



NEWMARK

Austin Industrial Market Overview

3Q26

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Market Observations



Economy

- The metro's overall unemployment dipped by 12 basis points year over year to 3.5%, while the national rate fell by 18 basis points to 4.2%, keeping Austin 71 basis points below the national average.
- Annual nonfarm payroll growth in the Austin metro slowed 94 basis points to 1.2% year over year but remains ahead of the nation, where growth declined by 168 basis points over the past year to negative 0.5%.
- Eight out of ten employment sectors reported annual growth, with business and professional services leading job gains at 3.3% over the past 12 months.
- Most industrial-using job sectors reflected annual increases, with trade/transportation/utilities and mining and construction reporting gains of 1.2% and 3.2%, respectively. Meanwhile, manufacturing employment marginally shrunk by 0.4% on a yearly basis.



Major Transactions

- Regional heavyweight Tesla expanded its Austin presence by signing the largest lease of the third quarter of 2026.
- All notable leases signed during the quarter were direct leases, underscoring that tenants are seizing on favorable market conditions to secure space near major regional advanced manufacturers and sustained demand for high-quality industrial space.
- Artificial intelligence drove three of the quarter's largest leases and will likely continue to as firms build out artificial intelligence infrastructure to meet surging demand and users capitalize on regional investments. Advanced manufacturing, driven primarily by investments from Tesla and Samsung, has been a major catalyst of industrial demand for the past several years. This is expected to continue as Austin's prominence in artificial intelligence grows. CoreWeave, building on xAI's Terafab investment, signed a large data center lease during the quarter.



Leasing Market Fundamentals

- The market recorded 2.0 MSF of positive absorption in the third quarter of 2026, marking the 29th consecutive quarter of positive absorption.
- Overall rental rates grew by 0.5% quarter over quarter and 3.2% year over year to a new record high of \$14.97/SF.
- After four consecutive years of new deliveries outpacing annual demand, the imbalance persisted into the third quarter of 2026. Through the third quarter of 2026, developers completed 5.6 MSF of new space versus 3.7 MSF of net absorption, creating a 1.9 MSF demand deficit that has driven the vacancy rate up by 150 basis points year over year to 15.4%.
- The under-construction pipeline remained elevated at 12.2 MSF at the end of the third quarter of 2026, equivalent to 7.6% of the market's existing industrial inventory.



Outlook

- The Austin industrial market is poised for an influx of new supply in the near term, with 7.6% of the current inventory under construction. New deliveries, which are 54.5% 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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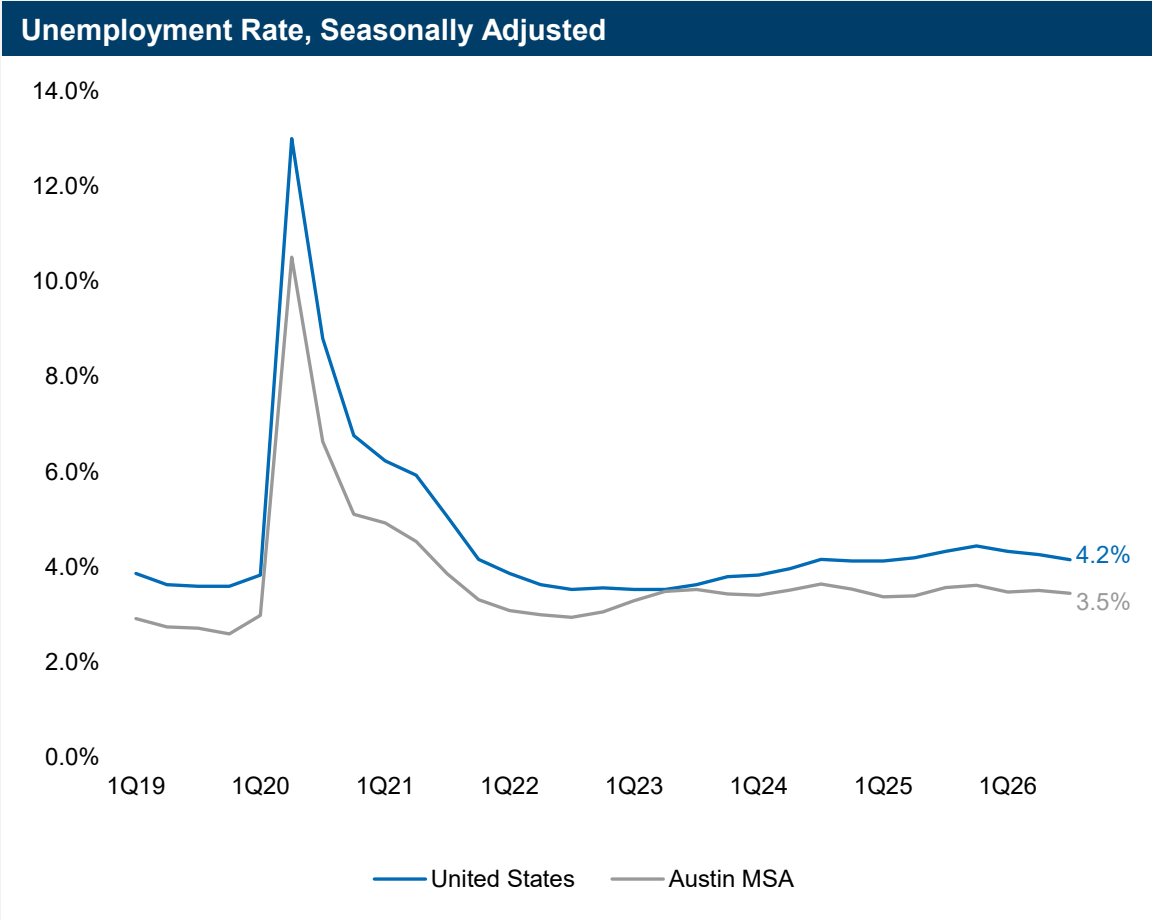
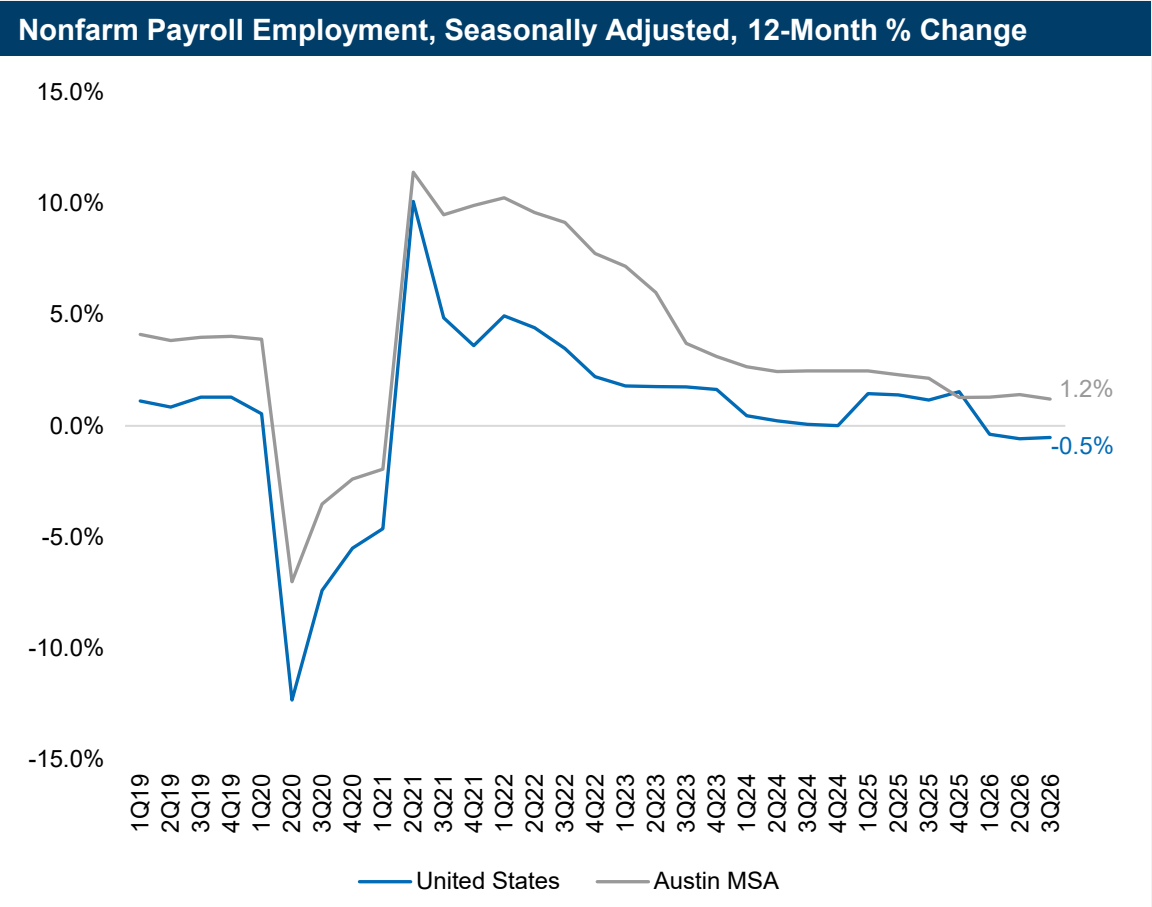
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Economy



