

MARKETBEAT

Industrial Snapshot Q2 2016

Austin



AUSTIN INDUSTRIAL

Economic Indicators

	Q2 2015	Q2 2016	12-Month Forecast
Austin Employment	953k	987k	▲
Austin Unemployment	3.3%	3.0%	▼
U.S. Unemployment	5.4%	4.9%	▼

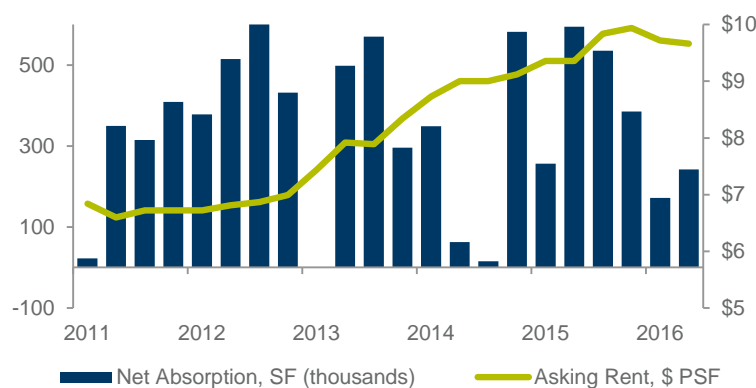
Market Indicators (Overall, All Classes)

	Q2 2015	Q2 2016	12-Month Forecast
Vacancy	8.6%	7.7%	▼
Net Absorption (sf)	594k	242k	▲
Under Construction (sf)	411k	349k	▲
Average Asking Rent*	\$9.36	\$9.66	▲

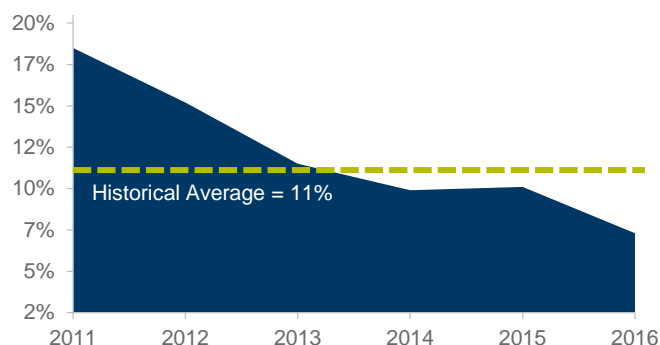
*Rental rates reflect net asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4Q TRAILING AVERAGE



Overall Vacancy



Economy

The Austin economy continues to impress. With an unemployment rate of 3.0%, Austin's jobless rate remains significantly lower than the national average of 4.9%. Job growth in the region also continues to outpace national averages. According to the U.S. Bureau of Labor Statistics, the Austin MSA added more than 34,000 new jobs to the area in the past 12 months, a 3.6% increase. Population figures continue to follow a similar path. A recent demographic study by the City of Austin indicated there was a net population gain of more than 150 people per day added to the Austin MSA. This includes Georgetown, TX, a north Austin suburb, which was recently ranked #1 as the fastest growing city in the country according to the U.S. Census Bureau.

Market Overview

The Austin Industrial market recorded 242,070 square feet (sf) of overall absorption during Q2 2016. The North Central (NC) submarket experienced the majority of this absorption, recording 138,414 sf overall. Vacancy rates for all industrial product types remain low, with an overall rate of 7.7%, compared to 8.6% in Q2 2015. Continued strong absorption rates coupled with lack of supply should continue to lower vacancy rates and subsequently push rental rates higher. The average net rental rate for all property types for Q2 2016 was \$9.66 per square foot (psf), which was up \$0.06 psf from Q1 2016. Additionally, office service property types continue to perform strongly, with an overall average rental rate of \$11.64 psf. As has been the case over the last year, this trend can be attributed to the continued demand for "value" office space as traditional office users are squeezed out of higher priced office product. Subsequently, many landlords are seeing this as an opportunity to maximize rents and have begun marketing flex space as pure office.

Outlook

The Austin industrial market will more than likely continue to trend upward. Overall vacancy rates are maintaining a very healthy level while rental rates continue to rise. Deliveries appear to be in balance with market demand with more than 349,000 square feet of industrial product under construction. As population growth continues and more and more businesses flock to the capital city and expand their business footprints, we can expect to see demand for both warehouse/distribution and flex space increase as we move into the second half of 2016 and continue this trend well into 2017.

MARKETBEAT

Industrial Snapshot Q2 2016

Austin



SUBMARKET	INVENTORY	OVERALL VACANCY RATE	YTD NET OVERALL ABSORPTION	UNDER CNSTR	DIRECT WEIGHTED AVG. NET RENT (MF)	DIRECT WEIGHTED AVG. NET RENT (OS)	DIRECT WEIGHTED AVG. NET RENT (W/D)
Central	18,900	0%	0	0	N/A	N/A	N/A
Far Northwest	4,456,859	1.7%	(36,478)	30,000	N/A	\$14.93	\$5.34
North Central	9,600,964	5.2%	188,264	0	\$7.80	\$12.81	\$7.88
Northeast	12,121,947	14.4%	(35,780)	180,395	N/A	\$9.13	\$6.50
Northwest	4,139,606	4.4%	48,079	0	N/A	\$8.98	\$6.14
South Central	1,434,649	7.6%	5,993	0	N/A	\$17.44	\$8.24
Southeast	9,725,951	6.8%	109,554	58,005	N/A	\$11.72	\$8.47
Southwest	272,660	2.7%	13,383	0	N/A	\$11.70	N/A
Round Rock	3,644,669	6.1%	120,721	80,340	N/A	\$7.58	\$6.30
AUSTIN TOTALS	45,614,617	7.7%	413,736	348,740	\$7.80	\$11.64	\$6.90

*Rental rates reflect asking \$psf/year

MF = Manufacturing OS = Office Service/Flex W/D = Warehouse/Distribution

Key Lease Transactions Q2 2016

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
116 E. Old Settlers	122,012	UPS	Sublease	Round Rock
Expo 13	32,000	Ketra	Lease	Southeast
Southpark Commerce Center 4	25,680	Ingersoll-Rand	Lease	Southeast

