

MARKETBEAT HOUSTON



Industrial Q1 2021

YoY Chg 12-Mo. Forecast

10.6%
Vacancy Rate



5.3M
Net Abs. YTD, SF



\$6.23
Net Asking Rent, PSF



Overall, Average Net Asking Rent

ECONOMIC INDICATORS Q1 2021

YoY Chg 12-Mo. Forecast

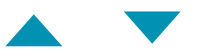
3.0M
Houston
Employment



7.7%
Houston
Unemployment Rate



6.0%
U.S.
Unemployment Rate



Source: BLS, Moody's Analytics

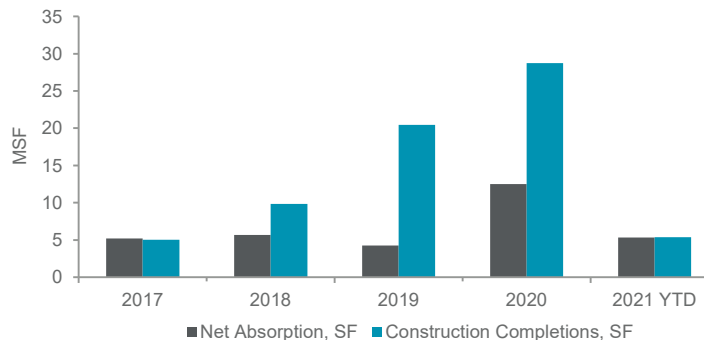
ECONOMY

The impact from the recession triggered by COVID-19 was still being felt in the Houston economy through the first quarter of 2021. While the economic outlook remains optimistic as we anticipate an end to the pandemic, Houston is expected to rebound slower than the rest of the nation due to the additional setback of the oil bust. Houston's metro area (MSA) stood at 3.0 million total employment as of end of Q1 2021, a 6.6% year-over-year (YOY) decrease. According to recent revisions to the employment data provided by the U.S. Bureau of Labor Statistics, job losses during the early stages of the pandemic were worse than first reported. Houston experienced a record loss of 361,400 jobs during March and April 2020. The region has since recovered 128,400 of those jobs lost (35.5%). Local economists project an average gain of 40,000 jobs during 2021, reflecting 1.4% in total employment growth. According to Moody's Analytics, the industrial sector grew for the third consecutive quarter, adding 6,837 positions during Q1 2021. Industrial roles are described as positions that fall within manufacturing and trade, transportation, and utilities. The region's industrial employment totaled 831,196 jobs as Q1 2021.

SUPPLY

While Houston's economy continues to struggle with the effects of the pandemic, supply in the industrial market has benefitted from the stay-at-home mandates, resulting in increased demand from online shopping. Large occupiers are driving demand for more modern warehouse/distribution facilities providing higher clear heights, queuing lanes, and larger outside storage areas. New construction activity is concentrated in outlying submarkets including Southeast-Far, Southwest-Far, North-Montgomery County and Northwest-Far. Large blocks of land tracts are increasingly harder to find inside Beltway 8, thus pushing new development towards Houston's outer loop - the Grand Parkway. Over 5.3 msf of new industrial product delivered Q1 2021, 64% was preleased at the time of delivery. The largest and most notable delivery was Ross Distribution Center (2.2 msf) in the West market. Currently, 19.4 msf is under construction, comparable to 19.3 msf at year-end 2020. In the first quarter of 2021 the Houston industrial vacancy rate increased 40 basis points (bps) YOY to 10.6%. Vacancy remained flat quarter-over-quarter (QOQ) but is still 210 bps below the 15-year historical average of 8.5% for all product types.

SPACE DEMANDS / DELIVERIES



OVERALL VACANCY & OVERALL ASKING RENT



MARKETBEAT HOUSTON



Industrial Q1 2021

DEMAND

Houston is poised as one of the strongest industrial markets in the nation. The Port of Houston and Houston Ship Channel are key economic drivers of demand in the industrial market. New leasing activity totaled 8.6 msf during Q1 2021. Northwest-Far led all submarkets with 2.3 msf of new leases signed, followed by North-Montgomery County and Southwest-Far at 1.7 msf and 1.3 msf, respectively. During first quarter 2021, five of the largest lease transactions were in distribution facilities ranging from 167,000 to 348,000 square feet (sf) located in the Southwest-Far and Southeast-Far submarkets.

