

MARKETBEAT

AUSTIN INDUSTRIAL REPORT



3Q09

A CUSHMAN & WAKEFIELD ALLIANCE RESEARCH PUBLICATION

ECONOMY

As the United States settles into recession, the city of Austin is in a favorable position to lead the way as cities begin to bounce back from the economic downturn. According to an economic forecast by IHS Global Insight, Austin, along with San Antonio, will be one of the first two cities in the country to recover from the recession. The unemployment rate in Austin is at 7.2%, down one tenth of a percentage point from where it stood in July at 7.3%. When compared to the national unemployment rate of 9.6% and the Texas unemployment rate of 8.3%, Austin is responding to the recession better than most. Taking into account gross domestic product, unemployment rates as well other factors, Forbes has tabbed Austin the best city for economic recovery in the nation. The future of Austin appears to be bright, but Austin is not immune to the effects of the recession.

OVERVIEW

During the third quarter of 2009, the Austin industrial market experienced 324,353 square feet (sf) of positive direct absorption, a big improvement over the 117,951 sf of negative absorption the market felt last quarter and the 368,477 sf of negative absorption felt in the first quarter. This is the first time in a year the Austin industrial market has experienced positive absorption. The 218,707 sf of positive absorption the Southeast submarket felt, due in large part to the 75,000 sf lease signed by the Department of Veterans Affairs, was a major contributor to this growth. Across all submarkets, each felt positive absorption except the Northwest with 38,429 sf of negative absorption and the Southwest with 14,180 sf of negative absorption.

The overall vacancy rate for industrial product dropped to 18.2% during the third quarter of 2009. This is a slight decrease from where the overall vacancy rate stood at 18.8% last quarter. The decline in vacancy can be attributed to several significant leases signed this quarter such as Chip Semiconductor's 25,000 sf lease in the Northeast submarket and the Department of Veterans Affairs' 75,000 sf lease in the Southeast submarket. Across all product types, the Southeast submarket possesses the highest overall vacancy rate at 26.5%. Overall, the warehouse/distribution product vacancy rate stands at 26.3%, while the R&D/flex product vacancy rate stands at 14.0%.

The Austin industrial market experienced a fall in the overall average triple net asking rental rate for all three industrial product types compared to last quarter. The overall average asking rental rate for R&D/flex product dropped \$0.24 psf to \$8.88 psf and the warehouse/distribution product is down \$0.24 psf to \$5.88 psf. The manufacturing product experienced the biggest drop in overall average rental rate at \$0.36 psf compared to last quarter and stands at \$4.68 psf.

FORECAST

Austin currently has no sizable industrial projects under construction and this is the first quarter since the third quarter of 2008 that the Austin industrial market has experienced positive absorption. Considering this, and that rates for all three major industrial products have dropped, vacancy rates are expected to continue to fall throughout the end of the year.

BEAT ON THE STREET

"The Austin industrial market is showing signs of improvement and experienced a positive absorption of 324,353 square feet (sf) this quarter - in sharp contrast to the 117,951 sf of negative absorption seen last quarter. However, continued uncertainty related to the state of the national economy, in conjunction with a vacancy rate near 18%, has led to a continued lack of activity on the investment side while producing conditions seemingly more favorable for tenants in the market for leasing transactions."


-Joe Brockman, Vice President


ECONOMIC INDICATORS


National	2008	2009F	2010F
GDP Growth	0.4%	-2.6%	1.8%
CPI Growth	3.8%	-0.5%	1.7%
Regional			
Unemployment	5.0%	7.5%	6.7%
Employment Growth	2.5%	0.5%	1.0%

Source: Moody's | Economy.com

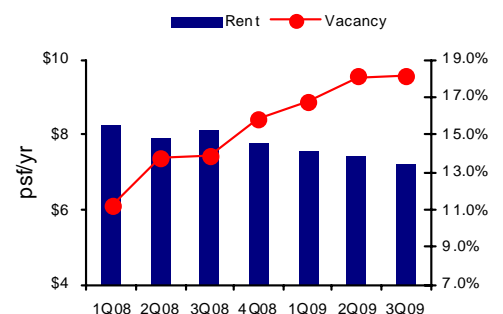
MARKET FORECAST

ASKING RENTAL RATES are expected to hold as activity in the industrial market begins to pick up. 

