

NEWMARK

Austin Industrial Market Overview

4Q25



Market Observations



Economy

- The market's unemployment rate ticked down by 15 basis points year over year to 3.5%, remaining below the five-year average of 4.1%.
- Overall nonfarm annual job growth decelerated below the national average to 0.4%, reflecting an annual decline of 193 basis points. A notable shift, given Austin's usual outperformance of the national average.
- Employment growth reported mixed results that were evenly split between growth and contraction, with financial activities leading job gains at 2.7% 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 0.6% and 1.8%, respectively. Meanwhile, trade/transportation/utilities employment increased by 1.1% on a yearly basis.



Leasing Market Fundamentals

- The market recorded 444,293 SF of positive absorption in the fourth quarter of 2025, marking the 26th consecutive quarter of positive absorption.
- Overall rental rates decreased by 2.4% quarter over quarter to \$14.45/SF, reflecting a decline of 3.2% from the historic high achieved during the first quarter of 2024.
- The construction pipeline delivered 2.0 MSF during the fourth quarter of 2025. The under-construction pipeline continues to be elevated at 12.3 MSF, despite decreasing by 8.3% quarter over quarter.
- After three consecutive years of new deliveries outpacing annual demand, the imbalance persisted through year-end. Through the end of 2025, developers completed 8.9 MSF of new space versus 3.0 MSF of net absorption, creating a 5.9 MSF demand deficit that has driven the vacancy rate up by 320 basis points year over year to a record high of 15.1%.



Major Transactions

- Taiwanese electronics manufacturer and new market entrant Compal Electronics signed the fourth quarter of 2025's largest leases, totaling almost 600,000 SF. The company is expected to invest \$94.1 million building out a manufacturing site and a server support center, bringing over 1,000 jobs to the region.
- All notable leases in the fourth quarter of 2025 were new, underscoring sustained demand for high-quality industrial space in the market.
- Leasing activity increased in the fourth quarter of 2025, totaling 2.1 MSF and exceeding the fourth-quarter average of 1.7 MSF since 2000.



Outlook

- The Austin industrial market is poised for an influx of new supply in the near term, with 8.0% of the current inventory under construction. New deliveries, which are 52.5% 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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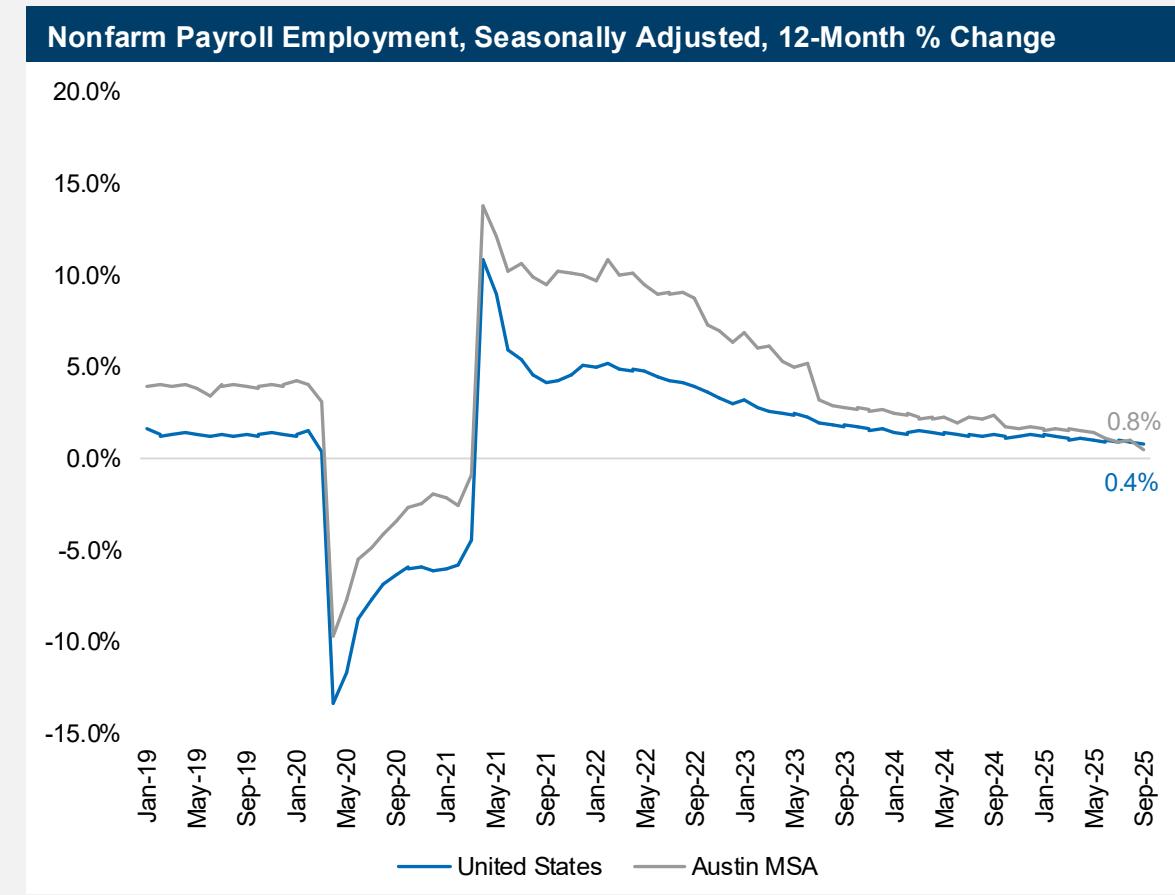
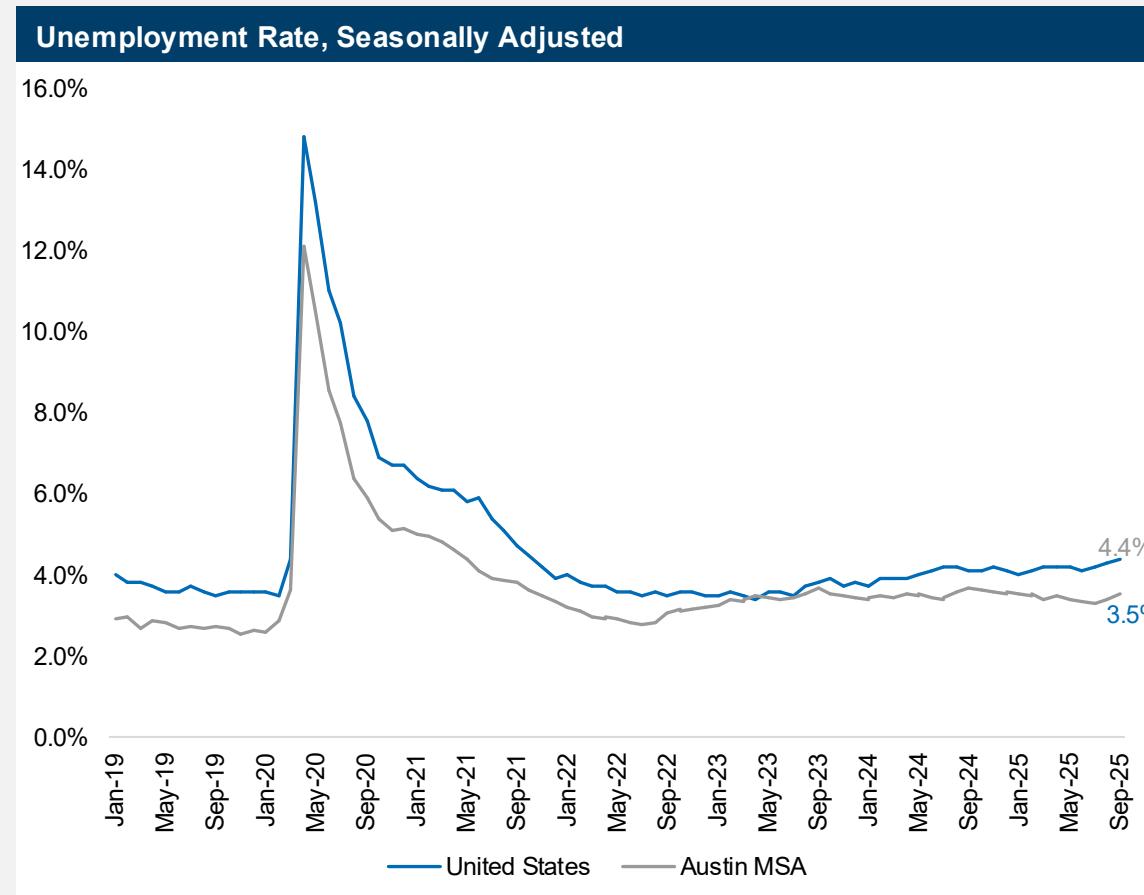
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Economy