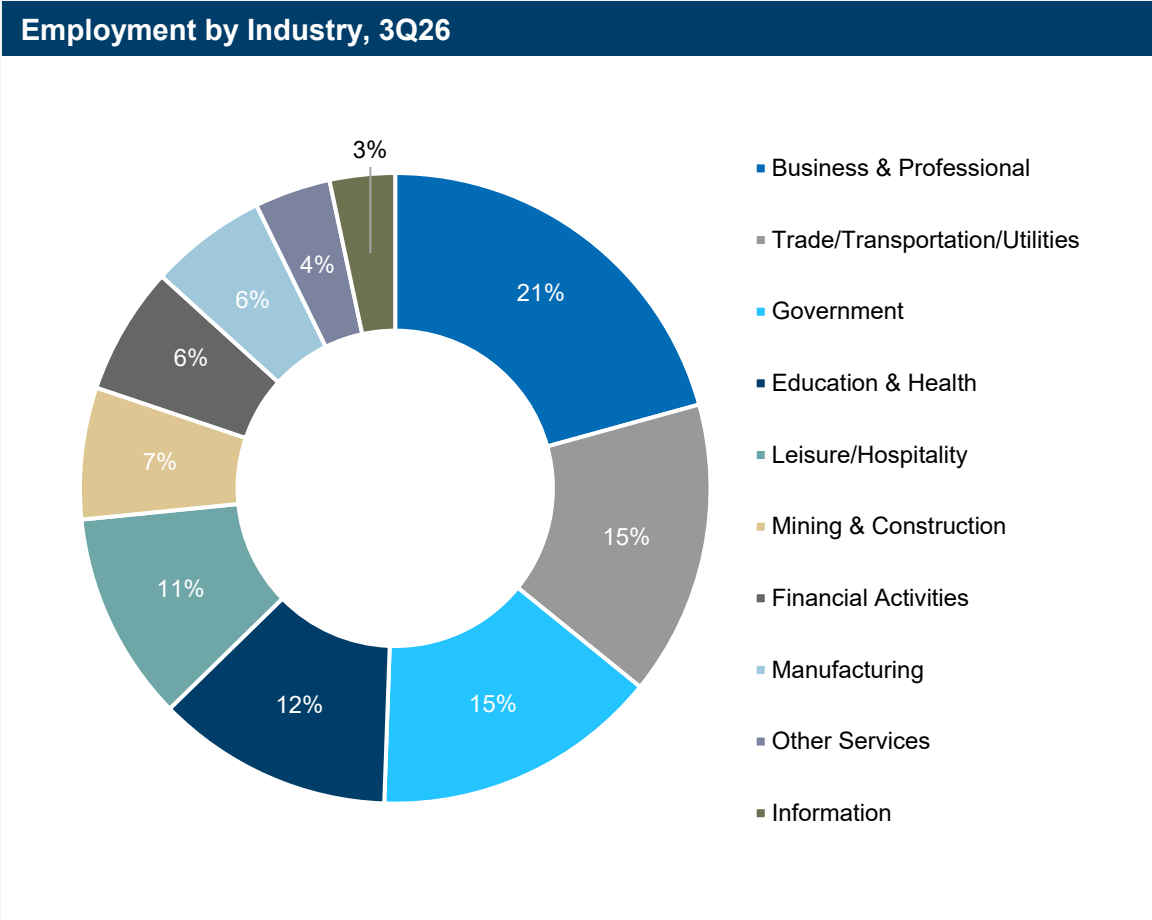
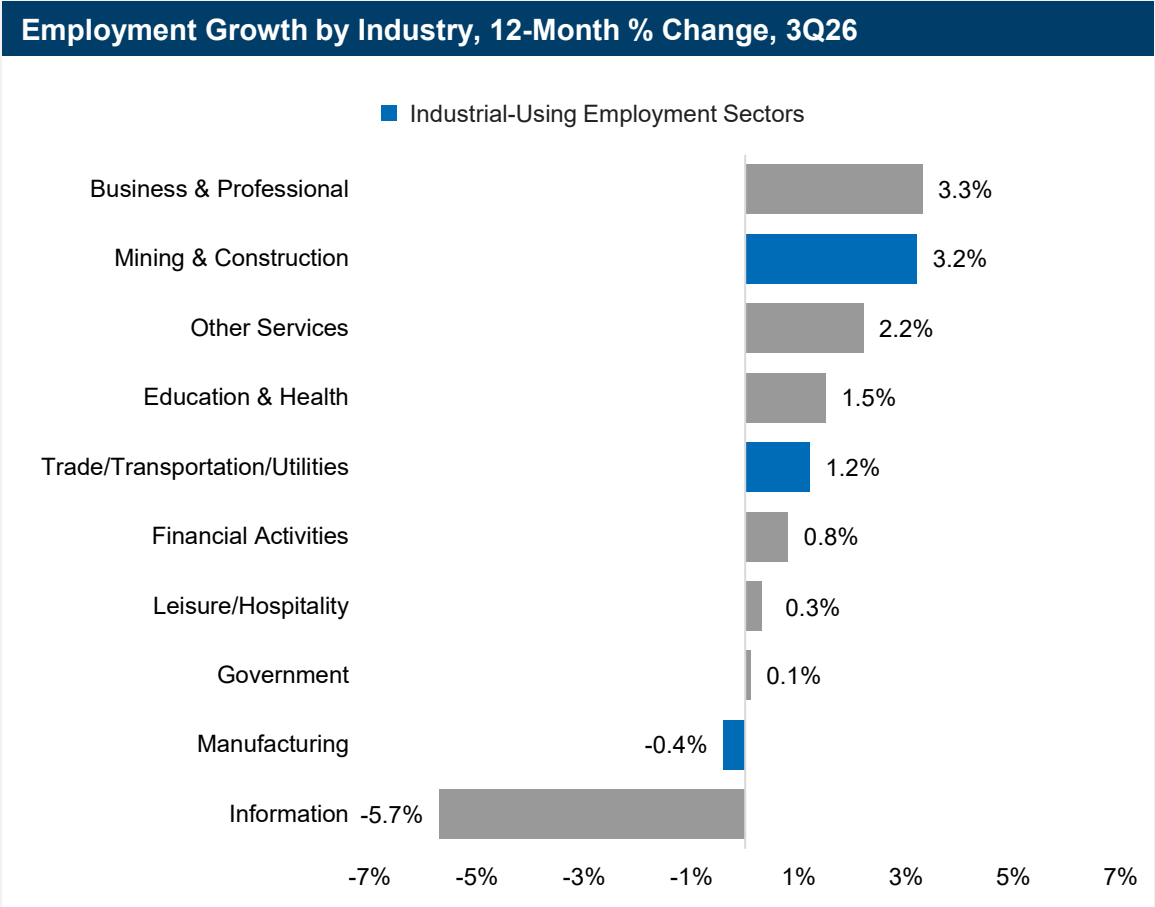
Austin Maintains Its Edge Over U.S., Job Growth Moderates

Historically, Austin has posted a lower unemployment rate and stronger job growth than the United States as a whole, a trend that held true in the third quarter of 2026. The metro’s overall unemployment rate eased slightly, dipping 12 basis points year over year to 3.5%, while the national rate fell by 18 basis points to 4.2%, keeping Austin 71 basis points below the national average. Annual nonfarm payroll growth in the Austin metro slowed 94 basis points to 1.2% year over year but remains ahead of the nation, where growth declined by 168 basis points over the past year to negative 0.5%.



