Large-format leasing reignites Austin industrial, driving first vacancy decline in over a year

▼19.4% Vacancy Rate

▲1.4M SF Net Absorption

▲1.0M SF Construction Delivered

▼5.9M SF Under Construction

▼$13.78 NNN/YR Direct Lease Rate

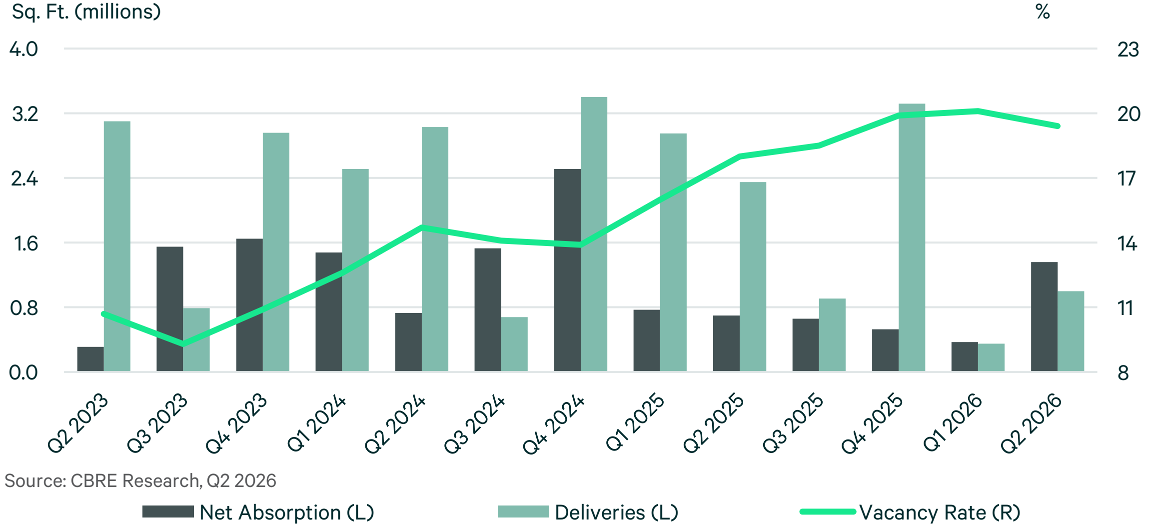
Note: Arrows indicate change from previous quarter.

Market Overview

The Austin industrial market showed early signs of stabilization in Q2 2026 as improving demand began absorbing recent supply additions. Net absorption reached 1.4 million sq. ft., increasing 244.8% quarter over quarter and 89.3% year over year, signaling a rebound in leasing activity. Vacancy declined 70 basis points to 19.4% but remained elevated, up 140 basis points from a year earlier due to newly delivered vacant space. Average asking rents fell 2.8% year over year to $13.78, reflecting continued tenant leverage, although quarterly trends pointed toward stabilization. Construction activity slowed to 5.9 million sq. ft., well below the 13.3 million sq. ft. peak recorded in 2023, which was expected to help alleviate supply pressure following 27.9 million sq. ft. of deliveries over the previous three years.

While near-term dynamics continue to favor tenants, strengthening net absorption alongside a moderating development pipeline is setting the stage for a measured market inflection. As available space is gradually absorbed and new deliveries decelerate, vacancy is poised to stabilize and trend downward. This shift should underpin a more balanced leasing environment and support firmer, more durable rent performance in the quarters ahead.

