

Strong occupier demand supports market rebalancing



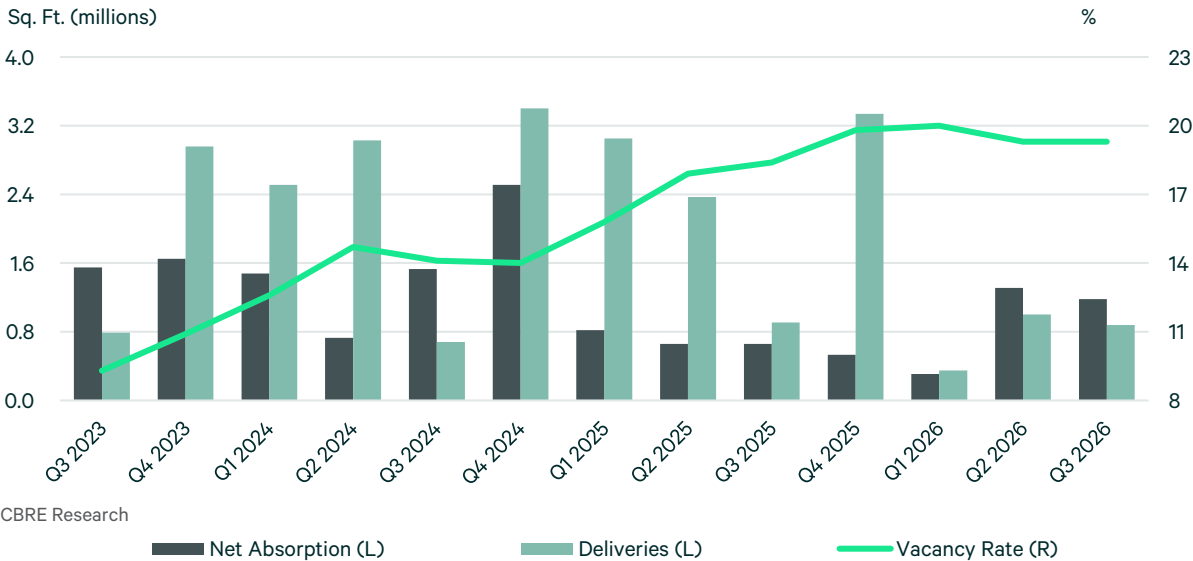
Note: Arrows indicate change from previous quarter.

Market Overview

In Q3 2026, the Austin industrial market continued to show signs of stabilizing after a prolonged period of rising vacancy and availability. Net absorption reached 1.22 million sq. ft. in Q3 2026, but the impact on vacancy was muted by the delivery of 918,000 sq. ft. of new space, nearly 95% of which entered the market vacant. From Q3 2023 to Q3 2026, the vacancy rate increased by 10.0 percentage points driven by waves of speculative developments, the majority of which delivered vacant. Despite broader market challenges, demand for large-format space fueled a strong leasing recovery, with year-to-date volume reaching 9.77 million sq. ft., surpassing the full-year leasing totals recorded in both 2024 and 2025. Although the construction pipeline has declined by 6.46 million sq. ft. since Q3 2023, developers remained active in Q3 2026, breaking ground on eight buildings totaling 1.21 million sq. ft. The new starts suggest a more selective development environment rather than a pullback in confidence, particularly amid strengthening demand for large-format space. Average asking rents fell by 2.1% year-over-year, reflecting modest downward pricing pressure despite ongoing leasing.

As the market enters the final quarter of 2026, much of the 9.77 million sq. ft. leased year-to-date is expected to translate into future absorption, supporting further occupancy gains. With the construction pipeline remaining well below its 2023 peak, future supply pressures should continue to ease, supporting a gradual rebalancing of market conditions.

Historical Net Absorption, Deliveries, and Vacancy



*As of Q3 2024, the CBRE Research statistical methodology for Austin has been adjusted to exclude Owner/User industrial properties. As of Q3 2024, the CBRE Research statistical methodology for Austin Industrial has been adjusted to ensure alignment with the market and peer market comparisons. As such, consistent historical/pre-Q3 2024 statistics for new or substantially adjusted submarkets are not available and historical metrics reported for these areas will not sum to historical Austin market totals.

