

MARKETBEAT HOUSTON



Industrial Q3 2020

	YoY Chg	12-Mo. Forecast
10.6% Vacancy Rate	▲	▲
7.8M YTD Net Absorption, SF	▼	▼
\$6.04 Asking Rent, PSF <i>Overall, Net Asking Rent</i>	▼	▬

ECONOMIC INDICATORS Q3 2020

	YoY Chg	12-Mo. Forecast
3.0M Houston Employment	▼	▲
8.6% Houston Unemployment Rate	▲	▼
8.8% U.S. Unemployment Rate	▲	▼

Source: BLS, Moody's Analytics
Footnote: 2020Q3 data are based on latest available data.

ECONOMIC OVERVIEW: One-Third of Jobs Lost During the Pandemic Have Been Recovered

According to the Texas Workforce Commission, Houston lost 350,200 jobs during the pandemic; as of August, one-third of those jobs have been recovered. Houston unemployment rate hit a record high at 14.2% in April and has since declined to 8.6% in third quarter 2020. While some industries including Transportation, Warehousing and Utilities are recovering quickly, Manufacturing continues to lose jobs from the decline in equipment and supplies which support drilling. Upon the arrival of COVID-19 in the U.S., the economy entered a recession in March 2020, recording the worst decline in post-war history in Q2 2020. Mounting evidence indicates that the recovery began in May or June with Q3 2020 data likely reflecting that. But, until there is a public health resolution to the pandemic, the recovery is likely to remain uncertain and gradual. Only then can households and businesses become more confident. Access the most recent research on CRE and the state of economy [here](#).

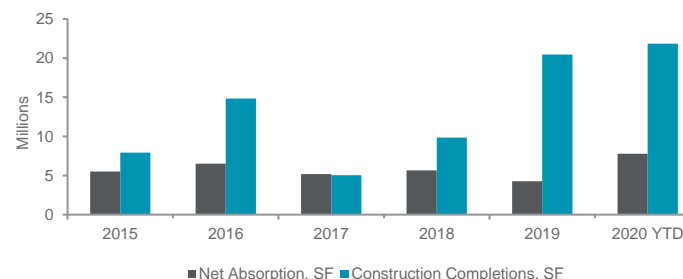
SUPPLY AND DEMAND: Construction Boom Continues Despite Pandemic

Development for state-of-the-art product in large warehouse/distribution centers continues to drive new development despite COVID-19. While most of Houston's economy was shut down, the uptick in online shopping kept demand steady. Strong demand resulted in 21.7 million square feet (msf) of year-to-date leasing activity, which has already surpassed the 21.2 msf of annual leasing activity in 2019. One of the largest leases this quarter included Service Wire Company's 308,043 square foot lease in the Northeast-Far submarket. While overall vacancy increased 290 basis points (bps) year-over-year, to 10.6% in third quarter 2020, it dipped by 10 bps from the previous quarter. Nearly 6.3 msf of industrial space delivered in third quarter 2020, bringing year-to-date completions to 21.8 msf. While 16.9 msf of industrial development is under construction, at 40.8% preleased, vacancy could increase by nearly 10.0 msf as these developments deliver. As leasing activity picked up, another 3.0 msf of industrial product was absorbed in third quarter, bringing the year-to-date absorption to 7.8 msf.

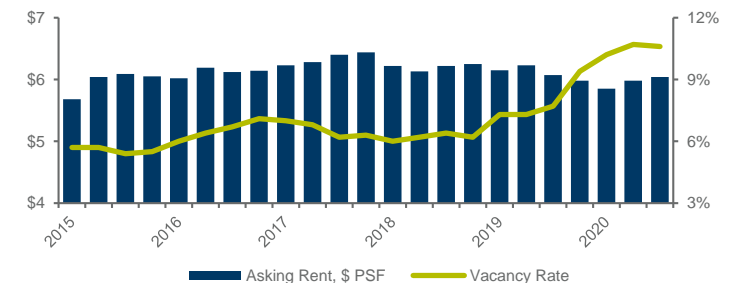
PRICING: Average Asking Rents Remain Stable

Average asking net rent rates dipped slightly to \$6.04 per square foot in third quarter 2020. Overall rent rates declined as tenants vacated older properties and occupied new developments. In addition, available sublease space, which offers competitive rents, spiked by 54.0%, from 4.5 msf in first quarter to 6.9 msf in third quarter 2020. Vacancy is expected to rise as new developments deliver with vacant space; and if sublease space continues to trend upwards, it could add pressure on landlords to lower rates even further.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY / ASKING RENT