Key Sales Transactions Q2 2016

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
Met Center 15	257,000	Daymark Realty/Virtua Partners	\$28,000,000 / \$109	Southeast
210 E. Saint Elmo	102,194	William Bell/Veritiv Operating Co.	Undisclosed	South Central
Howard Lane Distribution Center	77,484	Seetha Singh/John Lewis Co.	\$3,500,000 / \$45	North Central

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Industrial Snapshot Q1 2016

Austin

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AUSTIN INDUSTRIAL

Economic Indicators

	Q1 15	Q1 16	12-Month Forecast
Austin Employment	944k	985k	▲
Austin Unemployment	3.5%	3.2%	▼
U.S. Unemployment	5.6%	4.9%	▼

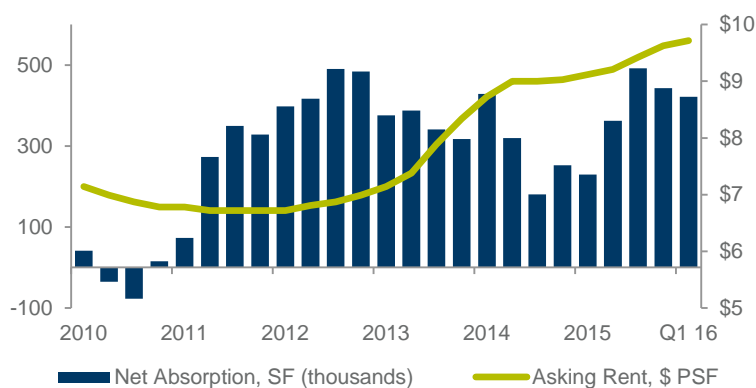
Market Indicators (Overall, All Product Types)

	Q1 15	Q1 16	12-Month Forecast
Vacancy	9.6%	6.8%	▼
Net Absorption (sf)	256k	172k	▼
Under Construction (sf)	348k	370k	▲
Average Asking Rent*	\$9.36	\$9.72	▲

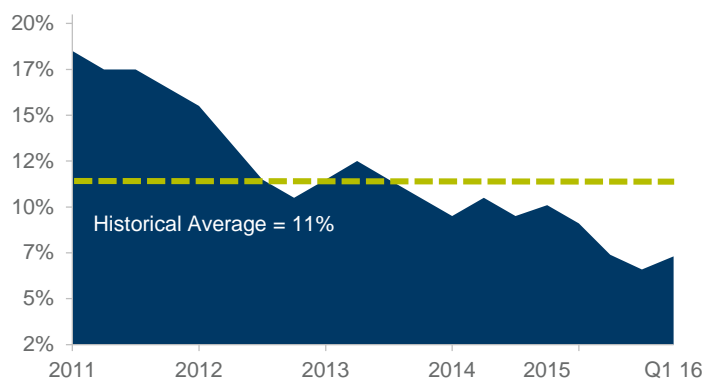
*Rental rates reflect asking \$psf/year

Overall Net Absorption/Asking Rent

4Q TRAILING AVERAGE



Overall Vacancy



Economy

The first quarter of 2016 marked yet another quarter that the Austin unemployment rate ranked as one of the lowest amongst the 50 largest metropolitan areas, coming in at 3.2% (as of March 2016). The local Austin unemployment rate also remains ahead of both the Texas rate of 4.5% and the national rate of 4.9%. Additionally, the rate of job growth in the Austin MSA continues to impress. According to the U.S. Bureau of Labor Statistics, Austin has added more than 39,800 new jobs in the past 12 months, ranking it 3rd nationally. Many of these new jobs can be attributed to more and more companies relocating or expanding to Austin from other areas, including many Silicon Valley tech companies that are finding the Austin market rich in talent. Austin's unique vibes, original cuisine, and spectacular music has only fueled this popularity and the city's continued economic growth is reflective of that.

Market Overview

The Austin Industrial market recorded 171,666 square feet (sf) of overall absorption during Q1 2016. The Southeast (SE) submarket experienced the majority of this absorption, recording 134,303 sf overall. Vacancy rates for all industrial product types remain low, with an overall rate of 6.8%, compared to 9.6% in Q1 2015. Continued strong absorption rates coupled with lack of supply should continue to lower vacancy rates and subsequently push rental rates higher. The average net rental rate for all property types for Q1 2016 was \$9.72 per square foot (psf), which was up \$0.36 psf from the same quarter in 2015, an increase of 3.8%. Additionally, office service property types continue to perform strongly, with an overall average rental rate of \$11.36 psf. This trend can be attributed to the continued demand for "value" office space as traditional office users are squeezed out of higher priced office product.

Outlook

Austin continues to be an attractive destination for growing businesses. Large, established companies such as Amazon, Oracle, Apple, Google, and others have shown their commitment to Austin and continue to expand their presence in the capital city. Additionally, existing local companies are continuing to add to their current footprints as their businesses reap the benefits of a strengthening economy. Nationally, the spotlight continues to shine on Austin. In January, Forbes named Austin No.1 for "America's Next Boom Towns". This is evident as Austin's population growth continues to climb at a record pace. With this increased population, demand for both warehouse/distribution and flex space will increase, and as supply continues to lag behind, higher rental rates and lower vacancy rates will continue across most Austin submarkets.

Industrial Snapshot Q1 2016

Austin

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SUBMARKET	INVENTORY	OVERALL VACANCY RATE	YTD NET OVERALL ABSORPTION	UNDER CNSTR	DIRECT WEIGHTED AVG. NET RENT (MF)	DIRECT WEIGHTED AVG. NET RENT (OS)	DIRECT WEIGHTED AVG. NET RENT (W/D)
Central	18,900	0%	0	0	\$7.80	N/A	N/A
Far Northwest	4,480,259	1.9%	(21,199)	0	N/A	\$15.01	\$5.28
North Central	9,892,596	5.7%	49,850	0	N/A	\$12.87	\$7.80
Northeast	12,043,527	15.9%	(56,775)	96,000	N/A	\$9.30	\$6.60
Northwest	4,139,606	5.2%	5,981	0	N/A	\$9.12	\$6.00
South Central	1,434,649	7.0%	15,052	0	N/A	\$17.73	\$8.28
Southeast	9,565,951	5.9%	134,303	193,600	N/A	\$11.65	\$8.33
Southwest	272,660	2.8%	23,383	0	N/A	\$11.73	N/A
Round Rock	3,606,469	8.4%	21,071	80,340	N/A	\$7.56	\$6.24
AUSTIN TOTALS	45,454,617	6.8%	171,666	369,940	\$7.80	\$11.76	\$6.84

