KBC INSIGHTS | INDUSTRIAL MARKET UPDATE

Austin

ECONOMY

- Austin's population has increased by 12.6% over the past five years, adding more than 290,000 residents. In the last year alone, the city grew by 1.7%.
- Population growth peaked in 2022 and began to slow in 2023. The slowdown accelerated in 2024 and became most pronounced in 2025, which recorded the smallest annual increase of the past five years.
- National warehouse and storage employment continued its downward trend, decreasing by 28,000 positions compared with the same period last year.
- U.S. economic momentum strengthened in the second half of 2025, with GDP growth accelerating on the back of robust services spending, rising artificial intelligence (AI) related investment, and a rebound in durable goods consumption.
- Looking ahead to 2026, expanded business investment tax incentives are expected to support increased domestic capital investment, while larger personal tax refunds should bolster consumer spending.
- However, the extent of the resulting economic benefits will depend on corporate confidence in the economic, financial market, and policy environment, as well as consumers' capacity and willingness to spend rather than save.
- The growth of AI development and investment in Texas has driven rising logistics demand statewide, supported by the state's abundant and relatively low-cost power supply, pro-business environment, and availability of scalable land. As AI-related users expand, they require logistics space for the storage, manufacturing, and distribution of components critical to data center development and operations, while benefiting from Texas's central location, robust transportation infrastructure, and speed-to-market advantages.
- In October 2025, the Army officially activated the Army Transformative and Training Command in Austin, Texas, consolidating the Army Futures Command and the Training and Doctrine Command. This reorganization could drive increased demand for industrial space, including warehousing, logistics, and advanced manufacturing facilities, as the new command ramps up operations and supports technology development and training initiatives.

VACANCY

- By year-end 2025, Austin closed with a vacancy rate of 15.2%, up 140 basis points (bps) quarter-over-quarter (QOQ). This level is 780 bps above the market's long-term average of 7.4%.

TRENDS: LOGISTICS PROPERTIES

	Q4 2024	Q4 2025	Chg YOY
Vacancy	11.5%	15.2%	▲
Net Asking Rents	$12.58	$12.54	▼
Net Absorption, SF	1.6M	3.7M	▲
Under Construction, SF	12.9M	4.0M	▼
New Deliveries, SF	3.4M	5.9M	▲

Under Construction & New Deliveries statistics reflect buildings 30,000 SF and up. Under Construction includes owner occupied.

Under Construction reflects buildings with slabs poured.

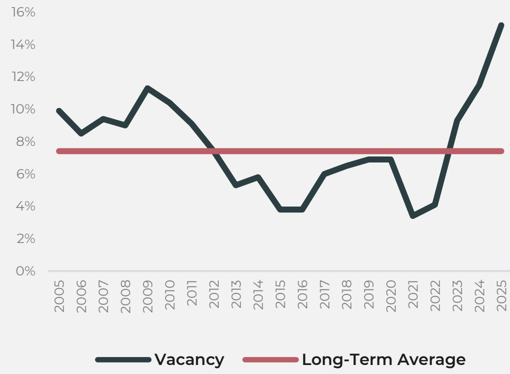
ECONOMIC INDICATORS

	Nov 24	Nov 25	Delta	
National Warehousing Employment (thousands)	1,844	1,816	-1.5%	▼

	Dec 20	Dec 25	Delta	
Austin Population	2.3M	2.6M	12.6%	▲

Increases / Decreases YOY

VACANCY VS. LONG-TERM AVERAGE



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

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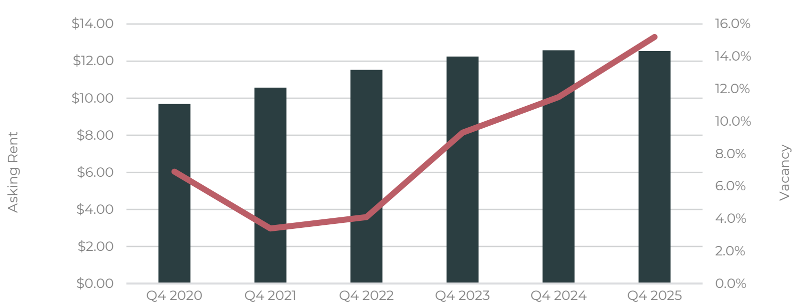
VACANCY CONT'D.

