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VANTAGE POINT

THE COVID SHUTDOWN FIVE YEARS LATER

How the Pandemic Affected the Austin Industrial Real Estate Market

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How the Pandemic Affected the Austin Commercial Real Estate Market

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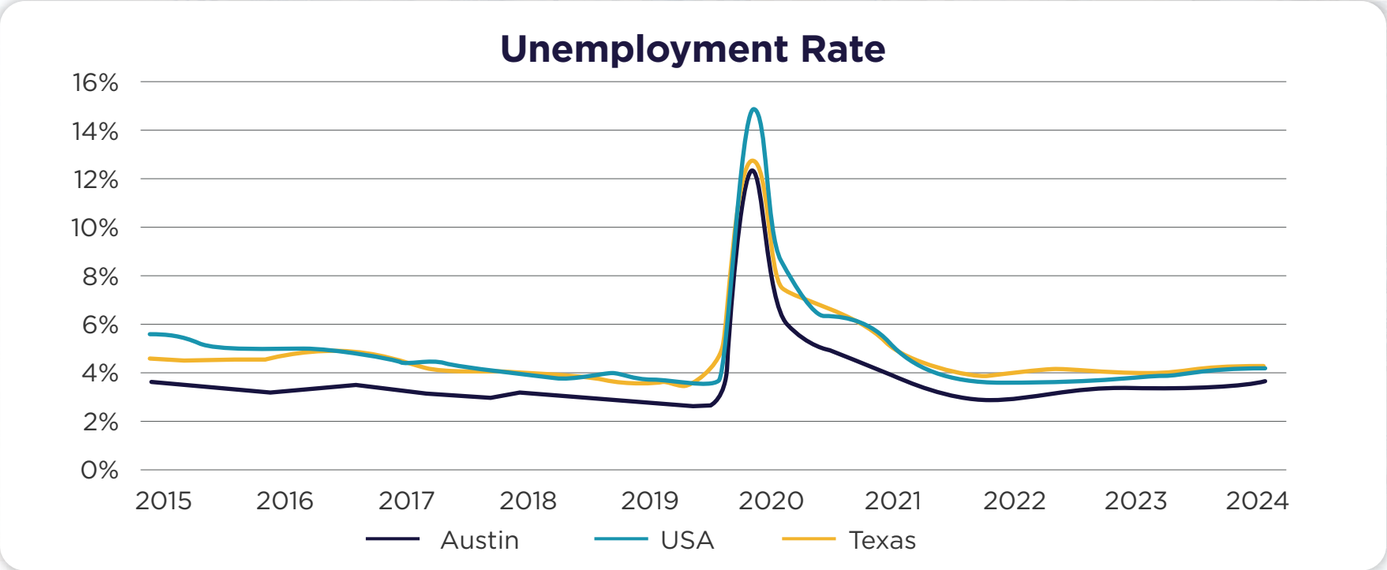
A LOOK BACK

On March 11, 2020, the World Health Organization officially declared the novel coronavirus (COVID-19) a global pandemic. The arrival of the pandemic created an economic shock that pushed the global economy and the U.S. into a recession. Policies initiated to "flatten the curve" of potential infection included the voluntary and mandated shutdown of large sectors and regions of the economy. No industry was unaffected. Offices, retail establishments, restaurants, passenger transportation, schools, and leisure activities all ground to a halt with much of the population self-quarantining and practicing social distancing.

This lightening quick disruption to the economy had a significant effect on unemployment in every state and every industry. By April of 2020, the national unemployment rate had climbed from a pre-pandemic (February 2020) low of 3.5% to an unprecedented level of 14.8%. Every state reached unemployment rates greater than their highest levels during the Great Recession, which peaked at 10.0% in the fall 2009. Over the last two weeks of March 2020, a cumulative 10 million people had applied for unemployment benefits—by far the largest number of applications in history since record-keeping began in 1967. By February 2021, unemployment rates had declined from the highs seen early in the pandemic but remained elevated at 6.2%. In the end, damage to the national economy was severe and long-lasting, with some industries suffering more than others.

While Austin unemployment levels never reached the lows experienced by other large U.S. metro areas, the city experienced its own highs and lows. The following is a look back on how the pandemic affected the industrial real estate market in Austin, and what the future might hold.