The market continued its trajectory of positive occupancy growth and absorbed 5.3 msf in Q1 2021 due to the tremendous amount of prelease activity that took place during 2020. The highest increase in occupancy was in the West-Waller County submarket at 2.3 msf, followed by Southeast-Far and North-Far submarkets at 847,433 sf and 622,285 sf, respectively. Notable leases signed during first quarter include 4PX Express USA (347,730 sf), Awesung (239,124 sf), DNA Motoring (194,610 sf) and Amazon (180,000 sf). The largest move-ins this quarter were Ross Distribution (2.2 msf) and Dunavant Distribution (784,000 sf).

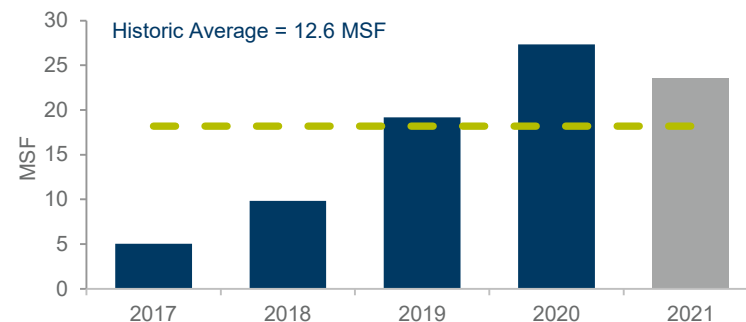
PRICING

Tight market conditions and solid demand brought on another quarter of rental growth in the Houston industrial market. Citywide overall average net asking rate increased 3.7% YOY to \$6.23 per square foot (psf) in the first quarter 2021. North-Montgomery County led all submarkets with the highest overall average asking rates, closing Q1 2021 at \$11.01 psf. The West-Far and Southwest-Far submarkets followed at \$7.70 psf and \$6.98 psf, respectively. Manufacturing rental rates increased 5.9% QOQ at \$7.17 psf, Office Service Centers increased 1.0% QOQ at \$9.67 psf, and Warehouse/Distribution remained relatively unchanged QOQ at \$5.84 psf.

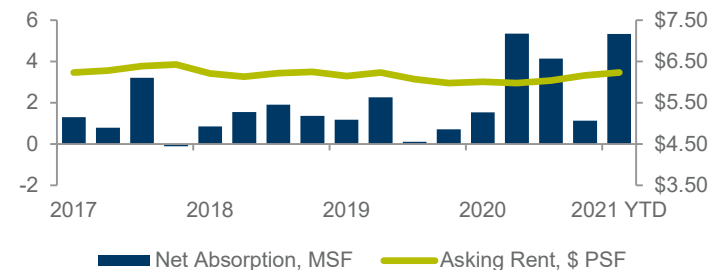
OUTLOOK

- An increase in demand for e-commerce operations may have an impact on labor trends, with a potential shift from retail to warehouse.
- Tenant demand is expected to remain active as e-commerce continues record-breaking growth driven by industry leaders such as Amazon, FedEx, and 3PL providers.
- Demand continues for modern state-of-the-art facilities which is driven by the last-mile delivery as e-commerce and other retail users look to offer the fastest delivery option for customers throughout the market.
- Built-To-Suit developments will continue to increase as larger occupiers require specialized buildings. Additionally, we anticipate food and healthcare-related users to boost demand for further developments.

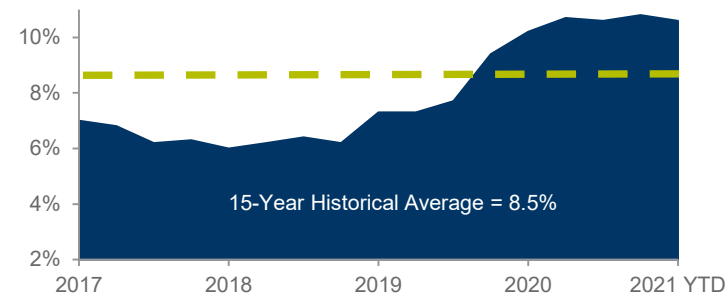
NEW SUPPLY (MSF)



