

MARKETBEAT HOUSTON



Industrial Q4 2019

	YoY Chg	12-Mo. Forecast
9.4% Vacancy Rate	▲	▲
718K Net Absorption, SF	▼	▲
\$5.98 Asking Rent, PSF	▼	—

Overall, Net Asking Rent
Market Statistics revised and may not match U.S. MarketBeat

ECONOMIC INDICATORS Q4 2019

	YoY Chg	12-Mo. Forecast
3.2M Houston Employment	▲	▲
3.7% Houston Unemployment Rate	▼	▲
3.6% U.S. Unemployment Rate	▼	▲

Source: BLS

ECONOMIC OVERVIEW: Slower Economic Growth in 2020

Metro Houston added 85,500 jobs in the 12-month period ending November 2019, a 2.7% annual increase, according to the Texas Workforce Commission. Although the reported job growth is healthy, other economic indicators are supporting a slight contraction which could indicate a revision to 2019 employment numbers. Although Houston will see slower economic growth in 2020, local economists are forecasting 40,000 to 50,000 new jobs in 2020, which falls within Houston's 20-year average. The industrial sector continues to benefit from increasing population, port-related activity and strong growth in eCommerce, and drives demand for new state-of-the-art industrial development.

SUPPLY AND DEMAND: Under Construction Hits New High

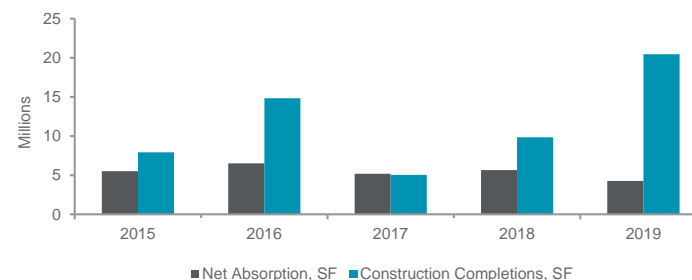
More than 20.4 million square feet (msf) of new development delivered in 2019 with a current vacancy rate of 64.3%. This additional vacant space pushed overall vacancy up 320 basis points year-over-year, to 9.4% in fourth quarter 2019. A record 21.4 msf is under construction at only 7.2% preleased. The majority of new development is located in the Northwest-Far submarket due to the residential growth and available land near the Grand Parkway. Following close behind is the Southeast-Far submarket near the Port of Houston and North-Far submarket near Bush Intercontinental Airport.

Leasing activity during fourth quarter 2019 increased quarter-over-quarter, and total leasing activity for the year surpassed 2018. One of the largest leases this quarter included Eugene B. Smith & Co.'s lease of 345,100 square feet (sf) at 411 Brisbane in the South-Far submarket. Although demand continues for new, larger and more modern facilities including higher clear heights, deliveries continue to exceed demand. Vacancy will rise as new developments deliver with vacant space. As a result, some older properties are being repurposed for use as retail and/or restaurant/bar space.

PRICING: Increasing Vacancy Pushes Average Asking Rents Down

As vacancy rose throughout 2019, average asking net rent rates dropped to \$5.98 per square foot in fourth quarter 2019, a 4.2% decline year-over-year. Overall rent rates declined as tenants vacated older properties and occupied new developments. In addition, several large subleases were added to the market, which offer competitive rates in order to compete with new developments. Rents should remain stable throughout 2020.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



