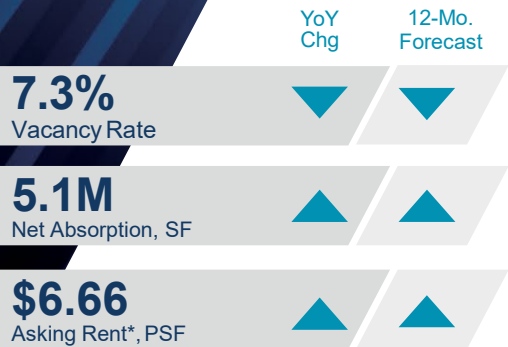


# MARKETBEAT HOUSTON

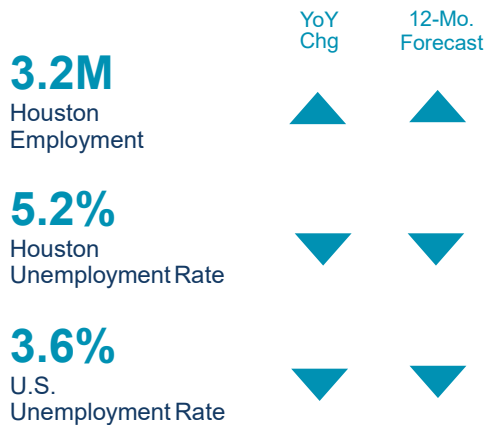


## Industrial Q1 2022



(Overall, All Property Classes)  
\* Rental rates reflect net asking \$psf/year

### ECONOMIC INDICATORS Q1 2022



Source: BLS, Moody's Analytics

### ECONOMY

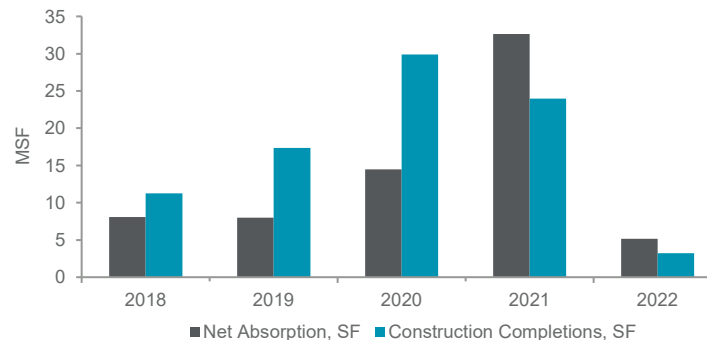
Houston's metro area stood at 3.2 million total employment in the first quarter of 2022, a 5.7% year-over-year (YOY) increase from 3.0 million total employment in Q1 2021. The U.S. experienced 4.6% growth during the same time period. The Houston metro area is close to regaining all jobs lost during the beginning of the pandemic. As of Q1 2022, the region has added back 94.9% (290,630 jobs) of the 306,130 jobs lost during Q2 2020. Total employment is expected to recover the remaining 5.1% (15,500 jobs) and expand further by the end of next quarter. Houston's unemployment rate fell to 5.2%, 70 basis points (bps) lower than 5.9% the previous quarter, and 250 bps lower than 7.7% this time last year. The region's industrial-using employment totaled 866,128 jobs as of Q1 2022, representing a 4.5% YOY increase. Industrial-using roles are described as positions that fall within manufacturing and trade, transportation, and utilities.

