KBC INSIGHTS | INDUSTRIAL MARKET UPDATE

Austin

ECONOMY

- The U.S. economy entered 2026 with meaningful tailwinds to growth including expanded business investment tax incentives, larger personal tax refunds, significant ongoing artificial intelligence (AI) related business investment, and hoped for reshoring related increases in domestic investment.
- Future economic growth depends on multiple factors including sustained job growth, sustained AI investment, increased domestic investment beyond AI, both trade and fiscal policy, favorable financial market conditions, and the Strait of Hormuz disruption with its varied potential impacts including on consumer spending power.
- National warehouse and storage employment continued its downward trend, decreasing by 49,000 positions compared with the same period last year.
- Austin's population has increased by 12.3% over the past five years, adding more than 285,000 residents. In the last year alone, the city grew by 1.6%.
- Population growth peaked in 2022 and began to slow in 2023. In 2025, Austin recorded the smallest annual increase of the past five years.
- AI related users continue to drive demand, with an increasing number of active requirements across the market, particularly in Hays County and Taylor, Texas. These tenants seek logistics space to support the storage, manufacturing, and distribution of components critical to data center operations, while leveraging Texas's central location, reliable power, fast time-to-market, and skilled labor force.
- In the first quarter of 2026, the market recorded a significant build-to-suit (BTS) project for Baer Manufacturing in the Georgetown submarket totaling more than 600,000 square feet (SF). A transaction of this scale has not occurred since the second quarter of 2024, when Four Hands executed a 567,000 SF lease in the Southeast submarket. During the quarter, Base Power also signed a BTS deal spanning two buildings totaling 320,000 SF in the Southeast submarket near the airport, with construction already underway for the energy provider's facilities.
- These large-scale projects are expected to support the Austin economy through job creation and new capital investment, further strengthening the region's manufacturing and energy sectors.

VACANCY

- In Q1 2026, Austin's overall vacancy rate increased to 15.4%, rising 100 basis points (bps) quarter-over-quarter (QOQ) and 300 bps year-over-year (YOY). The current level is 770 bps above the long-term average (LTA).

TRENDS: LOGISTICS & MANUFACTURING PROPERTIES

	Q1 2025	Q1 2026	Chg YOY
Vacancy	12.4%	15.4%	▲
Net Asking Rents	$12.53	$12.55	▲
Net Absorption, SF	1.4M	49,645	▼
Under Construction, SF	11.7M	11.9M	▲
New Deliveries, SF	3.3M	1.8M	▼

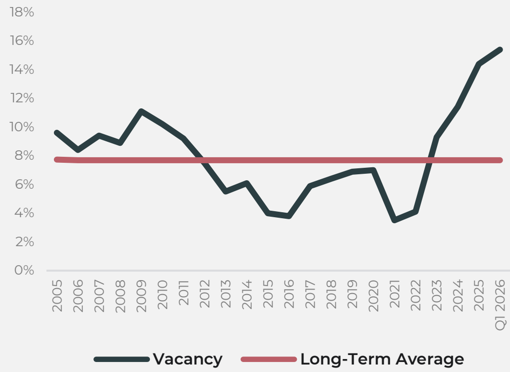
ECONOMIC INDICATORS

	Feb 25	Feb 26	Delta	
National Warehousing Employment (thousands)	1,883	1,834	-2.7%	▼

	Mar 21	Mar 26	Delta	
Austin Population	2.3M	2.6M	12.3%	▲

▶ 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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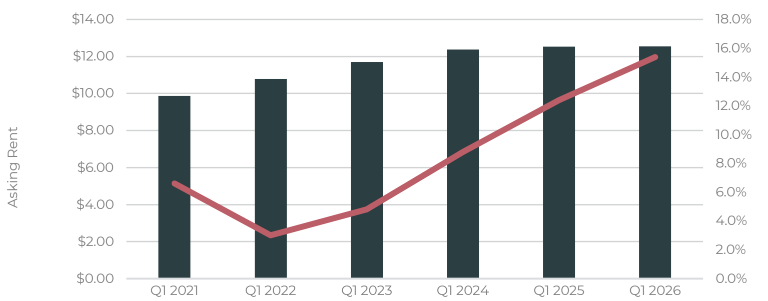
VACANCY CONT'D.

