



THE SOURCE

AUSTIN INDUSTRIAL REPORT
Q4 2025



COMMERCIAL
INDUSTRIAL
PROPERTIES

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OVERVIEW

The Austin industrial market closed 2025 navigating the continued effects of a pronounced oversupply that has fundamentally reshaped market dynamics over the past two years. The fourth quarter marked a period of minimal demand activity, as vacancy rates reached a new historical peak while absorption slowed to near-zero levels. These conditions reflect the cumulative impact of aggressive speculative development that has outpaced tenant demand, creating a market environment that decisively favors tenants.

The year-end data illustrates a market still searching for equilibrium. While absorption remained technically positive in Q4, the modest 12,451 SF figure—representing a 99% decline from the same quarter last year—signals that tenant activity has slowed dramatically. The silver lining lies in the construction pipeline, which has contracted meaningfully as developers exercise greater discipline in response to challenging leasing conditions. This moderation in new supply is a necessary precursor to eventual market stabilization.

Austin's long-term fundamentals remain intact, anchored by the region's expanding technology, semiconductor, and advanced manufacturing sectors. However, the path to recovery will require patience as the substantial inventory overhang is gradually absorbed. Looking ahead to 2026, stakeholders should anticipate continued tenant-favorable conditions with limited rent growth until the supply-demand imbalance corrects.

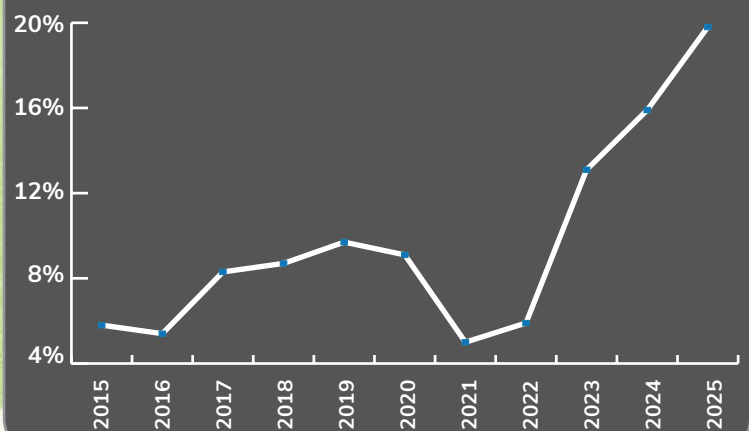
VACANCY

Vacancy rates in the Austin industrial market reached unprecedented levels by year-end 2025, underscoring the severity of the current oversupply cycle. **By the fourth quarter of 2025, the vacancy rate had climbed to 21.0%**, representing a 1.3 percentage point increase from the 19.7% recorded in Q3 2025 and a substantial 5.1 percentage point rise from the 15.9% posted at year-end 2024.

The quarterly progression throughout 2025 illustrates the persistent upward pressure on vacancy: the year began at 18.2% in Q1, rose to 19.0% by mid-year, increased to 19.7% in Q3, and ultimately reached 21.0% by December. This trajectory represents a dramatic departure from the market's historical performance—vacancy stood at just 5.0% in 2021 and 5.9% in 2022 before the speculative construction boom fundamentally altered market conditions.

The current vacancy level is more than four times the 2021 low point and represents the highest rate recorded in the Austin industrial market in over two decades. Bulk warehouse space, particularly buildings in the 100,000 to 500,000 square foot range, continues to bear the brunt of the oversupply, with availability in this segment remaining acutely elevated. These figures reflect not only the magnitude of recent construction deliveries but also a normalization of demand following the extraordinary absorption driven by pandemic-era logistics expansion and major manufacturing commitments.