VACANCY will continue to drop as industrial construction has ceased and leasing activity is improving. 

DIRECT ABSORPTION will remain steady as leasing activity develops and companies begin to revisit their real estate needs. 

OVERALL RENTAL VS. VACANCY RATES



MARKET/SUBMARKET STATISTICS

MARKET/SUBMARKET	INVENTORY	NO. OF BLDGS.	OVERALL VACANCY RATE	UNDER CONSTRUCTION	YTD CONSTRUCTION COMPLETIONS	YTD OVERALL ABSORPTION	DIRECT WEIGHTED AVERAGE NET RENTAL RATE*		
							RD	MF	W/D
CBD	231,731	5	0.0%	0	0	0	\$0.00	\$0.00	\$0.00
Central	18,900	1	0.0%	0	0	0	\$0.00	\$0.00	\$0.00
Far Northwest	4,316,371	52	13.4%	0	0	(90,532)	\$0.89	\$0.00	\$0.42
North Central	9,773,814	150	19.1%	0	0	(227,072)	\$0.72	\$0.31	\$0.48
Northeast	11,311,932	161	16.8%	0	448,550	(232,707)	\$0.64	\$0.45	\$0.50
Northwest	4,254,111	65	12.1%	0	0	(120,501)	\$0.71	\$0.00	\$0.43
South Central	1,545,583	41	4.9%	0	0	24,600	\$0.50	\$0.30	\$0.00
Southeast	9,039,637	116	26.5%	0	264,837	244,278	\$0.80	\$0.49	\$0.51
Southwest	274,077	8	18.2%	0	0	78	\$0.94	\$0.00	\$0.00
Round Rock	3,173,387	55	19.8%	0	0	193,180	\$0.59	\$0.45	\$0.50
Suburban	43,707,812	649	18.3%	0	713,387	(208,676)	\$0.74	\$0.39	\$0.49
TOTAL	43,939,543	654	18.2%	0	713,387	(208,676)	\$0.74	\$0.39	\$0.49

*Rental rates reflect \$psf/mo

RD = R&D/Flex MF = Manufacturing W/D = Warehouse/Distribution

MARKET HIGHLIGHTS

SIGNIFICANT 3Q09 NEW LEASE TRANSACTIONS				
BUILDING	SUBMARKET	TENANT	SQUARE FEET	PROPERTY TYPE
Northtech Business Center 5	Northwest	Marquee Events	72,000	Warehouse/Distribution
Raceway Crossing 3	Round Rock	Flare Industries	60,000	Warehouse/Distribution
Techni Center 6	Northeast	Chip Semiconductor	25,000	R&D/Flex
SIGNIFICANT 3Q09 SALE TRANSACTIONS				
BUILDING	SUBMARKET	BUYER	SQUARE FEET	PURCHASE PRICE
1601 Rutherford Ln	Northeast	Endeavor 1601 Lic	51,000	N/A
5810 Comsouth Dr	Southeast	Center South Improvement Assn	40,932	N/A
SIGNIFICANT 3Q09 CONSTRUCTION COMPLETIONS				
BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
N/A				
SIGNIFICANT PROJECTS UNDER CONSTRUCTION				
BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
N/A				



For industry-leading intelligence to support your real estate and business decisions, go to Cushman & Wakefield's Knowledge Center at www.cushmanwakefield.com/knowledge

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*Market terms & definitions based on BOMA and NAIOP standards.

