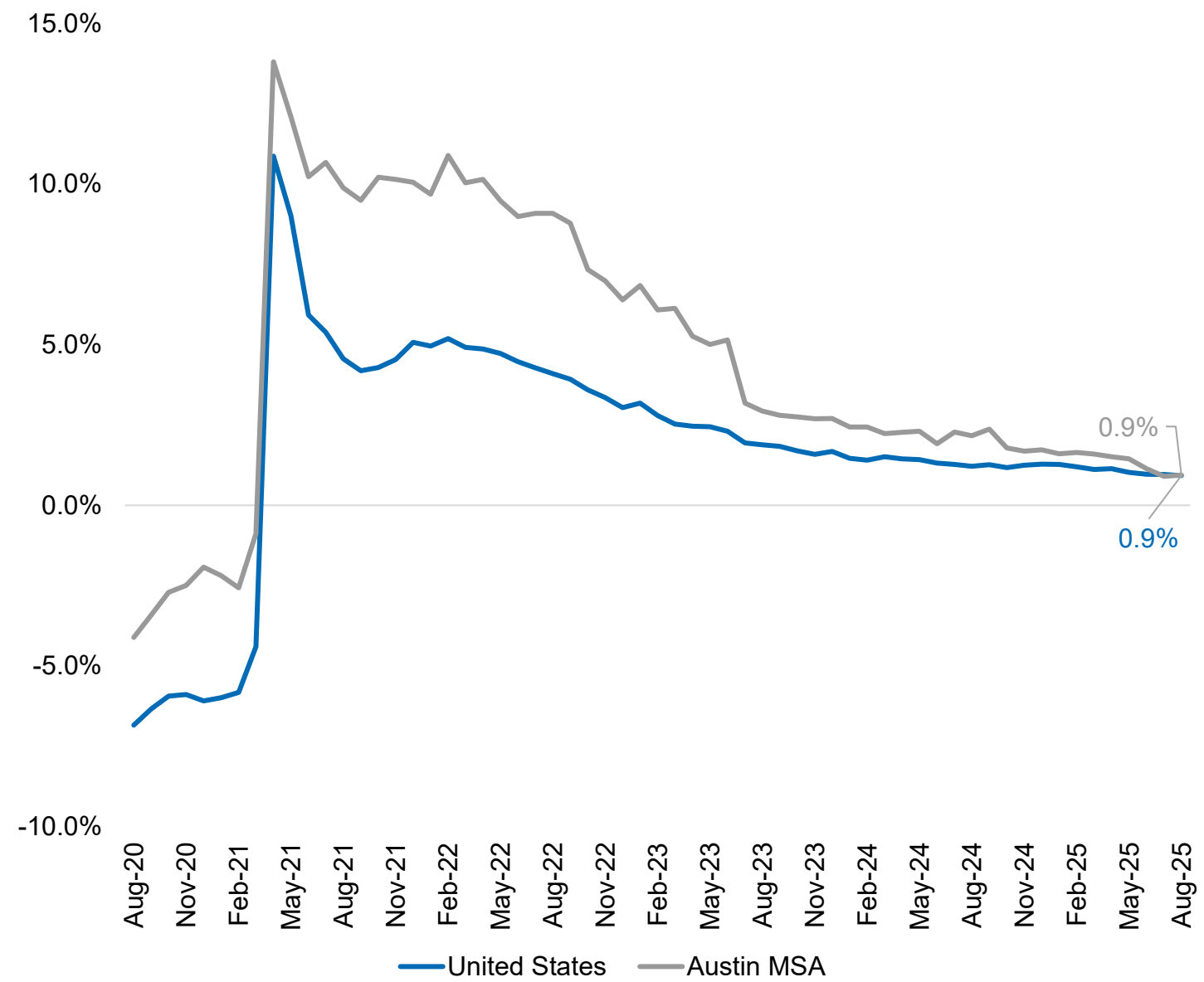
Employment Growth Slows, Unemployment Remains Below National Average

Austin has historically reported lower unemployment rates compared to the national average, while being an outperformer in employment growth. The gap between Austin’s outperformance in job growth over the United States average has narrowed in recent quarters, with Austin reaching parity with the national average in the most recent quarter. Most nonfarm payroll yearly growth has been concentrated in the government, financial activities and leisure and hospitality sectors. Despite continued national economic headwinds in the third quarter of 2025, the region’s unemployment rate ticked down by 23 basis points year over year to 3.4%. Meanwhile, employment growth decelerated by 123 basis points to 0.9% year over year.

