

# Austin's industrial market is strong and steady

Kaitlin Holm Research and Marketing Coordinator | Austin

Austin's industrial market posted 226,753 SF of positive net absorption in the third quarter of 2018. Activity levels remained high as a large number of sizeable tenants occupied significant blocks of space over the quarter, including Ride Right, a transportation company, moving into approximately 24,000 SF at 817 West Howard Lane Building A in the Northeast submarket.

Looking forward, twelve blocks of space over 10,000 SF will be occupied by new tenants in the last quarter of 2018. One of these tenants is TS Distributors, who is taking approximately 42,000 SF at 3306 Longhorn Boulevard in the North submarket.

Austin's citywide average rental rates did not fluctuate over the quarter and remained at \$10.41 per SF NNN. The average citywide flex/R&D rental rates increased to \$13.57 per SF NNN up from the \$13.16 and the average warehouse/distribution rental rate also rose slightly to \$8.44 per SF NNN from \$8.22 per SF NNN.

In the third quarter, Austin's industrial market had four buildings deliver, and four new buildings begin construction. Two of the new buildings under construction are Parmer 7.2, and 7.3 located at 507 East Howard Lane, in the Northeast submarket, which makes up 262,850 SF of the 449,450 total SF new construction started this quarter.

In all, 1,663,549 square feet of industrial supply was under construction, consisting of twenty projects. 237,380 square feet of this construction is pre-leased, including the 129,600 square foot build-to-suit project at Met Center II, Building 10. The inventory set to deliver in the fourth quarter of 2018 includes four buildings at Heritage Crossing in the North submarket. Buildings 5 and 8 at Heritage Crossing are already 100% leased, totaling 175,420 SF.



## 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

Q3 2017

Q2 2018

Q3 2018

Vacancy Rate

8.9%

7.2%

6.7%

Net Absorption (SF)

28,163

188,641

226,753

New Construction (SF)

83,475

750,378

449,450

Under Construction (SF)

653,846

1,566,574

1,663,549

## Asking Rents

Per Square Foot Per Year

Average

\$10.50

\$10.41

\$10.41

Warehouse/Distribution

\$8.79

\$8.22

\$8.44

Flex/R&D

\$12.75

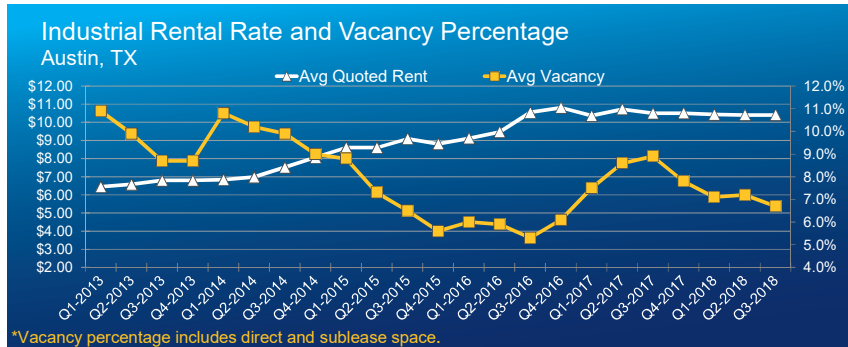
\$13.16

\$13.57

## Vacancy & Availability

Austin's citywide average vacancy rate decreased from 7.2% to 6.7% over the quarter. The most significant decrease in vacancy over the quarter occurred in the Southwest submarket where the vacancy rate fell from 15.1% to 3.6%. The considerable decline seems to be a bounce-back from the drastic increase CoStar reported in Q2. The Central, East, Far Northwest, Hays County, North, Northeast, Southeast and Southwest submarkets also saw a decrease in vacancy in Q3.

The largest quarterly increase in vacancy occurred in the South submarket, where it increased from 5.0% in Q2 2018 to 10.1% in Q3 2018. Other submarkets reporting an increase in vacancy include the Far Northeast, Northwest, Round Rock and South submarkets.



## Absorption & Demand

Austin's industrial market posted positive absorption of 226,753 SF in Q3 2018. One of the tenants that moved into space in Q3 included California Fruit Exchange moving into 11,500 SF at 3914 Gattis School Road (Building 6) in the Round Rock submarket. Twelve tenants will move into over 316,000 SF of industrial space during the fourth quarter of 2018. One of those tenants, GSA, is moving into a 36,245 SF space at 505 21st Street West in Georgetown.

The North submarket posted the largest amount of positive net absorption with 141,796 square feet. The Northeast submarket had the second largest amount with 119,613 square feet of positive net absorption. Other submarkets that also had positive absorption include East, Far Northwest, Hays County, Southeast and Southwest.

The submarkets that posted negative net absorption were Central, Far Northeast, Northwest, Round Rock and South. The South submarket had the highest negative absorption with 74,376 square feet of negative net absorption.

## Rental Rates

According to CoStar, our data service provider, the citywide average rental rate did not change over the quarter and remained at the average rate of \$10.41 per SF NNN in Q3 2018. Annually, the citywide average rental rate has decreased 0.8% from \$10.50 in Q3 2017.

The highest average rental rate at the end of Q3, most likely due to the higher number of flex buildings in the area, was in the Southwest submarket at \$18.50 per SF NNN. The submarket with the lowest average rental rate in Q3 2018 was the Hays County submarket at \$6.91 per SF.

## Job Growth & Unemployment

(not seasonally adjusted)

UNEMPLOYMENT	8/17	8/18
AUSTIN	3.3%	3.0%
TEXAS	4.4%	3.9%
U.S.	4.5%	3.9%

JOB GROWTH	Annual Change	# of Jobs Added
AUSTIN	3.3%	33.6K
TEXAS	3.2%	386.9K
U.S.	1.7%	2.4M

## Sales Activity

Sources: Real Capital Analytics and CoStar

Q3 2018

No. of Properties:	7
Total SF:	415,878 SF
Average \$/SF:	N/A
Average Cap Rate:	N/A

### 15401 Debba Dr



In August, XYZ, LLC purchased the 25,000 SF industrial warehouse building from 360 Technologies. The building is currently 100% leased by the seller, 360 Technologies. The sale price has not been disclosed.

### 1045 Reinli St



The 36,610 SF flex building was purchased in July of 2018 by Anchor Equities, Ltd., for an undisclosed price, from Custom Creation. The building is currently 39.9% leased.

## Leasing Activity

Austin's industrial leasing activity included 495,431 square feet of space in Q3 2018. The bulk of the leases signed in the third quarter were in the North submarket, totaling 120,567 square feet. The largest new lease was signed by Tri-Supply, a home improvement company, for 78,238 square feet at 5811 Trade Center Drive, located in the Southeast Industrial submarket.

### Q3 2018 Top Industrial Lease Transactions

BUILDING NAME/ADDRESS	SUBMARKET	SF	TENANT	LEASE DATE
5811 Trade Center Dr	Southeast	78,238	Tri-Supply	Jul-18
2300 Scarbrough Dr	North	67,640	MSI Stone	Sep-18
1033 New Meister Ln	Far Northeast	64,080	Rosendin Electric	Aug-18
3306 Longhorn Blvd	North	42,560	TS Distributors	Jul-18
505 21st St W	Georgetown	36,245	GSA	Sep-18
900 E Old Settlers Blvd	Round Rock	33,922	Chatsworth Products	Jul-18
106 Old Settlers Blvd	Round Rock	29,000	CWS	Jul-18
8700 Cameron Rd	Northeast	21,150	City of Austin Dept. of Transportation	Sep-18
8801 Wall St	Northeast	19,200	Canteen	Aug-18
8606 Wall St	Northeast	16,900	Texas Mailhouse Inc.	Jul-18
9709 Brown Ln	Northeast	15,000	Unknown	Jul-18
1410 Royston Ln	Far Northeast	10,629	Ruvati USA	Jul-18
16816 Calply Dr	Far Northeast	10,500	Building Specialties	Aug-18
3815 B Jarrett Way	North	10,367	BWI	Aug-18
1616 Robert S. Light Blvd	Hays County	10,000	Quality Insulation	Aug-18
165 Tecon Cv	Hays County	10,000	Piper-Weatherford Co.	Aug-18
3913 Todd Ln	Southeast	10,000	Beavex	Jul-18
721 Rohde Rd	Hays County	10,000	Underdown Construction Systems	Jul-18

## Austin Industrial Market Summary

### AUSTIN INDUSTRIAL MARKET STATISTICAL SUMMARY Q3 2018

Market	# Bldgs	Rentable Area	Direct Vacant SF	Direct Vacancy Rate	Sublet Vacant SF	Sublet Vacancy Rate	Total Vacant SF	Total Vacancy Rate	3Q18 Net Absorption	2Q18 Net Absorption	3Q18 Completions	2Q18 Completions	SF Under Construction
<b>Austin Total</b>	<b>809</b>	<b>50,688,756</b>	<b>2,970,302</b>	<b>5.9%</b>	<b>432,005</b>	<b>0.9%</b>	<b>3,402,307</b>	<b>6.7%</b>	<b>226,753</b>	<b>188,641</b>	<b>0</b>	<b>249,911</b>	<b>1,709,749</b>
Central	30	1,082,394	24,667	2.3%	7,600	0.7%	32,267	3.0%	(190)	20,301	-	-	-
East	66	3,902,598	223,926	5.7%	14,240	0.4%	238,166	6.1%	63,809	28,146	-	-	-
Far Northeast	38	2,660,988	121,296	4.6%	-	0.0%	121,296	4.6%	(20,421)	31,500	-	-	280,416
Far Northwest	15	658,024	7,566	1.1%	-	0.0%	7,566	1.1%	25,834	9,963	-	-	-
Hays County	38	2,802,790	79,004	2.8%	-	0.0%	79,004	2.8%	6,000	32,367	-	-	68,700
North	212	13,241,549	695,450	5.3%	53,310	0.4%	748,760	5.7%	141,796	152,710	-	-	265,693
Northeast	123	8,141,637	691,362	8.5%	71,353	0.9%	762,715	9.4%	119,613	(44,724)	-	-	262,850
Northwest	29	2,611,605	80,217	3.1%	10,800	0.4%	91,017	3.5%	(21,341)	15,596	-	-	-
Round Rock	50	2,699,502	213,116	7.9%	10,500	0.4%	223,616	8.3%	(41,495)	(7,298)	-	-	372,744
South	37	1,477,137	46,462	3.1%	102,507	6.9%	148,969	10.1%	(74,376)	(38,167)	-	-	23,978
Southeast	166	1,200,501	779,736	7.0%	161,695	1.4%	941,431	8.4%	3,344	12,427	-	249,911	435,368
Southwest	5	210,031	7,500	3.6%	-	0.0%	7,500	3.6%	24,180	(24,180)	-	-	-

## Q3 2018 Industrial Under Construction - 65,000 SF or greater

BUILDING ADDRESS	SUBMARKET	RBA	% LEASED	DEVELOPER	ESTIMATED DELIVERY DATE	BUILDING DESCRIPTION
Met Center II Building 10 - 6800 Metropolis Dr	Southeast	129,600	0.0%	Zydeco Development	Oct-18	Flex
Heritage Crossing - Building 5 - 2300 Scarbrough Dr	North	107,780	100.0%	FCL Builders	Oct-18	Industrial
Settlers Crossing - Phase I - Bldg 2 - 900 E Old Settlers Blvd	Round Rock	82,777	41.0%	EastGroup Properties, Inc.	Oct-18	Industrial Warehouse
Settlers Crossing - Phase I - Bldg 1 - 900 E Old Settlers Blvd	Round Rock	76,793	0.0%	EastGroup Properties, Inc.	Oct-18	Industrial Warehouse
Heritage Crossing - Building 8 - 2300 Scarbrough Dr	North	67,640	100.0%	FCL Builders	Oct-18	Industrial
Main St & Campo Del Sol P - Park 35	Southeast	305,768	0.0%	Exeter Property Group	Dec-18	Industrial
Springbrook Corporate Center - Bldg 8 - 1105 New Meister Ln	Far Northeast	160,000	0.0%	Verde Corporate Realty	Dec-18	Industrial Warehouse
Parmar 7.2 - 507 E Howard Ln	Northeast	131,425	69.9%	Trammell Crow Company	Dec-18	Flex
Parmar 7.3 - 507 E Howard Ln	Northeast	131,425	0.0%	Trammell Crow Company	Dec-18	Flex
Springbrook Corporate Center - Bldg 9 - 1033 New Meister Ln	Far Northeast	98,280	65.2%	Verde Corporate Realty	Dec-18	Industrial Warehouse

## Q3 2018 Austin Industrial Highlights



**1,663,549 SF**

UP FROM 1,566,574 SF  
IN Q2 2018

AVERAGE  
RENTAL RATE

**\$11.02/SF**



**5.45%** QUARTERLY  
**4.06%** ANNUALLY

### LEASING ACTIVITY

**11.3%**  
QUARTERLY

**13.2%**  
ANNUALLY

**Q3 2018 495K SF**

**Q2 2018 445K SF**

**Q1 2018 443K SF**

**Q4 2017 1.01M SF**

**Q3 2017 437K SF**

CURRENT

**6.7%**  
VACANCY

**226K SF**  
NET ABSORPTION



**50.7M SF**  
TOTAL INDUSTRIAL  
INVENTORY

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# 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

↑

↑

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\*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

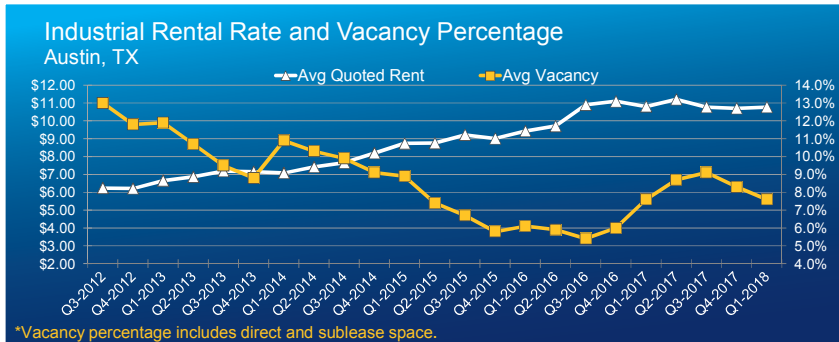
\$13.12

\$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
<b>Austin Total</b>	<b>822</b>	<b>51,810,501</b>	<b>3,718,422</b>	<b>7.2%</b>	<b>209,409</b>	<b>0.4%</b>	<b>3,927,831</b>	<b>7.6%</b>	<b>382,166</b>	<b>400,977</b>	<b>545,171</b>	<b>0</b>	<b>1,066,107</b>
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



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# Austin's industrial market ends the year on a positive note with additions to the pipeline

Kaitlin Holm Research and Marketing Coordinator | Austin

Austin's industrial market had positive net absorption for the first time in 2017, posting 324,922 SF of positive net absorption in Q4. There were a few sizeable tenants that moved into large blocks of space in the fourth quarter of 2017, including Free Speech Systems moving into approximately 32,000 SF at 6231 East Stassney Lane in the Southeast submarket.

Looking forward, there are at least 20 blocks of space being filled by tenants, in Q1 2019. There is also over half a million square feet of new product set to deliver in Q1 2018, with 195,000 SF of that being built-to-suit.

Austin's citywide average rental rates decreased marginally over the quarter from \$10.77 per SF NNN to \$10.70 per SF NNN. The average warehouse/distribution rental rate increased slightly to \$8.46 per SF NNN from \$8.41 per SF and the average citywide flex/R&D rental rates also increased to \$13.15 per SF NNN from \$13.09 average rate in Q3 2017.

In the fourth quarter, Austin's industrial market did not have any buildings deliver, but seven new buildings started their construction over the quarter. Four of those new buildings are being built at Heritage Crossing.

In Q4 2017, 1,165,477 square feet of industrial supply was under construction, including seven new project totaling 511,631 square feet. Heritage Crossing, located at 2300 Scarbrough Drive in the North submarket, accounts for four of the new buildings under construction. These buildings are set to deliver in Q2 18.



## 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

	Q4 2016	Q3 2017	Q4 2017
Vacancy Rate	5.9%	9.3%	8.7%
Net Absorption (SF)	-202,393	-176,604	324,922
New Construction (SF)	353,070	83,475	511,631
Under Construction (SF)	1,436,705	653,846	1,165,477

## Asking Rents

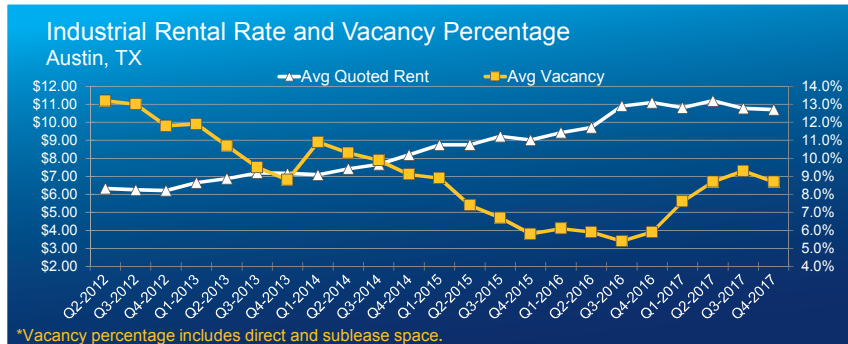
Per Square Foot Per Year

Average	\$11.10	\$10.77	\$10.70
Warehouse/Distribution	\$8.25	\$8.41	\$8.46
Flex/R&D	\$13.77	\$13.09	\$13.15

## Vacancy & Availability

Austin's citywide average vacancy rate decreased from 9.3% to 8.7% over the quarter. The largest quarterly spike in vacancy occurred in the Far Northwest submarket, where it increased from 2.1% in Q3 2017 to 5.2% in Q4 2017. Other submarkets with an increase in vacancy include the Central, Far Northwest, North, Northeast, Northwest, Round Rock and Southeast submarkets.

The largest decrease in vacancy over the quarter occurred in the East submarket where vacancy fell from 14.7% to 6.6%. The Far Northeast, Hays County, Southeast, South and Southwest submarkets also saw decreases in vacancy over the quarter.



## Absorption & Demand

Austin's industrial market finally broke its negative absorption streak with 324,922 SF of positive net absorption in Q4 2017. Despite a good last quarter, the year to date, absorption for 2017 was 809,594 SF of negative net absorption. Though 2017 was a tough year, our research indicates at least 20 tenants will be moving into 762,157 SF of industrial space in the Austin market in Q1 2018. One of these tenants is Free Speech Systems. They are set to move into their approximately 32,000 SF space at 6231 East Stassney Lane in February.

The East submarket posted the largest amount of positive net absorption with 310,642 square feet. The Far Northeast submarket had the second largest amount with 129,839 square feet of positive net absorption. Other submarkets that also had positive absorption include Hays County, South and Southwest.

The submarkets that posted negative net absorption were Central, Far Northwest, North, Northeast, Northwest, Round Rock and Southeast. The Round Rock submarket had the highest negative absorption with 69,053 square feet of negative net absorption.

## Rental Rates

According to CoStar, our data service provider, the citywide average rental rate decreased over the quarter to an average rate of \$10.70 per SF NNN from \$10.77 per SF NNN in Q3 2017. Annually, the citywide average rental rate has decreased 3.6%, since Q4 2016.

The highest average rental rate at the end of Q4 was in the South submarket at \$13.40 per SF NNN. The submarket with the lowest average rental rate in the Q4 was the Hays County submarket at \$7.88 per SF.

## Job Growth & Unemployment

(not seasonally adjusted)

UNEMPLOYMENT	11/16	11/17
AUSTIN	3.2%	2.7%
TEXAS	4.5%	3.7%
U.S.	4.4%	3.9%

JOB GROWTH	Annual Change	# of Jobs Added
AUSTIN	2.7%	21.8K
TEXAS	2.7%	331.6K
U.S.	1.5%	2.1M

## Sales Activity

Sources: Real Capital Analytics and CoStar Q4 2017

No. of Properties:	3
Total SF:	298,313 SF
Average \$/SF:	\$75.29
Average Cap Rate:	N/A

### 126 Texas Avenue



Texas Wonderworld, LLC purchased two buildings at 126 Texas Avenue, totaling 106,253 SF, from 126 Texas Avenue, LP, in October, for \$8,000,000, or \$75.29/SF. The property was 60% leased at the time of sale. Two of the properties were vacant and one was 50% leased at the time of sale.

### 3000 S Austin Avenue



The 192,060 SF industrial warehouse building was purchased in October of 2017 by Hardeman Family Jv Ltd, for an undisclosed price, from 3000 Austin LLC.

## Leasing Activity

Austin's industrial leasing activity included 1,015,596 square feet of space in Q4 2017. The bulk of the leases signed in the third quarter were in the Southeast submarket, totaling 356,476 square feet. The largest new lease signed was 130,230 square feet at Highway 183 and Burlleson Road by Michael Angelo's.