*Rental rates reflect asking \$psf/year

MF = Manufacturing OS = Office Service/Flex W/D = Warehouse/Distribution

Key Lease Transactions Q1 2016

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
Heritage Crossing	126,782	LKQ Corporation	Lease	Round Rock
NorhTech 6	111,300	Unknown	Lease	Northwest
Heritage Crossing 1	95,672	Goodwill Industries	Lease	Round Rock
Harris Ridge 5	54,460	Sheri Hill	Lease	Northeast

Key Sales Transactions Q1 2016

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
Parmer Business Park	257,000	RREEF/Eurus Capital Partners	Undisclosed	Far Northwest
Stock Building Supply	241,564	Capital Comm Invest./JLM Financial	Undisclosed	Southeast
Bergstrom Technology Center	204,346	DivcoWest/Capital Comm Invest.	Undisclosed	Southeast
Wall St & Burleson Rd Portfolio	163,063	Industry Capital/Saber Realty Partners	\$13,550,000 / \$83	Southeast/Northeast

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Industrial Snapshot Q4 2015

Austin

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AUSTIN INDUSTRIAL

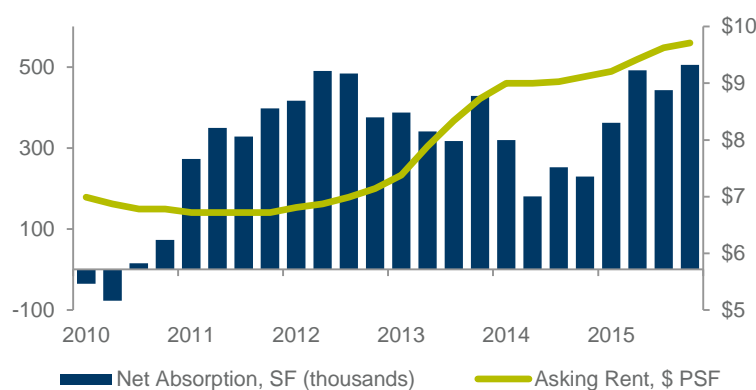
Economic Indicators

	Q4 14	Q4 15	12-Month Forecast
Austin Employment	927k	955k	▲
Austin Unemployment	3.7%	3.1%	▼
U.S. Unemployment	5.7%	5.0%	▼

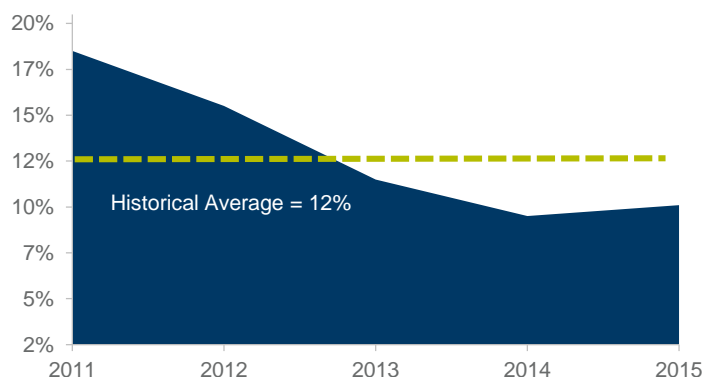
Market Indicators (Overall, All Product Types)

	2014	2015	12-Month Forecast
Vacancy	8.7%	6.1%	▼
Net Absorption (sf)	1.1M	1.8M	▼
Under Construction (sf)	329k	347k	▲
Average Asking Rent*	\$9.12	\$9.94	▲

*Rental rates reflect gross asking \$psf/year

Overall Net Absorption/Asking Rent
4Q TRAILING AVERAGE

Overall Vacancy



Economy

The fourth quarter of 2015 marked another consecutive quarter that the Austin unemployment rate ranked as one of the lowest amongst the 50 largest metropolitan areas, coming in at 3.1% (as of December 2015). The local Austin unemployment rate also remains ahead of both the Texas rate of 4.6% and the national rate of 5.0%. Additionally, the Austin MSA continues to be a major job producer, adding more than 32,000 jobs to the area between October 2014 to October 2015 (U.S. Bureau of Labor Statistics). Austin continues to be at the top of the list of fastest growing cities. According to Forbes.com, Austin ranks number one in net in-migration population out of the 53 largest U.S. metro areas. This influx of new residents to the Austin area is due in large part to low unemployment rates and strong job growth, indicating an extremely healthy economy.

Market Overview

The Austin Industrial market recorded 385,165 square feet (sf) of overall absorption during Q4 2015. This number brought the 2015 year-to-date total of overall absorption to more than 1.7 million sf. The Northeast (NE) submarket experienced the strongest amount of absorption, recording 139,063 sf of overall absorption. Vacancy rates in the Austin market continued their decline, as the overall vacancy decreased to 6.1% compared to 6.9% in Q3 2015. Continued strong absorption rates coupled with low vacancy rates continue to raise average asking net rental rates. The average net rental rate for all property types rose to \$9.94 per square foot (psf) for Q4 2015, an increase of \$0.10 psf from Q3 2015. Additionally, office service property types reported a significant increase, jumping \$0.24 psf from the previous quarter to an average rental rate of \$11.40 psf.

Outlook

The Austin market continues to sizzle as more and more companies move or expand into the area. Demand for qualified employees has led to a surge in population, record low unemployment rates and increased job growth across the greater Austin region. As population grows, need for both warehouse/distribution and flex space will increase. Additionally, office service "flex space" continues to be a go-to, cost effective alternative for traditional office users looking to expand. This demand will most likely continue to push these rates even higher until developers catch up with demand and increase inventory. In the meantime, we can expect to see higher rental rates and lower vacancy rates across most Austin submarkets.