Historical Net Absorption, Deliveries, and Vacancy



Source: CBRE Research, Q2 2026

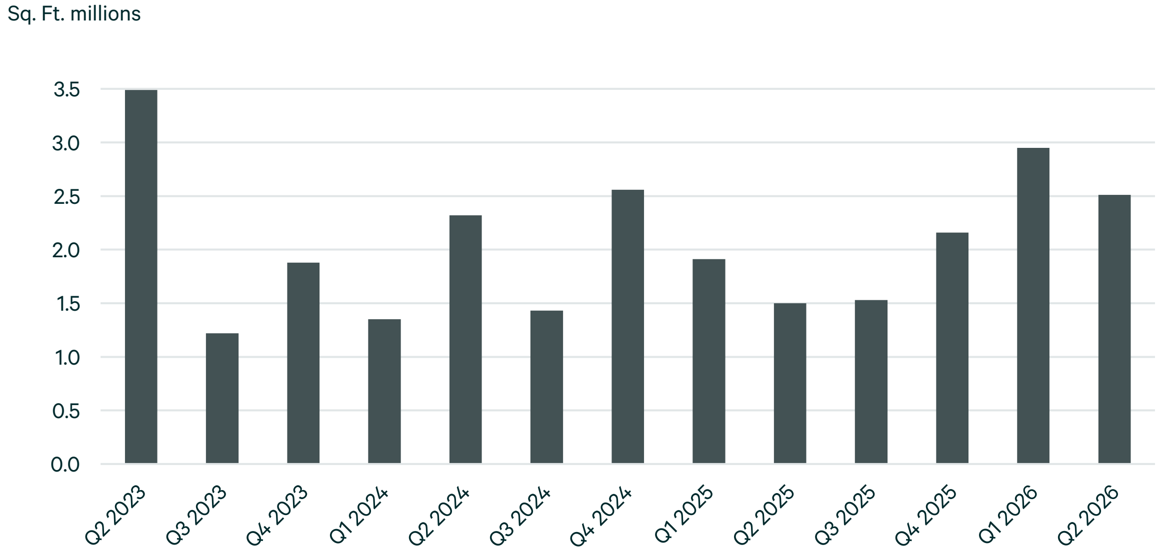
*As of Q3 2024, the CBRE Research statistical methodology for Austin has been adjusted to exclude Owner/User industrial properties. As of Q3 2024, the CBRE Research statistical methodology for Austin Industrial has been adjusted to ensure alignment with the market and peer market comparisons. As such, 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

Leasing activity totaled 2.5 million sq. ft. in Q2 2026, while full-year 2025 volume reached 7.1 million sq. ft. Quarterly leasing declined 14.9% quarter over quarter but increased 67.8% year over year, while 2025 leasing fell 7.4% compared to 2024. Southeast (725,000 sq. ft.) and East (681,000 sq. ft.) led leasing activity, followed by Northeast (311,000 sq. ft.), North (209,000 sq. ft.), Far Northeast (201,000 sq. ft.), and Hays County (187,000 sq. ft.). The remaining submarkets—Far North, Cedar Park, Round Rock, and South—recorded more modest activity, ranging from 15,000 to 86,000 sq. ft.

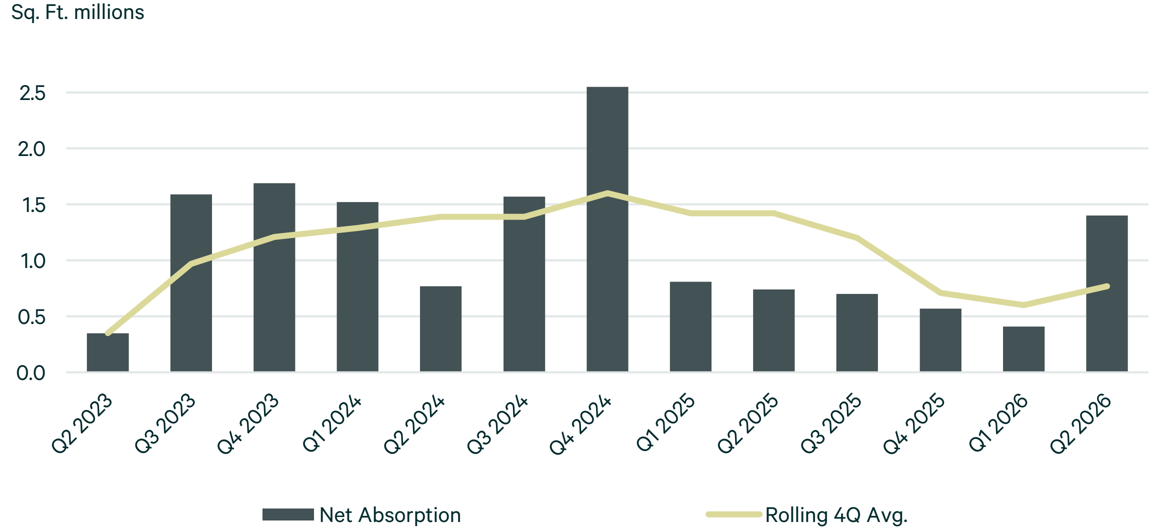
The Austin industrial market recorded positive net absorption for the 48th consecutive quarter, totaling 1.4 million sq. ft. in Q2 2026, the highest quarterly total in 18 months. Net absorption increased 244.7% quarter over quarter and 89.3% year over year. The rolling four-quarter average reached 770,000 sq. ft., up 27.4% from the prior quarter but still 45.7% below year-ago levels. At the submarket level, Far North (591,000 sq. ft.) and Far Northeast (560,000 sq. ft.) led absorption, followed by Northeast (208,000 sq. ft.) and Hays County (118,000 sq. ft.). The remaining submarkets—including North, Round Rock, Cedar Park, South, Central, and Southwest—posted gains ranging from 3,000 to 74,000 sq. ft., while Southeast (-264,000 sq. ft.) and East (-18,000 sq. ft.) recorded negative absorption.

