

KBC INSIGHTS | INDUSTRIAL MARKET UPDATE

Austin

ECONOMY

- » Austin's population has grown by 13.1% over the past five years, adding nearly 308,000 residents. Over the past year, the population increased by 1.8%, marking the slowest annual growth rate of the past decade.
- » AI continues to drive economic growth, with AI capex fueling business investment and AI-related earnings lifting equity valuations and consumer spending. Retail spending rebounded strongly in August, while AI-supporting companies are increasingly generating logistics space demand directly.
- » The 10-year Treasury rate is being shaped by increased AI- and government-related borrowing, both of which drive demand for goods and the logistics space needed to store and distribute them. Geopolitics and energy markets pose the greatest near-term uncertainty for rates. How the logistics sector is ultimately affected will depend on the underlying reasons rates move in whichever direction they take.
- » Warehouse and storage employment fell 32,000 jobs year-over-year (YOY), continuing a recent trend driven by automation adoption, softer consumer demand, and cautious employer hiring amid economic uncertainty.
- » Tesla has been on a remarkable industrial leasing run, emerging as Austin's largest industrial tenant. Recent deals include a 682,000 square feet (SF) building at Austin Hills Commerce Center (delivering January 2027) and the 538,720 SF Mustang Ridge Distribution Center I. With roughly 3.4M SF leased across Greater Austin, on top of the 10M SF+ it owns, Tesla has absorbed space at a pace unseen outside the COVID-era surge. Elon Musk's proposed Terafab chip campus near College Station (\$16.8B committed first phase, up to \$119B total) already has early work underway at Ciga Texas.
- » Beyond Tesla, Blue Origin's proposed Hutto campus (Project Blue Hub), a roughly \$650M, 1M SF+, two-building development tied to 2,000+ jobs, highlights Austin's growing aerospace presence. Meanwhile, Austin-based furniture maker Four Hands has expanded its local warehouse footprint to 1.2M SF. Together, they point to sustained advanced manufacturing and distribution demand across the market.

VACANCY

- » Austin's overall vacancy rate reached 22.9% in Q3 2026, up 10 basis points (bps) from the previous quarter. The rate now sits 290 bps above Q3 2025 and 1,150 bps above the long-term average of 11.4%.
- » Warehouse/distribution vacancy increased 30 bps quarter-over-quarter (QOQ) to 23.9% and remains 280 bps above Q3 2025 levels as soft leasing demand and speculative deliveries keep available space elevated.

Data in this report was provided by KBC Advisors, St. Louis Federal Reserve, and CoStar.

TRENDS: LOGISTICS & MANUFACTURING PROPERTIES

	Q3 2025	Q3 2026	Chg YOY
Vacancy	20.0%	22.9%	▲
Net Asking Rents	\$12.65	\$12.15	▼
Net Absorption, SF	137,899	1.3M	▲
Under Construction, SF	7.4M	5.5M	▼
New Deliveries, SF	926,526	1.8M	▲

Statistics reflect logistics & manufacturing space, 20,000 sf+ and exclude owner occupied

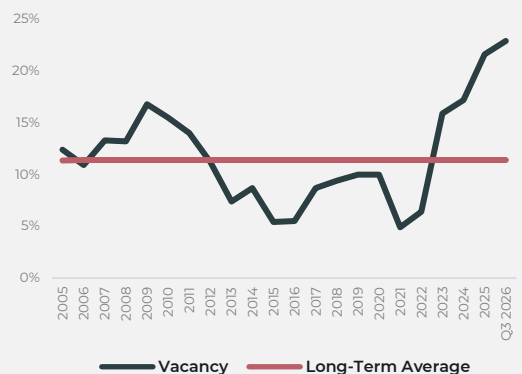
ECONOMIC INDICATORS

	Aug 25	Aug 26	Delta
National Warehousing Employment (thousands)	1,869	1,837	-1.7% ▼