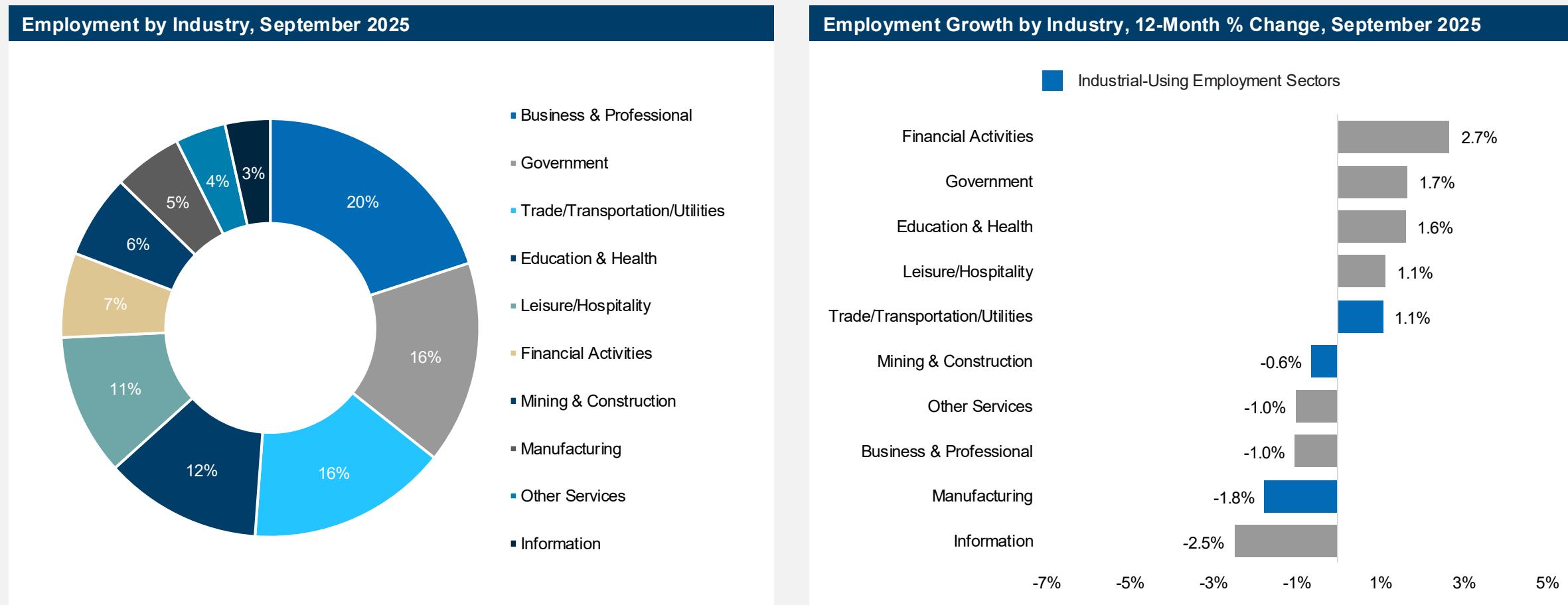
Employment Growth Continues to Slow, Unemployment Remains Below National Average

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 of the United States in job growth has narrowed in recent quarters and dropped below the national average as of September 2025. Most nonfarm payroll yearly growth has been concentrated in the financial activities, government and education and health sectors. Despite continued national economic headwinds in the fourth quarter of 2025, the region's unemployment rate ticked down by 15 basis points year over year. Meanwhile, employment growth decelerated by 193 basis points as compared to the prior year.



