

MARKETBEAT HOUSTON



Industrial Q2 2021

YoY Chg 12-Mo. Forecast

10.0%
Vacancy Rate



11.1M
Net Abs. YTD, SF



\$6.34
Asking Rent, PSF

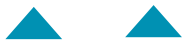


Overall, Net Asking Rent

ECONOMIC INDICATORS Q2 2021

YoY Chg 12-Mo. Forecast

3.0M
Houston
Employment



7.4%
Houston
Unemployment Rate



5.9%
U.S.
Unemployment Rate



Source: BLS, Moody's Analytics

ECONOMY

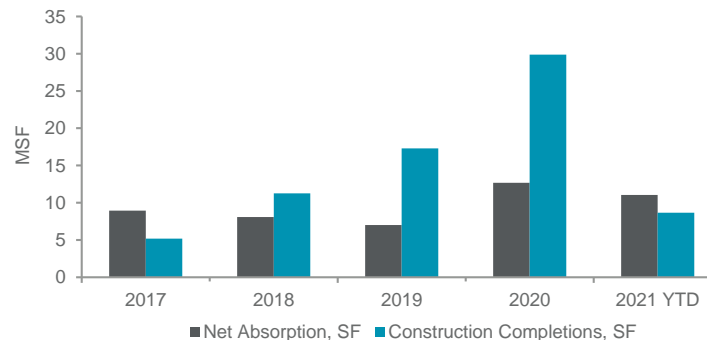
Houston continues to see economic conditions slowly improve – the labor force is increasing, unemployment numbers are down, and the overall economic outlook remains positive. Houston's metro area (MSA) stood at 3.0 million total employment at the end of Q2 2021, a 4.9% year-over-year (YOY) increase from 2.9 million total employment in Q2 2020. The U.S. experienced 8.2% growth during the same time period. Houston's unemployment rate fell to 7.4%, a welcomed number compared to 12.8% this time last year. The region's industrial employment totaled 836,093 jobs as Q2 2021. According to Moody's Analytics, the industrial sector grew for the fourth consecutive quarter, adding 11,734 positions during the first half of 2021. Industrial roles are described as positions that fall within manufacturing and trade, transportation, and utilities. The worst of the economic downturn impacts are largely over, and the economy is expected to continue accelerating during the remainder of 2021 and into the next year.

SUPPLY

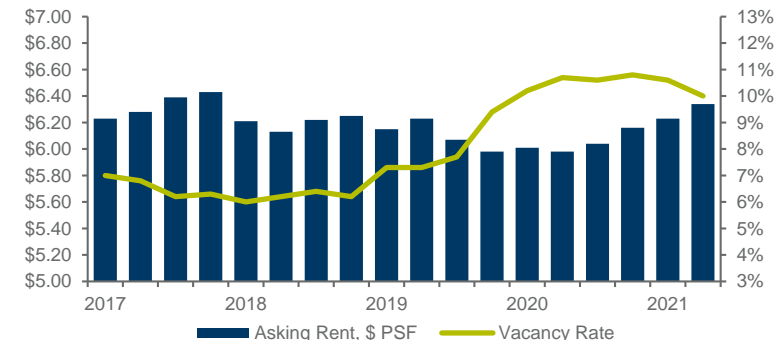
Houston's robust industrial pipeline continues to flourish to meet increased demand for new supply. Developers delivered 8.7 million square feet (msf) of new projects as of mid-year 2021, with an additional 17.0 msf of new inventory under construction. Despite the slight drop in construction deliveries this quarter, Houston industrial development remains well above the national average. New construction activity is concentrated in outlying submarkets, including Southeast-Far (4.1 msf), Southwest-Far (4.1 msf), North-Montgomery County (3.2 msf) and West-Waller County (1.9 msf). The largest delivery in Q2 2021 was Cedar Port Trade Center (1.0 msf) in the Southeast-Far submarket.

Built-to-suit (BTS) development activity remains strong, with the industrial market delivering 3.1 msf as of mid-year 2021. Total BTS delivered in 2020 was 9.8 msf. Currently, 21 BTS projects totaling 9.9 msf are underway, accounting for 58.1% of the total inventory under construction. Three of these projects are over 1.0 msf in size, with another four projects ranging from 500,000 sf to 1.0 msf in size. All seven are scheduled to deliver by year-end. Speculative (SPEC) construction continues to be active across all submarkets. SPEC deliveries totaled 19.5 msf in 2020 with 43 buildings totaling 7.1 msf currently under construction. The two submarkets experiencing the majority of SPEC construction activity are Southeast-Far (2.3 msf) and Southwest-Far (1.8 msf), ranging from 1.8 msf to 2.3 msf in size.