Industrial Snapshot Q4 2015

Austin

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SUBMARKET	TOTAL BLDGS	INVENTORY	OVERALL VACANCY RATE	YTD NET OVERALL ABSORPTION	UNDER CNSTR	DIRECT WEIGHTED AVG. NET RENT (MF)	DIRECT WEIGHTED AVG. NET RENT (OS)	DIRECT WEIGHTED AVG. NET RENT (W/D)
Central	1	18,900	0.0%	0	0	N/A	N/A	N/A
Far Northwest	55	4,480,259	0.7%	209,893	0	N/A	\$9.00	\$5.16
North Central	151	9,635,628	2.8%	241,699	0	N/A	\$13.56	N/A
Northeast	163	12,096,327	12.6%	449,702	153,000	N/A	\$11.28	\$6.36
Northwest	63	4,139,606	5.9%	36,070	0	N/A	\$9.24	N/A
South Central	42	1,434,649	3.9%	(9,782)	0	N/A	\$16.56	\$7.20
Southeast	120	9,484,835	5.6%	533,976	193,600	N/A	\$12.00	\$8.64
Southwest	8	272,660	16.5%	(9,500)	0	N/A	\$13.56	N/A
Round Rock	60	3,606,469	6.7%	319,199	0	N/A	\$9.12	\$6.00
AUSTIN TOTALS	663	45,169,333	6.1%	1,771,257	346,600	-	\$11.40	\$6.48

*Rental rates reflect asking \$psf/year

MF = Manufacturing OS = Office Service/Flex W/D = Warehouse/Distribution

Key Lease Transactions 2015

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
Braker 12	126,750	Active Power	Renewal	North Central
Expo 8	122,400	Novitex	Lease	Southeast
9800 Metric	117,000	Image Microsystems	Renewal	Northwest
Tuscany 5	107,933	Ginny's Copying Service	Renewal	Northeast

Key Sales Transactions 2015

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
One83 Office Park	935,255	JLM Financial Investments/ IDM Capital	Undisclosed	Northeast
Northpointe Trade Center	450,015	Exeter/ADIA JV PSP Investments	\$20,178,533 / \$45	Northeast
2105 Gracy Farms Lane	384,174	Cornerstone Real Estate Advisors	\$51,000,000 / \$133	Northeast
15833 Long Vista Drive	372,606	JV Global Logistic Properties	\$27,849,878 / \$75	Northeast

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Industrial Snapshot Q3 2015

AUSTIN

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AUSTIN INDUSTRIAL

Economic Indicators

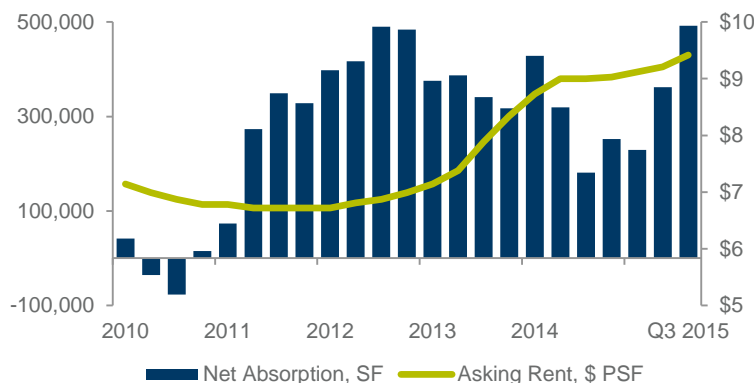
	Q3 14	Q3 15	12-Month Forecast
Austin Employment	919k	946k	▲
Austin Unemployment	4.0%	3.2%	▼
U.S. Unemployment	6.1%	5.1%	▼

Market Indicators

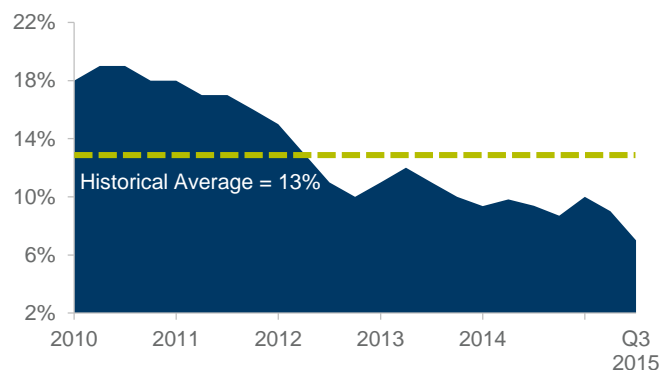
	Q3 14	Q3 15	12-Month Forecast
Overall Vacancy	9.4%	6.9%	▼
Net Absorption	16k	535k	▲
Under Construction	439k	392k	▲
Overall Average Asking Rent	\$9.00	\$9.84	▲

Net Absorption/Asking Rent

4Q TRAILING AVERAGE



Overall Vacancy



Economy

The Austin MSA continues to lead both state and national averages in unemployment levels. For the third quarter of 2015 the local unemployment rate was recorded at 3.2%, lower than both the Texas rate of 4.4% and the national unemployment rate of 5.1%. Additionally Austin continues to rank first among the largest fifty metropolitan areas in the U.S. with the lowest unemployment rates. In addition, observed job creation continued to occur as 16,275 jobs were created through the city from August 2015 to August 2015. The city's ability to both maintain low unemployment rates in addition to effectively generate jobs indicate a strong and healthy local economy.

Market Overview

The Austin industrial market experienced 535,220 square feet (sf) of positive absorption during the third quarter of 2015. This quarter marked the tenth consecutive quarter of positive absorption in the Austin industrial market, dating back to Q2 2013. The Round Rock (RR) submarket experienced the highest absorption totals as 186,412 sf was absorbed during Q3. Strong absorption figures across the entire market led to the continued drop of overall vacancy. The overall vacancy rate for the third quarter was recorded at 6.9%, down 1.7 percentage point from the 8.6% vacancy rate recorded in the second quarter. Low vacancy and strong absorption figures have contributed to an expected rise in rental rates. The average direct rental rate recorded for all property types rose to \$9.84 per square foot (psf), up \$0.84 psf from the recorded rent during the second quarter. Additionally, the average rental rate for office service property types increased to \$11.16 psf, up from \$11.04 psf during the second quarter.

Outlook

As vacancy continues to tighten throughout the Austin industrial market, it is highly likely that rents across all property types will approach record highs rates. In particular, there is a high probability that office service rates maintain their sharp increase. This is due to the fact that they both provide a more cost effective type of space for traditional office tenants and that there is little inventory of this product type in many development pipelines. With these spaces at such a premium, it is possible many developments will shift towards the addition of more office service options to the industrial market as a whole.