3-Year Leasing Activity Trend



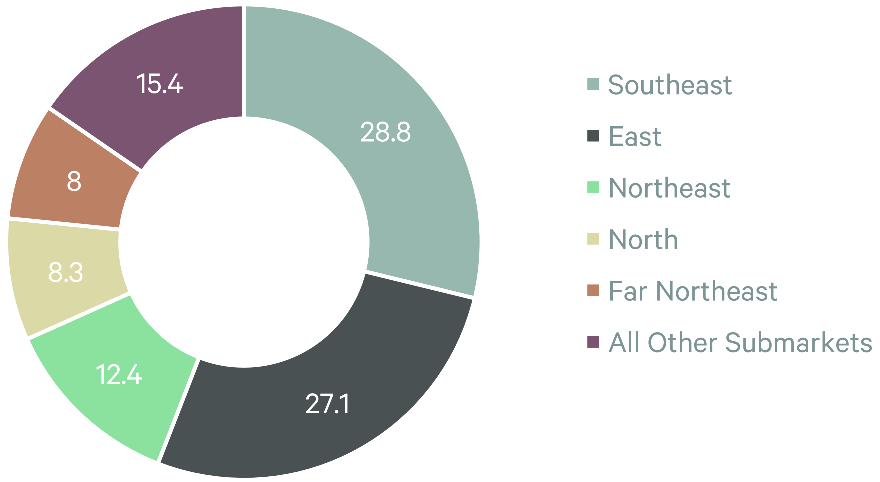
Source: CBRE Research, Q2 2026

3-Year Net Absorption Trend



Source: CBRE Research, Q2 2026

Leasing Activity by Submarket (%)