Unemployment Rate, Seasonally Adjusted



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

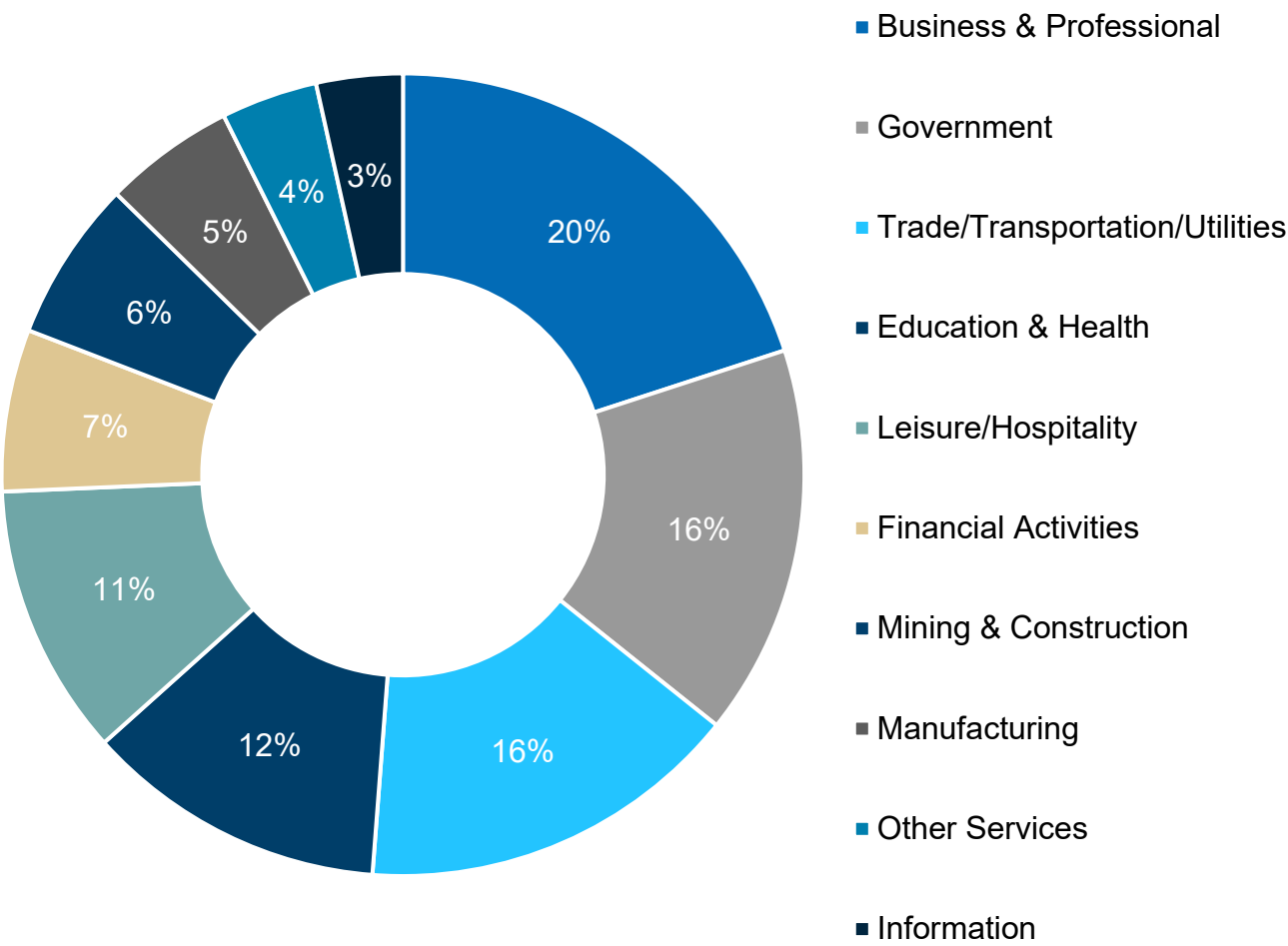


Source: U.S. Bureau of Labor Statistics, Austin-Round Rock MSA

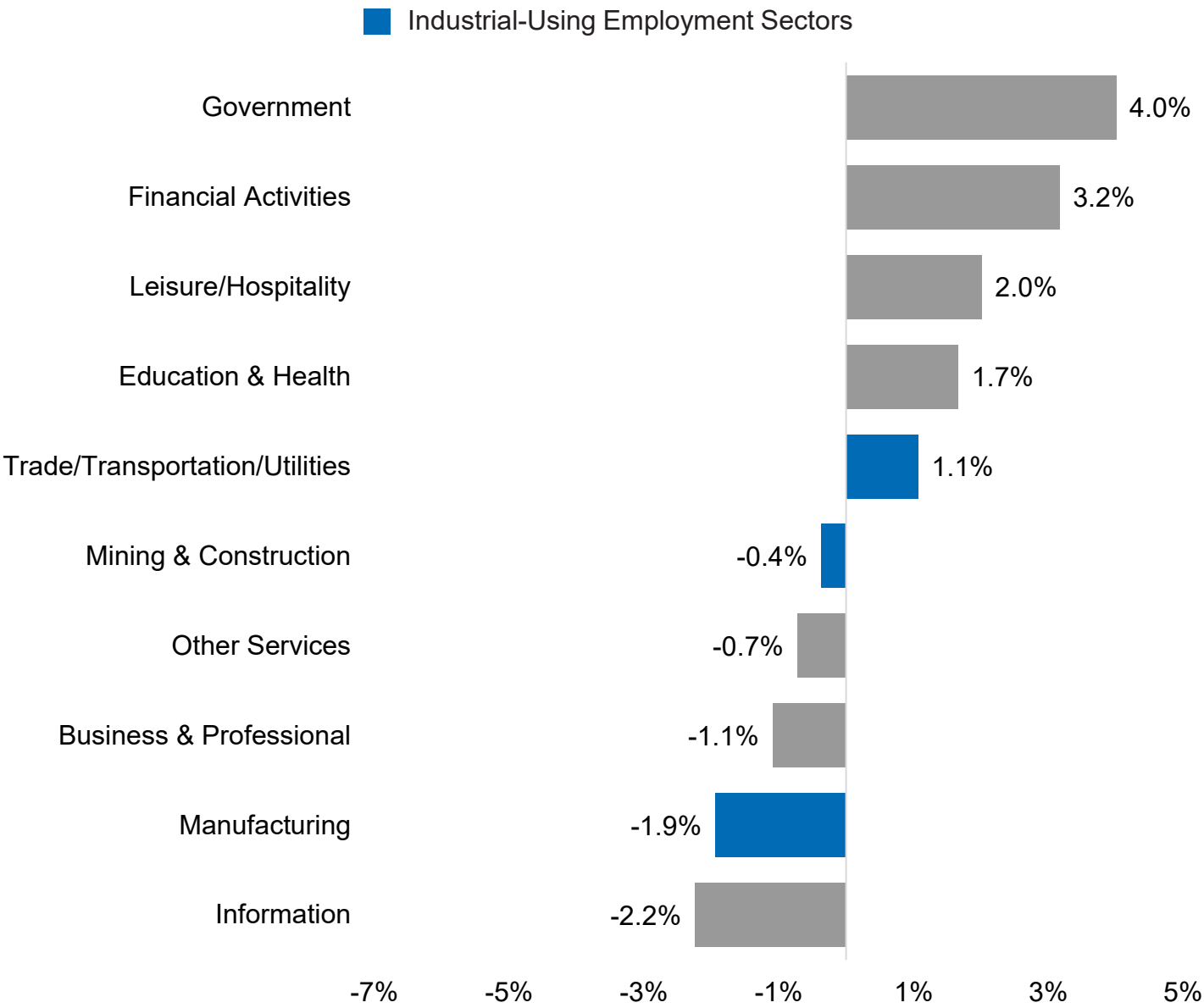
Employment Growth Declines Across Most Industrial-Using Sectors

Known for its technology sector, Austin’s top two employment industries—business and professional services and government—account for 35.7% of jobs. The industrial-using trade/transportation/utilities employment sector, representing 15.5% of Austin’s workforce, is the third largest in the market. Sectoral job growth in the market was evenly split between gains and losses, with declines being reported among most industrial-using sectors. The trade/transportation/utilities sector posted gains of 1.1%. Meanwhile, mining and construction and manufacturing reported yearly job losses of 0.4% and 1.9%, respectively.

Employment by Industry, August 2025



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

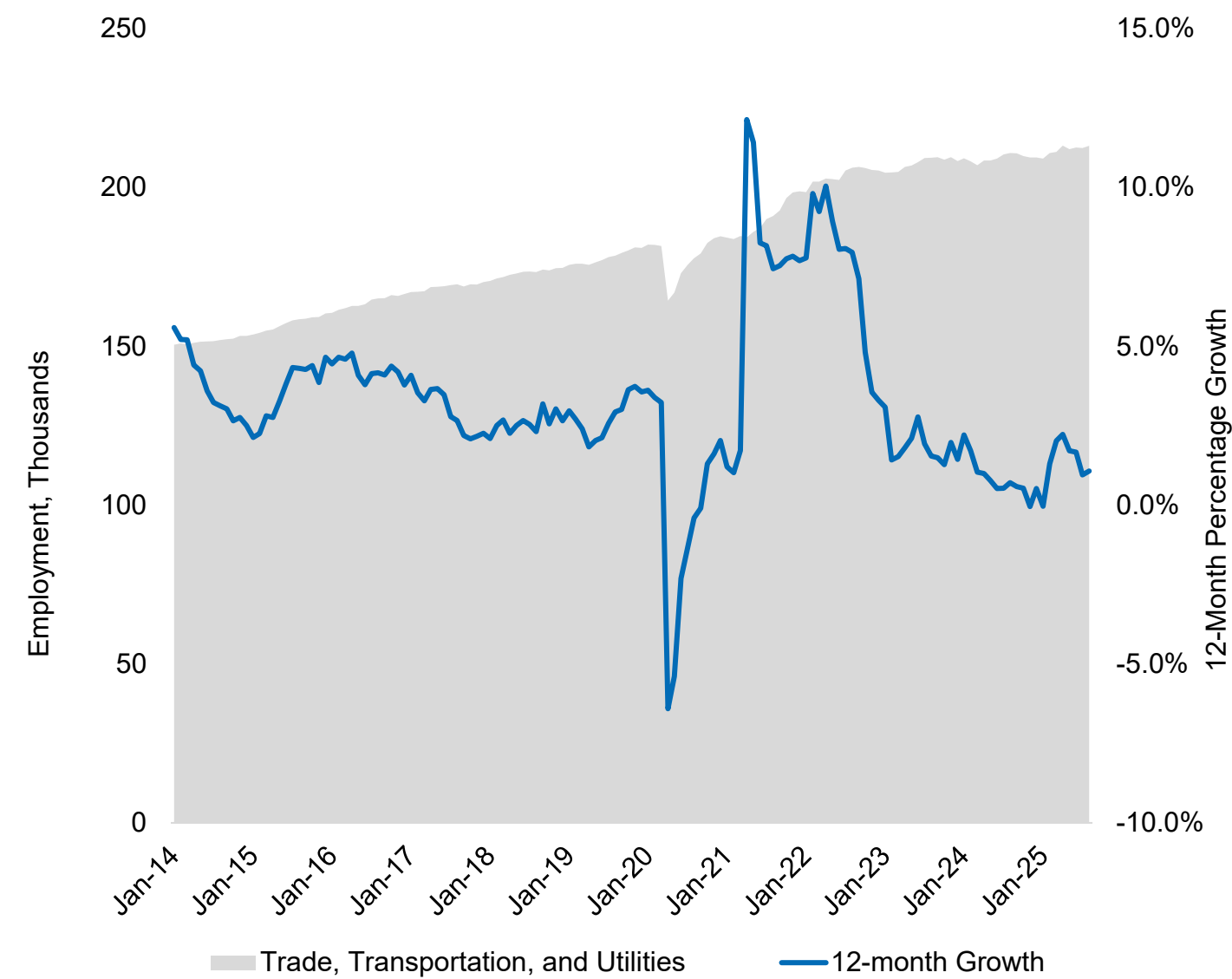


Source: U.S. Bureau of Labor Statistics, Austin MSA

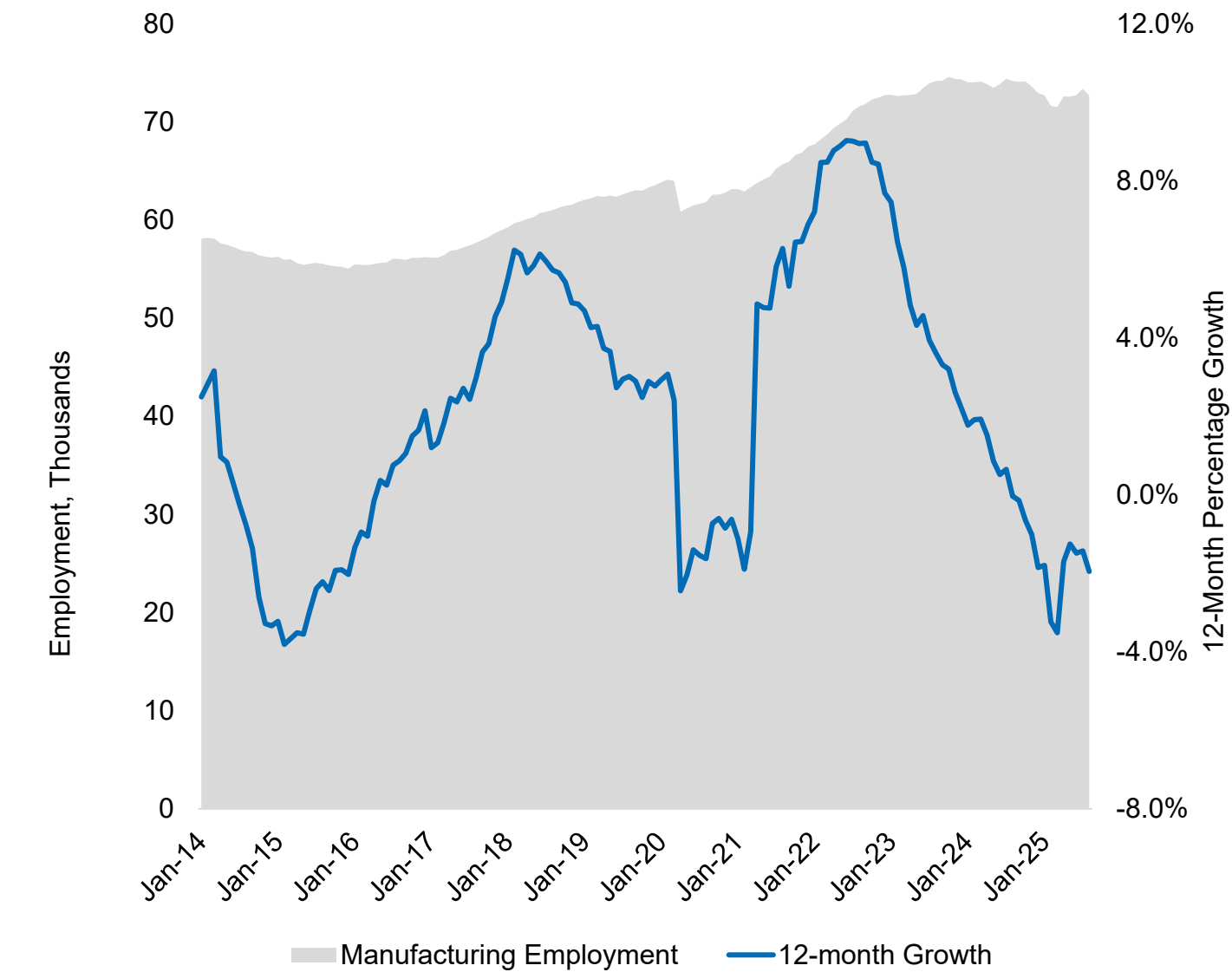
Industrial Employment Shows Mixed Results