OVERALL NET ABSORPTION / OVERALL ASKING RENT



OVERALL VACANCY



MARKETBEAT HOUSTON



Industrial Q1 2021

OVERALL 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	0	0.0%	0	0	0	0	N/A	N/A	N/A
North-Near	6,048,383	511,884	8.5%	0	0	0	0	N/A	\$5.40	\$3.55
North-Mid	7,513,575	408,285	5.4%	-94,120	-94,120	0	0	\$6.37	\$4.85	\$6.81
North-Far	54,962,403	9,572,796	17.4%	622,285	622,285	2,050,338	441,356	\$12.27	\$8.28	\$5.80
North-Montgomery County	8,638,580	868,351	10.1%	374,373	374,373	3,226,000	489,845	\$9.96	\$14.19	\$8.95
NORTH	77,162,941	11,361,316	14.7%	902,538	902,538	5,276,338	931,201	\$8.99	\$9.51	\$5.76
Northeast-Near	19,893,790	968,962	4.9%	98,898	98,898	0	0	\$8.28	\$8.50	\$4.27
Northeast-Far	8,097,925	1,704,355	21.0%	0	0	449,403	0	\$8.70	N/A	\$5.00
NORTHEAST	27,991,715	2,673,317	9.6%	98,898	98,898	449,403	0	\$8.44	\$8.50	\$4.64
Northwest-Near	26,782,336	2,013,136	7.5%	-86,384	-86,384	0	0	\$5.66	\$9.13	\$5.37
Northwest-Far	101,194,286	11,808,031	11.7%	401,276	401,276	2,089,049	224,800	\$7.78	\$8.80	\$6.45
NORTHWEST	127,976,622	13,821,167	10.8%	314,892	314,892	2,089,049	224,800	\$7.18	\$8.87	\$6.28
South-Near	22,497,931	1,466,715	6.5%	185,505	185,505	151,342	112,000	\$7.17	\$11.70	\$4.44
South-Far	12,078,231	911,546	7.5%	-98,513	-98,513	451,569	0	\$4.81	N/A	\$5.71
SOUTH	34,576,162	2,378,261	6.9%	86,992	86,992	602,911	112,000	\$6.46	\$11.70	\$4.94
Southeast-Near	35,455,447	2,660,072	7.5%	-232,150	-232,150	0	0	\$4.47	N/A	\$4.74
Southeast-Mid	13,407,259	881,696	6.6%	-119,863	-119,863	40,000	0	N/A	N/A	\$6.88
Southeast-Far	59,743,882	6,409,906	10.7%	1,050,039	1,050,039	4,850,264	175,032	\$9.75	\$10.08	\$5.48
SOUTHEAST	108,606,588	9,951,674	9.2%	698,026	698,026	4,890,264	175,032	\$5.66	\$10.08	\$5.39
Southwest-Near	4,581,479	22,000	0.5%	2,500	2,500	0	0	N/A	N/A	\$6.85
Southwest-Far	48,195,903	5,311,400	11.0%	847,433	847,433	4,431,020	637,971	\$5.01	\$9.91	\$6.88
SOUTHWEST	52,777,382	5,333,400	10.1%	849,933	849,933	4,431,020	637,971	\$5.01	\$9.91	\$6.88
West-Far	28,732,389	2,509,518	8.7%	98,202	98,202	92,000	55,845	\$8.32	\$9.52	\$7.18
Waller County	15,099,332	2,187,857	14.5%	2,287,138	2,287,138	1,994,761	3,226,057	\$8.94	N/A	\$5.53
WEST	43,831,721	4,697,375	10.7%	2,385,340	2,385,340	2,086,761	3,281,902	\$8.77	\$9.52	\$6.47
HOUSTON TOTALS	473,846,907	50,216,510	10.6%	5,336,619	5,336,619	19,825,746	5,362,906	\$7.17	\$9.67	\$5.84

*Rental rates reflect weighted net asking \$/sf/year

KEY LEASE TRANSACTIONS Q1 2021

PROPERTY	SUBMARKET	TENANT	SF	TYPE
5880 West Fuqua Street	Southwest-Far	4PX Express USA	347,730	New
611 South Cravens Road	Southwest-Far	Awesung, Inc.	239,124	New
625 Independence Parkway	Southeast-Far	DNA Motoring	194,610	New