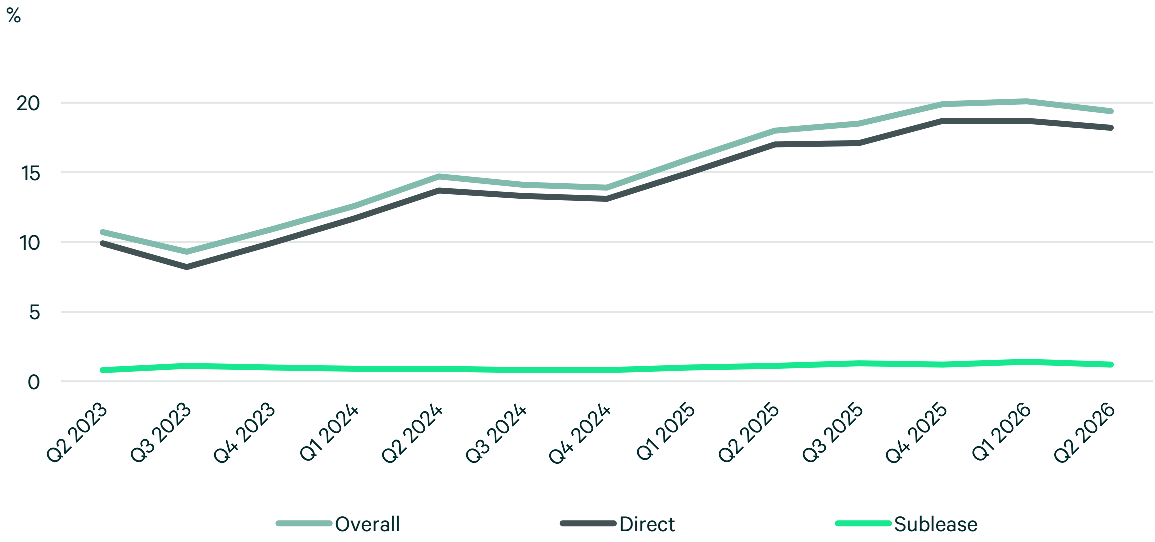
Source: CBRE Research, Q2 2026

Vacancy

In Q2 2026, market-wide overall vacancy declined to 19.4%, down from 20.1% in Q1 2026, representing a 70-basis-point decrease quarter over quarter. Direct vacancy fell 50 basis points to 18.2%, while sublease vacancy declined 20 basis points to 1.2% from 1.4%. On an annual basis, overall vacancy increased 140 basis points from Q2 2025, driven by a 120-basis-point rise in direct vacancy and a 10-basis-point increase in sublease vacancy. Compared with Q2 2023, when overall vacancy stood at 10.7%, overall vacancy has risen 870 basis points, including an 830-basis-point increase in direct vacancy and a 40-basis-point increase in sublease vacancy.

The East submarket recorded the highest vacancy rate at 38.8%, reflecting the concentration of recent deliveries and ongoing lease-up activity. Elevated vacancy also persisted in Southeast (25.7%), Far North (21.7%), Hays County (21.0%), and Round Rock (20.7%), where new supply has continued to outpace demand in the near term. More balanced market conditions were evident in several established submarkets, including North (13.1%), Northeast (13.0%), and Cedar Park (11.5%), while comparatively tighter vacancy rates were recorded in Northwest (9.5%) and Southwest (8.9%). The lowest vacancy levels remained concentrated in Central (6.2%) and Bastrop County (3.0%), where limited new development has helped sustain occupancy. Despite vacancy remaining elevated across much of the market, the decline in overall vacancy to 19.4% in Q2 2026 suggests early signs of stabilization. .

3-Year Vacancy Rate Trend



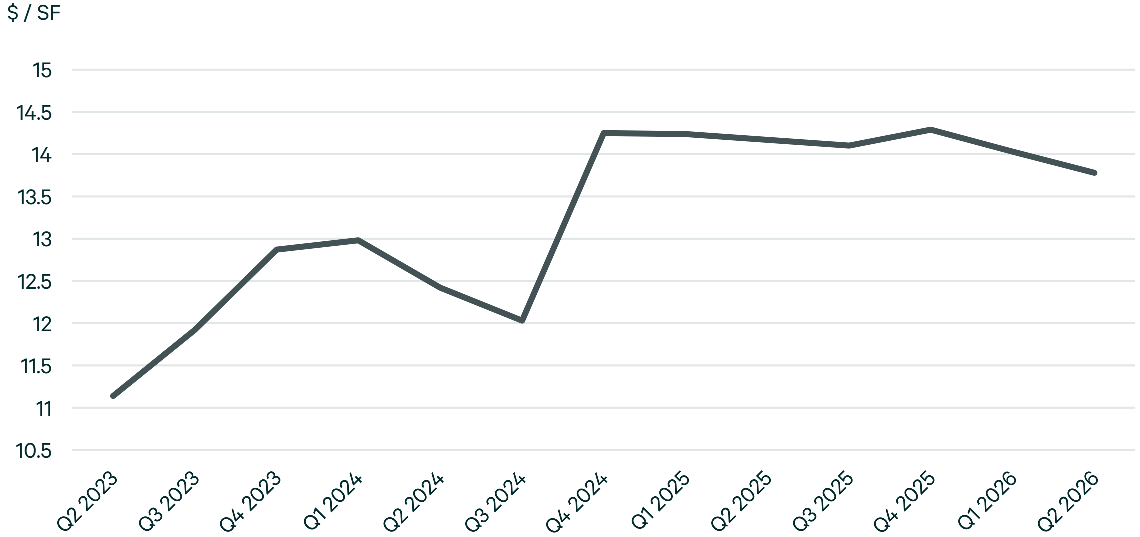
Source: CBRE Research, Q2 2026

Asking Rent

Average asking rent in Q2 2026 was $13.78, down from $14.03 in Q1 2026, reflecting a quarter-over-quarter decline of negative 1.8% and a year-over-year decline of negative 2.8%. In Q4 2025, the average asking rent reached $14.29, the highest level in the series, alongside a quarter-over-quarter increase of 1.4% and a year-over-year increase of 0.3%. Over the period from Q2 2023 to Q2 2026, the average asking rent increased from $11.14 to $13.78, an increase of $2.64, with year-over-year readings turning negative 1.5% in Q1 2026 and negative 2.8% in Q2 2026.