Q4 2017 Top Industrial Lease Transactions				
BUILDING NAME/ADDRESS	SUBMARKET	SF	TENANT	LEASE DATE
Hwy 183 & Burlleson Rd	Southeast	130,230	Michael Angelo's	Dec-17
2300 Scarbrough Dr	North	107,780	Goodwill	Nov-17
100 Michael Angelo Way	North	56,100	Unknown	Oct-17
200 Parker Dr	North	44,680	Unknown	Oct-17
2100 Double Creek Rd	Round Rock	40,000	Unknown	Oct-17
6406 Burlleson Rd	Southeast	39,500	Unknown	Oct-17
401B Parker Dr	North	38,400	Unknown	Oct-17
4500 S Pleasant Valley Rd	Southeast	34,959	Urban Air	Oct-17
828 New Meister Ln	Far Northeast	33,600	Everi Games	Dec-17
6231 E Stassney Ln	Southeast	32,000	Free Speech Systems	Nov-17
2121 Scarbrough Dr	North	29,580	Unknown	Dec-17

## Austin Industrial Market Summary

AUSTIN INDUSTRIAL MARKET STATISTICAL SUMMARY													
Q4 2017													
Market	# Bldgs	Rentable Area	Direct Vacant SF	Direct Vacancy Rate	Sublet Vacant SF	Sublet Vacancy Rate	Total Vacant SF	Total Vacancy Rate	4Q17 Net Absorption	3Q17 Net Absorption	4Q17 Completions	3Q17 Completions	SF Under Construction
<b>Austin Total</b>	<b>820</b>	<b>51,760,966</b>	<b>4,299,063</b>	<b>8.3%</b>	<b>205,771</b>	<b>0.4%</b>	<b>4,504,834</b>	<b>8.7%</b>	<b>324,922</b>	<b>(176,604)</b>	<b>0</b>	<b>363,930</b>	<b>1,165,477</b>
Central	30	1,082,394	56,734	5.2%	-	0.0%	56,734	5.2%	(3,178)	(2,750)	-	-	
East	68	3,849,680	213,944	5.6%	40,000	1.0%	253,944	6.6%	310,642	(54,280)	-	-	
Far Northeast	37	2,601,507	242,003	9.3%	-	0.0%	242,003	9.3%	129,839	(28,390)	-	-	
Far Northwest	18	774,844	40,363	5.2%	-	0.0%	40,363	5.2%	(23,775)	(4,450)	-	-	
Hays County	38	2,790,404	175,749	6.3%	-	0.0%	175,749	6.3%	49,703	(35,561)	-	70,000	25,200
North	213	13,313,955	1,373,085	10.3%	67,687	0.5%	1,440,772	10.8%	(22,715)	(13,104)	-	-	265,693
Northeast	123	8,422,353	891,755	10.6%	21,560	0.3%	913,315	10.8%	(14,085)	(54,703)	-	-	
Northwest	29	2,611,605	110,463	4.2%	6,568	0.3%	117,031	4.5%	(16,472)	(18,983)	-	-	
Round Rock	49	2,685,204	132,854	4.9%	22,569	0.8%	155,423	5.8%	(31,299)	51,079	-	-	127,920
South	39	1,619,732	25,904	1.6%	22,000	1.4%	47,904	3.0%	2,815	(22,428)	-	-	83,475
Southeast	171	1,799,257	1,036,209	8.8%	17,887	0.2%	1,054,096	8.9%	(69,053)	10,716	-	293,930	663,189
Southwest	5	210,031	-	0.0%	7,500	3.6%	7,500	3.6%	12,500	(3,750)	-	-	-

## Q4 2017 Industrial Under Construction - 20,000 SF or greater

BUILDING ADDRESS	SUBMARKET	RBA	% LEASED	DEVELOPER	ESTIMATED DELIVERY DATE	BUILDING DESCRIPTION
4100 Smith School Rd	Southeast	195,000	100.0%	Unknown	Jan-18	Industrial/Telecom
4500 S Pleasant Valley Rd - Building 1	Southeast	73,832	47.4%	Ridge Development	Jan-18	Industrial Service
4500 S Pleasant Valley Rd - Building 2	Southeast	114,107	0.0%	Ridge Development	Jan-18	Industrial Warehouse
4500 S Pleasant Valley Rd - Building 3	Southeast	162,232	0.0%	Ridge Development	Jan-18	Industrial Warehouse
The Collective @ South Congress 7601 S Congress St	South	83,475	0.0%	Unknown	Feb-18	Industrial
0 Warehouse Dr	Hays County	25,200	0.0%	Unknown	Apr-18	Industrial
2300 Scarbrough Dr - Building 5	North	107,780	0.0%	FCL Builders	Jun-18	Industrial
2300 Scarbrough Dr - Building 6	North	38,947	0.0%	FCL Builders	Jun-18	Industrial
2300 Scarbrough Dr - Building 7	North	51,326	0.0%	FCL Builders	Jun-18	Industrial
2300 Scarbrough Dr - Building 8	North	67,640	0.0%	FCL Builders	Jun-18	Industrial
Eagles Nest St - K3	Round Rock	63,960	0.0%	Unknown	Aug-18	Industrial Warehouse
Eagles Nest St - K4	Round Rock	63,960	0.4%	Unknown	Aug-18	Industrial Warehouse
Hwy 183 & Bureson Rd-Phase II - Building II	Southeast	118,018	22.4%	Trammell Crow Company	Aug-18	Industrial

## Q4 2017 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

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# Austin's industrial rates finally start to decrease amid negative absorption

Kaitlin Holm Research and Marketing Coordinator | Austin

Austin's industrial market took another hit to its net absorption in Q3 2017, posting 261,906 SF of negative net absorption. There were a few sizeable tenants that moved out of large blocks of space in the third quarter of 2017, including Pearson Inc moving out of 135,442 SF at Tech Ridge Five (905 Howard Lane) in the Northeast Submarket.

Looking forward, there are at least 12 small blocks of space being filled by tenants, in Q4 2017. There is also over half a million square feet of new product set to deliver in Q4 2017, with nothing set to deliver in Q1 of 2018.

Austin's citywide average rental rates decreased over the quarter from \$11.09 per SF NNN to \$10.66 per SF NNN. The average warehouse/distribution rental rate increased slightly to \$8.41 per SF NNN from \$8.27 per SF, and the average citywide flex/R&D rental rates decreased to \$13.09 per SF NNN from \$14.09 average rate in Q2 2017.

Austin's industrial market saw four buildings deliver in the third quarter, totaling 363,930 SF. The largest building completed in Q3 2017 was located at 6320 Stassney Lane (Building 2), which is 142,800 SF and vacant. Building 1 at 6320 Stassney Lane, is a 54,850 SF building, which also delivered and was 50% leased at the time.

In Q3 2017, 653,846 square feet of industrial supply was under construction, including one new project totaling 83,475 square feet. That new project is The Collective at South Congress, a mixed use project, located at 7601 South Congress Avenue, set to deliver in December of 2017.



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	Q3 2016	Q2 2017	Q3 2017
Vacancy Rate	5.9%	9.0%	9.9%
Net Absorption (SF)	1,312,805	-268,637	-261,906
New Construction (SF)	409,595	843,014	83,475
Under Construction (SF)	1,151,850	1,055,505	653,846

## Asking Rents

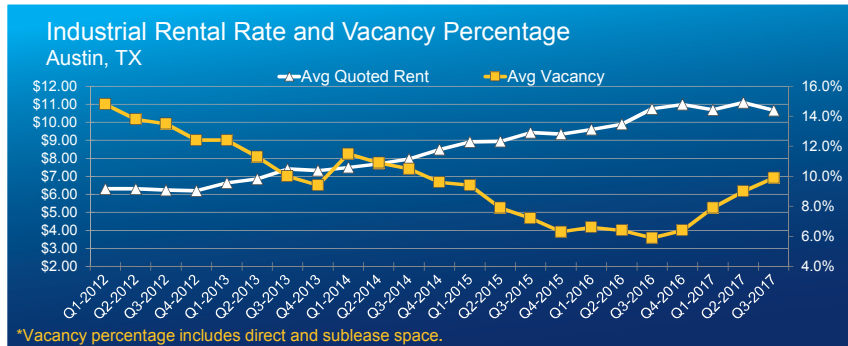
Per Square Foot Per Year

Average	\$10.75	\$11.09	\$10.66
Warehouse/Distribution	\$7.82	\$8.27	\$8.41
Flex/R&D	\$13.38	\$14.09	\$13.09

## Vacancy & Availability

Austin's citywide average vacancy rate increased from 9.0% to 9.9% over the quarter. The largest quarterly spike in vacancy occurred in the Southwest submarket, where it increased from 6.7% in Q2 2017 to 11.2% in Q3 2017. Other submarkets with an increase in vacancy include the Central, East, Far Northeast, Far Northwest, Hays County, North, Northeast, Northwest and South submarkets.

The largest decrease in vacancy over the quarter occurred in the Round Rock submarket where vacancy fell from 6.5% to 4.6%. The Southeast submarket was the only other submarket with a decrease in vacancy, where the vacancy rate decreased from 8.8% in Q2 2017 to 8.7% in Q3 2017.



## Absorption & Demand

Austin's industrial market saw a fourth consecutive quarter of negative net absorption, which is the first time Austin witnessed three consecutive quarters of negative net absorption since late 2008 and early 2009. Year to date, absorption for 2017 is currently at 1,150,630 SF negative. Though it has been a tough year so far, our research indicates at least 12 tenants that will be moving into 252,940 SF of industrial space in the Austin market in Q4 2017.

According to CoStar, one of the tenants moving out of a large block of space is Pearson Inc. The tenant is moving out of their 135,442 SF space at Tech Ridge Five (905 Howard Lane) in the Northeast Submarket due to downsizing in the company.

The East submarket posted the largest amount of negative net absorption with 144,280 square feet. The Northeast submarket had the second largest amount with 54,655 square feet of negative net absorption.

The submarkets that posted positive net absorption were Round Rock and Southeast. The Round Rock submarket had the highest positive absorption with 51,079 square feet of positive net absorption.

## Rental Rates

According to CoStar, our data service provider, the citywide average rental rate decreased over the quarter to an average rate of \$10.66 per SF NNN from \$11.09 per SF NNN in Q2 2017. Annually, citywide average rental rate has decreased 0.8%, since Q3 2016.

The highest average rental rate at the end of Q3 was in the South submarket at \$13.68 per SF NNN. The submarket with the lowest average rental rate in the third quarter was the Hays County submarket at \$7.73 per SF.

## Job Growth & Unemployment

(not seasonally adjusted)

UNEMPLOYMENT		
	8/16	8/17
AUSTIN	3.4%	3.4%
TEXAS	4.9%	4.5%
U.S.	5.0%	4.5%

JOB GROWTH		
	Annual Change	# of Jobs Added
AUSTIN	2.1%	21.1K
TEXAS	2.4%	286K
U.S.	1.5%	2.1M

## Sales Activity

Sources: Real Capital Analytics and CoStar Q3 2017

No. of Properties:	3
Total SF:	515,210 SF
Average \$/SF:	N/A
Average Cap Rate:	N/A

## Freerport Tech Center South



Realty Associates Fund XI Portfolio XI purchased the 3 buildings, totaling 322,600 SF, from HPI, in August, for an undisclosed price. Two of the properties were vacant and one was 50% leased at the time of sale.

## 2128 W Braker Lane



The 130,190 SF industrial manufacturing building was purchased in July of 2017 by Glen Una Properties, for an undisclosed price, from Bradman Lake Group.

## Leasing Activity

Austin's industrial leasing activity was 437,313 square feet in Q3 2017. The bulk of the leases signed in the third quarter were in the North submarket, totaling 303,520 square feet. The two largest new leases signed were 93,425 and 49,500 square feet, at 11000 North Interstate 35 by FEMA.

Q3 2017 Top Industrial Lease Transactions					
BUILDING NAME/ADDRESS	SUBMARKET	SF	TENANT	LEASE DATE	
11000 N I-35	North	93,425	FEMA	Sep-17	
11000 N I-35	North	49,500	FEMA	Sep-17	
10200-10212 Metropolitan Dr	North	11,295	Unknown <sup>3</sup>	Jul-17	
9324 Neils Thompson Dr	North	10,500	Unknown	Aug-17	
8024 Exchange Dr	Northeast	48,498	Brothers Produce	Jul-17	
8329 Cross Park Dr	Northeast	20,511	Unknown	Jul-17	
9011 Tuscany Way	Northeast	19,572	Glazers	Jul-17	
6101 Baldwin Dr	East	40,000	Unknown <sup>3</sup>	Aug-17	
4401 Freidrich Ln	Southeast	75,051	Hd Supply Facilities Maintenance, Ltd <sup>1</sup>	Aug-17	
3701 Drossett Dr	Southeast	14,534	Unknown	Sep-17	
3801 Helios Way	Far Northeast	54,427	Unknown	Sep-17	

<sup>1</sup>Renewal    <sup>2</sup>Expansion    <sup>3</sup>Sublease

## Austin Industrial Market Summary

AUSTIN INDUSTRIAL MARKET STATISTICAL SUMMARY Q3 2017													
Market	# Bldgs	Rentable Area	Direct Vacant SF	Direct Vacancy Rate	Sublet Vacant SF	Sublet Vacancy Rate	Total Vacant SF	Total Vacancy Rate	3Q17 Net Absorption	2Q17 Net Absorption	3Q17 Completions	2Q17 Completions	SF Under Construction
<b>Austin Total</b>	<b>818</b>	<b>51,662,371</b>	<b>4,927,556</b>	<b>9.5%</b>	<b>168,796</b>	<b>0.3%</b>	<b>5,096,352</b>	<b>9.9%</b>	<b>(261,906)</b>	<b>(268,637)</b>	<b>363,930</b>	<b>458,560</b>	<b>653,846</b>
Central	30	1,082,394	53,556	4.9%	-	0.0%	53,556	4.9%	(2,750)	(14,002)	-	-	-
East	67	4,034,294	788,810	19.6%	40,000	1.0%	828,810	20.5%	(144,280)	(153,994)	-	-	-
Far Northeast	35	2,544,931	361,842	14.2%	-	0.0%	361,842	14.2%	(18,390)	(81,394)	-	51,200	-
Far Northwest	18	774,844	16,588	2.1%	-	0.0%	16,588	2.1%	(4,450)	4,707	-	-	-
Hays County	41	2,929,699	239,364	8.2%	-	0.0%	239,364	8.2%	(33,661)	(78,031)	70,000	-	25,200
North	214	13,448,730	1,357,107	10.1%	60,950	0.5%	1,418,057	10.5%	(13,104)	(226,022)	-	-	-
Northeast	121	8,310,452	885,620	10.7%	5,360	0.1%	890,980	10.7%	(54,655)	(21,243)	-	-	-
Northwest	29	2,611,605	100,559	3.9%	-	0.0%	100,559	3.9%	(18,983)	(22,201)	-	-	-
Round Rock	49	2,685,209	115,228	4.3%	8,896	0.3%	124,124	4.6%	51,079	130,328	-	-	-
South	39	1,619,732	50,179	3.1%	-	0.0%	50,179	3.1%	(22,428)	29,658	-	-	83,475
Southeast	169	11,377,753	943,953	8.3%	41,090	0.4%	985,043	8.7%	10,716	164,807	293,930	407,360	545,171
Southwest	6	242,728	14,750	6.1%	12,500	5.1%	27,250	11.2%	(11,000)	(1,250)	-	-	-

## Q3 2017 Industrial Under Construction - 20,000 SF or greater

BUILDING ADDRESS	SUBMARKET	RBA	% LEASED	DEVELOPER	ESTIMATED DELIVERY DATE	BUILDING DESCRIPTION
4100 Smith School Rd	Southeast	195,000	100.0%	Unknown	Oct-17	Industrial/Telecom
4500 S Pleasant Valley Rd - Building 1	Southeast	73,832	47.4%	Ridge Development	Nov-17	Industrial Service
4500 S Pleasant Valley Rd - Building 2	Southeast	114,107	0.0%	Ridge Development	Nov-17	Industrial Warehouse
4500 S Pleasant Valley Rd - Building 3	Southeast	162,232	0.0%	Ridge Development	Nov-17	Industrial Warehouse
The Collective @ South Congress - 7601 S Congress St	South	83,475	0.0%	Unknown	Dec-17	Industrial
0 Warehouse Dr	Hays County	25,200	0.0%	Unknown	Apr-18	Industrial
2301 E Saint Elmo Rd - Building 3	Southeast	162,232	53.8%	Ridge Development	Nov-17	Industrial Warehouse

## Q3 2017 Austin Industrial Highlights



**653,846 SF**

DOWN FROM 1,055,505 SF  
IN Q2 2017

AVERAGE  
RENTAL RATE

**\$10.66/SF**



**-3.8%**  
QUARTERLY

**-0.8%**  
ANNUALLY

LEASING  
ACTIVITY

**-6.48%**  
QUARTERLY

**-27.08%**  
ANNUALLY

**Q3 2017 437K SF**

**Q2 2017 467K SF**

**Q1 2017 214K SF**

**Q4 2016 1.25M SF**

**Q3 2016 599K SF**

CURRENT

**9.9%**  
VACANCY

**-262K SF**  
NET ABSORPTION



**51.6M SF**  
TOTAL INDUSTRIAL  
INVENTORY

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# Austin's industrial market finds a way to keep rates high among negative absorption

Kaitlin Holm Research and Marketing Coordinator | Austin

Austin's industrial market took another hit to its net absorption in Q2 2017, posting 226,896 SF of negative net absorption. There were a handful of large block tenants who moved out that contributed to the negative net absorption. Though the absorption fell and vacancy increased, the rental rates throughout the market are still finding a way to increase.

Looking forward, there are at least 20 smaller blocks of space being filled by tenants, in Q3 2017. There is also over half a million square feet of new product set to deliver in Q3 2017 with another half a million set to deliver in Q4.

Austin's citywide average rental rates increased over the quarter from \$10.70 per SF NNN to \$11.08 per SF NNN. Warehouse/Distribution rental rates increased slightly to \$8.27 per SF NNN from \$8.24 per SF, and citywide Flex/R&D rental rates increased to \$14.09 per SF NNN from \$13.86 average rate in Q1 2017.

Austin's industrial market saw nine buildings deliver in the second quarter, totaling 458,560 SF. The two largest buildings completed in Q2 2017 were located at 5811 Trade Center Drive, buildings 8 and 9, which are each 77,430 SF and vacant. The buildings located at 7307 Burleson Road lots 2 and 3, also delivered and were both 100% leased at the time of delivery.

In Q2 2017, 1,055,505 square feet of industrial supply was under construction, including eight new projects totaling 843,014 square feet. One of the new projects, 4100 Smith School Road, is a build-to-suit project for Data Foundry and set to deliver in October of this year.



Market Indicators Relative to prior period	Annual Change	Quarterly Change	Quarterly Forecast*
VACANCY	↑	↑	↓
NET ABSORPTION	↓	↑	↑
NEW CONSTRUCTION	↑	↑	↑
UNDER CONSTRUCTION	↓	↑	↓

\*Projected

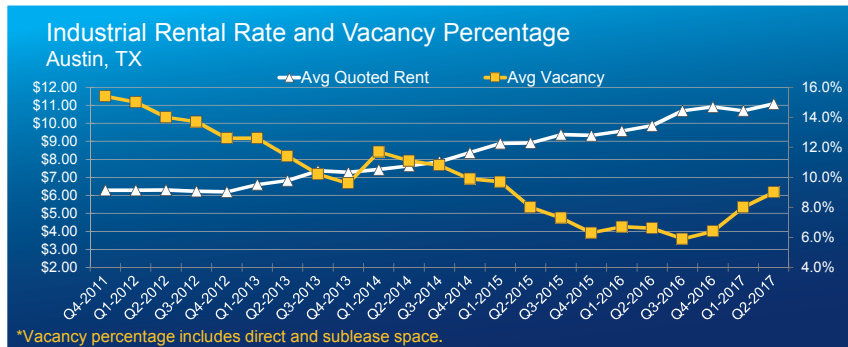
Summary Statistics Austin Industrial Market	Q2 2016	Q1 2017	Q2 2017
Vacancy Rate	6.6%	8.0%	9.0%
Net Absorption (SF)	143,273	-657,429	-226,896
New Construction (SF)	72,000	58,400	843,014
Under Construction (SF)	1,644,600	728,440	1,055,505

Asking Rents Per Square Foot Per Year	Q2 2016	Q1 2017	Q2 2017
Average	\$9.87	\$10.70	\$11.08
Warehouse/Distribution	\$7.53	\$8.24	\$8.27
Flex/R&D	\$11.21	\$13.86	\$14.09

## Vacancy & Availability

Austin's citywide average vacancy rate increased from 8.0% to 9.0% over the quarter. The largest quarterly spike in vacancy occurred in the Far Northeast submarket, where it increased from 8.2% in Q1 2017 to 14.3% in Q2 2017. Other submarkets that showed an increase in vacancy include the East, Hays County, North, Northeast, Northwest, Southeast, and Southwest submarkets.