MARKETBEAT

Industrial Snapshot Q3 2015

AUSTIN

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SUBMARKET	TOTAL BLDGS	INVENTORY	OVERALL VACANCY RATE	YTD NET OVERALL ABSORPTION	UNDER CNSTR	DIRECT WEIGHTED AVG. NET RENT (MF)	DIRECT WEIGHTED AVG. NET RENT (OS)	DIRECT WEIGHTED AVG. NET RENT (W/D)
Central	2	18,900	0.0%	0	0	N/A	N/A	N/A
Far Northwest	55	4,480,259	0.1%	213,396	0	N/A	\$8.04	N/A
North Central	150	9,725,621	3.7%	161,996	0	\$5.40	\$13.44	\$5.64
Northeast	163	12,096,327	13.6%	310,639	153,000	N/A	\$11.28	\$6.24
Northwest	63	4,139,606	6.5%	12,821	0	N/A	\$9.12	N/A
South Central	42	1,434,649	3.9%	(5,654)	0	N/A	\$16.56	\$7.20
Southeast	120	9,394,842	4.5%	424,845	239,205	N/A	\$10.80	\$7.80
Southwest	8	272,660	17.6%	(12,500)	0	N/A	\$13.44	N/A
Round Rock	61	3,659,314	6.9%	280,549	0	N/A	\$9.48	\$6.00
AUSTIN TOTALS	664	45,222,178	6.9%	1,386,092	392,205	\$5.40	\$11.16	\$6.36

*Rental rates reflect asking \$psf/year

MF = Manufacturing OS = Office Service/Flex W/D = Warehouse/Distribution

Key Lease Transactions Q3 2015

PROPERTY	SF	TENANT	PROPERTY TYPE	SUBMARKET
Vista Park	57,750	Kodiak Assembly Solutions	Warehouse/Distribution	Round Rock
Prologis Corridor Park 7	57,600	Capitol Beverage	Warehouse/Distribution	Round Rock
Excel Filter Inc.	57,600	Expo 12	Warehouse/Distribution	Southeast
The Liquidation Channel	55,000	Corridor Park Pointe E	Office Service/Flex	Round Rock

Key Sales Transactions Q3 2015

PROPERTY	SF	SELLER/BUYER	PROPERTY TYPE	PRICE	SUBMARKET
One83 Office Park	935,255	JLM Financial Investments/ IDM Capital	Office Service/Flex	Undisclosed	Northeast
301 West Howard Lane	292,000	Karlin Real Estate/Casa Marco	Warehouse/Distribution	Undisclosed	Northeast

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MARKETBEAT INDUSTRIAL SNAPSHOT



AUSTIN, TX

A Cushman & Wakefield Research Publication

Q2 2015



ECONOMIC OVERVIEW

The Austin MSA continues to lead both state and national averages in unemployment levels. For the second quarter, the local unemployment level was recorded at 3.1%, ahead of both the Texas and U.S.

unemployment rates of 4.1% and 5.3% respectively (U.S. Bureau of Labour and Statistics). These low unemployment numbers are especially impressive, when considering that 32,000 jobs were created from May 2014 to May 2015. Austin has warranted much national attention for the ability to maintain low unemployment rates amongst the city's current population boom. A large portion of the job growth and generation can be attributed to the rapidly expanding and burgeoning technology sector, placing Austin as a new powerhouse on the national "tech" landscape.

VACANCY RATES BEGIN TO DECLINE

Austin experienced 558,202 square feet (sf) of direct absorption across all industrial property types during Q2 2015. Q2 2015 and marked the ninth consecutive quarter of positive direct absorption for the total market, dating back to Q2 2013. The Southeast (SE) submarket posted the highest levels of absorption for Q2 2015, recording 365,512 sf of absorption. The Northeast (NE) submarket also reported a strong quarter of activity experiencing 253,996 sf of direct absorption. The strong absorption activity in the NE and SE submarkets contributed to a drop in overall vacancy during this time. The overall vacancy rate dropped to 8.6% from 9.6% recorded last quarter. Similarly the largest industrial submarkets, the SE and NE, reported low overall vacancy rates of 4.7% and 14.8%, respectively.

FLEX/ R&D RATES CONTINUE TO RISE

The average direct asking rental rate recorded for all industrial property types was \$9.36 per square foot (psf) for Q2 2015, 4.0% higher than the average rental rate of \$9.00 psf in Q2 2014. Rental rates for Flex/R&D properties experienced an increase on a quarter-to-quarter basis, climbing to \$11.04 psf, \$0.12 psf higher than the Q2 2015 of \$10.92 psf. High increases in Flex/ R&D rates were observed in the South Central (SC) submarket, and once again in the North Central (NC) submarket, which has experienced consistent quarterly escalations in psf rent averages.

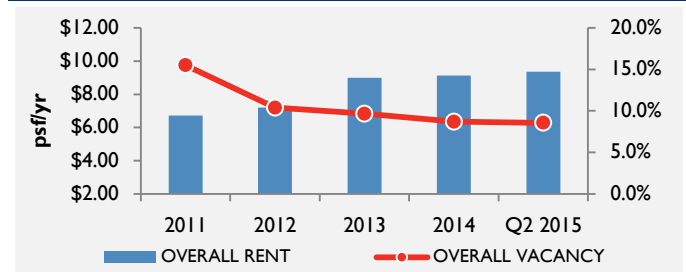
OUTLOOK

The industrial market continues to operate in optimal conditions throughout the Austin MSA. Many landlords continue to report both low vacancies in, Flex/ R&D and Warehouse/ Distribution property types. Recent construction has remained focused on generating large vacant blocks for users needing traditional Warehouse/ Distribution spaces. However the recent trend of extremely high demand for Flex/ R&D properties, combined with the inflated rates these spaces are quoting, create a landscape in which these property types might yield the greatest returns for both developers and landlords. Such situations could lead to many groups kicking off new construction for Flex/ R&D projects. Additionally, the case and need for these types of "value-office" properties is especially strong as a result of an office market which continues to tighten in vacancy and post historically high rental rates. The existing circumstances will likely contribute to an evolving industrial real estate market in the city as whole.

