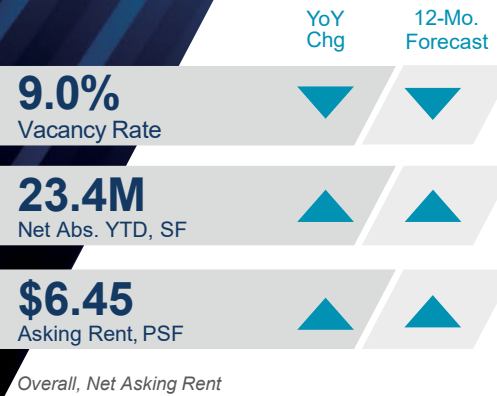


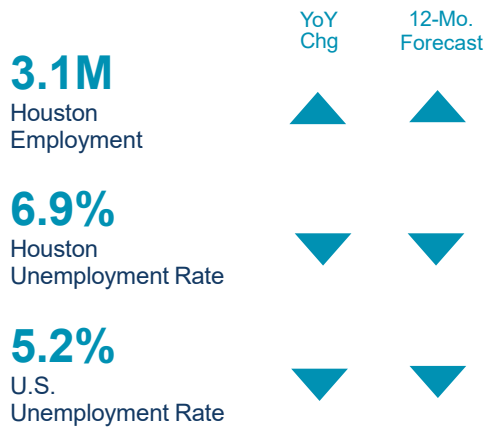
MARKETBEAT HOUSTON



Industrial Q3 2021



ECONOMIC INDICATORS Q3 2021



Source: BLS, Moody's Analytics

ECONOMY

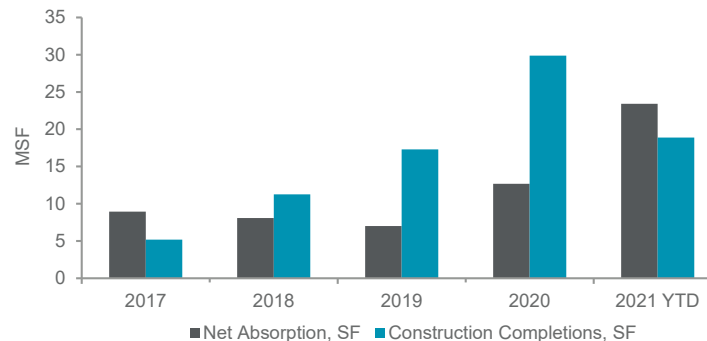
Houston's economic conditions continued to slowly improve throughout Q3 2021. With labor force increasing and unemployment numbers down, the overall economic outlook remains positive. Houston's metro area stood at 3.1 million total employment at the end of Q3 2021, a 4.2% year-over-year (YOY) increase from 2.9 million total employment in Q3 2020. The U.S. experienced 4.4% growth during the same time period. Houston's unemployment rate fell to 6.9%, a welcomed number compared to 9.5% this time last year. The region's industrial-using employment totaled 844,486 jobs as of Q3 2021. According to Moody's Analytics, Houston gained 6,236 industrial-using jobs during Q3 2021. Industrial roles are described as positions that fall within manufacturing and trade, transportation, and utilities. While the worst of the economic downturn impacts are largely over, the rise of the Delta variant increased uncertainty and pushed back timing on when we expect to see office fundamentals significantly improve.

SUPPLY

The Houston industrial market continues to expand in order to meet the sector's ever-increasing demand. Developers delivered 18.9 million square feet (msf) of new developments so far this year. In addition to the new supply delivered, another 18.5 msf of industrial inventory is currently under construction. The newest developments delivered are primarily in outlying submarkets such as Southeast-Far (5.3 msf), West-Waller County (2.9 msf), Northwest-Far (2.5 msf), Southwest-Far (2.0 msf), and Northeast-Far (1.8 msf). The Southwest-Far submarket has experienced the greatest year-to-date (YTD) deliveries, with the addition of 7.0 msf, and West-Waller County a close second with the addition of 4.8 msf. The largest delivery recorded during Q3 2021 was Amazon's (3.6 msf) latest new development located in the Southwest-Far submarket.

Built-to-suit activity continues to flourish, with a total of 7.8 msf delivered during Q3 2021, and an additional 5.8 msf currently under construction. Speculative construction completions totaled 1.9 msf during Q3 2021, with an additional 12.6 msf currently under construction. Of the total 18.5 msf under construction, 7.3 msf is scheduled to deliver during the remainder of the year.