The largest decrease in vacancy over the quarter occurred in the Round Rock submarket where vacancy fell from 11.4% to 6.5%. Other submarkets that saw a decrease in vacancy were Central, Far Northwest, and South.



## Absorption & Demand

Austin's industrial market saw a third consecutive quarter of negative net absorption, which is the first time Austin saw three consecutive quarters of negative net absorption since late 2008 and early 2009. Year to date, absorption for 2017 is currently 884,335 SF of negative net absorption. Though it has been a tough year so far, next quarter we know of at least 22 tenants will be moving into 449,409 SF of industrial space in the Austin market.

According to CoStar, one of the tenants moving out of large blocks of space is Texas Linen Company, Ltd. who moved out of 123,607 SF space in the East submarket.

The North submarket posted the largest amount of negative net absorption, for the second quarter in a row, with 226,022 square feet. The East submarket wasn't far behind with 153,994 square feet of negative net absorption.

The submarkets that posted positive net absorption were Central, Far Northwest, Round Rock, South, and Southeast. The Southeast submarket topped the list with 191,057 square feet of positive net absorption. This was a large swing from the 154,010 square feet of negative net absorption the Southeast submarket recorded last quarter.

## Rental Rates

According to CoStar, our data service provider, the citywide average rental rate increased over the quarter to an average rate of \$11.08 per SF NNN from \$10.70 per SF NNN in Q1 2017. Annually, citywide average rental rates have risen 12.2 percent, since Q2 2016.

The highest average rental rate at the end of Q2 was in the East submarket at \$16.77 per SF NNN. The East submarket also had the largest increase in rental rates over the quarter with rates rising from \$15.82 per SF to \$16.77.

## Job Growth & Unemployment

(not seasonally adjusted)

UNEMPLOYMENT	5/16	5/17
AUSTIN	2.9%	3.2%
TEXAS	4.3%	4.4%
U.S.	4.5%	4.1%

JOB GROWTH	Annual Change	# of Jobs Added
AUSTIN	2.8%	27.4K
TEXAS	2.2%	268.1K
U.S.	1.6%	2.26M

## Sales Activity

Sources: Real Capital Analytics and CoStar Q2 2017

No. of Properties:	15
Total SF:	601,116 SF
Average \$/SF:	\$84/SF
Average Cap Rate:	7.3%

### 210 E Saint Elmo Road



Gramercy Property Trust, Inc. purchased the 102,194 SF distribution building from Veritiv Corporation, in May, for \$9,700,000. The property was 100% occupied at the time of sale.

### 2310 Donley Drive



The 27,400 SF industrial distribution building was purchased in April of 2017 by Boost Logic, for \$72.87 per SF, from Jaffery Holding LLC.

## Leasing Activity

Austin's industrial leasing activity was just under half a million square feet in Q2 2017. The bulk of the leases signed in the second quarter were in the North submarket, totaling 142,488 square feet. The largest new lease signed was a 36,711 square foot lease at 106 Old Settlers Boulevard by an unknown tenant.

Q2 2017 Top Industrial Lease Transactions				
BUILDING NAME/ADDRESS	SUBMARKET	SF	TENANT	LEASE DATE
106 Old Settlers Blvd	Round Rock	36,771	Unknown	Apr-17
7701 Metropolis Dr	Southeast	28,800	Seton Healthcare	Apr-17
9200 Waterford Centre Blvd	North	28,050	Alen Corporation	Jun-17
1100 E Howard Ln	Far Northeast	25,600	Unknown	May-17
5910 Techni Center Dr	East	25,505	Kasita	Apr-17
2500 McHale Ct	North	21,600	Winding Road Racing	May-17
2010 Centimeter Cir	North	21,600	Unknown	May-17
600 Center Ridge Dr	Northeast	21,600	Dynamic Manufacturing	Apr-17
1320 Arrow Point Dr	Cedar Park	20,550	Unknown	May-17
2013 Centimeter Cir	North	20,148	Hinkle Insulation & Drywall	May-17
6110 Trade Center Dr	Southeast	18,300	Unknown <sup>3</sup>	May-17
8291 Springdale Rd	East	18,000	TF Final Mile	Apr-17
4501 S Plesaant Valley Rd	Southeast	16,530	Unknown	Apr-17
6231 E Stassney Ln	Southeast	16,000	PUREWRX	May-17

<sup>1</sup>Renewal    <sup>2</sup>Expansion    <sup>3</sup>Sublease

## Austin Industrial Market Summary

AUSTIN INDUSTRIAL MARKET STATISTICAL SUMMARY Q2 2017													
Market	# Bldgs	Rentable Area	Direct Vacant SF	Direct Vacancy Rate	Sublet Vacant SF	Sublet Vacancy Rate	Total Vacant SF	Total Vacancy Rate	2Q17 Net Absorption	1Q17 Net Absorption	2Q17 Completions	1Q17 Completions	SF Under Construction
<b>Austin Total</b>	<b>821</b>	<b>51,655,282</b>	<b>4,463,180</b>	<b>8.6%</b>	<b>204,823</b>	<b>0.4%</b>	<b>4,668,003</b>	<b>9.0%</b>	<b>(226,896)</b>	<b>(657,429)</b>	<b>458,560</b>	<b>742,165</b>	<b>1,055,505</b>
Central	31	1,118,512	71,433	6.4%	-	0.0%	71,433	6.4%	1,489	(28,264)	-	-	-
East	68	4,000,282	640,930	16.0%	43,600	1.1%	684,530	17.1%	(153,994)	(100,179)	-	500,000	-
Far Northeast	35	2,513,203	360,452	14.3%	-	0.0%	360,452	14.3%	(81,394)	(455)	51,200	-	-
Far Northwest	18	774,844	12,138	1.6%	-	0.0%	12,138	1.6%	4,707	11,300	-	-	-
Hays County	40	2,869,699	145,703	5.1%	-	0.0%	145,703	5.1%	(78,031)	27,259	-	-	95,200
North	217	13,513,059	1,301,990	9.6%	100,814	0.7%	1,402,804	10.4%	(226,022)	(310,408)	-	80,340	-
Northeast	119	8,118,241	714,754	8.8%	5,360	0.1%	720,114	8.9%	(21,243)	(92,904)	-	84,395	116,211
Northwest	29	2,611,605	65,376	2.5%	16,200	0.6%	81,576	3.1%	(22,201)	68,880	-	-	-
Round Rock	49	2,685,209	166,307	6.2%	8,896	0.3%	175,203	6.5%	130,328	(80,337)	-	-	-
South	40	1,693,232	24,791	1.5%	3,500	0.2%	28,291	1.7%	29,658	1,689	-	-	-
Southeast	170	11,547,365	950,556	8.2%	18,953	0.2%	969,509	8.4%	191,057	(154,010)	407,360	77,430	844,094
Southwest	5	210,031	8,750	4.2%	7,500	3.6%	16,250	7.7%	(1,250)	-	-	-	-

## Q2 2017 Industrial Under Construction - 20,000 SF or greater

BUILDING ADDRESS	SUBMARKET	RBA	% LEASED	DEVELOPER	ESTIMATED DELIVERY DATE	BUILDING DESCRIPTION
605 W Howard Ln - Bldg 3.1	Northeast	116,211	0.0%	Live Oak-Gottesman/Prologis	Jul-17	Flex
5811 Trade Center Dr - Building 10	Southeast	96,280	0.0%	VanTrust Real Estate, LLC	Jul-17	Industrial Warehouse
6320 Stassney Ln - Building 2	Southeast	142,800	0.0%	TA	Jul-17	Industrial
6320 Stassney Ln - Building 1	Southeast	54,850	50.0%	TA	Jul-17	Industrial
721 Rohde Rd	Hays County	70,000	0.0%	Unknown	Sep-17	Industrial
0 Warehouse Dr	Hays County	25,200	0.0%	Unknown	Sep-17	Industrial
4100 Smith School Rd	Southeast	195,000	100.0%	Data Foundry	Oct-17	Industrial/Telecom
2301 E Saint Elmo Rd - Building 1	Southeast	73,832	0.0%	Ridge Development	Nov-17	Industrial Service
2301 E Saint Elmo Rd - Building 2	Southeast	119,100	0.0%	Ridge Development	Nov-17	Industrial Warehouse
2301 E Saint Elmo Rd - Building 3	Southeast	162,232	53.8%	Ridge Development	Nov-17	Industrial Warehouse

## Q2 2017 Austin Industrial Highlights



**1,055,505 SF**

UP FROM 728,440 SF  
IN Q1 2017

AVERAGE  
RENTAL RATE

**\$11.08/SF**

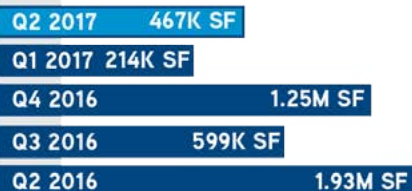


**3.5%** QUARTERLY  
**12.2%** ANNUALLY

### LEASING ACTIVITY

**117.6%**  
QUARTERLY

**-59.9%**  
ANNUALLY



CURRENT

**9.0%**  
VACANCY

**-226K SF**  
NET ABSORPTION



**51.6M SF**  
TOTAL INDUSTRIAL  
INVENTORY

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Accelerating success.

# Austin's industrial market starts 2017 with a hit to absorption

Kaitlin Holm Research and Marketing Coordinator | Austin

Austin's industrial market took a big hit during Q1 2017, posting 622,956 SF of negative net absorption. This is the largest loss since Q1 of 2014, when the negative net absorption hit 771,075 SF. The rapid increase in rental rates seen in the past three years has slowed and vacancy rates are rising.

Most of this negative absorption, reported by CoStar (our data provider), can be attributed to two large tenants being reported as moving out of their spaces, but it is rumored that they may renew their leases in the coming months.

Austin's citywide average rental rates decreased over the quarter from \$10.57 per SF NNN to \$10.37 per SF NNN. Warehouse/Distribution rental rates increased to \$7.66 per SF NNN from \$7.55 per SF, and citywide Flex/R&D rental rates increased to \$13.93 per SF NNN, just \$0.14 higher than the \$13.79 average rate in Q4 2016.

Austin's industrial market saw just five buildings deliver in the first quarter, totaling 742,165 SF. The largest of the five buildings is 10095 US Highway 290 East, the 500,000 SF Capitol Wright Distribution Center, which is 100% leased.

In Q1, 728,440 square feet of industrial supply was under construction, including two new projects totaling 58,400 square feet. Both of these projects that began construction in Q1, are 100% preleased and, according to CoStar, set to deliver in June.

Over the last year, Austin's unemployment rate has increased marginally from 3.0% to 3.7%. Austin's unemployment rate is still well below the U.S. and Texas unemployment rates, of 4.7% and

Market Indicators Relative to prior period	Annual Change	Quarterly Change	Quarterly Forecast*
VACANCY	↑	↑	↓
NET ABSORPTION	↓	↓	↑
NEW CONSTRUCTION	↓	↓	↑
UNDER CONSTRUCTION	↓	↓	↓

\*Projected

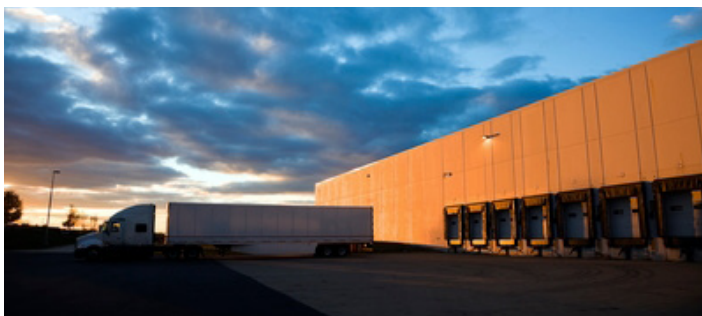
## Summary Statistics

Austin Industrial Market	Q1 2016	Q4 2016	Q1 2017
Vacancy Rate	6.7%	6.5%	8.0%
Net Absorption (SF)	114,732	-222,730	-622,956
New Construction (SF)	575,499	353,070	58,400
Under Construction (SF)	1,357,543	1,436,705	728,440

## Asking Rents

Per Square Foot Per Year

Average	\$9.57	\$10.57	\$10.37
Warehouse/Distribution	\$7.08	\$7.55	\$7.66
Flex/R&D	\$11.32	\$13.79	\$13.93

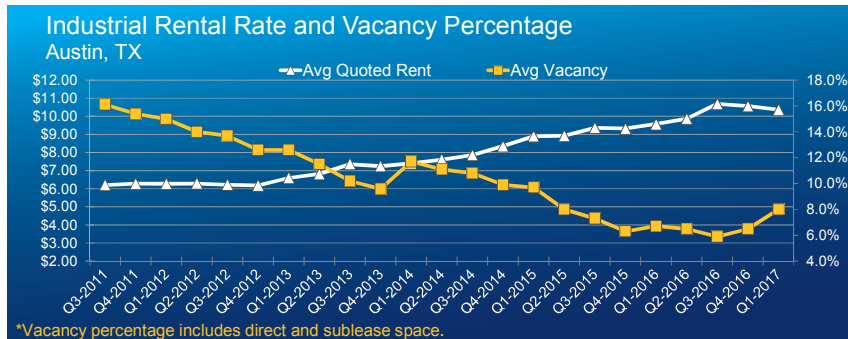


4.9%, respectively.

## Vacancy & Availability

Austin's citywide average vacancy rate increased from 6.5% to 8.0% over the quarter. The largest spike in vacancy over the quarter occurred in the Central submarket, where it increased from 10.6% in Q4 2016 to 13.1% in Q1 2017. Other submarkets that showed an increase in vacancy include East, North, Northeast, Round Rock and Southeast.

The largest decrease in vacancy over the quarter occurred in the Northwest submarket where vacancy fell from 4.9% to 2.3%. Other submarkets that saw a decrease in vacancy were Far Northwest, Hays County and South.



## Absorption & Demand

Austin's industrial market saw a second consecutive quarter of negative net absorption for the first time since Q2 and Q3 of 2010. Unfortunately, this negative net absorption is hitting a little harder than it did in 2010. The first quarter of 2017 saw 622,956 square feet of negative absorption, which is more than the two negative quarters in 2010 combined.

This may just be a bounce back from the record setting 1,342,905 square feet of positive net absorption, in Q3 2016. The North submarket posted the largest amount of negative net absorption with 322,406 square feet. The Southeast and East submarkets weren't far behind with 172,310 and 100,179 square feet of negative net absorption, respectively.

The submarkets that posted positive net absorption were Northwest, Hays County, Far Northwest and South. The Northwest submarket topped the list with 68,880 square feet of positive net absorption. This was a large swing from the 5,000 square feet of negative net absorption the Northwest submarket recorded in Q4 2016.

## Rental Rates

According to CoStar, our data service provider, the citywide average rental rate decreased slightly over the quarter to an average rate of \$10.37 per SF NNN from \$10.57 per SF NNN in Q4 2016. Since Q1 2016, citywide average rental rates have risen 8.3 percent.

The highest average rental rate at the end of Q1 was in the East submarket at \$15.82 per SF NNN. The South submarket had the largest increase in rental rates over the quarter with rates rising from \$10.29 per SF in Q4 to \$11.96 in 2017.

## Job Growth & Unemployment

(not seasonally adjusted)

UNEMPLOYMENT		
	2/16	2/17
AUSTIN	3.0%	3.7%
TEXAS	4.6%	4.9%
U.S.	4.9%	4.7%

JOB GROWTH		
	Annual Change	# of Jobs Added
AUSTIN	2.8%	27.4K
TEXAS	1.8%	218.8K
U.S.	1.7%	2.36M

## Sales Activity

Sources: Real Capital Analytics and CoStar Q1 2017

No. of Properties:	21
Total SF:	1,522,975 SF
Average \$/SF:	\$60/SF
Average Cap Rate:	10.1%

### 4801 Freidrich Lane



Colony Northstar, Inc. purchased the 194,233 SF warehouse building from Southpark Commerce Center LLC., in January, for an undisclosed price. The property was 100% occupied at the time of sale. This building was one of three properties purchased in a portfolio sale.

### 11000 N I-35 - Building D



The 139,920 SF industrial warehouse was purchased in January of 2017 by BH Properties LLC, for \$60.80 per SF, from Golfsmith. This was one of 4 properties bought by BH Properties LLC in a portfolio acquisition.

## Leasing Activity

Austin's industrial leasing activity was just over 1.32 million square feet in Q1 2017. The bulk of the major leases signed in the first quarter were in the Southeast submarket, totaling 87,238 square feet. The largest new lease signed was a 48,038 square foot lease signed at 12555 Harris Branch Parkway by an unknown tenant.

### Q1 2017 Top Industrial Lease Transactions

BUILDING NAME/ADDRESS	SUBMARKET	SF	TENANT	LEASE DATE
12555 Harris Branch Pky	Far Northeast	48,038	Unknown	Mar-17
2325 Ben White Blvd E	Southeast	40,957	Austin Warehouse & Distribution <sup>3</sup>	Jan-17
6110 Trade Center Dr	Southeast	24,300	Unknown	Mar-17
600 E Industrial Blvd	South	23,414	Josco	Feb-17
8301 Springdale Rd	East	18,000	Dynamex <sup>4</sup>	Jan-17
611 E Braker Ln	North/Domain	13,800	Unknown	Jan-17
9516 Neils Thompson Dr	North	12,909	Illusions Rentals	Mar-17
2020 Rutland Dr	North	11,437	Unknown	Jan-17
3913 Todd Ln	Southeast	11,250	Unknown	Jan-17
2101 E St. Elmo Rd	Southeast	10,731	Unknown	Mar-17

<sup>1</sup>Renewal

<sup>2</sup>Expansion

<sup>3</sup>Sublease

<sup>4</sup>Colliers International Transaction

## Austin Industrial Market Summary

### AUSTIN INDUSTRIAL MARKET STATISTICAL SUMMARY Q1 2017

Market	# Bldgs	Rentable Area	Direct Vacant SF	Direct Vacancy Rate	Sublet Vacant SF	Sublet Vacancy Rate	Total Vacant SF	Total Vacancy Rate	1Q17 Net Absorption	4Q16 Net Absorption	1Q17 Completions	4Q16 Completions	SF Under Construction
<b>Austin Total</b>	<b>815</b>	<b>51,423,372</b>	<b>3,872,903</b>	<b>7.5%</b>	<b>224,311</b>	<b>0.4%</b>	<b>4,097,214</b>	<b>8.0%</b>	<b>(622,956)</b>	<b>(222,730)</b>	<b>742,165</b>	<b>20,000</b>	<b>728,440</b>
Central	31	1,118,512	71,722	6.4%	1,200	0.1%	72,922	6.5%	(28,264)	11,411	-	-	-
East	69	4,063,924	488,036	12.0%	42,500	1.0%	530,536	13.1%	(100,179)	(14,500)	500,000	-	20,000
Far Northeast	34	2,462,003	185,713	7.5%	16,545	0.7%	202,258	8.2%	(455)	(15,090)	-	20,000	51,200
Far Northwest	19	843,946	13,795	1.6%	3,050	0.4%	16,845	2.0%	11,300	(595)	-	-	-
Hays County	40	2,941,699	67,672	2.3%	-	0.0%	67,672	2.3%	27,259	14,481	-	-	-
North	218	13,538,006	1,149,000	8.5%	39,780	0.3%	1,188,780	8.8%	(322,406)	(213,453)	80,340	-	38,400
Northeast	118	8,071,806	672,511	8.3%	26,360	0.3%	698,871	8.7%	(92,904)	(20,130)	84,395	-	115,200
Northwest	29	2,611,605	43,175	1.7%	16,200	0.6%	59,375	2.3%	68,880	(5,002)	-	-	-
Round Rock	49	2,685,209	254,144	9.5%	26,496	1.0%	280,640	10.5%	(15,566)	(27,021)	-	-	-
South	39	1,591,038	54,449	3.4%	3,500	0.2%	57,949	3.6%	1,689	(19,831)	-	-	-
Southeast	164	11,285,593	872,686	7.7%	33,680	0.3%	906,366	8.0%	(172,310)	67,000	77,430	-	503,640
Southwest	5	210,031	-	0.0%	15,000	7.1%	15,000	7.1%	-	-	-	-	-

## Q1 2017 Industrial Under Construction - 20,000 SF or greater

BUILDING ADDRESS	SUBMARKET	RBA	% LEASED	DEVELOPER	ESTIMATED DELIVERY DATE	BUILDING DESCRIPTION
Harris Ridge Business Center- Bldg 1 1100 E Howard Ln	Far Northeast	51,200	50.0%	HPI Real Estate	Apr-17	Industrial Warehouse
7307 Burleson Rd - Lot 6	Southeast	30,000	0.0%	Industrial Group Southwest, LLC	Apr-17	Flex
7307 Burleson Rd - Lot 2	Southeast	35,000	0.0%	Industrial Group Southwest, LLC	Apr-17	Flex
7307 Burleson Rd - Lot 3	Southeast	35,000	0.0%	Industrial Group Southwest, LLC	Apr-17	Flex
7307 Burleson Rd - Lot 4	Southeast	40,000	0.0%	Industrial Group Southwest, LLC	Apr-17	Flex
7307 Burleson Rd - Lot 5	Southeast	50,000	0.0%	Industrial Group Southwest, LLC	Apr-17	Flex
7307 Burleson Rd - Lot 7	Southeast	62,500	50.0%	Industrial Group Southwest, LLC	Apr-17	Industrial
5811 Trade Center Dr - Building 8	Southeast	77,430	0.0%	VanTrust Real Estate, LLC	Apr-17	Industrial Warehouse
5811 Trade Center Dr - Building 9	Southeast	77,430	0.0%	VanTrust Real Estate, LLC	May-17	Industrial Warehouse
3739 Ed Bluestein Blvd - Building 4	East	20,000	100.0%	Development 2000, Inc.	Jun-17	Industrial
I 35 & Bratton Ln - Bldg 5	North	38,400	100.0%	Unknown	Jun-17	Industrial Warehouse
605 W Howard Ln - Bldg 3.1	Northeast	115,200	0.0%	Live Oak-Gottesman	Jun-17	Flex
5811 Trade Center Dr - Building 10	Southeast	96,280	0.0%	VanTrust Real Estate, LLC	Jun-17	Industrial Warehouse

## Q1 2017 Austin Industrial Highlights



**728,440 SF**

DOWN FROM 1,436,705 SF  
IN Q4 2016

AVERAGE  
RENTAL RATE  
**\$10.37/SF**



**-1.8%** QUARTERLY  
**8.3%** ANNUALLY

### LEASING ACTIVITY

**-82.8%**  
QUARTERLY

**-73.2%**  
ANNUALLY

**Q1 2017 214K SF**

**Q4 2016 1.25M SF**

**Q3 2016 599K SF**

**Q2 2016 1.02M SF**

**Q1 2016 892K SF**

CURRENT

**8.0%**  
VACANCY

**-622K SF**  
NET ABSORPTION



**51.4M SF**  
TOTAL INDUSTRIAL  
INVENTORY



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# Austin's industrial market takes a slight hit at the end of a great year

Kaitlin Holm Research and Marketing Coordinator | Austin

This quarter, Austin's industrial market saw negative net absorption for the first time, since Q1 2014. This negative absorption came after a record setting Q3 2016, when we saw over one million square feet of positive net absorption. Rental rates are still on the rise even though the vacancy rates increased in Q4. With over one million square feet still under construction, the Austin industrial market is going to see, what could be, a challenging year in 2017.