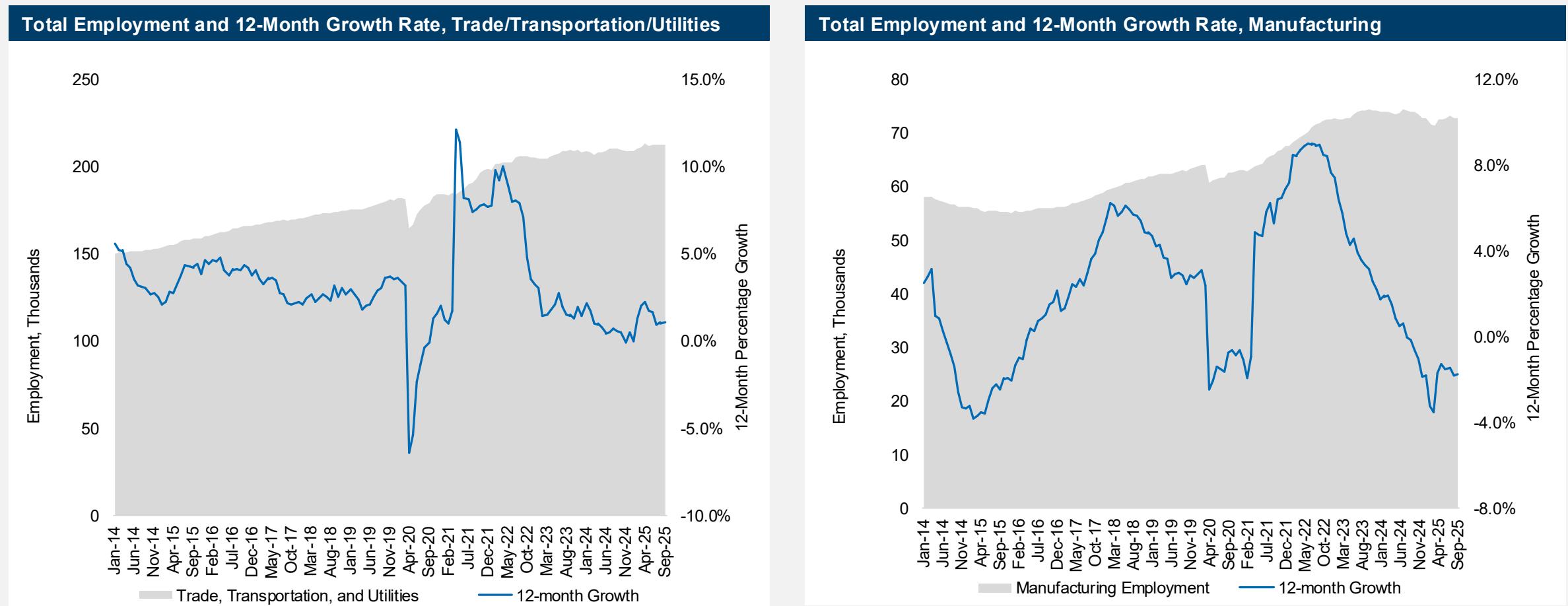
Employment Growth Declines Across Most Industrial-Using Sectors

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, composing 15.5% of Austin's workforce, is the third largest in the metro. Government recently overtook trade/transportation/utilities to become the second largest employment sector. Sectoral job growth in the market was evenly split between gains and losses. Most industrial-using sectors reported declines. The trade/transportation/utilities sector posted job gains of 1.1%. In contrast, mining and construction and manufacturing reported yearly job losses of 0.6% and 1.8%, respectively.