SPACE DEMANDS / DELIVERIES



OVERALL VACANCY & OVERALL ASKING RENT



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DEMAND

Houston is poised as one of the strongest industrial markets in the nation. Large occupiers continue to drive demand for e-commerce and consumer goods. Although the industrial market closed a record total of 33.0 msf of new leasing activity YTD, leasing activity decreased quarter-over-quarter (QOQ). A total of 8.9 msf of new leases were signed during Q3 2021, compared to 14.2 msf during Q2 2021. Once again, the Northwest market outperformed the other markets with 2.7 msf of new leasing activity during Q3 2021. Followed by North and Southeast markets with 1.7 msf and 1.0 msf, respectfully. During the current quarter, five of the largest notable lease transactions were in distribution facilities ranging from 300,000 square feet (sf) to 700,000 sf located in the Northeast-Far, West-Waller County, South-Far, Northwest-Far and North-Far submarkets.

The industrial market posted 11.2 msf of positive absorption during Q3 2021, adding to the record total of 23.4 msf absorbed so far this year. As the market continues to experience leasing activity well above historic averages, individual deal size is also increasing. The average new lease signed during Q3 2021 was 92,000 sf, compared to 69,000 sf this time last year. Major tenant move-ins during Q3 2021 included Amazon (3.6 msf) in Southwest-Far, Lowe's (1.5 msf) in North-Montgomery County, an additional Amazon (1.1 msf) in Southwest-Far, Home Depot (657,000 sf) in Northwest-Far, and Webstaurant (644,000 sf) in Southeast-Far.

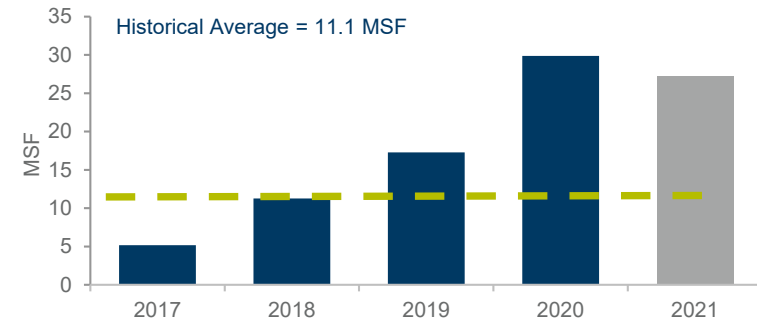
PRICING

A sixth consecutive quarter of increased overall average net asking rental rate reflects Houston's continued demand for industrial space. Overall rental rates increased from \$6.34 per square foot (psf) in Q2 2021 to \$6.45 psf in Q3 2021, a 1.7% increase QOQ. Although North-Montgomery County's overall rental rate decreased slightly QOQ, ending Q3 2021 at \$11.15 psf, the submarket still commands the highest rents in the Houston industrial market. The West-Far and Southeast-Mid submarkets followed at \$8.17 psf and \$7.76 psf, respectively. Manufacturing rental rates increased 2.0% QOQ to \$7.07 psf, warehouse/distribution increased 1.9% QOQ to \$6.03 psf, and office service centers decreased 2.4% QOQ to \$9.61 psf.

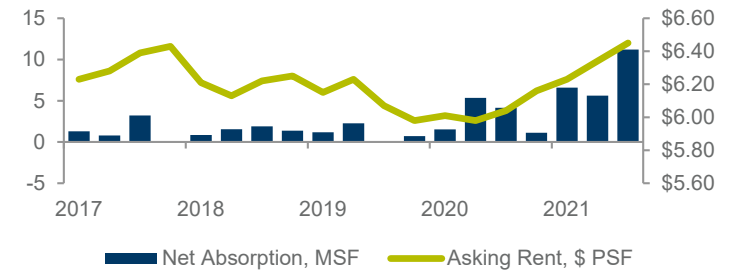
OUTLOOK

- Houston's industrial market fundamentals will continue to outperform all other property types.
- Asking rents will increase with positive YOY growth throughout the next several years.
- Solid demand for industrial space will continue. Leasing activity will remain elevated, pushing vacancy rates downward.
- Net absorption has already exceeded historical averages and will continue to outpace new supply.