Austin's citywide average rental rates increased over the quarter from \$10.68 per SF NNN to \$11.03 per SF NNN, a record high. Warehouse/Distribution rental rates increased to \$8.27 per SF NNN from \$7.86 per SF, and citywide Flex/R&D rental rates increased to \$13.79 per SF NNN, \$0.40 higher than the \$13.39 average rate in Q3.

Austin's industrial market saw just two buildings deliver in the fourth quarter, totaling 68,215 SF. The largest of the two buildings is 955 County Road 118 in Georgetown. The 48,215 SF warehouse, was vacant at the time it delivered.

In Q4, 1,436,705 square feet of industrial supply was under construction, including five new projects totaling 353,070 square feet. Four of the five new projects are at 5811 Trade Center Boulevard in the Southeast submarket.

Over the last year, Austin's unemployment rate has increased marginally from 3.0% to 3.2%. Austin's unemployment rate is still well below the U.S. and Texas unemployment rate, 4.4% and 4.2%, respectively.



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	Q4 2015	Q3 2016	Q4 2016
Vacancy Rate	6.3%	5.9%	6.4%
Net Absorption (SF)	522,229	1,342,905	-204,430
New Construction (SF)	222,400	409,595	353,070
Under Construction (SF)	1,580,610	1,835,655	1,151,850

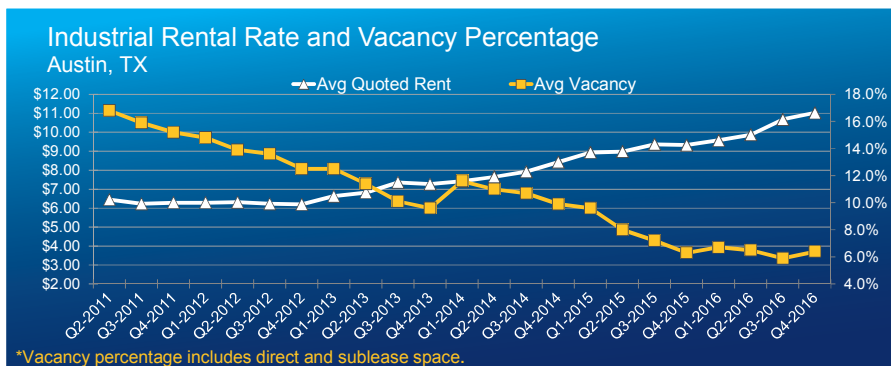
  

Asking Rents Per Square Foot Per Year	Q4 2015	Q3 2016	Q4 2016
Average	\$9.32	\$10.68	\$11.03
Warehouse/Distribution	\$6.91	\$7.86	\$8.27
Flex/R&D	\$11.26	\$13.39	\$13.79

## Vacancy & Availability

Austin's citywide average vacancy rate increased from 5.9% to 6.4% over the quarter. The largest decrease in vacancy over the quarter occurred in the Central submarket where vacancy fell 1% from 5.0% to 4.0%. The largest spike in vacancy over the quarter occurred in the Far Northeast submarket, where it increased from 7.6% in Q3 to 8.3% in Q3.

Though the overall vacancy rate increased quarter-over-quarter, the vacancy rates have not changed much in the Austin market since the third quarter.



## Absorption & Demand

Austin's industrial market saw negative net absorption in Q4 for the first time since Q1 in 2014, when it dipped to negative 771,075 square feet.

In Q4 2016, the industrial market posted 204,430 square feet of negative net absorption, down from a record high 1,342,905 square feet of positive net absorption in the third quarter. The Southeast submarket posted the largest amount of positive absorption, 67,000 square feet, due to nine different leases signed in the submarket in the fourth quarter, which totaled 182,722 square feet.

The Northeast submarket posted the largest negative net absorption, 71,908 square feet, and The Far Northwest submarket posted the second highest negative net absorption, 21,250 square feet.

## Rental Rates

According to CoStar, our data service provider, the citywide average rental rate increased over the quarter to an average rate of \$11.03 per SF NNN from \$10.68 per SF NNN in Q3. In one year, citywide average rental rates have risen by 18.3%.

The highest average rental rate at the end of Q4 was in the East submarket at \$17.26 per SF NNN. The East submarket also had the largest increase in rental rates over the quarter with rates rising 13.7% from \$15.18 per SF in Q3.

## Job Growth & Unemployment

(not seasonally adjusted)

UNEMPLOYMENT	11/15	11/16
AUSTIN	3.0%	3.2%
TEXAS	4.4%	4.2%
U.S.	4.8%	4.4%

JOB GROWTH	Annual Change	# of Jobs Added
AUSTIN	2.0%	19.5K
TEXAS	1.8%	212.6K
U.S.	1.6%	2.3M

## Sales Activity

Sources: Real Capital Analytics and CoStar

	Q4 2016
No. of Properties:	14
Total SF:	729,187 SF
Average \$/SF:	\$86/SF
Average Cap Rate:	6.8%

### 1600 Royston Lane



Medway Plastics Corporation purchased the 51,189 SF distribution building from Stream Realty Partners, L.P., in October, for \$4,650,000 (or \$90.84 per SF). The property was 100% occupied at the time of sale.

### 108 Madison Oaks Avenue



The 51,402 SF industrial warehouse was purchased in October of 2016 by 84 Lumber Company, for an estimated \$80.30 per SF, from Spirit Realty Capital. This was one of the 108 properties bought by 84 Lumber in a national portfolio acquisition.

## Leasing Activity

Austin's industrial leasing activity was just over 1.25 million square feet in Q4 2016. The bulk of the major leases signed in the fourth quarter were in the Southeast submarket, totaling 385,938 square feet. The largest new lease signed was a 48,280 square foot lease signed at 1307 Smith Road. Travis Association for the Blind was one of many large lease renewals this quarter. They renewed their 134,088 square foot lease at 4509 Friedrich Lane in November.

Q4 2016 Top Industrial Lease Transactions				
BUILDING NAME/ADDRESS	SUBMARKET	SF	TENANT	LEASE DATE
4509 Freidrich Ln	Southeast	134,088	Travis Association for the Blind <sup>1</sup>	Nov-16
9101 Wall St	Northeast	94,000	Superconductor Technologies Inc. <sup>1</sup>	Dec-16
4509 Freidrich Ln	Southeast	70,702	AT&T Services Inc <sup>1</sup>	Dec-16
1807 W Braker Ln	North	49,968	Canon Nanotechnologies, Inc <sup>1</sup>	Dec-16
1307 Smith Rd	East	48,280	Unknown	Dec-16
4616 W Howard Ln	Northwest	45,339	AMS Inc <sup>1</sup>	Nov-16
3913 Todd Ln	Southeast	45,000	FWB Rentals <sup>1</sup>	Oct-16
10300 Metric Blvd	North	36,000	MoveCorp	Oct-16
15505 Long Vista Dr	North	35,809	Unknown	Nov-16
9011 Tuscany Way	Northeast	31,298	Unknown	Dec-16

<sup>1</sup>Renewal

<sup>2</sup>Expansion

<sup>3</sup>Sublease

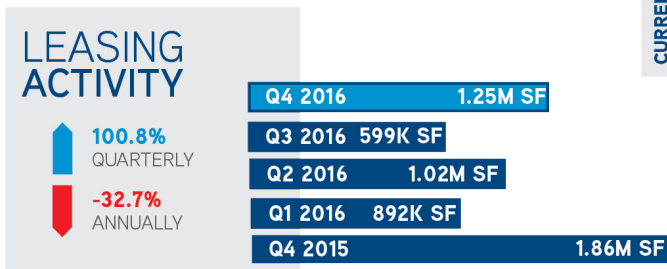
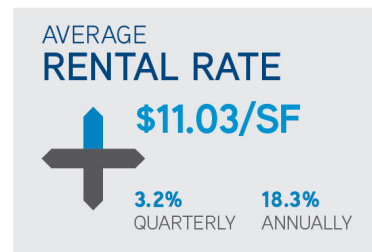
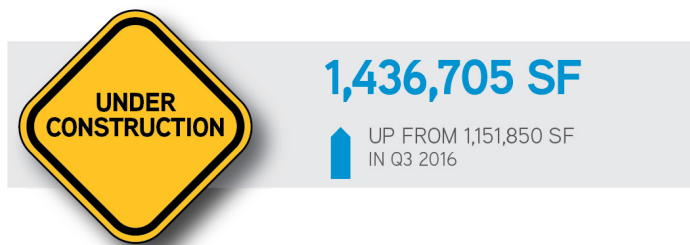
## Austin Industrial Market Summary

AUSTIN INDUSTRIAL MARKET STATISTICAL SUMMARY Q4 2016													
Market	# Bldgs	Rentable Area	Direct Vacant SF	Direct Vacancy Rate	Sublet Vacant SF	Sublet Vacancy Rate	Total Vacant SF	Total Vacancy Rate	4Q16 Net Absorption	3Q16 Net Absorption	4Q16 Completions	3Q16 Completions	SF Under Construction
<b>Austin Total</b>	<b>813</b>	<b>51,668,819</b>	<b>3,128,327</b>	<b>6.1%</b>	<b>199,750</b>	<b>0.4%</b>	<b>3,328,077</b>	<b>6.4%</b>	<b>(204,430)</b>	<b>1,179,807</b>	<b>20,000</b>	<b>1,093,400</b>	<b>1,356,365</b>
Central	31	1,121,250	44,658	4.0%	-	0.0%	44,658	4.0%	11,411	11,120	-	-	-
East	68	3,997,924	430,357	10.8%	-	0.0%	430,357	10.8%	(14,500)	92,433	-	-	500,000
Far Northeast	35	2,482,003	190,258	7.7%	16,545	0.7%	206,803	8.3%	(90)	(42,638)	20,000	44,800	51,200
Far Northwest	19	843,946	26,595	3.2%	1,550	0.2%	28,145	3.3%	(595)	(21,250)	-	-	-
Hays County	41	3,201,699	94,931	3.0%	-	0.0%	94,931	3.0%	14,481	986,432	-	855,000	24,500
North	218	13,774,163	762,831	5.5%	40,057	0.3%	802,888	5.8%	(213,453)	69,451	-	-	-
Northeast	115	7,864,706	518,272	6.6%	-	0.0%	518,272	6.6%	(16,830)	(71,908)	-	-	199,595
Northwest	29	2,611,605	112,055	4.3%	16,200	0.6%	128,255	4.9%	(5,002)	15,475	-	-	-
Round Rock	49	2,685,209	247,474	9.2%	17,600	0.7%	265,074	9.9%	(27,021)	5,467	-	-	-
South	39	1,591,038	31,597	2.0%	28,041	1.8%	59,638	3.7%	(19,831)	46,582	-	-	-
Southeast	164	11,285,245	669,299	5.9%	64,757	0.6%	734,056	6.5%	67,000	86,143	-	193,600	581,070
Southwest	5	210,031	-	0.0%	15,000	7.1%	15,000	7.1%	-	2,500	-	-	-

# Q4 2016 Industrial Under Construction - 20,000 SF or greater

BUILDING ADDRESS	SUBMARKET	RBA	% LEASED	DEVELOPER	ESTIMATED DELIVERY DATE	BUILDING DESCRIPTION
Capitol Wright Distribution Center Highway 290 East	East	500,000	100.0%	Capitol Wright Distributing	Jan-17	Industrial Distribution
Harris Ridge Business Center- Bldg 1 1100 E Howard Ln	Far Northeast	51,200	0.0%	HPI Real Estate	Jan-17	Industrial Warehouse
401 Center Ridge Dr - Bldg 2.1	Northeast	84,395	0.0%	Live Oak- Gottesman	Feb-17	Flex
605 W Howard Ln - Bldg 3.1	Northeast	115,200	0.0%	Live Oak-Gottesman	Feb-17	Flex
2121 Scarbrough Dr. - Bldg 4	North	80,340	63.2%	Clarion	Mar-17	Industrial Warehouse
7307 Burleson Rd - Lot 7	Southeast	62,500	0.0%	Industrial Group Southwest, LLC	Mar-17	Industrial
7307 Bureson Rd - Lot 6	Southeast	30,000	0.0%	Industrial Group Southwest, LLC	Mar-17	Flex
7307 Burleson Rd - Lot 2	Southeast	35,000	0.0%	Industrial Group Southwest, LLC	Mar-17	Flex
7307 Burleson Rd - Lot 3	Southeast	35,000	0.0%	Industrial Group Southwest, LLC	Mar-17	Flex
7307 Burleson Rd - Lot 4	Southeast	40,000	0.0%	Industrial Group Southwest, LLC	Mar-17	Flex
7307 Burleson Rd - Lot 5	Southeast	50,000	0.0%	Industrial Group Southwest, LLC	Mar-17	Flex
211 Darden Hill Rd	Hays County	24,500	0.0%	Unknown	Mar-17	Industrial Showroom
5811 Trade Center Dr - Building 10	Southeast	96,280	0.0%	VanTrust Real Estate, LLC	May-17	Industrial Warehouse
5811 Trade Center Dr - Building 9	Southeast	77,430	0.0%	VanTrust Real Estate, LLC	May-17	Industrial Warehouse
5811 Trade Center Dr - Building 8	Southeast	77,430	0.0%	VanTrust Real Estate, LLC	May-17	Industrial Warehouse
5811 Trade Center Dr - Building 7	Southeast	77,430	0.0%	VanTrust Real Estate, LLC	May-17	Industrial Warehouse

## Q4 2016 Highlights



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# Austin's industrial market is as strong as ever

Kaitlin Holm Research and Marketing Coordinator | Austin

Austin's industrial market continues to tighten up. The asking rents continue to increase, the vacancy rates are still falling and construction is strong. The average rental rate increased, yet again, hitting \$10.58. The vacancy rate dropped 1% from last quarter and sits at 6.2%. There is over one million square feet under construction and almost half of that is new construction. On top of all of these factors, positive net absorption jumped to 1,507,758 square feet.

Austin's citywide average rental rates increased over the quarter from \$9.83 per SF NNN to \$10.58 per SF NNN, the highest it has ever been. Warehouse/Distribution rental rates slightly decreased to \$7.89 per SF NNN, while Citywide Flex/R&D rental rates jumped from \$11.29 to \$13.39 per SF NNN over the quarter.

The largest of the four buildings to deliver this quarter was Amazon's new 855,000 SF distribution center, located in the Hays County submarket. It was a majority of the 1,093,400 total square feet that delivered.

In Q3, over one million square feet of industrial supply was under construction, including seven new projects totaling 409,595 square feet. One of the projects is a 115,200 square foot building at 605 W Howard Ln in the Northeast submarket.

As Austin's population continues to increase, the unemployment rate is still well below the U.S. and Texas' unemployment rate at 3.5%. Over the last year, Austin's unemployment rate has increased just 0.1% from 3.4% to 3.5%.



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	Q3 2015	Q2 2016	Q3 2016
Vacancy Rate	7.4%	7.2%	6.2%
Net Absorption (SF)	646,434	112,373	1,507,758
New Construction (SF)	222,400	110,715	409,595
Under Construction (SF)	384,870	1,835,655	1,151,850

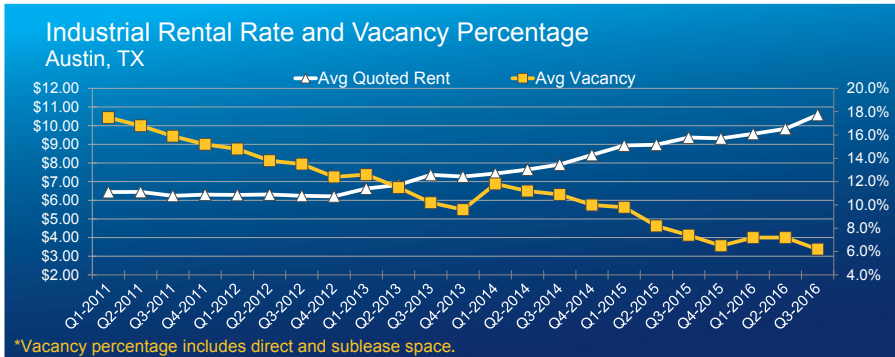
  

Asking Rents Per Square Foot Per Year	Q3 2015	Q2 2016	Q3 2016
Average	\$9.37	\$9.83	\$10.58
Warehouse/Distribution	\$7.01	\$7.63	\$7.89
Flex/R&D	\$11.25	\$11.29	\$13.39

## Vacancy & Availability

Austin's citywide average vacancy rate dropped from 7.2% to 6.2% over the quarter. The largest decreases in vacancy over the quarter occurred in the Far Northwest submarket where vacancy fell from 17.8% to 7.6%, and in the Hays County submarket where vacancy dropped from 10.3% to 3.4%. The largest spike in vacancy over the quarter occurred in the Far Northwest submarket, where it increased from 0.7% in Q2 to 3.3% in Q3.

With all of the new construction, rising rental rates and a decrease in the vacancy rate, we can clearly see that Austin's industrial market is as tight as ever.



## Absorption & Demand

Even after delivering 1,093,400 square feet, the absorption for the Austin industrial market made a huge jump in the third quarter.

Austin's industrial market posted 1,507,758 square feet of positive net absorption in the third quarter, up from 112,373 square feet of positive net absorption in the second quarter. The Hays County submarket posted the largest amount of positive absorption, 986,4320 square feet, due to Amazon's 100% pre-leased building delivering in September.

The Northeast submarket posted the largest negative net absorption of 71,908 square feet, and The Far Northwest submarket posted the second highest negative net absorption of 21,250 square feet.

## Rental Rates

According to CoStar, our data service provider, the citywide average rental rate increased over the quarter to an average rate of \$10.58 per SF NNN from \$9.83 per SF NNN in Q2. In one year, citywide average rental rates have risen by 12.9%.

The highest average rental rate at the end of Q3 was in the Northwest submarket at \$16.44 per SF NNN. The East submarket had the largest increase in rental rates over the quarter with rates rising from \$10.02 per SF NNN to \$15.18 per SF NNN.

