THE SOURCE

AUSTIN INDUSTRIAL REPORT

Q3 2025

COMMERCIAL INDUSTRIAL PROPERTIES

9130 Jollyville Rd, Suite 300, Austin, TX 78759

512 682 1000

www.ciptexas.com

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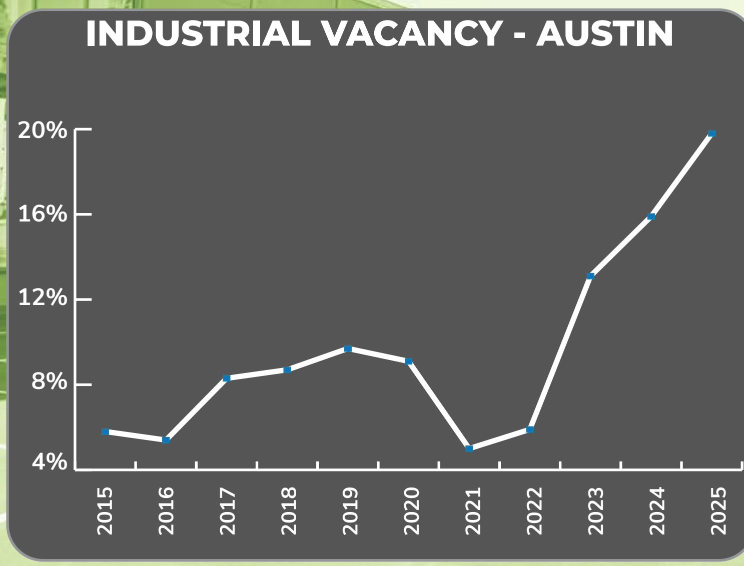
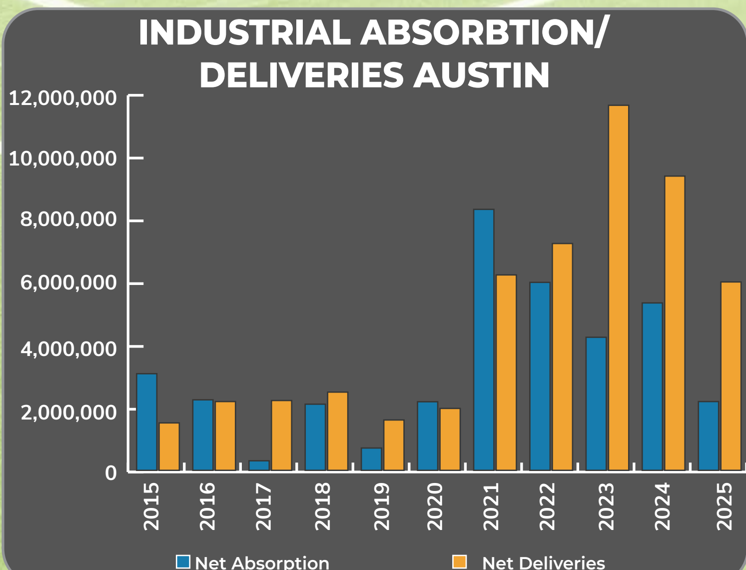
OVERVIEW

The Austin industrial market's third quarter was defined by a mix of historic vacancy rates and early signs of stabilization. While the after effects of aggressive speculative construction continue to challenge property owners, rising absorption, moderating construction activity, and modest rent stabilization suggest that the worst of the oversupply cycle may be behind us. With developers exercising much needed discipline and major manufacturing tenants providing consistent demand, the groundwork is being laid for Austin's industrial sector to gradually return to balance in the coming quarters.

VACANCY

Vacancy hit a record 19.8% in Q3, up from 17.8% at mid-year and 14.7% last year, reflecting lingering effects of speculative development and excess bulk warehouse supply. The pace of increase is slowing, suggesting a possible peak as construction moderates and tenant demand improves.





ABSORPTION

Q3 net absorption reached 1,026,557 SF-three times last year's level-driven by advanced manufacturing tenants like Tesla and Samsung. Year-to-date absorption stands at 2.2 million SF, showing resilience amid oversupply, though new deliveries continue to outpace demand.

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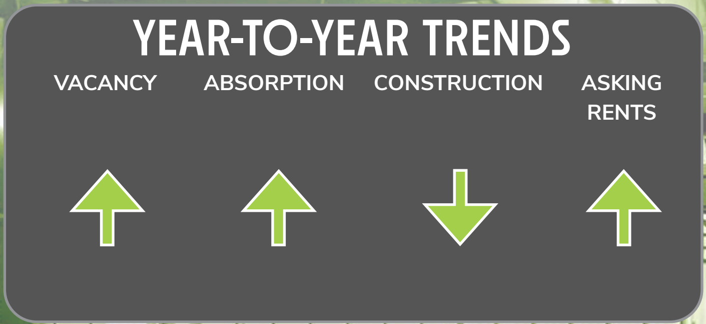
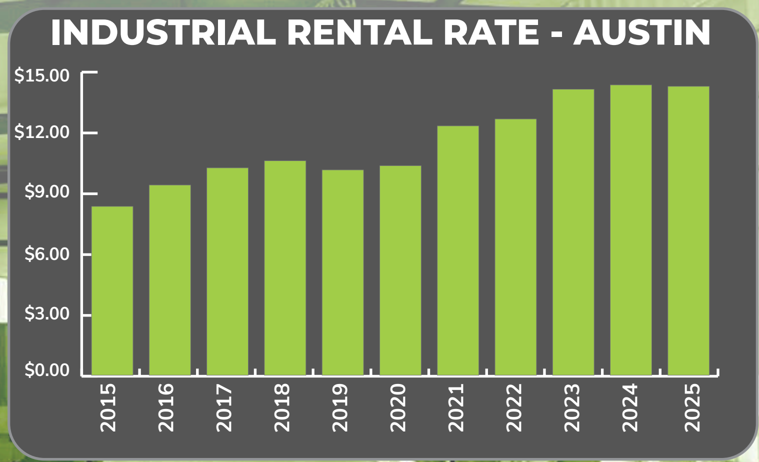
NEW CONSTRUCTION

