



# THE SOURCE

## AUSTIN INDUSTRIAL REPORT Q1 2026



**COMMERCIAL  
INDUSTRIAL  
PROPERTIES**

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## OVERVIEW

The Austin industrial market entered the first quarter of 2026 facing headwinds that have been building for several years. A sustained pipeline of speculative construction, which accelerated sharply during the post-pandemic demand surge of 2021 and 2022, has outpaced leasing velocity and pushed the overall vacancy rate to its highest level in more than a decade. At the close of Q1 2026, the market encompassed 1,407 buildings totaling approximately 105.5 million square feet — a figure that has expanded by nearly 6 million square feet over the past twelve months alone — underscoring the scale of supply-side pressure now weighing on fundamentals.

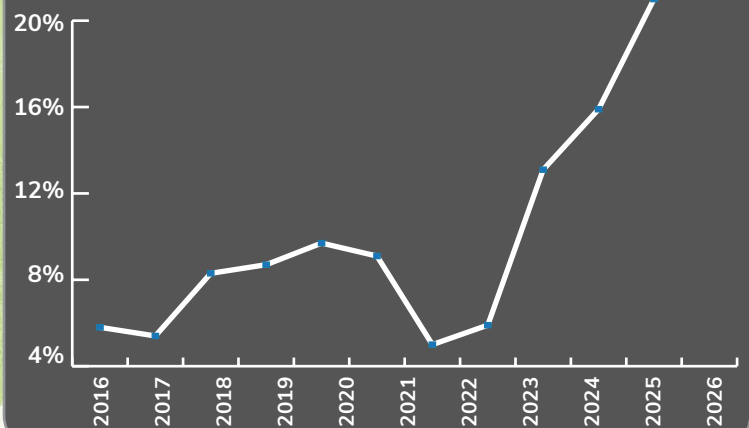
Compared to the peak demand conditions of 2021, when net absorption surpassed 8.3 million square feet and vacancy sat at a historically tight 5.0 percent, the current environment represents a meaningful correction. The market is working through an excess of available space that accumulated as developers responded aggressively to unprecedented leasing activity, yet the pace of demand has not kept step. With 76 buildings comprising more than 8.4 million square feet still under construction at quarter's end, relief for landlords remains a multi-quarter proposition. Despite these supply-side challenges, the Austin economy continues to generate industrial demand, and the long-term structural drivers of the market — a diversified corporate base, population growth, and a strategically important logistics position within the Sun Belt — remain intact.

## VACANCY

Austin's industrial vacancy rate climbed to 22.1 percent in Q1 2026, a 110-basis-point increase from the 21.0 percent recorded at year-end 2025 and the highest reading posted since the depths of the post-dot-com contraction in the early 2000s. The trajectory of vacancy has been consistently upward since bottoming at 4.5 percent in Q1 2022, when demand was at its cyclical peak and the pipeline was only beginning to fill. Since that inflection point, vacancy has expanded by more than 17.5 %, a stark illustration of how dramatically the supply-demand balance has shifted.

Year-over-year, the vacancy rate has risen from 15.9 percent at year-end 2024, a gain of approximately 6.2 % in a single calendar year. The pace of increase did moderate somewhat through 2025 — a sign that absorption, while modest, has been working to contain further deterioration — but the addition of new product from the active construction pipeline continues to refresh available inventory faster than tenants can backfill it. The result is an environment that strongly favors occupiers, with tenants commanding meaningful concessions and landlords increasingly competing on economics to secure or retain credit tenancy.