## Job Growth & Unemployment

(not seasonally adjusted)

UNEMPLOYMENT	8/15	8/16
AUSTIN	3.4%	3.5%
TEXAS	4.6%	5.0%
U.S.	5.0%	5.2%

JOB GROWTH	Annual Change	# of Jobs Added
AUSTIN	3.2%	30.9K
TEXAS	1.6%	186.9K
U.S.	1.7%	2.4M

## Sales Activity

Sources: Real Capital Analytics and CoStar Q3 2016

No. of Properties:	12
Total SF:	2,254,176 SF
Average \$/SF:	\$75/SF
Average Cap Rate:	7.4%

### 10629 Metric Boulevard



An investor purchased the 14,550 SF manufacturing building from Austin Material Handling Company, in September, for \$1,716,900 (or \$118 per SF). The property was 100% occupied at the time of sale.

### 3830 Promontory Point Drive



The 47,729 SF industrial warehouse was purchased in July of this year by Jimmy Nassour Law Office, for an undisclosed price, from Capital Beverage. Capitol Beverage bought this building in 2015 and sold it once construction on their new facility was finished.

## Leasing Activity

Austin's industrial leasing activity was just under 600,000 square feet in Q3 2016. The bulk of the major leases signed in the second quarter were in the North submarket, totaling 418,000 square feet. The largest lease signed was a 104,146 square foot renewal signed by Daryl Flood Logistics. Intelligent Logistics, who will occupy 80,000 square feet at 1100 E Howard Ln in the North submarket, also signed this quarter.

Q3 2016 Top Industrial Lease Transactions				
BUILDING NAME/ADDRESS	SUBMARKET	SF	TENANT	LEASE DATE
15833 Long Vista Drive	North Ind	104,146	Daryl Flood Logistics <sup>1</sup>	Jul-16
1100 E Howard Ln	North Ind	80,000	Intelligent Logistics	Jul-16
12555 Harris Branch Parkway	Far Northeast Ind	48,037	Schenker Inc <sup>1</sup>	Jul-16
10200 McKalla Pl	North Ind	37,800	Resale Resource <sup>1</sup>	Aug-16
11700 Stonehollow Dr	North Ind	33,900	Goodman <sup>1</sup>	Sep-16
16310 Bratton Ln	North Ind	33,600	Abrams and Company Publishers <sup>1</sup>	Sep-16
3815 A Jarrett Way	North Ind	32,000	Manna Freight Systems Inc	Sep-16
2315 Rutland Drive	North Ind	26,526	Ferguson Enterprises Inc <sup>1</sup>	Aug-16
6301 E Stassney Ln	Southeast Ind	25,600	Aspire Food Group	Sep-16
12317 Technology Blvd	Northwest Ind	24,207	Undisclosed	Jul-16

<sup>1</sup>Renewal

<sup>2</sup>Expansion

<sup>3</sup>Sublease

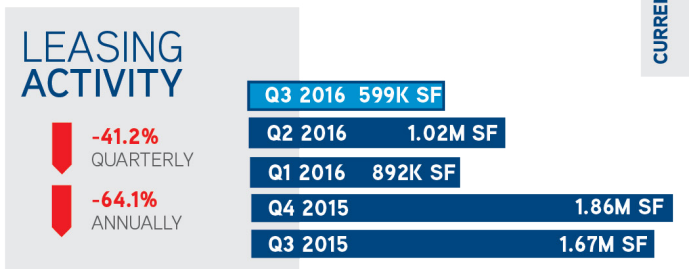
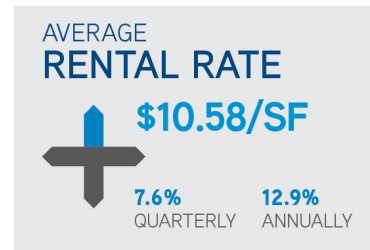
## Austin Industrial Market Summary

AUSTIN INDUSTRIAL MARKET STATISTICAL SUMMARY													
Q3 2016													
Market	# Bldgs	Rentable Area	Direct Vacant SF	Direct Vacancy Rate	Sublet Vacant SF	Sublet Vacancy Rate	Total Vacant SF	Total Vacancy Rate	3Q16 Net Absorption	2Q16 Net Absorption	3Q16 Completions	2Q16 Completions	SF Under Construction
<b>Austin Total</b>	<b>806</b>	<b>50,431,190</b>	<b>2,949,364</b>	<b>5.8%</b>	<b>332,595</b>	<b>0.7%</b>	<b>3,281,959</b>	<b>6.5%</b>	<b>141,773</b>	<b>(42,578)</b>	<b>72,000</b>	<b>334,870</b>	<b>1,787,440</b>
Central	32	1,155,810	68,064	5.9%	3,925	0.3%	71,989	6.2%	(6,651)	4,421	-	-	-
East	66	3,932,774	481,010	12.2%	43,280	1.1%	524,290	13.3%	20,000	(149,009)	-	-	500,000
Far Northeast	35	2,512,744	371,683	14.8%	30,000	1.2%	401,683	16.0%	(42,638)	(126,075)	-	154,370	96,000
Far Northwest	18	797,361	6,300	0.8%	-	0.0%	6,300	0.8%	56,663	9,036	-	-	-
Hays County	39	2,322,975	113,162	4.9%	127,682	5.5%	240,844	10.4%	75,263	(165,737)	-	-	855,000
North	217	13,739,422	634,351	4.6%	24,535	0.2%	658,886	4.8%	42,195	93,573	-	-	80,340
Northeast	114	7,786,610	365,382	4.7%	19,352	0.2%	384,734	4.9%	100,530	77,794	-	20,500	-
Northwest	29	2,611,605	238,944	9.1%	11,084	0.4%	250,028	9.6%	1,353	(179,340)	-	-	-
Round Rock	49	2,656,709	248,420	9.4%	17,600	0.7%	266,020	10.0%	(83,269)	200,411	-	-	-
South	41	1,668,816	74,952	4.5%	11,437	0.7%	86,389	5.2%	18,266	(39,769)	-	-	-
Southeast	161	11,036,333	347,096	3.1%	26,200	0.2%	373,296	3.4%	(29,939)	210,997	72,000	160,000	256,100
Southwest	5	210,031	-	0.0%	17,500	8.3%	17,500	8.3%	(10,000)	21,120	-	-	-

## Q3 2016 Industrial Under Construction - 20,000 SF or greater

BUILDING ADDRESS	SUBMARKET	RBA	% LEASED	DEVELOPER	ESTIMATED DELIVERY DATE	BUILDING DESCRIPTION
2121 Scarbrough Dr. - Bldg 4	North	80,340	63.2%	Clarion	Sep-16	Industrial Warehouse
955 County Road 118	Georgetown	48,215	0.0%	HOWMAT Development LP	Nov-16	Industrial Warehouse
7307 Burleson Rd - Lot 7	Southeast	62,500	50.0%	Industrial Group Southwest, LLC	Dec-16	Industrial
Capitol Wright Distribution Center Highway 290 East	East	500,000	100.0%	Capitol Wright Distributing	Dec-16	Industrial Distribution
Harris Ridge Business Center- Bldg 1 1100 E Howard Ln	Far Northeast	51,200	50.0%	HPI Real Estate	Jan-17	Industrial Warehouse
7307 Burelson Rd - Action Gypsum Supply	Southeast Ind	30,000	100.0%	Industrial Group Southwest, LLC	Nov-16	Flex
4717 Priem Ln - Bldg 8	Far Northeast Ind	20,000	75.0%	Tack Development Ltd	Dec-16	Industrial Warehouse
7307 Burleson Rd - Lot 2	Southeast Ind	35,000	0.0%	Industrial Group Southwest, LLC	Dec-16	Flex
7307 Burleson Rd - Lot 3	Southeast Ind	35,000	0.0%	Industrial Group Southwest, LLC	Dec-16	Flex
7307 Burleson Rd - Lot 4	Southeast Ind	40,000	0.0%	Industrial Group Southwest, LLC	Dec-16	Flex
7307 Burleson Rd - Lot 5	Southeast Ind	50,000	0.0%	Industrial Group Southwest, LLC	Dec-16	Flex
401 Center Ridge Dr - Bldg 2.1	Northeast Ind	84,395	0.0%	Prologis	Jan-17	Flex
605 W Howard Ln - Bldg 3.1	Northeast Ind	115,200	0.0%	Prologis	Jan-17	Industrial Warehouse

## Q3 2016 Highlights



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# Austin's industrial rates reach new heights

Kaitlin Holm Research and Marketing Coordinator | Austin

Austin's industrial market construction slipped a little, but the asking rates aren't falling. The vacancy rate saw a slight drop and the net absorption saw a large positive increase over the quarter. Citywide average vacancy fell to 7.1% over the quarter and positive net absorption reached 141,773 square feet, and industrial space under construction decreased only by 9,500 square feet in the second quarter. Some of the asking rates for the Austin market are at an all time high.

Austin's citywide average rental rates increased over the quarter from \$9.56 per SF NNN to \$9.81 per SF NNN, the highest it has ever been. Citywide Flex/R&D rental rates slightly decreased to \$11.30 per SF NNN, while this quarter's Warehouse/Distribution rental rates are also the highest they have ever been, at \$7.63 per SF NNN.

The only major building that delivered in Q2 2016 was Met Center 12, a 72,000 square foot building in the Southeast submarket. In Q2, 1,787,440 square feet of industrial supply was under construction, including two new projects totaling 110,715 square feet. One of the projects is a 62,500 square foot building at 7307 Burleson in the Southeast submarket.

As the population continues to increase, Austin's unemployment rate has dropped from 3.5% to 2.9% over the past year, and also added 3.7K jobs out of the 169.4K jobs created within Texas. Over the last quarter, Austin's unemployment rate has decreased from 3.3% to 2.9% over the last quarter.



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	Q2 2015	Q1 2016	Q2 2016
Vacancy Rate	8.3%	7.3%	7.1%
Net Absorption (SF)	983,141	-42,578	141,773
New Construction (SF)	207,008	173,500	72,000
Under Construction (SF)	645,000	1,796,940	1,644,600

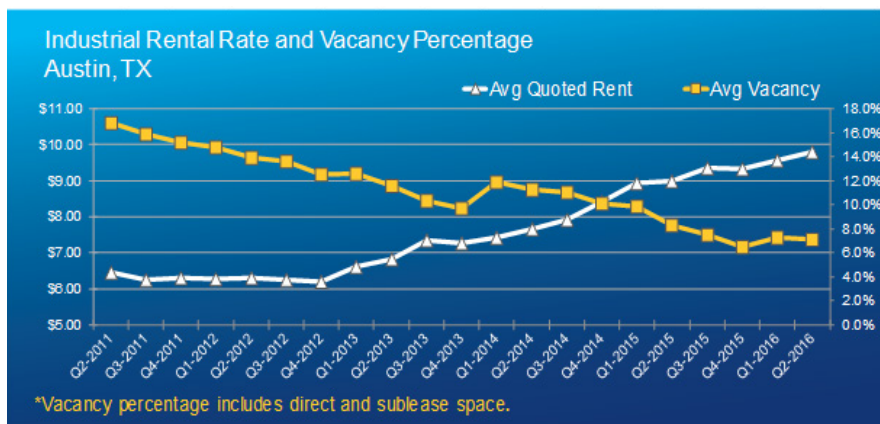
Asking Rents Per Square Foot Per Year	Q2 2015	Q1 2016	Q2 2016
Average	\$8.98	\$9.56	\$9.81
Warehouse/Distribution	\$6.50	\$7.41	\$7.63
Flex/R&D	\$11.52	\$11.32	\$11.30

## Vacancy & Availability

Austin's citywide average vacancy rate dropped slightly from 7.3% to 7.1% over the quarter from 7.4% to 7.7%. The largest spike in vacancy over the quarter occurred in the Southwest submarket, where it increased from 3.6% in Q1 to 8.3% in Q2 due to 10,000 square feet of sublease space becoming available at Oak Hill 1.

The largest decreases in vacancy over the quarter occurred in the Far Northwest submarket where vacancy fell from 7.9% to 0.8%, and in the Northeast submarket where vacancy dropped from 6.2% to 4.9%.

Despite a decline in new construction, rising rental rates and a slight decrease in the vacancy rate prove that Austin's industrial market continues to grow.



## Absorption & Demand

Even after delivering only one building that was just 33% pre-leased, the absorption for the Austin industrial market still jumped significantly in the second quarter.

Austin's industrial market posted 141,773 square feet of positive net absorption in the second quarter, up from 42,578 square feet of negative net absorption in Q1. The Round Rock submarket posted the largest amount of negative absorption, 83,269 square feet.

The Northeast submarket posted the largest positive net absorption of 100,530 square feet due in part to a tenant moving into 25,125 square feet at 9101 Wall Street. The Hays County submarket posted the second highest positive net absorption of 75,263 square feet as Heaven Hill Distilleries moved into their space at 5 Brent Boulevard in June 2016.

## Rental Rates

According to CoStar, our data service provider, the citywide average rental rate increased over the quarter to an average rate of \$9.81 per SF NNN from \$9.56 per SF NNN in Q1. In one year, citywide average rental rates have risen by 9.24%.

The highest average rental rate at the end of Q2 was in the Northwest submarket at \$15.90 per SF NNN. The Northwest submarket also had the largest increase in rental rates over the quarter with rates rising from \$9.38 per SF NNN to \$15.90 per SF NNN.

## Job Growth & Unemployment

(not seasonally adjusted)

UNEMPLOYMENT		
	5/15	5/16
AUSTIN	3.3%	2.9%
TEXAS	4.3%	4.2%
U.S.	5.3%	4.5%

JOB GROWTH		
	Annual Change	# of Jobs Added
AUSTIN	3.9%	37.3K
TEXAS	1.4%	169.4K
U.S.	1.7%	2.4M

## Sales Activity

Sources: Real Capital Analytics

	Q2 2016
No. of Properties:	4
Total SF:	467,198 SF
Average \$/SF:	\$87/SF
Average Cap Rate:	6.8%

### 5925 Dillard Circle



Mothers Milk Bank of Austin, Inc. purchased the 30,000 SF industrial warehouse from Reid Buildings of Austin, Inc. in May for an undisclosed price. The asking price on the property was \$3.9M. The property was 100% occupied at the time of sale.

### 8301 Springdale Road



The 90,000 SF warehouse was purchased in April of this year by East Group Properties, Inc. for an undisclosed amount. The property was 100% leased at the time of sale.

## Leasing Activity

Austin's industrial leasing activity reached 902,447 square feet in Q2 2016. The bulk of the major leases signed in the second quarter were in the Southeast submarket, totaling 294,172 square feet. The largest lease signed was a 122,012 square foot sublease signed by UPS. Global Resale, who will occupy 80,000 square feet at 2214 Braker Lane in the North submarket, also signed this quarter.

Q2 2016 Top Industrial Lease Transactions				
BUILDING NAME/ADDRESS	SUBMARKET	SF	TENANT	LEASE DATE
116 E Old Settlers Blvd	Round Rock Ind	122,012	UPS <sup>3</sup>	Apr-16
2214 Braker Ln	North Ind	80,000	Global Resale	Apr-16
6800 Burleson Rd	Southeast Ind	78,294	AMC <sup>3</sup>	Jun-16
12112 Boardwalk Dr	Far Northwest Ind	48,037	Logistics Company <sup>1</sup>	Jun-16
8606 Wall St	Northeast Ind	43,200	Living Direct <sup>3</sup>	Jun-16
4401 Freidrich Ln	Southeast Ind	32,317	Wonderwall Studios LLC	May-16
8701 Wall St	Northeast Ind	32,000	Mattress Firm <sup>1</sup>	Apr-16
6301 E Stassney Ln	Southeast Ind	32,000	Ketra	Apr-16
6406 Burleson Rd	Southeast Ind	30,600	Getagadget <sup>1</sup>	May-16
6800 Burleson Rd	Southeast Ind	30,000	Genesis Today <sup>3</sup>	Jun-16

<sup>1</sup>Renewal

<sup>2</sup>Expansion

<sup>3</sup>Sublease

## Austin Industrial Market Summary

AUSTIN INDUSTRIAL MARKET STATISTICAL SUMMARY Q2 2016													
Market	# Bldgs	Rentable Area	Direct Vacant SF	Direct Vacancy Rate	Sublet Vacant SF	Sublet Vacancy Rate	Total Vacant SF	Total Vacancy Rate	2Q16 Net Absorption	1Q16 Net Absorption	2Q16 Completions	1Q16 Completions	SF Under Construction
<b>Austin Total</b>	<b>806</b>	<b>50,431,190</b>	<b>2,949,364</b>	<b>5.8%</b>	<b>332,595</b>	<b>0.7%</b>	<b>3,281,959</b>	<b>6.5%</b>	<b>141,773</b>	<b>(42,578)</b>	<b>72,000</b>	<b>334,870</b>	<b>1,787,440</b>
Central	32	1,155,810	68,064	5.9%	3,925	0.3%	71,989	6.2%	(6,651)	4,421	-	-	-
East	66	3,932,774	481,010	12.2%	43,280	1.1%	524,290	13.3%	20,000	(149,009)	-	-	500,000
Far Northeast	35	2,512,744	371,683	14.8%	30,000	1.2%	401,683	16.0%	(42,638)	(126,075)	-	154,370	96,000
Far Northwest	18	797,361	6,300	0.8%	-	0.0%	6,300	0.8%	56,663	9,036	-	-	-
Hays County	39	2,322,975	113,162	4.9%	127,682	5.5%	240,844	10.4%	75,263	(165,737)	-	-	855,000
North	217	13,739,422	634,351	4.6%	24,535	0.2%	658,886	4.8%	42,195	93,573	-	-	80,340
Northeast	114	7,786,610	365,382	4.7%	19,352	0.2%	384,734	4.9%	100,530	77,794	-	20,500	-
Northwest	29	2,611,605	238,944	9.1%	11,084	0.4%	250,028	9.6%	1,353	(179,340)	-	-	-
Round Rock	49	2,656,709	248,420	9.4%	17,600	0.7%	266,020	10.0%	(83,269)	200,411	-	-	-
South	41	1,668,816	74,952	4.5%	11,437	0.7%	86,389	5.2%	18,266	(39,769)	-	-	-
Southeast	161	11,036,333	347,096	3.1%	26,200	0.2%	373,296	3.4%	(29,939)	210,997	72,000	160,000	256,100
Southwest	5	210,031	-	0.0%	17,500	8.3%	17,500	8.3%	(10,000)	21,120	-	-	-

## Q2 2016 Industrial Under Construction - 20,000 SF or greater

BUILDING ADDRESS	SUBMARKET	RBA	% LEASED	DEVELOPER	ESTIMATED DELIVERY DATE	BUILDING DESCRIPTION
Amazon - 1401 E. McCarty Ln	Hays County	855,000	100.0%	Seefried Properties, Inc.	Jul-16	Industrial Distribution
Capitol Wright Distribution Center Highway 290 East	East	500,000	100.0%	Capitol Wright Distributing	Dec-16	Industrial Distribution
6301 E Stassney Ln - Expo 13	Southeast	136,000	41.2%	Trammel Crow	Sep-16	Industrial Warehouse
2121 Scarbrough Dr - Bldg 4	North	80,340	63.2%	Clarion	Sep-16	Industrial Warehouse
7307 Burleson Rd	Southeast	62,500	0.0%	Industrial Group Southwest, LLC.	Dec-16	Industrial Building
6301 E Stassney Ln - Expo 12	Southeast	57,600	55.6%	Trammel Crow	Jul-16	Industrial Warehouse
Harris Ridge Business Center- Bldg 1 1100 E Howard Ln	Far Northeast	51,200	0.0%	HPI Real Estate	Jan-17	Industrial Warehouse
955 County Road 118	Georgetown	42,215	0.0%	Unknown	Jul-17	Industrial Warehouse
Harris Ridge Business Center- Bldg 2 1100 E Howard Ln	Far Northeast	44,800	0.0%	HPI Real Estate	Aug-16	Industrial Warehouse

## Q2 2016 Highlights



**1,787,440 SF**

DOWN FROM 1,796,940 SF  
IN Q1 2016

AVERAGE  
**RENTAL RATE**

**\$9.81/SF**



**2.6%** QUARTERLY  
**9.2%** ANNUALLY

### LEASING ACTIVITY

**14.3%**  
QUARTERLY

**-39.6%**  
ANNUALLY

<b>Q2 2016</b>	<b>1.02M SF</b>
<b>Q1 2016</b>	<b>892K SF</b>
<b>Q4 2015</b>	<b>1.86M SF</b>
<b>Q3 2015</b>	<b>1.67M SF</b>
<b>Q2 2015</b>	<b>1.69M SF</b>

CURRENT

**7.2%**  
VACANCY

**142K SF**  
NET ABSORPTION



**50.1M SF**  
TOTAL INDUSTRIAL  
INVENTORY

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Accelerating success.