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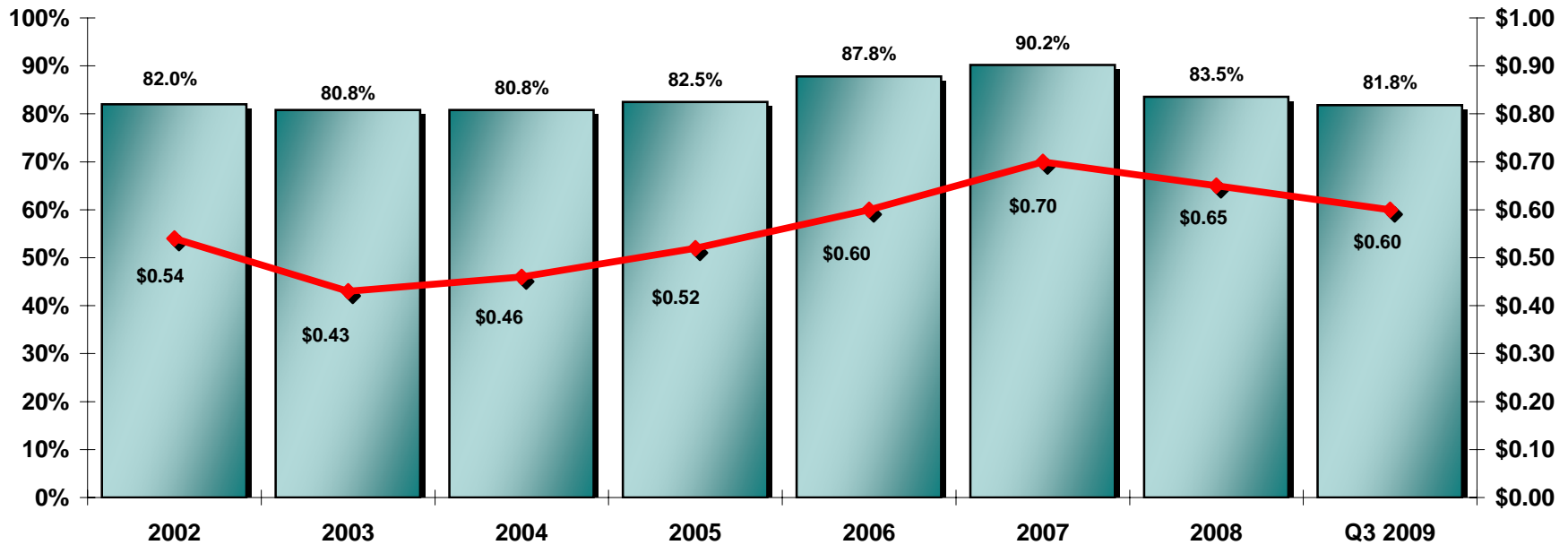
3rd Quarter 2009 Absorption Industrial

Submarket	Absorption 3rd Qtr 2008	Absorption 4th Qtr 2008	Absorption 1st Qtr 2009	Absorption 2nd Qtr 2009	Absorption 3rd Qtr 2009
Central Business District	0	0	0	0	0
Central	0	0	0	0	0
Far Northwest	89,787 sf	(68,319) sf	(32,232) sf	(93,940) sf	48,813 sf
North Central	28,334 sf	(328,382) sf	(183,082) sf	(70,129) sf	6,427 sf
Northeast	104,579 sf	141,437 sf	(94,009) sf	(158,380) sf	22,303 sf
Northwest	39,115 sf	(27,641) sf	(74,887) sf	20,915 sf	(38,429) sf
South Central	0 sf	(14,700) sf	(9,000) sf	9,600 sf	24,000 sf
Southeast	112,156 sf	23,640 sf	(2,554) sf	65,325 sf	218,707 sf
Southwest	8,000 sf	(16,758) sf	15,508 sf	(1,250) sf	(14,180) sf
Round Rock	(86,845) sf	5,602 sf	11,779 sf	109,908 sf	56,712 sf
Suburban	295,126 sf	(285,121) sf	(368,477) sf	(117,951) sf	324,353 sf
Overall	295,126 sf	(285,121) sf	(368,477) sf	(117,951) sf	324,353 sf



Overall Industrial Rental Rates & Occupancy 3rd Quarter, 2009

All Classes - Austin, Texas



Rental Rates and Occupancy consist of direct and sublease space. Included in the survey are single tenant and multi-tenant industrial buildings over 20,000 sq ft. NOT included are owner occupied buildings, or government and medical uses.

