

MARKETBEAT

Austin

Industrial Q3 2016



AUSTIN INDUSTRIAL

Economic Indicators

	Q3 15	Q3 16	12-Month Forecast
Austin Employment	965k	998k	▲
Austin Unemployment	3.3%	3.2%	▼
U.S. Unemployment	5.2%	4.9%	▼

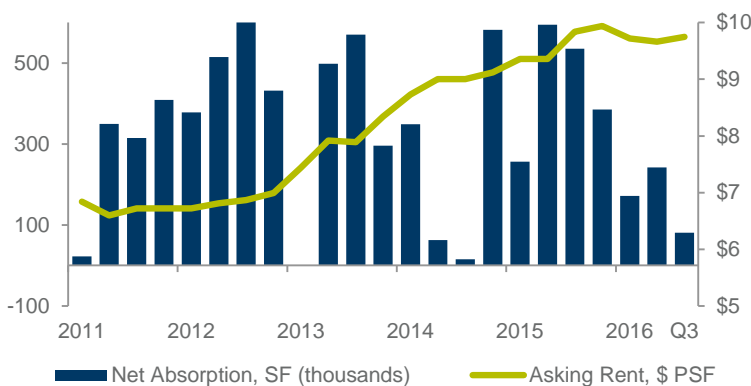
Market Indicators (Overall, All Classes)

	Q3 15	Q3 16	12-Month Forecast
Vacancy	8.6%	7.5%	▼
Net Absorption (SF, YTD)	1.38M	494K	▲
Under Construction (SF)	392k	654k	▲
Average Asking Rent*	\$9.36	\$9.75	▲

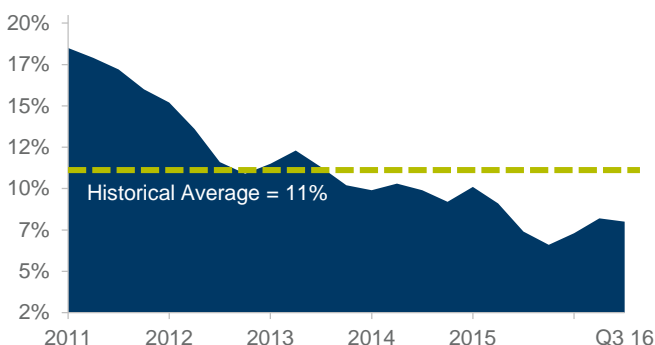
*Rental rates reflect net asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4Q TRAILING AVERAGE



Overall Vacancy



Economy

According to a recent article by Forbes, the Austin metro area has the nation's fastest-growing economy. The population boom has continued throughout Central Texas, and has expanded into the suburbs of Austin and nearby towns including Georgetown and New Braunfels, the #1 and #2 fastest-growing cities in the country, respectively, according to the US Census Bureau. This phenomenal growth trend has resulted in the Austin MSA nearly doubling its population over the last 20 years. Despite the growing population, Austin's unemployment rate remains healthy, hovering around 3% over the last six quarters, ranking it as one of the lowest rates in the country. Additionally, money continues to flow through Austin. According to the *Austin American Statesmen*, the metro's GDP has increased over \$20 billion in the last six years. Major corporations, such as Oracle, who broke ground on their 560,000 SF campus in SE Austin this quarter, continue to plant roots in the Austin MSA, bringing more jobs and revenue to the economy.

Market Overview

The Austin Industrial market recorded 80,659 square feet (sf) of overall absorption during Q3 2016. The Northwest (NW) led all submarkets, recording 79,488 sf of overall absorption, due in large part to a single user taking occupancy of 111,000 sf this quarter. Vacancy rates for all industrial product types remain low, with an overall rate of 7.5%, down from the 7.7% rate recorded in Q2 2016. Despite a decrease in absorption this quarter, lack of supply should continue to keep vacancy rates low and push rental rates upward. The average net rental rate for all property types for Q3 2016 was \$9.75 per square foot (psf), which was up \$0.09 psf from Q2 2016. Office service (flex) property types continue to perform strongly, with an overall average rental rate of \$11.76 psf. This property type has consistently mirrored Austin's red-hot office market, as traditional office users search for "value" office alternatives.

Outlook

The Austin industrial market continues to trend upward. Overall vacancy rates remain healthy while rental rates continue to rise. Construction starts are up as developers look to keep up with market demand. There is currently more than 650,000 square feet of industrial product under construction. As population growth continues and more and more businesses flock to the capital city and expand their business footprints, we can expect to see demand for both warehouse/distribution and flex space increase as we move into 2017.

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SUBMARKET	INVENTORY	OVERALL VACANCY RATE	YTD NET OVERALL ABSORPTION	UNDER CNSTR	DIRECT WEIGHTED AVG. NET RENT (MF)	DIRECT WEIGHTED AVG. NET RENT (OS)	DIRECT WEIGHTED AVG. NET RENT (W/D)
Central	18,900	0%	0	0	N/A	N/A	N/A
Far Northwest	4,456,859	1.2%	-34,135	30,000	N/A	\$14.97	\$5.37
North Central	9,600,964	4.2%	251,797	0	\$7.80	\$12.78	\$7.84
Northeast	12,343,895	14.7%	-29,439	250,795	N/A	\$9.18	\$6.57
Northwest	4,139,606	2.3%	158,976	0	N/A	\$9.03	\$6.20
South Central	1,434,649	8.2%	-60,737	0	N/A	\$16.56	\$8.24
Southeast	9,856,097	7.3%	55,475	272,500	N/A	\$11.70	\$8.43
Southwest	272,660	2.3%	20,883	0	N/A	\$12.06	N/A
Round Rock	3,712,935	6.1%	131,575	100,340	N/A	\$7.58	\$6.30
AUSTIN TOTALS	45,836,565	7.5%	494,395	653,635	\$7.80	\$11.76	\$6.96

*Rental rates reflect asking \$psf/year

MF = Manufacturing OS = Office Service/Flex W/D = Warehouse/Distribution

Key Lease Transactions Q3 2016

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
Heritage Crossing	50,000	Arizona Tile	Lease	Round Rock
Corridor Park 1	32,000	Manna Freight Systems	Lease	Round Rock
Expo Business Park	25,680	Aspire Food Group	Lease	Southeast

Key Sales Transactions Q3 2016

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
Tech Ridge I,II,III	1,023,120	TA Realty/Stockbridge	\$53,000,000 / \$52	Northeast
Global Business Park A,B,& C	269,415	Gateway Sherman/ATCAP Partners	\$19,500,000 / \$72	Northeast
Braker Center 6,7,& 11	77,484	PS Business Parks/MIG Real Estate	Undisclosed	North Central

Cushman & Wakefield
200 W. Cesar Chavez St
Suite 250
cushmanwakefield.com

For more information, contact:
Jeff Graves, Sr. GIS &
Research Analyst
Tel: +1 512 474 2400
Jeff.graves@cushwake.com

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