In Q2 2026, Southwest and Cedar Park recorded the highest average asking lease rates at $20.11 and $17.92, respectively, with South at $17.35. Central ($15.44), East ($15.27), North ($15.14), Northwest ($14.51), Far North and Northeast (both $14.24), Round Rock ($14.10), Southeast ($13.32), Hays County ($13.21), Far Northeast ($10.37), and Bastrop County ($6.00) reported lower average asking lease rates, spanning a range from $6.00 to $15.44.

3-Year Average Direct Asking Rate Trend



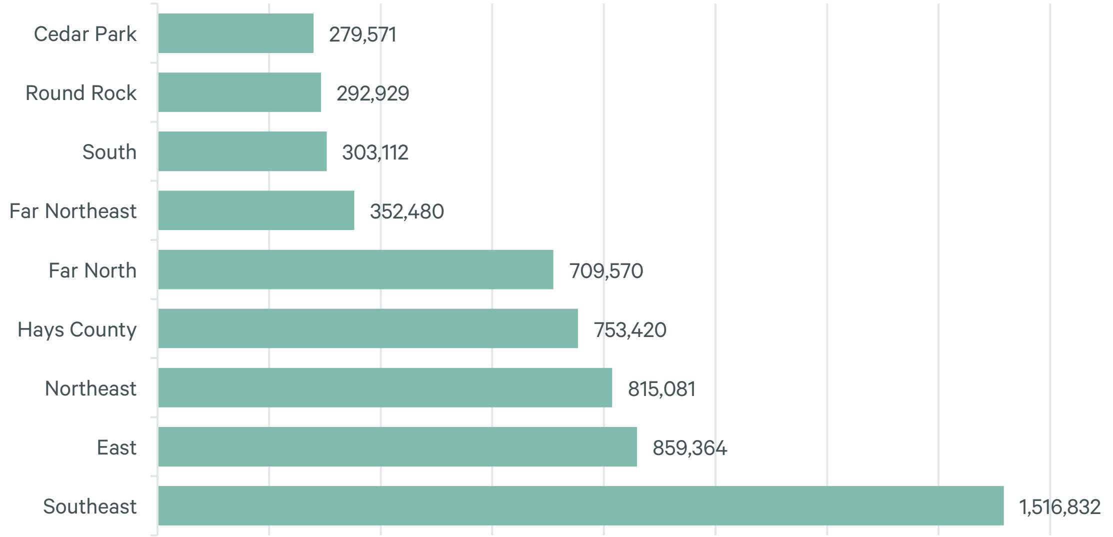
Source: CBRE Research, Q2 2026

Construction Activity

Construction activity in Q2 2026 reflected a continued moderation in the development pipeline alongside a more uneven delivery cadence. The market recorded 5.9 million sq. ft. under construction and 1.0 million sq. ft. delivered, with the pipeline declining both quarter-over-quarter (-3.9%) and year-over-year (-19.9%) as developers scale back new starts in response to elevated vacancy and softer leasing conditions. At the same time, deliveries increased sharply on a quarterly basis (+169.4%), though remain significantly below year-ago levels (-56.5%), underscoring a transition from the peak delivery cycle to a more limited but less consistent flow of completions.

This dynamic suggests the market is moving past its most active phase of supply expansion, with fewer projects breaking ground and a greater share of remaining construction concentrated in build-to-suit or pre-leased developments. While near-term deliveries will continue to contribute to elevated vacancy in certain submarkets, the declining pipeline should begin to alleviate upward pressure on availability over the coming quarters. Overall, the construction cycle is shifting from rapid expansion toward contraction, setting the stage for improved supply-demand balance as absorption continues.