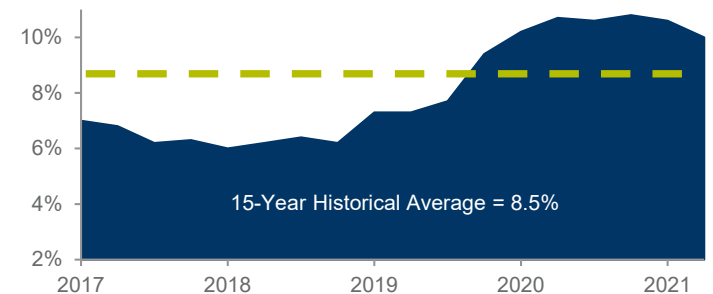
NEW SUPPLY (MSF)



OVERALL NET ABSORPTION / OVERALL ASKING RENT



OVERALL VACANCY



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OVERALL MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	OVERALL VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	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 (W/D)*
CENTRAL BUSINESS DISTRICT	898,542	0	0.0%	0	0	0	0	N/A	N/A	N/A
North-Near	5,908,383	280,827	4.8%	48,193	-17,631	0	0	\$9.76	\$5.40	\$6.48
North-Mid	7,577,929	489,408	6.5%	-23,673	-80,690	892,631	0	\$5.30	\$5.60	\$6.16
North-Far	56,529,163	7,242,959	12.8%	789,602	4,127,817	1,176,064	1,542,148	\$9.62	\$7.67	\$5.79
North-Montgomery County	10,416,478	653,483	6.3%	1,589,495	2,080,565	1,738,000	1,989,845	\$10.20	\$13.41	\$8.42
NORTH	80,431,953	8,666,677	10.8%	2,403,617	6,110,061	3,806,695	3,531,993	\$7.61	\$9.54	\$5.90
Northeast-Near	20,027,390	1,063,234	5.3%	1,344	22,331	0	0	\$6.60	\$9.80	\$5.30
Northeast-Far	8,179,982	1,466,879	17.9%	123,553	123,553	1,765,296	0	\$8.50	N/A	\$5.08
NORTHEAST	28,207,372	2,530,113	9.0%	124,897	145,884	1,765,296	0	\$7.53	\$9.80	\$5.16
Northwest-Near	26,837,537	1,287,568	4.8%	223,524	342,205	0	0	\$5.65	\$8.24	\$6.99
Northwest-Far	103,375,284	8,695,303	8.4%	1,715,223	4,567,228	2,543,428	1,502,422	\$6.77	\$9.03	\$6.68
NORTHWEST	130,212,821	9,982,871	7.7%	1,938,747	4,909,433	2,543,428	1,502,422	\$6.52	\$8.88	\$6.73
South-Near	22,766,496	1,450,746	6.4%	-167,665	81,263	151,342	112,000	\$7.02	\$10.32	\$4.72
South-Far	12,736,193	1,038,674	8.2%	-39,746	22,722	0	475,212	\$4.66	N/A	\$6.83
SOUTH	35,502,689	2,489,420	7.0%	-207,411	103,985	151,342	587,212	\$6.17	\$10.32	\$5.42
Southeast-Near	35,741,241	2,956,301	8.3%	-247,178	-442,924	0	0	\$4.98	N/A	\$4.65
Southeast-Mid	13,594,701	770,506	5.7%	31,225	-61,983	46,000	40,000	\$9.00	N/A	\$7.65
Southeast-Far	61,059,396	7,181,176	11.8%	1,506,521	1,457,300	5,229,848	1,386,911	\$9.69	\$9.73	\$5.69
SOUTHEAST	110,395,338	10,907,983	9.9%	1,290,568	952,393	5,275,848	1,426,911	\$7.06	\$9.73	\$5.57
Southwest-Near	4,605,679	0	0.0%	22,000	24,500	0	0	N/A	N/A	N/A
Southwest-Far	54,928,319	5,111,374	9.3%	4,802,941	7,006,584	2,005,674	7,073,530	\$5.69	\$10.79	\$6.96
SOUTHWEST	59,533,998	5,111,374	8.6%	4,824,941	7,031,084	2,005,674	7,073,530	\$5.69	\$10.79	\$6.96
West-Far	28,877,062	1,780,247	6.2%	158,207	842,038	80,735	78,940	\$9.11	\$9.37	\$7.63
West-Waller County	16,716,193	2,620,163	15.7%	666,061	3,315,693	2,858,393	4,686,918	\$8.94	N/A	\$5.57
WEST	45,593,255	4,400,410	9.7%	824,268	4,157,731	2,939,128	4,765,858	\$8.99	\$9.37	\$6.66
HOUSTON TOTALS	490,775,968	44,088,848	9.0%	11,199,627	23,410,571	18,487,411	18,887,926	\$7.07	\$9.61	\$6.03

Market Statistics were revised and may not match U.S. MarketBeat

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

KEY LEASE TRANSACTIONS Q3 2021

PROPERTY	MARKET	TENANT	SF	TYPE
Northpoint 90 Logistics Center – Bldg. 3	Northeast	Chewy.com	690,000	New-warehouse/distribution
West 10 Business Park	West	Crawford Electric Supply	500,000	New-warehouse/distribution
Imperial Distribution Center	North	CVS Distribution	328,000	Renewal-warehouse/distribution

