

INVESTMENT FORECAST

Industrial
Austin

IPA

INSTITUTIONAL
PROPERTY
ADVISORS

2026

Tech Titans Expand Their Presence While Small-Footprint Warehouses Trade Frequently

Supply concentration tests submarket momentum. Amid broad new supply pressures, certain submarkets stand out. Georgetown recorded the most absorption relative to its inventory, despite posting the highest local vacancy rate due to a large supply wave in 2023. Although not as extreme, Hays County could face similar pressures, as its 2026 completions are expected to nearly quadruple those of the previous year. This suggests local vacancy will increase after Hays County entered 2026 with the rate roughly 600 basis points higher than the previous quarter, and the submarket recording net relinquishment. Other submarkets, such as northeast and southeast Austin, improved heading into 2026, with both posting vacancy declines in the first quarter. However, performance may diverge over the remainder of the year, as northeast Austin is slated to receive only about 2 percent of the active pipeline, compared with roughly 14 percent in southeast Austin.

Trading activity accelerates as private capital targets smaller warehouses. Despite experiencing the largest decrease among major markets, Austin is expected to maintain its premium pricing among major Texas metros, as transaction activity continues to grow year-over-year in the first quarter of 2026. Warehouse and distribution centers accounted for most sales, with activity concentrated in Hays County and southeast Austin. Most warehouses sold were under 50,000 square feet, as demand for last-mile delivery grows. While most of the capital originated with institutions, private buyers comprised roughly half of all transactions, targeting northern and southern submarkets with strong access to Interstate 35. Given their strategic connection to other major metros, these locations should continue to attract investor interest.

2026 MARKET FORECAST

+1.3%



Employment: The metro's employment base is expected to recover, expanding by 18,000 positions by the end of 2026, though it will remain less than half of the trailing decade's average.

7.5 million
sq. ft.



Construction: Total inventory will grow by about 5.2 percent amid the lowest construction level since 2021, with the Samsung Semiconductor facility accounting for about 2.8 million square feet.

+130 bps



Vacancy: Higher completion levels relative to pre-pandemic norms will continue to pressure vacancy, increasing the metro's vacancy rate to 16.7 percent by year's end, the highest on record.

-3.3%

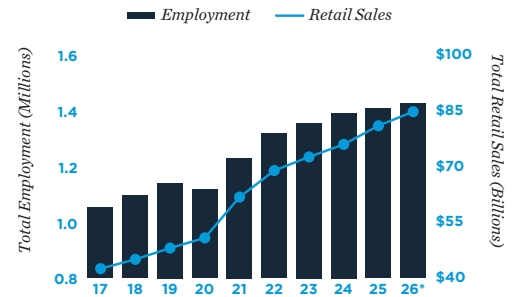


Rent: Continued increases in vacancies will push the average asking rent down to \$13.60 per square foot, though it will remain the highest among major Texas metros.

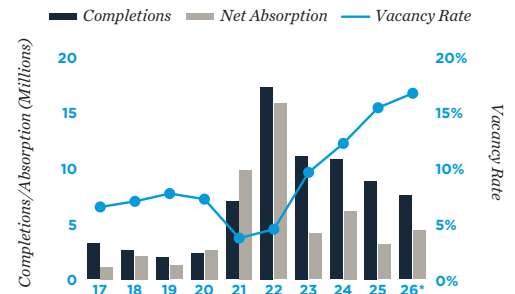
INVESTMENT:

Tesla Inc. announced its entry into semiconductor manufacturing, unveiling plans for a \$25 billion Terafab facility in Austin and signaling future potential demand for supplier-adjacent industrial space.

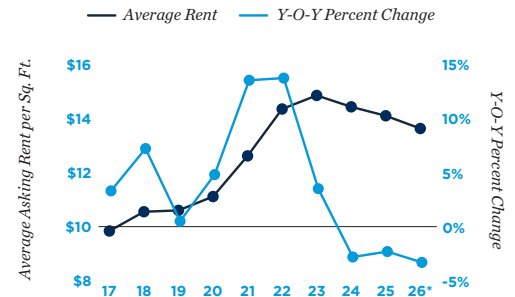
Economic Trends



Supply and Demand



Rent Trends



* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

IPA Industrial

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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 January 2026. 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 office 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.