Employment in the trade/transportation/utilities sector closed August 2025 with 213,069 jobs, just below the historical high set during the previous quarter. In contrast, manufacturing employment finished August 2025 with 72,715 jobs. Overall, industrial-using employment showed mixed annual results, with trade/transportation/utilities growing by 1.1% and manufacturing shrinking by 2.0%. Trade/transportation/utilities and manufacturing employment both remain 0.2% and 2.5% below their historic highs, respectively.

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

The gross metropolitan product continues to increase despite economic headwinds, albeit at a slower rate. More recently, the gross metropolitan product rose 0.2% year over year to reach a new all-time high of roughly \$270 billion.



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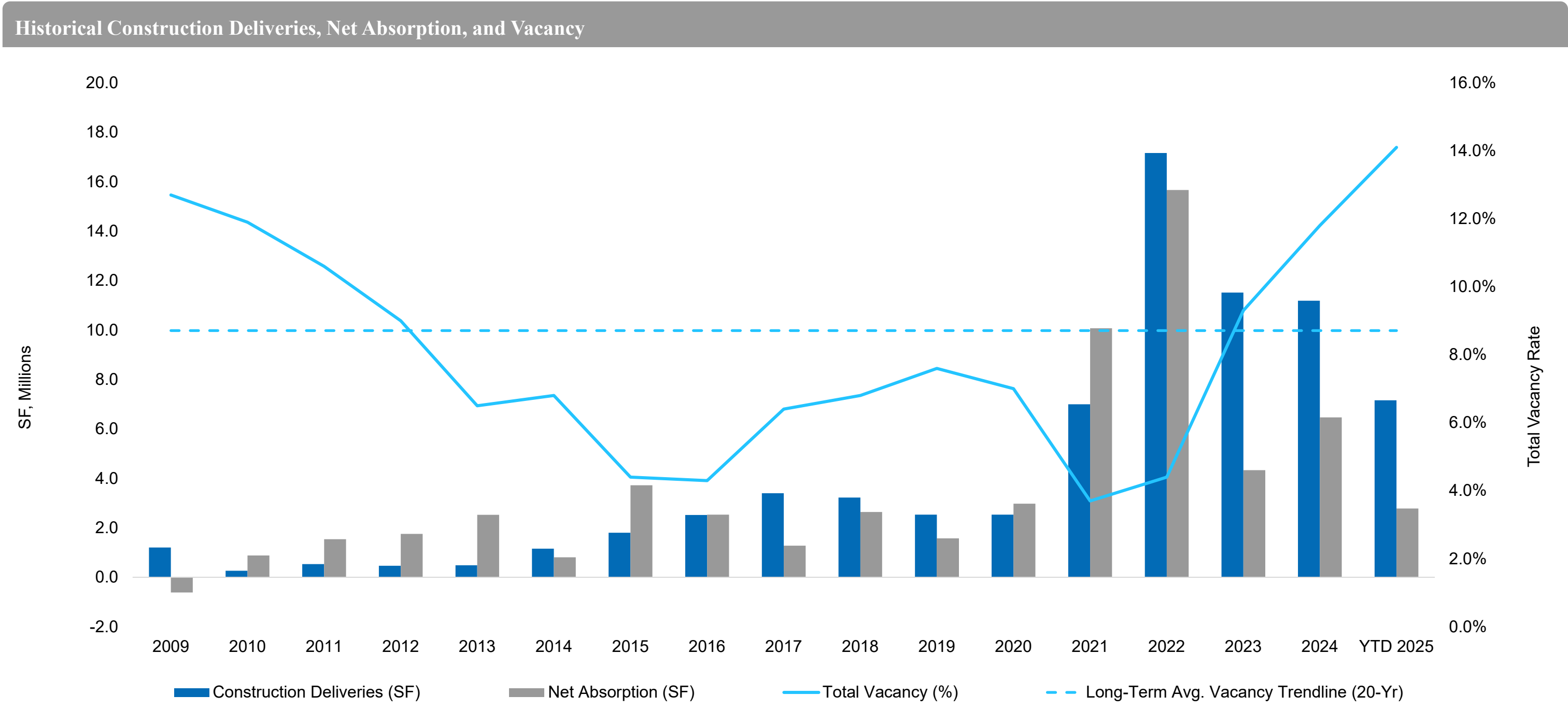
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Leasing Market Fundamentals



Elevated Deliveries Push Vacancies to Record High

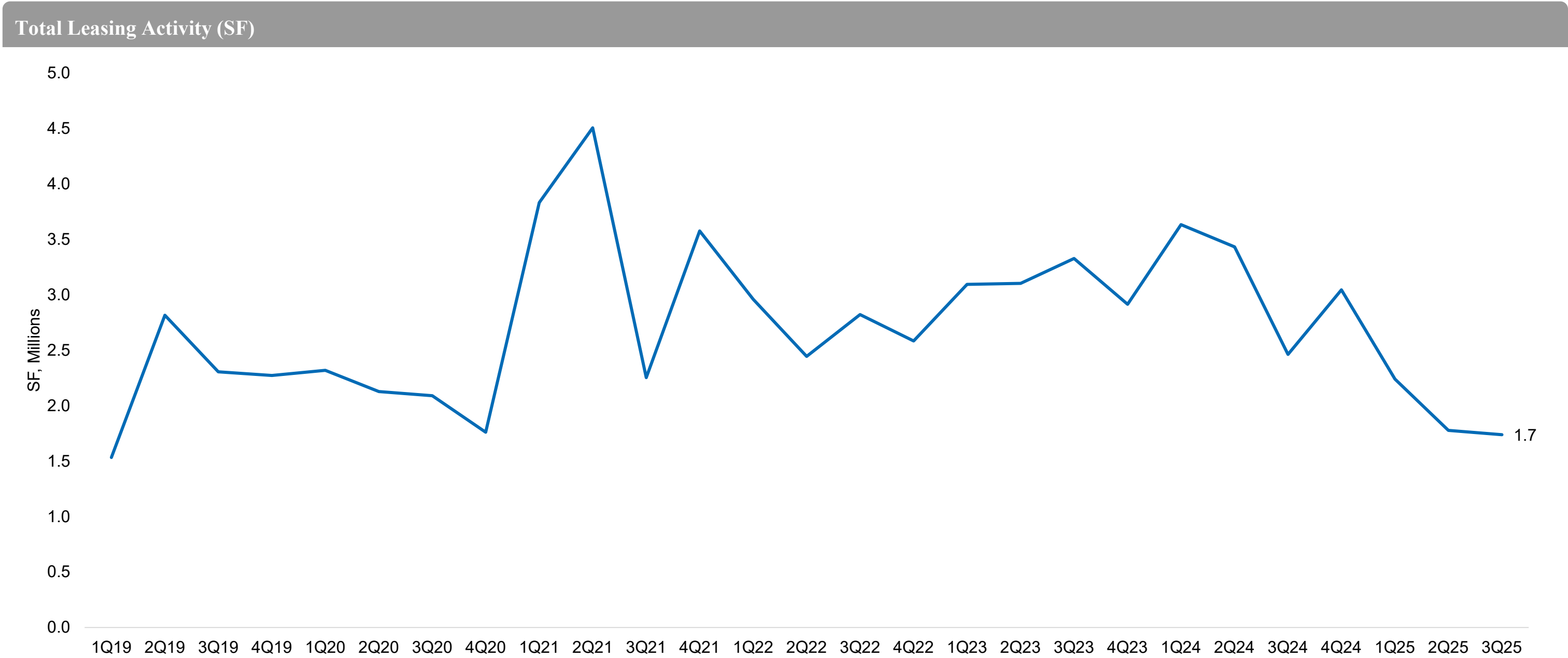
The Austin industrial vacancy rate rose by 330 basis points year over year to an all-time high of 14.1% in the third quarter of 2025, primarily due to another quarter of elevated deliveries that are yet to be absorbed by the market. The third quarter reported roughly 1.6 MSF of deliveries, bringing the year-to-date total to 7.2 MSF. Despite national economic headwinds, demand for industrial space remained positive for the 25th consecutive quarter, totaling 812,120 SF, 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.