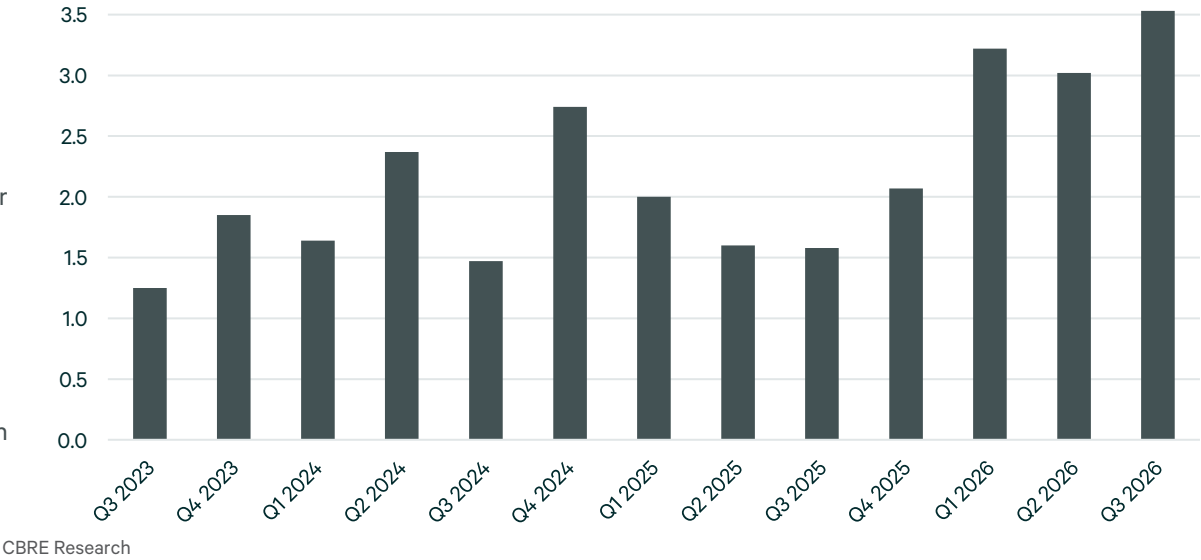
Demand

The Austin industrial market recorded positive net absorption for the 49th consecutive quarter, underscoring the market's continued resilience. Net absorption totaled 1.22 million sq. ft. in Q3 2026, as occupiers expanded their footprint at a pace that exceeded space returned to the market. While absorption declined 9.2% from the previous quarter, it increased 73.3% compared with Q3 2025. The rolling four-quarter average net absorption rose to 873,000 sq. ft., increasing 17.4% quarter-over-quarter, though remaining 27.4% below the level recorded one year earlier.

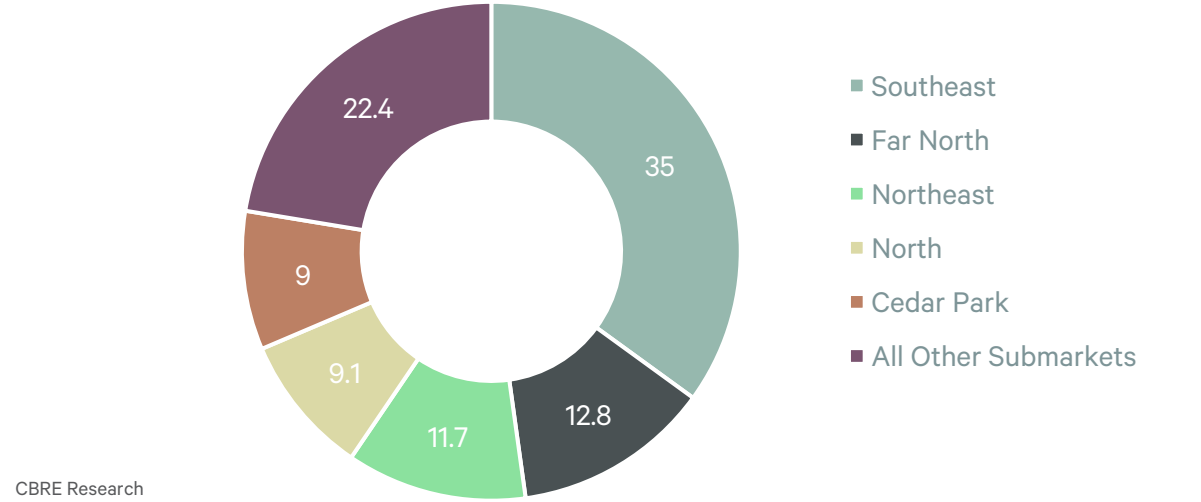
Leasing activity accelerated in Q3 2026, reaching its highest quarterly volume in three years and further signaling continued momentum in occupier demand. Tenants executed 3.53 million sq. ft. of leases during the quarter, representing a 17.1% increase from Q2 2026 and a 123.8% increase year-over-year. Through the first three quarters of 2026, leasing volume totaled 9.77 million sq. ft., highlighting the strongest pace of tenant demand in recent years.

