
4Q24

Austin Industrial Market Overview

NEWMARK

Market Observations

Economy

- The market's unemployment rate increased by 13 basis points year over year to 3.5% but remains well below the five-year average of 4.2%.
- Compared to November 2023, employment growth decelerated by 143 basis points to 1.6%.
- Most sectors reported employment growth, with mining and constructions leading job gains at 4.6% 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 1.7% and 4.6%, respectively. Meanwhile, manufacturing employment declined by 0.5% on a yearly basis.

Major Transactions

- Tesla supplier U.S. Farathane signed the fourth quarter of 2024's largest lease, renewing 241,785 SF at Techridge 4.2 in the Northeast submarket.
- Nearly all of the largest leases in the fourth quarter of 2024 were new, underscoring sustained strong demand for high-quality industrial space in the market.
- Class A warehouse space continued to dominate market share, representing 87.9% of leasing activity this quarter.
- Leasing activity slowed on a quarterly and yearly and basis to 1.7 MSF however remains modestly above the fourth-quarter average of 1.6 MSF dating back to 2000.

Leasing Market Fundamentals

- The market recorded 1.1 MSF of positive absorption in the fourth quarter of 2024, bringing total net absorption to 5.7 MSF through year-end 2024 and marking the 22nd consecutive quarter of positive absorption.
- Overall rental rates increased 1.9% year over year to \$14.74/SF, reflecting a modest decline of 1.9% from the historic high achieved during the first quarter of 2024.
- The construction pipeline delivered 3.1 MSF during the fourth quarter of 2024. The under-construction pipeline ended the quarter with 18.4 MSF remaining under construction, slightly below the previous quarter's record high of 19.3 MSF.
- After three years of new deliveries outpacing annual demand, vacancy increased by 260 basis points year over year to a recent high of 11.8%.

Outlook

- The Austin industrial market is poised for an influx of new supply in the near term, with 12.6% of the current inventory under construction. New deliveries, which are 50.3% 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 supply outpace occupancies.
- Asking rents are anticipated to continue climbing, driven by elevated inflation and construction costs, as well as the entry of high-quality new product commanding premium pricing.

1. Economy
2. Leasing Market Fundamentals

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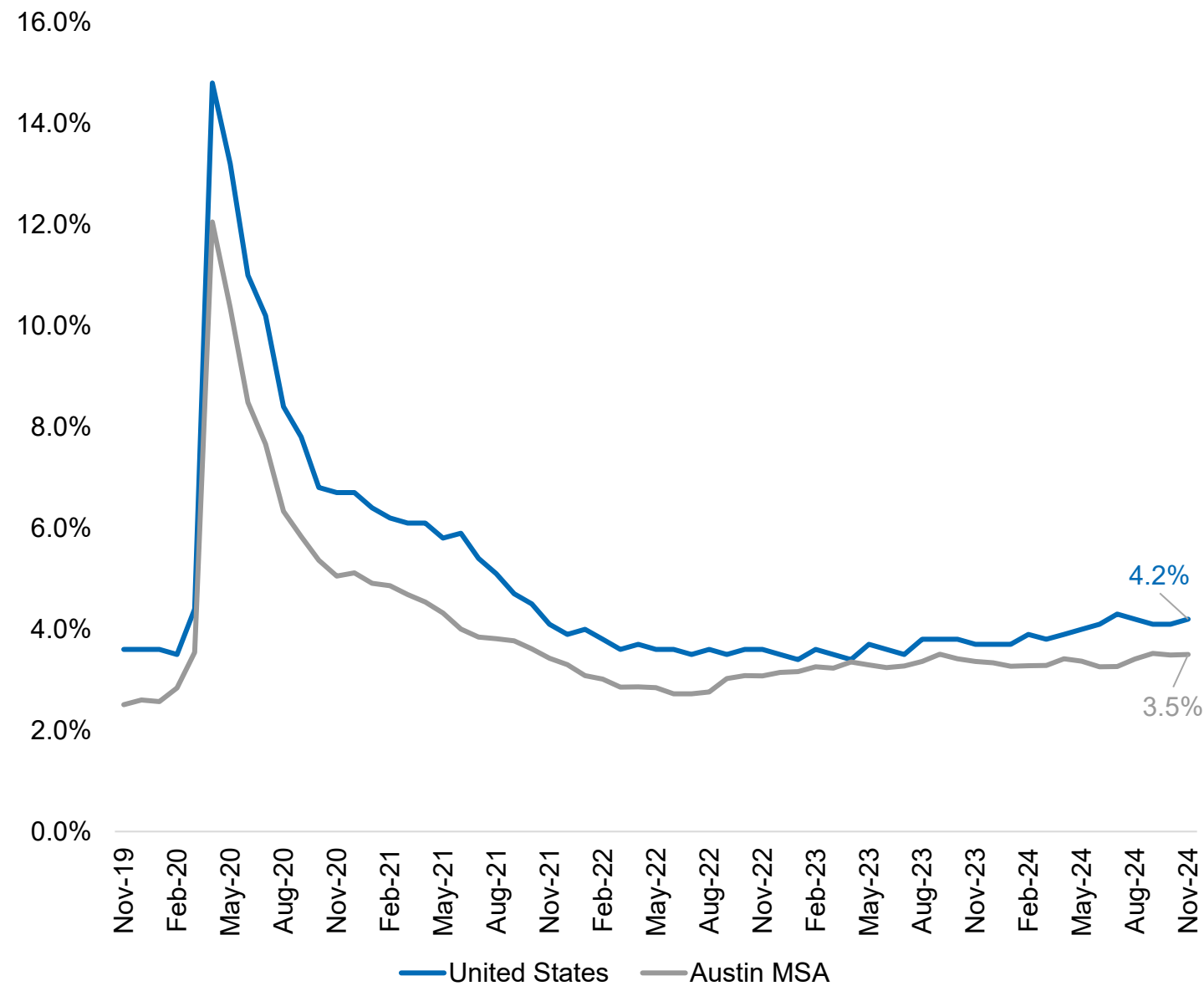
Economy