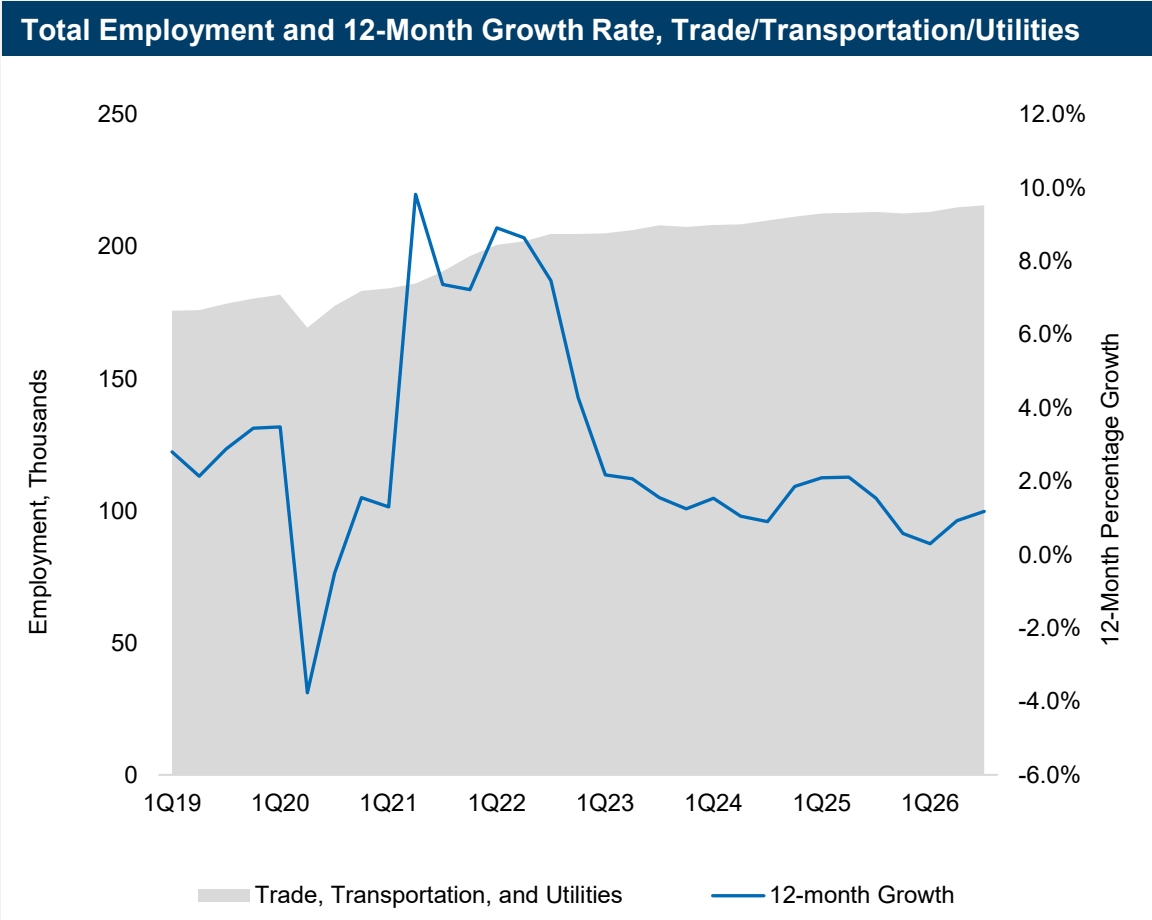
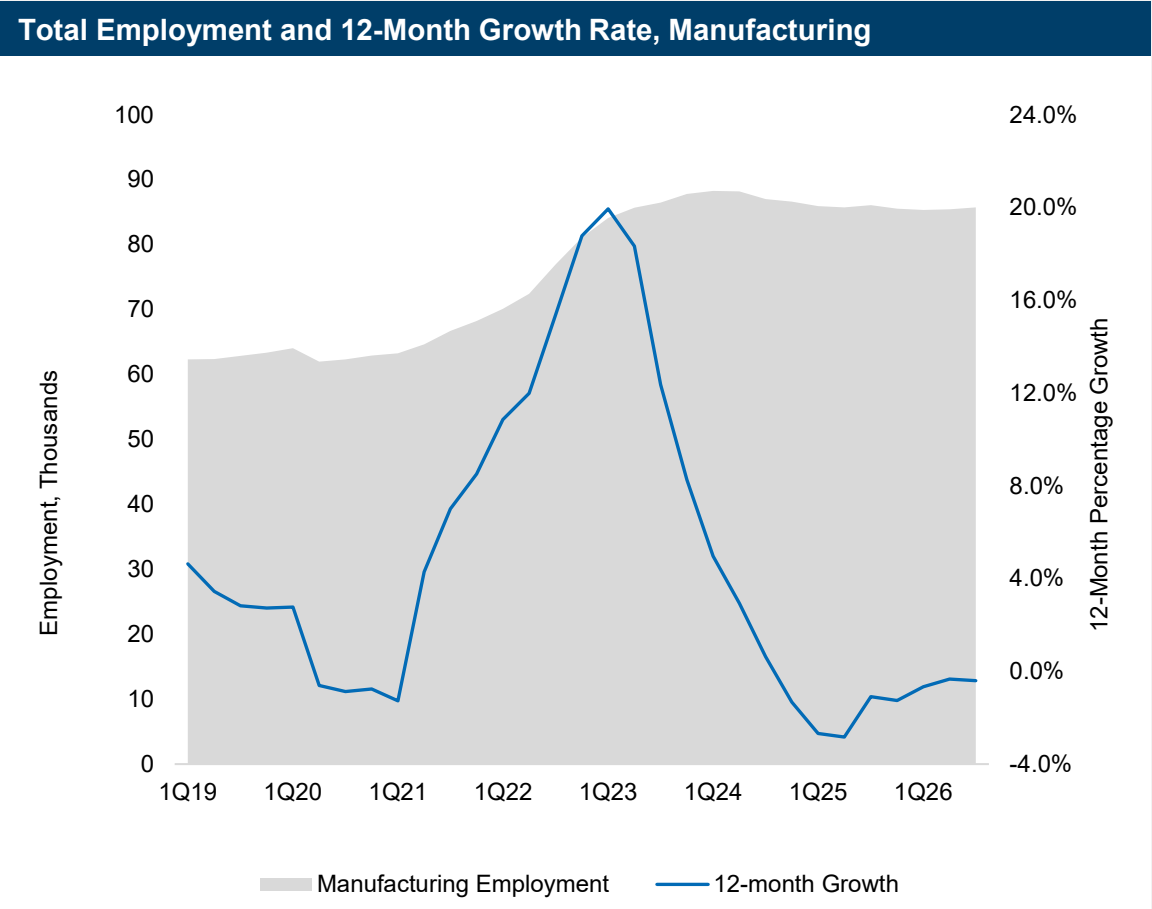
Most Industrial-Using Employment Sectors Report Annual Growth

Known for its tech sector, Austin’s two largest employment industries, business and professional services and trade/transportation/utilities, account for 35.8% of all jobs in the metro. The trade/transportation/utilities sector, the largest industrial-using employment sector and the second largest in the metro, makes up 15.1% of total employment. Eight out of ten employment sectors reported annual job growth, led by business and professional services at 3.3%. Annual industrial-using job growth was mixed. Most industrial-using employment sectors reported annual growth, with trade/transportation/utilities and mining and construction leading annual industrial job gains at 1.2% and 3.2%, respectively. Meanwhile, manufacturing contracted by 0.4% on an annual basis.



Industrial Employment Shows Mixed Results

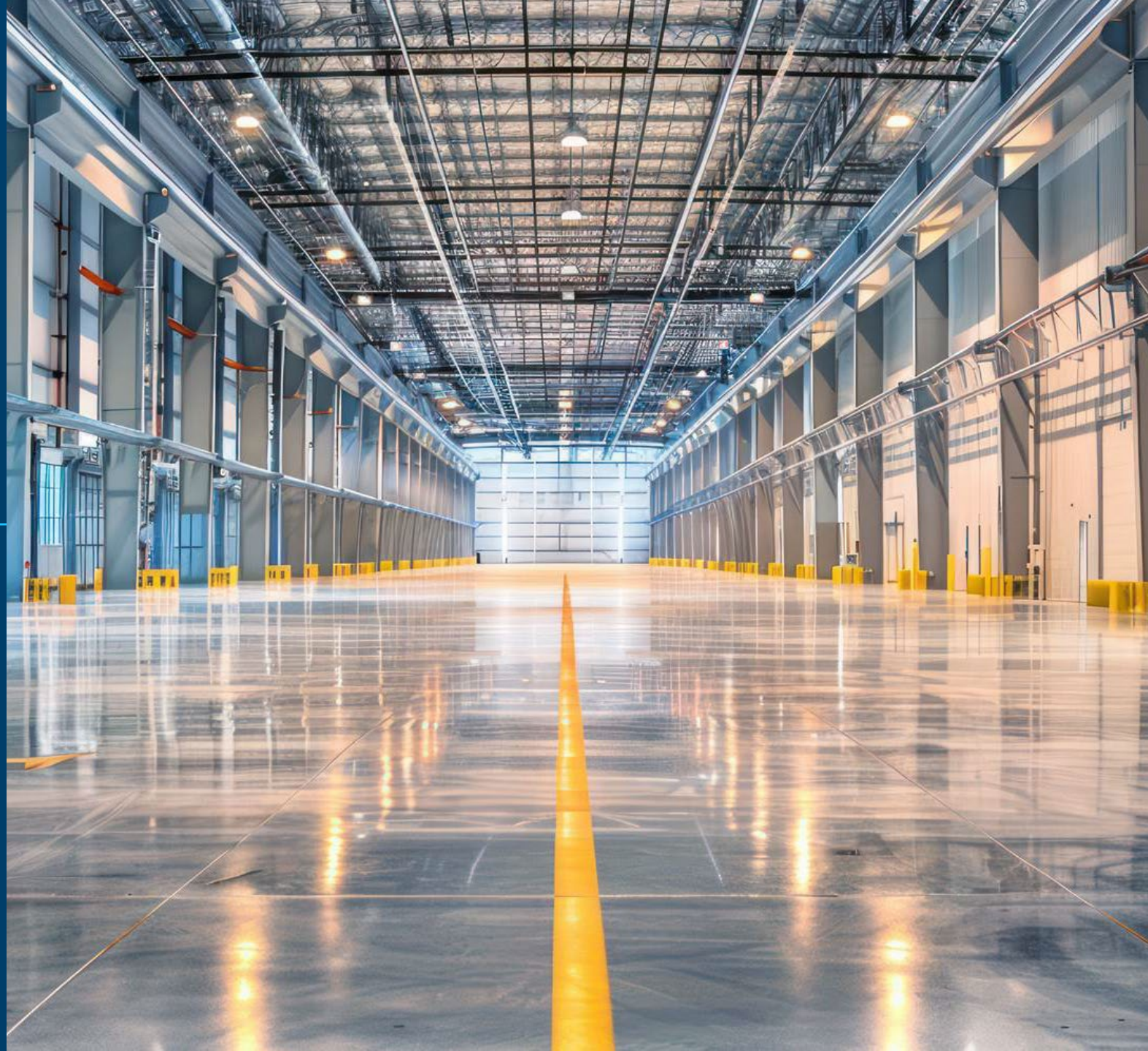
Employment in the trade/transportation/utilities sector reached a new high of 215,720 jobs as of the end of the third quarter of 2026. Meanwhile, manufacturing stood at 85,760 jobs, or 2.9% below the high recorded during the first quarter of 2024. Overall, annual employment growth trends diverged, with trade/transportation/utilities growing 1.2% and manufacturing contracting 0.4%.



