

Austin's industrial market starts the year with positive movement in construction

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Austin's industrial market posted 382,166 SF of positive net absorption in the first quarter of 2018. There were a few sizeable tenants that moved into large blocks of space in the first quarter of 2018, including XPO Last Mile occupying approximately 57,500 SF at 15400 Long Vista Drive in the North submarket.

There are at least 10 blocks of space that will be occupied by new tenants in Q2 2018, with over half a million square feet of new product set to deliver in Q2 2018 and 239,673 SF of that is build-to-suit.

Austin's citywide average rental rates increased marginally over the quarter from \$10.70 per SF NNN to \$10.77 per SF NNN. The average warehouse/distribution rental rate also increased slightly to \$8.65 per SF NNN from \$8.63 per SF and the average citywide flex/R&D rental rates followed suit and increased to \$13.43 per SF NNN from \$13.12 average rate in Q4 2017.

In the first quarter, Austin's industrial market had four buildings deliver and six new buildings began construction. Two of those new buildings are being built at Springbrook Corporate Center. The two new warehouse buildings total 258,280 SF.

1,066,107 square feet of industrial supply was under construction, including six new project totaling 837,441 square feet. Settlers Crossing, located at 900 E Old Settlers Boulevard in the Round Rock submarket, accounts for two of the new buildings under construction. These buildings are set to deliver in Q3 2018.



Market Indicators

Relative to prior period

Annual
Change

Quarterly
Change

Quarterly
Forecast*

VACANCY

—

↓

↓

NET ABSORPTION

↑

↓

↑

NEW CONSTRUCTION

↑

↑

↓

UNDER CONSTRUCTION

↑

↑

↓

*Projected

Summary Statistics

Austin Industrial Market

Q1 2017

Q4 2017

Q1 2018

Vacancy Rate

7.6%

8.3%

7.6%

Net Absorption (SF)

-656,191

400,977

382,166

New Construction (SF)

58,400

60,351

837,441

Under Construction (SF)

728,440

653,846

1,066,107

Asking Rents

Per Square Foot Per Year

Average

\$10.81

\$10.70

\$10.77

Warehouse/Distribution

\$8.53

\$8.63

\$8.65

Flex/R&D

\$13.86

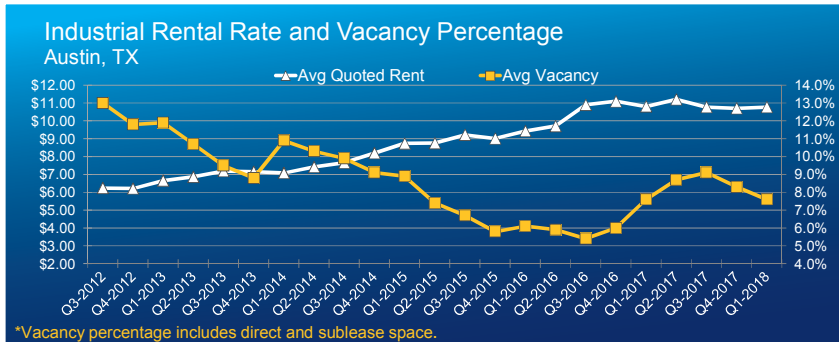
\$13.12

\$13.43

Vacancy & Availability

Austin's citywide average vacancy rate decreased from 8.3% to 7.6% over the quarter. The largest quarterly drop in vacancy occurred in the North submarket, where it decreased from 10.3% in Q4 2017 to 8.5% in Q1 2018. Other submarkets with a decrease in vacancy include the East, Far Northeast, Hays County, Northwest, South and Southeast submarkets.

The largest increase in vacancy over the quarter occurred in the Round Rock submarket where vacancy increased from 5.5% to 6.5%. The Central, Far Northwest and Northeast submarkets also reported increases in vacancy over the quarter.



Absorption & Demand

Austin's industrial market posted positive absorption of 382,166 SF in Q1 2018. Some of the tenants that moved into space in Q1 include XPO Last Mile moving into their 57,500 SF space at 15400 Long Vista Drive and Free Speech Systems moving into their space at Expo 13 (6321 East Stassney Lane). Q2 of 2018 is set to see ten tenants move into almost 350,000 SF of industrial space. One of those tenants is Uplift Desk moving into 57,600 SF at 401C Parker Drive.