Leasing activity was led by the Southeast submarket, which recorded 1.24 million sq. ft. of executed leases during the quarter. Far North followed with 451,000 sq. ft., while Northeast (412,000 sq. ft.), North (320,000 sq. ft.), Cedar Park (319,000 sq. ft.) and Hays County (306,000 sq. ft.) also posted strong leasing totals. Far Northeast, East, Round Rock and Bastrop County each recorded positive leasing activity, indicating broad-based demand throughout the Austin industrial market.

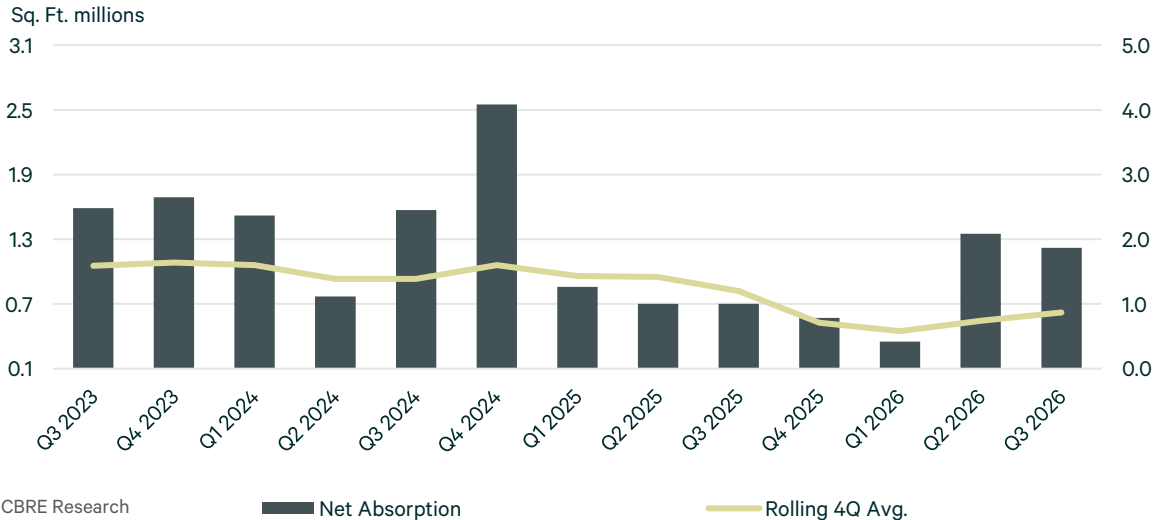
3-Year Leasing Activity Trend
Sq. Ft. millions



Leasing Activity by Submarket (%)



3-Year Net Absorption Trend



Vacancy Rate

In Q3 2026, overall vacancy stabilized at 19.3%, unchanged from the previous quarter, while direct vacancy declined 10 bps to 18.0%. Although overall vacancy remains elevated, the absence of quarter-over-quarter growth suggests that the market is beginning to digest the significant wave of speculative deliveries completed over the past three years. Compared with Q3 2023, overall vacancy remains 1,000 bps higher, reflecting the lasting impact of new supply entering the market ahead of occupier demand.