Source: Newmark Research, CoStar

Industrial Leasing Activity Closes Near Recent Low

Leasing activity in Austin totaled 1.7 MSF at the close of the third quarter of 2025, marking the lowest point since the first quarter of 2019 and reflecting quarterly and yearly declines of 2.2% and 29.4%, respectively. Despite a slowdown driven by macroeconomic uncertainty stemming from fluctuating monetary policy and tariffs, market demand remains positive.

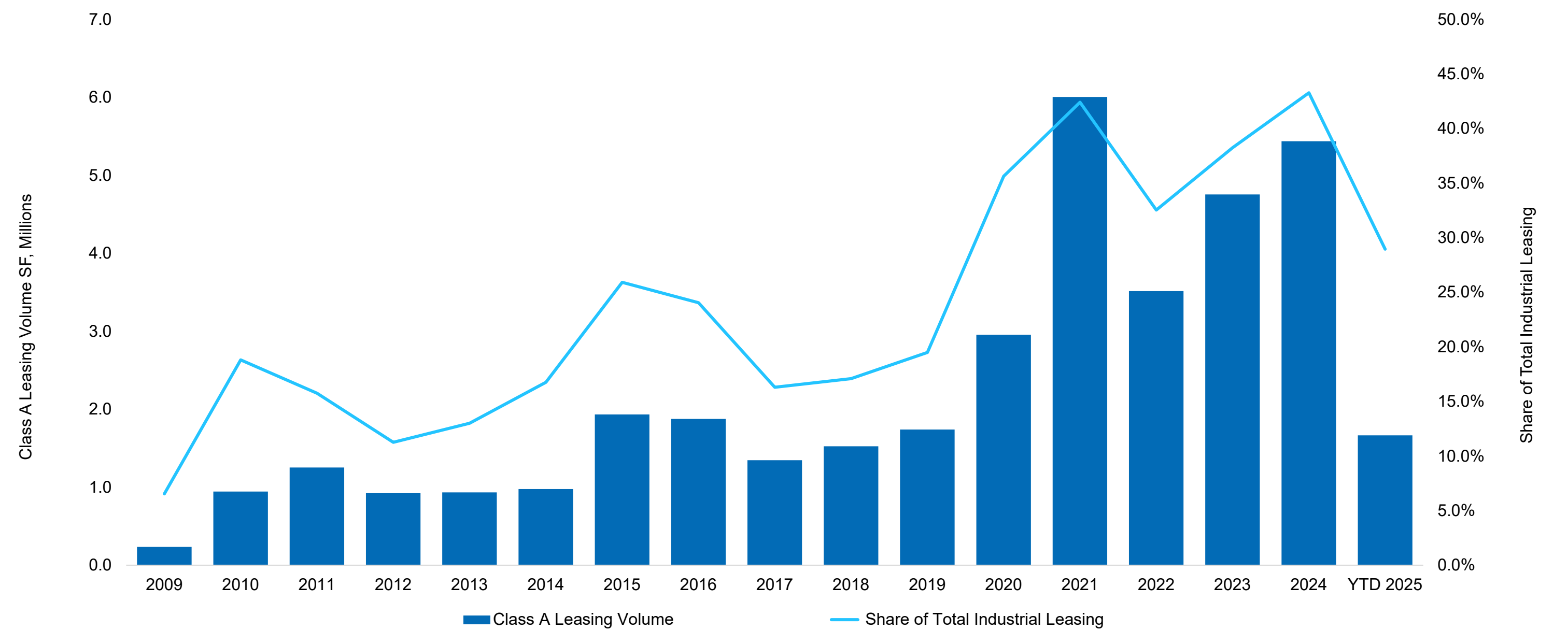


Source: Newmark Research, CoStar

Class A Warehouse Share of Transaction Volume Picks Up Quarterly

Leased square footage for Class A warehouse increased by 6.4% from the previous quarter and decreased by 13.2% on an annual basis to 325,552 SF. Meanwhile, Class A warehouse’s share of leasing activity increased to 18.7% in the third quarter of 2025, reflecting an increase of 640 basis points quarter over quarter and a decrease of 1,322 basis points year over year. However, Class A leasing activity remains above the third-quarter average of 16.9% reported from 2009 through 2019.

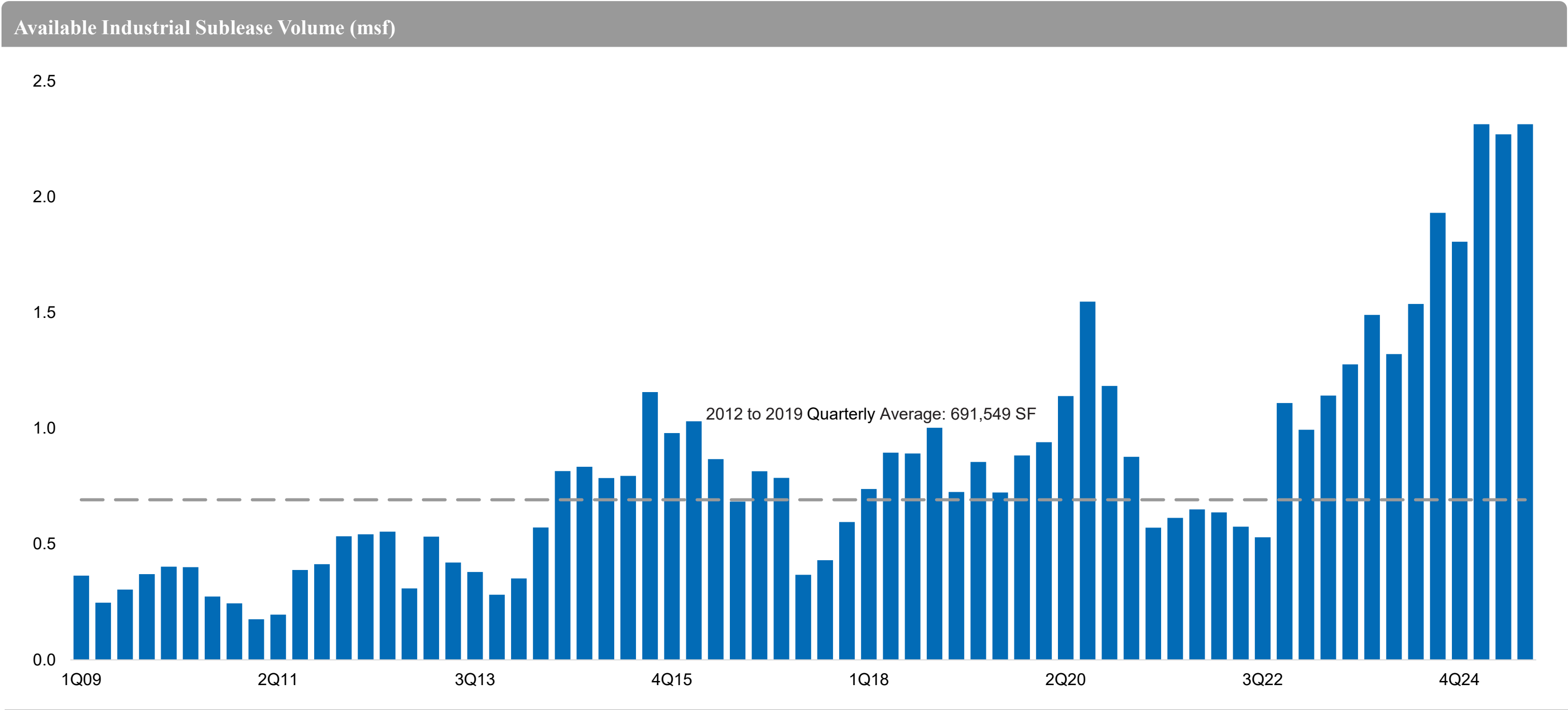
Industrial Class A Leasing Volume and Percentage of Total Industrial Leasing Volume