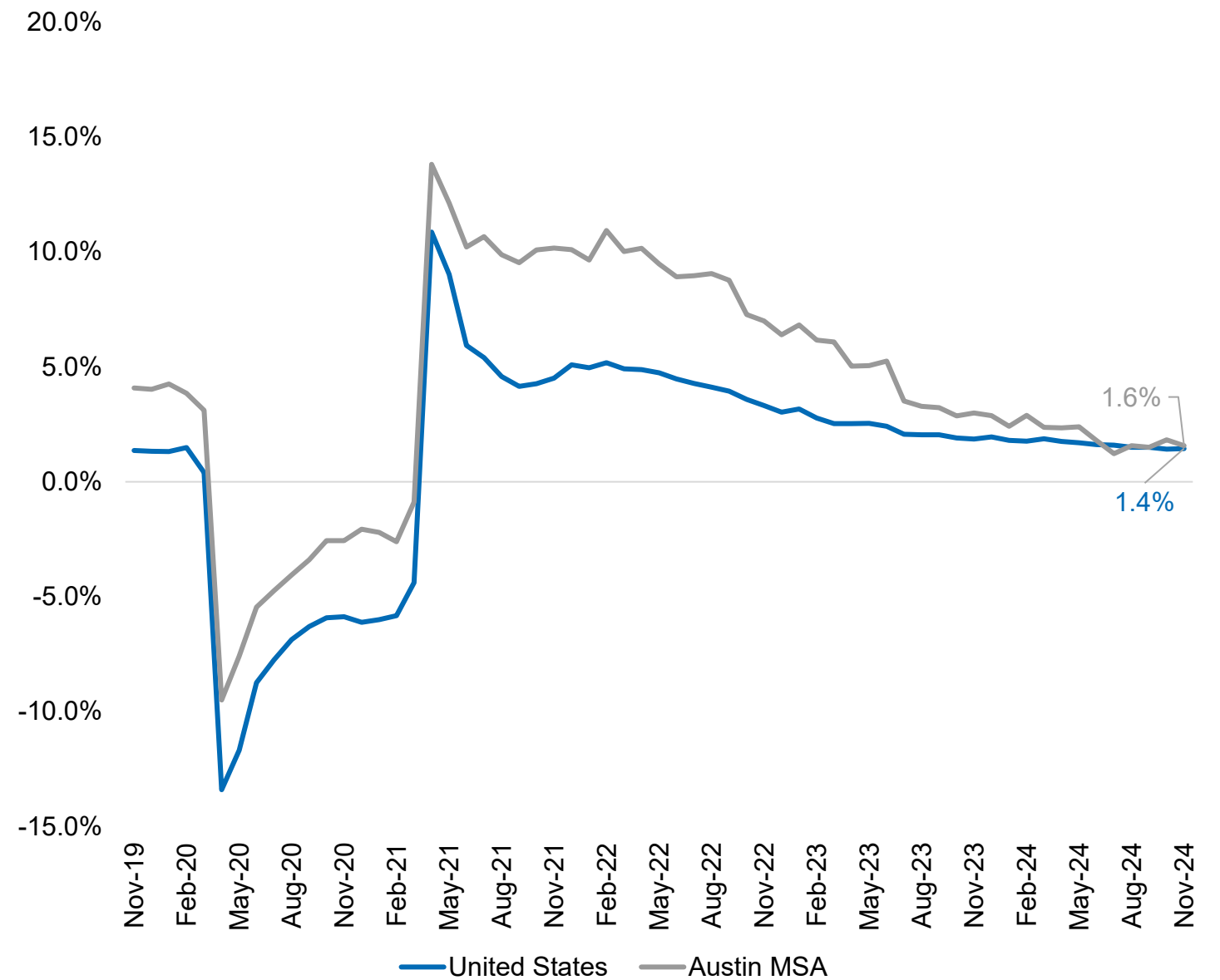
Austin Unemployment, Job Growth Outperforms US

Austin has consistently maintained lower unemployment rates than the national average, while outperforming in employment growth. Austin's unemployment rate climbed by 13 basis points when compared with November 2023, reaching 3.5% at the end of November 2024. However, Austin's unemployment remains 46 basis points below the five-year average. All industrial sectors, except manufacturing, reported positive job growth. Economic headwinds related to office-using industries were a leading cause of the region's unemployment rate climbing year over year and the decrease in yearly job growth.

