

INVESTMENT FORECAST

Industrial
Austin

IPA

INSTITUTIONAL
PROPERTY
ADVISORS






2022

Nation-Leading Growth Driving Demand Surge; Wider Array of Investors Look to Grow Austin Footprints

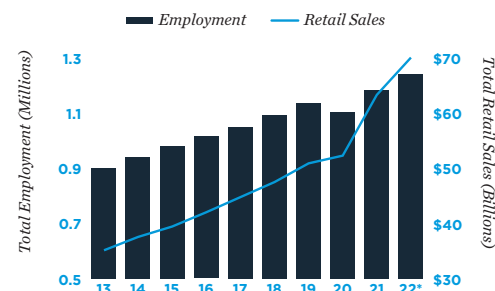
Record-breaking fundamentals highlight newfound industrial prominence. Austin reports the fastest level of population growth of major American metros, and it is also home to the highest household incomes in the state. The economic expansion has led to a rapid need for additional industrial space, as the metro has just a tenth of the inventory of Dallas-Fort Worth. Both large-scale distribution and smaller, last-mile facilities are readily leased. Austin enters this year following a staggering 350-basis-point drop in vacancy in 2021 to the lowest rate since at least 2000. Tight market conditions throughout Austin warrant the record supply wave that will occur this year. However, demand will keep pace with development, promoting further vacancy compression and the 10th consecutive year of annual rent growth in 2022. The majority of new space entering the market this year are 700,000-plus-square-foot, built-to-suit properties, headlined by upcoming projects from Amazon, Tesla and Applied Logistics.

Austin's industrial assets see rising visibility. Nation-leading demographic trends led investors to greatly increase their acquisitions in the metro. Trading in 2021 was well ahead of 2019 and 2020 levels, even as a small supply of listings limited transaction activity. A rise in national and foreign investment following notable business entrants, such as Tesla, has driven this climb. Northern and northeastern submarkets are heavily targeted, as both record vacancy rates in the mid-3 percent zones, and reported rent growth of more than 10 percent entering this year. South Austin also recorded a rise in activity, driven by a space premium, with asking rents surging ahead of the market average by more than \$7 per square foot. While volume is inhibited by a lack of listings, smaller properties capable of last-mile operations in the core and Central Austin have traded quickly.

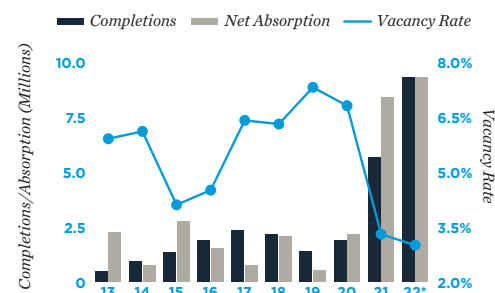
2022 Market Forecast

- Employment**  After crossing pre-pandemic employment levels in 2021, companies in Austin will add 59,000 more jobs this year.
 - up 5.0%
- Construction**  Developers are slated to finish 9.3 million square feet in 2022. This level of construction is more new space than builders completed in the prior three years combined.
 - 9.3 million sq. ft.
- Vacancy**  Net absorption remains significantly elevated in 2022 as it crosses 9 million square feet for the first time on record. This demand surge will aid in trimming vacancy to just 3.0 percent.
 - down 30 bps
- Rent**  The metro's average asking rent climbs at a steep pace for a second straight year, reaching \$13.25 per square foot. This puts the two-year growth rate above 24 percent.
 - up 9.0%
- Investment**  Investors and firms are likely to frequently target East Austin, along Highway 130, as Tesla's upcoming Gigafactory Texas will foster additional demand in the area from supplemental firms.
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Economic Trends



Supply and Demand



Rent Trends



* Estimate; ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

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Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of February 2022. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Forecasts for employment and retail data are made during the first quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guaranty regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.