INDUSTRIAL VACANCY - AUSTIN



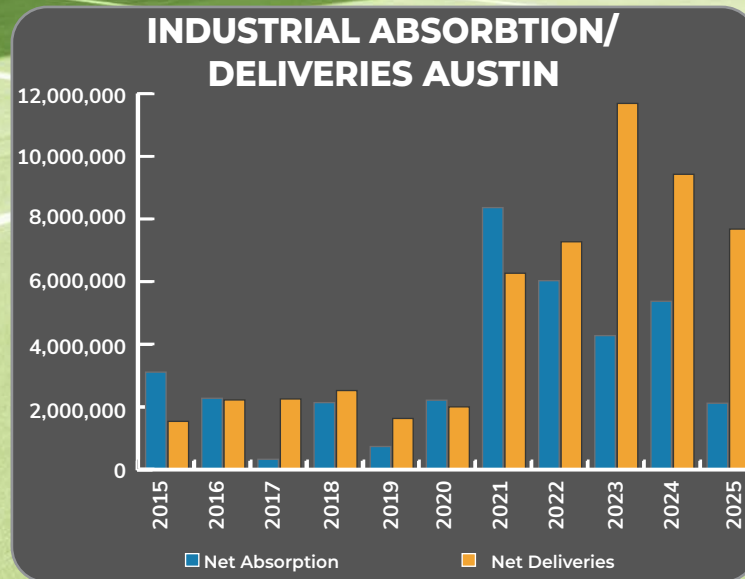


ABSORPTION

The fourth quarter concluded 2025 with absorption slowing to a near standstill, as **net absorption totaled just 12,451 square feet**—technically positive but representing the weakest quarterly performance of the year by a significant margin. This figure represents a 92% decline from Q3 2025’s 149,874 SF and a striking 99% decrease from Q4 2024’s robust absorption of 1,272,359 SF.

The quarterly absorption pattern throughout 2025 reveals a progressively decelerating demand picture: Q1 2025 recorded strong absorption of 1,402,617 SF, which slowed to 555,591 SF in Q2, decelerated further to 149,874 SF in Q3, and ultimately contracted to minimal levels in Q4. **Full-year 2025 net absorption totaled approximately 2.1 million SF**, representing a 60% decline from the 5,363,315 SF absorbed in 2024.

While annual absorption remained positive—demonstrating continued underlying demand for industrial space—the dramatic quarterly slowdown raises concerns about near-term market momentum. The Q4 result, though not negative, indicates that new deliveries have nearly matched tenant take-up, leaving the market treading water rather than making progress on the vacancy overhang. Advanced manufacturing tenants, including major players in the semiconductor and electric vehicle sectors, continue to provide baseline demand, but this has proven insufficient to meaningfully counterbalance the speculative inventory that came online over the past three years.





NEW CONSTRUCTION

Construction activity in Q4 2025 reflected the ongoing delivery of projects initiated during the development boom while simultaneously showing clear signs of developer restraint in new project starts. **During the fourth quarter, 15 new industrial buildings were delivered, adding 1,611,153 SF to the market.** For full-year 2025, deliveries totaled 64 buildings comprising 7,674,931 SF—a meaningful reduction from 2024’s 84 buildings and 9,427,668 SF.

More importantly, the construction pipeline has contracted substantially. **As of year-end 2025, 75 buildings totaling 8,046,859 SF were under construction,** down from 80 buildings and 11,103,405 SF at year-end 2024—a 27.5% reduction in square footage. This decline from the peak of 103 buildings under construction in late 2023 signals that developers have recalibrated their strategies in response to elevated vacancy and challenging leasing conditions.

The pullback in speculative construction represents a critical first step toward market rebalancing. Lenders have tightened underwriting standards, and developers are increasingly requiring significant pre-leasing commitments before breaking ground on new projects. This disciplined approach, while painful in the short term for development activity, is essential to preventing further exacerbation of the oversupply and allowing existing inventory to be absorbed. The estimated surplus of unleased speculative space that accumulated during the 2022-2024 building boom will take considerable time to clear, but the reduced construction pipeline provides the market with necessary breathing room.

INDUSTRIAL RENTAL RATE - AUSTIN



RENTAL RATE

Rental rates in the Austin industrial market experienced renewed downward pressure in Q4 2025, pulling back from the modest recovery observed in the prior quarter. The average triple-net (NNN) rent at year-end 2025 was \$13.78 per square foot, representing a 3.4% decline from Q3 2025’s \$14.26 per SF and a 3.2% decrease from the \$14.24 per SF recorded at year-end 2024.

The quarterly rent progression in 2025 showed considerable volatility: rates stood at \$13.88 per SF in Q1, dipped to \$13.76 per SF in Q2, rebounded to \$14.26 per SF in Q3, and retreated to \$13.78 per SF by year-end. This pattern reflects the uneven nature of lease negotiations in an oversupplied market, where concession packages and effective rates can vary significantly based on building quality, location, and landlord motivation.

The current rental environment remains decisively tenant-favorable. Landlords continue to offer aggressive concession packages including free rent periods, generous tenant improvement allowances, and flexible lease terms to compete for a limited pool of active tenants. While headline asking rents have held relatively steady compared to the dramatic 54% increase seen between 2014 and 2023, effective rents—accounting for concessions—have softened more substantially. Rent growth is expected to remain subdued through 2026 and potentially into 2027 as the market works through its current inventory surplus. Well-located, modern Class A facilities may outperform the broader market, but overall conditions will continue to favor tenants until vacancy returns to more balanced levels.