Unemployment Rate, Seasonally Adjusted



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



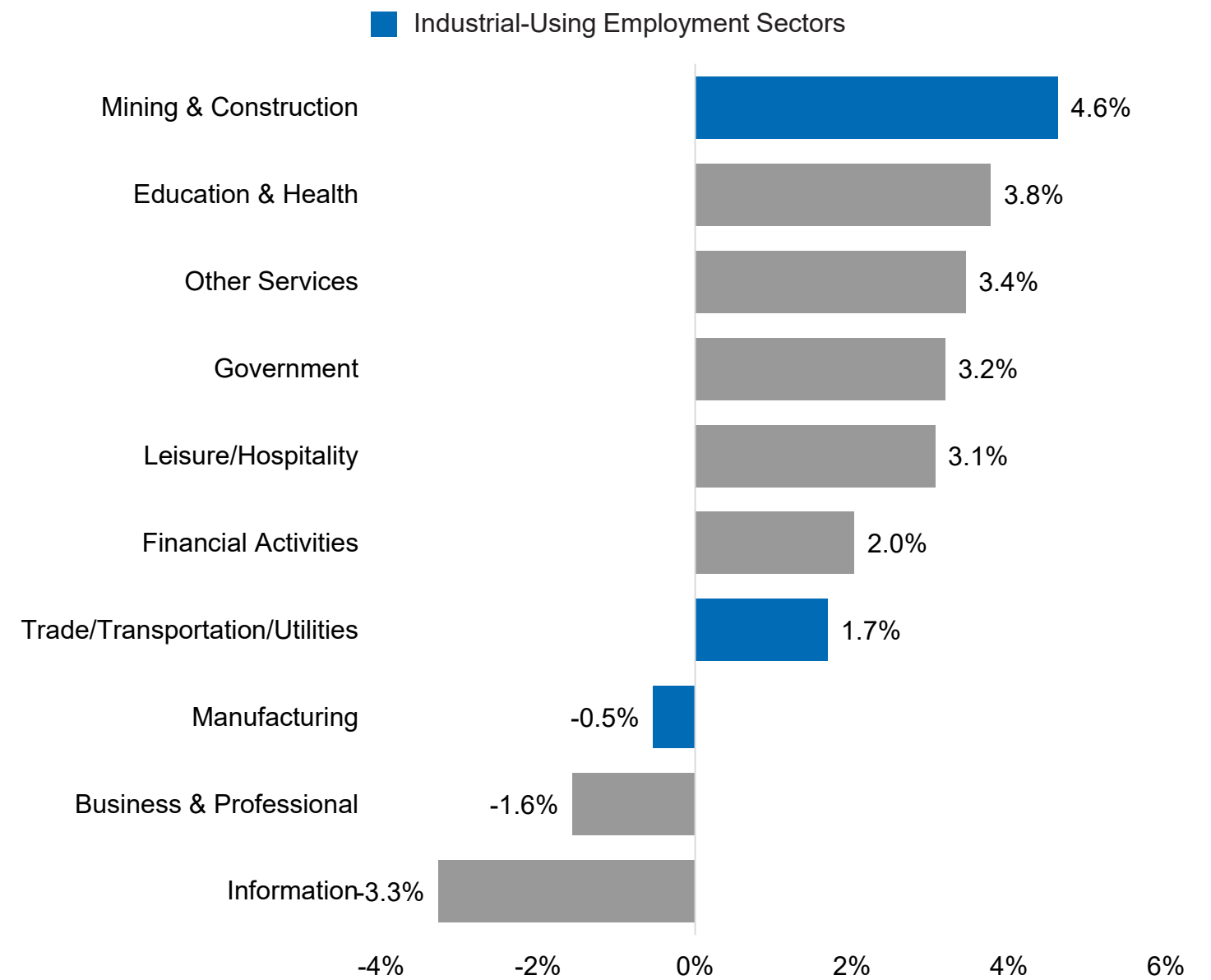
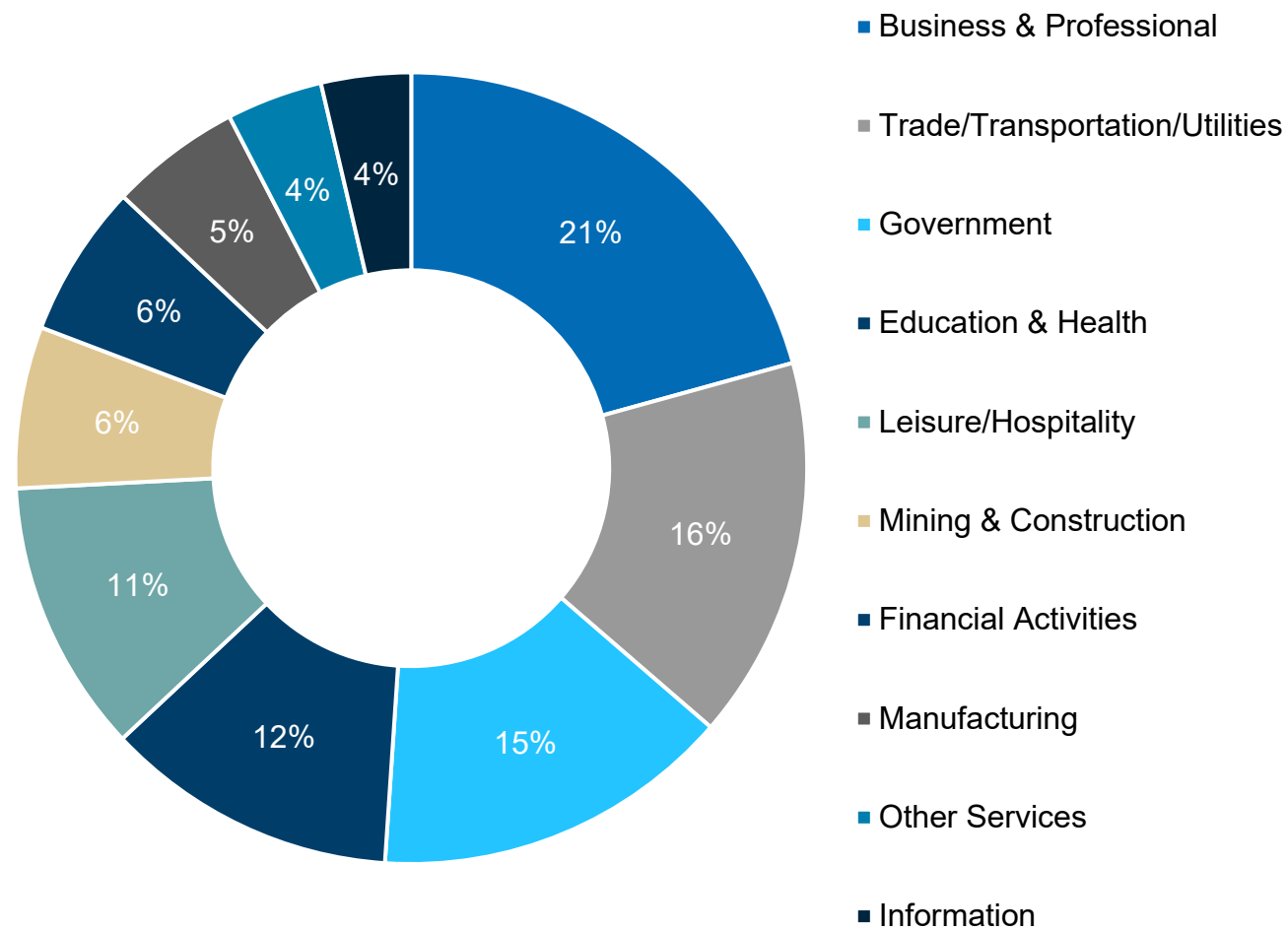
Source: U.S. Bureau of Labor Statistics, Austin-Round Rock MSA

Employment Growth Continues Across Most Industrial Sectors

Known for its technology sector, Austin's top two employment industries—business and professional and trade/transportation/utilities—account for 36.3% of jobs. The industrial-using employment trade/transportation/utilities sector is the second largest employment sector in the Austin market, representing 15.6% of the workforce. Year-over-year job growth was reported across all industry sectors except manufacturing, business and professional services, and information. The trade/transportation/utilities and mining and construction sectors posted gains of 1.7% and 4.6%, respectively. Meanwhile, manufacturing reported yearly job losses of 0.5%.