SPACE DEMANDS / DELIVERIES



OVERALL VACANCY & OVERALL ASKING RENT



MARKETBEAT HOUSTON



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DEMAND

Houston continues to be 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 remained robust totaling 12.5 msf during Q2 2021. Northwest-Far led all submarkets with 3.2 msf of new leases signed, followed by Southeast-Far and North-Far at 2.9 msf and 2.8 msf, respectively. During the second quarter of 2021, five of the largest lease transactions were in distribution facilities ranging from 534,000 sf to 800,000 sf located in the Southeast-Far, Waller County, and North-Far submarkets.

The market continued its trajectory of positive occupancy growth and absorbed 5.0 msf in Q2 2021, along with 6.1 msf during Q1 2021, fueled by what appears to be a strong local, state and even national recovery from 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 second quarter include Plastic Express (800,405 sf), Ferguson Plumbing Supply (750,775 sf), Living Spaces Furniture (685,400 sf), Webstaurant Store (644,000 sf), and FedEx (534,134 sf). The largest move-ins this quarter were Living Space Furniture (685,400 sf) and RTIC (433,200 sf).

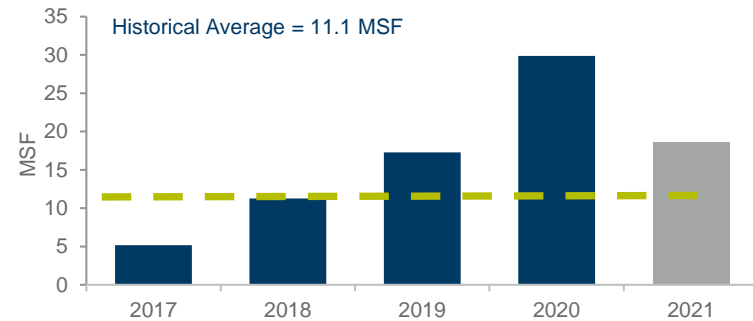
PRICING

Continued tight market conditions and solid demand brought on a fifth consecutive quarter of rental growth in the Houston industrial market. Citywide overall average net asking rate increased 6.0% YOY to \$6.34 per square foot (psf) in the second quarter of 2021. North-Montgomery County led all submarkets with the highest overall average asking rates, closing Q2 2021 to \$11.94 psf. The West-Far and Southeast-Mid submarkets followed to \$8.16 psf and \$7.47 psf, respectively. Manufacturing rental rates decreased 3.5% quarter-over-quarter (QOQ) to \$6.93 psf, office service centers increased 1.9% QOQ to \$9.85 psf, and warehouse/distribution increased 1.4% QOQ to \$5.92 psf.

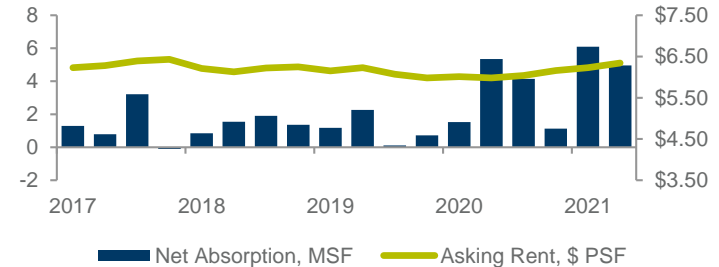
OUTLOOK

- Houston's industrial market fundamentals will continue to outperform all other property types.
- Construction activity will remain robust with a well diversified mix between SPEC and BTS.
- The market will meet the demand for more modern warehouse/distribution facilities providing higher clear heights, queuing lanes, and larger outside storage areas.
- An increase in demand for e-commerce operations may have an impact on labor trends, with a potential shift from retail to warehouse.

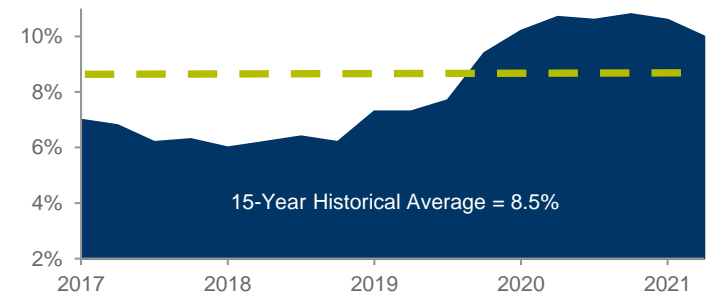
NEW SUPPLY (MSF)



