



THE SOURCE

AUSTIN INDUSTRIAL REPORT MID YEAR 2025



COMMERCIAL
INDUSTRIAL
PROPERTIES

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OVERVIEW

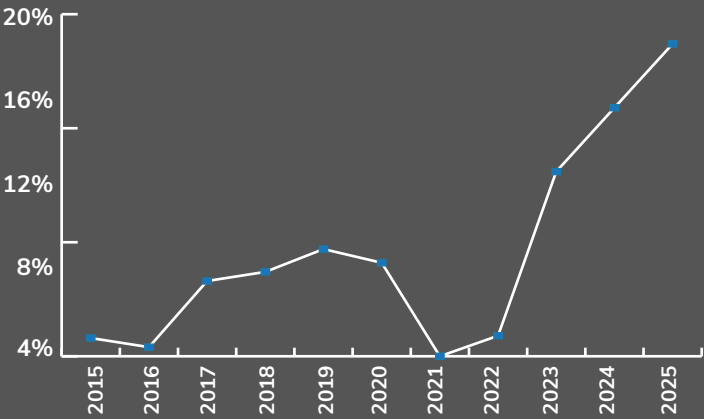
The Austin industrial market continues to navigate a challenging landscape marked by an unprecedented **oversupply of space**. This surplus, primarily stemming from a surge in speculative construction, has outpaced demand, leading to **elevated vacancy rates** and a **slowdown in rent growth**.

The current market dynamics reflect a continued **shift in favor of tenants**, as increased inventory provides greater options and bargaining power. While the long-term fundamentals of the market remain strong, driven by high-tech manufacturing expansions from companies like Tesla and Samsung, the immediate challenge lies in absorbing the significant surplus space. These conditions are expected to persist until the market recalibrates to a more balanced supply-demand equation. Looking ahead, the focus will likely shift to strategic leasing, adaptive tenant solutions, and a cautious approach to new developments.

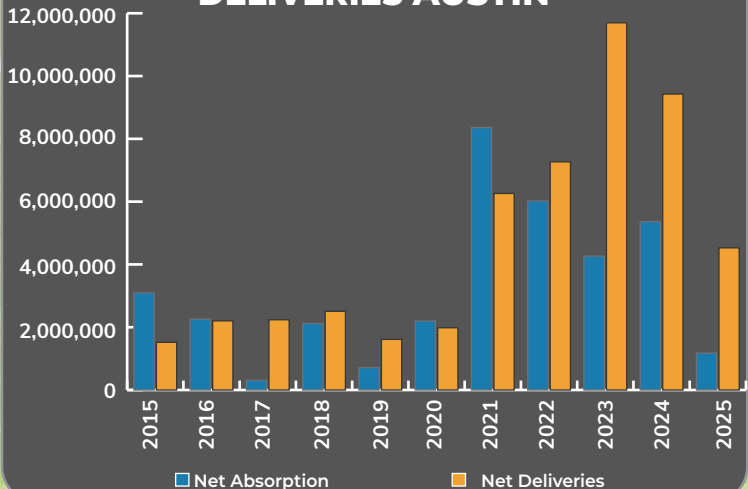
VACANCY

Vacancy rates in Austin have continued their sharp escalation into mid-2025, illustrating the persistent imbalance between supply and demand. **By mid-year 2025 (Q2), the vacancy rate had reached 17.8%.** This follows an upward trend from **15.9% at the end of 2024, 13.8% by mid-year 2024, and 13.1% at year-end 2023.** The rate was significantly lower at **5.8% in 2022.** Bulk warehouses, particularly those ranging from 100,000 to 500,000 square feet, continue to be disproportionately affected, with availability rates climbing to 23% by mid-2024. These figures underscore the magnitude of the oversupply, which far exceeds current tenant demand.