Vacancy remained elevated in several of Austin's largest industrial submarkets, reflecting the concentration of speculative deliveries completed in recent years. East posted the market's highest vacancy rate at 37.9%, followed by Far Northeast at 30.6% and Southeast at 25.8%. However, many of these same submarkets were among the leaders in quarterly leasing activity, suggesting that demand is increasingly working through available inventory. Smaller submarkets generally remained tighter, with vacancy rates below the market average.

Sublease vacancy in Q3 2026 remained a relatively small component of overall vacancy, with the sublease rate increasing 10 bps quarter-over-quarter from 1.2% in Q2 2026 to 1.3%. Across all submarkets, sublease space vacant in the quarter totaled 1.42 million sq. ft., concentrated in Southeast, North, Hays County, and Cedar Park.

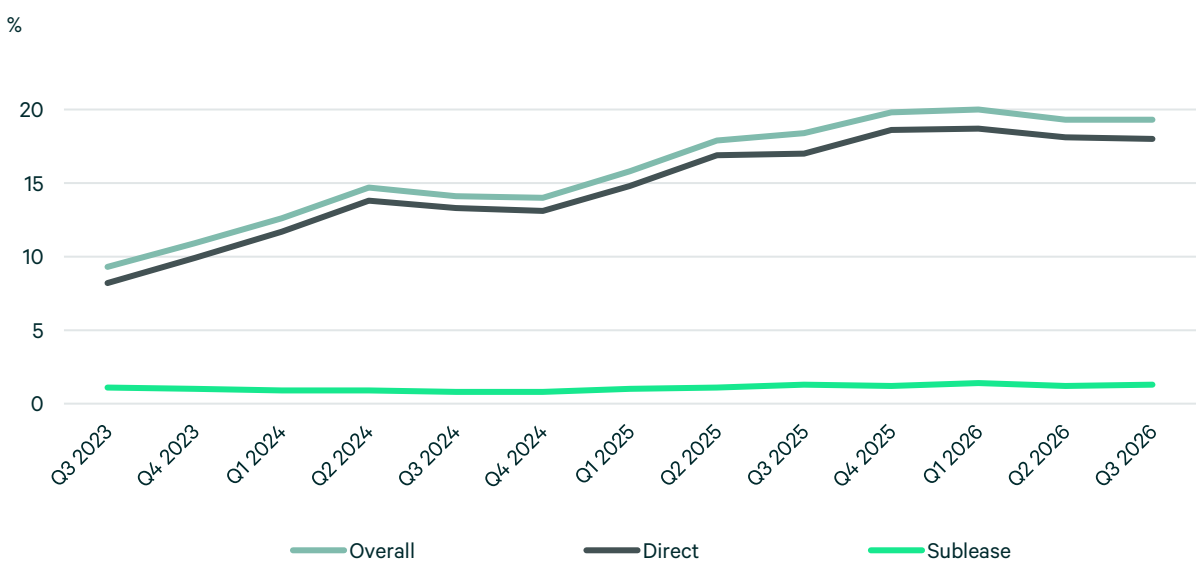
Asking Rent

Average asking rents in the Austin industrial market continued to soften in Q3 2026, extending a gradual correction that began after rents peaked at \$12.76 per sq. ft. in Q1 2024. By Q3 2026, average asking rents had declined to \$11.57 per sq. ft., down 2.1% year-over-year and marking the lowest level of the current cycle.