	Sep 21	Sep 26	Delta
Austin Population	2.4M	2.7M	13.1% ▲

Increases / Decreases YOY

VACANCY VS. LONG-TERM AVERAGE



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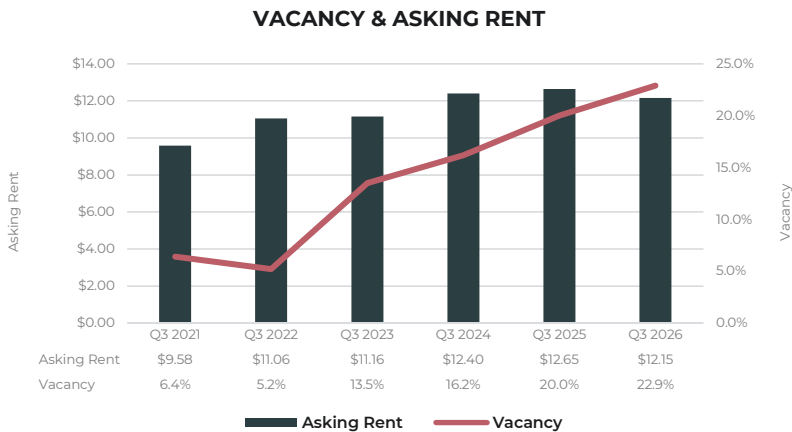
Austin

VACANCY CONT'D.

- » With population growth decelerating and seven years of heavy supply still working through the market, Austin's vacancy rate is likely to stay elevated near term.
- » Modern, institutional-quality development has reshaped Austin's base of high-functioning space. As leasing normalizes, fundamentals should improve gradually - provided vacant space keeps absorbing and new construction stays restrained.
- » Due to strong leasing activity seen the last two quarters, we can anticipate for vacancy to decline in the near-term as deliveries decline and tenants begin to move in.

RENT

- » The average market asking rents this quarter reported at \$12.15 per square foot (/SF) for warehouse/distribution space, a 4% decline YOY. The decline in asking rents is directly associated to the elevated vacancy rates.
- » Leasing conditions remain firmly tenant-favorable. Landlords continue to extend generous concession packages like elevated tenant improvement allowances and free rent. Rising construction and build-out costs have kept those incentives well above where they stood two years ago.
- » With occupancy being a priority, landlords are offering greater flexibility, including a willingness to write shorter lease terms (24–36 months). Annual escalations have generally held in the 3.5-3.75% range, while space above 310,000 SF continues to lease under a distinct set of market dynamics.



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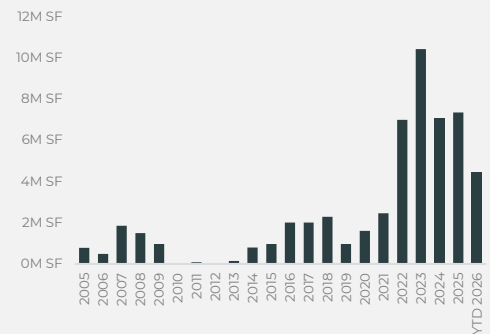
DEMAND

- » Leasing activity year-to-date (YTD) has outpaced what was seen in the entirety of 2025, up nearly 2.0M SF. Notable transactions this quarter included deals by Tesla and Four Hands in the Southeast submarket. There was also a significant lease transaction from Flex this quarter, a 300,000 SF deal in Georgetown.
- » Demand continued to remain positive, with 2.4M SF absorbed YTD. The current level of demand holds at similar levels to the entirety of 2025. Although demand remains positive and higher than pre-2020, new supply continues to outpace demand.
- » Demand from military-related users, including the space program and DoD tenants seeking defense space, continued to grow this quarter, with some deals signed and others still searching. HVAC-driven demand also rose as more tenants required climate-controlled space, and manufacturing demand ticked up, led by a strong need for build-to-suit (BTS) space with heavy power.
- » Future absorption will hinge on broader economic conditions and the market's continued appeal to incoming tenants. In the near term, occupiers hold the advantage, as available space and concessions keep leasing moving, and Samsung is expected to bring more activity in early 2027.
- » Data center adjacent users have been active in the Austin market, with users such as Tesla, AI Prefab Solutions and McKinstry leasing and purchasing space this quarter.