Industrial Employment Shows Mixed Results

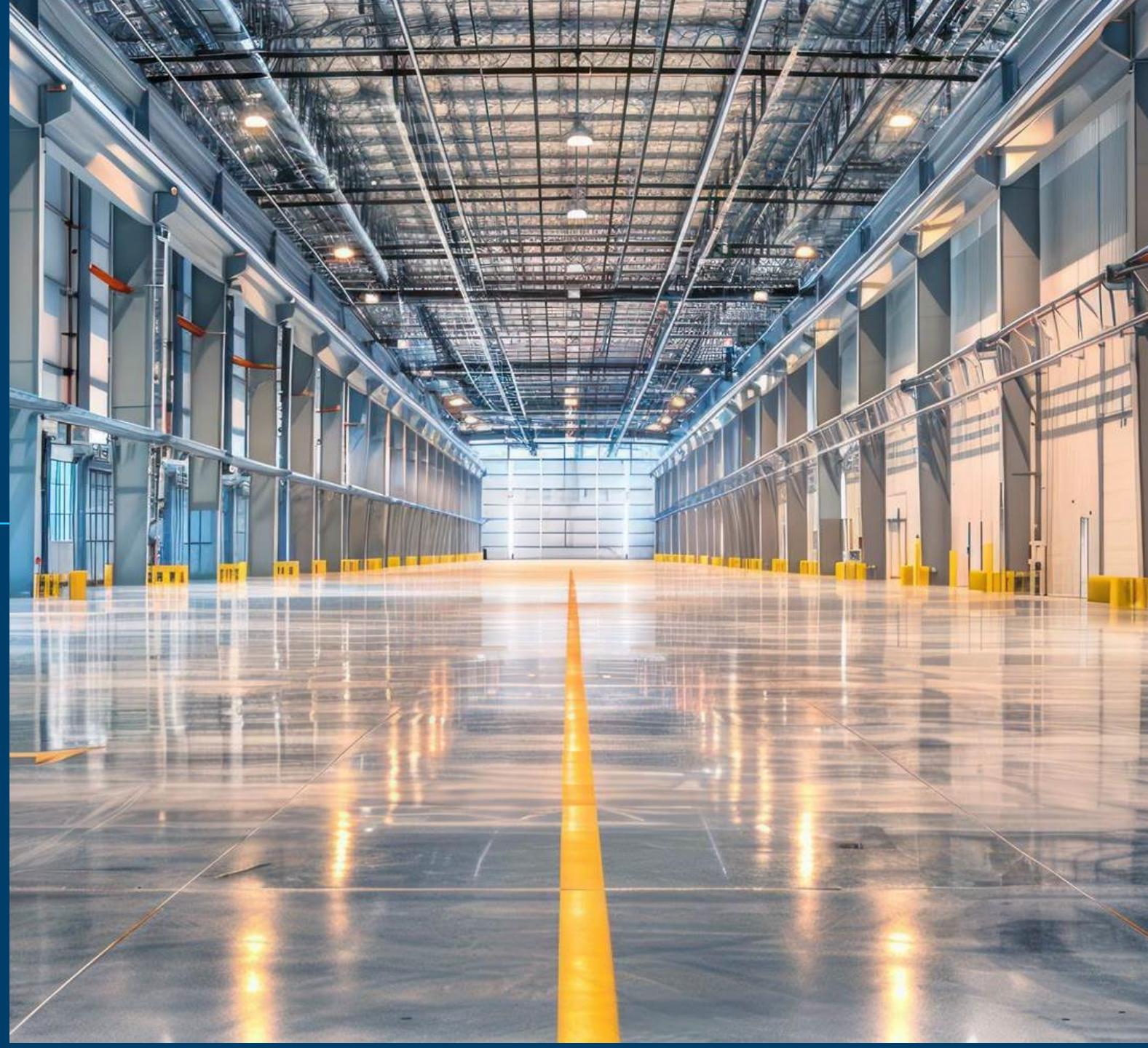
Employment in the trade/transportation/utilities sector closed September 2025 with 212,980 jobs, just below the historical high set at the end of April 2025. In contrast, manufacturing employment ended September 2025 with 72,830 jobs. Overall, industrial-using employment showed mixed annual results, with trade/transportation/utilities growing by 1.1% and manufacturing shrinking by 1.8%. Trade/transportation/utilities and manufacturing employment both remain 0.1% and 2.4% below their historic highs, respectively.



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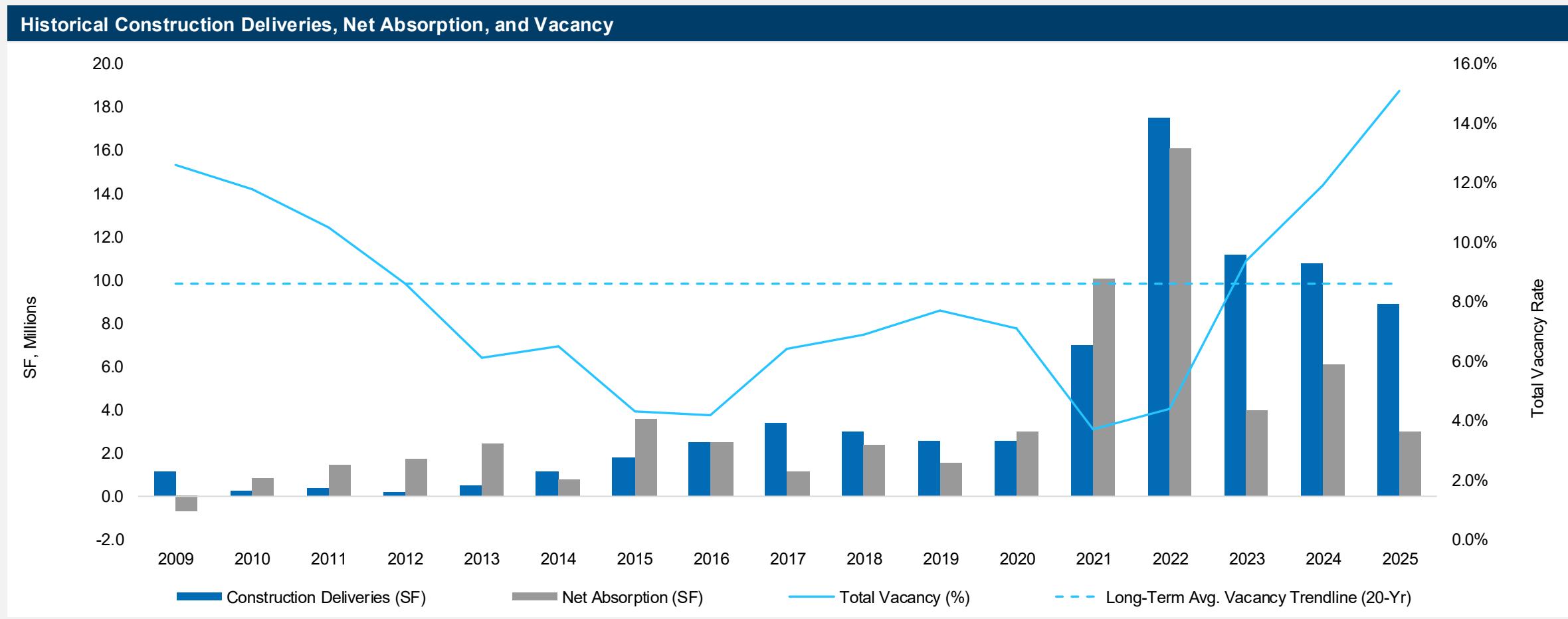
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Leasing Market Fundamentals



Elevated Deliveries Push Vacancies to Record High

The Austin industrial vacancy rate rose by 320 basis points year over year to an all-time high of 15.1% in the fourth quarter of 2025, primarily due to another quarter of elevated deliveries that are yet to be absorbed by the market. The fourth quarter reported roughly 2.0 MSF of deliveries, bringing the year-to-date total to 8.9 MSF. Despite national economic headwinds, demand for industrial space remained positive for the 26th consecutive quarter, totaling 444,293 SF. Vacancy is likely to trend upward as the market works through the demand gap that has occurred over recent years, with the market delivering 5.9 MSF of excess space during 2025.