Source: Newmark Research, CoStar

Industrial Sublease Availability Increases to Record High

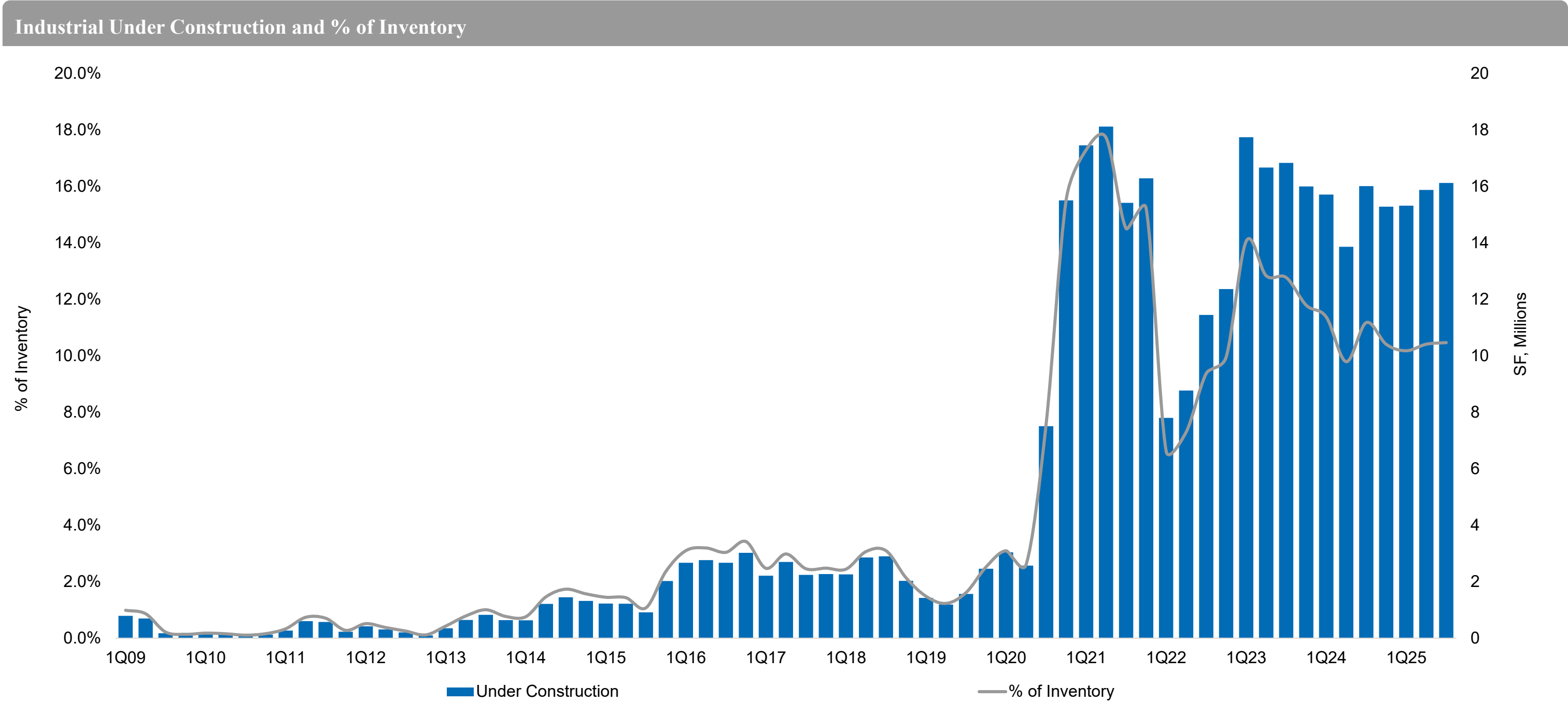
At the end of the third quarter of 2025, sublease availabilities increased by 1.9% quarter over quarter and by 19.8% year over year to a record high of 2.3 MSF. This is well above the 691,549 SF quarterly average that the market reported from 2012 through 2019. The increase in available sublet space 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 trade volatility. Notable occupants listing space include Cart.com with 126,364 SF and Thermo Fisher Scientific with 122,400 SF.



Source: Newmark Research, CoStar

Construction Activity Continues to Tick Up

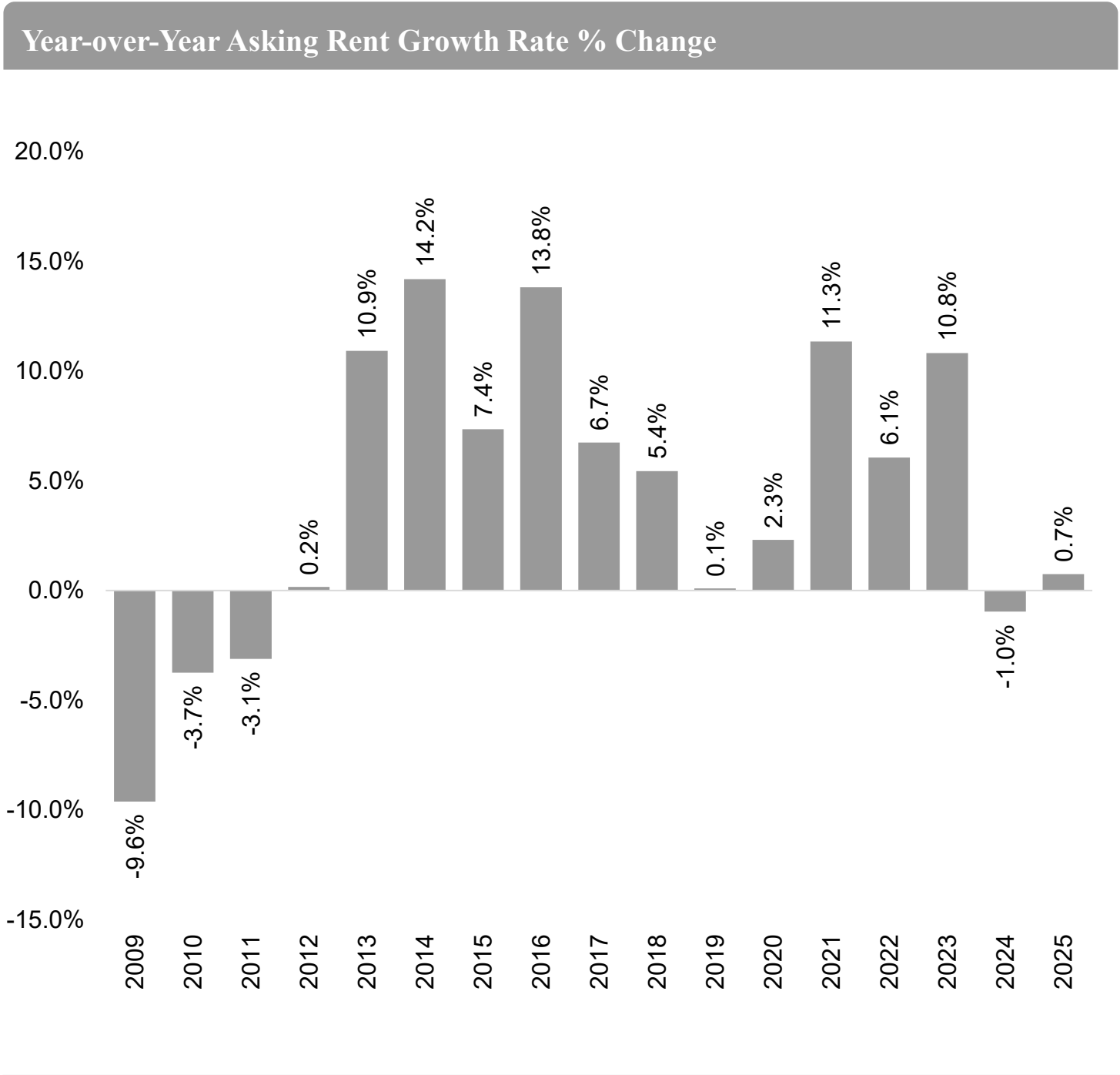
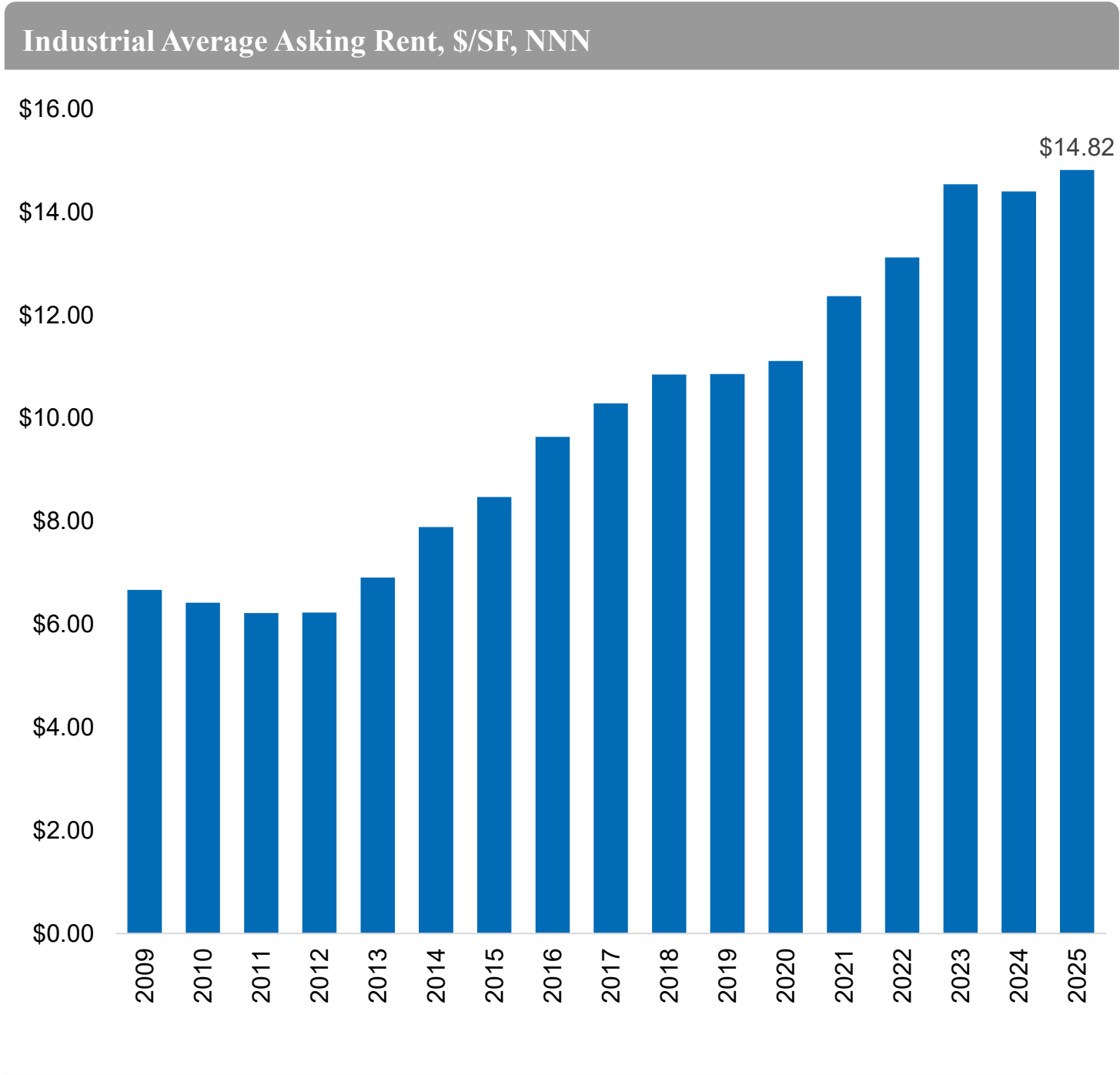
Austin’s industrial pipeline remains historically elevated at 16.1 MSF under construction, comprising 10.5% of the market’s total inventory as of the end of the third quarter of 2025. Developers continue to launch new projects, anticipating demand from advanced manufacturing companies moving into and expanding within the region. Meanwhile, significant regional investments and agreements by firms like Tesla and Samsung are leading the expansion of supply chains along the I-35 corridor. This may accelerate if the current administration’s tariffs incentivize firms to re-shore manufacturing. Under-construction projects are 56.2% preleased.