MARKETBEAT HOUSTON



Industrial Q4 2019

MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	OVERALL VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION(SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	YTD CONSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG NET RENT (MF)	OVERALL WEIGHTED AVG NET RENT (OS)	OVERALL WEIGHTED AVG NET RENT (W/D)
CENTRAL BUSINESS DISTRICT	795,191	0	0.0%	0	0	0	0	\$0.00	\$0.00	\$0.00
North-Near	7,792,133	687,418	8.8%	-59,640	-144,968	0	21,000	N/A	\$5.10	\$2.86
North-Mid	8,612,840	346,273	4.0%	87,415	-35,023	0	0	\$6.35	\$2.68	\$7.75
North-Far	50,638,195	8,037,042	15.9%	518,945	1,998,918	4,818,774	6,386,569	N/A	\$7.20	\$5.91
North-Montgomery Co.	6,005,978	536,193	8.9%	48,623	52,381	1,124,065	41,215	N/A	\$8.99	\$9.80
NORTH	73,049,146	9,606,926	13.2%	595,343	1,871,308	5,942,839	6,448,784	\$6.35	\$7.59	\$5.70
Northeast-Near	19,135,283	1,725,298	9.0%	-353,867	-347,230	0	10,800	\$12.00	N/A	\$4.48
Northeast-Far	8,122,001	854,948	10.5%	-129,658	108,752	1,507,660	733,400	\$12.60	N/A	\$4.82
NORTHEAST	27,257,284	2,580,246	9.5%	-483,525	-238,478	1,507,660	744,200	\$12.30	N/A	\$4.57
Southeast-Near	38,752,649	2,593,063	6.7%	-394,779	-525,145	0	702,295	\$4.42	\$5.00	\$5.29
Southeast-Mid	13,947,922	861,979	6.2%	37,515	241,895	223,083	553,302	\$5.06	N/A	\$8.92
Southeast-Far	52,699,684	4,884,952	9.3%	26,289	2,740,473	4,221,872	4,869,967	\$10.20	\$9.01	\$5.39
SOUTHEAST	105,400,255	8,339,994	7.9%	-330,975	2,457,223	4,444,955	6,125,564	\$5.35	\$8.87	\$5.45
South-Near	25,305,444	1,655,135	6.5%	-334,825	-723,496	0	46,000	\$6.25	\$8.69	\$4.26
South-Far	12,506,371	1,423,001	11.4%	-147,206	-771,980	726,153	61,200	\$4.43	N/A	\$6.57
SOUTH	37,811,815	3,078,136	8.1%	-482,031	-1,495,476	726,153	107,200	\$4.94	\$8.69	\$5.24
Southwest-Near	6,002,071	52,724	0.9%	0	-18,297	0	0	N/A	N/A	\$5.40
Southwest-Far	44,541,353	4,294,232	9.6%	98,144	655,230	1,814,136	2,378,249	\$6.24	\$8.38	\$6.04
SOUTHWEST	50,543,424	4,346,956	8.6%	98,144	636,933	1,814,136	2,378,249	\$6.24	\$8.38	\$6.04
West-Far	29,700,897	3,070,722	10.3%	8,200	-172,144	607,340	942,436	\$8.24	\$9.31	\$7.29
Northwest-Near	31,525,457	2,104,291	6.7%	75,453	-250,667	22,166	0	\$5.31	\$7.60	\$5.92
Northwest-Far	94,984,319	9,981,821	10.5%	-113,977	-69,311	4,664,623	2,367,791	\$6.69	\$6.65	\$6.46
Waller County	8,496,708	231,990	2.7%	1,351,523	1,528,838	1,699,400	1,338,928	N/A	N/A	\$7.19
NORTHWEST	164,707,381	15,388,824	9.3%	1,321,199	1,036,716	6,993,529	4,649,155	\$6.55	\$7.19	\$6.57
HOUSTON TOTALS	459,564,496	43,341,082	9.4%	718,155	4,268,226	21,429,272	20,453,152	\$6.02	\$7.66	\$5.76

*Rental rates reflect weighted net asking \$psf/year, Market Statistics were revised and may not match U.S. MarketBeat

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

KEY LEASE TRANSACTIONS Q4 2019

PROPERTY	SUBMARKET	TENANT	SF	TYPE
411 Brisbane	South-Far	Eugene B. Smith & Co.	345,100	New Lease
28420 West Bend Boulevard	Waller County	Amazon	238,000	New Lease
300 South Sheldon Road	Southeast-Far	Gerber Plumbing	180,000	New Lease

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q4 2019

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$PSF
28450 West Bend Boulevard	Waller County	TDC WT Phase III LLC / TDC WT Phase Two LLC	340,503	Undisclosed
235 North Norwood Street	Central Business District	Farmers Brothers Coffee / Navigation Norwood Ltd	325,000	\$7.5M / \$23
12001 North Houston Rosslyn Road	Northwest	Hanover Land Company / Undisclosed	301,127	Undisclosed

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