MARKETBEAT HOUSTON



Industrial Q3 2020

MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	OVERALL VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CONSTR (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	219,716	0	0.0%	0	0	0	0	N/A	N/A	N/A
North-Near	6,306,572	562,910	8.9%	-26,300	-70,692	61,828	0	\$9.76	\$6.60	\$3.76
North-Mid	7,419,340	452,177	6.1%	-22,967	-66,712	0	0	\$4.87	\$4.85	\$6.66
North-Far	52,519,087	9,426,932	17.9%	409,993	1,890,341	2,382,277	4,722,462	\$22.30	\$7.35	\$5.77
North-Montgomery County	8,001,630	729,911	9.1%	-202,077	788,183	472,755	940,550	\$7.62	\$12.82	\$9.78
NORTH	74,246,629	11,171,930	15.0%	158,649	2,541,120	2,916,860	5,663,012	\$8.01	\$8.96	\$5.74
Northeast-Near	19,048,365	1,205,929	6.3%	109,699	358,661	0	0	\$5.67	\$7.50	\$4.23
Northeast-Far	6,950,190	697,424	10.0%	-42,657	180,113	1,352,488	234,200	\$8.70	\$7.75	\$4.81
NORTHEAST	25,998,555	1,903,353	7.3%	67,042	538,774	1,352,488	234,200	\$6.21	\$7.70	\$4.40
Northwest-Near	26,592,975	1,862,893	7.0%	-196,139	-286,297	0	22,166	\$3.36	\$9.84	\$5.02
Northwest-Far	96,394,795	11,586,225	12.0%	-199,051	1,110,145	1,379,986	4,966,525	\$7.44	\$9.21	\$6.19
West-Far	28,064,651	2,498,450	8.9%	511,847	459,883	20,000	646,350	\$8.42	\$9.25	\$6.99
Waller County	9,781,600	648,938	6.6%	90,000	223,202	4,806,015	699,650	\$11.52	N/A	\$5.83
NORTHWEST	160,834,021	16,596,506	10.3%	206,657	1,506,933	6,206,001	6,334,691	\$7.27	\$9.34	\$6.13
South-Near	22,304,647	1,566,172	7.0%	-139,645	-206,494	151,342	0	\$6.21	\$10.05	\$4.41
South-Far	12,243,584	1,128,475	9.2%	186,507	621,458	1,592,039	558,588	\$9.36	N/A	\$6.34
SOUTH	34,548,231	2,694,647	7.8%	46,862	414,964	1,743,381	558,588	\$7.20	\$10.05	\$5.21
Southeast-Near	34,680,522	2,501,855	7.2%	-90,382	-620,637	0	468,922	\$4.28	\$5.60	\$4.76
Southeast-Mid	12,830,077	741,921	5.8%	-335,156	-237,762	0	223,083	\$5.44	N/A	\$6.80
Southeast-Far	58,186,370	6,921,178	11.9%	735,382	1,744,191	3,020,107	4,632,053	\$10.10	\$9.09	\$5.52
SOUTHEAST	105,696,969	10,164,954	9.6%	309,844	885,792	3,020,107	5,324,058	\$6.38	\$8.89	\$5.41
Southwest-Near	4,337,462	58,864	1.4%	0	-41,180	0	0	N/A	N/A	\$7.06
Southwest-Far	44,940,860	5,284,878	11.8%	2,204,726	1,942,634	1,696,245	3,722,377	\$5.01	\$10.10	\$6.24
SOUTHWEST	49,278,322	5,343,742	10.8%	2,204,726	1,901,454	1,696,245	3,722,377	\$5.01	\$10.10	\$6.25
HOUSTON TOTALS	450,822,443	47,875,132	10.6%	2,993,780	7,789,037	16,935,082	21,836,926	\$6.56	\$9.32	\$5.75

*Rental rates reflect weighted net asking \$psf/year.

**Statistics not reflective of U.S. MarketBeat Tables

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

KEY LEASE TRANSACTIONS

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
Generation Park	Northeast-Far	Service Wire Company	308,043	New Lease
City Park East	Northeast-Near	DHL	254,765	Renewal

*Renewals not included in leasing statistics

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KEY SALES TRANSACTIONS

PROPERTY	SUBMARKET	SELLER / BUYER	SF
Centre At Cypress Creek Bldg 4	Northwest-Far	SG Interests / Mexcor	245,094
West Ten Distribution Center PH II Bldg 3	Waller County	USB Realty Investors / Stonelake Capital Partners	238,000