# Austin's industrial construction pipeline continues to grow

Hannah Tysor Senior Marketing & Research Coordinator | Houston & Austin

Austin's industrial market continues to grow despite a slight rise in vacancy and a decrease in positive net absorption over the quarter. Citywide average vacancy rose to 7.7% over the quarter and positive net absorption reached only 13,890 square feet, but industrial space under construction rose again in the first quarter to 1.8M square feet.

Austin's citywide average rental rates also increased over the quarter from \$9.30 per SF NNN to \$9.54 per SF NNN. Citywide warehouse/distribution rental rates increased over the quarter to \$7.32 per SF NNN and Flex/R&D rental rates increased to \$11.32 per SF NNN.

Buildings that delivered in Q1 2016 include Harris Ridge Business Center Building 5, a 153,000 square foot building in the Far Northeast submarket. 1,839,297 square feet of industrial supply was under construction in Q1, including the new 855,000 SF Amazon distribution center and the 500,000 SF Capitol Wright distribution center.

Texas added 2,100 nonfarm jobs in February, expanding the state's employment for the 11th consecutive month. Austin's unemployment rate remains the second lowest in the state behind Amarillo. Since Q1 2015, Austin's unemployment rate has dropped from 3.5% to 3.1%.

Texas has seen an upward trend in the education and health services industry for 37 consecutive months. Seven out of eleven major industries saw growth in the first quarter across the state.



## 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 2015

Q4 2015

Q1 2016

Vacancy Rate

10.2%

7.4%

7.7%

Net Absorption (SF)

313,480

470,082

13,890

New Construction (SF)

290,196

50,000

174,870

Under Construction (SF)

530,425

1,222,100

1,839,297

## Asking Rents

Per Square Foot Per Year

Average

\$8.94

\$9.30

\$9.54

Warehouse/Distribution

\$6.31

\$7.02

\$7.32

Flex/R&D

\$11.51

\$11.26

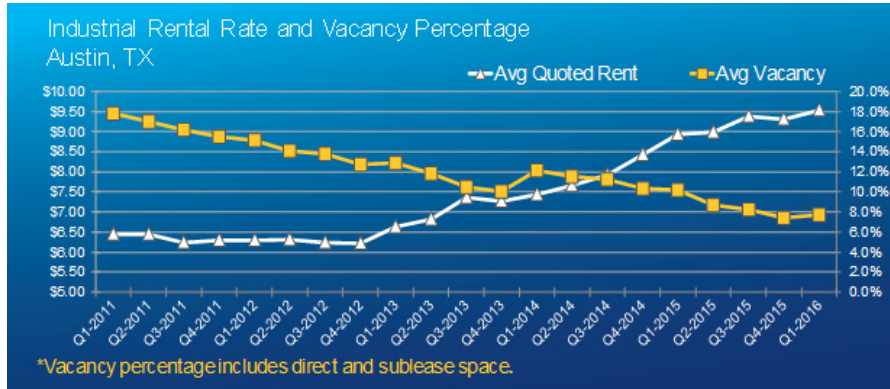
\$11.32

## Vacancy & Availability

Austin's citywide average vacancy increased 30 basis points over the quarter from 7.4% to 7.7%. The largest drops in vacancy over the quarter occurred in the Round Rock and Southwest submarkets.

The largest increases in vacancy over the quarter occurred in the Hays County submarket where vacancy rose from 8.5% to 15.6%, and in the Far Northeast submarket where vacancy rose from 5.9% to 16.7%.

Despite a rise in vacancy over the quarter, new construction and rising rental rates prove that Austin's industrial market continues to grow.



## Absorption & Demand

Austin's industrial market posted 13,890 SF of positive net absorption in the first quarter, down from 470,082 SF of positive net absorption in Q4. The primary reason for the small number in Q1 is due to the 241,637 SF of negative net absorption in overall sublet space. The Hays County submarket posted 127,574 SF of negative net absorption in sublet space as Serta moved out of their space at 150 Precision Dr.

The Southeast submarket posted the largest positive net absorption of 210,997 SF due largely to a tenant moving into 109,203 SF at Expo 10. The Round Rock submarket posted the second highest positive net absorption of 200,411 SF as ProPortion Food moved into their space at Round Rock Distribution Center in March 2016.

## Rental Rates

According to CoStar, our data service provider, the citywide average rental rate increased over the quarter to an average rate of \$9.54 per SF NNN from \$9.30 per SF NNN in Q4. Since the first quarter of 2015, citywide average rental rates have risen by 6.7%.

The highest average rental rate at the end of Q1 was in the Southwest submarket at \$14.03 per SF NNN. The largest increased in rental rates over the quarter was in the Far Northwest submarket where rates rose from \$11.00 per SF NNN to \$13.00 per SF NNN.

## Job Growth & Unemployment

(not seasonally adjusted)

UNEMPLOYMENT	1/15	1/16
AUSTIN	3.5%	3.1%
TEXAS	4.4%	4.3%
U.S.	5.8%	5.2%

JOB GROWTH	Annual Change	# of Jobs Added
AUSTIN	4.2%	39.8K
TEXAS	1.5%	172.7K
U.S.	2.0%	2.9M

## Sales Activity

Sources: Real Capital Analytics

	Q1 2016
No. of Properties:	15
Total SF:	349,507 SF
Average \$/SF:	\$82/SF
Average Cap Rate:	6.5%

## Wall St. & Burses Rd. Portfolio



Colliers represented Industry Capital in the sale of two industrial parks comprised of 14 buildings and 163,750 SF. The buyer in this transaction was Saber Realty Partners and the portfolio sold for \$13.4 million at a 7.9% cap rate. The property was 94% occupied at the time of sale.

## 14500 Single Trace



Hewlett-Packard transferred title from Lone Star Data Centers to HP Enterprise Services in January of this year. The property was 100% leased at the time of sale.

## Leasing Activity

Austin's industrial leasing activity recorded 703,398 square feet in Q1 2016. The majority of leases signed in the first quarter were on the north side of the city. The largest lease signed was Javelin Logistics who will occupy 177,940 square feet at TechRidge in the Northeast submarket.

### Q1 2016 Top Industrial Lease Transactions

BUILDING NAME/ADDRESS	SUBMARKET	SF	TENANT	LEASE DATE
TechRidge - 810 W. Howard Lane	Northeast	177,940	Javelin Logistics	Jan-16
Northtech - 4616 W. Howard Lane	Northwest	116,000	Undisclosed	Jan-16
Heritage Crossing - 2500 Scarbrough Dr.	North	95,672	Goodwill Industries	Jan-16
800 Interchange Blvd.	East	64,000	Amplifier <sup>1</sup>	Mar-16
Harris Ridge Business Center - 1100 E. Howard Ln.	Far Northeast	54,460	Sheri Hill	Feb-16
Prologis Walnut Creek - 9101 Wall St.	Northeast	25,125	Unknown	Mar-16
6006 Ben White Blvd.	Southeast	21,850	Grainger	Mar-16
4616 Howard Ln.	Northwest	20,922	Salient Systems	Mar-16
113 Industrial Blvd.	South	20,573	Unknown	Feb-16
4129 S. Commercial Center Dr.	Southeast	20,000	Build by LED	Jan-16
7307 Burleson Rd.	Southeast	20,000	Action Gypsum Supply	Mar-16

<sup>1</sup>Renewal

<sup>2</sup>Expansion

<sup>3</sup>Sublease

<sup>4</sup>Pre-lease/proposed or under construction

## Austin Industrial Market Summary

### AUSTIN INDUSTRIAL MARKET STATISTICAL SUMMARY Q1 2016

Market	# Bldgs	Rentable Area	Direct Vacant SF	Direct Vacancy Rate	Sublet Vacant SF	Sublet Vacancy Rate	Total Vacant SF	Total Vacancy Rate	1Q16 Net Absorption	4Q15 Net Absorption	1Q2016 Completions	4Q15 Completions	SF Under Construction
<b>Austin Total</b>	<b>801</b>	<b>50,148,666</b>	<b>3,491,878</b>	<b>7.0%</b>	<b>356,266</b>	<b>0.7%</b>	<b>3,848,144</b>	<b>7.7%</b>	<b>13,890</b>	<b>433,857</b>	<b>154,370</b>	<b>50,000</b>	<b>1,839,297</b>
Central	32	1,155,810	66,413	5.7%	-	0.0%	66,413	5.7%	4,421	29,955	-	-	-
East	67	3,956,527	452,939	11.4%	75,782	1.9%	528,721	13.4%	(85,009)	3,085	-	-	542,357
Far Northeast	35	2,512,744	389,045	15.5%	30,000	1.2%	419,045	16.7%	(126,075)	49,281	154,370	-	96,000
Far Northwest	17	777,361	62,963	8.1%	-	0.0%	62,963	8.1%	9,036	10,500	-	-	-
Hays County	39	2,322,975	234,786	10.1%	127,574	5.5%	362,360	15.6%	(165,737)	40,096	-	-	855,000
North	217	13,739,290	657,256	4.8%	51,357	0.4%	708,613	5.2%	86,041	32,786	-	-	80,340
Northeast	114	7,786,610	530,264	6.8%	9,000	0.1%	539,264	6.9%	77,794	(42,769)	-	-	-
Northwest	29	2,611,605	240,297	9.2%	11,084	0.4%	251,381	9.6%	(179,340)	(14,475)	-	-	-
Round Rock	48	2,626,709	239,472	9.1%	-	0.0%	239,472	9.1%	200,411	41,375	-	50,000	-
South	38	1,484,671	68,286	4.6%	22,769	1.5%	91,055	6.1%	(39,769)	7,823	-	-	-
Southeast	160	10,964,333	550,157	5.0%	21,200	0.2%	571,357	5.2%	210,997	309,335	-	-	265,600
Southwest	5	210,031	-	0.0%	7,500	3.6%	7,500	3.6%	21,120	3,000	-	-	-

## Q1 2016 Industrial Under Construction - 20,000 SF or greater

BUILDING ADDRESS	SUBMARKET	RBA	% LEASED	DEVELOPER	ESTIMATED DELIVERY DATE	BUILDING DESCRIPTION
Amazon - E. McCarthy Lane	Hays County	855,000	100%	Seefried Properties, Inc.	Mar-16	Industrial Distribution
Capitol Wright Distribution Center Highway 290 East	East	500,000	100%	Capitol Wright Distributing	Dec-16	Industrial Distribution
6301 E Stassney Ln - Expo 13	Southeast	136,000	20.0%	Trammel Crow	Sep-16	Industrial Warehouse
2301 Scarbrough Dr. - Bldg 4	North	80,340	63.2%	Clarion	Sep-16	Industrial Warehouse
Met Center II - Building 12 7701 Metropolis	Southeast	72,000	33.0%	Zydeco Development	May-16	Flex Light Distribution
6301 E Stassney Ln - Expo 12	Southeast	57,600	33.3%	Trammel Crow	Jun-16	Industrial Warehouse
Harris Ridge Business Center- Bldg 1 1100 E Howard Ln	Far Northeast	51,200	0.0%	HPI Real Estate	Jan-17	Industrial Warehouse
Harris Ridge Business Center- Bldg 2 1100 E Howard Ln	Far Northeast	44,800	0.0%	HPI Real Estate	Aug-16	Industrial Warehouse

## Q1 2016 Highlights



**1,839,297 SF**

UP FROM 1,222,100 SF IN Q4 2015

AVERAGE RENTAL RATE

**\$9.54/SF**



2.6% QUARTERLY 6.7% ANNUALLY

### LEASING ACTIVITY

**-60.5%** QUARTERLY

**-59.9%** ANNUALLY

**Q1 2016 729K SF**

**Q4 2015 1.8M SF**

**Q3 2015 1.7M SF**

**Q2 2015 1.7M SF**

**Q1 2015 1.8M SF**

CURRENT

**7.7%** VACANCY

**14K SF** NET ABSORPTION



**50.1M SF** TOTAL INDUSTRIAL INVENTORY

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# Austin's citywide industrial vacancy rate drops to 7.8% at year-end

Hannah Tysor Senior Marketing & Research Coordinator | Houston & Austin

Austin's industrial market closed out 2015 on an extremely strong note with year-end positive net absorption reaching 2,245,821 square feet as vacancy continued to drop over the year. Citywide average vacancy rate dropped to 7.8% at year end, falling 270 basis points over the year and 80 basis points over the quarter.

Austin's citywide average rental rates decreased slightly to \$9.32 per SF NNN. Since the first quarter of 2015, rental rates have increased by 3.8%. Citywide warehouse/distribution rental rates also decreased very slightly over the quarter to \$7.11 per SF NNN. Flex/R&D rates increased over the quarter from \$11.23 per SF NNN to \$11.26 per SF NNN.

Only one building totaling 50,000 SF delivered in Q4 in the Round Rock submarket. 1,222,100 SF of industrial supply was under construction in Q4, including the new 855,000 SF Amazon distribution center in the Hays County submarket.

According to Wallethub's list of "2016's Best & Worst Cities to Find a Job", Austin ranks 3rd in the nation behind Plano, Texas and Overland Park, Kansas. Austin's unemployment rate of 3.3% is now well below the state average of 4.5% and the national average of 4.8%. Job Growth in the city is also remarkably higher than the state and national average with a 3.9% annual increase in job growth.



## 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

	Q4 2014	Q3 2015	Q4 2015
Vacancy Rate	10.6%	8.6%	7.8%
Net Absorption (SF)	554,512	578,403	433,947
New Construction (SF)	154,887	399,205	50,000
Under Construction (SF)	757,729	281,100	1,222,100

## Asking Rents

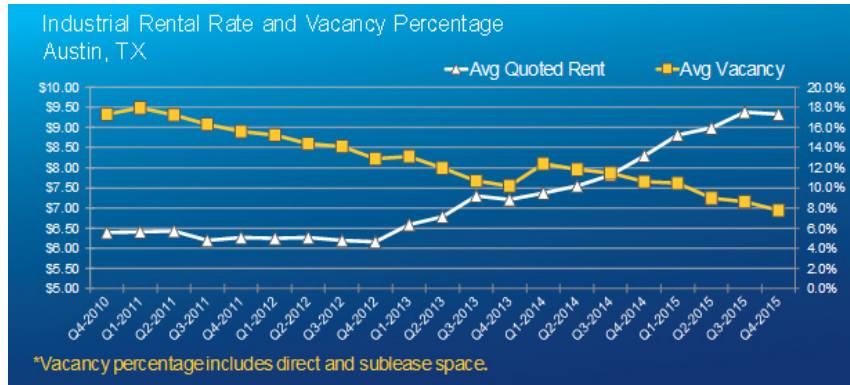
Per Square Foot Per Year

	Q4 2014	Q3 2015	Q4 2015
Average	\$8.98	\$9.37	\$9.32
Warehouse/Distribution	\$5.86	\$7.15	\$7.11
Flex/R&D	\$11.12	\$11.23	\$11.26

## Vacancy & Availability

Austin's citywide average vacancy dropped 80 basis points over the quarter from 8.6% to 7.8%. The lowest recorded vacancy in Q4 was in the Northwest submarket at 2.7%. The second lowest vacancy at the end of Q4 was in the South submarket at 3.6%. The largest drops in vacancy over the quarter occurred in the Hays County submarket where vacancy dropped from 11.0% to 9.2%, and in the Southeast submarket where vacancy dropped from 10.1% in Q3 to 7.5% in Q4.

Among the major industrial submarkets, only the Northeast and Northwest saw an increase in vacancy, both by only 50 basis points.



## Absorption & Demand

Austin's industrial market posted 433,947 SF of positive net absorption in the fourth quarter, bringing year end absorption to 2,245,821 square feet. The submarket that posted the highest positive net absorption in 2015 was the Far Northeast with 542,581 SF of positive net absorption. The east submarket posted the largest loss with 23,727 SF of negative net absorption in 2015.

Only two of the major industrial submarkets saw posted negative net absorption in Q4, the northeast and northwest submarkets.

The southeast submarket posted the largest amount of positive net absorption with 278,955 SF. Tenants that moved into to the southeast submarket during Q4 2015 include Kendra Scott Design, who now occupies 64,800 square feet at Expo 11.

## Rental Rates

According to CoStar, our data service provider, the citywide average rental rate decreased slightly over the quarter to an average rate of \$9.32 per SF NNN from \$9.37 per SF NNN in Q3. Despite this slight decrease, rates have been consistently rising over the year and since Q1 2015 have risen 5.9%.

The highest average rental rate at the end of Q4 was in the Southwest submarket at \$14.03 per SF NNN. Rental rates were also high in the Far Northwest and East submarkets at \$11.00 and \$11.39 per SF NNN respectively.

Average rental rates for flex/R&D space increased slightly over the quarter from \$11.23 per SF NNN to \$11.26 per SF NNN. Average rental rates for warehouse/distribution space decreased slightly over the quarter from \$7.15 to \$7.11 per SF NNN.

## Job Growth & Unemployment

(not seasonally adjusted)

UNEMPLOYMENT	11/14	11/15
AUSTIN	3.7%	3.3%
TEXAS	4.5%	4.5%
U.S.	5.5%	4.8%

JOB GROWTH	Annual Change	# of Jobs Added
AUSTIN	3.9%	36.1K
TEXAS	1.7%	204.8K
U.S.	1.9%	2.6M

## Sales Activity

Sources: Real Capital Analytics

Q4 2015

No. of Properties:	26
Total SF:	1.6M
Average \$/SF:	\$94.12/SF
Average Cap Rate:	6.42%

## Round Rock Distribution Center



Gramercy Property Trust purchased 200,411 SF at 101 Chisholm Trail from Sysco Corporation for \$28.8 million or about \$143.70 per square foot. The property, located in the Round Rock submarket, is a food service distribution center.

## 14500 Single Trace



Hewlett-Packard sold 185,757 SF at 14500 Single Trace for an undisclosed price. The buyer in this transaction was Lone Star Data Centers LLC.

## Leasing Activity

Austin's industrial leasing activity recorded 514,892 square feet in Q4 2015. Majority of the deals done in Q4 were renewals for tenants including Applied Materials, The Liquidation Channel, and Biomat USA, Inc. The North and Southeast submarkets saw the majority of leasing activity in Q4 2015.