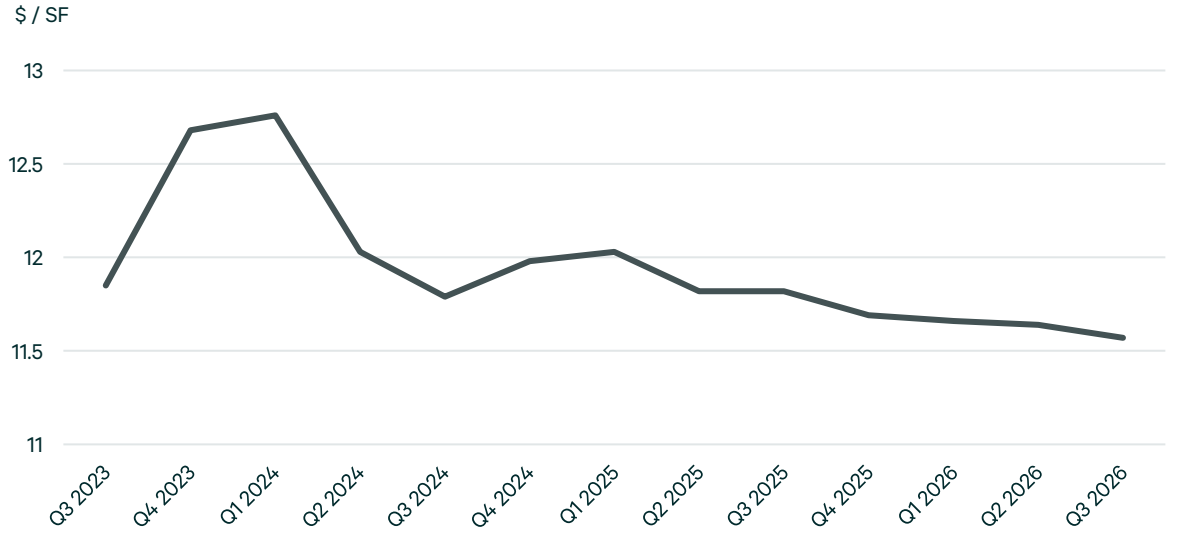
While rents have trended lower over the past two years, the pace of decline has remained relatively measured. Average asking rents fell just 0.6% quarter-over-quarter in Q3 2026, suggesting that pricing has begun to stabilize despite elevated vacancy and continued competition among landlords. At the same time, healthy leasing activity and positive absorption have helped support market fundamentals and limit more significant rent compression.

Asking rents varied considerably across Austin-area submarkets. Hays County (\$10.13 per sq. ft.), Bastrop County (\$10.20 per sq. ft.) and Far Northeast (\$10.30 per sq. ft.) remained among the market's more affordable locations. Most submarkets clustered within the low-to-mid teens, highlighting the significant pricing gap between Austin's premium and value-oriented industrial locations.

3-Year Vacancy Rate Trend



3-Year Average Direct Asking Rate Trend



CBRE Research

Construction Activity

Construction activity accelerated in Q3 2026 as developers initiated more than 1.2 million sq. ft. of new projects, pushing the pipeline to 6.7 million sq. ft., up 15.5% quarter-over-quarter despite remaining 10.4% below year-ago levels. At the same time, 918,000 sq. ft. of new product delivered to the market, with 94.2% of the space completed vacant, highlighting the ongoing challenge of backfilling recently delivered speculative product despite strengthening leasing activity.

The combination of substantial new construction starts and largely unleased deliveries suggests developers remain selective but confident in long-term market fundamentals. While many recent deliveries have yet to secure tenants, leasing activity accelerated during the quarter, driven by large-format occupier demand. Consequently, the construction pipeline expanded, increasing the amount of future supply expected to compete for tenants.

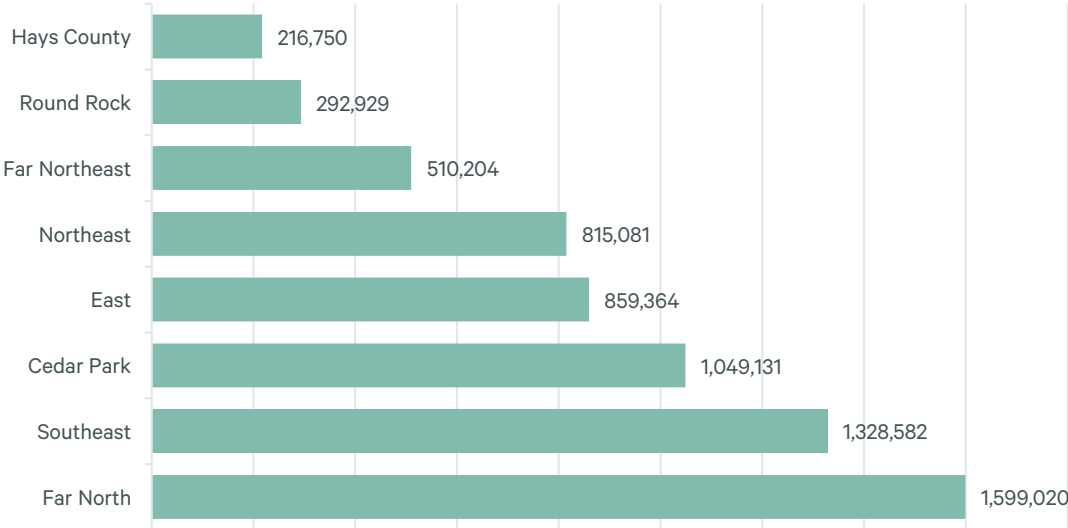
Construction activity remained concentrated in a limited number of submarkets. Far North led the market with 1.60 million sq. ft. under construction, followed by Southeast with 1.33 million sq. ft. and Cedar Park with 1.05 million sq. ft. East (859,364 sq. ft.) and Northeast (815,081 sq. ft.) also maintained meaningful pipelines, while remaining submarkets reported relatively modest levels of development activity. Key projects underway include CrossPoint Phase 2 and Austin Hills Commerce Center 6, demonstrating that developers remain focused on large-format industrial projects, contributing to an expanding construction pipeline despite elevated vacant deliveries.