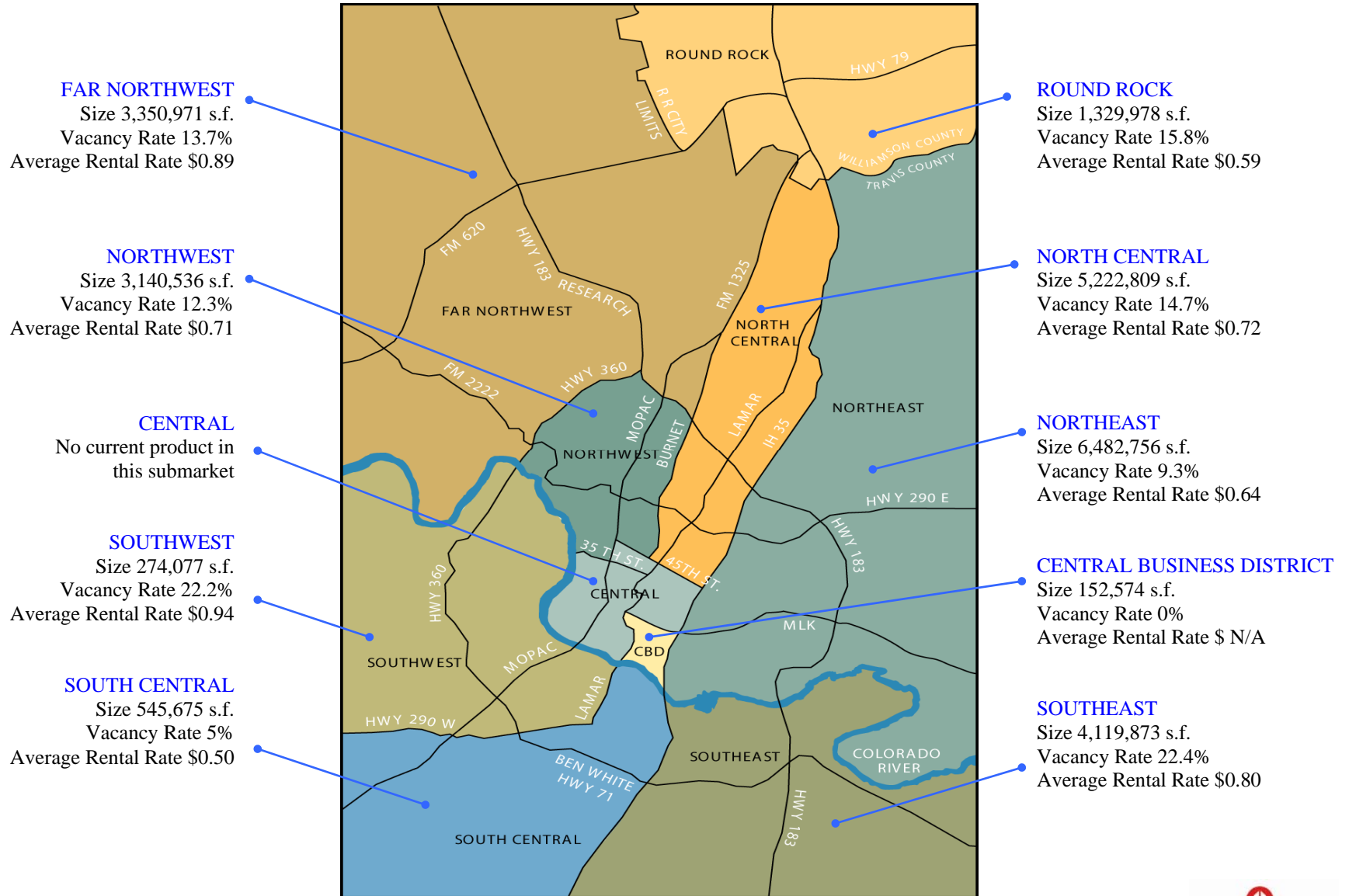
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Austin R&D/Flex Market –3rd Quarter 2009

