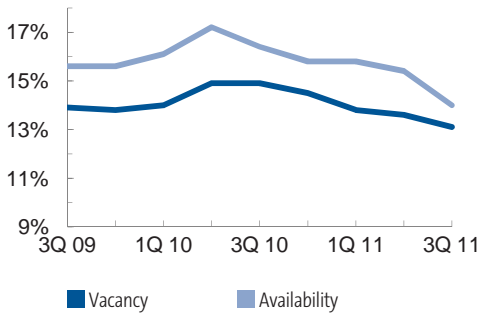
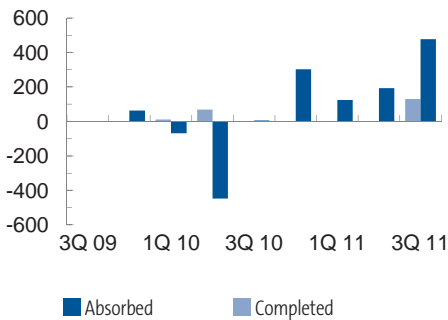


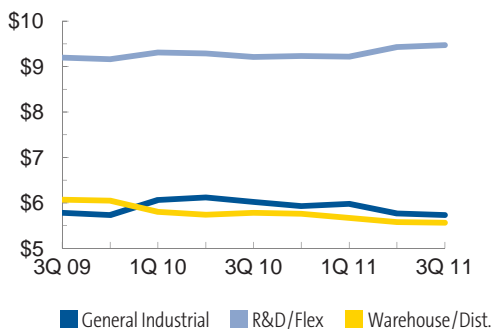
### Vacancy & Availability Rates



### Completions vs. Absorption (in Thousands of SF)



### Asking Rental Rates (\$/SF/Yr./Triple Net)



## Sustained Leasing Momentum Drives Vacancy Downward

The Austin industrial leasing market continued its recovery by inking 477,518 square feet of positive net absorption during the third quarter, pushing the annual growth tally to 800,580 square feet. Demand has accelerated over the last several quarters and the local market has witnessed five consecutive quarters of positive net absorption, a key indicator the market is firming up. All sectors experienced positive net absorption as the warehouse/distribution and general industrial sectors led the way with 183,577 and 150,121 square feet, respectively. Meanwhile, R&D/flex space registered 143,820 square feet of black ink.

As a result of the notable improvement in leasing activity and net absorption, overall vacancy decreased 50 basis points to end the quarter at 13.1 percent. Vacancy has descended a healthy 180 basis points since reaching its cyclical high twelve months ago as the local industrial market rebounds at a pace one might expect for a normal recovery cycle. While overall asking rents are not yet rising in tandem with the improved market activity, they do appear to have stabilized, indicating the worst may be over. Rents are expected to fluctuate slightly until landlords regain more negotiating leverage over tenants, but should generally remain flat over the next year. Overall, Austin's industrial market seems to be on a firm path to recovery as more positive net absorption is expected to close out 2011.

### FORECAST

- Austin's industrial market will continue to benefit from positive demand and limited new deliveries, translating to a continued recovery.
- Expect the overall industrial vacancy rate to fall into the sub 12 percent range within the next twelve months, as demand for space strengthens.
- Rental rate growth over the next year is expected to be subdued as plentiful tenant options and stiff competition amongst landlords in the market delay a swift recovery in asking and effective rents.
- Landlords will continue to be aggressive in negotiations, but will slowly burn off concessions amid improving economic conditions.