Construction Activity by Submarket



Source: CBRE Research, Q2 2026

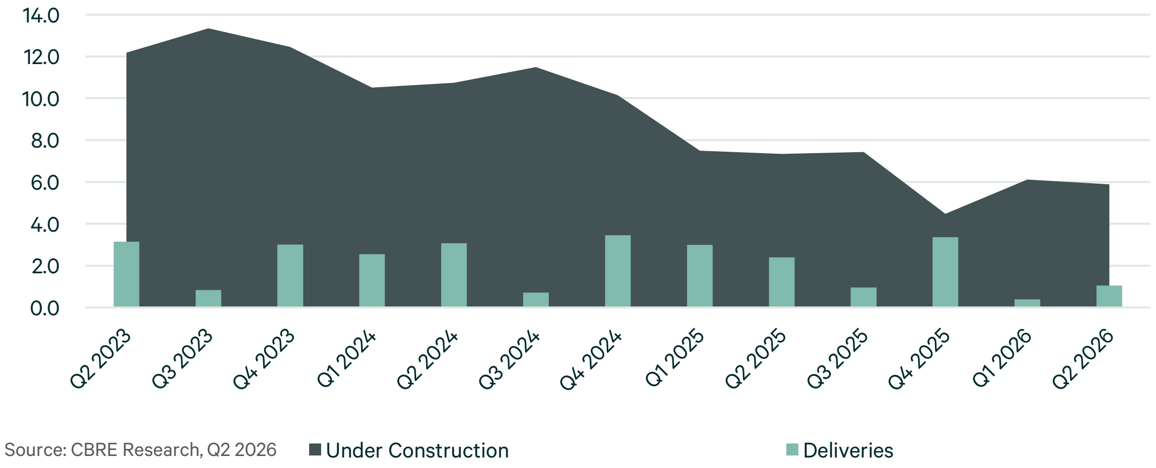
Economic Overview

The U.S. economy enters mid-2026 navigating crosscurrents but growing at a healthy pace, with CBRE projecting GDP growth averaging 2.2%, broadly in line with 2025. The AI investment boom is certainly a key driver of this expansion. Concerns surrounding the sustainability of this growth are valid, but we expect AI-related business investment to continue.

The more pressing concern in recent months has been the U.S./Iran conflict and its impact on world energy prices, which recently pushed U.S. inflation to 4.2%. Should the prospective peace deal announced in June come to fruition, inflation would fall to the upper 3% range by year-end as energy prices slowly decrease. Stickier inflation has pushed Treasury yields well above 4%, complicating real estate markets. On the upside, the prospect for peace and normal trade flows in the Persian Gulf could refresh the optimism the CRE market felt at the beginning of the year.

3-Year Construction Activity Trend

Sq. Ft. millions



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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	22.65	10.8	13.0	12.1	0.9	14.95	37,000	26,000	-	0.59
50K-99,999 SF	25.46	16.0	18.4	16.3	2.1	13.54	15,000	591,000	58,000	0.43
100K-249,999 SF	40.49	26.4	28.8	26.1	2.7	10.71	128,000	(48,000)	443,000	2.93
250K-499,999 SF	12.77	25.0	26.2	25.9	0.3	12.00	1.22M	1.24M	-	0.64
500K-749,999 SF	1.11	48.6	48.6	48.6	-	-	-	-	539,000	1.29
750,000 SF +	5.46	-	-	-	-	-	-	-	-	-
Total	**107.94**	**19.4**	**21.5**	**19.7**	**1.7**	**13.78**	**1.40M**	**1.81M**	**1.04M**	**5.88**

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	79.69	21.6	23.3	21.5	1.8	12.67	902,000	1.33M	868,000	5.51
Manufacturing - General	4.77	10.7	10.7	8.3	2.3	6.98	366,000	366,000	172,000	0.37
R&D/Flex	23.48	13.8	17.6	16.2	1.5	16.65	134,000	112,000	-	-
Total	**107.94**	**19.4**	**21.5**	**19.7**	**1.7**	**13.78**	**1.40M**	**1.81M**	**1.04M**	**5.88**