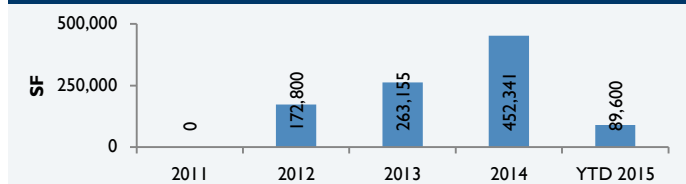
STATS ON THE GO

	Q2 2014	Q2 2015	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	9.8%	8.6%	-1.2 pp	▼
Direct Asking Rents (psf/yr)	\$9.00	\$9.36	4.0%	▲
YTD Direct Absorption (sf)	408,839	757,749	85.3%	▲

OVERALL RENTAL VS. OVERALL RATES



NEW SUPPLY



AUSTIN, TX

SUBMARKET	INVENTORY	OVERALL VACANCY RATE	YTD USER SALES ACTIVITY	UNDER CONSTRUCTION	YTD CONSTRUCTION COMPLETIONS	YTD DIRECT NET ABSORPTION	YTD OVERALL NET ABSORPTION		DIRECT WEIGHTED AVERAGE NET RENTAL RATE	
								MF	R/D	W/D
Central	18,900	0.0%	0	0	0	0	0	N/A	N/A	N/A
Far Northwest	4,480,259	4.4%	0	0	0	55,227	55,227	N/A	\$12.12	\$5.16
North Central	9,725,621	6.0%	0	0	0	55,707	55,707	\$5.40	\$12.48	\$6.36
Northeast	12,096,327	14.8%	302,604	153,600	89,600	218,178	247,178	N/A	\$11.16	\$6.24
Northwest	4,139,606	7.0%	0	0	0	(2,971)	(2,971)	N/A	\$9.36	N/A
South Central	1,434,649	4.0%	0	0	0	(7,378)	(7,378)	N/A	\$16.56	\$7.20
Southeast	9,223,111	4.7%	0	239,205	0	353,599	416,922	N/A	\$10.32	\$7.80
Southwest	272,660	16.2%	0	19,150	0	(8,750)	(8,750)	N/A	\$13.32	N/A
Round Rock	3,578,300	13.1%	0	0	0	94,137	94,137	N/A	\$8.76	\$6.12
TOTALS	44,969,433	8.6%	302,604	411,955	89,600	757,749	850,872	\$5.40	\$11.04	\$6.24

* RENTAL RATES REFLECT ASKING \$PSF/YEAR MF = MANUFACTURING R/D = RESEARCH/DEVELOPMENT W/D = WAREHOUSE/DISTRIBUTION

MARKET HIGHLIGHTS

SIGNIFICANT Q2 2015 LEASE TRANSACTIONS	SUBMARKET	TENANT	PROPERTY TYPE	SQUARE FEET
Expo 8	SE	Novatex	Warehouse/Distribution	122,400
Expo 11	SE	Kendra Scott Design	Manufacturing	64,800
Corridor Park Pointe E*	RR	Flight Director	Flex/R&D	61,766
SIGNIFICANT Q2 2015 SALE TRANSACTIONS	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
2105 Gracy Farms Lane	NC	Cornersone RE Advisers	Undisclosed	381,062
13301 McCallen Pass	NE	General Motors	Undisclosed	302,604
3912-3920 Gattis School Road	RR	Longview Equity Partners	Undisclosed	160,971
SIGNIFICANT Q2 2015 CONSTRUCTION COMPLETIONS	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)
Tuscany 9	NE	Speculative	Q2 2015	89,600 (0%)
SIGNIFICANT PROJECTS UNDER CONSTRUCTION	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)
Harris Ridge Business Center- Building 5	NE	Speculative	Q1 2016	153,000 (0%)
Expo Center 11	SE	Kendra Scott Design	Q4 2015	130,002 (50%)
Expo Center 10	SE	Speculative	Q4 2015	109,203 (0%)

*RENEWAL- NOT INCLUDED IN LEASING STATISTICS

MARKETBEAT INDUSTRIAL SNAPSHOT



AUSTIN, TX

A Cushman & Wakefield Research Publication

Q1 2015



ECONOMIC OVERVIEW

The Austin MSA continues to lead both state and national averages in unemployment levels. For the first quarter 2015, the local unemployment level was recorded at 3.4%, lower than both the Texas unemployment rate of 4.3% and the U.S. unemployment rate of 5.8% (U.S. Bureau of Labour and Statistics). Job creation also remained strong during Q1 2015, as 8,600 jobs were generated from January 2015- February 2015 alone. Austin has warranted much national attention for the ability to maintain low unemployment rates amongst the current population boom. Much of this job growth and high employment rate can be attributed to city's rapidly expanding technology sector.

VACANCY RATES INCREASE SLIGHTLY

Austin experienced 199,547 square feet (sf) of direct absorption across all industrial property types during Q1 2015. Q1 2015 marked the eighth consecutive quarter of positive direct absorption for the total market, dating back to Q2 2013. The Round Rock (RR) submarket posted the highest levels of absorption for Q1 2015, recording 85,241 sf of absorption. The North Central (NC) and Northwest (NW) submarkets also reported strong quarters of activity 69,509 sf (NC submarket) and 59,053 sf respectively of direct absorption. However in spite of the positive absorption observed in some submarkets such as the NE, SE, and SW, all experienced negative direct absorption for the quarter. This negative absorption coupled with construction deliveries in the third and fourth quarters of 2014 contributed to a slight rise in the vacancy rate for Q1 2015. The Q1 2015 overall vacancy rate was recorded at 9.6%, 0.9 percentage point higher than the Q4 2014 rate of 8.7%.

RENTAL RATES CONTINUE STEADY CLIMB

The average direct rental rate recorded for all industrial property types was \$9.36 per square foot (psf) for Q1 2015, 4.0% higher than the average rental rate of \$9.00 psf in Q1 2014. Rental rates for Flex/R&D properties remained consistent on a quarter-to-quarter basis. However the Q1 2015 average rate for Flex/R&D property types of \$10.92 psf is 3.4% higher than the Q1 2014 average for Flex/R&D properties of \$10.56 psf. The highest increases in Flex/R&D rates on both a quarter-over-quarter and year-over-year basis were observed in the North Central submarket.