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

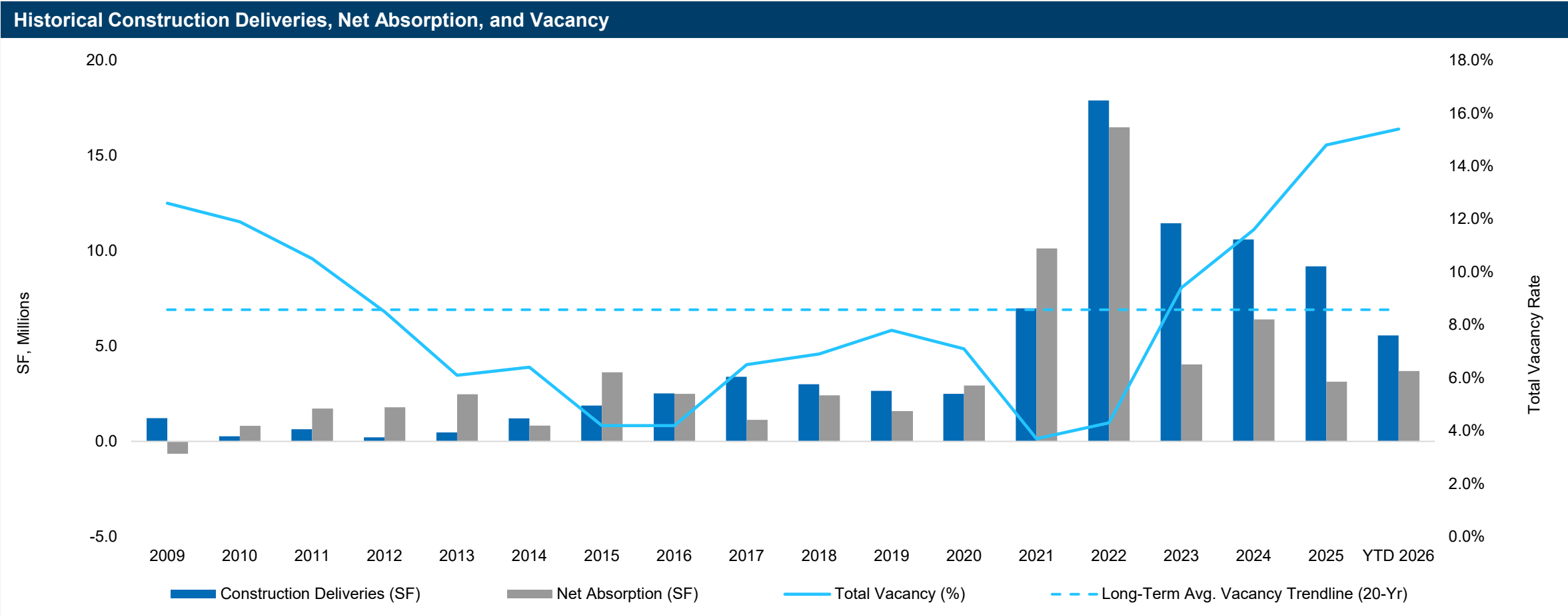
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Leasing Market Fundamentals



Demand Remains Positive for 29th Consecutive Quarter

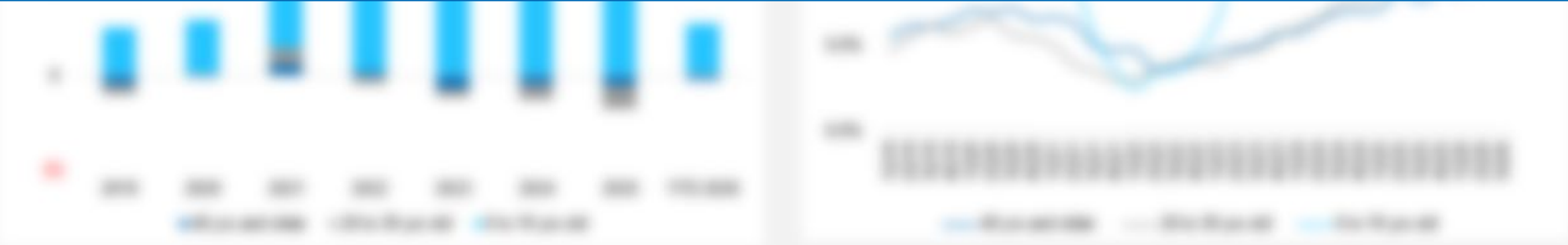
The Austin industrial vacancy rate rose by 150 basis points year over year to 15.4% in the third quarter of 2026, only 30 basis points below the record high set during the first quarter of 2026. The third quarter reported roughly 2.2 MSF of deliveries or 5.6 MSF year to date. Despite national economic headwinds, demand for industrial space remained positive for the 29th consecutive quarter, totaling 2.0 MSF and bringing year-to-date net absorption to 3.7 MSF. Vacancy is likely to trend upward as the market works through the influx of predominantly speculative development that has delivered over recent years.



Modern Product Captures Almost All Demand Since 2019



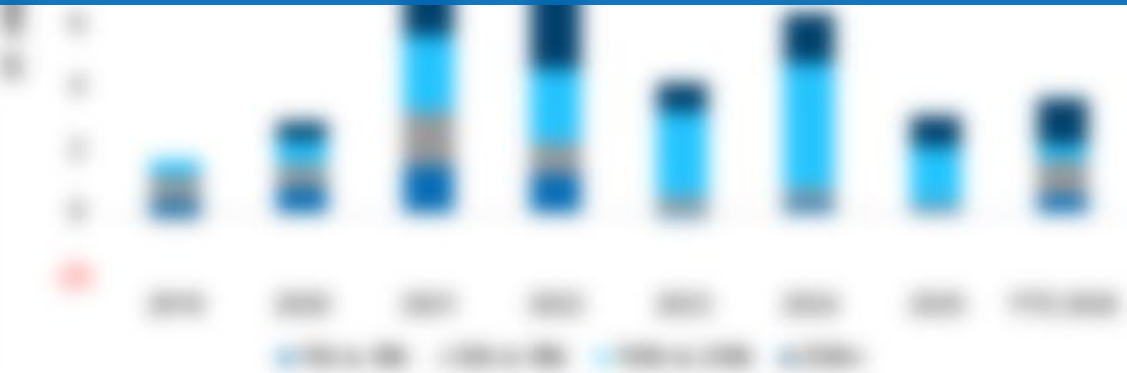
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Vacancy in Most Size Segments Remains Elevated but Below Record Highs

