Q2.26

INDUSTRIAL REPORT | **RESEARCH & MARKET ANALYSIS**

STRONG TENANT DEMAND AMID HISTORIC SUPPLY GROWTH.

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LEASING MOMENTUM BUILDS

Strong Q2 activity drove positive net absorption, led by advanced manufacturing, distribution, and logistics users.

POWER SHAPES REQUIREMENTS

Available power capacity is becoming a primary consideration for many new industrial requirements.

INDUSTRIAL + FLEX BY THE NUMBERS

NET ABSORPTION

1.38M SF

▲ 315K SF FROM Q1 2026

INDUSTRIAL + FLEX VACANCY RATE

18.8%

▼ 139 BPS VS. Q1 2026

EXISTING INVENTORY

135M SF

▲ 231K SF FROM Q1 2026

UNDER CONSTRUCTION

7.29M SF

▲ FROM 6.22M SF IN Q1 2026

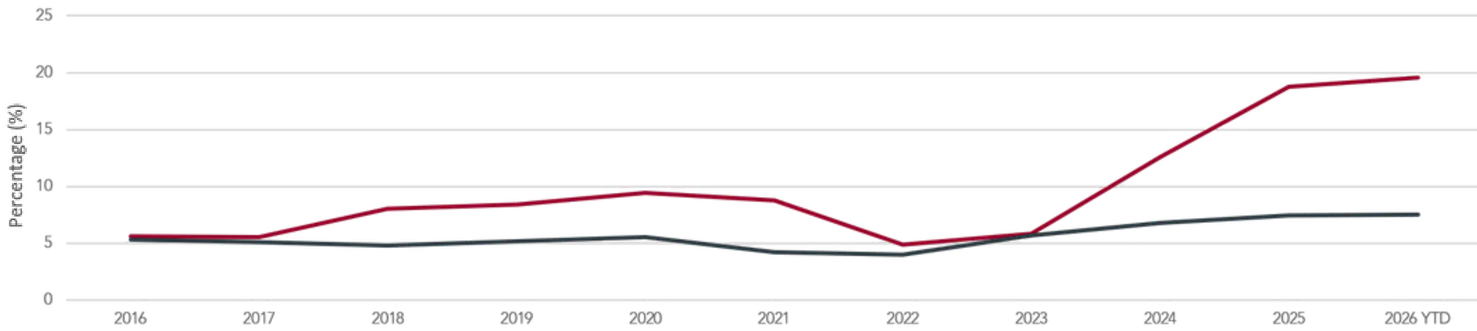
Vacancy Falls Despite Continued Supply Wave

Austin's industrial vacancy rate declined to 19.59% in the second quarter, down 60 basis points from 20.19% in Q1, marking the market's first quarterly improvement in more than a year. The decline was supported by 1,156,451 SF of positive net absorption, led by North Williamson County (+583,760 SF) and Southwest Austin (+282,835 SF).

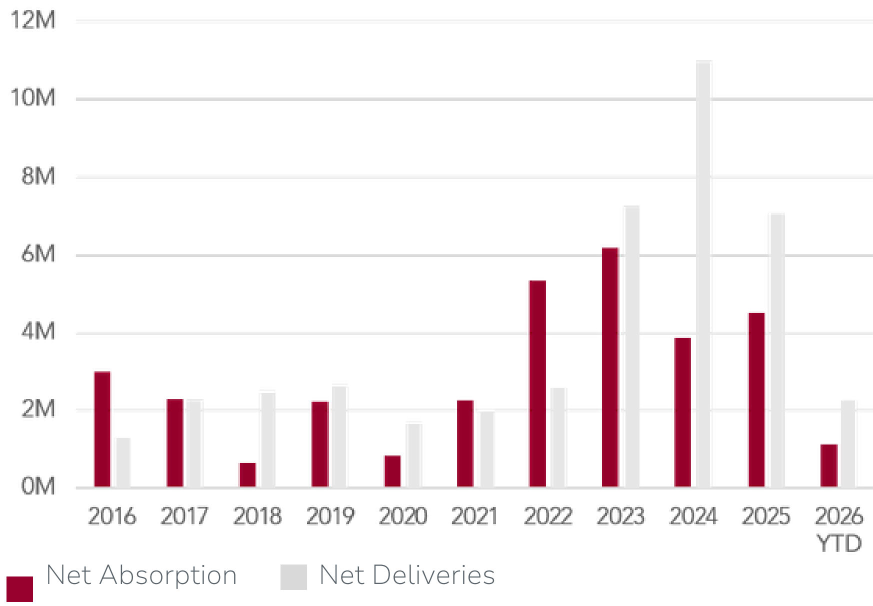
The recovery, however, has not been uniform across the market. South and Southeast Austin recorded 567,581 SF of negative net absorption, representing the largest quarterly setback among Austin's industrial submarkets.