This quarter saw 1.5 million SF delivered across 11 new buildings, measured against a year-to-date total of 48 buildings and 6 million SF. The construction pipeline is contracting: just 8 million SF in progress at quarter's end versus 11.1 million SF last year and a peak of 96 buildings underway in mid-2024. Developer caution is now evident, as pre-leasing requirements become more stringent to reduce risk. This pullback, after years of aggressive speculative construction averaging 57 new buildings and over 8 million SF annually from 2022-2024, is necessary to address an estimated 10.6 million SF of unleased space now saturating the market. Looking ahead, the improved discipline in new starts gives the market breathing room to absorb existing surplus and gradually return to equilibrium.





RENTAL RATE

Average rents rose to $14.17/SF (up 1.9% from mid-year), signaling a possible end to the slide, though still 2.3% below Q3 2024. While concessions remain prevalent-including free rent, generous improvement allowances, and flexible terms-this rate increase may point to stabilization, especially in well-located, modern facilities where tenant demand is strongest. Nonetheless, the overall rent environment remains highly competitive, as elevated vacancy and abundant options favor tenants. Rent growth is expected to be subdued into 2026 until current inventory is absorbed, but select properties may see stronger performance as conditions rebalance.

Conclusion

Compared to 2024, Austin's industrial market shows rising vacancy, but stronger absorption, slower construction, and rent stabilization. Market signals point to gradual recovery rather than deterioration.

Looking Ahead:

Austin remains well positioned for long-term industrial growth supported by tech, manufacturing, and life sciences investments. Recovery will depend on disciplined development, ongoing tenant demand, and patient absorption. The abundant supply offers tenants unique negotiating leverage and long-term opportunity as the market works toward renewed equilibrium and future expansion.

Top 5 Industrial Leases Q3 2025

PROJECT NAME	LEASED SF	TENANT	QTR	SUBMARKET
Manor Business Park	135,927	Unknown	Q3 25	Far Northeast
Tuscany Center at Walnut Creek	54,865	Unknown	Q3 25	Northeast
8600 Wall St	51,200	Unknown	Q3 25	Northeast
Lockhard Logistics	48,730	Hill Country Food Works	Q3 25	Caldwell
Park 290 - Bldg 1	38,489	SPG	Q3 25	East

Top Industrial Sales Q3 2025

PROJECT NAME	PROJECT SF	BUYER	SELLER	DATE
Innovation Business Park- Bldg 8	196,523	Buchanan Capital Partners	Titan Development	4/25
ATX 130 - Bldg 1	120,440	Zell One	Jackson Shaw	1/25

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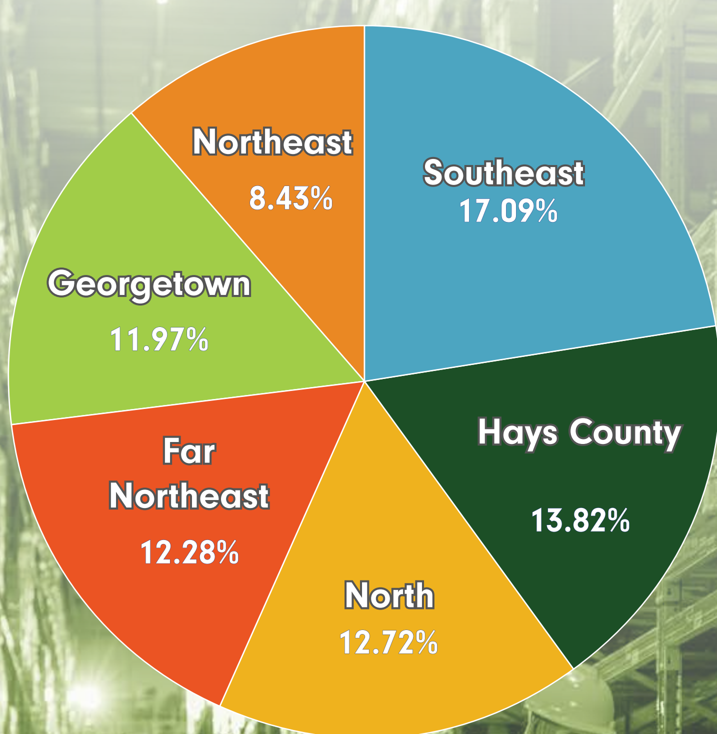
6 Largest Markets by SF



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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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.

CIP INDUSTRIAL TEAM **512 682 1030**

Bob Springer, SIOR, CCIM	bob@cipaustin.com
Robby Eaves, CCIM	robby@cipaustin.com
Mark Milstead	mark@cipaustin.com
Lee Ellison, ALC	lee@cipaustin.com
Brian Smith, CCIM	brian@cipaustin.com
Tim Tran	tim@cipaustin.com
Kailee Foyle	kailee@cipaustin.com

All data courtesy of CoStar