OVERALL NET ABSORPTION / OVERALL ASKING RENT



OVERALL VACANCY



MARKETBEAT HOUSTON



Industrial Q2 2021

OVERALL MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	OVERALL VACANT (SF)	OVERALL VACANCY RATE	Q2 OVERALL NET ABSORPTION	YTD OVERALL NET ABSORPTION (SF)	UNDER CONSTRUCTION (SF)	YTD CONSTRUCTION COMPLETIONS (SF)	OVERALL WEIGHTED AVG NET RENT (MF)	OVERALL WEIGHTED AVG NET RENT (OS)	OVERALL WEIGHTED AVG NET RENT (WD)
CENTRAL BUSINESS DISTRICT	898,542	0	0.0%	0	0	0	0	N/A	N/A	N/A
North-Near	5,908,383	417,708	7.1%	-45,824	-45,824	0	0	N/A	\$5.40	\$3.07
North-Mid	7,551,131	467,440	6.2%	35,398	-58,722	0	0	\$5.67	\$5.68	\$7.18
North-Far	56,484,566	8,324,554	14.7%	2,577,732	3,225,652	1,176,064	1,482,148	\$10.44	\$8.05	\$5.89
North-Montgomery County	8,876,278	811,501	9.1%	34,408	430,523	3,238,000	489,845	\$10.20	\$13.62	\$10.39
NORTH	78,820,358	10,021,203	12.7%	2,601,714	3,551,629	4,414,064	1,971,993	\$7.80	\$9.90	\$5.88
Northeast-Near	20,027,390	1,183,719	5.9%	-143,707	-54,349	0	0	\$7.20	\$8.88	\$4.69
Northeast-Far	8,156,325	1,637,466	20.1%	0	0	449,403	0	\$8.50	N/A	\$4.95
NORTHEAST	28,183,715	2,821,185	10.0%	-143,707	-54,349	449,403	0	\$7.84	\$8.88	\$4.83
Northwest-Near	26,787,102	1,795,749	6.7%	134,303	81,194	0	0	\$5.65	\$8.62	\$6.27
Northwest-Far	101,929,553	9,630,738	9.4%	2,097,371	2,813,622	1,705,121	510,180	\$6.93	\$9.30	\$6.66
NORTHWEST	128,716,655	11,426,487	8.9%	2,231,674	2,894,816	1,705,121	510,180	\$6.64	\$9.12	\$6.59
South-Near	22,767,465	1,440,738	6.3%	13,038	188,543	151,342	112,000	\$7.02	\$10.49	\$4.47
South-Far	12,574,050	1,410,202	11.2%	-74,900	-164,600	23,643	451,569	\$5.41	N/A	\$5.94
SOUTH	35,341,515	2,850,940	8.1%	-61,862	23,943	174,985	563,569	\$6.58	\$10.49	\$5.29
Southeast-Near	35,580,447	3,119,856	8.8%	-374,495	-468,684	0	0	\$4.75	N/A	\$4.84
Southeast-Mid	13,571,834	799,949	5.9%	380	-93,208	0	40,000	\$5.76	N/A	\$7.59
Southeast-Far	60,821,650	8,256,260	13.6%	-783,364	270,125	4,130,208	1,252,472	\$9.77	\$10.32	\$5.38
SOUTHEAST	109,973,931	12,176,065	11.1%	-1,157,479	-291,767	4,130,208	1,292,472	\$5.87	\$10.32	\$5.39
Southwest-Near	4,605,679	22,000	0.5%	0	2,500	0	0	N/A	N/A	N/A
Southwest-Far	48,868,510	4,669,185	9.6%	876,004	1,799,809	4,114,605	1,013,721	\$5.69	\$10.83	\$6.70
SOUTHWEST	53,474,189	4,691,185	8.8%	876,004	1,802,309	4,114,605	1,013,721	\$5.69	\$10.83	\$6.70
West-Far	28,792,053	2,190,588	7.6%	276,402	502,109	57,000	54,340	\$8.42	\$9.39	\$7.76
West-Waller County	15,275,332	1,870,363	12.2%	337,494	2,624,632	1,943,511	3,246,057	\$8.94	N/A	\$5.27
WEST	44,067,385	4,060,951	9.2%	613,896	3,126,741	2,000,511	3,300,397	\$8.82	\$9.39	\$6.63
HOUSTON TOTALS	479,476,290	48,048,016	10.0%	4,960,240	11,053,322	16,988,897	8,652,332	\$6.93	\$9.85	\$5.92