KEY SALES TRANSACTIONS Q1 2021

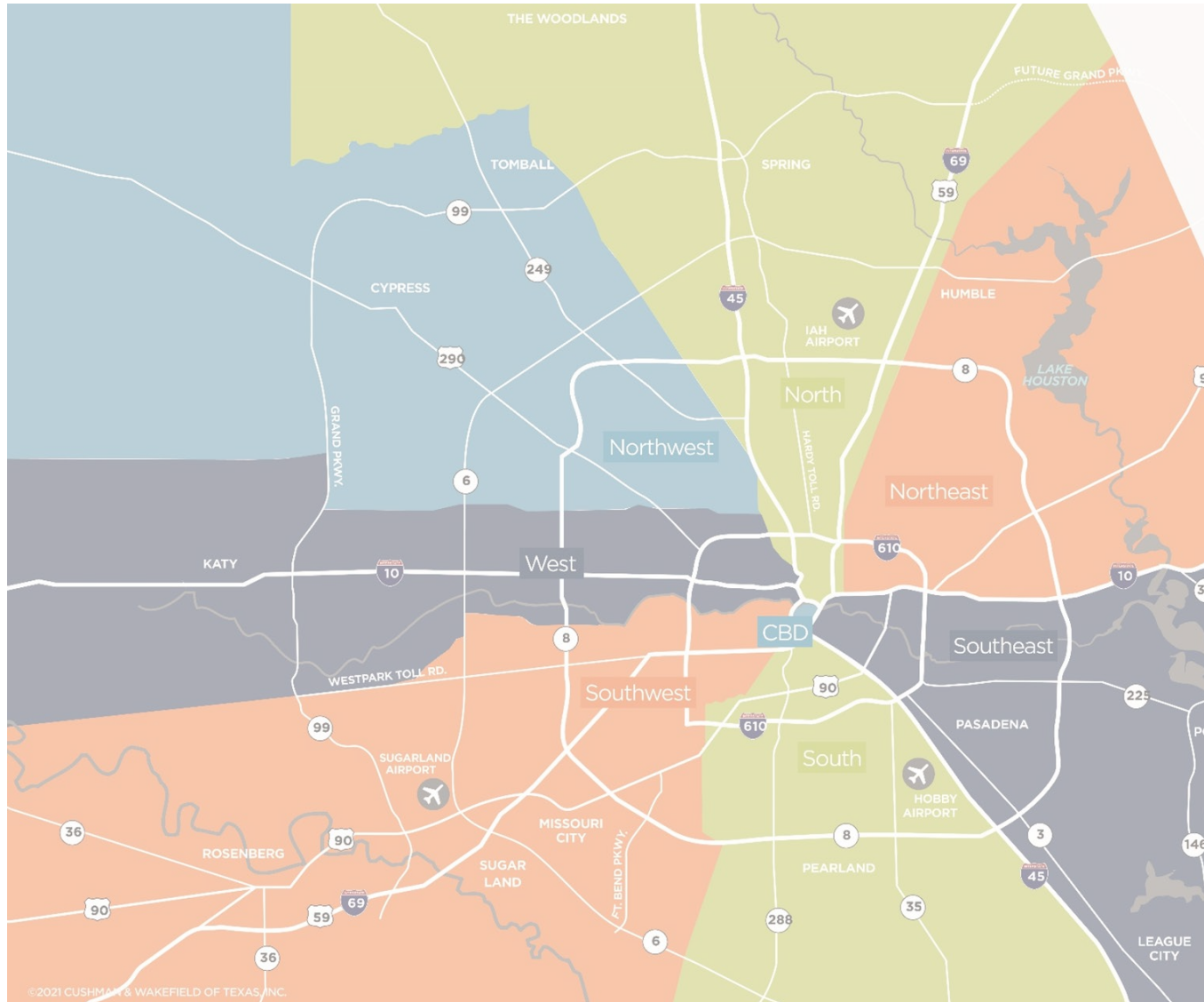
PROPERTY	SUBMARKET	SELLER/BUYER	SF
22525 Clay Road	Northwest-Far	Duke Realty / Walton Street Capital REIT	806,000
3507 Pasadena Freeway	Southeast-Far	First Industrial Realty Trust / Sealy & Company	600,004
5800 Mesa Drive	Northeast-Near	Central Freight Lines / Dayton Street Partners	579,897

MARKETBEAT HOUSTON

Industrial Q1 2021



INDUSTRIAL SUBMARKETS



Mary Doetterl

Senior Analyst, Houston Research

Tel: +1 713 963 2859

Mary.doetterl@cushwake.com

Sherra Gilbert

Associate Director, Houston Research

Tel: +1 713 260 0282

sherra.gilbert@cushwake.com

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with approximately 50,000 employees in over 400 offices and 60 countries. In 2020, the firm had revenue of \$7.8 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services. To learn more, visit www.cushmanwakefield.com or follow @CushWake on Twitter.

cushmanwakefield.com