The North submarket posted the largest amount of positive net absorption with 230,461 square feet. The Far Southeast submarket had the second largest amount with 122,356 square feet of positive net absorption. Other submarkets that also had positive absorption include East, Far Northeast, Hays County, Northwest and South.

The submarkets that posted negative net absorption were Central, Far Northwest, Northeast and Round Rock. The Northeast submarket had the highest negative absorption with 60,223 square feet of negative net absorption.

Rental Rates

According to CoStar, our data service provider, the citywide average rental rate increased over the quarter to an average rate of \$10.77 per SF NNN from \$10.70 per SF NNN in Q4 2017. Annually, the citywide average rental rate has decreased 0.3% from \$10.81 Q1 2017.

The highest average rental rate at the end of Q1 was in the Northwest submarket at \$16.12 per SF NNN. The submarket with the lowest average rental rate in the Q1 was the Hays County submarket at \$6.83 per SF.

Job Growth & Unemployment

(not seasonally adjusted)

UNEMPLOYMENT		
	2/17	2/18
AUSTIN	3.5%	2.8%
TEXAS	4.8%	4.1%
U.S.	4.9%	4.4%

JOB GROWTH		
	Annual Change	# of Jobs Added
AUSTIN	3.7%	37.3K
TEXAS	2.4%	288.6K
U.S.	1.6%	2.3M

Sales Activity

Sources: Real Capital Analytics and CoStar Q1 2018

No. of Properties:	4
Total SF:	1,608,059 SF
Average \$/SF:	N/A
Average Cap Rate:	N/A

6801 River Place Blvd



World Class Holdings purchased Innovation Center at 6801 River Place Boulevard, totaling 1,061,424 SF, from 3M, in February, for an undisclosed price. The property was 3M's campus and they will continue to occupy the space until 2019.

1309 Rutherford Ln



The 269,415 SF industrial warehouse building was purchased in March of 2018 by Investcorp, for an undisclosed price, from ATCAP Partners.

Leasing Activity

Austin's industrial leasing activity included 421,607 square feet of space in Q1 2018. The bulk of the leases signed in the first quarter were in the North submarket, totaling 220,478 square feet. The largest new lease signed by Uplift Desk for 57,600 square feet at 401C Parker Drive.

Q1 2018 Top Industrial Lease Transactions

BUILDING NAME/ADDRESS	SUBMARKET	SF	TENANT	LEASE DATE
401C Parker Dr	North Ind	57,600	Uplift Desk	Feb-18
15400 Long Vista Dr	North Ind	57,500	XPO Last Mile	Feb-18
9211 E Highway 290	East Ind	50,000	Unknown	Mar-18
2400 Grand Avenue Pky	North Ind	46,950	SE Metals	Feb-18
605 W Howard Ln	Northeast Ind	39,311	Southwest Flooring	Feb-18
10200 McKalla Pl	North Ind	32,400	Unknown	Jan-18
6110 Trade Center Dr	Southeast Ind	20,253	Apex Fulfillment	Jan-18
4616 W Howard Ln	Northwest Ind	16,800	Unknown	Jan-18
15505 Long Vista Dr	North Ind	13,361	Unknown	Mar-18
2200 Grand Avenue Pky	North Ind	12,667	Unknown	Feb-18
23703 IH-35	Hays County Ind	12,500	Unknown	Mar-18
16220 Greenwood Dr	Southeast Ind	12,000	Unknown	Mar-18
7307 Burleson Rd	Southeast Ind	10,265	Peerless Interests	Jan-18
1505 Volta Dr	Cedar Park Ind	10,000	Unknown	Jan-18
14319 Gregg Manor Rd	Far Northeast Ind	10,000	Unknown	Feb-18
14319 Gregg Manor Rd	Far Northeast Ind	10,000	Solar Company	Feb-18
721 Rohde Rd	Hays County Ind	10,000	Unknown	Jan-18