Ripple Effects of COVID-19

ECONOMIC CONTRACTION

U.S. GDP declined by 3.5% in 2020, the most since the 2008 financial crisis

SURGE IN UNEMPLOYMENT

Unemployment rates soared, peaking at 14.8% in April 2020

SUPPLY CHAIN DISTRUPTIONS

Global supply chains were severely disrupted, causing shortages of goods and delays in production

SHIFT TO REMOTE WORK

Many businesses transitioned to remote work to curb the spread of the virus, leading to changes in work patterns

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Austin Industrial Market

INDUSTRIAL BOOM

Since the onset of COVID-19 in 2020, Austin's industrial market has flourished due to several key factors. Firstly, Austin experienced rapid population growth during the pandemic as many people moved to the Austin area for a better quality of life and strong job market. This influx of residents increased the demand for goods and services, significantly boosting the local industrial market. Secondly, the pandemic accelerated the shift towards online shopping, leading to a surge in demand for warehouses, distribution centers, and logistics services. Lastly, major corporate relocations, particularly in the manufacturing sector, significantly increased industrial demand. Companies such as Tesla and Samsung, along with their associated suppliers, invested billions of dollars in the Austin area.

INVENTORY SURGES

To address the unprecedented demand for industrial space, developers have been actively adding new inventory in the Austin area. Since early 2020, the industrial market in Austin had significant growth. More than 35 million square feet (msf) of industrial space, particularly warehouse and distribution (W/D) space, has been added to the market. This new inventory accounts for nearly 37% of the current industrial inventory. Additionally, more than 9.4 msf are under construction. These developments reflect Austin's dynamic and evolving industrial market, positioning the city for continued growth and success in the coming years.

VACANCY RISES, BUT DEMAND FOLLOWS

The rapid increase in inventory has caused a notable rise in vacancy rates, with many newly-built industrial properties still unoccupied. Despite this, industrial leasing activity has been strong over the past five years, averaging 10 msf annually. Although leasing has decelerated from its rapid pace over the last two years, demand remains for high-quality W/D. Absorption levels for industrial properties have consistently remained robust during this period, with more than 25 msf of positive absorption recorded since 2020.

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WHAT'S NEXT?

Although demand for industrial space remains strong, the unprecedented levels observed over the past five years are anticipated to normalize. Nevertheless, Austin, one of the most dynamic industrial markets in recent years, is expected to continue outperforming many major metropolitan areas nationwide. Looking forward, it's expected that vacancy rates will increase through 2025 but should gradually decrease as new construction slows, allowing demand to align with the surplus supply.

SUPPLY & DEMAND

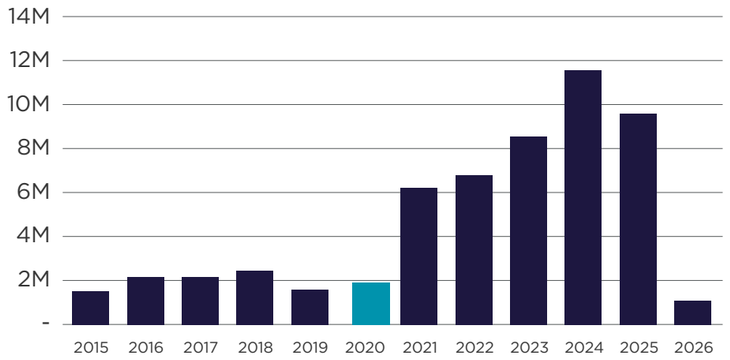
7.0 MSF
5-YEAR ANNUAL AVERAGE CONSTRUCTION COMPLETIONS

9.4 MSF
UNDER CONSTRUCTION

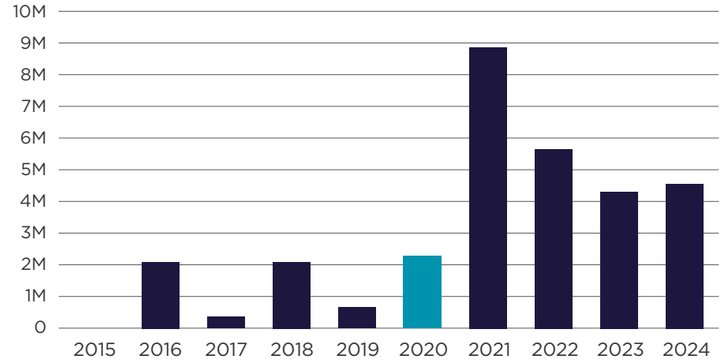
5.1 MSF
2020-2024 YEARLY AVERAGE ABSORPTION

10.0 MSF
2020-2024 YEARLY AVERAGE LEASING ACTIVITY

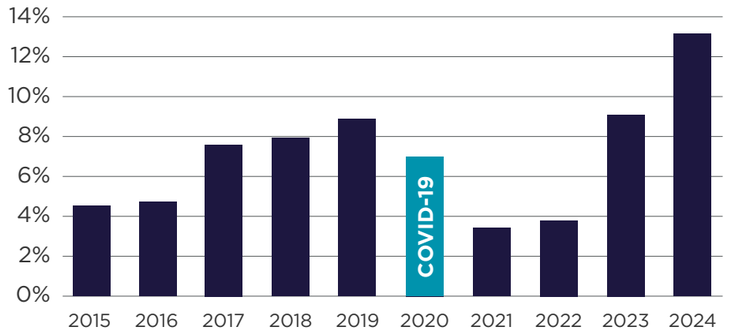
DELIVERIES (SF)