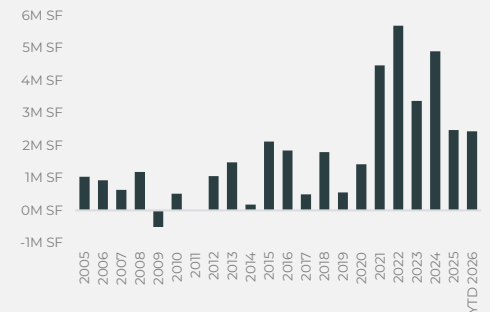
CONSTRUCTION

- » Since 2019, Austin's industrial base has expanded by nearly 87%. That extended run of development leaves tenants with more options across the market and greater flexibility to target the submarkets that could benefit them the most.
- » Construction activity continued to slow this quarter, with total space under construction (UC) falling to 5.5M SF, down 23.7% QOQ and 8.7% YOY. Warehouse/distribution drove much of the decline, dropping more than 37.5% QOQ and nearly 25% YOY to 4.5M SF.
- » New deliveries continued to slow, with 1.8M SF completed this quarter and 4.4M SF YTD. That puts year to date volume almost 19% below where it stood through Q1-Q3 of 2025.
- » A lighter construction pipeline should ease vacancy over time, as tenants absorb existing supply while fewer new buildings come online to replace it.
- » Speculative land purchases have dropped off notably over the past two years. Deals are still getting done, but on longer timelines, and manufacturers remain active, showing continued interest in proposed sites.

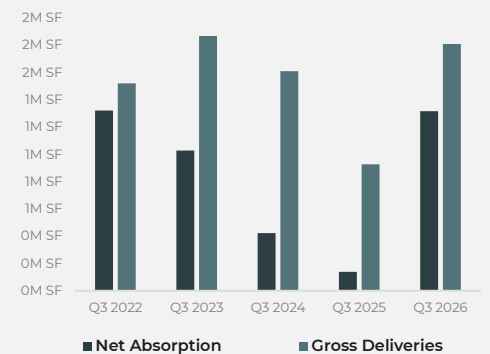
NEW DELIVERIES



NET ABSORPTION



SUPPLY & DEMAND



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MARKET SUMMARY Q3 2026

Submarket	Total Inventory	Vacancy Rate	Q3 2026 Overall Net Absorption	YTD 2026 Overall Net Absorption	YTD 2026 Leasing Activity	Under Construction	YTD 2026 Construction Completions	Overall Asking Net Rent
East+	6,125,128	36.4%	106,504	156,154	972,532	859,364	66,167	\$15.76
Far North	5,895,124	18.6%	(1,854)	560,236	256,207	352,480	0	\$16.06
Georgetown	12,243,203	25.5%	727,459	1,208,277	2,487,696	1,659,020	476,866	\$12.86
Hays County/Lockhart	15,570,031	22.6%	284,757	429,376	939,103	111,450	1,665,348	\$10.09
North Central	10,193,105	14.8%	(69,384)	(349,534)	691,118	0	0	\$10.20
Northeast+	15,069,989	17.8%	4,970	92,348	1,084,622	822,627	0	\$11.78
Northwest	2,736,601	10.9%	145,655	273,816	400,079	803,760	314,699	\$10.98
Southeast	15,750,813	29.8%	94,095	(241,001)	2,286,777	917,797	1,612,692	\$15.53
Southwest	1,726,485	20.0%	24,091	268,037	35,384	0	303,112	\$15.35
Austin Total	85,310,479	22.9%	1,316,293	2,397,709	9,153,518	5,526,498	4,438,884	\$12.15

Statistics reflect logistics & manufacturing space, 20,000 sf+ and exclude owner occupied. Overall asking net rents exclude manufacturing buildings.

SIGNIFICANT LEASE TRANSACTIONS Q3 2026

Property Address	Submarket	Tenant	Square Feet	Lease Type
Mustang Ridge Business Park Building 2	Southeast	Tesla	538,720	New Lease
Blue Springs Business Park Building 2	Georgetown	Flex	310,366	New Lease
Airport Logistics Center Building 1	Southeast	Four Hands	235,740	New Lease

LARGEST BUILDINGS UNDER CONSTRUCTION Q3 2026

Property Address	Submarket	Developer	Square Feet	Completion Date
Austin Hills Commerce Center Building 6	East+	Sansone	681,259	Q1 2027
Crosspoint Industrial Park Phase II Building 5	Georgetown	Jackson Shaw	605,861	Q1 2027
Crosspoint Industrial Park Phase II Building 4	Georgetown	Jackson Shaw	605,861	Q1 2027

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Data in this report was provided by KBC Advisors, St. Louis Federal Reserve, and CoStar including owner occupied buildings.

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