INDUSTRIAL VACANCY - AUSTIN



INDUSTRIAL ABSORPTION/ DELIVERIES AUSTIN



ABSORPTION

Despite the oversupply, demand for industrial space remains robust. **Mid-year 2025 saw a total net absorption of 1,176,596 square feet (SF).** This figure represents the combined absorption from Q1 2025, which saw a net absorption of (13,065) SF, and Q2 2025, with 1,189,661 SF absorbed. For context, mid-year 2024 saw absorption exceeding 3.9 million SF, while total net absorption reached 5.36 million SF by the end of 2024. Between Q3 2023 and Q2 2024, absorption totaled an impressive 7.6 million SF, driven in part by major manufacturing expansions. However, this strong demand has not kept pace with the rapid influx of new construction, perpetuating the market imbalance.



NEW CONSTRUCTION

The oversupply issue continues to be driven by an aggressive wave of speculative construction. **In the first half of 2025, 37 new industrial buildings were delivered, adding 4,527,862 SF to the market.** For comparison, in 2024 alone, 84 new industrial buildings were delivered, adding 9.4 million SF. **As of mid-year 2025 (Q2), there are 74 buildings currently under construction, totaling 8,309,812 SF.** Over the three-year period from 2022 to 2024, an average of 57 buildings were under construction annually, contributing over 8.4 million SF each year. Of the total available space, approximately 10.6 million SF has resulted from speculative projects. This overenthusiastic development strategy has outpaced national demand, exacerbating the oversupply and creating a significant challenge for the market.

YEAR-TO-YEAR TRENDS

VACANCY ABSORPTION CONSTRUCTION ASKING RENTS



INDUSTRIAL RENTAL RATE - AUSTIN



RENTAL RATE

Rental rates in the Austin industrial market have experienced significant growth over the past decade but have begun to stagnate due to the oversupply. **The average triple-net (NNN) rent at mid-year 2025 (Q2) was \$13.90 per square foot.** This is a slight decrease from the average NNN rent of **\$14.24 per square foot in 2024**, and also lower than **mid-year 2024's average of \$14.08 per square foot.** Rent growth slowed to 1.7% in 2024 and was projected to decline further to 1.1% by early 2025, reflecting the pressure of abundant space on rental values. The significant increase in rental rates over the past decade (a 54% increase from \$8.20 per SF in 2014 to \$14.39 per SF at year-end 2023) was largely driven by strong demand and increased development costs. However, the current oversupply is shifting lease negotiations in favor of tenants.



CONCLUSION

The Austin industrial market at mid-year 2025 remains under pressure from a pronounced oversupply, largely driven by speculative construction that has outpaced tenant demand. Vacancy rates have continued to rise, and rental growth has slowed, shifting leverage toward tenants. While demand—particularly from high-tech manufacturing—remains present, it has not been sufficient to absorb the rapid influx of new space.

These local dynamics are unfolding against a broader macroeconomic backdrop marked by persistent inflationary pressures, elevated interest rates, and cautious consumer and business sentiment. The Federal Reserve's continued tight monetary policy has tempered capital investment and slowed national industrial expansion. Additionally, global supply chain normalization and a cooling e-commerce sector have reduced urgency for large-scale logistics space, further dampening absorption rates.

Despite these headwinds, Austin's long-term fundamentals remain strong. The region continues to attract strategic investments from advanced manufacturing, life sciences and semiconductor sectors, supported by federal incentives and a skilled labor pool. As the market works to recalibrate, stakeholders are expected to prioritize strategic leasing, adaptive reuse, and disciplined development. A return to equilibrium will depend not only on local absorption but also on broader economic stabilization and renewed business confidence.