KEY SALES TRANSACTIONS Q3 2021

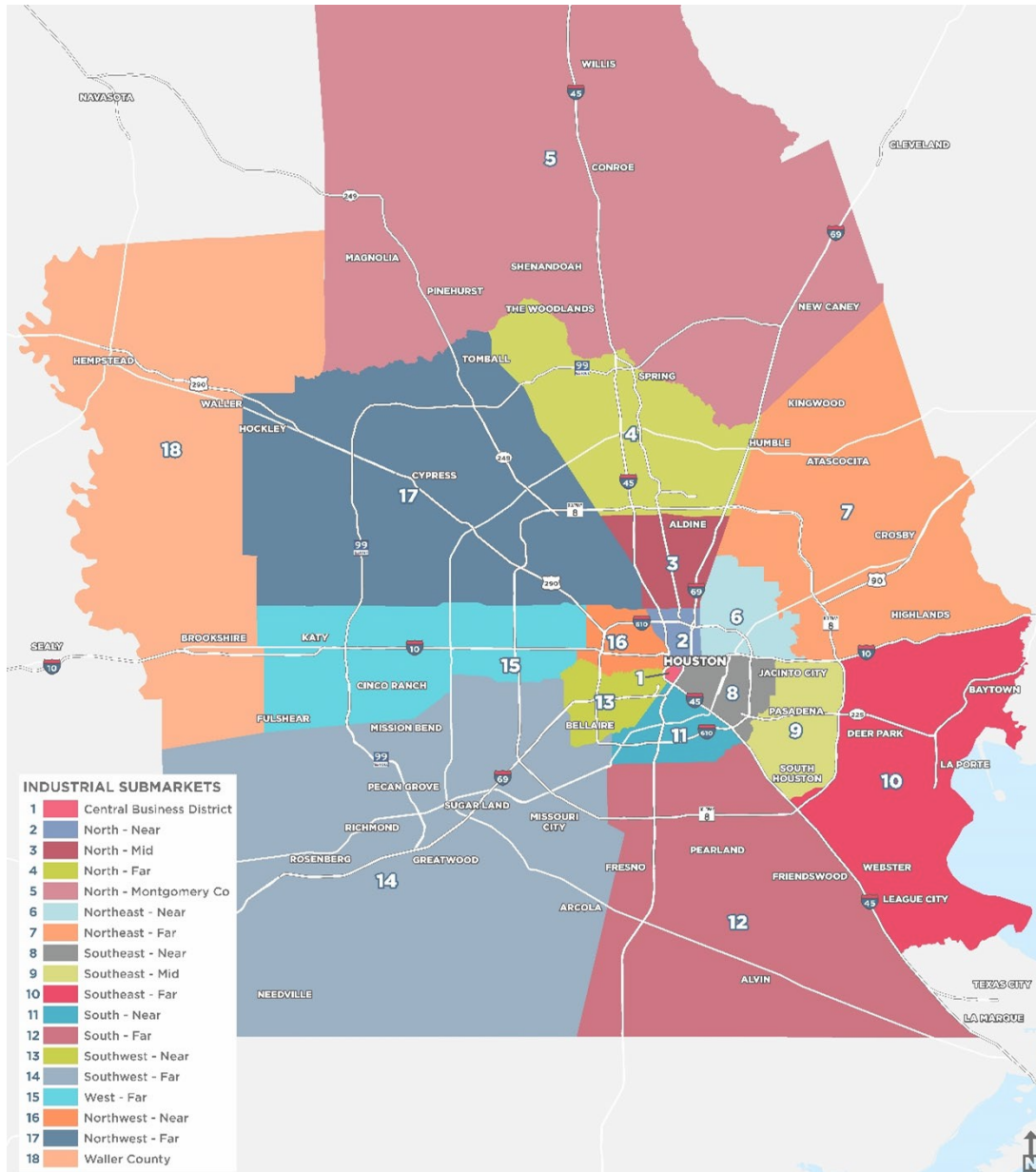
PROPERTY	MARKET	SELLER/BUYER	SF
Cedar Port Logistics Center	Southeast	Capital Development Partners/Stockbridge	800,405
11211 FM 2920	Northwest	BJ Services/Tomball ISD	571,148
Sugar Land Cross Roads Business Park	Southwest	Blackstone REIT/EverWest Real Estate Investors	326,807

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