Source: Newmark Research, CoStar

Delivery of New Product Keeps Rents Near Record Highs

At the end of the third quarter of 2025, industrial average asking rents moved up to \$14.82/SF, roughly 1.1% below the historic high of \$14.98 recorded during the first quarter of 2024. This reflects increases of 3.5% quarter over quarter and 0.7% year over year. Delivery of a plethora of high-quality new product is keeping asking rents near 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.



Source: Newmark Research, CoStar

Economic Turmoil Doesn’t Deter Advanced Manufacturers, Local Companies Leasing

Leasing activity slowed in the third quarter of 2025 on a quarterly and annual basis, with quarterly leasing activity at 1.7 MSF, on par with the third-quarter quarterly average of 1.7 MSF reported since 2000. Advanced manufacturers were not deterred by economic turmoil that characterized the quarter and signed all the third quarter of 2025’s largest leases. Another notable trend was the number of local companies signing leases in the market, three of the quarter’s largest leases were signed by companies headquartered in Austin, including Base Power, Avride and Patriot Power Systems. Notably, all major leases signed in the third quarter of 2025 were new direct leases, underscoring sustained strong demand for industrial space in the market.

Notable 3Q25 Lease Transactions

Tenant	Building	Submarket	Type	Square Feet
Zellerfeld <i>Brooklyn-based 3D shoe printer Zellerfeld signed the largest lease of the quarter when it inked a 135,442-SF lease at 905 W Howard Lane. The firm will place 2,000 shoe printers in the facility to manufacture shoes for major companies such as Nike.</i>	Tech Ridge Five	Far Northeast	Direct New	135,442
Base Power <i>The Austin-based energy provider leased the former Austin American Statesman building at 305 South Congress Avenue. This will serve as a temporary facility to produce in-home batteries until its permanent facility is completed. It currently employs 20 employees at the facility and plans to expand to 100-150 employees in the coming months.</i>	Austin American Statesman	South	Direct New	80,000
Colt Recycling <i>Electronics recycler Colt Recycling expanded its Austin presence when it leased space in Taylor. It joins the company’s facility in San Marcos, which it established in 2024. Colt is expected to take occupancy during the first quarter of 2026.</i>	601 W 2 nd St	Georgetown	Direct New	58,600
Avride <i>Avride, an Austin-based autonomous vehicle and robotics manufacturer, has leased the entire property at 8325 Tuscany Way. The company assembles its vehicles in North Austin, where its software engineering team is also based. It began testing its autonomous vehicles on Austin roads in July.</i>	Tuscany 4	Northeast	Direct New	54,865
Patriot Power Services <i>Austin-based Patriot Power Services leased the entirety of Building 16 at 8606 Wall St. Patriot Power Services provides power testing solutions for data centers and infrastructure projects.</i>	8606 Wall St – Building 16	Northeast	Direct New	51,200

Source: Newmark Research

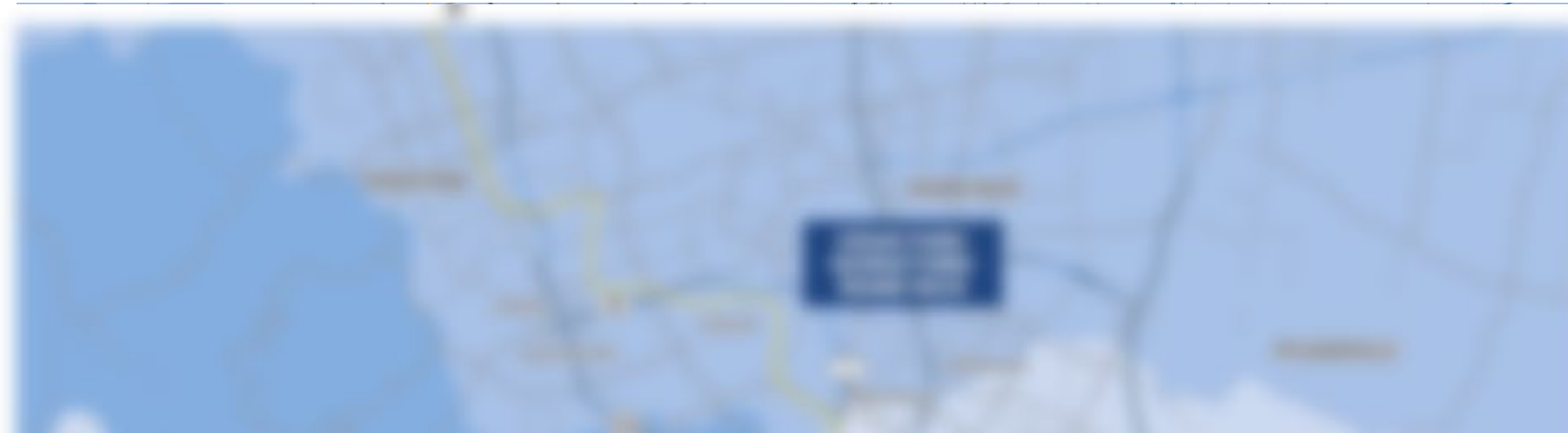
Austin Industrial Submarket Overview



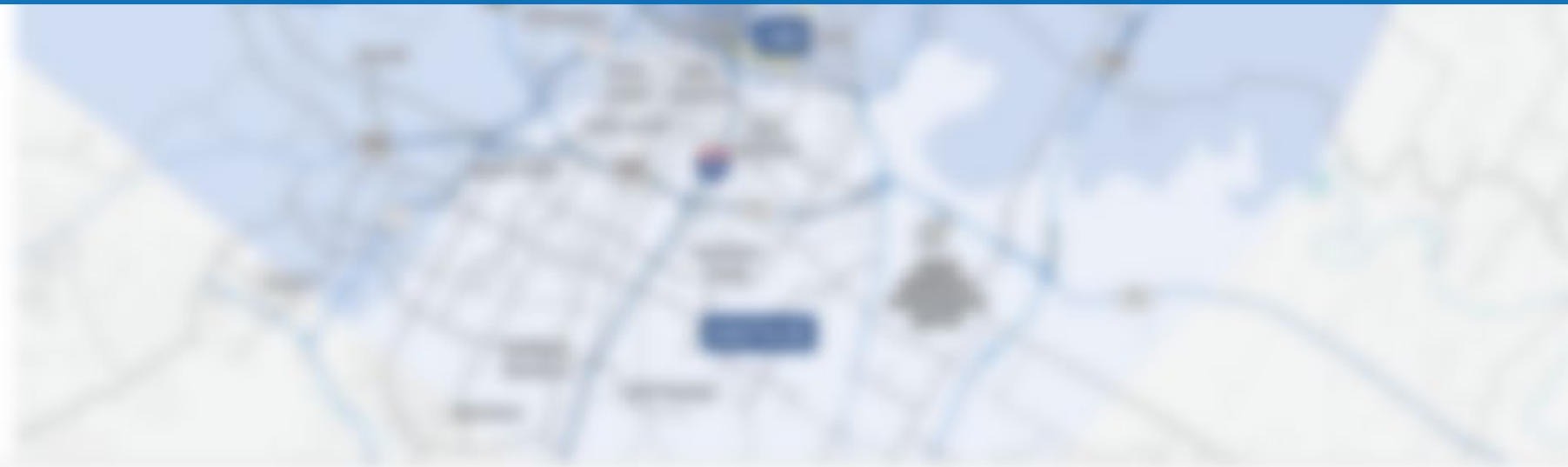
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Industrial	25,000,000	1,000,000	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Industrial - High	25,000,000	1,000,000	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Industrial - Low	25,000,000	1,000,000	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%

Austin Industrial Submarket Map



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3Q25 Texas Industrial Market Overview



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Industrial Construction	1,000,000	1,000,000	100,000	1,000,000	1,000,000
Non-Industrial Construction	1,000,000	1,000,000	100,000	1,000,000	1,000,000
Construction of new industrial buildings	100,000	100,000	10,000	100,000	100,000
Construction of new non-industrial buildings	100,000	100,000	10,000	100,000	100,000
Construction of new industrial buildings	100,000	100,000	10,000	100,000	100,000

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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, attracting numerous companies to industrial manufacturing and distribution facilities.