Total market: 24,619,249 square feet



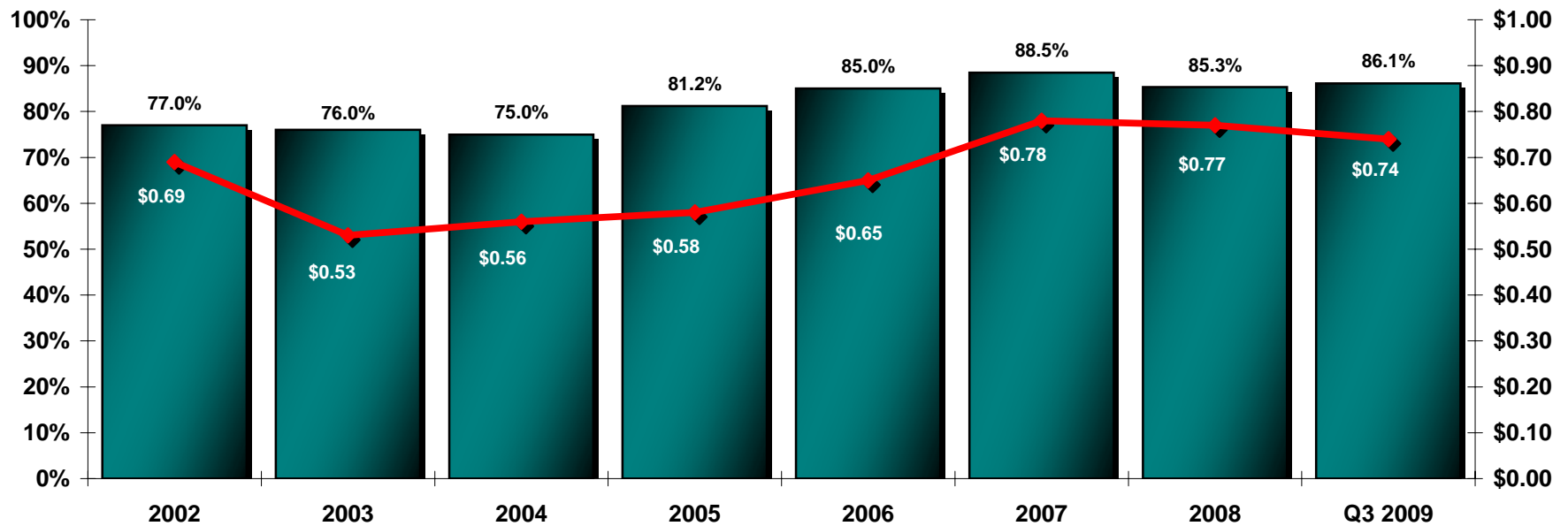
Included in the survey are single and multi-tenant R&D/flex buildings over 20,000 sq ft. NOT included are owner occupied buildings, or government and medical uses. No warranty or representation, expressed or implied, is made as to the accuracy of the information contained herein.



R&D/Flex Rental Rates & Occupancy

3rd Quarter, 2009

All Classes - Austin, Texas



Rental Rates and Occupancy consist of direct and sublease space. Included in the survey are single tenant and multi-tenant office and office / flex buildings over 20,000 sq ft. NOT included are owner occupied buildings, or government and medical uses.