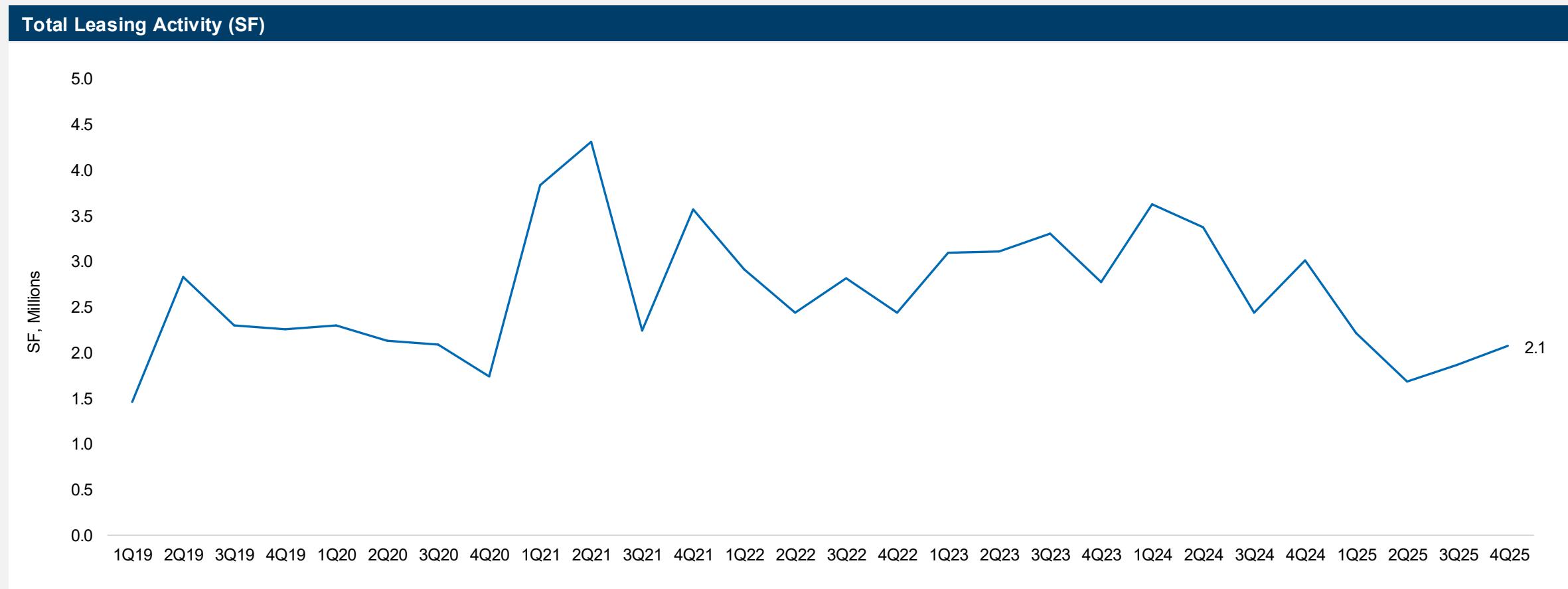


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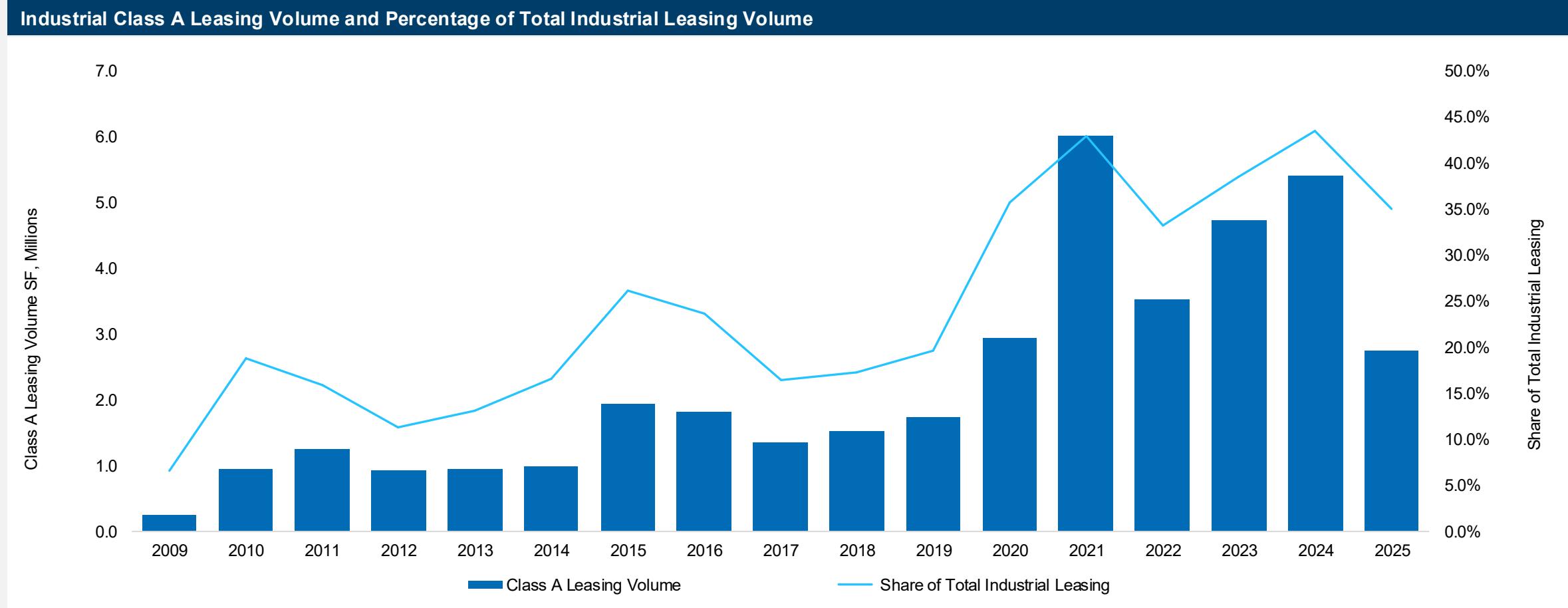
Industrial Leasing Activity Posts Second Consecutive Quarterly Increase