### INDUSTRIAL VACANCY - AUSTIN





Q1 2026 AT A GLANCE

22.1%

VACANCY RATE

from 21.0% Q4 2025

26,374 SF

NET ABSORPTION

Q1 2026

1,782,454 SF

NEW DELIVERIES

16 buildings

8,434,262 SF

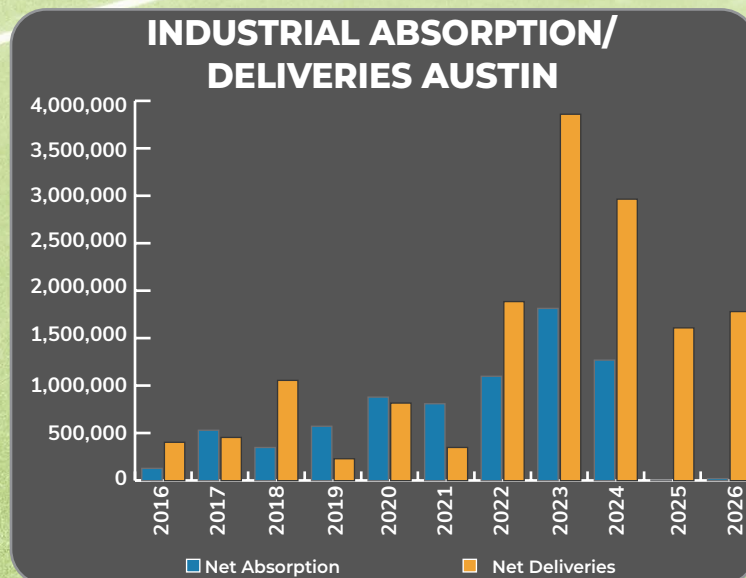
UNDER CONSTRUCTION

76 buildings

ABSORPTION

Net absorption in Q1 2026 totaled just 26,374 square feet, a marginal figure that nonetheless represents a continuation of activity following the tepid 12,451 square feet absorbed in the fourth quarter of 2025. While the back-to-back quarters of positive absorption signal that leasing demand has not evaporated, the velocity remains far below the levels needed to meaningfully reduce elevated vacancy. For context, during the market's most active years — 2021, 2022, and 2024 — Austin recorded annual net absorption of 8.4 million, 6.0 million, and 5.4 million square feet, respectively. The current pace implies a dramatically more measured recovery.

The full year 2025 produced aggregate net absorption of approximately 2.1 million square feet, down sharply from the 5.4 million square feet absorbed during 2024. This deceleration reflects both a maturing demand cycle and the increasing availability of large-block options that are taking longer to lease in a market with abundant supply. Smaller tenant activity and renewals-in-place are largely sustaining positive absorption readings, while big-box leasing — traditionally the market's absorption engine — has slowed considerably as occupiers reassess space requirements in a more cautious operating environment. Demand conditions are expected to remain restrained through at least the near term as the market digests its historic supply surplus.



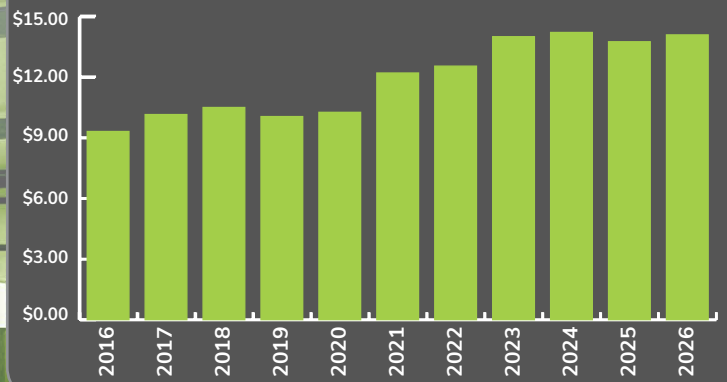


## NEW CONSTRUCTION

Sixteen buildings totaling 1,782,454 square feet delivered to the Austin industrial market during the first quarter of 2026, a modest step up from the 1,611,153 square feet delivered across 15 buildings in Q4 2025. While the quarterly delivery volume is considerably more measured than the peak pipeline years of 2023 and 2024 — when the market absorbed over 11.7 million and 9.4 million square feet of new supply annually — the cumulative overhang from that construction cycle continues to pressure the market. Since 2022, Austin has added an extraordinary amount of new industrial product, more than tripling its historical pace of annual completions.