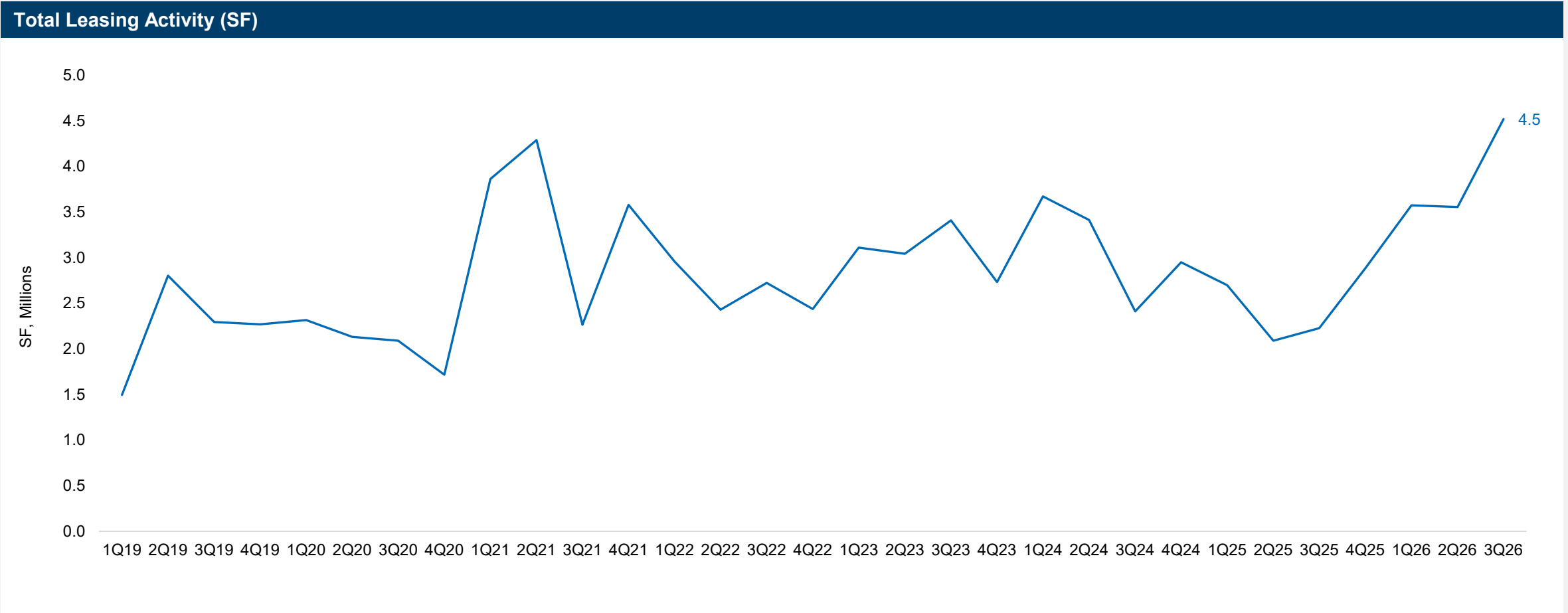
Market conditions remain elevated in the office sector, with vacancy levels in most size segments remaining elevated but below record highs. The market is still recovering from the impact of the pandemic, with many companies still in the process of returning to the office. This has led to a steady increase in demand for office space, which has helped to drive vacancy levels down from their peak in early 2020. However, the market is still far from equilibrium, and vacancy levels are expected to remain elevated for some time. The market is also seeing a shift in the types of office space that is in demand, with many companies now looking for more flexible, collaborative workspaces. This has led to a decline in demand for traditional office space, which has helped to drive vacancy levels down. Overall, the market is showing signs of recovery, but it is still a long way from equilibrium.

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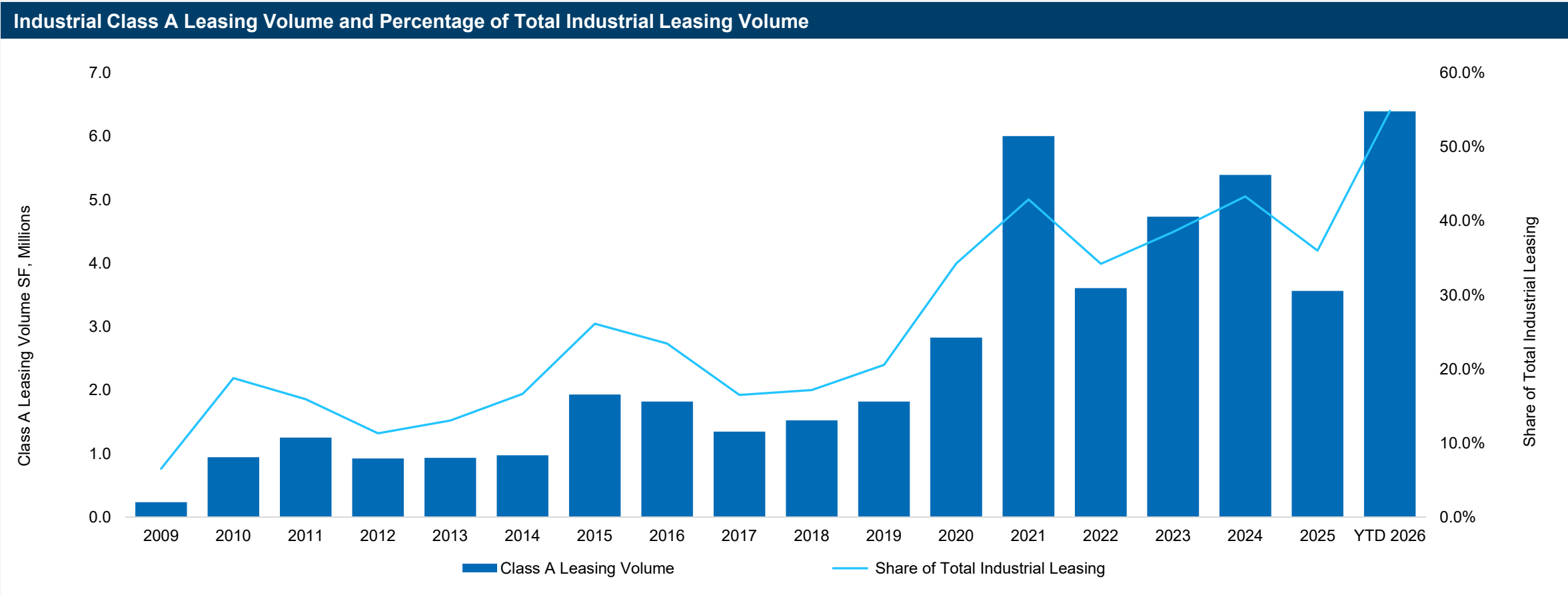
Regional Heavyweight Drives Leasing Activity

Leasing activity in Austin totaled a record high of 4.5 MSF at the close of the third quarter of 2026, reflecting quarterly and annual increases of 27.2% and 102.9%. Leasing activity has been trending upward since reporting a recent low of 2.1 MSF during the second quarter of 2025 as companies have built out regional supply chains and infrastructure. Future demand will be supported by advanced manufacturers leveraging and co-locating near Tesla and Samsung’s regional investments to grow. Notably, Tesla signed the largest lease of the third quarter, further deepening its regional investments as it expands its Gigafactory facilities. The firm leased 538,720 SF at Mustang Ridge Business Park – Building 2.



Class A Warehouse Transaction Share of Leasing Activity Reaches New High

Class A warehouse leasing totaled 2.6 MSF in the third quarter of 2026, capturing a record 57.3% of total industrial leasing activity. That share rose 730 basis points quarter over quarter and 4,066 basis points year over year. Year to date, Class A leasing reached 6.4 MSF, accounting for 54.9% of total industrial leasing volume. Class A’s share of leasing activity for the third quarter is over triple the 16.9% third-quarter average that the market reported from 2009 through 2019. Class A warehouse’s portion of leasing activity will likely increase as tenants previously priced out of Class A space will seize on favorable conditions to relocate and sign leases in such space. The market is currently working through an ample supply of recently delivered space which tenants have been opportunistically leasing.

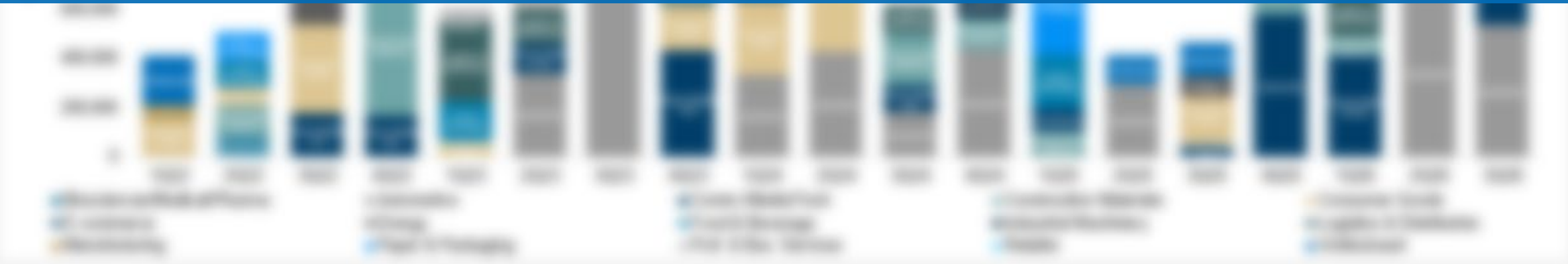


AI Frenzy Pushes Communication and Technology to Larger Role in Leasing

NEW YORK, N.Y. (AP) — The real estate industry is embracing artificial intelligence (AI) and automation, with many firms reporting significant cost savings and improved efficiency. The industry is also seeing a shift in the way properties are marketed and leased, with many firms using AI-powered chatbots and virtual assistants to interact with potential tenants. This trend is expected to continue, with many firms investing in AI and automation to stay competitive in a crowded market.