Leasing activity in Austin totaled 2.1 MSF at the close of the fourth quarter of 2025, reflecting a quarterly increase of 11.2% but a yearly decline of 31.1%. This marks the second consecutive quarter of increasing activity since the recent low recorded during the second quarter of 2025. Despite a slowdown driven by macroeconomic uncertainty stemming from fluctuating monetary policy and tariffs, market demand will likely remain positive as companies continue to build out their supply chains along the I-35 corridor. Another catalyst for demand will be advanced manufacturers following Tesla and Samsung into the area, leveraging their regional investments.



Compal Electronics Drives Up Class A Warehouse Transaction Quarterly Volume

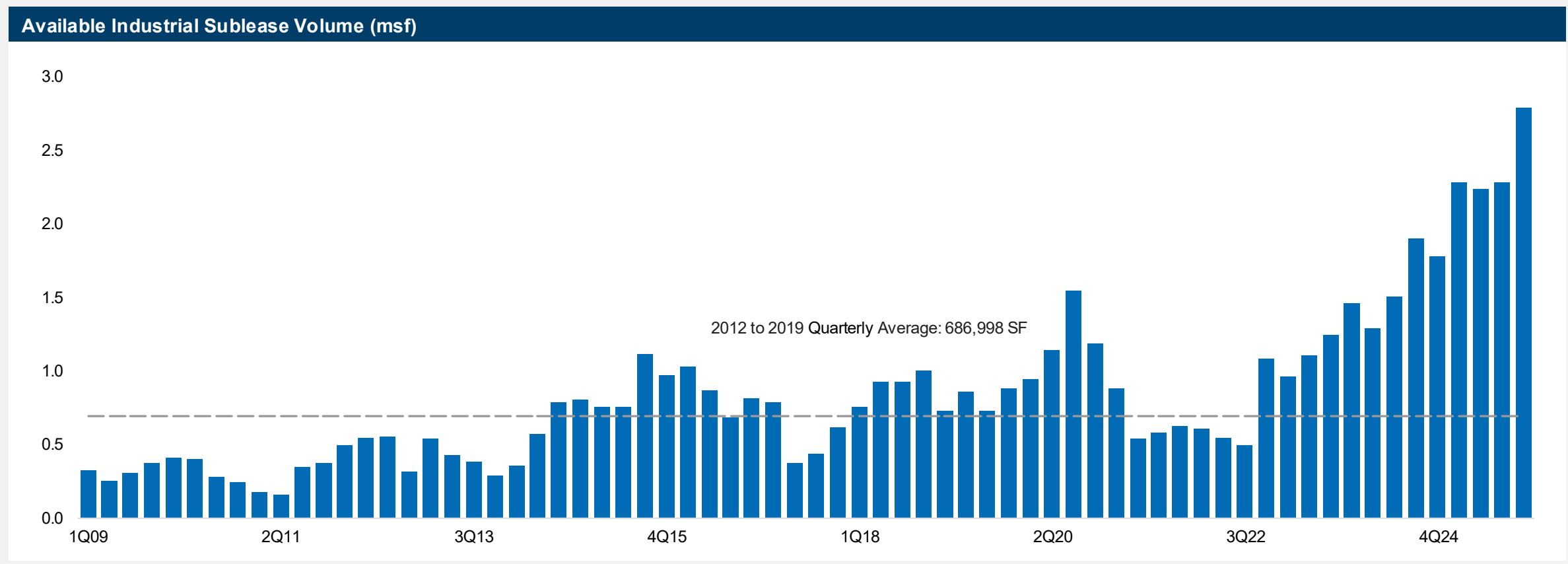
Leased square footage for Class A warehouse during the fourth quarter of 2025 increased by 231.2% from the previous quarter and by 0.5% on an annual basis to 1.1 MSF. The year closed out with 2.7 MSF of total Class A leasing activity, about half of the 5.4 MSF of leasing activity reported in the previous year. Meanwhile, Class A warehouse's share of leasing activity increased to 52.0% in the fourth quarter of 2025, reflecting increases of 3,452 basis points quarter over quarter and 1,636 basis points year over year. A large portion of the jump in Class A leasing activity can be attributed to Compal Electronics' leases signed during the quarter. Class A leasing activity remains above the fourth-quarter average of 22.5% reported from 2009 through 2019.