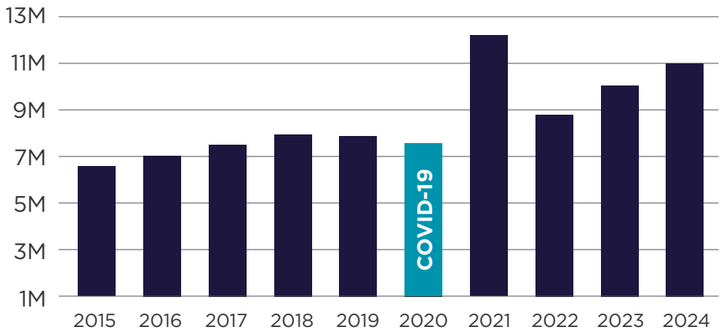
OVERALL NET ABSORPTION (SF)



OVERALL VACANCY RATE (%)



LEASING ACTIVITY (SF)



THE COVID SHUTDOWN, FIVE YEARS LATER

Significant Industrial Signed Leases

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SUBMARKET	SIGNED	TYPE	BUILDING	TENANT	SIZE SF	INDUSTRY TYPE
Hays County	7/7/2020	W/D	Kyle Crossing Business Park	Amazon	307,840	E-commerce
Hays County	11/19/2020	W/D	Hays Logistics Center	FedEx	222,800	Logistics
Hays County	3/16/2020	W/D	Park 35	Amazon	305,768	E-Commerce
Round Rock	5/11/2020	W/D	Chisholm Trail Trade Center	Amazon	441,520	E-Commerce
Georgetown	12/20/2021	W/D	Gateway35	CellLink	294,297	Automotive
Georgetown	12/13/2021	W/D	Crosspoint Building Park	Onx Homes	204,208	Homebuilding
Northeast	10/1/2021	W/D	Tuscany Logistics Center	Target	202,165	Retailer
Southeast	5/3/2021	W/D	Met Center II	Amazon	160,000	E-commerce
Round Rock	7/5/2021	W/D	Springbrook Corporate Center	Amazon	122,235	E-commerce
Hays County	1/1/2022	W/D	Plum Creek Industrial	Simwon	491,651	Automotive
East	1/10/2022	W/D	Central Austin Business Park	Amazon	319,540	E-commerce
Southeast	11/14/2022	W/D	ATX 130	Ferguson Enterprise	207,180	Plumbing Distributor
Far Northeast	11/8/2022	W/D	130 Crossing	Applied Materials, Inc	340,200	Semiconductor
Hays County	7/11/2023	W/D	Kyle35 Logistics Park	Tesla	961,877	Automotive
Far Northeast	5/15/2023	W/D	Northeast Crossing	HBPO	343,200	Automotive
Georgetown	1/17/2023	W/D	Northpark 35	Great Austin Marchant's CoOp	297,057	Retailer
Georgetown	9/15/2023	W/D	GTX Logistics Park	US Faranthane	409,822	Automotive
Georgetown	10/23/2023	W/D	Innovation Business Park	Seoyon E-Hwa	213,832	Automotive
Southeast	6/28/2024	W/D	Airport Logistics Center	Four Hands	569,464	Furnishing Wholesale
Hays County	6/25/2024	W/D	Kyle35 Logistics Park	Tesla	430,502	Automotive
Georgetown	4/1/2024	W/D	Gateway35	FMT	420,470	Manufacturing
Southeast	10/1/2024	W/D	East Commerce Center	Saronic	416,128	Shipbuilding
Hays County	2/16/2024	W/D	Whisper Logistics 35	ProLift Rigging	229,312	Industrial Construction

FOR MORE INFORMATION, PLEASE CONTACT:

JEFF GRAVES
Associate Director, Austin Research
jeff.graves@cushwake.com

ABOUT CUSHMAN & WAKEFIELD

Cushman & Wakefield (NYSE: CWK) is a leading global commercial real estate services firm for property owners and occupiers with approximately 52,000 employees in nearly 400 offices and 60 countries. In 2024, the firm reported revenue of $9.4 billion across its core service lines of Services, Leasing, Capital markets, and Valuation and other. Built around the belief that Better never settles, the firm receives numerous industry and business accolades for its award-winning culture.

For additional information, visit www.cushmanwakefield.com.

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