Employment by Industry, November 2024

Employment Growth by Industry, 12-Month % Change, November 2024

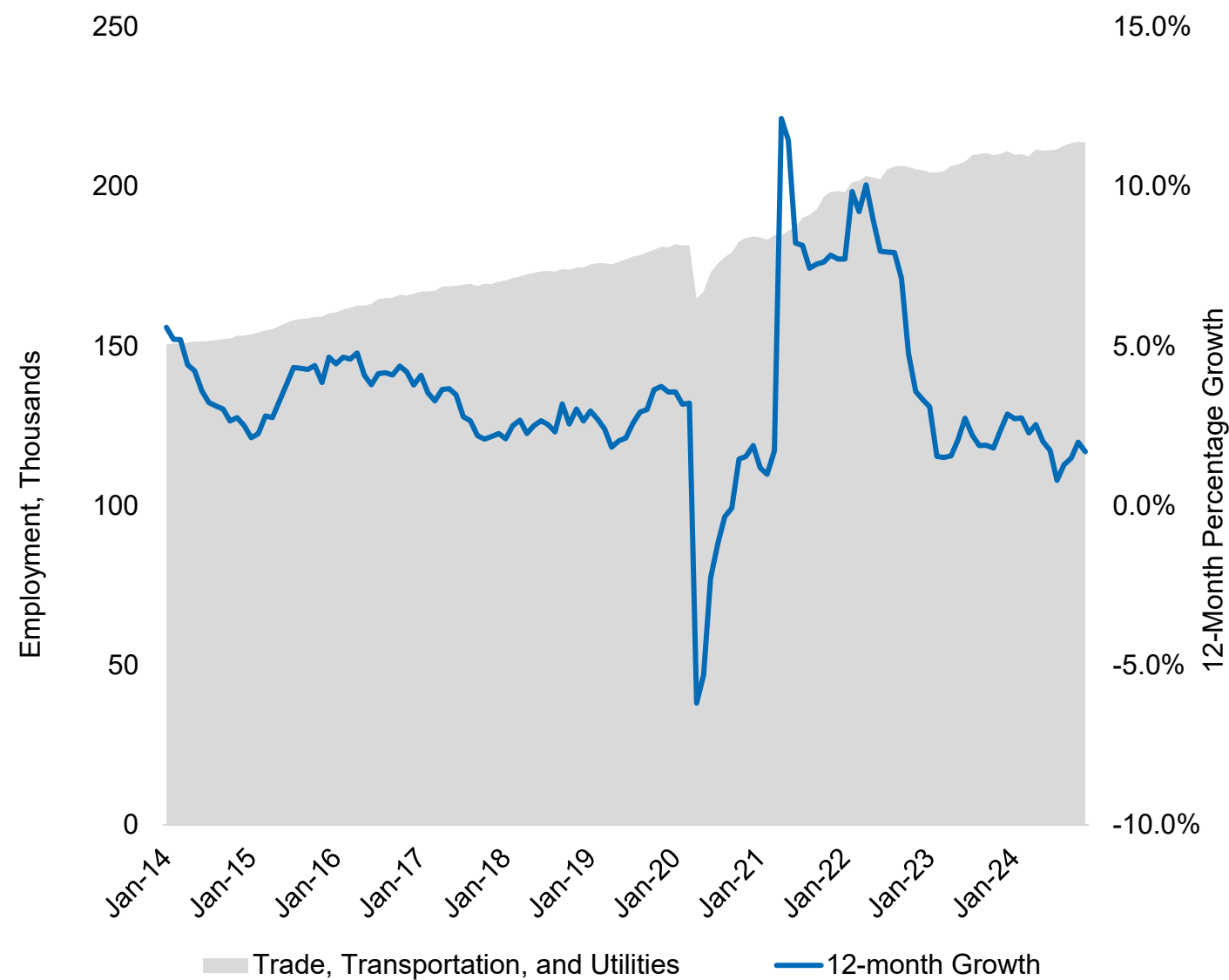


Source: U.S. Bureau of Labor Statistics, Austin MSA

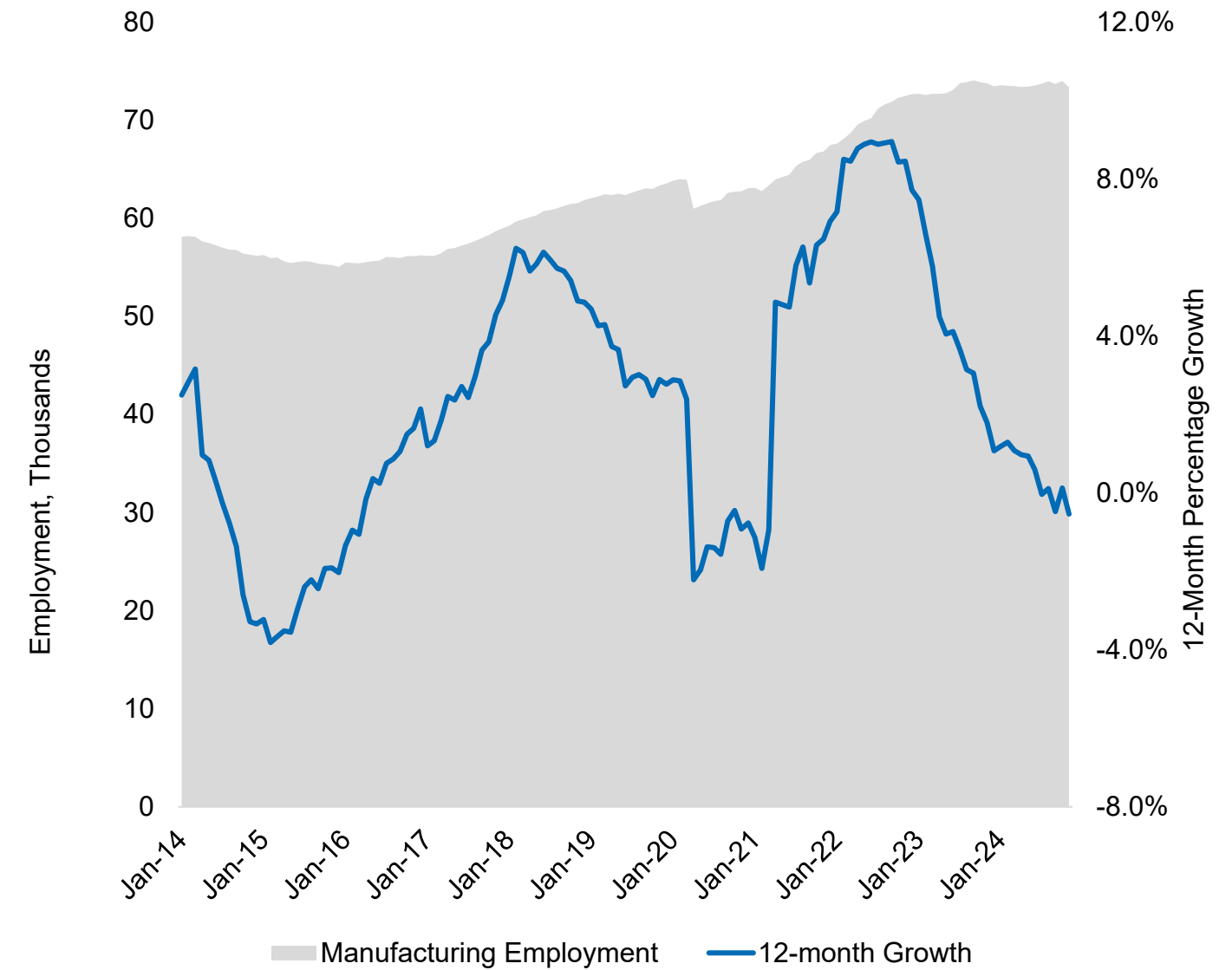
Industrial Employment Shows Mixed Yearly Growth

Employment in the trade/transportation/utilities sector closed November 2024 at 213,770 jobs, marking a 0.1% decline from the previous month's peak. However, jobs in the trade/transportation/utilities sector remain 1.7% higher than where they were a year ago. In contrast, manufacturing employment decreased by 0.5% year over year to 73,380 jobs. Overall, industrial-using employment posted mixed results, with trade/transportation/utilities growing by 1.7% and manufacturing declining by 0.5%.