As of Q1 2026, 76 buildings representing 8,434,262 square feet remained under construction — roughly equivalent to eight percent of the total existing market inventory — a figure that signals the delivery pipeline, while contracting from the peak of 103 buildings and 12.1 million square feet seen at the close of 2023, has not yet sufficiently wound down. The balance of construction activity is weighted toward speculative development, meaning the absence of pre-committed tenants will require developers to compete directly with existing available space. Until occupancy rates on recently delivered buildings improve, the incentive to break ground on new projects has diminished, and a number of proposed developments have been either deferred or shelved entirely as capital markets have grown more discerning.

### INDUSTRIAL RENTAL RATE - AUSTIN



## RENTAL RATE

Average asking NNN rents in the Austin industrial market registered \$14.12 per square foot in Q1 2026, up from \$13.78 per square foot at year-end 2025 but below the \$14.24 per square foot average that prevailed at the close of 2024. While the quarter-over-quarter increase of \$0.34 per square foot might appear to signal a firming of pricing, it is important to interpret headline asking rents with caution in the current environment. Effective rents — those achieved after accounting for concessions such as free-rent periods, tenant improvement allowances, and landlord-funded build-outs — are tracking materially below asking levels as owners prioritize occupancy over rate integrity.

The rental rate trend over a longer horizon tells a more complete story of market maturation. NNN rents have risen substantially from the \$10.28 per square foot recorded in 2020 and the \$12.23 per square foot averaged in 2021, reflecting the cumulative impact of strong demand and cost escalation on achievable rents during the cycle's growth phase. However, the upward trajectory has plateaued and, in real terms, modestly retreated as the occupier-favorable environment of today exerts downward pressure. Submarkets with heavier concentrations of large-bay, rear-load product are experiencing the most pronounced rate softening, while infill locations with limited competing supply have demonstrated considerably more resilience.



## TOP 5 INDUSTRIAL LEASES Q1 2026

PROJECT NAME	LEASED SF	TENANT	SUBMARKET
Crosspoint Building 2	606,000	Baer Manufacturing	Georgetown
Georgetown Logistics Park Bldg 2	412,470	ZT Systems	Georgetown
McCarty Park Bldg 3	94,648	US LBM	Hays
Park79 Commerce Center	87,000	Industry Link Logistics, LLC	Georgetown
Buda Commerce Center Bldg 4	76,228	Unknown	Hays

## TOP INDUSTRIAL SALES Q1 2026

PROJECT NAME	PROJECT SF	BUYER	SELLER	DATE
Bee Cave Logistics Park	269,459	Lisium Astro	Velocis	3/26
New Hope Corporate Park	269,121	Stockbridge Capital	Riverside Resources	3/26
2307 Business Center Drive	62,750	Portal Warehouse	Travis Association for the Blind	3/26
4905 Winnebago Lane Bldg 2	60,000	Ambient Capital Partners	Bond Filipenko Commercial	1/26
95 County Road 118	48,125	Outour Storage Investments	RSI Equity Partners	3/26



## LOOKING AHEAD:

While significant individual transactions during Q1 2026 were more subdued compared to prior peak-cycle quarters, a handful of notable leasing and sales activities continued to reflect underlying demand from logistics, e-commerce fulfillment, and advanced manufacturing users — sectors that have historically anchored Austin's industrial base. Last-mile distribution requirements continued to generate the most consistent leasing inquiry, particularly in submarkets with favorable access to the area's expanding residential population centers. Food and beverage processing, construction materials distribution, and technology-related light manufacturing also contributed to demand, consistent with the diversified tenant profile that has characterized the Austin market throughout the current cycle.

On the investment sales front, pricing discovery remained an active conversation between buyers and sellers as elevated interest rates and rising vacancy compressed underwriting confidence. Cap rate expansion continued to influence deal flow, with sellers in many cases preferring to hold stabilized assets rather than transact at values that reflect current market conditions. Despite these dynamics, well-leased, single-tenant assets in core locations continued to attract disciplined institutional interest, and a modest volume of trades closed at metrics broadly consistent with the market's evolving pricing expectations.