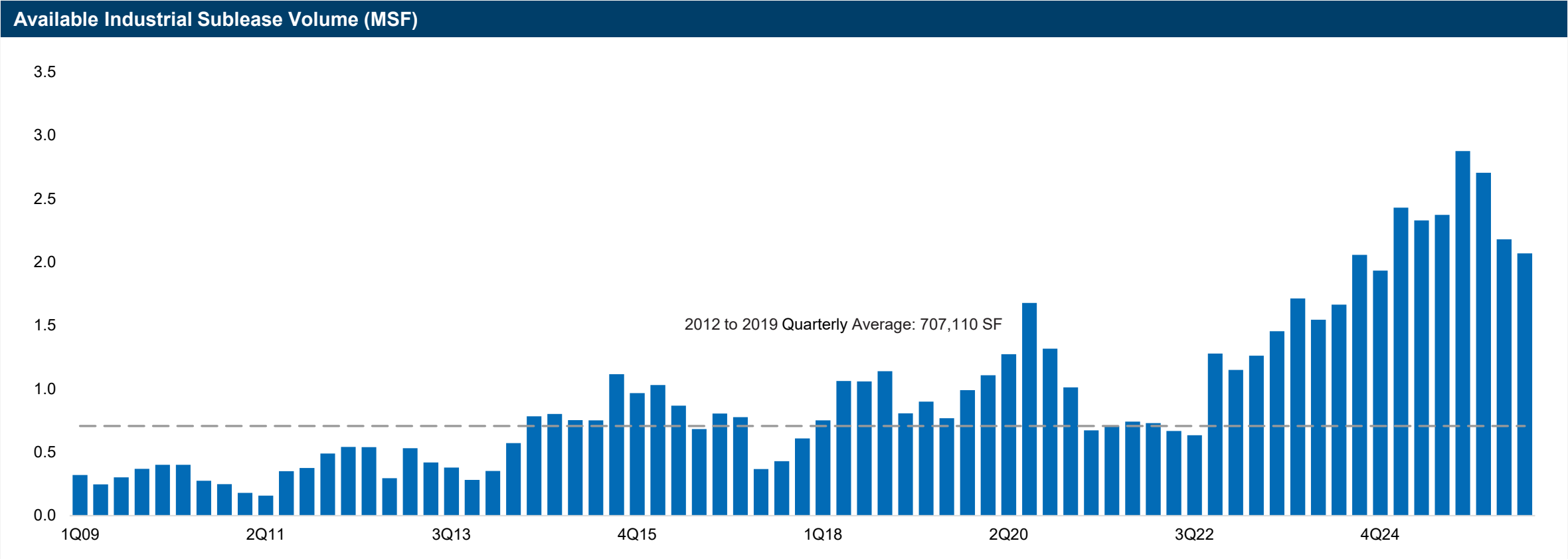
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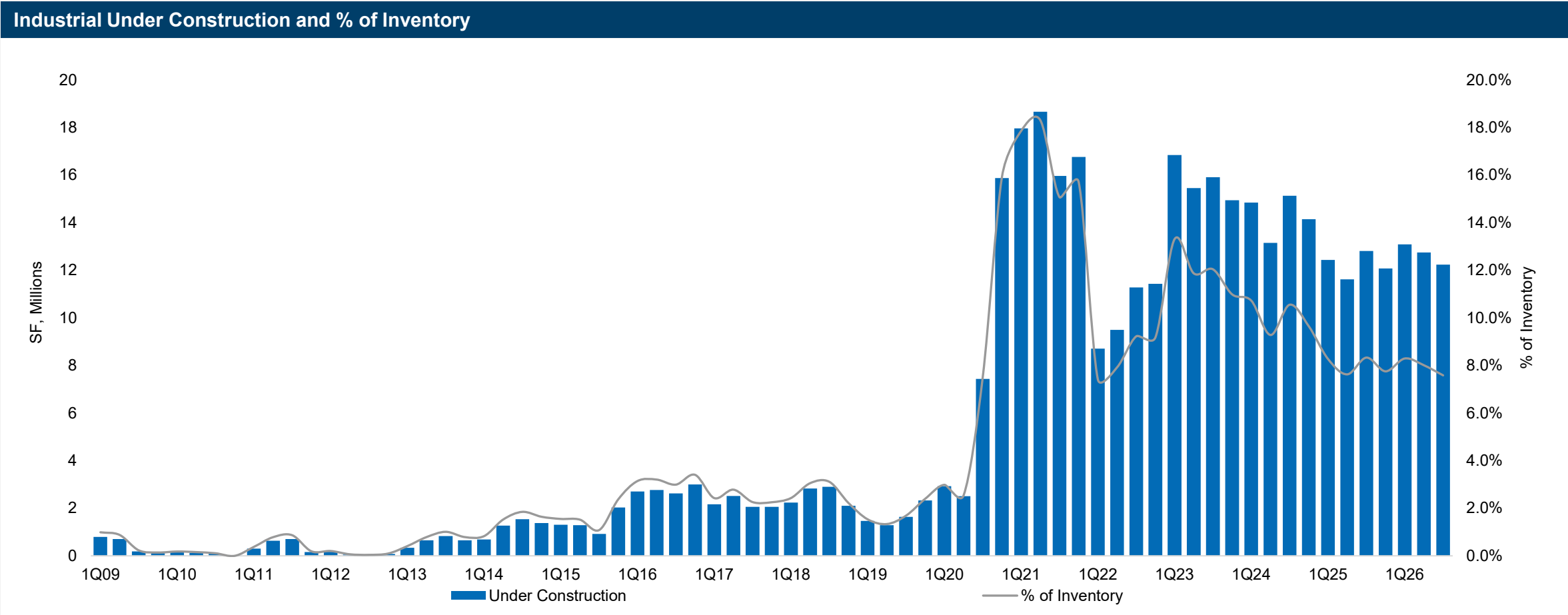
Sublease Availability Marks Third Consecutive Quarter of Decline from Record High

Sublease availability fell 5.1% quarter over quarter and 12.8% year over year to 2.1 MSF in the third quarter of 2026, marking the third consecutive quarterly decline from the record 2.9 MSF reached in the fourth quarter of 2025. Despite this improvement, availability remained nearly three times the 2012–2019 quarterly average of 707,110 SF. The elevated level likely reflects continued corporate efforts to control costs and improve operational efficiency amid persistent inflation, rising energy costs, and macroeconomic and geopolitical uncertainty. Weaker consumer sentiment may also be encouraging companies to reassess warehouse requirements and market underutilized space for sublease. Notable occupants offering space include Southern Glazer’s Wine and Spirits (112,000 SF) and JIT Transportation (108,160 SF).



Construction Pipeline Declines on a Quarterly Basis but Remains Elevated

Austin’s industrial pipeline remains historically elevated at 12.2 MSF under construction, representing 7.6% of the market’s total inventory at the end of the third 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 currently 54.5% preleased.