- Austin's vacancy rate for non-owner-occupied warehouse and distribution buildings reached 20.8%, rising significantly from 7.0% in the first quarter of 2023, an increase of nearly 1,380 bps. The market has experienced consistent increases in vacancy for the last two years.
- Given the slowdown in population growth and demand, combined with elevated supply delivered over the last five years, market conditions indicate that Austin's vacancy rate is likely to remain elevated in the near term.
- The Austin market has evolved in recent years with the introduction of institutional-grade buildings offering enhanced functionality compared to legacy properties. As leasing and absorption gradually return to historical norms, the market will need time to stabilize. Stabilization will depend on maintaining tenant demand to fill vacant space and keeping the construction pipeline limited so that new deliveries do not exceed demand.

RENT

- Annual asking rents have continued to remain flat, increasing only 0.2% YOY, and QOQ, bringing the market asking rent per square foot (SF) to $12.55/SF.
- With rents remaining flat, tenant improvement allowances have increased and are expected to stay elevated as landlords compete for occupancy given rising build-out and construction costs.
- Landlords are increasingly open to short-term leases of 12–36 months due to higher vacancies. Incentives are also higher than they were 24 months ago, giving tenants a favorable environment to enter the market and benefit from increased concessions.

VACANCY & ASKING RENT



	Q1 2021	Q1 2022	Q1 2023	Q1 2024	Q1 2025	Q1 2026
Asking Rent	$9.87	$10.79	$11.71	$12.37	$12.53	$12.55
Vacancy	6.6%	3.0%	4.8%	8.8%	12.4%	15.4%

Asking Rent — Vacancy

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DEMAND

- Net absorption was slightly positive, with nearly 50,000 SF of logistics and manufacturing space absorbed, down 480,000 SF QOQ and 1.3M SF YOY. Over the past 20 years, the market has recorded 11 quarters of negative absorption, led by Q1 2014 (653,102 SF) and Q1 2009 (603,772 SF), with 2009 accounting for three quarters and 2011 for two.
- For non-owner-occupied warehouse and distribution buildings, the market saw just 75,500 SF of positive absorption, down nearly 95% from this time last year, a decline of almost 1.3M SF.
- Leasing activity for logistics and manufacturing remained steady from the previous quarter at 3.2M SF, roughly 30% higher than the same period last year. A significant portion of this activity came from Baer's 606,000 SF BTS project and ZT Systems' 412,000 SF lease, which together accounted for 30% of total leasing this quarter.
- Growing demand from military-related users, including those involved in the space program, and active suppliers for Samsung, with some deals already signed and others still seeking space. The market has also seen demand from users requiring HVAC, driven by more tenants needing climate-controlled space.
- Demand will ultimately depend on broader economic conditions, as well as landlords' ability to keep Austin an attractive market for tenants to enter and absorb space. Current market conditions, however, create a favorable environment for tenants to enter and occupy space.

CONSTRUCTION

- The overall construction pipeline remained largely unchanged on both a quarterly and yearly basis, with 11.9M SF currently under construction (UC).
- For non–owner-occupied warehouse and distribution buildings, the pipeline stands at 5.9M SF, down 9.3% from the prior year and essentially flat compared with the previous quarter.
- Overall, the pipelines for both logistics and manufacturing buildings, as well as warehouse and distribution buildings, appear stable for now, though market conditions suggest they may decline in the near term.
- Deliveries declined slightly from the previous quarter to 1.7M SF and remain 45% below the level recorded in Q1 2025.
- Because of the increase in construction activity experienced in the last five years, Austin's overall inventory has increased 65% since 2020. The market has enough supply, with construction starts down significantly, eventually it will constrain vacancy.
- Land purchases for speculative product have declined significantly. Despite this, tenant demand remains active, with manufacturers showing interest in proposed sites.

