

# INVESTMENT OUTLOOK

Industrial  
Austin

IPA  
INSTITUTIONAL  
PROPERTY  
ADVISORS

MIDYEAR 2025

## Robust Leasing Momentum Meets Unprecedented Industrial Space Growth in Austin

**Speculative construction persists despite rising vacancy.** Between 2022 and 2024, Austin's industrial market added more new supply than in the prior two decades combined, heavily driven by big-box distribution center development. Despite posting the highest ratio of net absorption relative to total inventory among major metros during the year ended in March, demand has struggled to keep pace with this supply surge, driving vacancy to its highest level since 2004. Construction will again be heightened in 2025, with more than 80 percent of deliveries coming from speculative builds. Much of the incoming supply is concentrated in Georgetown, Hays County and Southeast Austin. These areas saw the strongest demand over the past 12 months, led by Southeast Austin, where tenants absorbed nearly 1.7 million square feet. Leasing activity through the first half of this year shows continued strength in these well-connected areas with an abundance of modern space options, particularly west of Austin-Bergstrom International Airport, in North Austin and near Walnut Creek Business Park.

**Institutional trading holds firm as investors target key corridors.** Transaction activity increased slightly during the year ended in March, with large warehouses and distribution centers accounting for a greater share of deal flow. Private investment in pre-1980s-built facilities also picked up in late 2024 and early 2025 after nearly a year of muted activity, with almost all deals involving warehouses under 50,000 square feet. Building on momentum through the first half of 2025, investment is set to remain concentrated in infill locations along key transportation corridors like Interstate 35 and Route 183. Strong fundamentals also continue to support activity west of the airport in Southeast Austin, as well as in the more rural Hays and Georgetown counties.

### 2025 MARKET FORECAST

+1.6%



**EMPLOYMENT:** The metro's employment base is projected to expand by 22,000 positions by the end of 2025, representing the fastest annual growth rate among major Texas markets.

12 million  
sq. ft.



**CONSTRUCTION:** Austin is expecting an inventory gain of 9.1 percent this year — more than double that of any other major metro, though roughly in line with its pace from the past three years.

+170 bps



**VACANCY:** Supply pressure continues to weigh on vacancy, as the metro's rate moves up to 13.8 percent by year-end, expanding by the third-fastest pace among major U.S. markets.

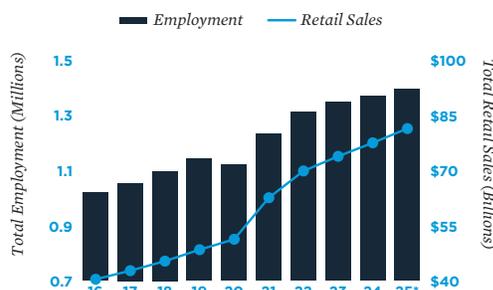
-1.0%



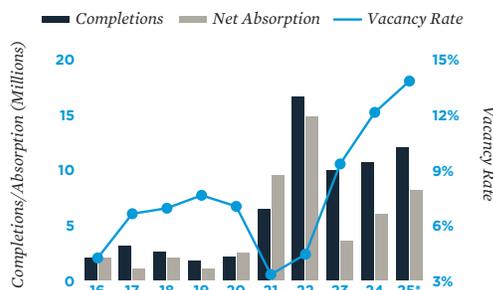
**RENT:** Rising vacancy is expected to influence the metro's average asking rent, which is forecast to decline to \$14.31 per square foot by the end of 2025 — a 6.2 percent drop from its mid-2024 peak.

**INVESTMENT:** *Tesla Inc. is planning to add over 5.2 million square feet to its existing Texas Gigafactory by the end of 2026 — a move that will likely spur investor interest in nearby Southeast Austin properties.*

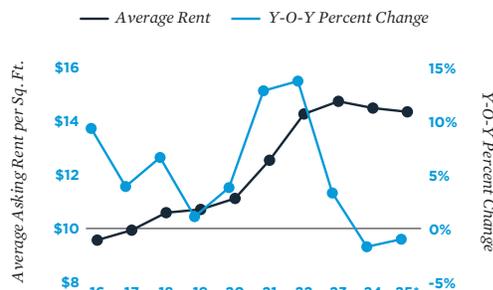
### Economic Trends



### Supply and Demand



### Rent Trends



\* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

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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 December 2023. Effective rent is equal to asking rent less concessions. 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. Sales data includes transactions valued at \$1,000,000 and greater unless otherwise noted. Forecasts for employment and apartment data are made during the fourth 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 guarantee regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.