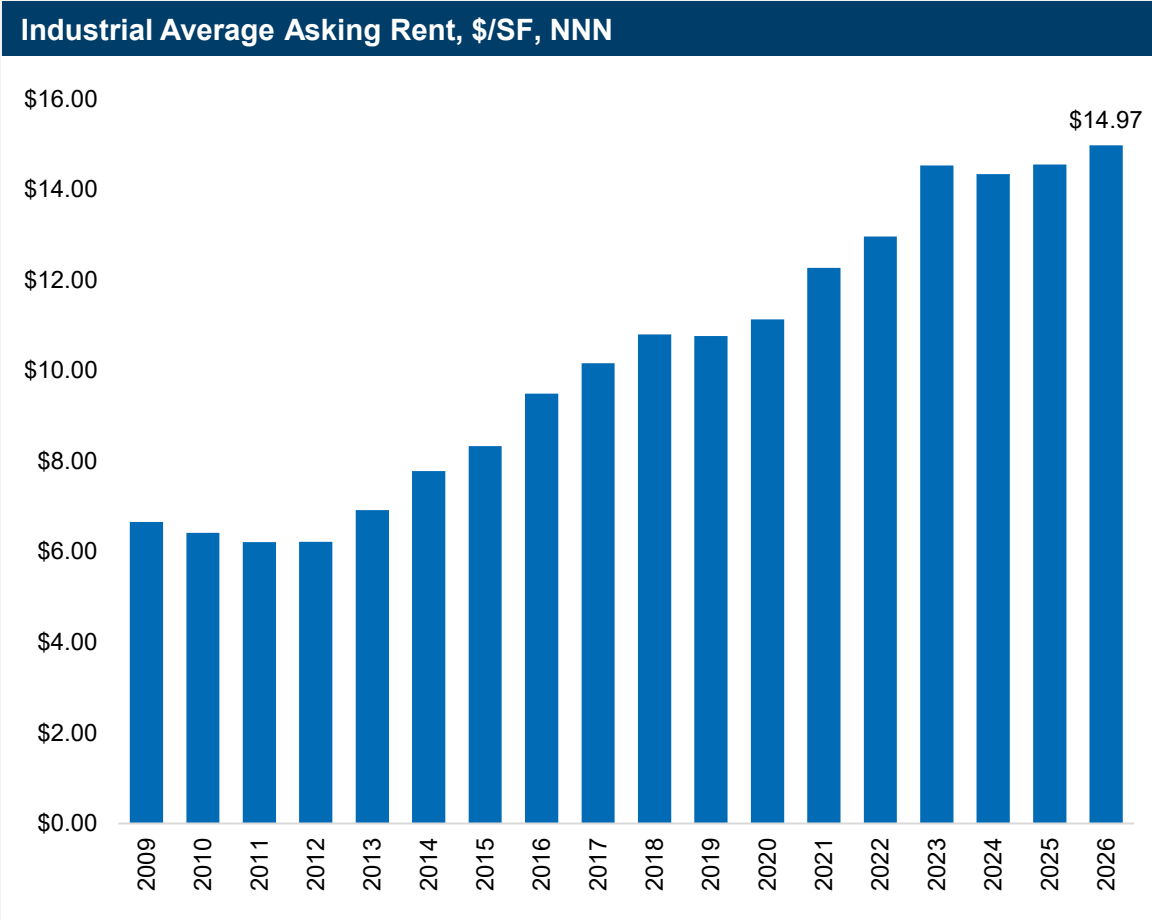
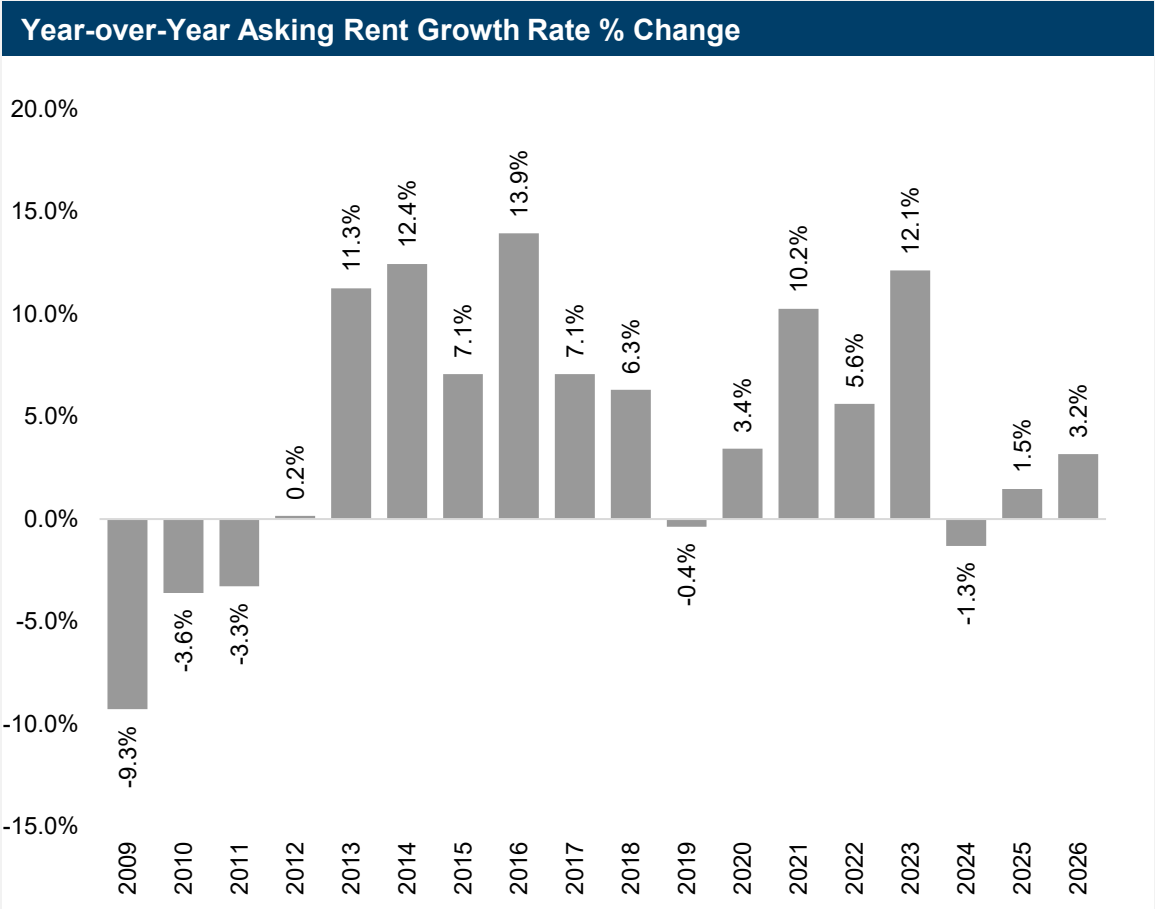


Cedar Park/Georgetown/Round Rock Submarket Leads in New Construction

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Delivery of New Product Pushes Rents to Record High

At the end of the third quarter of 2026, industrial average asking rents grew by 0.5% quarter over quarter to \$14.97/SF, a new high. Meanwhile, rents increased 3.2% year over year, reflecting a normalization in rent growth that has recently ranged from negative to modestly positive. Deliveries 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.