Economic Overview

In Q3 Notable challenges persist, from elevated energy costs and interest rates to lingering geopolitical and technological uncertainties. Despite these concerns, the U.S. economy remains on track to grow by over 2% during 2026, supported by impressive AI-driven business investment. Also, a generally stable labor market continues to underpin consumer activity, providing a cushion against other risks.

The final months of 2026 could prove pivotal. While economic growth supports healthy CRE occupier market fundamentals, the investment side of the market must contend with 5% Treasury yields. Signals from the Federal Reserve, inflation data, and global fixed-income markets suggest rates will remain elevated for the foreseeable future. A key upside catalyst would be a de-escalation in the U.S./Iran conflict, which could ease inflation and provide the Fed with more flexibility.

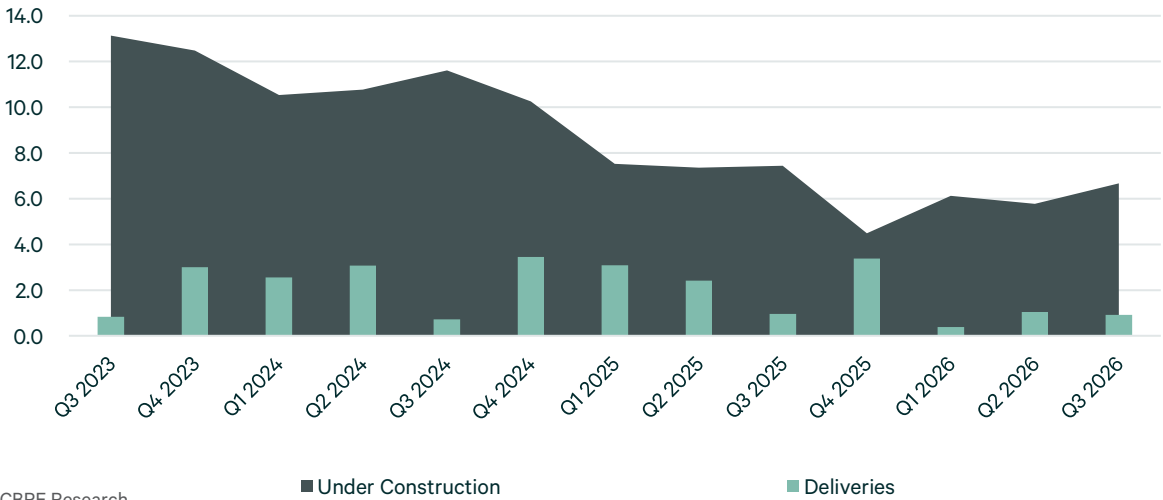
Construction Activity by Submarket



CBRE Research

3-Year Construction Activity

Sq. Ft. millions



CBRE Research

■ Under Construction

■ Deliveries

Market Statistics by Size

Size Range	Net Rentable Area (MSF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate (\$/SF NNN/yr)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (MSF)
Below 50K SF	22.73	10.6	12.4	11.6	0.8	15.25	155,000	161,000	-	0.48
