

MARKETBEAT HOUSTON



Industrial Q4 2020

10.8%
Vacancy Rate

YoY
Chg



12-Mo.
Forecast



12.2M
Net Abs. YTD, SF



\$6.16
Net Asking Rent, PSF



ECONOMIC INDICATORS

3.0M
Houston
Employment

YoY
Chg



12-Mo.
Forecast



8.5%
Houston
Unemployment Rate



6.7%
U.S.
Unemployment Rate



Source: BLS, Moody's Analytics
Footnote: 2020Q4 data are based on latest available data.

ECONOMIC OVERVIEW: Houston Has Recovered 57.8% of Jobs Lost During the Pandemic

During the pandemic, Houston lost 350,200 jobs according to the Texas Workforce Commission. As of November, Houston has recovered 202,500 jobs, or 57.8% of the pre-pandemic employment. Sectors which have regained jobs and are exceeding pre-pandemic levels include transportation and warehousing, utilities, finance and insurance, and professional, scientific and technical services. Houston's unemployment rate declined to 8.5% in fourth quarter 2020, after reaching a record high at 14.2% in April. Houston's recovery and job growth continues to be tied to the price of oil and the number of active COVID-19 cases. While mining and manufacturing will remain stagnant, above average population growth, and expansion in housing, transportation and distribution will continue to drive growth. Houston's economic outlook remains optimistic with the vaccine rollout and economists are forecasting 35,000 to 71,500 new jobs in 2021.

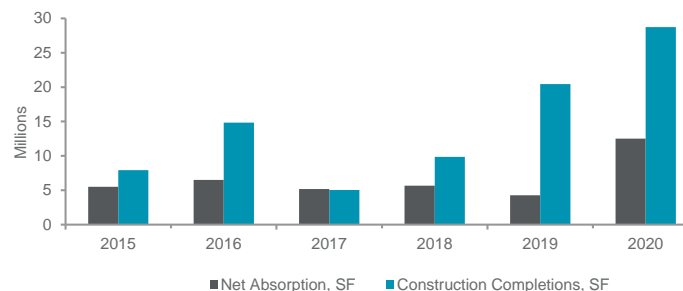
SUPPLY AND DEMAND: Large Modern Warehouse/Distribution Developments in High Demand

While Houston's economy continues to struggle with the effects of the pandemic, the industrial market has benefitted from the stay-at-home mandates which has driven up demand from online shopping. Large occupiers are driving demand for state-of-the-art warehouse/distribution facilities which include higher ceiling heights, queuing lanes and larger outside storage areas. Demand is concentrated in outlying submarket areas including North-Montgomery County, Southwest-Far, Southeast-Far and Waller County. This is due to the availability of large blocks of land tracts which are getting increasingly harder to find inside Beltway 8, thereby pushing new development out towards the Grand Parkway, the newest outer loop. During fourth quarter 2020, four of the largest lease transactions were in distribution facilities and ranged from 650,000 square feet (sf) up to Lowe's 1.5 million square foot (msf) distribution center in Montgomery County. The industrial market absorbed 1.1 msf in fourth quarter, closing the year with a strong 12.2 msf of positive absorption. Nearly 5.7 msf delivered in fourth quarter, bringing the year-to-date completions to 28.7 msf. Currently, 19.4 msf is under construction with nearly a quarter of the developments located in the Waller County submarket (5.1 msf).

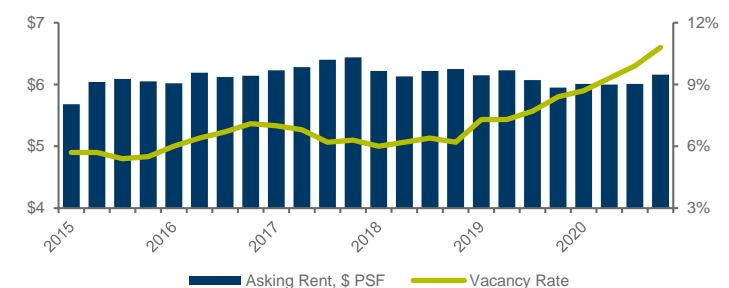
PRICING: Average Asking Rents Increase As New Product Delivers

Citywide average asking rents increased 3.0% year-over-year to \$6.16 per square foot in fourth quarter 2020. A slight increase in asking rates was noted across the board with much of the increases coming from new developments commanding higher rates. Although strong demand should continue, Houston's industrial vacancy rate of 10.8% is expected to increase due to the sheer volume of new product being delivered. Looking forward into 2021, demand should remain healthy and rental rates are expected to increase as new developments deliver with vacant space.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY / ASKING RENT