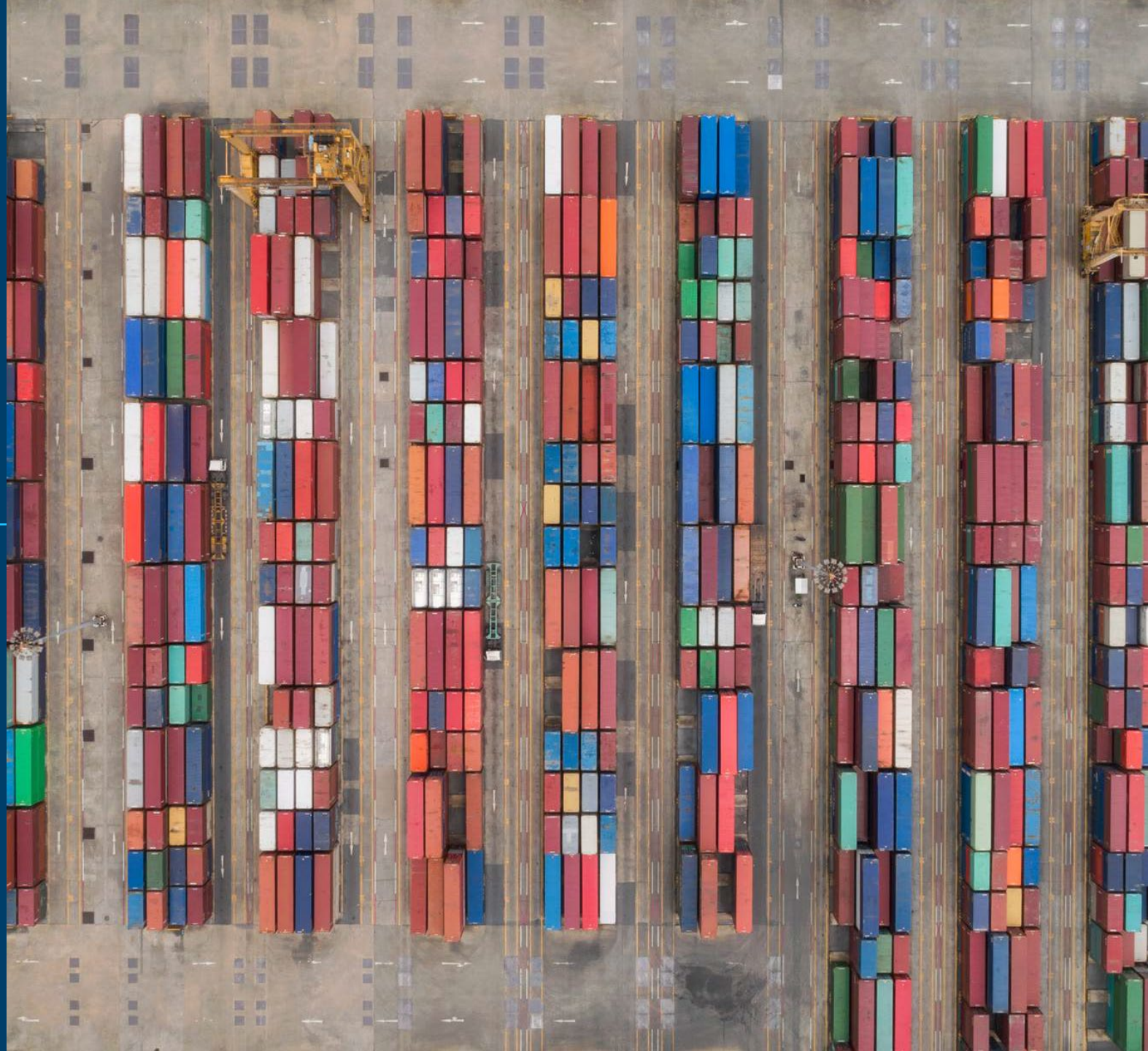
AI Fuels Third Quarter’s Largest Deals

Regional heavyweight Tesla expanded its Austin presence by signing the largest lease of the third quarter of 2026. All the largest leases signed during the quarter were direct leases, indicating that tenants are capitalizing on favorable market conditions to secure high-quality industrial space near major regional advanced manufacturers. During the most recent quarter, artificial intelligence drove three of the quarter’s largest leases and will likely continue to as firms build out artificial intelligence infrastructure to meet surging demand and users capitalize on previously announced investments. Advanced manufacturing, supported by investments from Tesla and Samsung, has been a primary driver of industrial demand for the past several years. This is expected to continue as Austin’s prominence in artificial intelligence grows. CoreWeave, building on xAI’s Terafab investment, signed a large data center lease during the quarter.

Notable 3Q26 Lease Transactions				
Tenant	Building(s)	Submarket	Type	Square Feet
Tesla	Mustang Ridge Business Park – Building 2	Southeast	Direct New	538,720
Electric car manufacturer Tesla signed the largest lease of the quarter, taking 538,720 SF at the intersection of Highway 183 and Farm to Market Road 1327. The firm has been aggressively investing in and expanding within the region over the past several years, as it grows its global headquarters and Gigafactory.				
Flex	Blue Springs Business Park – Building 2	Georgetown	Direct New	310,366
Austin-based advanced manufacturer Flex leased 310,366 SF at 610 Blue Springs Boulevard. The company specializes in producing power solutions and components for data centers and advanced manufacturing applications.				
Four Hands	Airport Logistics Center – Building 1	Southeast	Direct New	235,740
Austin-based furniture manufacturer and distributor Four Hands expanded its Austin presence by leasing 235,740 SF at 6106 Ross Road.				
AI Prefab Solutions	Innovation Business Park – Building 8	Georgetown	Direct New	196,523
Austin-based data center infrastructure builder and power solutions provider AI Prefab Solutions leased 196,523 SF at 2100 Limmer Loop in Hutto. The firm plans to use the space as a manufacturing facility and headquarters and expects to employ 300 people by 2028.				
Allen Control Systems	Vista Business Park – Building 1	North	Direct New	191,207
Autonomous defense technology manufacturer Allen Control Systems leased 191,207 SF at 15700 Long Vista Drive after announcing plans to triple its Austin workforce. The site was previously office space that has since been converted to advanced manufacturing in support of production of the firm’s Bullfrog product.				

03

Market Statistics & Map



Austin Industrial Submarket Overview

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Austin Industrial Submarket Map



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3O26 Texas Industrial Market Overview



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

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Supplemental Analysis



Austin Industrial Market

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Austin Gross Metropolitan Product Projected to Reach New High

NEWARK, N.J. (Newmark) — Austin's gross metropolitan product (GMP) is projected to reach a new high of \$1.1 trillion in 2026, according to a report released by Oxford Economics. The report, which is the first in a series of annual forecasts, shows that Austin's GMP is projected to grow by 1.5% in 2026, reaching a new high of \$1.1 trillion. This growth is driven by a combination of factors, including a strong performance in the technology sector, a robust construction market, and a growing service sector. The report also highlights that Austin's GMP is projected to be the highest in the state of Texas, surpassing Dallas and Houston.

Source: Oxford Economics as of 10/15/26
*Forecasted for year-end 2026.

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Highest Loan Volume Due in 2027

As the industry anticipates a strong, steady increase in the number of new housing starts, including the 10.5% of new housing starts, the industry expects that construction activity will be strong through 2027. The industry expects that construction activity will be strong through 2027, with a peak in 2027. The industry expects that construction activity will be strong through 2027, with a peak in 2027. The industry expects that construction activity will be strong through 2027, with a peak in 2027.

Construction activity is expected to be strong through 2027, with a peak in 2027.

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Multifamily Maturities Particularly Elevated Through 2030, Industrial Not So Much

As a result of the pandemic, multifamily and industrial sectors have seen significant growth in new construction. Multifamily construction is expected to continue to grow through 2030, while industrial construction is expected to grow through 2025. This is due to the fact that multifamily construction is a more mature market, while industrial construction is a more emerging market. Multifamily construction is also more likely to be financed by traditional banks, while industrial construction is more likely to be financed by private equity. This is why multifamily construction is expected to continue to grow through 2030, while industrial construction is expected to grow through 2025.

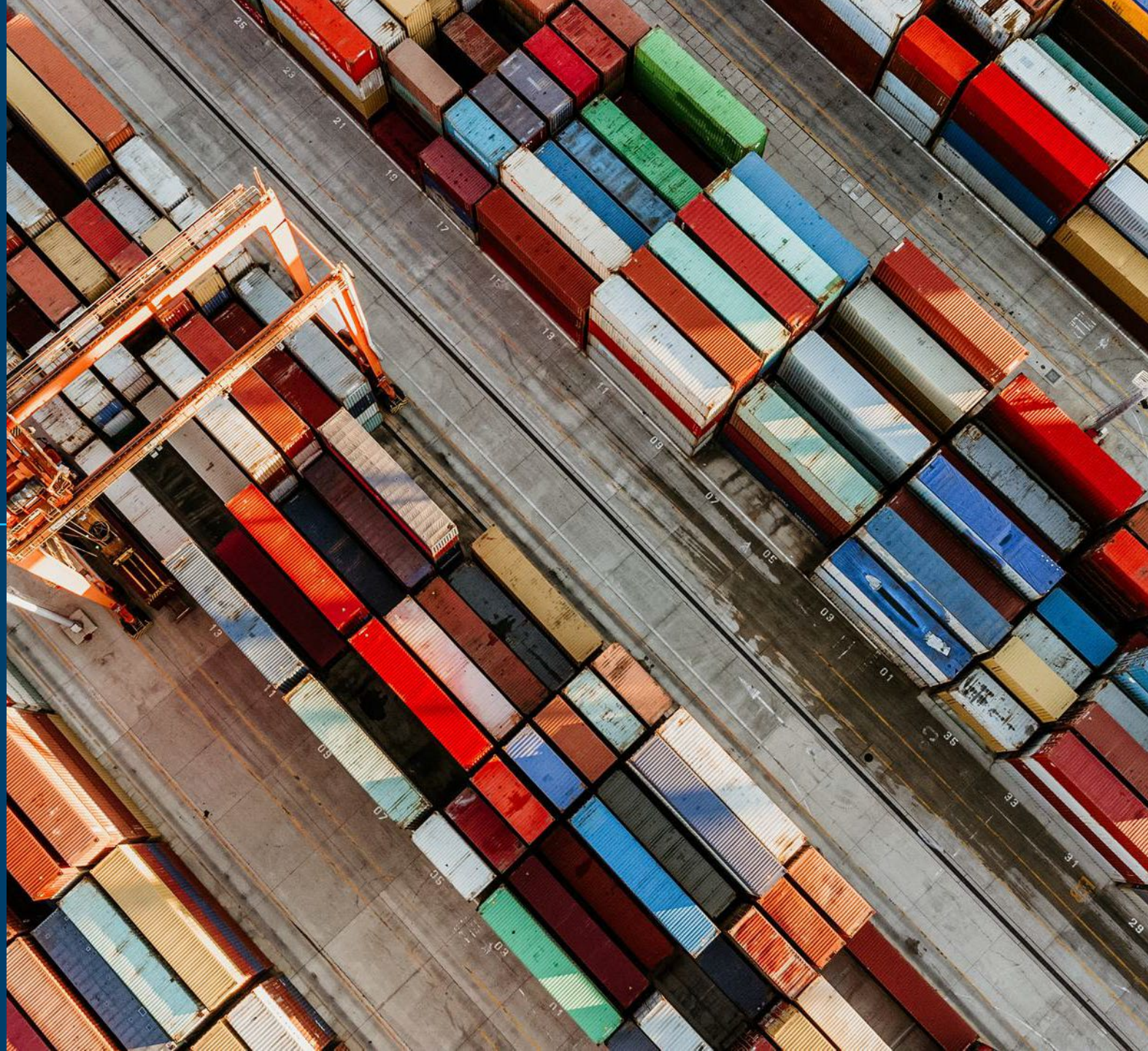
Commercial Building Maturities

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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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