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

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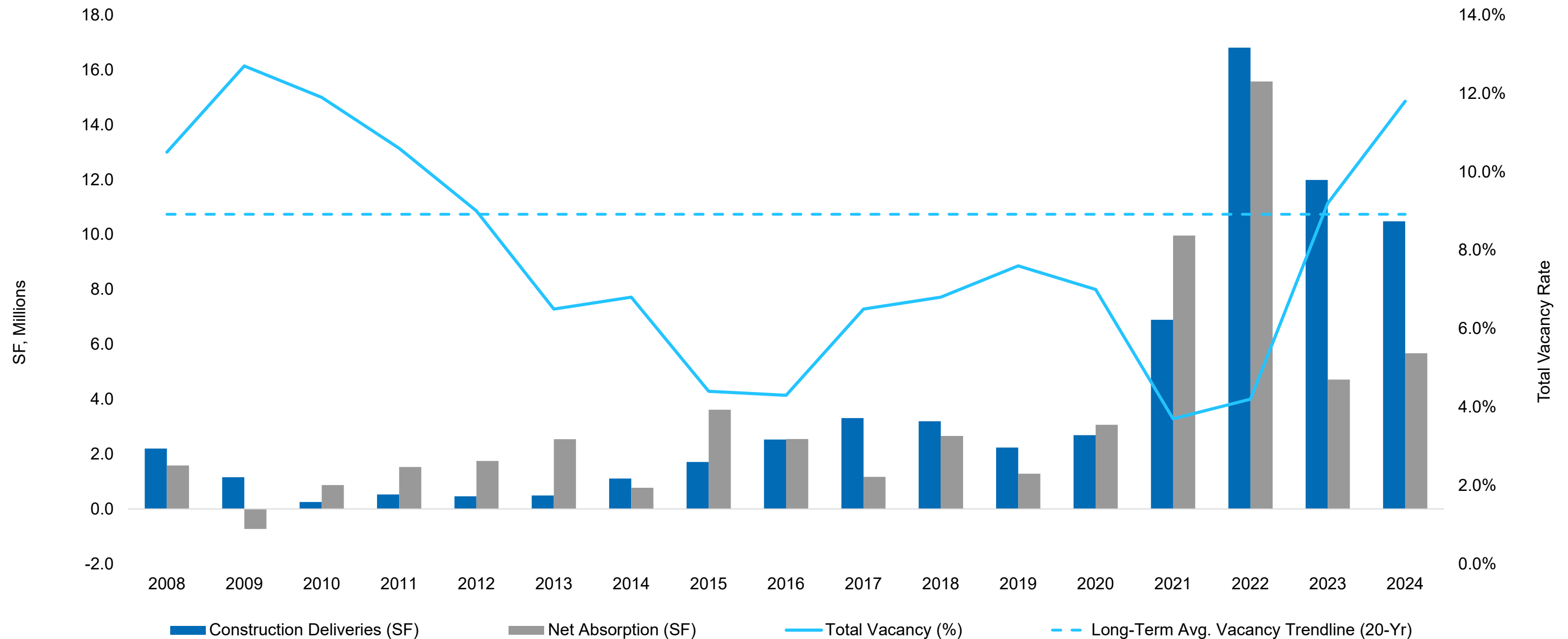
Leasing Market Fundamentals



Elevated Deliveries Pushes Vacancies to Recent High

The Austin industrial vacancy rate rose by 260 basis points year over year to 11.8% in the fourth quarter of 2024, primarily due to another year of elevated deliveries that need to be absorbed by the market. Despite national economic headwinds, demand for industrial space remained positive for the 22nd consecutive quarter as companies continue building out their supply chains along the I-35 trade corridor to capitalize on rising consumer sentiment and attempt to front-run the potential tariffs that will be implemented by the incoming Trump administration. Advanced manufacturers are also following Tesla and Samsung into the region, leveraging their regional investments.

Historical Construction Deliveries, Net Absorption, and Vacancy

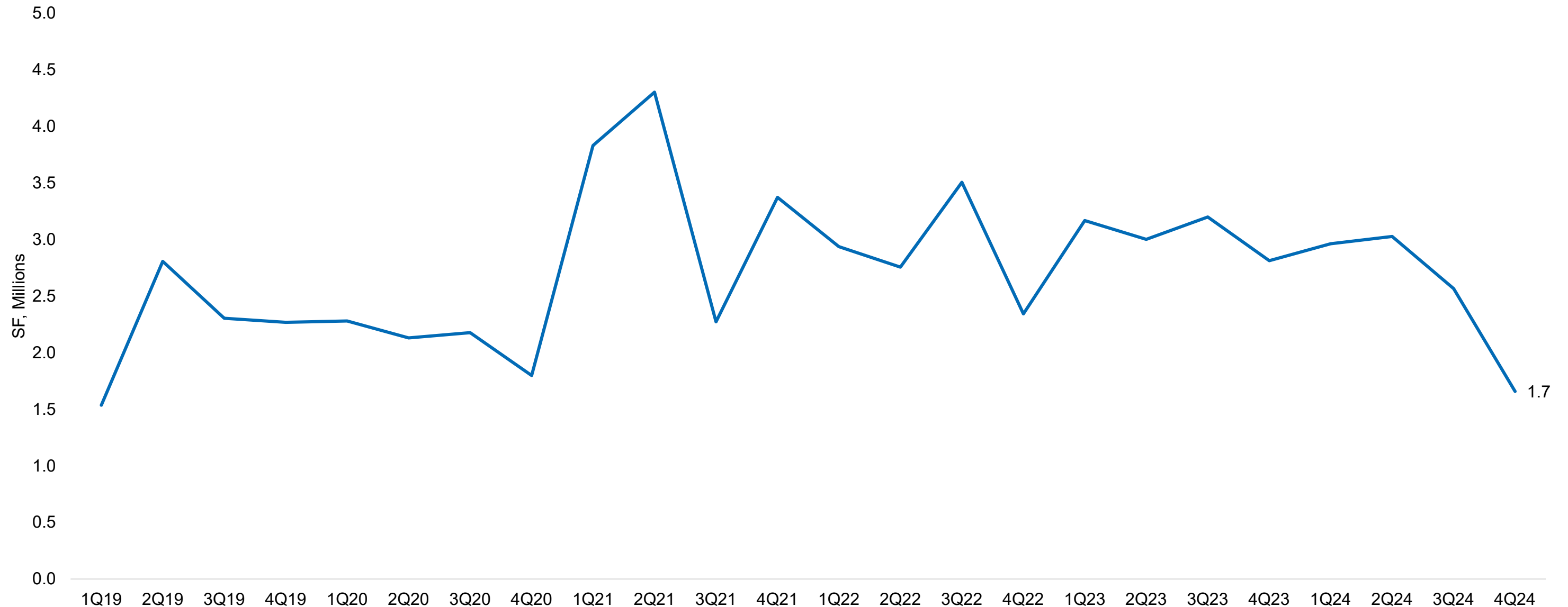


Source: Newmark Research, CoStar

Industrial Leasing Activity Declines Year Over Year; Quarter Over Quarter

Leasing activity in Austin totaled 1.7 MSF at the close of the fourth quarter of 2024, marking the lowest point since the first quarter of 2019 and reflecting yearly and quarterly declines of 35.4% and a 41.1%, respectively. Despite a slowdown driven by economic headwinds and financial uncertainty including monetary policy and potential tariffs, market demand remains positive.