Looking ahead, the back half of 2026 is expected to remain highly active, with millions of square feet of tenant demand in the market alongside a significant pipeline of scheduled deliveries. Flex product also continues to see healthy activity in the North Central/Domain area. While elevated supply has increased landlord concessions, asking rental rates have generally remained stable as owners compete to attract tenants with a wide range of available options.

Austin Industrial Vacancy vs. U.S. Average, 2016 – Q2 2026 YTD

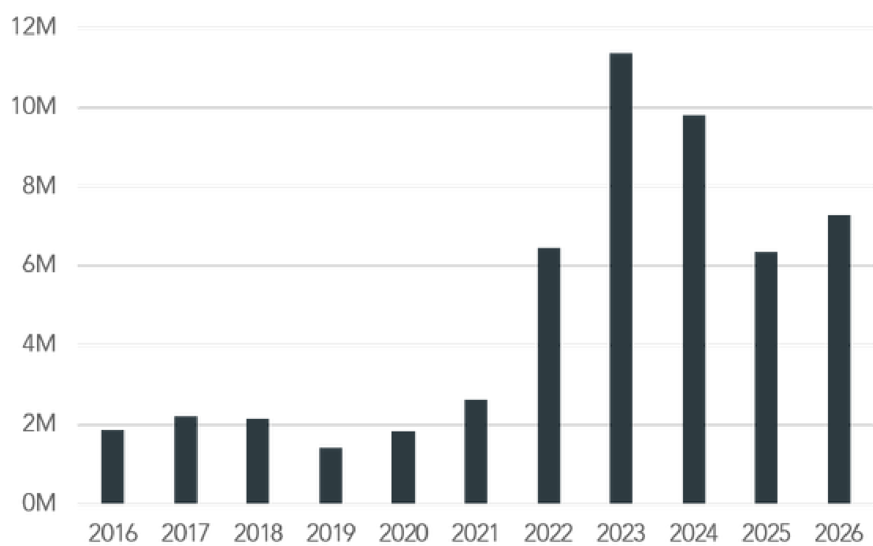


Historic Development Has Reshaped Austin's Industrial Market



Since 2023, new industrial deliveries have consistently outpaced tenant demand in Austin, pushing vacancy from in line with the national average to nearly 20% over the past year. Although tenant demand has remained healthy, the market has added an amount of industrial space equivalent to nearly one-fifth of its existing inventory over the past several years.

Austin's Development Pipeline Remains Active



Construction activity peaked at 11.4M SF under construction in 2023. While new groundbreakings have slowed from that peak, developers continue to advance industrial projects across the Austin MSA. With more than 7.29M SF currently under construction and over 20M SF in the proposed pipeline, the market is expected to continue working through an elevated level of new supply over the coming years.

NOTABLE ACTIVITY

Tenant demand maintained strong momentum throughout the summer and is expected to carry into the back half of the year. Advanced manufacturing, defense technology, and other power-intensive occupiers are expected to remain the primary drivers of leasing activity. As competition for grid power intensifies, landlords are increasingly investing in on-site generation and other power solutions to better position their assets as power availability becomes a key differentiator across the market. In addition, the continued expansion of these industries is expected to drive demand from their suppliers and supporting businesses, creating additional leasing activity for traditional distribution and industrial users.

TOP LEASE TRANSACTIONS – Q2 2026

SOUTHEAST CROSSING

SUBMARKET	Southeast
SIZE (SF)	233,781
TENANT	American Housing
TYPE	Advanced Manufacturing

SOUTHPARK COMMERCE III

SUBMARKET	South
SIZE (SF)	137,939
TENANT	Poncho
TYPE	Apparel

PARK 79

SUBMARKET	East Williamson
SIZE (SF)	139,000
TENANT	Samsung
TYPE	Consumer Electronics & Solutions