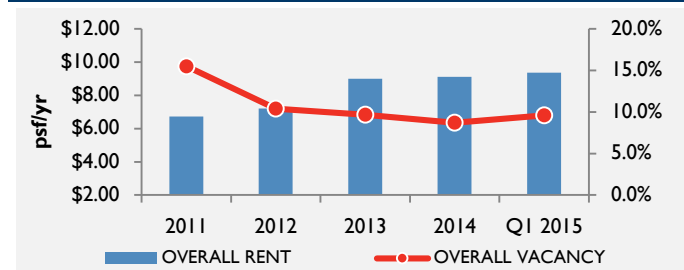
OUTLOOK

Based upon the continued hikes in rental rates for Flex/R&D properties in the overall Austin market, it is clear that landlords are responding to an ever increasing demand for these spaces. This demand is driven both by them serving as more economical and fiscally responsible alternatives to traditional office space and that many serve as call and data centres to support the burgeoning technology sector dominating the Austin economy. As the technology presence continues to grow and flourish throughout the city, it is highly unlikely that rents and the subsequent demand for Flex/R&D properties will diminish. However, this focus on Flex/R&D is not to discredit a large amount of activity in Warehouse/Distribution properties, as many companies renewed large blocks of space in their existing homes (Image Microsystems, Life Technologies). Such activity can speak to many companies' desires to maintain their existing presence in the city; as Austin continues to strengthen its presence on the national scene.

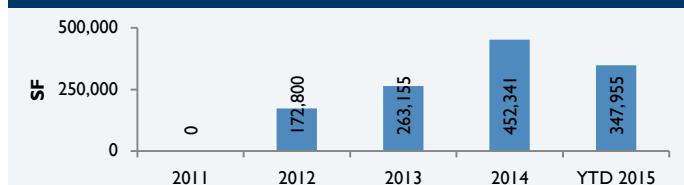
STATS ON THE GO

	Q1 2014	Q1 2015	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	9.4%	9.6%	0.2 pp	▼
Direct Asking Rents (psf/yr)	\$9.00	\$9.36	4.0%	▲
YTD Direct Absorption (sf)	348,939	199,547	-42.8%	▼

OVERALL RENTAL VS. OVERALL RATES



NEW SUPPLY



AUSTIN, TX

SUBMARKET	INVENTORY	OVERALL VACANCY RATE	YTD USER SALES ACTIVITY	UNDER CONSTRUCTION	YTD CONSTRUCTION COMPLETIONS	YTD DIRECT NET ABSORPTION	YTD OVERALL NET ABSORPTION	MF	R/D	DIRECT WEIGHTED AVERAGE NET RENTAL RATE W/D
Central	18,900	0.0%	0	0	0	0	0	N/A	N/A	N/A
Far Northwest	4,480,259	4.5%	0	0	0	47,499	47,499	N/A	\$11.76	\$5.16
North Central	9,725,621	5.9%	0	0	0	69,509	69,509	\$5.40	\$12.36	\$6.48
Northeast	12,006,106	16.3%	0	89,600	0	(35,818)	(35,818)	N/A	\$11.04	\$6.00
Northwest	4,139,606	5.6%	0	0	0	59,053	59,053	N/A	\$9.24	\$N/A
South Central	1,434,649	3.6%	0	0	0	(1,724)	(1,724)	N/A	\$16.56	\$7.20
Southeast	9,223,111	8.8%	0	239,205	0	(11,713)	44,987	N/A	\$10.68	\$7.08
Southwest	272,660	17.6%	0	19,150	0	(12,500)	(12,500)	N/A	\$13.44	N/A
Round Rock	3,578,300	13.4%	0	0	0	85,241	85,241	N/A	\$8.88	\$6.24
TOTALS	45,050,853	9.6%	0	347,955	0	199,547	256,247	\$5.40	\$10.92	\$6.24

* RENTAL RATES REFLECT ASKING \$PSF/YEAR MF = MANUFACTURING R/D = RESEARCH/DEVELOPMENT W/D = WAREHOUSE/DISTRIBUTION

MARKET HIGHLIGHTS

SIGNIFICANT Q1 2015 LEASE TRANSACTIONS	SUBMARKET	TENANT	PROPERTY TYPE	SQUARE FEET
Metric Center 4*	NC	Image Microsystems	Warehouse/Distribution	117,000
Southpark Commerce Center I*	SE	Life Technologies	Warehouse/Distribution	103,645
Southpark F*	SE	Ambion Diagnostics	Warehouse/Distribution	67,645
SIGNIFICANT Q1 2015 SALE TRANSACTIONS	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
15833 Long Vista Drive	RR	JV Global Logistic Properties	\$27,849,878 / \$75	372,606
12555 Harris Branch Parkway	NE	JV Global Logistic Properties	\$21,076,297 / \$57	371,200
7100 Metropolis Drive	SE	CyrusOne	Undisclosed	172,000
SIGNIFICANT Q1 2015 CONSTRUCTION COMPLETIONS	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)
N/A				
SIGNIFICANT PROJECTS UNDER CONSTRUCTION	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)
Expo Center II	SE	Speculative	Q4 2015	130,002 (0%)
Expo Center IO	SE	Speculative	Q4 2015	109,203 (0%)
Tuscany 9	NE	Speculative	Q2 2015	89,600 (0%)

* RENEWAL - NOT INCLUDED IN LEASING ACTIVITY STATISTICS

MARKETBEAT INDUSTRIAL SNAPSHOT



AUSTIN, TX

A Cushman & Wakefield Research Publication

Q4 2014



ECONOMIC OVERVIEW

The Austin area continues to lead both state and national averages for many economic indicators including: a 3.9% unemployment rate for the Austin MSA and generating 28,600 jobs from November 2013 to November 2014 (U.S.

Bureau of Labor and Statistics). The jobs generated for the past year place Austin 9th among major U.S. cities in job production. Of those new jobs, 1,000 of these new jobs can be attributed to the manufacturing industry. Advanced manufacturing has long been a constant facet of the Austin business climate, and demand for the products provided by companies such as Freescale Semiconductors, National Instruments, and IBM will continue to drive and support the city's expanding economy.

VACANCY RATES CONTINUE TO DECLINE

Austin experienced 497,725 square feet (sf) of direct absorption across all industrial property types during Q4 2014, and 1.1 million sf of absorption for all of 2014. Q4 2014 marked the seventh consecutive quarter of positive direct absorption for the total market, dating back to Q2 2013. The Northeast submarket experienced the most activity during Q4 2014 with 139,014 sf absorbed. However, the Southeast submarket posted the highest year-end total across all submarkets, absorbing 356,132 sf for the year. The past quarter's absorption coupled with historic strong positive absorption numbers continue to lower the overall vacancy rate, to 8.7% at the end of Q4 2014, 1.0 percentage point lower than the overall vacancy rate of 9.7% seen at the end of Q4 2013. The Southeast submarket overall vacancy rate continues to tighten on a quarter-to-quarter basis from 11.2% seen in Q3 2014, to a rate of 7.0% in Q4 2014. Slight decreases were also observed in the Far Northwest and Southwest submarkets, particularly with tenants occupying Flex/R&D spaces.