- 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.
- Industrial space growth, including new construction, may reduce future growth.
- Increasing demand for industrial space, including new construction, may reduce future growth.

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- Industrial properties in industrial manufacturing and logistics sectors, which support operations for various types of goods.
- Industrial properties with modern buildings, including new construction.
- Increasing demand for industrial space, including advanced manufacturing and logistics operations.
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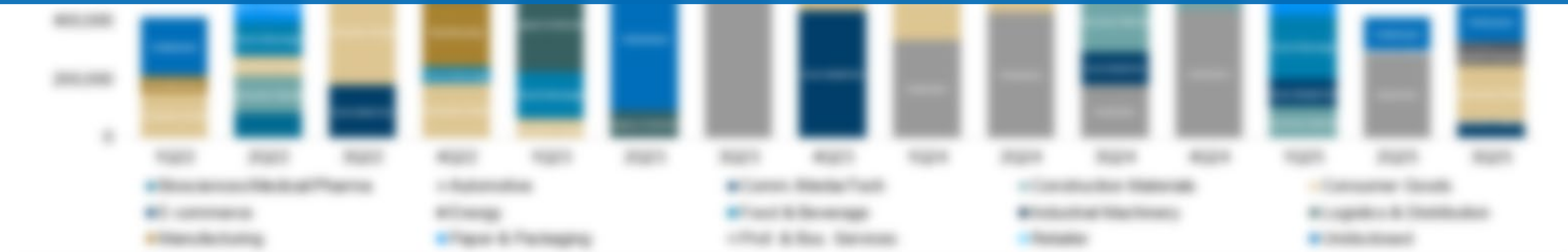
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Top Five Largest Deals Done by Industry Type

Industry types in the top five largest deals reported in the market have shifted over time. Since the third quarter of 2021, the automotive industry has had a strong presence in quarterly leading activity, as reported in the "Trade/Other" category, often comprising all industries. Commercial goods deals have been notably reported less in the market for most of the last 15 quarters. Commercial goods still periodically appear in the largest transactions but, in contrast with recent market trends, commercial goods and industrial manufacturing still represent only a small share of the third quarter of 2023's largest deals.



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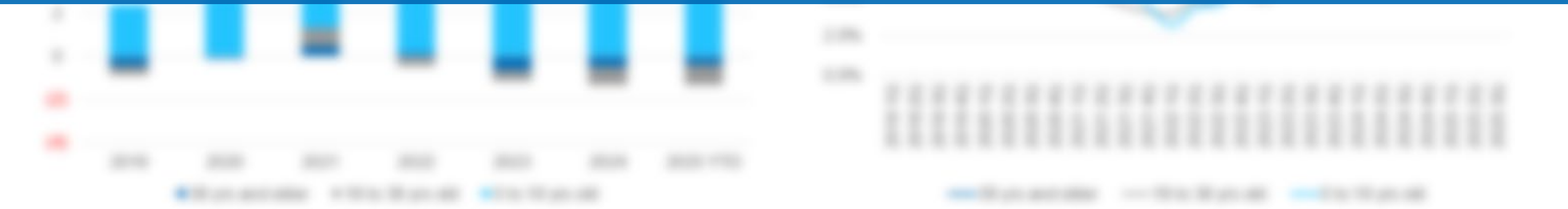


Preference for Modern Industrial Buildings Drives Demand

Modern industrial buildings currently have a vacancy rate of 10.7%, whereas older industrial buildings have contributed to nearly all positive net absorption over the past three years, underscoring strong net demand for newer facilities. The higher vacancy rate for modern warehouses is largely supply-driven, whereas the continued low to moderate vacancy rates among older, lower-quality industrial properties is a result of sustained negative net absorption over the past two years, indicating a potential weakening or compression of demand. However, vacancy rates have begun to trend downward during the most recent quarter.



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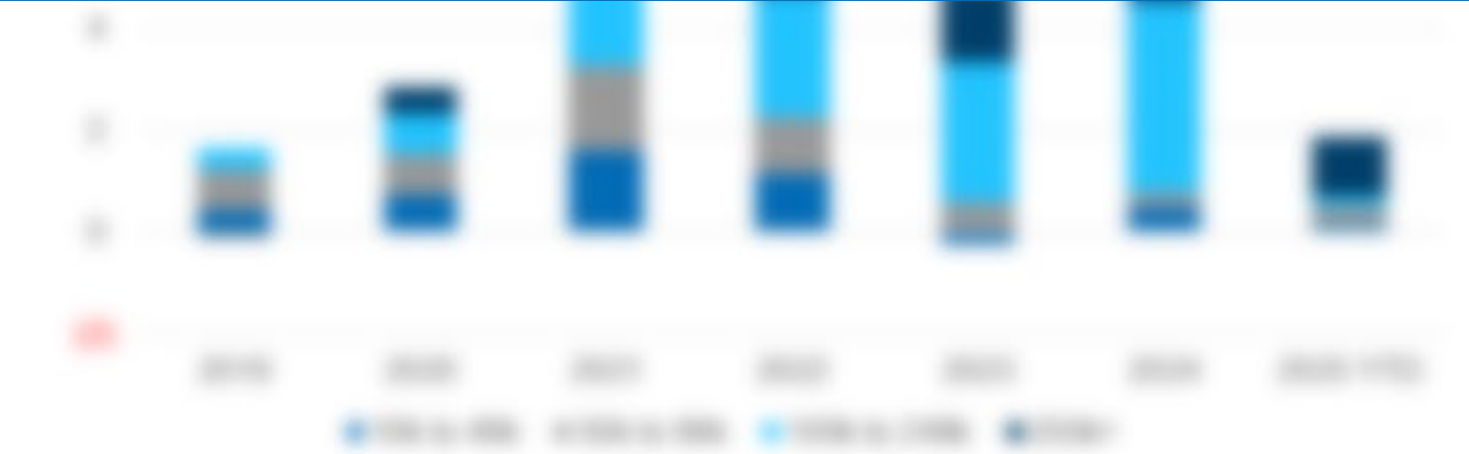


Large Buildings Drive Absorption

Builders continue to see strong demand, particularly for large properties in the 100,000 SF to 200,000 SF and 200,000 SF and larger segments. However, the tight pace of new deliveries has disrupted the pipeline, contributing to rising vacancy rates across most size categories. The 200,000 SF and larger segment has begun to show improvement in the most recent quarter. The 100,000 SF to 200,000 SF and 200,000 SF to 300,000 SF segments have seen the most significant increases year over year, rising by 47% and 101% respectively. While vacancy rates for the 100,000 SF to 200,000 SF segment have remained relatively stable, they are slightly above national levels. This still highlights the ongoing challenge of aligning supply with demand in a market experiencing unprecedented levels of new construction.



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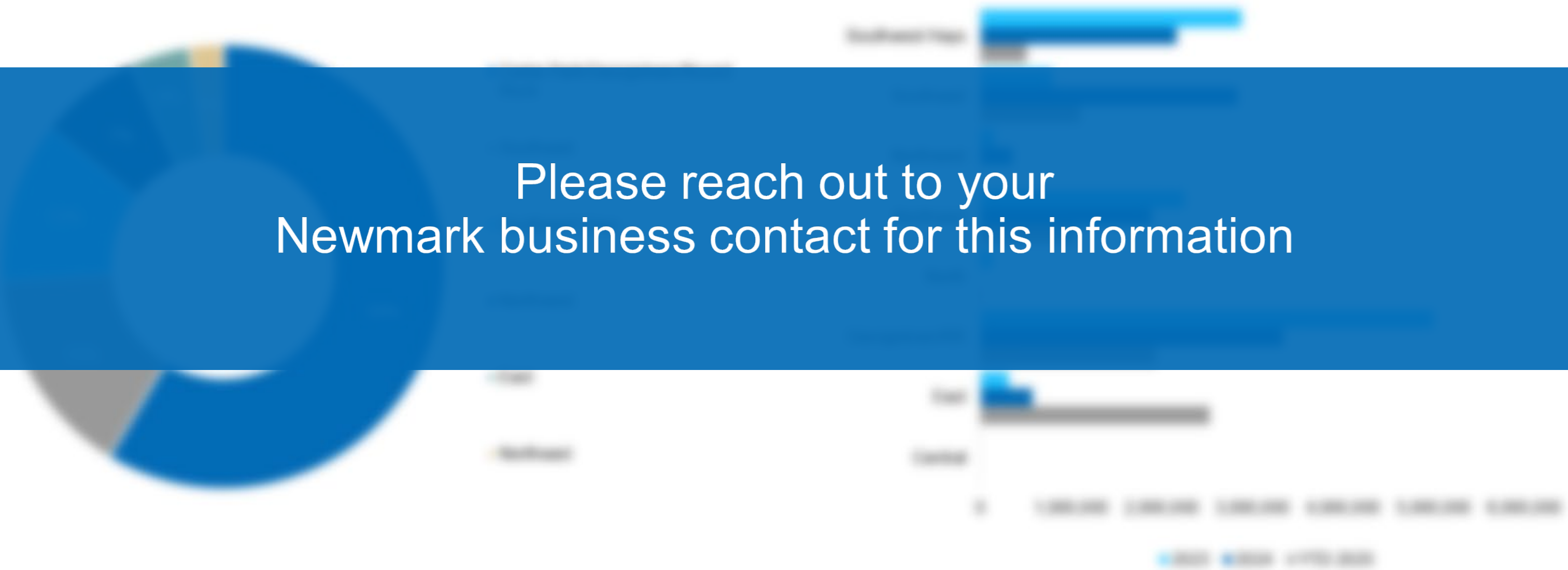