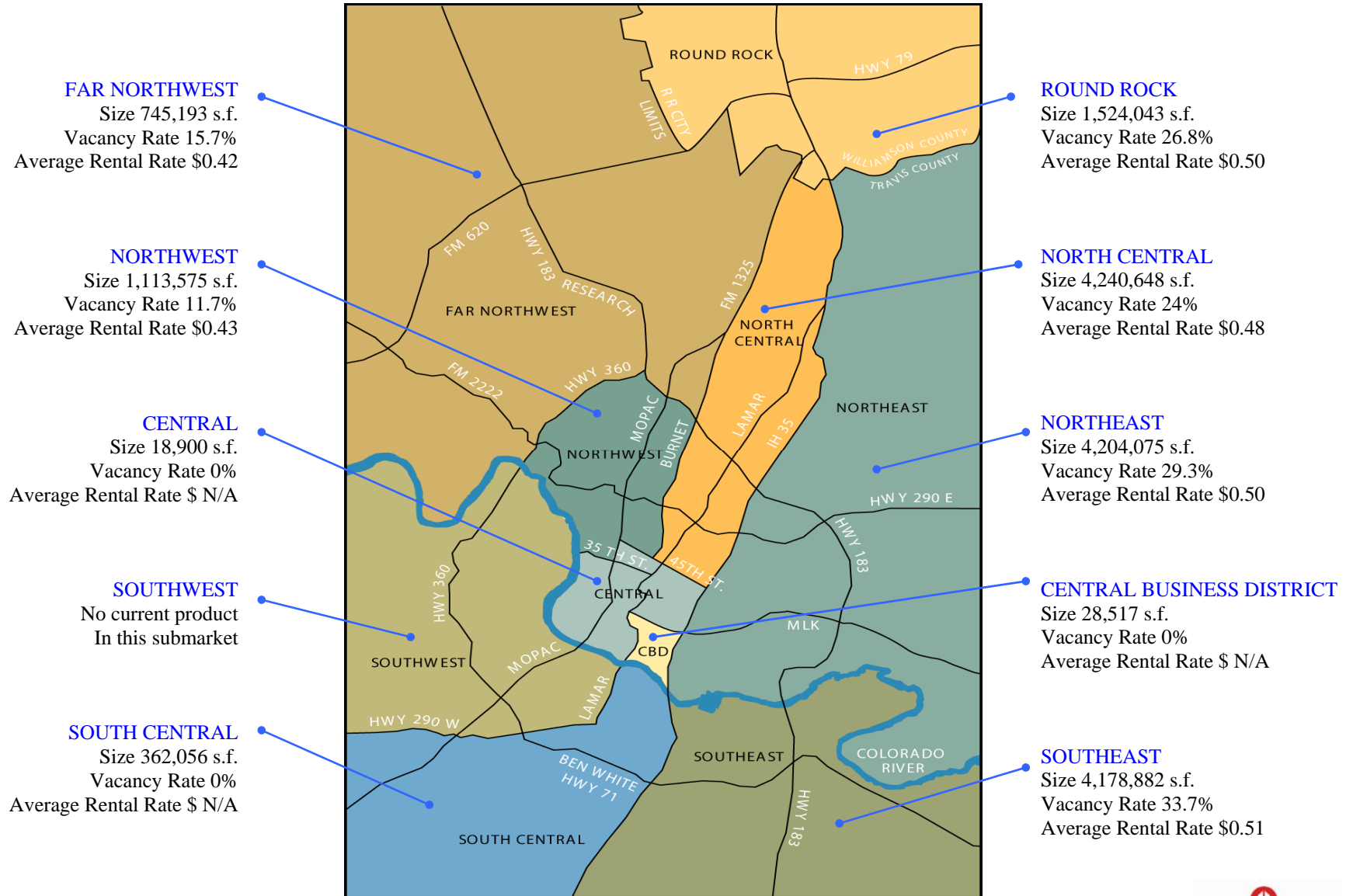
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Austin Warehouse/Distribution Market – 3rd Quarter 2009