RENTAL RATES STEADILY CLIMB

The average direct rental rate recorded for all industrial property types was \$9.12 per square foot (psf) for Q4 2014, 1.3% higher than the average rental rate of \$9.00 psf in Q4 2013. Average rental rates for Flex/R&D property types continue to steadily rise, increasing to an average rate of \$10.92 psf for Q4 2014, higher than the Q3 2014 average of \$10.68 psf, and 4.5% higher than the Q4 2013 average of \$10.44 psf. Additionally, on a year-to-year basis the average rental rate of Warehouse/ Distribution property types increased 6.19% from \$5.64 psf in Q4 2013, to \$6.00 psf in Q4 2014.

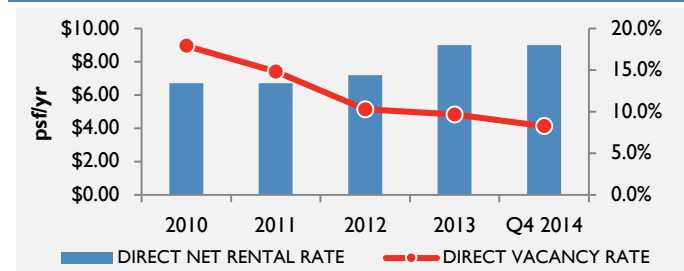
OUTLOOK

The Austin office market continues to consistently experience high levels of absorption decreasing overall vacancy and driving higher rental rates. As a result, many tenants and users continue to seek more affordable options for their office needs, turning them to Flex/R&D "value" office alternatives. This trend has been quite apparent in previous quarters and continued throughout Q4 2014. The increased demand for such Flex/R&D properties has resulted in an observable rise in rental rates for these property types. In the Far Northwest and Southwest submarkets, the increase in rates is most dramatic as these areas have experienced high levels of office absorption. It is likely that as the overall vacancy for office products continues to tighten and rental rates continue to rise, demand for cheaper alternative in Flex/R&D "value" office options will increase, as will the subsequent rental rates for these industrial property types.

STATS ON THE GO

	Q4 2013	Q4 2014	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	9.7%	8.7%	-1.0pp	▼
Direct Asking Rents (psf/yr)	\$9.00	\$9.12	1.3%	▲
YTD Direct Absorption (sf)	1,234,562	1,061,010	14.1%	▼

DIRECT RENTAL VS. VACANCY RATES



NEW SUPPLY



AUSTIN, TX

SUBMARKET	INVENTORY	OVERALL VACANCY RATE	YTD LEASING ACTIVITY	YTD USER SALES ACTIVITY	UNDER CONSTRUCTION	YTD CONSTRUCTION COMPLETIONS	YTD DIRECT NET ABSORPTION	YTD OVERALL NET ABSORPTION	HT	MF	R/D	W/D
Central	18,900	0.0%	N/A	0	0	0	0	0	N/A	N/A	N/A	N/A
Far Northwest	4,480,259	4.4%	N/A	0	0	0	55,226	55,226	N/A	N/A	\$11.16	\$5.16
North Central	9,725,621	5.6%	N/A	0	0	0	48,755	(68,245)	N/A	\$5.40	\$11.04	\$6.36
Northeast	12,132,516	14.4%	N/A	0	89,600	120,000	286,081	372,481	N/A	N/A	\$11.28	\$5.76
Northwest	4,200,806	6.2%	N/A	0	0	0	186,145	186,145	N/A	N/A	\$7.32	\$5.40
South Central	1,434,649	3.5%	N/A	0	0	0	2,393	2,393	N/A	N/A	\$12.96	\$7.20
Southeast	9,223,111	7.0%	N/A	0	239,205	0	356,132	356,132	N/A	\$5.76	\$11.76	\$6.60
Southwest	272,660	11.9%	N/A	0	0	0	(750)	(8,250)	N/A	N/A	\$13.56	N/A
Round Rock	3,554,184	13.0%	N/A	0	0	332,341	127,628	138,628	N/A	N/A	\$9.00	\$6.00
TOTALS	45,214,437	8.7%	N/A	0	328,805	452,341	1,061,010	1,009,751	N/A	\$5.64	\$10.92	\$6.00

* RENTAL RATES REFLECT ASKING \$PSF/YEAR HT= HIGH TECH MF = MANUFACTURING R/D = RESEARCH/DEVELOPMENT W/D = WAREHOUSE/DISTRIBUTION

MARKET HIGHLIGHTS

SIGNIFICANT 2014 LEASE TRANSACTIONS	SUBMARKET	TENANT	PROPERTY TYPE	SQUARE FEET
Pecan 130 Business Park	NE	FedEx Ground	W/D	250,000
Southpark Commerce Center III*	SE	Calendar Club	W/D	202,000
130 Commerce	NE	Cortec Precision Sheetmetal	W/D	150,000
SIGNIFICANT 2014 SALE TRANSACTIONS	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
Braker Center	NC	Westmount Realty Capital	Undisclosed	537,000
Southpark Commerce Center IV	SE	Realty Associates Fund	Undisclosed	417,400
15833 Long Vista Drive	RR	IndCor Properties	\$20,876,792/ \$56	372,606
SIGNIFICANT 2014 CONSTRUCTION COMPLETIONS	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)
Heritage Crossing I	RR	N/A	Q1 2014	222,454 (0%)
Pecan 130 Business Park A	NE	El Lago	Q2 2014	120,000 (20.0%)
Heritage Crossing 3	RR	Magnetic Clay	Q4 2014	109,887 (23.1%)
SIGNIFICANT PROJECTS UNDER CONSTRUCTION	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)
Expo Center II	SE	N/A	Q4 2015	130,002 (0.0%)
Expo Center 10	SE	N/A	Q4 2015	109,203 (0.0%)
Tuscany 9	NE	N/A	Q2 2015	89,600 (0.0%)

* RENEWAL - NOT INCLUDED IN LEASING ACTIVITY STATISTICS