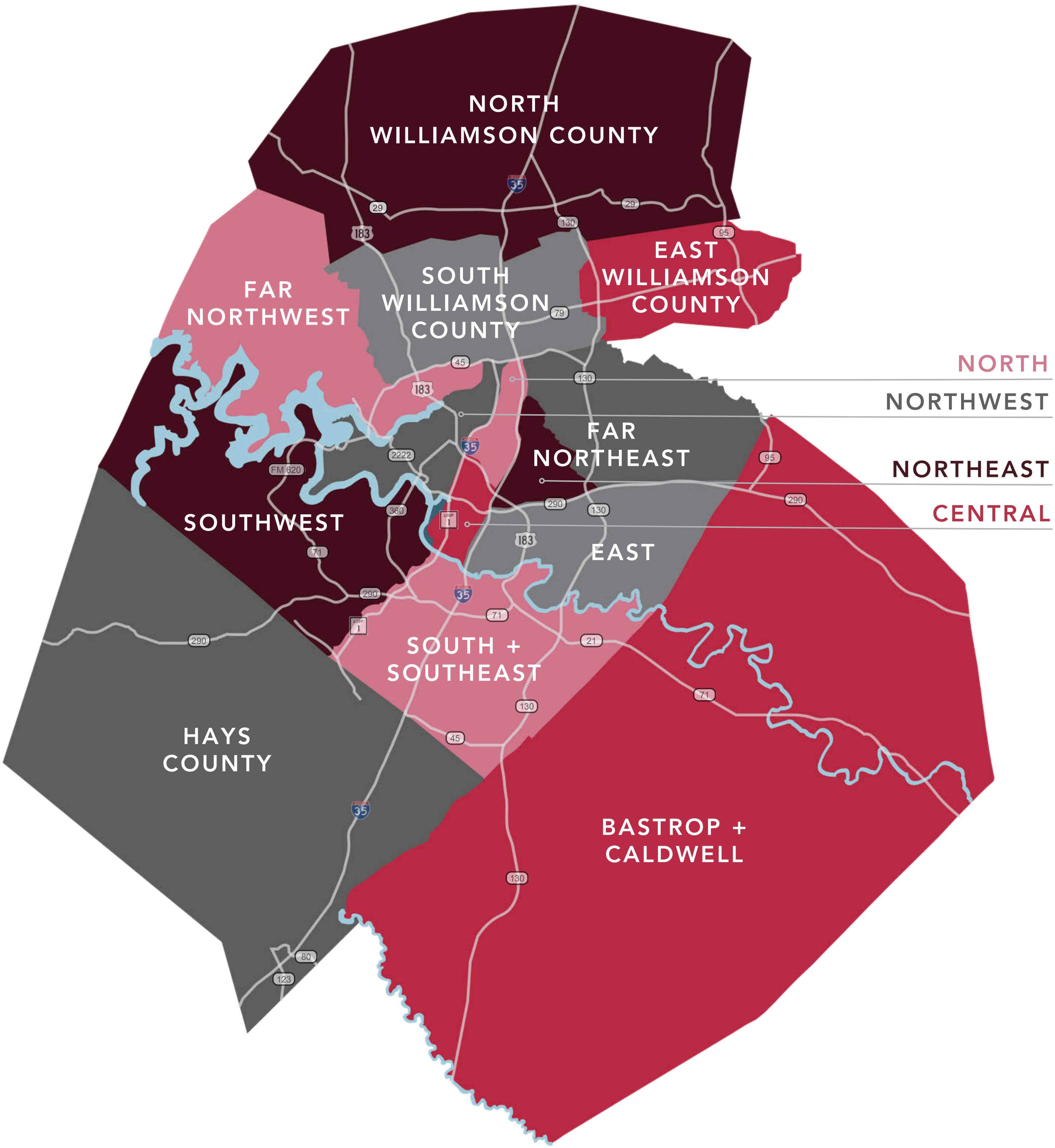
TOP SALE TRANSACTION – Q2 2026

CHAPMAN 71

SUBMARKET	South
SIZE (SF)	126,027
ACREAGE	13-Acre
BUYER	Sagard & La Caisse
SELLER	Placemakr
USE	IOS
TENANCY	Multi