MARKETBEAT HOUSTON



Industrial Q4 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	923,776	15,000	1.6%	0	0	0	0	N/A	N/A	N/A
North-Near	6,048,383	522,384	8.6%	61,828	16,662	0	61,828	N/A	N/A	\$3.70
North-Mid	7,444,994	404,429	5.4%	-85,381	-33,964	0	0	\$6.08	\$4.87	\$7.23
North-Far	54,305,947	9,552,629	17.6%	-37,317	2,588,166	1,940,844	5,873,506	\$13.36	\$8.42	\$5.83
North-Montgomery County	8,461,669	748,647	8.8%	85,865	967,443	3,115,845	1,114,837	\$10.48	\$13.57	\$8.55
NORTH	76,260,993	11,228,089	14.7%	24,995	3,538,307	5,056,689	7,050,171	\$9.08	\$9.63	\$5.78
Northeast-Near	19,233,678	1,136,760	5.9%	-73,420	299,591	0	0	\$5.95	\$8.50	\$4.37
Northeast-Far	7,449,205	1,120,153	15.0%	-27,004	153,109	956,763	629,925	\$8.70	N/A	\$5.00
NORTHEAST	26,682,883	2,256,913	8.5%	-100,424	452,700	956,763	629,925	\$6.36	\$8.50	\$4.68
Northwest-Near	26,609,710	1,896,515	7.1%	-75,313	-304,717	0	22,166	\$5.74	\$9.04	\$5.01
Northwest-Far	98,558,593	12,053,517	12.2%	-401,288	1,324,490	1,611,090	5,963,475	\$8.42	\$8.60	\$6.37
West-Far	28,336,769	2,560,169	9.0%	-45,917	544,151	60,695	711,410	\$8.30	\$9.47	\$7.13
Waller County	11,573,275	948,938	8.2%	1,000,000	1,223,202	5,086,918	1,999,650	\$11.52	N/A	\$5.45
NORTHWEST	165,078,347	17,459,139	10.6%	477,482	2,787,126	6,758,703	8,696,701	\$7.95	\$8.91	\$6.23
South-Near	22,351,657	1,604,144	7.2%	-143,325	-266,651	151,342	0	\$6.20	\$10.30	\$4.29
South-Far	13,485,709	1,810,652	13.4%	300,610	1,055,471	479,409	1,700,978	\$4.81	N/A	\$5.89
SOUTH	35,837,366	3,414,796	9.5%	157,285	788,820	630,751	1,700,978	\$5.78	\$10.30	\$5.27
Southeast-Near	34,794,093	2,366,745	6.8%	-169,712	-512,685	0	526,094	\$4.34	\$5.00	\$4.78
Southeast-Mid	13,407,259	761,833	5.7%	-120,912	-257,674	0	223,083	N/A	N/A	\$7.45
Southeast-Far	59,494,055	7,623,876	12.8%	457,254	2,671,810	2,394,311	5,934,050	\$9.62	\$9.95	\$5.59
SOUTHEAST	107,695,407	10,752,454	10.0%	166,630	1,901,451	2,394,311	6,683,227	\$5.49	\$9.64	\$5.49
Southwest-Near	4,581,479	24,500	0.5%	7,500	8,184	0	0	N/A	N/A	\$6.85
Southwest-Far	45,696,795	4,710,020	10.3%	395,162	2,674,547	3,595,850	3,965,281	\$5.01	\$10.81	\$6.80
SOUTHWEST	50,278,274	4,734,520	9.4%	402,662	2,682,731	3,595,850	3,965,281	\$5.01	\$10.81	\$6.80
HOUSTON TOTALS	462,757,046	49,860,911	10.8%	1,128,630	12,151,135	19,393,067	28,726,283	\$6.77	\$9.58	\$5.83

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

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

KEY LEASE TRANSACTIONS

PROPERTY	SUBMARKET	TENANT	SF	TYPE
East Industrial Park/New Caney	North-Montgomery County	Lowe's	1,500,000	New Lease
2303 Hurricane Lane/Missouri City	Southwest-Far	Amazon	1,000,000	New Lease

*Renewals not included in leasing statistics

CAMMIE MOISE

Associate Director, Houston Research
+1 713 331 1773 /cammie.moise@cushwake.com

MARY DOETTERL

Research Analyst, Industrial
+1 713 963 2859 /mary.doetterl@cushwake.com

KEY SALES TRANSACTIONS

PROPERTY	SUBMARKET	SELLER / BUYER	SF
31819 Highway 90 East/Brookshire	Waller County	Duke Realty / Mirabaud Group	1,016,000
7703 North Sam Houston Parkway West/Houston	Northwest-Far	Hines / KKR	770,640

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