- Austin's vacancy rate increased by 370 bps from year-end 2024 to 2025, accelerating from the 220-bp rise recorded between 2023 and 2024. Despite this acceleration, the increase remains below the 520-bp surge from 2022 to 2023, which is the largest year-over-year (YOY) vacancy rate increase historically.
- Given the slowdown in population growth and demand, combined with elevated supply delivered over the past two years, market conditions indicate that Austin's vacancy rate is likely to remain elevated in the near term.
- The Austin market has redefined itself in the last few years by introducing institutional grade buildings into the market with improved functionalities compared to the legacy product. As the market readjusts and returns to historical norms in leasing and absorption, it will require time to stabilize. Austin remains an attractive market for tenants as current market dynamics favor them.

RENT

- Annual asking rents decreased 0.7% on a quarterly basis and has declined 0.6% YOY, bringing the market asking rent per square foot (/SF) to $12.54/SF.
- Asking rents have declined market wide, benefiting tenants who are now able to secure above market concessions such as phase ins and increased tenant improvement (TI) allowances. In some cases, TIs are being applied toward rent, yet despite the tenant friendly environment, annual escalations continue to remain around 3.25%-3.75%.
- As vacant and unoccupied space continues to deliver, asking rents are expected to remain under downward pressure.

VACANCY & ASKING RENT



	Q4 2020	Q4 2021	Q4 2022	Q4 2023	Q4 2024	Q4 2025
Asking Rent	$9.69	$10.57	$11.53	$12.25	$12.58	$12.54
Vacancy	6.9%	3.4%	4.1%	9.3%	11.5%	15.2%

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DEMAND

- Net absorption remained positive in the fourth quarter, with nearly 3.7 million (M) SF of logistics and manufacturing space absorbed, bringing total 2025 absorption to 6.4M SF slightly below the 6.7M SF experienced in 2024 and well above the pre-2020 annual market average of 1.7M SF.
- While fourth-quarter absorption was elevated, the delivery of Samsung's 2.8M SF facility in Taylor was the primary driver of the strong absorption figure.
- Leasing activity declined YOY, with 7.3M SF leased in 2025, a 4.1M SF decrease from 2024, though still above the historical market average of 6.2M SF.
- Manufacturing demand is increasing, led by heavy power users, with power availability playing a key role in leasing demand.

CONSTRUCTION

- The construction pipeline declined sharply on a quarterly and yearly basis, with 4.0M SF currently under construction (UC) with 18.4% being pre-leased. The current level remains 8.9M SF below the prior year's level and down 7.7M SF from the prior quarter.
- Of the total product currently UC, approximately 3.4M SF consists of speculative, institutional grade warehouse space, which continues to make up a significant share of Austin's development pipeline.
- The Southeast and Georgetown submarkets continue to increase their supply. The Southeast currently has 1.2M SF UC and Georgetown has more than 872,000 SF UC, combined these submarkets represent more than 50% of the overall construction pipeline.
- Deliveries increased in 2025 to 13.1M SF, up from 9.8M SF in 2024. After declining in 2023 and 2024 from 16.4M SF in 2022, the market saw higher activity in 2025.
- Prior to the increase in construction that started in 2020, driven by COVID-19 related demand and population growth, the market experienced an average of 1.3M SF of new supply deliver annually from 2005 to 2019.
- Because of the increase in construction activity experienced in the last five years, Austin's overall inventory has increased nearly 60% since 2020.
- The construction pipeline is expected to continue moderating, provided time, allowing the market to stabilize and align with historical vacancy levels. The pipeline has already declined sharply from 12.9M SF last year to 4.0M SF currently, signaling a potential shift toward more balanced supply and demand.