## CONCLUSION

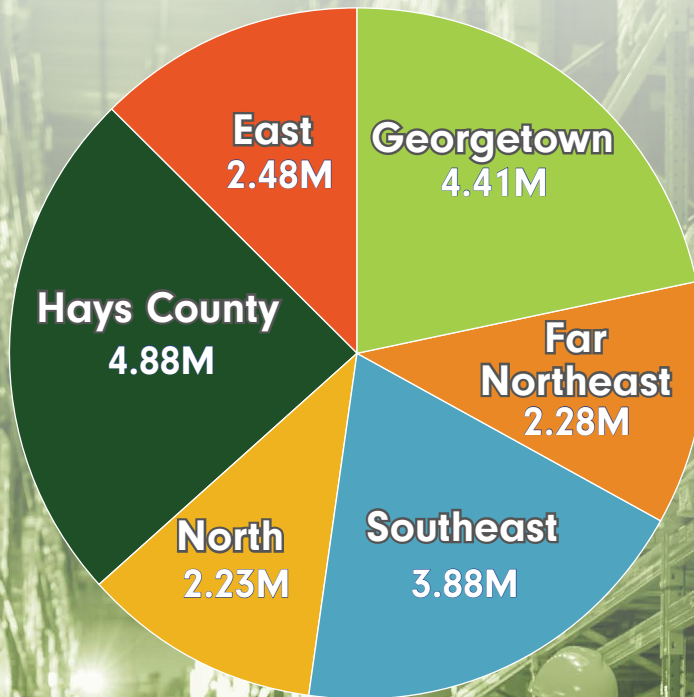
The Austin industrial market finds itself at an inflection point as it navigates Q1 2026. The combination of record-high vacancy, restrained absorption, and a still-active construction pipeline defines a market in the midst of a supply-led correction — one that will take time, and likely several additional quarters of above-trend demand, to resolve. With vacancy at 22.1 percent and more than 8.4 million square feet under construction, the near-term outlook for landlords and developers remains challenging, and tenant leverage will continue to support concession-heavy lease structures for the foreseeable future.

Nevertheless, Austin's fundamental advantages as a market are not in question. The metropolitan area's continued economic diversification, expanding population, and strategic position within the high-growth Sun Belt corridor provide durable long-term drivers for industrial demand. The market has proven its capacity for rapid absorption during favorable demand cycles — as evidenced by the 8.4 million square feet absorbed in 2021 and 6.0 million square feet in 2022 — and the current correction is best understood as a normalization following an historically exceptional period of supply and demand growth rather than a structural deterioration. As the construction pipeline continues to shrink from its peak and broad economic conditions support a resumption of business expansion and supply chain investment, the Austin industrial market is well positioned to recover — though the path back to equilibrium is measured in years, not quarters.

Tenants with near-term lease events are advised to move decisively to capture the most favorable terms in what remains a distinctly occupier-friendly environment. For investors and developers, patience, selectivity, and a focus on infill assets with proven tenant demand will be the essential disciplines as the market works through its current inventory surplus.



## 6 LARGEST MARKETS BY SF



## SUBMARKET MAP



### LEGEND

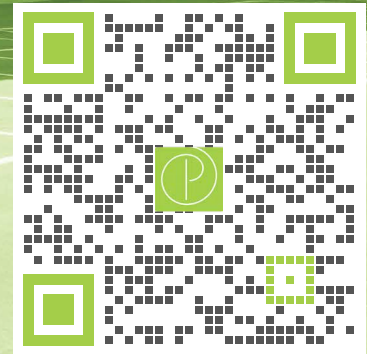
1. BASTROP COUNTY
2. CALDWELL COUNTY
3. CBD
4. CEDAR PARK
5. CENTRAL
6. EAST
7. FAR NORTHEAST
8. FAR NORTHWEST
9. GEORGETOWN
10. HAYS COUNTY
11. NORTH
12. NORTHEAST
13. NORTHWEST
14. ROUND ROCK
15. SOUTH
16. SOUTHEAST
17. SOUTHWEST
18. WEST CENTRAL



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