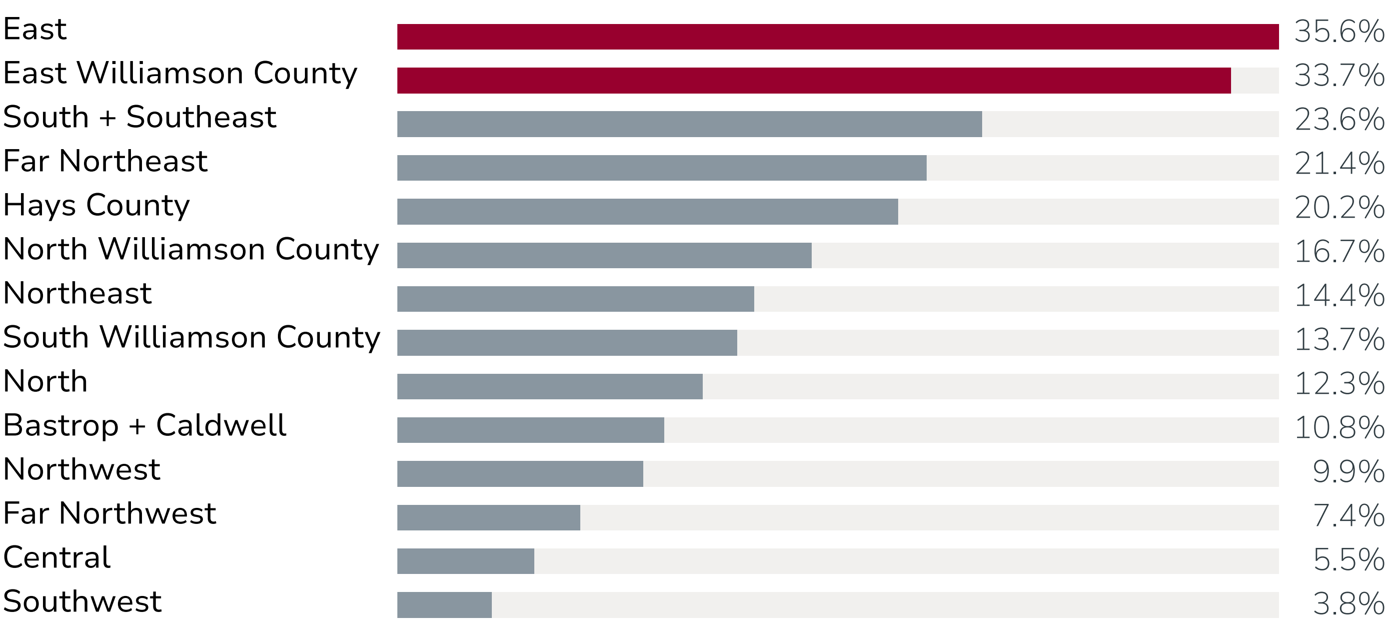
SUBMARKET GEOGRAPHY

Lee & Associates – Austin tracks industrial and flex performance across fourteen submarkets spanning the metro and its surrounding counties of Bastrop, Caldwell, Hays and Williamson. Williamson County – the region's most active industrial corridor – is reported across three distinct submarkets: North, East and South Williamson County.