Q4 2015 Top Industrial Lease Transactions				
BUILDING NAME/ADDRESS	SUBMARKET	SF	TENANT	LEASE DATE
Tech Ridge - 810 W. Howard Ln.	North	180,000	Applied Materials <sup>1</sup>	Dec-15
100 Michael Angelo Way	North	55,949	The Liquidation Channel <sup>1</sup>	Oct-15
Tech Ridge - 710 W. Howard Ln.	North	54,000	Applied Materials <sup>1</sup>	Oct-15
10420 Metric Blvd.	North	51,500	Oskar Blues Brewery	Oct-15
4401 Freidrich Ln.	Southeast	51,029	Biomat USA, Inc. <sup>1</sup>	Oct-15
2222 West Runberg Ln.	North	43,200	Stone Solutions <sup>1</sup>	Nov-15
4104 Smith School Rd.	Southeast	38,400	Move Solutions	Nov-15
1905 E. 6th St.	East	30,000	Alpheus Communications <sup>1</sup>	Dec-15
Met Center I	Southeast	28,385	Fluor	Nov-15
1106 Smith Rd.	East	23,520	Intertech Commercial Flooring <sup>1</sup>	Nov-15
Expo 11	Southeast	19,200	Dependable Express	Oct-15
4401 Freidrich Ln.	Southeast	20,309	Onnit Fit LLC <sup>1</sup>	Oct-15

<sup>1</sup>Renewal

<sup>2</sup>Expansion

<sup>3</sup>Sublease

<sup>4</sup>Pre-lease/proposed or under construction

## Austin Industrial Market Summary

AUSTIN INDUSTRIAL MARKET STATISTICAL SUMMARY Q4 2015													
Market	# Bldgs	Rentable Area	Direct Vacant SF	Direct Vacancy Rate	Sublet Vacant SF	Sublet Vacancy Rate	Total Vacant SF	Total Vacancy Rate	4Q15 Net Absorption	3Q15 Net Absorption	4Q2015 Completions	3Q15 Completions	SF Under Construction
<b>Austin Total</b>	<b>794</b>	<b>48,914,559</b>	<b>3,689,165</b>	<b>7.5%</b>	<b>128,429</b>	<b>0.3%</b>	<b>3,817,594</b>	<b>7.8%</b>	<b>433,857</b>	<b>695,013</b>	<b>50,000</b>	<b>399,205</b>	<b>1,222,100</b>
Central	32	1,155,810	69,815	6.0%	1,019	0.1%	70,834	6.1%	29,955	(12,423)	-	-	-
East	68	3,061,370	391,251	12.8%	52,461	1.7%	443,712	14.5%	3,085	(9,181)	-	-	-
Far Northeast	34	2,358,374	138,600	5.9%	-	0.0%	138,600	5.9%	49,281	(29,850)	-	-	153,000
Far Northwest	17	777,361	71,999	9.3%	-	0.0%	71,999	9.3%	10,500	(6,275)	-	-	-
Hays County	38	2,287,298	196,623	8.6%	13,800	0.6%	210,423	9.2%	40,096	21,029	-	-	855,000
North	215	13,495,226	852,254	6.3%	-	0.0%	852,254	6.3%	32,786	181,266	-	-	-
Northeast	112	7,739,653	574,558	7.4%	22,000	0.3%	596,558	7.7%	(42,769)	44,944	-	-	20,500
Northwest	30	2,663,637	60,957	2.3%	11,084	0.4%	72,041	2.7%	(14,475)	137,035	-	-	-
Round Rock	48	2,626,709	439,883	16.7%	-	0.0%	439,883	16.7%	41,375	77,920	50,000	-	-
South	36	1,677,992	49,449	2.9%	11,437	0.7%	60,886	3.6%	2,068	2,000	-	-	-
Southeast	159	10,861,098	806,406	7.4%	9,128	0.1%	815,534	7.5%	278,955	171,938	-	420,525	193,600
Southwest	5	210,031	37,370	17.8%	7,500	3.6%	44,870	21.4%	3,000	-	-	-	-

## Q4 2015 Industrial Under Construction - 20,000 SF or greater

BUILDING ADDRESS	SUBMARKET	RBA	% LEASED	DEVELOPER	ESTIMATED DELIVERY DATE	BUILDING DESCRIPTION
Amazon - E. McCarthy Lane	Hays County	855,000	100.00%	Seefried Properties, Inc.	Oct-16	Industrial Distribution
Harris Ridge Business Center 1100 E Howard Ln. - Bldg 5	Far Northeast	153,000	0.0%	HPI	Mar-16	Industrial Warehouse
6301 E Stassney Ln - Expo 13	Southeast	136,000	0.0%	Trammel Crow	Sep-16	Industrial Warehouse
6301 E Stassney Ln - Expo 12	Southeast	57,600	33.3%	Trammel Crow	Sep-16	Industrial Warehouse
9503 Brown Ln - Bldg 4	Northeast	20,500	100.0%	Dalton	Mar-16	BTS

## Q4 2015 Highlights



**1,222,100M SF**

UP FROM 281,000 SF  
IN Q3 2015

AVERAGE  
**RENTAL RATE**  
**\$9.32/SF**

0.5% QUARTERLY  
3.8% ANNUALLY

### POSITIVE NET ABSORPTION

8.8% QUARTERLY  
-47.0% ANNUALLY

Q4 2015	433K SF
Q3 2015	578K SF
Q2 2015	919K SF
Q1 2015	313K SF
Q4 2014	554K SF

CURRENT

**7.8%**  
VACANCY

**514K SF**  
LEASING ACTIVITY



**48.9M SF**  
TOTAL INDUSTRIAL  
INVENTORY

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Accelerating success.

# Austin's industrial rental rates reach all time highs

Hannah Tysor Senior Marketing & Research Coordinator | Houston & Austin

Austin's industrial market continues to progress as rental rates rise yet again in the third quarter. The citywide average quoted rental rate increased by 4.2% between quarters from \$8.59 to \$8.95 per SF NNN, and increased 19.8% on a year over year basis from \$7.47 per SF NNN.

Vacancy dropped 70 basis points over the quarter from 9.2% to 8.5%, and has dropped 270 basis points on a year over year basis. The current overall vacancy rate of 8.5% is the lowest ever recorded.

Three buildings totaling 399,205 SF delivered in the third quarter, all of which were in the Southeast submarket, including Expo Center 10 & 11. Although positive net absorption decreased over the quarter for a total of 695,013 SF, this is still the second highest positive net absorption ever recorded.

According to the Texas Workforce Commission, Texas' unemployment rate of 4.4% is among the lowest that the state has ever seen. In the state's capital city, unemployment was at a mere 2.8% at the end of the third quarter 2015, 100 basis points lower than it was last year.

Austin is ranked No. 1 for real estate development across all 75 markets surveyed in Emerging Trends in Real Estate, an annual report published by the Urban Land Institute and PwC LLP. Austin ranked second in the nation for overall real estate prospects.



## 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

Q3 2014

Q2 2015

Q3 2015

Vacancy Rate

11.2%

9.2%

8.5%

Net Absorption (SF)

106,738

899,852

695,013

New Construction (SF)

0

207,008

420,525

Under Construction (SF)

628,873

572,705

281,100

## Asking Rents

Per Square Foot Per Year

Average

\$7.47

\$8.59

\$8.95

Warehouse/Distribution

\$5.70

\$6.45

\$7.06

Flex/R&D

\$10.81

\$11.52

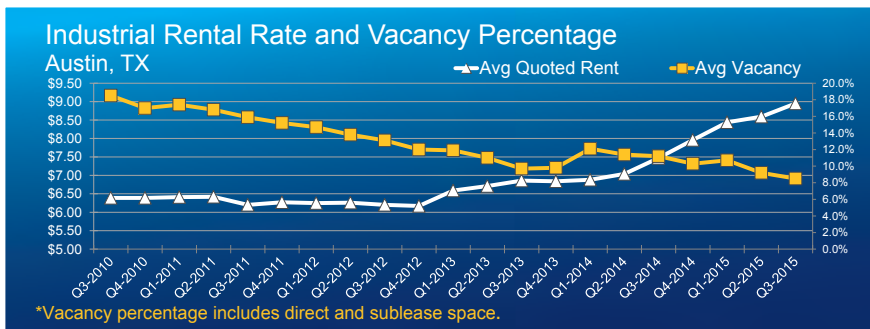
\$11.23

## Vacancy & Availability

Austin's citywide vacancy rate dropped 70 basis points over the quarter from 9.2% to 8.5%. The lowest recorded vacancy in Q3 was in the Northwest submarket, where vacancy dropped to 2.2% from 7.3% in Q2. The North submarket also saw a large decrease in vacancy over the quarter with a drop from 8.3% to 6.1%.

Among the major industrial submarkets, the Far Northeast submarket saw the largest increase in vacancy, rising from 8.5% to 9.8% over the quarter. The Far Northwest, Central, East and Southeast also saw a rise in vacancy over the quarter.

Austin's industrial pipeline had 281,100 SF of projects underway at the end of the third quarter including Harris Ridge Business Center in the Far Northeast submarket. Three buildings delivered over the quarter in the Southeast submarket totaling 399,205 SF.



## Absorption & Demand

Austin's industrial market posted 695,013 SF of positive net absorption in the second quarter, which is the second largest amount of absorption ever recorded in the Austin metro area behind last quarter, according to CoStar.

The North submarket posted the largest amount of positive net absorption with 298,476 SF. The Southeast submarket also saw an increase in positive net absorption with 171,938 SF posted in the third quarter. The submarket that posted the greatest negative absorption over the quarter was the Far Northeast submarket with 29,850 SF.

## Rental Rates

According to CoStar, our data service provider, the citywide average rental rate increased again in Q3 to an average rate of \$8.95 per SF NNN, continuing a steady rise in rental rates since Q2 2009.

The highest average rental rate at the end of the third quarter was in the Southwest submarket at \$14.03 per SF NNN. The second highest rental rates were in the Far Northwest submarket at \$11.00 per SF NNN, which has remained unchanged in 2015.

In the Northwest submarket where vacancy dropped drastically in Q3, rents rose from \$6.61 per SF NNN in Q2 to \$9.12 per SF NNN in Q3. The second largest increase in average rental rate occurred in the Hays County submarket, where rents increased from \$5.84 per SF NNN to \$7.65 per SF NNN over the quarter.

Average rental rates for flex/R&D space dropped slightly over the quarter from \$11.52 per SF NNN to \$11.23 per SF NNN. Average rental rates for warehouse/distribution space rose again for the 7th consecutive quarter, to \$7.06 per SF NNN.

## Job Growth & Unemployment

(not seasonally adjusted)

UNEMPLOYMENT	08/14	08/15
AUSTIN	3.9%	2.8%
TEXAS	5.3%	4.4%
U.S.	6.3%	5.2%

JOB GROWTH	Annual Change	# of Jobs Added
AUSTIN	3.4%	31.1K
TEXAS	1.8%	212.4K
U.S.	2.1%	3.1M

## Sales Activity

Sources: Real Capital Analytics

	Q3 2015
No. of Properties:	9
Total SF:	1.8M
Average \$/SF:	\$80.26/SF
Average Cap Rate:	Unknown

### 3501 Ed Bluestein Blvd.



IDM Capital purchased 9 flex/warehouse buildings totaling 935,255 SF at 3501 Ed Bluestein Blvd. The seller was JLM Financial Investments. The sale price was not disclosed.

### Tuscany Center at Walnut Creek



Industrial Property Trust purchased 244,161 SF at Tuscany Center at Walnut Creek, buildings 6, 7 and 8. The property, located at 8520 Tuscany Way, was sold by Crow Holdings for an undisclosed amount.

## Leasing Activity

Austin's industrial leasing activity recorded 405,602 square feet in Q3 2015. Expo Business Park in the Southeast submarket accounts for 152,805 SF of leased space for Education Testing Services.

Q3 2015 Top Industrial Lease Transactions				
BUILDING NAME/ADDRESS	SUBMARKET	SF	TENANT	LEASE DATE
6301 E Stassney - Expo 10	Southeast	152,805	Education Testing Services	Jul-15
2400 Grand Parkway - Vista Park	North	57,750	Kodiak Assembly Solutions, LLC	Jul-15
401C Parker Dr.	North	57,600	Capitol Beverage	Sep-15
2130 Woodward St	Southeast	36,000	Thermo Fisher Scientific Inc. <sup>1</sup>	Jul-15
12317 Technology Blvd	Northwest	24,519	U-Haul	Jul-15
9330 United Dr.	North	23,060	Pump It Up <sup>1</sup>	Sep-15
2105 Denton - Rutland Business Park	North	22,206	Carisi Inc.	Jul-15
9801 Metric Blvd	North	21,600	Trane <sup>1</sup>	Sep-15
4807 Commercial Park Dr.	East	10,062	UpRev	Jul-15

<sup>1</sup>Renewal

<sup>2</sup>Expansion

<sup>3</sup>Sublease

<sup>4</sup>Pre-lease/proposed or under construction

## Austin Industrial Market Summary

AUSTIN INDUSTRIAL MARKET STATISTICAL SUMMARY Q3 2015													
Market	# Bldgs	Rentable Area	Direct Vacant SF	Direct Vacancy Rate	Sublet Vacant SF	Sublet Vacancy Rate	Total Vacant SF	Total Vacancy Rate	3Q15 Net Absorption	2Q15 Net Absorption	3Q2015 Completions	2Q15 Completions	SF Under Construction
<b>Austin Total</b>	<b>789</b>	<b>48,118,520</b>	<b>3,888,512</b>	<b>8.1%</b>	<b>223,550</b>	<b>0.5%</b>	<b>4,112,062</b>	<b>8.5%</b>	<b>695,013</b>	<b>899,852</b>	<b>399,205</b>	<b>207,008</b>	<b>281,100</b>
Central	32	1,152,201	99,770	8.7%	1,019	0.1%	100,789	8.7%	(12,423)	(1,511)	-	-	-
East	66	2,789,268	167,910	6.0%	57,461	2.1%	225,371	8.1%	(9,181)	2,407	-	-	-
Far Northeast	35	2,405,834	235,341	9.8%	-	0.0%	235,341	9.8%	(29,850)	168,991	-	-	153,000
Far Northwest	17	777,361	82,499	10.6%	-	0.0%	82,499	10.6%	(6,275)	2,930	-	-	-
Hays County	37	2,244,854	234,119	10.4%	13,800	0.6%	247,919	11.0%	20,429	133,824	-	162,470	-
North	215	13,495,226	763,558	5.7%	55,429	0.4%	818,987	6.1%	298,476	111,863	-	-	-
Northeast	112	7,739,653	829,433	10.7%	13,000	0.2%	842,433	10.9%	44,944	369,357	-	44,538	20,500
Northwest	30	2,663,637	46,482	1.7%	11,084	0.4%	57,566	2.2%	137,035	21,600	-	-	-
Round Rock	46	2,375,596	230,847	9.7%	-	0.0%	230,847	9.7%	77,920	12,928	-	-	50,000
South	36	1,677,992	51,517	3.1%	11,437	0.7%	62,954	3.8%	2,000	242	-	-	-
Southeast	158	10,586,867	1,106,666	10.5%	52,820	0.5%	1,159,486	11.0%	171,938	79,721	399,205	-	57,600
Southwest	5	210,031	40,370	19.2%	7,500	3.6%	47,870	22.8%	-	(2,500)	-	-	-

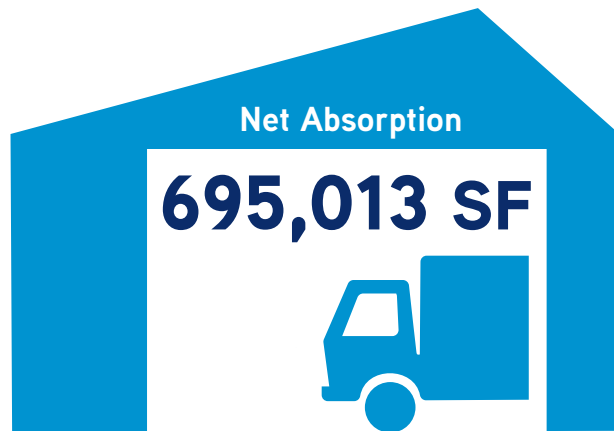
## Q3 2015 Industrial Under Construction - 20,000 SF or greater

BUILDING ADDRESS	SUBMARKET	RBA	% LEASED	DEVELOPER	ESTIMATED DELIVERY DATE	BUILDING DESCRIPTION
Harris Ridge Business Center 1100 E Howard Ln. - Bldg 5	Far Northeast	153,000	0.0%	HPI Development	Mar-16	Industrial Warehouse
Mustang Creek Industrial Park 197 Edmond	Round Rock	50,000	0.0%	Taylor EDC	Oct-15	Industrial Warehouse
6301 E Stassney Ln - Expo 12	Southeast	57,600	66.0%	Trammel Crow	Sep-16	Industrial Warehouse
9503 Brown Ln - Bldg 4	Northeast	20,500	100.0%	Dalton	Mar-16	BTS

## Q3 2015 Highlights

TOTAL INDUSTRIAL INVENTORY

**48.1**  
Million SF



Down from 899,852 SF in Q2

RENTAL RATES



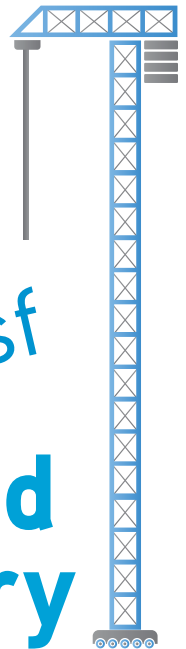
**19.8%**  
Annual

**4.2%**  
Quarterly

Up to \$8.95 from \$7.47 in Q3 2014



**399k sf**  
**delivered inventory**



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Accelerating success.



# Austin's industrial market continues to fire on all cylinders

Hannah Tysor Senior Marketing & Research Coordinator | Houston & Austin

Austin's industrial market continues to progress as rental rates rise yet again in the second quarter. The citywide average quoted rental rate increased by 1.6% between quarters from \$8.21 to \$8.34 per SF NNN, and increased 18.5% on a year-to-year basis from \$7.04 per SF NNN.

Vacancy dropped 140 basis points over the quarter from 10.2% to 8.8%, continuing to gradually decrease after a small increase last quarter.

Three buildings totaling 207,008 SF delivered in the second quarter, two of which are in Hays County, a growing submarket south of Austin.

According to the Texas Workforce Commission, the Texas economy and employment across all major industry sectors continue to grow. Austin's unemployment rate fell to 3.4% from 4.6% over the year, lower than both the state and national average.

Austin was the third fastest growing metro area in the nation during the past year with the population expanding by 3% between July 2013 and July 2014, according to the U.S. Census Bureau's recent data. Hays County alone was the fifth fastest growing county in the nation over the past year.

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	Q2 2014	Q1 2015	Q2 2015
Vacancy Rate	10.9%	10.2%	8.8%
Net Absorption (SF)	457,512	73,539	933,552
New Construction (SF)	0	289,465	207,008
Under Construction (SF)	120,000	325,563	419,705

Asking Rents Per Square Foot Per Year	Q2 2014	Q1 2015	Q2 2015
Average	\$7.04	\$8.21	\$8.34
Warehouse/Distribution	\$5.63	\$6.13	\$6.45
Flex/R&D	\$10.26	\$10.86	\$11.09

## Job Growth & Unemployment (Not Seasonally Adjusted)

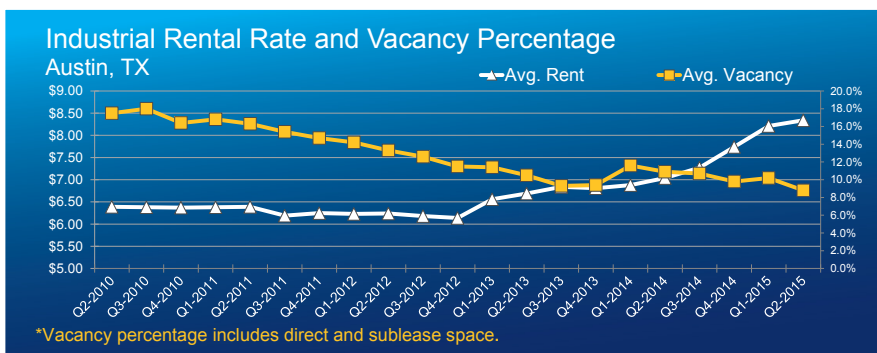
UNEMPLOYMENT	5/14	5/15
Austin	4.6%	3.4%
Texas	5.7%	4.3%
U.S.	7.0%	5.8%
JOB GROWTH	ANNUAL CHANGE	# OF JOBS ADDED
Austin	2.5%	32.2K
Texas	2.5%	287K
U.S.	2.2%	3.1M

## Vacancy & Availability

Austin's citywide vacancy rate dropped 140 basis points over the quarter from 10.2% to 8.8%. In the Far Northeast submarket, vacancy dropped to 8.5% from 15.6% last quarter and from 23.4% in Q2 2014. The Northeast submarket also saw a large decrease in vacancy over the quarter with a drop from 15.2% to 10.8%.

Among the major industrial submarkets, the South submarket had the lowest vacancy rate at 3.9%. Although the South submarket has the lowest vacancy, it has been slowly rising since Q1 2013. The East submarket has the second lowest vacancy rate at 5.2%.

Austin's industrial pipeline had 572,705 SF of projects underway at the end of the second quarter, the majority of which are in the Southeast submarket and are scheduled to deliver in Q3 2015. Projects in the Southeast submarket include Met Center Phase II and Expo Industrial Park buildings 10 and 11.



## Absorption & Demand

Austin's industrial market posted 933,552 SF of positive net absorption in the second quarter which is the largest amount of absorption ever recorded in the Austin metro area, according to CoStar. The Northeast submarket posted the largest amount of positive net absorption with 369,357 SF. The submarket that saw the largest increase in absorption over the quarter was the Southeast submarket that jumped from 319,327 SF of negative net absorption to 113,421 SF of positive net absorption in Q2.

The Southwest submarket was the only submarket in the Austin metro that saw negative net absorption in Q2, posting 2,500 SF.

## Rental Rates

According to CoStar, our data service provider, the citywide average rental rate increased in Q2, continuing a steady rise in rental rates since Q4 2012.

The largest increase in rental rates occurred in the Southeast submarket. Average rental rates in the Southeast submarket were quoted at \$8.28 per SF NNN at the end of the second quarter and have increased by 14.6% since Q1, and by 26% from \$6.57 since the second quarter of last year.

The highest average rental rate at the end of the second quarter was in the Southwest submarket at \$14.00 per SF NNN. This is a slight decrease since last quarter when rental rates were quoted at \$14.13 per SF NNN in the Southwest submarket.

The submarket with the lowest rental rates was Hays County which quoted an average rental rate of \$5.84 per SF NNN in the second quarter.

## Sales Activity

Sources: Real Capital Analytics

Q2 2015	
No. of Properties:	24
Total SF:	1.95M
Average \$/SF:	\$98
Average Cap Rate:	Unknown

## KFG Investment Co. Portfolio



KFG Investment Co. purchased six properties totaling 271,060 SF. Properties include Techni Center 6 and Cameron Center. The sellers, TA Associates of Boston and Clarion Partners in New York, did not disclose the price.