Total market: 16,415,889 square feet

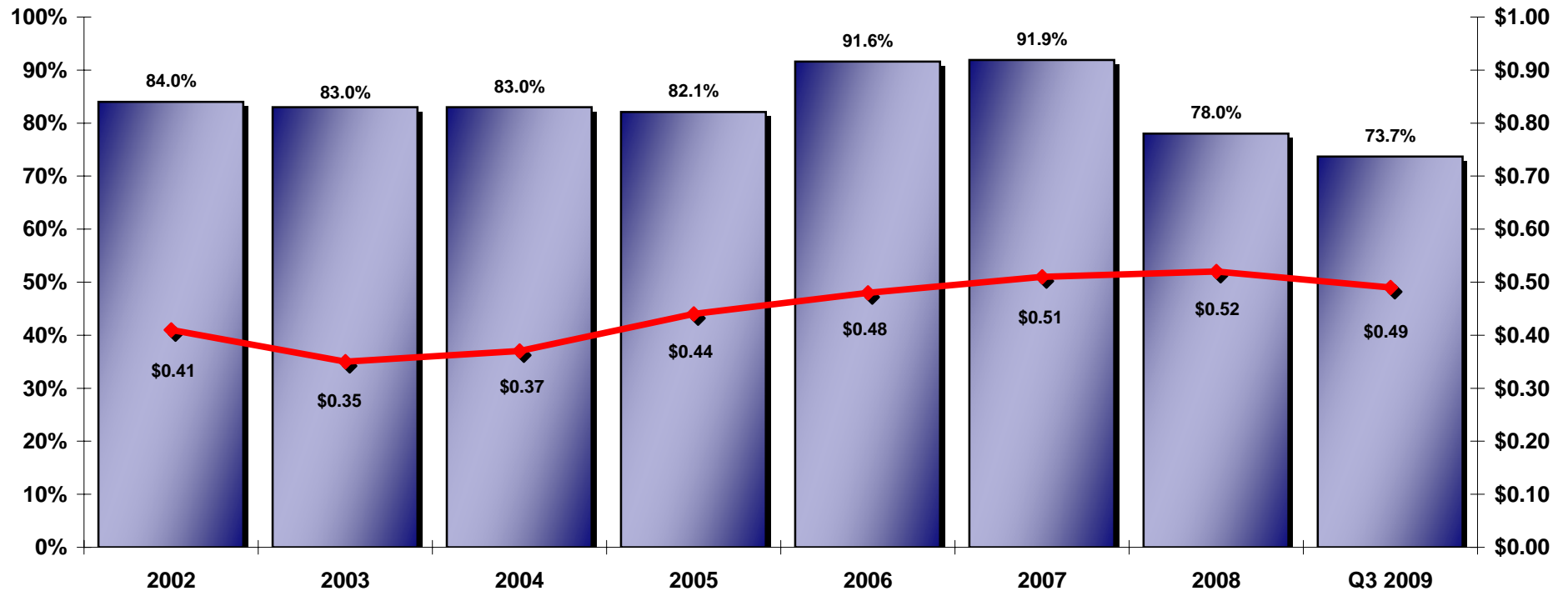


Included in the survey are single and multi-tenant warehouse & distribution buildings over 20,000 sq ft. NOT included are owner occupied buildings, or government and medical uses. No warranty or representation, expressed or implied, is made as to the accuracy of the information contained herein.

Warehouse Rental Rates & Occupancy

3rd Quarter, 2009

All Classes - Austin, Texas



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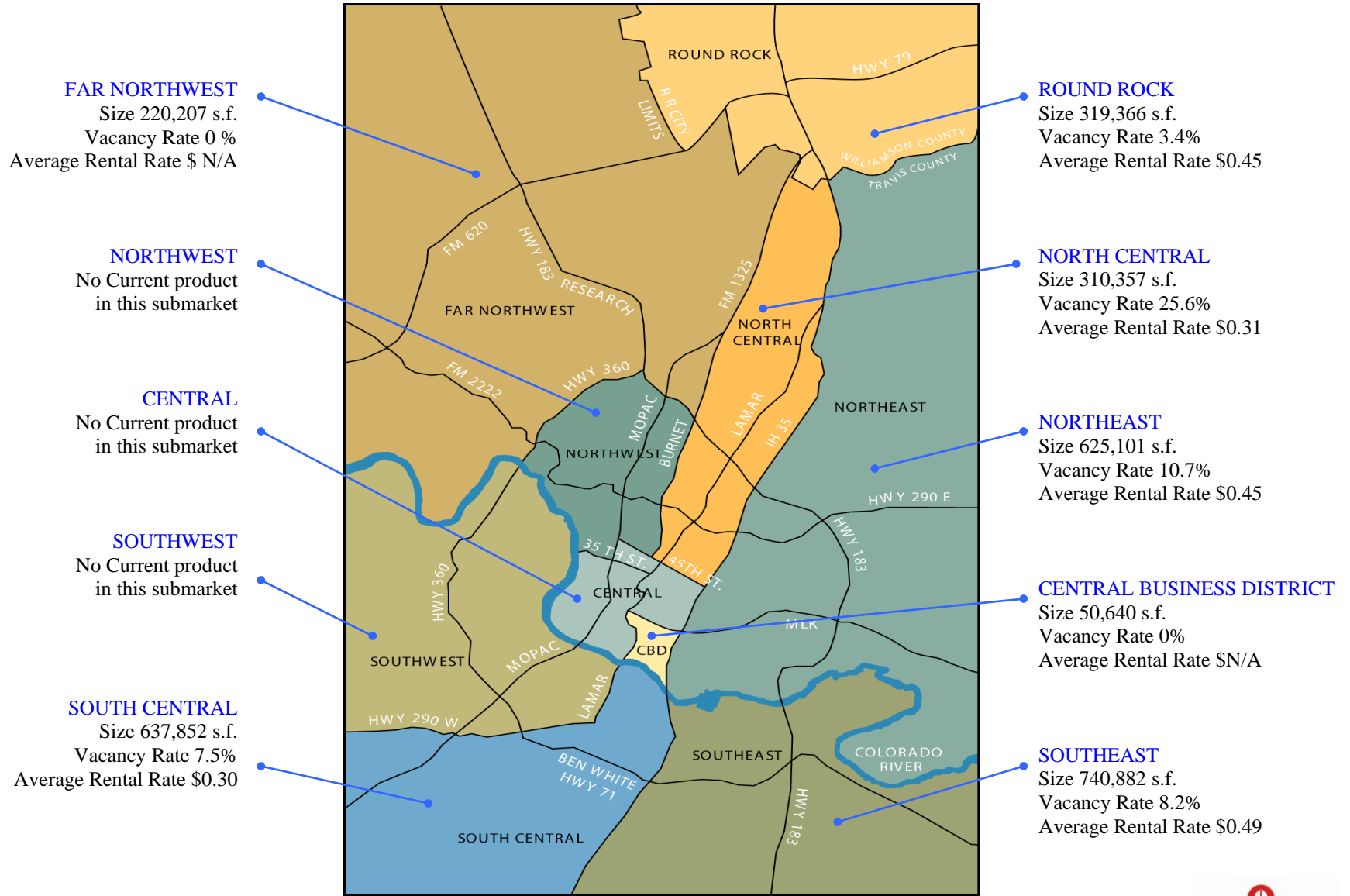
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Austin Manufacturing Market – 3rd Quarter 2009