Austin Industrial Market Summary

AUSTIN INDUSTRIAL MARKET STATISTICAL SUMMARY Q1 2018

Market	# Bldgs	Rentable Area	Direct Vacant SF	Direct Vacancy Rate	Sublet Vacant SF	Sublet Vacancy Rate	Total Vacant SF	Total Vacancy Rate	1Q18 Net Absorption	4Q17 Net Absorption	1Q18 Completions	4Q17 Completions	SF Under Construction
Austin Total	822	51,810,501	3,718,422	7.2%	209,409	0.4%	3,927,831	7.6%	382,166	400,977	545,171	0	1,066,107
Central	30	1,082,394	59,278	5.5%	-	0.0%	59,278	5.5%	(2,544)	(3,178)	-	-	-
East	67	3,823,458	301,401	7.9%	-	0.0%	301,401	7.9%	36,150	187,035	-	-	-
Far Northeast	38	2,634,109	142,375	5.4%	-	0.0%	142,375	5.4%	31,900	129,839	-	-	258,280
Far Northwest	18	774,844	43,363	5.6%	-	0.0%	43,363	5.6%	(3,000)	(23,775)	-	-	-
Hays County	38	2,794,790	117,371	4.2%	-	0.0%	117,371	4.2%	12,125	95,956	-	-	25,200
North	214	13,298,177	1,058,856	8.0%	74,157	0.6%	1,133,013	8.5%	230,461	44,879	-	-	265,693
Northeast	123	8,440,993	851,323	10.1%	31,581	0.4%	882,904	10.5%	(60,223)	76,845	-	-	-
Northwest	29	2,611,605	85,272	3.3%	-	0.0%	85,272	3.3%	31,759	(16,472)	-	-	-
Round Rock	49	2,679,482	150,982	5.6%	23,841	0.9%	174,823	6.5%	(28,296)	(31,299)	-	-	159,570
South	39	1,628,664	14,426	0.9%	22,000	1.4%	36,426	2.2%	11,478	2,815	-	-	107,453
Southeast	171	1,799,257	886,525	7.5%	50,330	0.4%	936,855	7.9%	122,356	(74,168)	545,171	-	249,911
Southwest	6	242,728	7,250	3.0%	7,500	3.1%	14,750	6.1%	-	12,500	-	-	-

Q1 2018 Industrial Under Construction - 20,000 SF or greater

BUILDING ADDRESS	SUBMARKET	RBA	% LEASED	DEVELOPER	ESTIMATED DELIVERY DATE	BUILDING DESCRIPTION
1105 New Meister Ln - Springbrook Corporate Center Bldg 8	Far Northeast	160,000	0.0%	Verde Corporate Realty	Apr-18	Industrial Warehouse
1033 New Meister Ln - Springbrook Corporate Center - Bldg 9	Far Northeast	98,280	0.0%	Verde Corporate Realty	Apr-18	Industrial Warehouse
The Collective @ South Congress - 7601 S Congress St	South	83,475	0.0%	Uknown	Apr-18	Industrial
200 Warehouse Dr	Hays County	25,200	0.0%	Uknown	Apr-18	Industrial Warehouse
2300 Scarbrough Dr - Heritage Crossing - Building 5	North	107,780	100.0%	FCL Builders	Jun-18	Industrial
2300 Scarbrough Dr - Heritage Crossing - Building 8	North	67,640	0.0%	FCL Builders	Jun-18	Industrial
2300 Scarbrough Dr - Heritage Crossing - Building 7	North	51,326	0.0%	FCL Builders	Jun-18	Industrial
2300 Scarbrough Dr - Heritage Crossing - Building 6	North	38,947	0.0%	FCL Builders	Jun-18	Industrial
2307 Thornton Rd	South	23,978	0.0%	Uknown	Jun-18	Industrial Warehouse

Q1 2018 Austin Industrial Highlights



1,165,477 SF

UP FROM 653,846 SF
IN Q3 2017

AVERAGE
RENTAL RATE

\$10.70/SF



-0.6% QUARTERLY
-3.6% ANNUALLY

LEASING ACTIVITY

132%
QUARTERLY

-18.5%
ANNUALLY

Q4 2017	1.01M SF
Q3 2017	437K SF
Q2 2017	467K SF
Q1 2017	214K SF
Q4 2016	1.25M SF

CURRENT

8.7%
VACANCY

325K SF
NET ABSORPTION



51.7M SF
TOTAL INDUSTRIAL
INVENTORY

FOR MORE INFORMATION

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