## Stonehollow Industrial Park



An affiliate of Cornerstone Real Estate Advisors purchased a six-property portfolio from Forester Properties, Inc. for an undisclosed amount. This industrial park, built in 1997 totals 384,174 SF.

## Leasing Activity

Austin's industrial leasing activity recorded 558,051 square feet in Q2 2015. Novitex and Kendra Scott Design both signed leases in Expo Business Park, totalling 187,200 SF. Maintenance Supply LLC signed a lease for 72,800 SF in the Hays County submarket.

Q2 2015 Top Industrial Lease Transactions				
BUILDING NAME/ADDRESS	SUBMARKET	SF	TENANT	LEASE DATE
Expo Business Park - 6301 E Stassney Ln.	Southeast	122,400	Novitex	Jun-15
1600 Clovis Barker Rd.	Hays County	72,800	Maintenance Supply LLC	Jun-15
Expo Business Park - 6301 E Stassney Ln.	Southeast	64,800	Kendra Scott Design	May-15
100 Michael Angelo Way	North	61,766	Flight Director Inc. <sup>1</sup>	Jun-15
3800 Drossett Dr.	Southeast	41,894	Tires to You, LLC	May-15
1300 E Anderson Ln.	Northeast	35,000	Unknown	Apr-15
3100 Alvin Devane Blvd	Southeast	32,500	Younicos Inc.	Apr-15
15877 Long Vista Dr.	North	31,084	Daltile	May-15
Northpointe Trade Center	Far Northeast	29,781	Levantina USA Inc.	May-15
8701 Wall St	Northeast	22,400	Unknown	Jun-15
8619 Wall St	Northeast	21,813	Westco <sup>3</sup>	Apr-15
8619 Wall St	Northeast	21,813	His Company Inc. <sup>1</sup>	Apr-15

<sup>1</sup>Renewal

<sup>2</sup>Expansion

<sup>3</sup>Sublease

<sup>4</sup>Pre-lease/proposed or under construction

## Austin Industrial Market Summary

AUSTIN INDUSTRIAL MARKET STATISTICAL SUMMARY													
Q2 2015													
Market	# Bldgs	Rentable Area	Direct Vacant SF	Direct Vacancy Rate	Sublet Vacant SF	Sublet Vacancy Rate	Total Vacant SF	Total Vacancy Rate	2Q15 Net Absorption	1Q15 Net Absorption	2Q2015 Completions	1Q15 Completions	SF Under Construction
<b>Austin Total</b>	<b>785</b>	<b>48,505,277</b>	<b>3,981,238</b>	<b>8.2%</b>	<b>267,012</b>	<b>0.6%</b>	<b>4,248,250</b>	<b>8.8%</b>	<b>933,552</b>	<b>73,539</b>	<b>207,008</b>	<b>289,465</b>	<b>572,705</b>
Central	32	1,149,585	84,773	7.4%	8,393	0.7%	93,166	8.1%	(1,511)	(934)	-	-	
East	67	3,748,225	191,190	5.1%	5,000	0.1%	196,190	5.2%	2,407	(20,038)			
Far Northeast	35	2,406,077	205,491	8.5%	-	0.0%	205,491	8.5%	168,991	354,159		199,865	153,000
Far Northwest	17	777,361	76,224	9.8%	-	0.0%	76,224	9.8%	2,930	3,775	-	-	-
Hays County	37	2,244,854	254,548	11.3%	13,800	0.6%	268,348	12.0%	133,824	5,000	162,470	-	
North	215	13,495,226	995,508	7.4%	121,955	0.9%	1,117,463	8.3%	111,863	39,268	-	-	
Northeast	110	7,610,416	811,593	10.7%	13,000	0.2%	824,593	10.8%	369,357	38,253	44,538	89,600	20,500
Northwest	30	2,663,637	183,517	6.9%	11,084	0.4%	194,601	7.3%	21,600	(23,978)	-	-	
Round Rock	47	2,435,596	308,767	12.7%	-	0.0%	308,767	12.7%	12,928	13,946	-	-	
South	36	1,677,992	53,517	3.2%	11,437	0.7%	64,954	3.9%	242	(2,835)	-	-	
Southeast	154	10,086,277	775,740	7.7%	74,843	0.7%	850,583	8.4%	113,421	(319,327)	-	-	399,205
Southwest	5	210,031	40,370	19.2%	7,500	3.6%	47,870	22.8%	(2,500)	(13,750)	-	-	

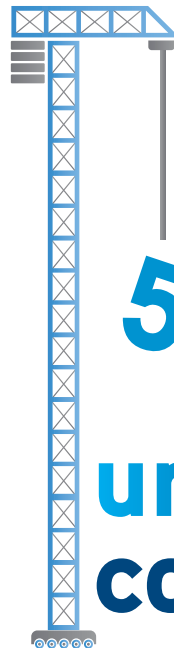
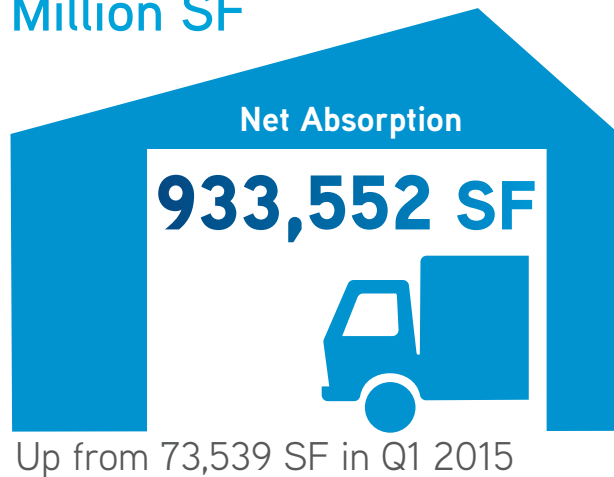
## Q2 2015 Industrial Under Construction - 20,000 SF or greater

BUILDING ADDRESS	SUBMARKET	RBA	% LEASED	DEVELOPER	ESTIMATED DELIVERY DATE	BUILDING DESCRIPTION
Met Center Ph II 7000 Metropolis Dr.	Southeast	160,000	0.0%	Zydeco Development	Sep-15	Flex
Harris Ridge Business Center 1100 E Howard Ln. - Bldg 5	Far Northeast	153,000	0.0%	Unknown	Mar-16	Industrial Warehouse
Expo Business Park - Bldg 11 6301 E Stassney Ln.	Southeast	130,002	49.9%	Trammel Crow	Jul-15	Industrial Warehouse
Expo Business Park - Bldg 10 6301 E Stassney Ln.	Southeast	109,203	0.0%	Trammel Crow	Jul-15	Industrial Warehouse
9503 Brown Ln. - Bldg 4	Northeast	20,500	100.0%	Dalton	Mar-16	BTS

## Q2 2015 Highlights

### TOTAL INDUSTRIAL INVENTORY

**48.5**  
Million SF



**572k<sub>SF</sub>**  
**under construction**

**RENTAL RATES**  **18.5% Annual**  
**1.6% Quarterly**

Up to \$8.34 from \$7.04 in Q2 2014

### FOR MORE INFORMATION

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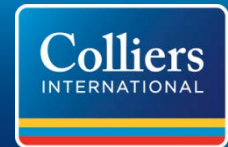
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# AUSTIN INDUSTRIAL MARKET RESEARCH REPORT



## Austin's industrial market rental rates rise after nearly a decade of stagnant rates.

Since the first quarter of 2014, citywide rates have been on the rise after years of stagnation. The citywide average quoted industrial rate increased by 4.5% between quarters from \$7.99 to \$8.35 per SF NNN, and increased 21% on a year-to-year basis from \$6.90 per SF NNN.

Though vacancy increased slightly over the quarter from 8.4% to 8.8%, likely due to the high amount of industrial product delivered last year, Austin's citywide vacancy rate has been steadily decreasing since Q1 2010.

Only one building, totaling 199,865 square feet, delivered in the first quarter and 692,895 square feet are currently under construction. All but one of these buildings is scheduled to deliver in the second quarter of 2015.

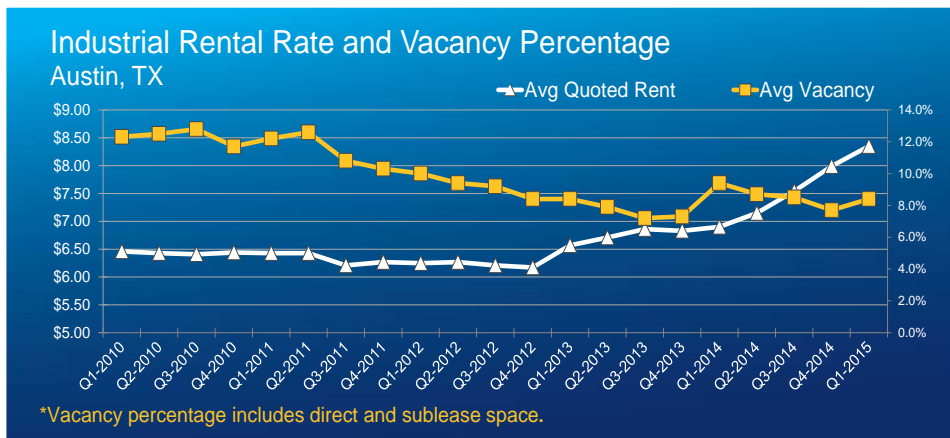
According to the Texas Workforce Commission, the Texas economy and employment across all major industry sectors continue to grow. Austin's unemployment rate fell to 3.4% from 4.6% over the year, lower than both the state and national average.

Austin was the third fastest growing metro area in the nation during the past year with the population expanding by 3% between July 2013 and July 2014, according to the U.S. Census Bureau's recent data.

AUSTIN INDUSTRIAL MARKET INDICATORS		
	Q1 2014	Q1 2015
CITYWIDE NET ABSORPTION (SF)		
	(1.2M)	(19.8K) ↑
CITYWIDE AVERAGE VACANCY		
	9.6%	8.8% ↓
CITYWIDE AVERAGE RENTAL RATE		
	\$6.90	\$8.35 ↑
SF DELIVERED (SF)		
	222,454	199,865 ↓
SF UNDER CONSTRUCTION (SF)		
	130,387	530,500 ↑

JOB GROWTH & UNEMPLOYMENT (Not Seasonally Adjusted)		
UNEMPLOYMENT	2/14	2/15
AUSTIN	4.6%	3.4%
TEXAS	5.7%	4.3%
U.S.	7.0%	5.8%
JOB GROWTH	ANNUAL CHANGE	# OF JOBS ADDED
AUSTIN	2.9%	26.9K
TEXAS	3.2%	362.4K
U.S.	2.4%	3.3M

## RENTAL RATE & VACANCY PERCENTAGE



## Vacancy & Availability

Austin's average industrial vacancy rate rose by 40 basis points over the quarter from 8.4% to 8.8%. However, since the first quarter of 2014, vacancy has decreased from 9.6%.

At the end of the first quarter, Austin had 5.9M SF of vacant industrial space.

Among the major industrial submarkets, the Southwest submarket has the lowest vacancy rate at 1.7%, followed by the South submarket at 2.7% and then the East submarket at 4.2% vacancy. The largest concentration of vacancy was located in the Round Rock submarket, with a 17.6% vacancy rate.

Austin's industrial construction pipeline had 692,895 SF of projects underway at the end of the first quarter, the majority of them being spec development. The Southeast submarket saw the largest volume of buildings under construction with 399,205 SF underway at Met Center Building 3 and Expo Park buildings 10 and 11.

A list of buildings currently under construction can be found on page 3 of this report.

## Rental Rates

According to CoStar, our data service provider, the citywide average quoted industrial rental rate increased by 4.5% between quarters from \$7.99 to \$8.35 per SF NNN, and increased 21% on a year-to-year basis from \$6.90 per SF NNN.

Average rental rates in the Southwest submarket were quoted at \$14.13 per SF NNN at the end of the first quarter and have increased by 1.7% since Q4, and by 6.9% from \$13.21 per SF NNN since the first quarter of last year.

After the Southwest submarket, the highest rental rates at the end of the first quarter were in the East submarket at \$13.39 per SF NNN. Rental rates in the East submarket have increased by 30% quarter-over-quarter and 145% over the year from \$5.46. Vacancy rates in the East submarket were at 4.1% at the end of the first quarter and have been steadily decreasing since 2011.

The submarket with the lowest rental rates was Hays County who quoted an average rate of \$5.69 per SF NNN at the end of the first quarter. This was most likely due to the high volume of available sublet space.

## Absorption & Demand

Austin's industrial market posted 19,898 SF of negative net absorption in the first quarter. The Southeast submarket contributed the largest amount with 387,327 SF of negative net absorption.

The Far Northeast submarket saw the highest level of positive net absorption, contributing 327,702 SF.

## Leasing

Austin's industrial leasing activity, which includes renewals, reached 228K SF in the first quarter. The largest lease occurred in the Northwest submarket where Marquee Event Group signed a lease for 101,190 SF of warehouse space at Northtech Business Center 4.

A list of select first quarter industrial lease transactions are included in the table below.

### Q1 2015 Top Industrial Leases

Building Name/Address	Submarket	SF	Tenant	Lease Date
NorthTech Business Center 4	Northwest	101,190	Marquee Event Group	Jan-15
SouthTech 3 - 2101 E. St. Elmo Road	Southeast	42,504	U.S. General Services Administration / Internal Revenue Service <sup>1</sup>	Feb-15
3206 Industrial Drive	North Ind	27,830	Greg Smith Equipment Sales Inc. <sup>1</sup>	Feb-15
2300 Grand Avenue Parkway	North Ind	22,100	United Auto Parts <sup>1</sup>	Feb-15
2251 Picadilly Drive	Far Northeast	20,132	Mach 1 Global Services Inc.	Jan-15
3500 Wadley Place	North	14,738	Drilling Info Inc.	Feb-15

Sales Activity

	Q1 2015
No. of Properties:	32
Total SF:	2.8M
Average \$/SF:	\$58
Average Cap Rate:	Unknown

Sources: Real Capital Analytics; CoStar Comps

IndCor Properties Portfolio



IndCor Properties sold 117M SF and \$8.1 billion worth of industrial space across the U.S. to Global Logistics Properties, Singapore's sovereign-wealth fund. Twenty-eight of these industrial properties are in the Austin market totaling 2.4M SF and \$145M.

Met Center - Austin Data Center III



Zydeco Development sold Austin Data Center III to CyrusOne, LLC. The 172,800 SF data center was sold for an undisclosed amount on February 19.

Austin Industrial Market Summary

AUSTIN INDUSTRIAL MARKET STATISTICAL SUMMARY  
Q1 2015

Market	# Bldgs	Rentable Area	Direct Vacant SF	Direct Vacancy Rate	Sublet Vacant SF	Sublet Vacancy Rate	Total Vacant SF	Total Vacancy Rate	1Q15 Net Absorption	4Q14 Net Absorption	1Q15 Completions	4Q14 Completions	SF Under Construction
<b>Austin Total</b>	<b>952</b>	<b>67,272,810</b>	<b>5,469,967</b>	<b>8.1%</b>	<b>440,153</b>	<b>0.7%</b>	<b>5,910,120</b>	<b>8.8%</b>	<b>(19,898)</b>	<b>598,933</b>	<b>199,865</b>	<b>154,887</b>	<b>692,895</b>
Central	38	1,350,797	84,281	6.2%	7,374	0.5%	91,655	6.8%	(934)	18,175	-	-	-
East	90	4,788,283	195,917	4.1%	5,000	0.1%	200,917	4.2%	(20,458)	25,193	-	-	-
Far Northeast	46	2,835,764	464,776	16.4%	-	0.0%	464,776	16.4%	327,702	(24,374)	199,865	-	-
Far Northwest	20	931,495	79,154	8.5%	-	0.0%	79,154	8.5%	3,775	3,200	-	-	-
Hays County	48	3,434,953	130,828	3.8%	219,574	6.4%	350,402	10.2%	5,000	84,800	-	45,000	162,470
North	239	15,242,940	1,161,536	7.6%	83,285	0.5%	1,244,821	8.2%	39,268	228,652	-	109,887	-
Northeast	133	12,603,385	1,336,076	10.6%	28,500	0.2%	1,364,576	10.8%	38,253	248,520	-	-	110,100
Northwest	38	4,750,169	205,117	4.3%	11,084	0.2%	216,201	4.6%	(23,978)	(13,453)	-	-	-
Round Rock	53	2,967,958	522,106	17.6%	-	0.0%	522,106	17.6%	13,946	3,004	-	-	-
South	52	2,558,326	58,311	2.3%	11,437	0.4%	69,748	2.7%	(2,835)	18,198	-	-	-
Southeast	183	12,801,662	1,189,321	9.3%	66,399	0.5%	1,255,720	9.8%	(387,327)	(29,678)	-	-	420,325
Southwest	12	3,007,078	42,544	1.4%	7,500	0.2%	50,044	1.7%	(12,310)	36,696	-	-	-

Q1 2015 Industrial Under Construction – 20,000 SF or greater

Building Address	Submarket Name	RBA	% Leased	Developer	Estimated Delivery Date	Building Description
7000 Metropolis Dr.	Southeast Ind	160,000	0.0%	Zydeco Development	Oct-15	Flex
6301 E Stassney Ln - Expo 11	Southeast Ind	130,002	0.0%	Unknown	Jun-15	Industrial Warehouse
6301 E Stassney Ln - Expo 10	Southeast Ind	109,203	0.0%	Unknown	Jun-15	Industrial Warehouse
1600 Clovis Barker Rd - Bldg 4	Hays County Ind	94,800	0.0%	Bearden Investments	May-15	Industrial Warehouse
8024 Exchange Dr	Northeast Ind	89,600	0.0%	McShane Development Co.	May-15	Distribution
1600 Clovis Barker Rd - Bldg 3	Hays County Ind	67,670	0.0%	Bearden Investments	May-15	Industrial Warehouse
4200 Burch Dr - Bldg A	Southeast Ind	21,120	1.5%	Sterling Howry	May-15	Industrial Warehouse
9503 Brown Ln - Bldg 4	Northeast Ind	20,500	100.0%	Dalton	Apr-15	BTS

# The Colliers Advantage

## Enterprising Culture

Colliers International is a leader in global real estate services, defined by our spirit of enterprise. Through a culture of service excellence and a shared sense of initiative, we integrate the resources of real estate specialists worldwide to accelerate the success of our partners.

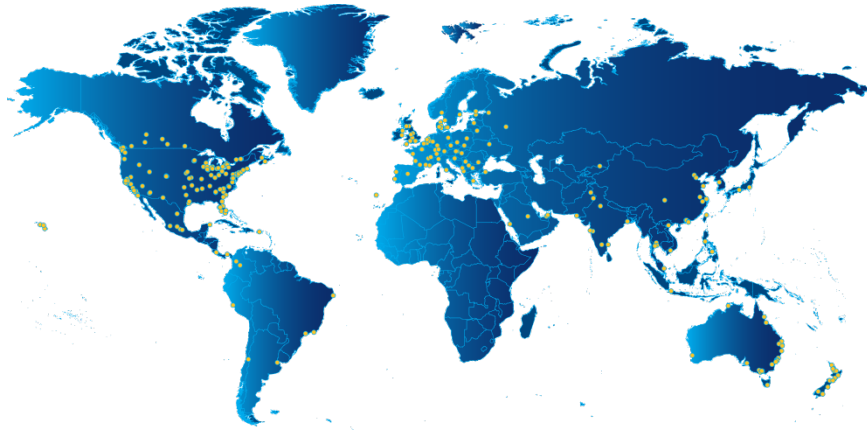
When you choose to work with Colliers, you choose to work with the best. In addition to being highly skilled experts in their field, our people are passionate about what they do. And they know we are invested in their success just as much as we are in our clients' success.

This is evident throughout our platform—from Colliers University, our proprietary education and professional development platform, to our client engagement strategy that encourages cross-functional service integration, to our culture of caring.

We connect through a shared set of values that shape a collaborative environment throughout our organization that is unsurpassed in the industry. That's why we attract top recruits and have one of the highest retention rates in the industry. Colliers International has also been recognized as one of the "best places to work" by top business organizations in many of our markets across the globe.

Colliers International offers a comprehensive portfolio of real estate services to occupiers, owners and investors on a local, regional, national and international basis.

*\*Information herein has been obtained from sources deemed reliable, however its accuracy cannot be guaranteed.*



## COLLIERS INTERNATIONAL AT A GLANCE\*

\$ **2.1** billion in Annual Revenue

15,800 Professionals | 63 Countries | 485 Offices

\$ **75** billion in over **80,000** Lease/Sale Transactions

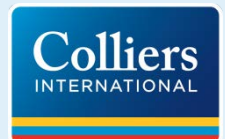
5,800 Advisors | 1.46 billion | Square Feet Managed

Based on 2013 results. Square footage includes office, industrial and retail property under management. Residential property is excluded from this total.



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