Total Leasing Activity (SF)

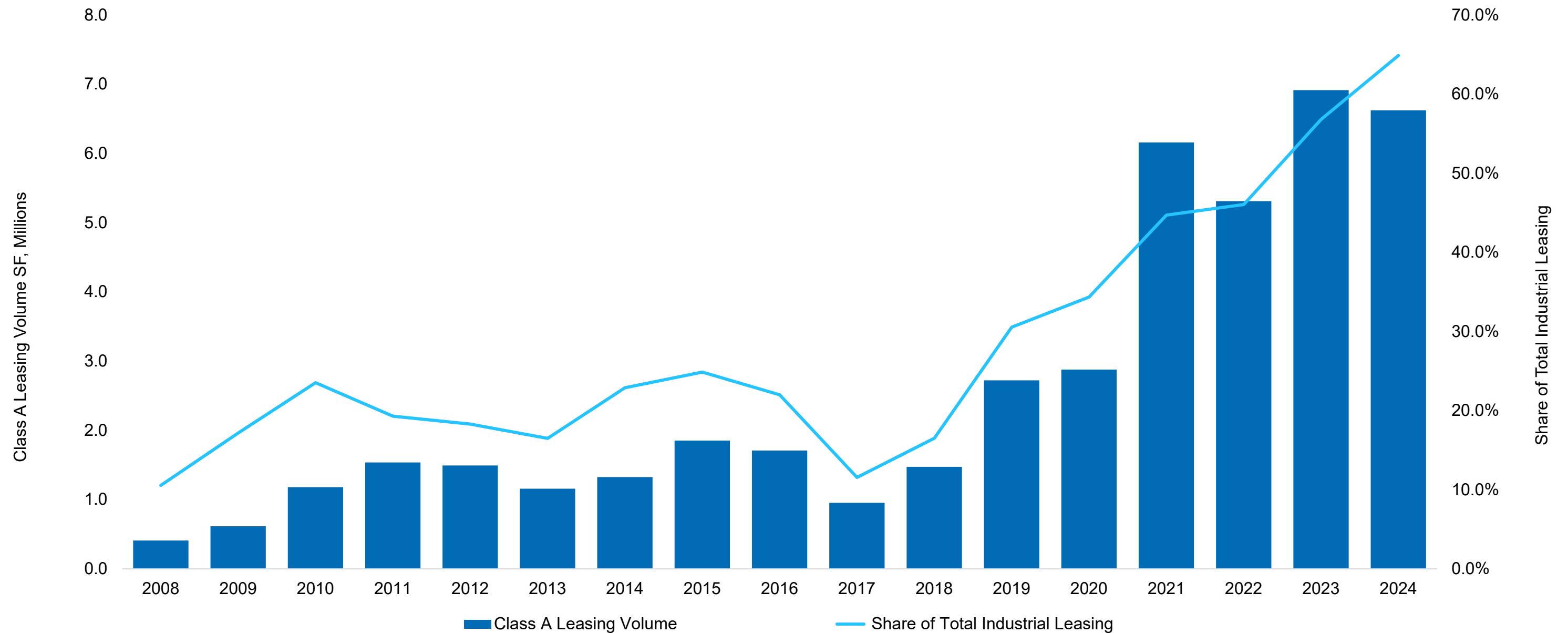


Source: Newmark Research, CoStar

Class A Warehouse Transaction Volume Share Climbs to New High

Leased square footage for Class A warehouse declined by 2.0% from the previous quarter to 1.5 MSF but remained well above the historic fourth-quarter average of 599,784 SF dating back to 2008. However, Class A warehouse's share of leasing activity surged to 87.9% in the fourth quarter of 2024, up 3,000 basis points quarter over quarter and 3,540 basis points year over year. Overall Class A leasing activity, composing 64.9% of all leasing activity in Austin, totaled 6.6 MSF for 2024. This is well above the 19.5% average reported during period from 2008 through 2019.

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

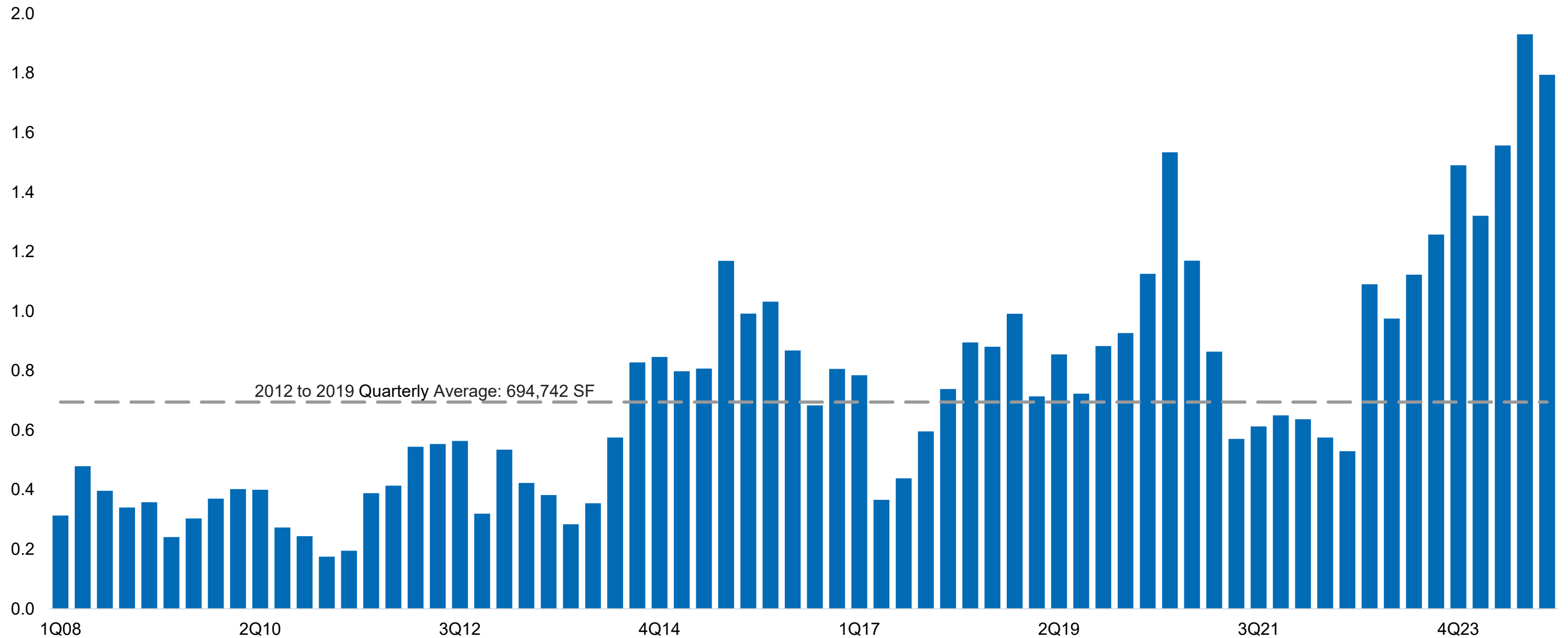


Source: Newmark Research, CoStar

Industrial Sublease Availability Declines from Record High

At the end of the fourth quarter of 2024, sublease availabilities declined by 7.0% quarter over quarter and increased by 20.4% year over year to 1.8 MSF. The Fed's tightened fiscal policy aimed at normalizing inflation has prompted some firms to control costs, often through supply chain optimization, including listing underutilized space on the sublease market. However, a recent surge in consumer optimism and corporate preparation for potential tariffs from the Trump administration have likely incentivized firms to withdraw space from the sublease market to bolster inventory levels.