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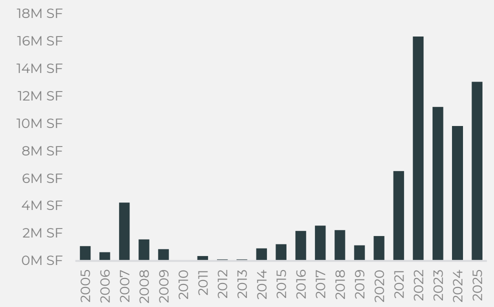
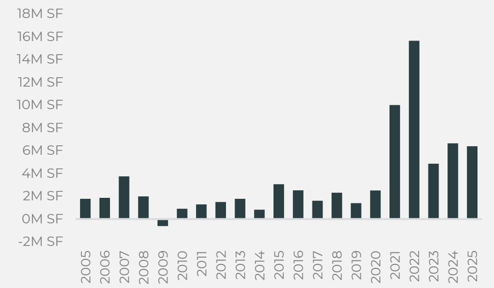
NEW DELIVERIES

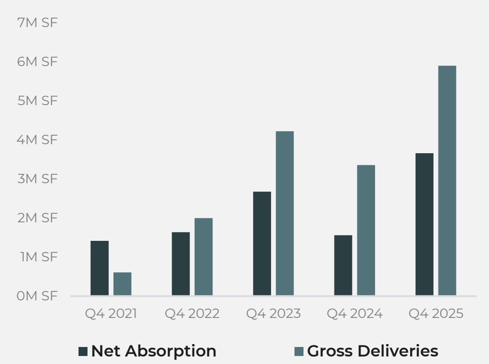


New Deliveries statistics reflect buildings 30,000 SF and up.

NET ABSORPTION



SUPPLY & DEMAND



Gross Deliveries statistics reflect buildings 30,000 SF and up.

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MARKET SUMMARY Q4 2025

Submarket	Total Inventory	Vacancy Rate	Q4 2025 Overall Net Absorption	2025 Overall Net Absorption	2025 Leasing Activity	Under Construction	2025 Construction Completions	Overall Asking Net Rent
East+	19,999,739	12.2%	(22,229)	482,264	674,641	90,000	2,368,685	$14.95
Far North	11,520,010	12.0%	2,800,868	2,898,648	733,508	511,884	3,524,192	$15.09
Georgetown	18,493,716	24.1%	518,845	1,248,834	697,444	872,161	2,158,300	$10.84
Hays County/Lockhart	21,744,565	18.2%	151,895	1,019,427	932,027	427,920	1,459,924	$12.38
North Central	14,484,454	8.8%	(234,711)	(256,261)	822,863	0	0	$13.53
Northeast+	29,837,990	11.6%	490,700	541,694	1,550,683	239,211	885,278	$12.37
Northwest	5,304,698	5.9%	(18,896)	152,086	456,764	313,771	129,933	$11.09
Southeast	20,381,048	23.4%	18,036	352,786	1,052,791	1,248,719	2,385,700	$15.40
Southwest	7,660,809	9.7%	(39,835)	(52,343)	357,095	303,112	2,655,659	$15.96
Austin Total	**149,427,029**	**15.2%**	**3,664,673**	**6,387,135**	**7,277,816**	**4,006,778**	**13,052,038**	**$12.54**

Under Construction & YTD Construction Completions reflect buildings 30,000 SF and up. Remaining statistics reflect logistics space of all sizes.

SIGNIFICANT LEASE TRANSACTIONS 2025

Property Address	Submarket	Tenant	Square Feet	Lease Type
TaylorPort Rail Park	Far North	Compal Electronics	366,115	New Lease
Austin Hills Commerce Center Building 1	East+	Tesla	296,960	New Lease
Buda Commerce Center Building 3	Hays County/Lockhart	Siete Foods	219,019	New Lease

LARGEST BUILDINGS UNDER CONSTRUCTION Q4 2025

Property Address	Submarket	Developer	Square Feet	Completion Date
San Marcos Business Park Phase I Building C	Hays County/Lockhart	St Clair Commercial Real Estate	377,300	Q2 2026
Burleson Tech Center Building B	Southeast	Holt Lunsford Commercial	263,609	Q2 2026
Point 45 Building 1	Northeast+	Longpoint	239,211	Q1 2026

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