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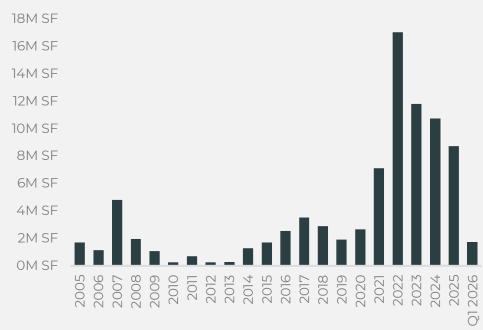
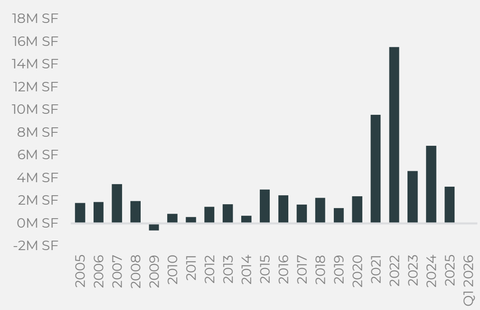
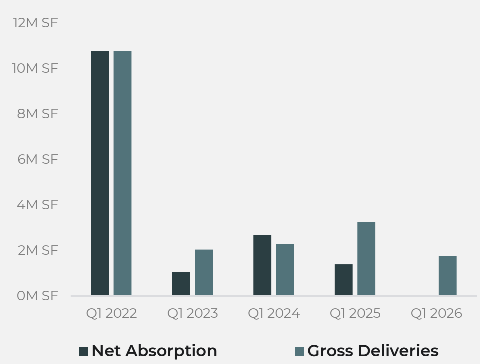
NEW DELIVERIES



NET ABSORPTION



SUPPLY & DEMAND



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MARKET SUMMARY Q1 2026

Submarket	Total Inventory	Vacancy Rate	Q1 2026 Overall Net Absorption	2026 Overall Net Absorption	2026 Leasing Activity	Under Construction	2026 Construction Completions	Overall Asking Net Rent
East+	19,798,731	12.4%	(18,010)	(18,010)	87,328	1,712,457	0	$15.62
Far North	8,747,741	21.2%	65,888	65,888	91,217	3,797,048	26,872	$14.25
Georgetown	18,828,159	25.7%	(17,637)	(17,637)	1,425,062	1,194,705	408,391	$11.72
Hays County/Lockhart	22,193,254	19.2%	(10,079)	(10,079)	581,127	606,220	1,268,928	$12.42
North Central	14,530,458	10.2%	(185,912)	(185,912)	167,487	0	0	$12.12
Northeast+	29,828,616	11.9%	(90,896)	(90,896)	171,863	890,081	0	$12.50
Northwest	5,384,211	8.2%	(79,706)	(79,706)	12,370	1,071,565	52,135	$14.27
Southeast	19,098,351	15.0%	369,253	369,253	227,571	2,273,515	7,650	$16.80
Southwest	7,578,384	9.6%	16,744	16,744	401,261	356,112	0	$15.91
Austin Total	**145,987,905**	**15.4%**	**49,645**	**49,645**	**3,165,286**	**11,901,703**	**1,763,976**	**$12.55**

Statistics reflect logistics & manufacturing space of all sizes including owner occupied

SIGNIFICANT LEASE TRANSACTIONS Q1 2026

Property Address	Submarket	Tenant	Square Feet	Lease Type
Crosspoint Phase II Building 7	Georgetown	Baer Manufacturing	606,000	Build-to-Suit
GTX Logistics Park Building 2	Georgetown	ZT Systems	412,470	New Lease
McCarty Park Building 3	Hays County	Base Power	94,648	New Lease

LARGEST BUILDINGS UNDER CONSTRUCTION Q1 2026

Property Address	Submarket	Developer	Square Feet	Completion Date
Samsung Semiconductor	Far North	Samsung	2,800,000	Q2 2026
Tesla Campus	East+	Tesla	696,093	Q2 2026
Austin Hills Commerce Center Building 6	East+	Principal	681,259	Q1 2027

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Mo Green
+1 512 484 8917
mo.green@kbcadvisors.com

Trey Blasingame
+1 404 790 7105
trey.blasingame@kbcadvisors.com

Natalie Benitez
Market Researcher
+1 469 442 6597
natalie.benitez@kbcadvisors.com

Morgan McMahen
+1 318 655 7748
morgan.mcmahen@kbcadvisors.com

Maddie O'Reilly
+1 540 717 1600
maddie.oreilly@kbcadvisors.com

Austin Office
5000 Plaza on the Lake, Suite 225
Austin, TX 78746

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