YEAR-TO-YEAR TRENDS

VACANCY ABSORPTION CONSTRUCTION ASKING RENTS



TOP 5 INDUSTRIAL LEASES Q4 2025

PROJECT NAME	LEASED SF	TENANT	SUBMARKET
Taylor Rail Park	366,115	Compal USA	Round Rock
Georgetown Logistics Park Bldg 1	212,793	Compal USA	Georgetown
Howard 130 Bldg 3	197,980	Unknown	Far Northeast
71 Logistics Center	101,000	LCRA	Southeast
Prologis Corridor Park Bldg 9	99,400	Mattress Firm	North

TOP INDUSTRIAL SALES Q4 2025

PROJECT NAME	PROJECT SF	BUYER	SELLER	DATE
1611 Clovis Barker	264,620	Reich Brothers	Signify	12/25
Blue Springs Business Park	168,784	Pegatron Technologies	B9 Settlers Grove Owner, LP	10/25
600 New Meister Ln	141,000	Skybox Datacenters	Prologis, Inc	11/25
ATX 130 Bldg 2	80,365	Altura	Jackson-Shaw Company	12/25
9109 Tuscany Way	57,468	DLL Cabinetry	Stonelake Capital Partners	11/25



CONCLUSION

The Austin industrial market concluded 2025 at a pivotal juncture, with vacancy reaching a historic 21.0% and absorption slowing to minimal levels in the fourth quarter. While Q4 absorption remained technically positive at 12,451 SF, this near-flat result—down 99% year-over-year—underscores the demand challenges facing the market. The cumulative effects of aggressive speculative construction between 2022 and 2024 have created a substantial inventory overhang that continues to pressure occupancy and rents. Full-year absorption of approximately 2.1 million SF, while positive, represents a 60% decline from 2024.

These local challenges are occurring within a broader economic context characterized by persistent interest rate pressures, cautious corporate expansion plans, and a normalization of e-commerce growth following the pandemic-driven surge. The Federal Reserve's monetary policy stance continues to influence capital markets and corporate decision-making, contributing to measured tenant activity across the industrial sector nationally.

Despite these near-term headwinds, Austin's long-term industrial fundamentals remain compelling. The region continues to benefit from strategic investments in advanced manufacturing, semiconductor production, and life sciences—sectors supported by federal incentives and the region's deep talent pool. The significant contraction in the construction pipeline, with projects under construction down 27.5% year-over-year in square footage, represents a necessary market correction that will eventually support recovery.

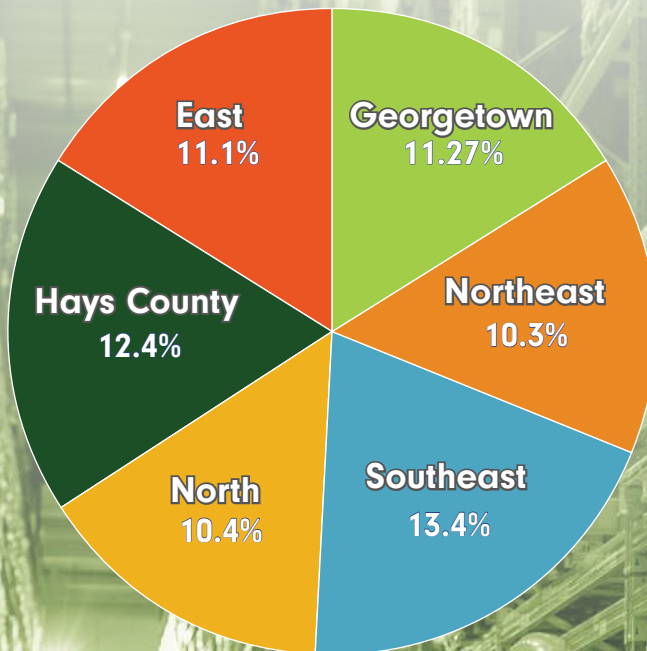
LOOKING AHEAD:

The path to market equilibrium will require patience and discipline. Stakeholders should anticipate continued elevated vacancy and tenant-favorable conditions through at least the first half of 2026, with gradual improvement expected as the construction pipeline continues to moderate and existing space is absorbed. Landlords will need to remain competitive on concessions to attract and retain tenants, while investors should focus on well-located assets with stable tenancy and below-market rents that offer upside potential when conditions normalize.

Austin's industrial market has weathered cycles before, and its underlying growth drivers—population expansion, corporate relocations, and strategic manufacturing investment—position it well for eventual recovery. The current oversupply, while challenging, also presents opportunities for tenants seeking high-quality space at favorable terms and for investors with long-term horizons who can acquire assets at cyclically attractive pricing.



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

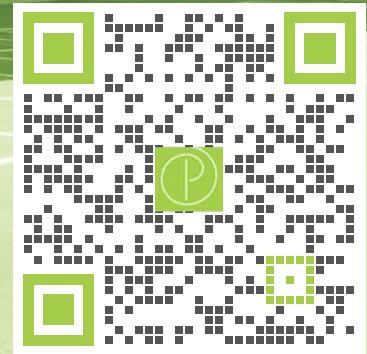


ABOUT CIP

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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