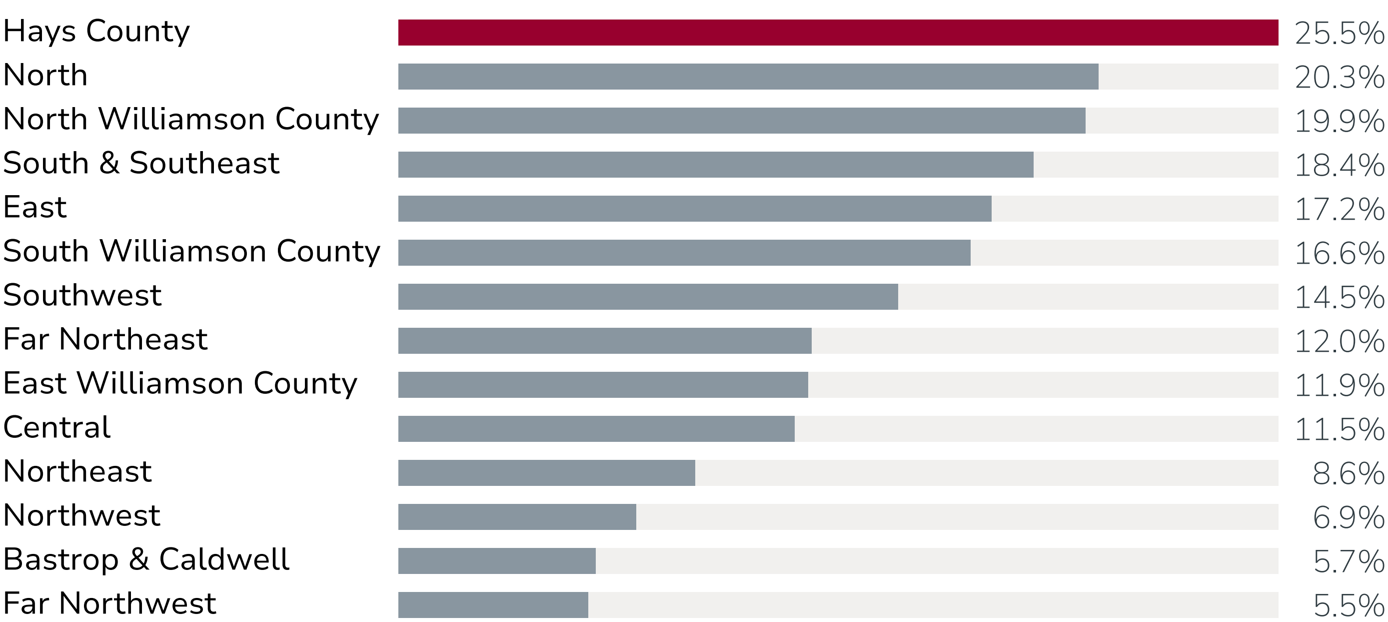
Submarket	Existing (SF)	Under Constr. (SF)	Vacancy	Q2 Net Absorption (SF)
North Williamson County	13,116,551	1,208,967	16.7%	+583,760
East Williamson County	5,938,622	352,480	33.7%	+269,563
South Williamson County	8,639,839	637,967	13.7%	+190,770
Far Northeast	10,640,197	815,081	21.4%	+114,109
Far Northwest	951,050	—	7.4%	+1,440
North	12,627,499	—	12.3%	–68,717
Northeast	7,739,038	—	14.4%	+21,318
Northwest	1,103,274	—	9.9%	+174,624
East	7,119,087	754,000	35.6%	–25,919
Central	1,464,155	—	5.5%	+7,331
Southwest	1,365,501	4,250	3.8%	+282,835
South + Southeast	19,534,700	1,674,479	23.6%	–567,581
Bastrop + Caldwell	2,485,448	80,000	10.8%	+13,719
Hays County	19,537,938	857,358	20.2%	+159,199
Total – Industrial	**112,262,899**	**6,384,582**	**19.59%**	**1,156,451**

Industrial Vacancy by Submarket, Ranked High to Low



Submarket	Existing (SF)	Under Constr. (SF)	Vacancy	Q2 Net Absorption (SF)
North Williamson County	695,506	290,825	**19.9%**	**–11,583**
East Williamson County	297,898	—	**11.9%**	**+3,456**
South Williamson County	2,502,013	97,556	**16.6%**	**+22,350**
Far Northeast	671,296	—	**12.0%**	**+63,387**
Far Northwest	934,921	—	**5.5%**	**+6,250**
North	4,107,379	—	**20.3%**	**+2,926**
Northeast	3,969,233	246,074	**8.6%**	**+110,817**
Northwest	1,750,957	—	**6.9%**	**+9,980**
East	462,720	—	**17.2%**	**–15,159**
Central	663,995	—	**11.5%**	**+8,038**
Southwest	658,365	—	**14.5%**	**+35,956**
South + Southeast	4,427,140	191,325	**18.4%**	**–29,812**
Bastrop + Caldwell	361,188	—	**5.7%**	**+28,742**
Hays County	1,257,363	79,875	**25.5%**	**–11,264**
Total – Flex	**22,759,974**	**905,655**	**15.0%**	**224,084**

Flex Vacancy by Submarket, Ranked High to Low



DEFINITIONS

Vacancy Rate – Total vacant space available for lease, whether occupied or not, divided by total existing inventory.

Net Absorption – The net change in physically occupied square footage between two points in time.

Under Construction – Square footage of buildings actively being built but not yet delivered.

Existing Inventory – Total square footage of completed, competitive industrial or flex buildings tracked in the market.

METHODOLOGY & SOURCES

Submarket boundaries were realigned this quarter to reflect current brokerage coverage: Williamson County is now reported across three submarkets – North, East and South Williamson County.

Data is compiled from Lee & Associates – Austin research and third-party commercial real estate data providers, and is deemed reliable but not guaranteed.

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