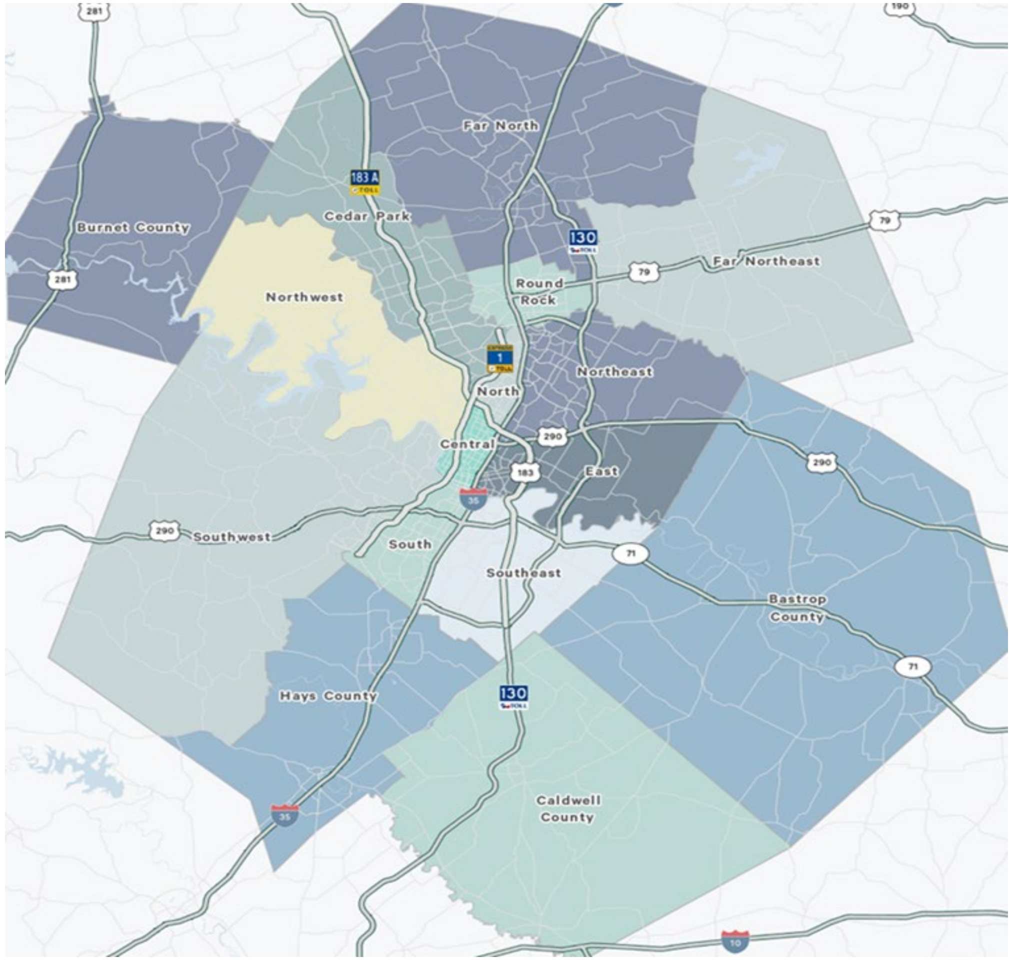
Market Statistics by Class

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	28.95	28.7	29.6	27.2	2.4	11.02	885,000	1.35M	539,000	4.27
All Other Industrial	78.99	16.0	18.5	17.0	1.5	14.27	518,000	455,000	502,000	1.61
Total	**107.94**	**19.4**	**21.5**	**19.7**	**1.7**	**13.78**	**1.40M**	**1.81M**	**1.04M**	**5.88**

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	3.0	3.0	3.0	-	6.00	-	-	-	-
Caldwell County	0.81	-	-	-	-	-	-	14,000	-	-
Cedar Park	5.37	11.5	13.9	11.3	2.6	17.92	48,000	44,000	-	028
Central	1.32	6.2	8.2	7.8	0.3	15.44	5,000	11,000	-	-
East	5.70	38.8	41.7	41.5	0.2	15.27	(18,000)	31,000	-	0.86
Far North	8.11	21.7	21.7	21.5	0.2	14.24	591,000	533,000	-	0.71
Far Northeast	4.33	34.2	30.6	27.8	2.8	10.37	560,000	612,000	-	035
Hays County	13.88	21.0	21.8	19.6	2.2	13.21	118,000	318,000	58,000	0.75
North	14.96	13.1	17.3	14.9	2.5	15.14	74,000	(98,000)	-	-
Northeast	22.94	13.0	17.1	15.6	1.5	14.24	208,000	431,000	-	0.82
Northwest	0.32	9.5	10.8	10.8	-	14.51	1,000	(19,000)	-	-
Round Rock	6.15	20.7	21.9	21.2	0.7	14.10	63,000	156,000	-	0.29
South	2.33	15.3	20.5	15.7	4.9	17.35	14,000	(16,000)	-	0.30
Southeast	20.20	25.7	26.3	24.4	1.9	13.32	(264,000)	(200,000)	982,000	1.52
Southwest	0.92	8.9	13.6	13.6	-	20.11	3,000	(7,000)	-	-
Total	**107.94**	**19.4**	**21.5**	**19.7**	**1.7**	**13.78**	**1.40M**	**1.81**	**1.04**	**5.88**

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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