Georgetown/Round Rock Submarket Leads With New Construction and Deliveries

The Greater Austin Metropolitan Area's Round Rock submarket currently accounts for 18.8% of all single-unit construction inventory, or 5,111 units. The submarket also continues to lead industrial inventory growth with 1.1 million sq ft added since the beginning of 2020. Developers have been drawn to the submarket as advanced manufacturers. Tech has continued to grow its footprint. Additionally, advanced manufacturers have been capitalizing on Tech's investments and leasing space throughout the past year.

Georgetown/Round Rock Submarket Leads With New Construction and Deliveries

Georgetown/Round Rock Submarket Leads With New Construction and Deliveries



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Highest Loan Volume Due in 2029

In the third quarter of 2022, government agencies reported the highest volume of new financing, accounting for 50% of the new volume. Overall, government agencies and CMBS have represented a significant share of new loan volume, with government agencies leading at 50% and CMBS at 25%. The highest volume of new financing was reported in the third quarter of 2022, accounting for 50% of the new volume. The highest volume of new financing was reported in the third quarter of 2022, accounting for 50% of the new volume. The highest volume of new financing was reported in the third quarter of 2022, accounting for 50% of the new volume.

Financing Volume by Source

Financing Volume by Source

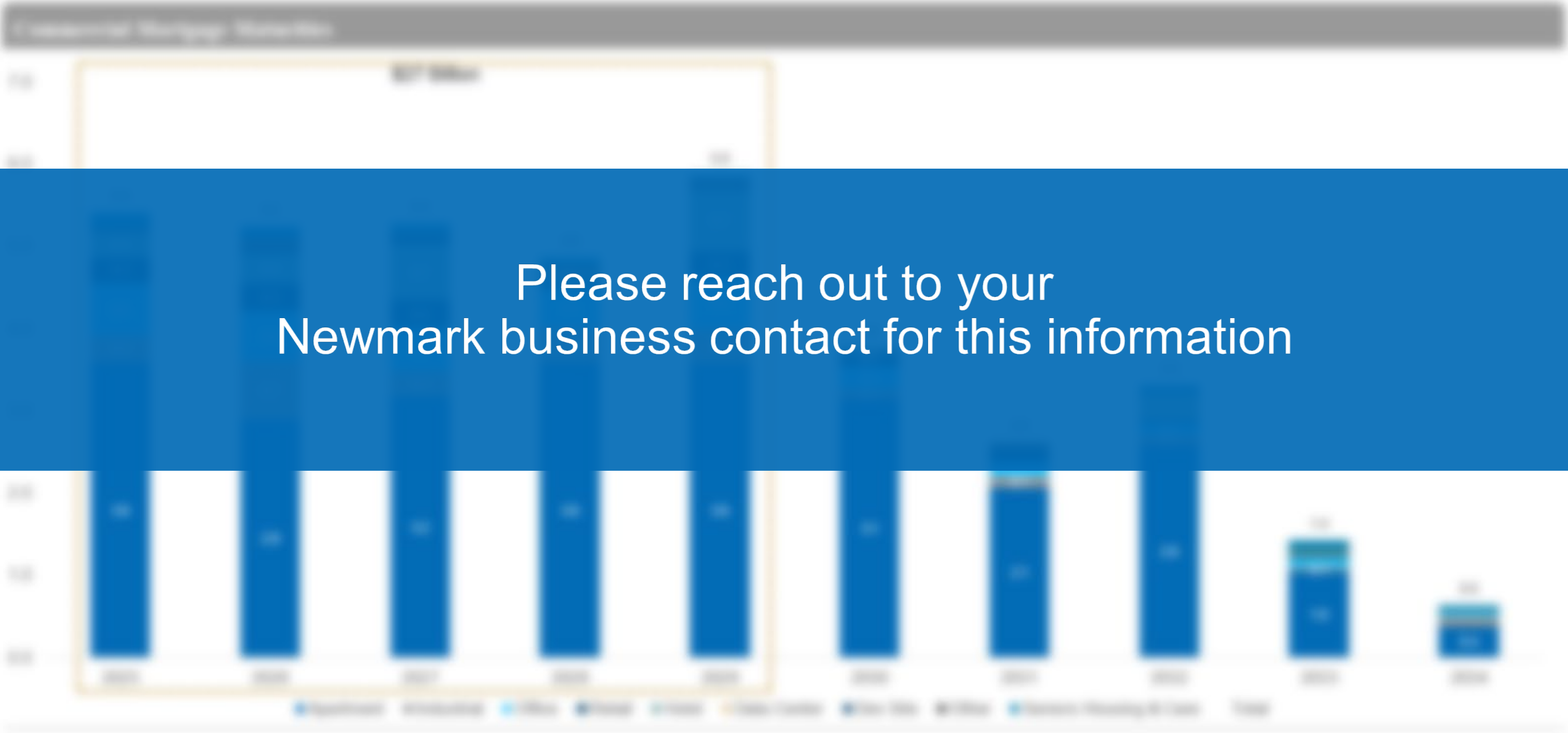


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Multifamily Maturities Dominate Through 2029, Industrial Maturities Lag

In the third quarter of 2023, multifamily maturities represented 65.1% of the \$207.7 billion in commercial mortgage maturities through 2029 and 2030, reflecting a 10-point increase from 55.1% in the third quarter of 2022. In contrast, industrial maturities represented a much smaller share of 10.1%, but strong operating performance in 2023 and 2024 could lead to a significant increase in 2025. These trends underscore a capital market that is increasingly favoring multifamily assets with proven cash flows and income stability.



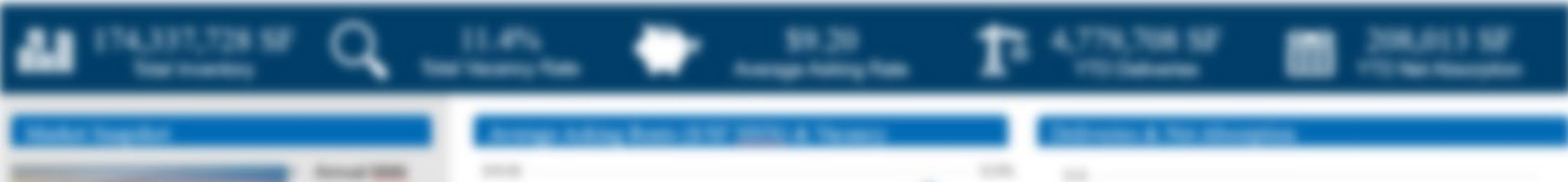
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San Antonio Appendix



San Antonio Industrial Market Overview



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This figure is a screenshot of a Newmark report showing available space and lease transactions. It includes a table with columns for 'Leasing Type', 'Size', 'Type', 'Price/SF', and 'Year Bld'. The table lists several properties, including '174,337,728 SF' and '4,779,728 SF'. The report also includes a section for 'Available Space' and 'Lease Transactions'.

San Antonio Industrial Submarket Overview

Submarket Overview - All Classes								
	Class	Submarket	Submarket	Submarket	Submarket	Submarket	Submarket	Submarket
Class	100,000	0	100	100	100	100	100	100
Submarket	100,000	0	100	100	100	100	100	100
Submarket	100,000	0	100	100	100	100	100	100

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Submarket	100,000	100,000	100	100	100	100	100	100
Submarket	100,000	100,000	100	100	100	100	100	100
Submarket	100,000	100,000	100	100	100	100	100	100
Submarket	100,000	100,000	100	100	100	100	100	100

San Antonio Industrial

For more information:

Andrew Cook

Research Analyst

Andrew.Cook@nmrk.com

Kirsten Kempf

Senior Research Analyst

Kirsten.Kempf@nmrk.com

Neil Matthee

Research Manager

Neil.Matthee@nmrk.com

Ching-Ting Wang

Head of Southeast Research

ChingTing.Wang@nmrk.com

Austin

2530 Walsh Tarlton Ln

Suite 200

Austin, TX 78746

t 512-342-8100

New York Headquarters

125 Park Ave.

New York, NY 10017

t 212-372-2000

nmrk.com

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