Available Industrial Sublease Volume (msf)

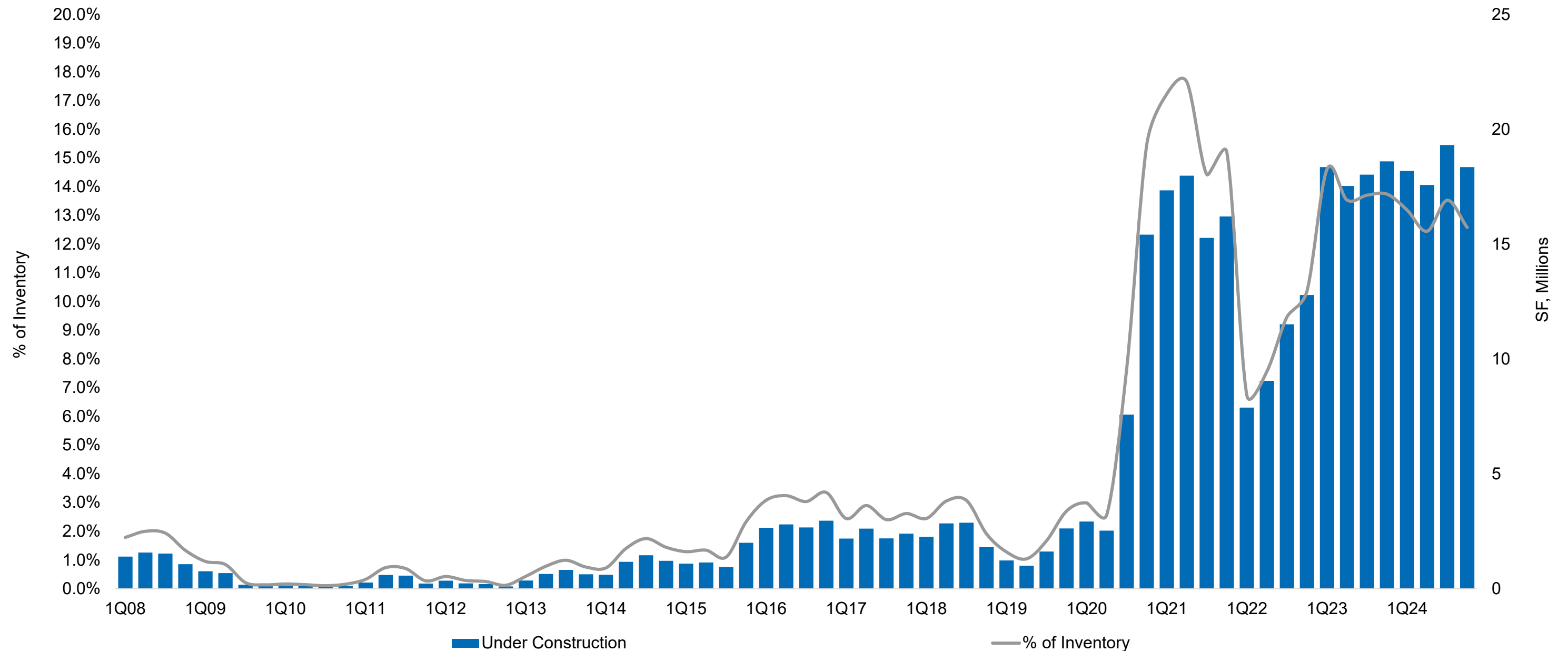


Source: Newmark Research, CoStar

Construction Activity Ticks Down, Remains Historically Elevated

Austin's industrial pipeline remains historically elevated with 18.4 MSF of industrial space under construction as of the end of the fourth quarter, slightly below the previous quarter's peak of 19.3 MSF. Developers continue to launch new projects, anticipating demand from advanced manufacturing companies moving into and expanding within the region. Significant regional investments by firms like Tesla and Samsung are encouraging other companies to expand supply chains along the I-35 Corridor. Currently, 50.3% of under-construction projects are released.