50K-99,999 SF	25.56	16.3	18.1	15.6	2.6	12.95	255,000	822,000	119,000	0.40
100K-249,999 SF	40.55	27.1	27.7	25.2	2.5	11.02	282,000	167,000	421,000	3.35
250K-499,999 SF	13.14	21.4	22.7	22.4	0.3	10.61	531,000	1.77M	377,000	0.55
500K-749,999 SF	1.11	48.6	-	-	-	-	-	-	-	1.89
750,000 SF +	5.46	-	-	-	-	-	-	-	-	-
Total	108.56	19.3	20.0	18.2	1.7	11.57	1.22M	2.92M	918,000	6.67

Market Statistics by Product Type

Product Type	Net Rentable Area (MSF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate (\$/SF NNN/yr)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (MSF)
Distribution/Logistics	80.17	21.2	21.2	19.5	1.7	11.15	1.13M	2.37M	867,000	6.35
Manufacturing - General	4.83	14.7	13.1	10.8	2.3	11.55	-	365,000	51,000	0.32
R&D/Flex	23.51	13.9	17.1	15.4	1.8	15.99	94,000	189,000	-	-
Other Industrial	50,000	-	-	-	-	-	-	-	-	-
Total	108.56	19.3	20.0	18.2	1.7	11.57	1.22M	2.92M	918,000	6.67

Market Statistics by Class

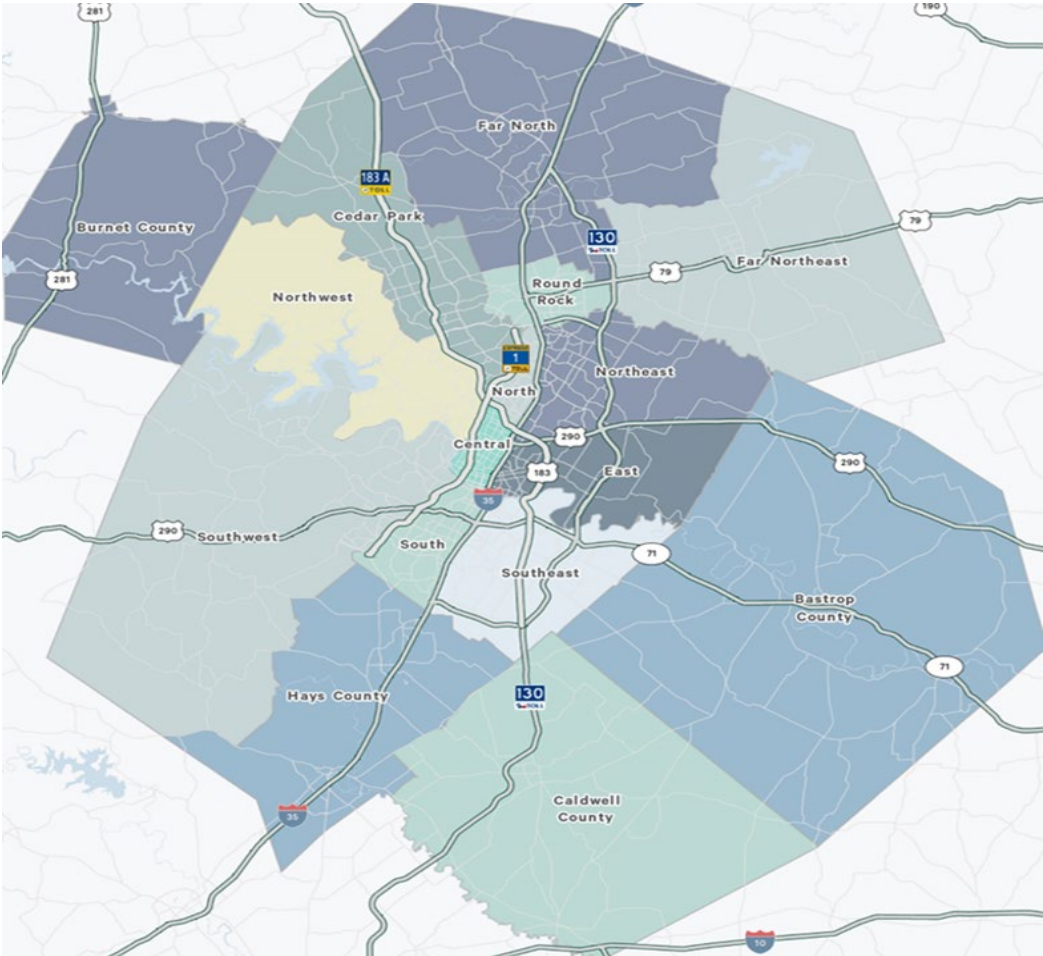
Property Class	Net Rentable Area (MSF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate (\$/SF NNN/yr)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (MSF)
Class A	29.33	26.9	25.0	22.1	2.9	10.89	644,000	1.96M	250,000	5.22
All Other Industrial	79.23	16.4	18.1	16.8	1.3	12.02	578,000	961,000	667,000	1.45
Total	108.56	19.3	20.0	18.2	1.7	11.57	1.22M	2.92M	918,000	6.67