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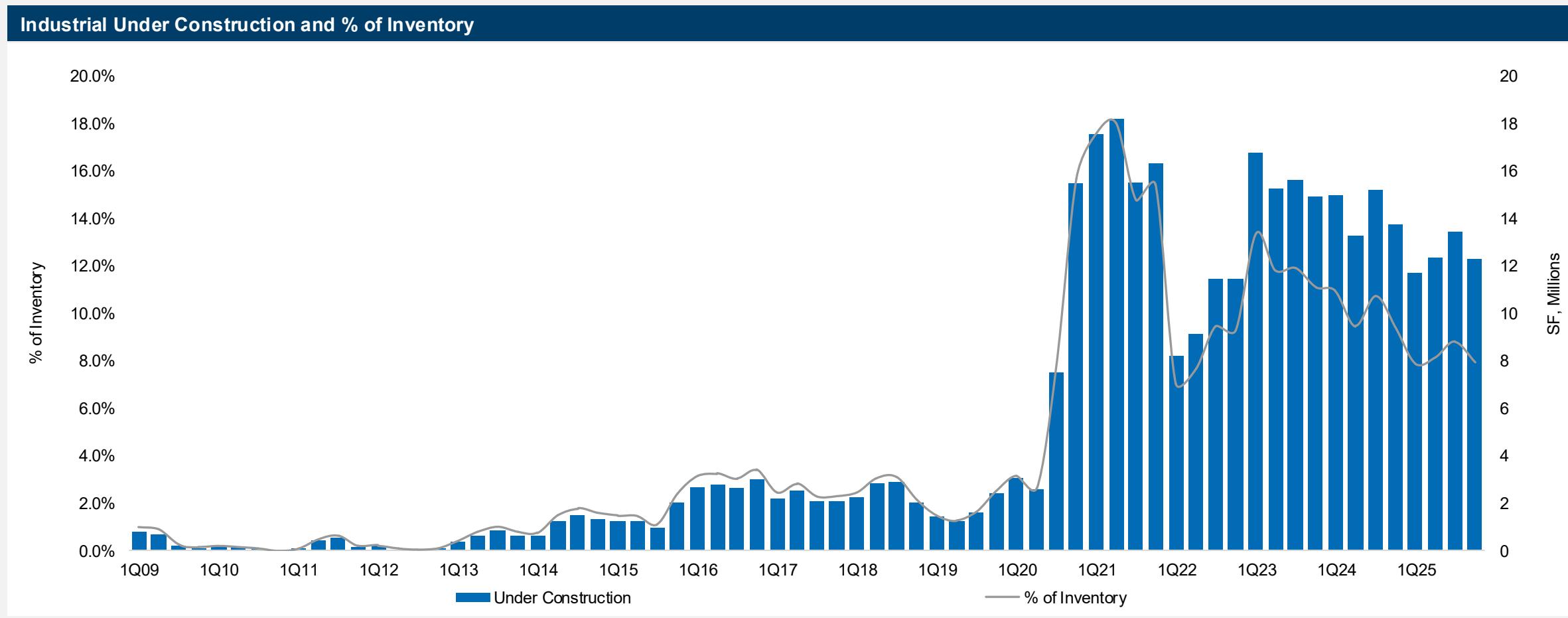
Industrial Sublease Availability Increases to Record High

At the end of the fourth quarter of 2025, sublease availabilities increased by 22.1% quarter over quarter and by 57.0% year over year to a record high of 2.8 MSF. This is well above the 686,998 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 PODS (99,000 SF) and Thermo Fisher Scientific (122,400 SF).



Construction Activity Declines on a Quarterly Basis but Remains Elevated

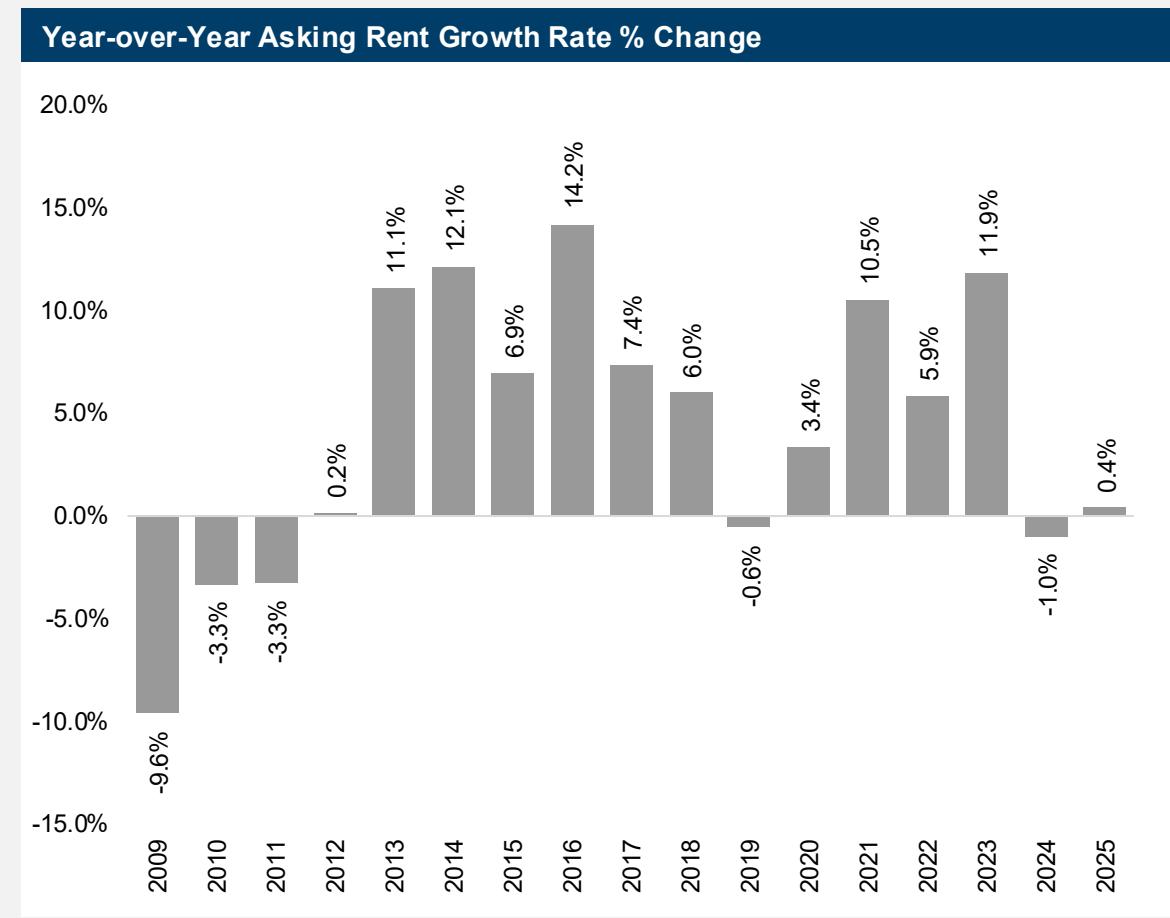
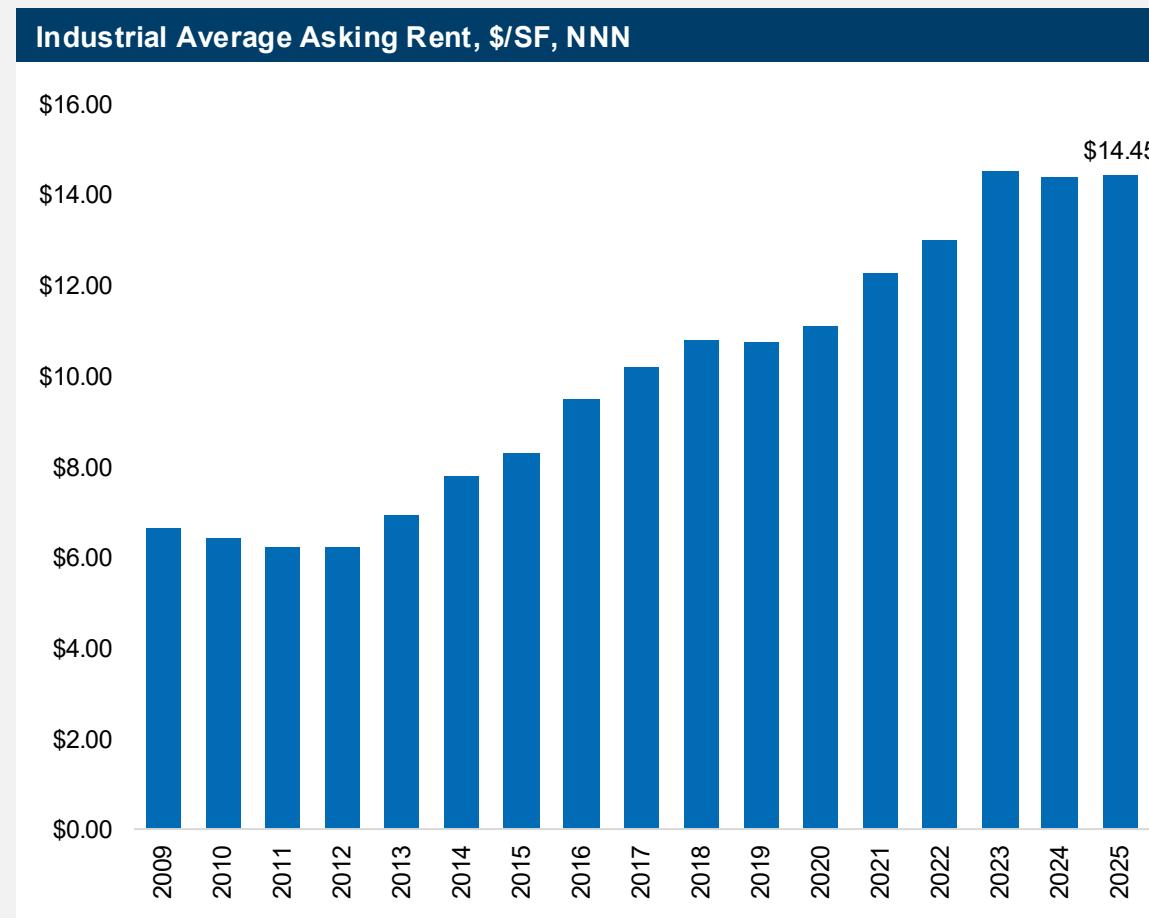
Austin's industrial pipeline remains historically elevated at 12.3 MSF under construction, comprising 8.0% of the market's total inventory as of the end of the fourth quarter of 2025. Developers continue to launch new projects, anticipating demand from advanced manufacturing companies moving into and 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 52.5% preleased.