Total market: 2,904,405 square feet

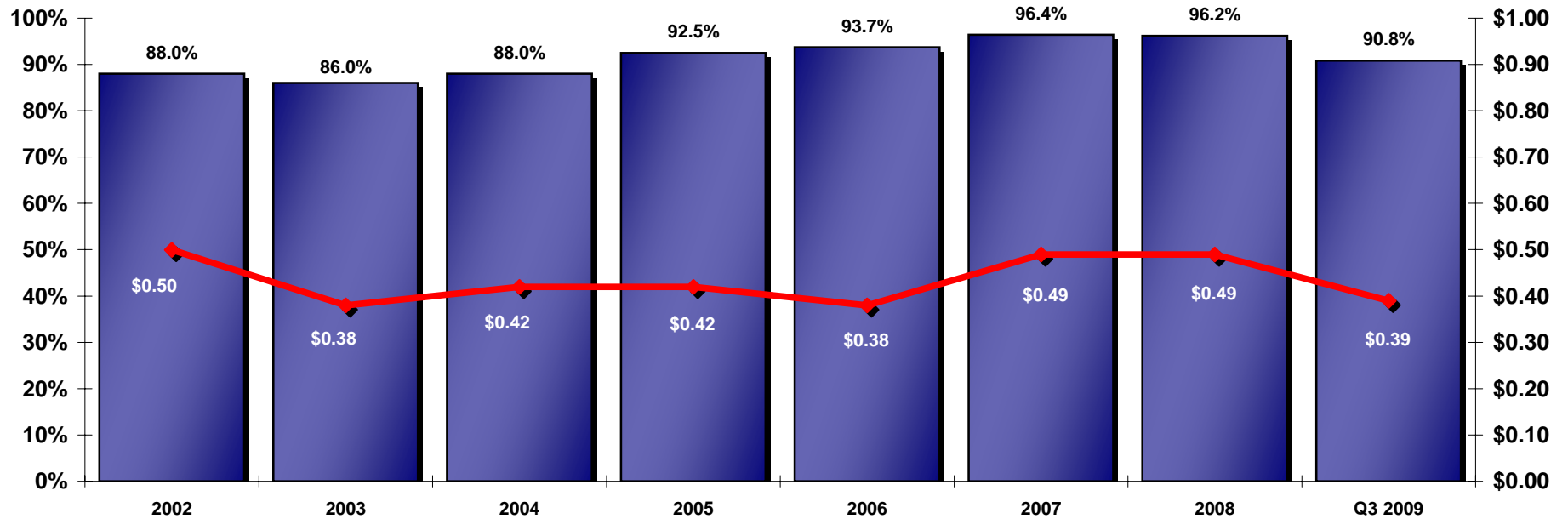


Included in the survey are single and multi-tenant manufacturing buildings over 20,000 sq ft. NOT included are owner occupied buildings, or government and medical uses. No warranty or representation, expressed or implied, is made as to the accuracy of the information contained herein.



Manufacturing Rental Rates & Occupancy 3rd Quarter, 2009

All Classes - Austin, Texas



Rental Rates and Occupancy consist of direct and sublease space. Included in the survey are single tenant and multi-tenant manufacturing buildings over 20,000 sq ft. NOT included are owner occupied buildings, or government and medical uses.

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