Industrial Under Construction and % of Inventory

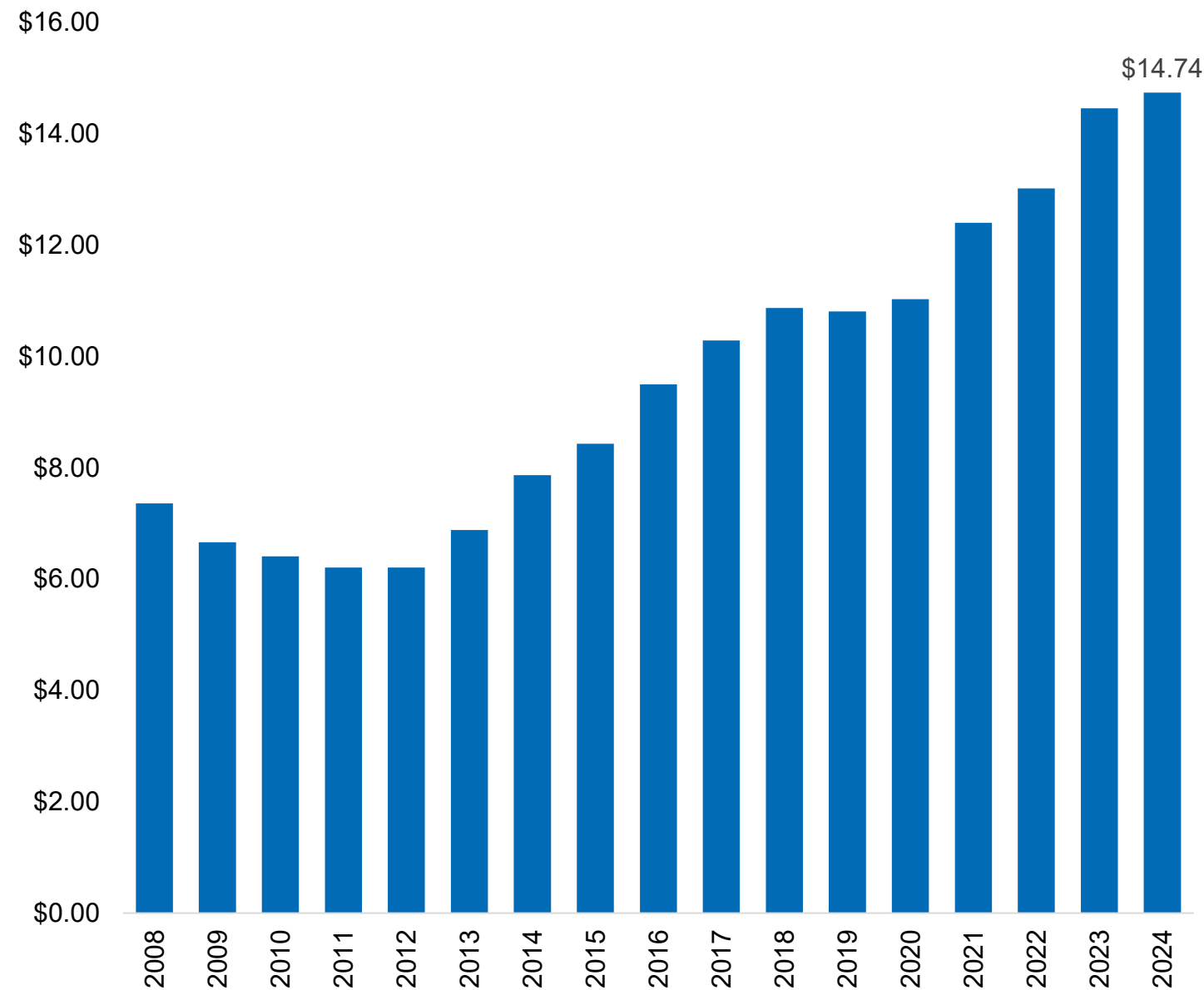


Source: Newmark Research, CoStar

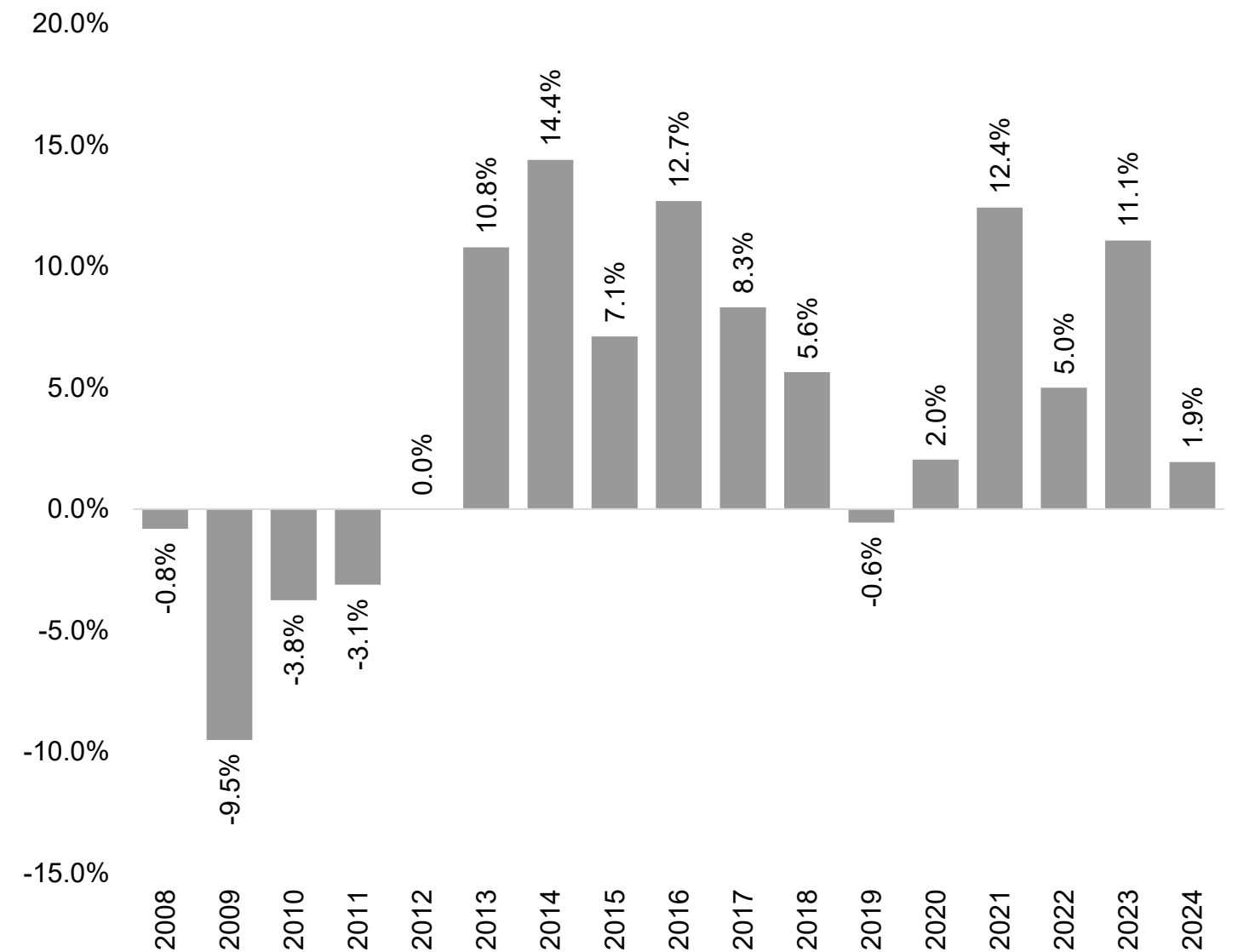
Asking Rents Show Quarterly Decline, Though Yearly Growth

At the end of the fourth quarter of 2024, industrial average asking rents edged down to \$14.74/SF, slightly below the historic high of \$15.03 recorded in the first quarter of 2024. This reflects a 1.3% quarterly decrease and a 1.9% yearly increase. Rent growth is expected to persist, albeit at a more moderate pace, as vacancy rises with the continued delivery of new, high-quality assets.

Industrial Average Asking Rent, \$/SF, NNN



Year-over-Year Asking Rent Growth Rate % Change



Source: Newmark Research, CoStar

Class A Warehouse Space Dominates Leasing Activity

Leasing activity continued to slow in the fourth quarter of 2024 on a quarterly and annual basis, with quarterly leasing activity at 1.7 MSF edging out the fourth-quarter quarterly average of 1.6 MSF reported since 2000. Advanced manufacturing maintained a key role, with Tesla supplier U.S. Farathane signing the largest lease of the quarter. Class A spaces dominated, accounting for 87.9% of total leasing transactions as new deliveries continued. Notably, most major leases signed in the fourth quarter of 2024 were new direct leases, underscoring sustained strong demand for industrial space in the market.

Notable 4Q24 Lease Transactions

Tenant	Building	Submarket	Type	Square Feet
U.S. Farathane <i>Tesla supplier U.S. Farathane continued its Austin expansion when it renewed its space at 820 West Howard Lane, inking the fourth quarter of 2024's largest lease.</i>	Techridge 4.2	Northeast	Renewal	241,785
Hanwha Advanced Materials America <i>Hanwha pre-leased the entire building at 4104 North Interstate 35, which is expected to deliver in June 2025.</i>	Hanwha Advanced Materials	Georgetown	Direct New	200,000
WESCO <i>Electrical components producer and distributor WESCO leased 126,500 SF at 301 West Howard Lane. WESCO had previously sublet space at the property.</i>	CM Tech Ridge	Northeast	Direct New	126,500
Mattress Firm <i>Mattress distributor Mattress Firm is expected to move into its 119,952 SF space at 1425 Susurro Parkway by March 2025.</i>	Whisper Hills West	Hays County	Direct New	119,952
TNT Crane and Rigging <i>Crane rental agency TNT Crane and Rigging moved into the warehouse located at 194 Commerce Center Drive in December 2024.</i>	Buda Commerce Center – Building 1	Hays County	Direct New	118,386



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