TOP 5 INDUSTRIAL LEASES Q1 & Q2 2025

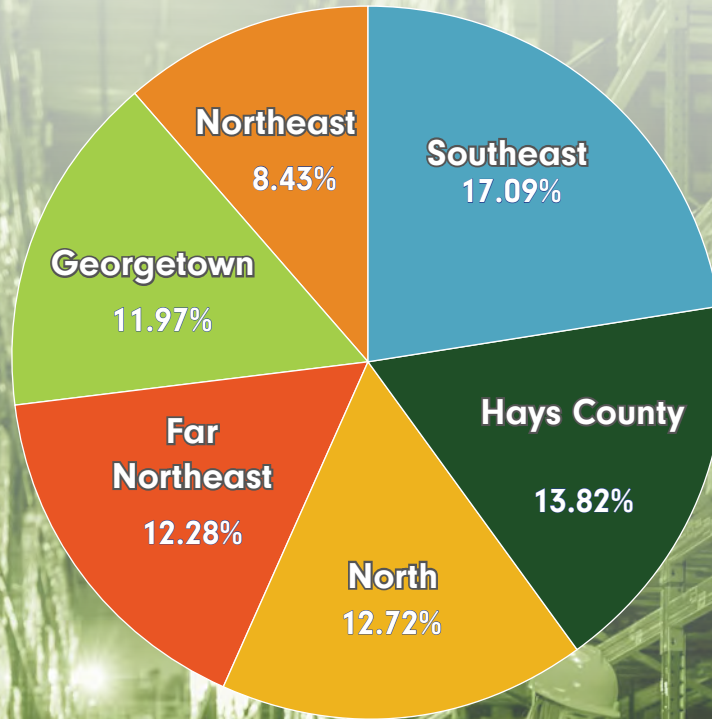
PROJECT NAME	LEASED SF	TENANT	QTR	SUBMARKET
Austin Hills Commerce Center	296,960	Tesla	Q2 25	Northeast
Buda Commerce Center	219,019	Siete Foods	Q1 25	Hays County
Park 183	154,786	Vulcan	Q1 25	Southeast
Northeast Crossing	110,400	Heavy Equipment & Installation	Q1 25	Far Northeast
Northgate Commerce Center	104,884	Stone Alliance	Q2 25	Far Northeast

TOP 5 INDUSTRIAL SALES Q1 & Q2 2025

PROJECT NAME	PROJECT SF	BUYER	SELLER	DATE
Tuscany Logistics Center – Bldgs. 1,2 & 3	373,477	Starwood	Dalfen Industrial Capital Group	3/25
Rutherford Center I&II	139,251	TA Realty	Colfin Cobalt I-II Owner	1/25
2500 S. Highway 183	123,500	Lighthouse Group	2500 Highway 193 LP	3/25
MoPac 4 & 5	117,440	MIG	B9 Sequoia MoPac Owner LP	3/25
Ben White 1 & 5	108,385	MIG	B9 Sequoia Ben White Owner LP	3/25



6 LARGEST MARKETS BY SF



SUBMARKET MAP



LEGEND

1. BASTROP COUNTY
2. CALDWELL COUNTY
3. CBD
4. CEDAR PARK
5. CENTRAL
6. EAST
7. FAR NORTHEAST
8. FAR NORTHWEST
9. GEORGETOWN
10. HAYS COUNTY
11. NORTH
12. NORTHEAST
13. NORTHWEST
14. ROUND ROCK
15. SOUTH
16. SOUTHEAST
17. SOUTHWEST
18. WEST CENTRAL

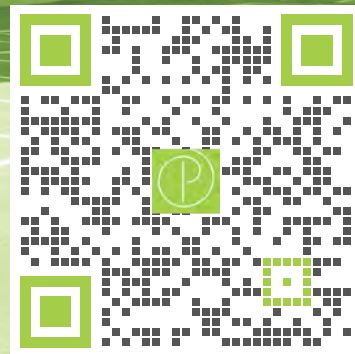


ABOUT CIP

CIP is a full-service commercial real estate firm committed to delivering exceptional service to tenants, landlords, buyers, sellers, and investors. The dynamic and diverse team of brokers at CIP allows the firm to efficiently cater to a wide spectrum of real estate requirements. Our Industrial Team has been helping clients with their space needs and to solve their real estate challenges. With our experienced brokers, deep relationships, cutting-edge technology, and passion for helping clients exceed their commercial real estate goals, CIP aims to continue shaping Austin as a market leader in all sectors of commercial real estate.

**FOR MORE INFORMATION
ABOUT THE INDUSTRIAL TEAM,
SCAN THE QR CODE:**

If you operate a business, or own a building, and would like to learn more about specific data in your area, please reach out and we will be happy to forward you a detailed report on your submarket.



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