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Delivery of New Product Keeps Rents Near Record Highs

At the end of the fourth quarter of 2025, industrial average asking rents declined by 2.4% quarter over quarter to \$14.45/SF, remaining 3.2% below the historic high of \$14.93/SF recorded in the first quarter of 2024. Meanwhile, rents reflected a 0.4% increase year over year as the pace of yearly rent growth continued to flatten. Deliveries of a plethora of high-quality new product continue to keep 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.



New Market Entrant Compal Electronics Drives Leasing Activity

Leasing activity increased in the fourth quarter of 2025 on a quarterly basis, totaling 2.1 MSF and remaining above the fourth-quarter quarterly average of 1.7 MSF reported since 2000. Notably, all major leases signed in the fourth quarter of 2025 were new direct leases, underscoring sustained strong demand for industrial space in the market. New market entrant Taiwanese electronics manufacturer Compal Electronics made a big splash during the fourth quarter of 2025, signing the quarter's two largest leases totaling 578,908 SF. The company is expected to invest \$94.1 million building out a manufacturing site and a server support center, bringing more than 1,000 jobs to the region.

Notable 4Q25 Lease Transactions				
Tenant	Building	Submarket	Type	Square Feet
Compal Electronics	TaylorPort Rail Park	Round Rock	Direct New	366,115
Taiwanese electronics manufacturer Compal Electronics inked the largest lease of the quarter at 1069 FM 3369. The company is expected to spend \$65.7 million to develop a manufacturing site.				
Compal Electronics	Georgetown Logistics Park Building 1	Georgetown	Direct New	212,793
Compal also signed the fourth quarter of 2025's second largest lease. The firm is expected to spend \$28.4 million to establish a server support center that will support enterprise and cloud infrastructure needs.				
MEI Industrial Solutions	Howard 130 – Building 3	Far Northeast	Direct New	197,980
Comprehensive industrial solutions provider MEI Industrial Solutions, formerly known as MEI Rigging & Crating, leased the entirety of 6719 E Howard Lane.				
Lower Colorado River Authority	71 Logistics Center	Southeast	Direct New	101,029
The Lower Colorado River Authority, a governmental agency responsible for managing the region's water supply and hydroelectric dams, leased 101,029 SF at 4777 E State Highway 71 through March 2031. The agency is expected to occupy the space in the first quarter of 2026.				
Undisclosed	Prologis Corridor Park – Building 9	North	Direct New	99,400
An unknown tenant signed a 99,400-SF lease at 401B Parker Dr.				

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Appendix



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San Antonio Appendix



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