Market Statistics by Submarket

Submarket	Net Rentable Area (MSF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate (\$/SF NNN/yr)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (MSF)
Bastrop County	0.62	4.6	1.6	1.6	-	10.20	(10,000)	(10,000)	-	-
Caldwell County	0.81	-	-	-	-	-	-	14,000	-	-
Cedar Park	5.40	10.9	13.2	10.6	2.6	17.85	32,000	76,000	-	1.05
Central	1.32	6.0	8.1	7.7	0.3	16.62	3,000	14,000	-	-
East	5.67	37.9	39.9	39.7	0.2	11.80	97,000	78,000	-	0.86
Far North	8.21	18.5	18.4	18.0	0.4	10.55	380,000	913,000	-	1.60
Far Northeast	4.36	30.6	24.7	23.6	1.1	10.30	178,000	797,000	-	0.51
Hays County	14.30	21.1	23.5	20.2	3.3	10.13	152,000	455,000	428,000	0.22
North	14.91	13.8	17.9	15.1	2.9	14.01	29,000	(83,000)	-	-
Northeast	22.92	13.1	15.5	14.4	1.1	11.60	142,000	554,000	-	0.82
Northwest	0.32	9.5	12.1	12.1	-	14.56	-	(19,000)	-	-
Round Rock	6.15	19.5	21.6	20.5	1.0	12.37	43,000	214,000	-	0.29
South	2.62	25.5	27.6	27.2	0.4	12.81	(10,000)	(26,000)	303,000	-
Southeast	20.12	25.8	20.8	18.6	2.2	12.04	170,000	(64,000)	187,000	1.33
Southwest	0.84	7.8	18.1	18.1	-	20.05	17,000	9,000	-	-
Total	108.56	19.3	20.0	18.2	1.7	11.57	1.22M	2.92M	918,000	6.67

Source: CBRE Research, Q3 2026

Market Area Overview



Definitions

Available Sq. Ft.: Space in a building, ready for occupancy within six months; can be occupied or vacant. Availability Rate: Total Available Sq. Ft. divided by the total building Area. Average Asking Lease Rate: A calculated average that includes net and gross lease rate, weighted by their corresponding available square footage. Building Area: The total floor area sq. ft. of the building, typically taken at the “drip line” of the building. Gross Activity: All sale and lease transactions completed within a specified time period. Excludes investment sale transactions. Gross Lease Rate: Rent typically includes real property taxes, building insurance, and major maintenance. Net Absorption: The change in Occupied Sq. Ft. from one period to the next. Net Lease Rate: Rent excludes one or more of the “net” costs (real property taxes, building insurance, and major maintenance) typically included in a Gross Lease Rate. Occupied Sq. Ft.: Building Area not considered vacant. Vacancy Rate: Total Vacant Sq. Ft. divided by the total Building Area. Vacant Sq. Ft.: Space that can be occupied within 30 days. Class A industrial are buildings built after 2000, with 32’ or greater clear height and ESFR sprinklers.

Survey Criteria

Includes all non-owner occupied, non-medical industrial buildings 10,000 sq. ft. and greater in size in the greater metropolitan area of Austin, TX. Buildings which have begun construction as evidenced by site excavation or foundation work.

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