# Industrial Trends Report—Third Quarter 2011

## Austin, TX



**GRUBB & ELLIS**  
From Insight to Results

By Submarket	Total SF	Vacant SF	Vacancy %	Available %	NET ABSORPTION		Under Construction SF	ASKING RENT	
					Current Qtr	Year To Date		WH/Dist	R&D/Flex
CBD	157,354	3,700	2.4%	2.4%	-	-	-	-	-
Cedar Park	1,620,535	346,524	21.4%	17.0%	(10,275)	15,478	-	\$7.80	\$11.22
Central	2,620,101	122,723	4.7%	6.5%	35,884	30,969	-	\$6.30	\$8.35
East	6,381,313	1,244,909	19.5%	19.4%	57,412	39,805	-	\$5.48	\$7.66
Far Northeast	2,504,267	537,302	21.5%	22.6%	11,150	(53,162)	50,995	\$5.45	\$7.91
Far Northwest	2,065,570	28,123	1.4%	3.1%	(800)	(5,283)	-	\$8.20	\$11.00
Georgetown	2,827,160	398,483	14.1%	14.7%	(26,924)	(29,312)	-	\$3.98	\$10.23
North	17,338,625	1,993,746	11.5%	12.4%	159,945	342,155	-	\$5.63	\$9.85
Northeast	11,213,673	2,080,002	18.5%	21.2%	22,930	1,221	-	\$6.07	\$7.57
Northwest	4,739,689	301,587	6.4%	10.3%	41,672	3,727	-	\$4.99	\$10.48
Round Rock	4,061,594	515,989	12.7%	12.6%	32,458	100,420	-	\$7.81	\$7.19
South	3,974,665	157,800	4.0%	3.3%	19,703	51,661	290,000	\$2.29	\$15.61
Southeast	13,970,707	2,279,814	16.3%	16.4%	129,719	299,045	72,000	\$5.23	\$9.75
Southwest	3,193,986	48,548	1.5%	1.7%	4,644	3,856	-	\$10.20	\$12.00
West Central	100,512	-	-	-	-	-	-	-	-
<b>Totals</b>	<b>76,769,751</b>	<b>10,059,250</b>	<b>13.1%</b>	<b>14.0%</b>	<b>477,518</b>	<b>800,580</b>	<b>412,995</b>	<b>\$5.56</b>	<b>\$9.47</b>

By Property Type	Total SF	Vacant SF	Vacancy %	Available %	Current Qtr	Year To Date	Under Construction SF	ASKING RENT	
								WH/Dist	R&D/Flex
General Industrial	22,660,341	1,088,088	4.8%	5.4%	150,121	129,467	-	\$5.73	
R&D/Flex	23,184,256	4,600,181	19.8%	21.1%	143,820	230,914	72,000	\$9.47	
Warehouse/Distribution	30,925,154	4,370,981	14.1%	15.0%	183,577	440,199	340,995	\$5.56	
<b>Totals</b>	<b>76,769,751</b>	<b>10,059,250</b>	<b>13.1%</b>	<b>14.0%</b>	<b>477,518</b>	<b>800,580</b>	<b>412,995</b>	<b>\$7.00</b>	

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## INDUSTRIAL TERMS AND DEFINITIONS

**Total SF:** Industrial inventory includes all multi-tenant, single tenant and owner occupied buildings at least 10,000 square feet.

**Industrial Buildings Classifications:** Industrial buildings are categorized as warehouse/distribution, general industrial, R&D/flex and incubator based on their physical characteristics including percent office build-out, clear height, typical bay depth, typical suite size, type of loading and typical uses.

**Vacancy and Availability:** The vacancy rate is the amount of physically vacant space divided by the inventory and includes direct and

sublease vacant. The availability rate is the amount of space available for lease divided by the inventory.

**Net Absorption:** The net change in physically occupied space over a period of time.

**Asking Rent:** The dollar amount asked by landlords for available space expressed in dollars per square foot per year in most parts of the country, and dollars per square foot per month in areas of California and selected other markets. Industrial rents are expressed as triple net where all costs including, but not limited to, real estate taxes, insurance

and common area maintenance are borne by the tenant on a pro rata basis. The asking rent for each building in the market is weighed by the amount of available space in the building.

*\* Grubb & Ellis statistics are audited annually and may result in revisions to previously reported quarterly and final year-end figures.*

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