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

KEY LEASE TRANSACTIONS Q2 2021

PROPERTY	MARKET	TENANT	SF	TYPE
Grand Parkway, FM 1405	Southwest	Plastic Express	800,400	New Lease
100 Empire Boulevard	West	Ferguson Plumbing Supply	750,800	New Lease
18210 Eastex Freeway	North	Living Spaces Furniture	685,400	New Lease

KEY SALES TRANSACTIONS Q2 2021

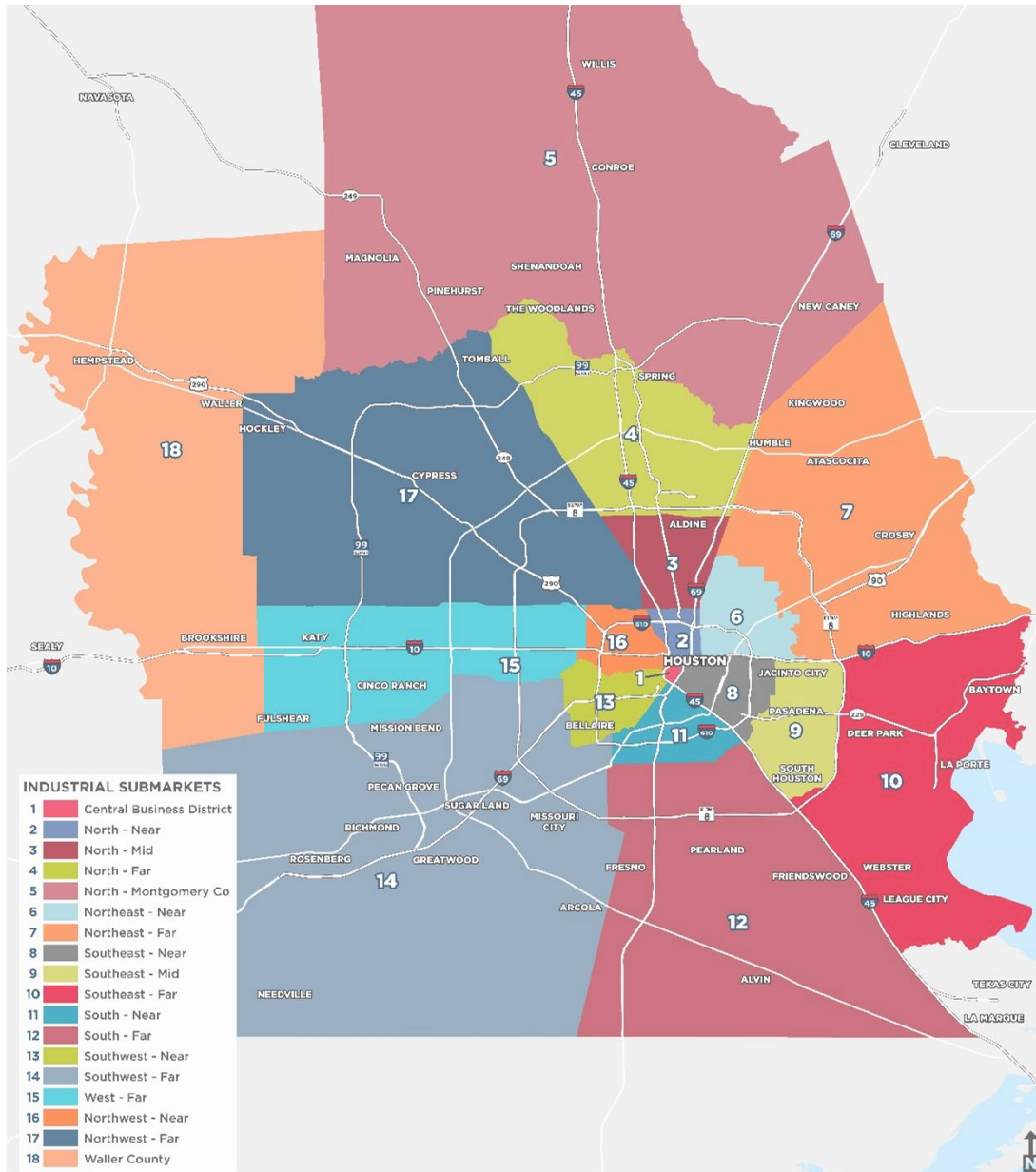
PROPERTY	MARKET	SELLER/BUYER	SF
359 Old Underwood Road	Southeast	Hines / SREIT	950,000
359 Pike Court	Southeast	Hines / SREIT	708,290
10591 Red Bluff Road	Southeast	Panattoni Development, Bayport South IND Holdings / AEW Capital Management	642,994

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INDUSTRIAL SUBMARKETS



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