### SUPPLY

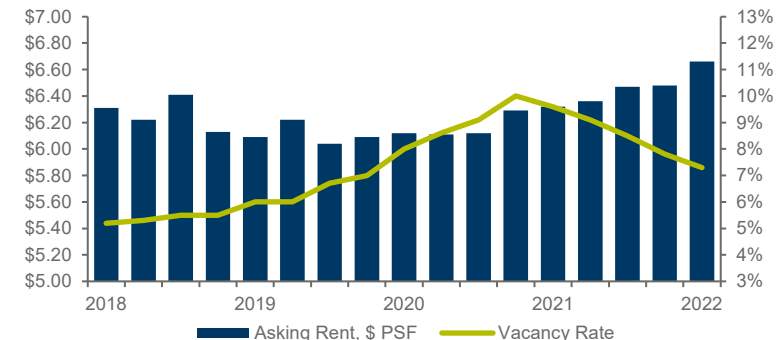
Houston's industrial pipeline continues to keep up with strong demand driven by growth in population, roof tops and e-commerce. Developers continue to break ground based on current demand, in addition to actively seeking additional land sites that will benefit from the market's rapid industrial growth. The market delivered 3.2 million square feet (msf) of new inventory during Q1 2022, with an additional 24.3 msf of new inventory set to deliver by year-end 2022. Despite the slight drop in construction deliveries this quarter, Houston's industrial development remains well above the national average. The newest developments delivered this quarter are primarily in outlying submarkets such as Northwest-Far (1.1 msf), Southeast-Far (970,980 sf) and Southwest-Far (354,004 sf). The largest delivery reported during Q1 2022 was Plastic Express (799,680 sf) warehouse/distribution facility located in the Southeast-Far submarket.

Build-to-suit activity continues to flourish, with a total of 1.7 msf delivered during Q1 2022, and an additional 7.2 msf currently under construction. Speculative construction completions totaled 1.5 msf during Q1 2022 with an additional 22.4 msf currently under construction. Of the total 29.5 msf under construction, 82.4% (24.3 msf), is scheduled to deliver during the remainder of the year.

### SPACE DEMANDS / DELIVERIES



### OVERALL VACANCY & OVERALL ASKING RENT



# MARKETBEAT HOUSTON



## Industrial Q1 2022

### 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 along with record container volumes at the Port of Houston. The Port of Houston reported significantly higher container volume in February, totaling 271,399 twenty-foot equivalent units, representing a 37.0% YOY increase.

Industrial leasing activity continues to outpace new supply. A total of 11.4 msf in new leases were signed during Q1 2022, compared to 9.9 msf during Q4 2021. The Southeast market outperformed all other markets with 5.0 msf of new leasing activity during Q1 2022, followed by Northwest and North markets with 2.1 msf and 1.7 msf, respectively. During the first quarter of 2022, five of the largest notable lease transactions were in warehouse/distribution facilities ranging from 475,400 sf to 1.0 msf located in the Southeast-Far, and Northwest-Far submarkets.

The overall net absorption of 5.1 msf during Q1 2022 is indicative of true market velocity and activity. Absorption momentum continues to outpace new supply going into 2022. Significant tenant move-ins during Q1 2022 include Plastic Express (799,680 sf) in Southeast-Far, Igloo (368,815 sf) in West-Waller County, Pollock Orora (255,704 sf) in Northwest-Far, VGXI (240,000 sf) in North-Montgomery County, and Alder & Tweed Furniture (237,600 sf) in Southeast-Far.

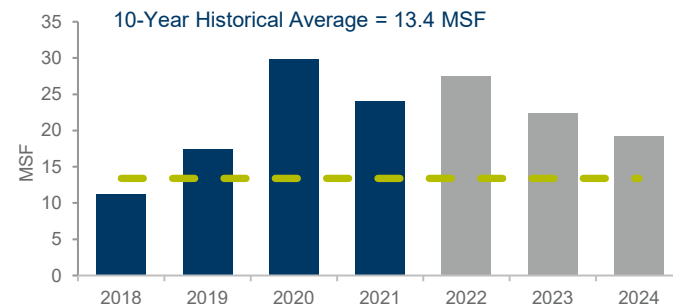
### PRICING

Tight market conditions and solid demand brought on another quarter of rental growth in the Houston industrial market. Citywide overall asking rental rates increased to \$6.66 per square foot (psf) in Q1 2022, representing a 5.0% YOY increase. North-Montgomery County led all submarkets with the highest asking rates, closing Q1 2022 at \$11.16 psf. Following are Southwest-Near and Southeast-Mid submarkets at \$10.25 psf and \$8.33 psf, respectively. Warehouse/distribution asking rates increased 1.6% QOQ to \$6.21 psf, and office service centers increased 1.4% QOQ to \$9.70 psf. Manufacturing asking rates decreased 2.1% QOQ to \$7.00 psf.

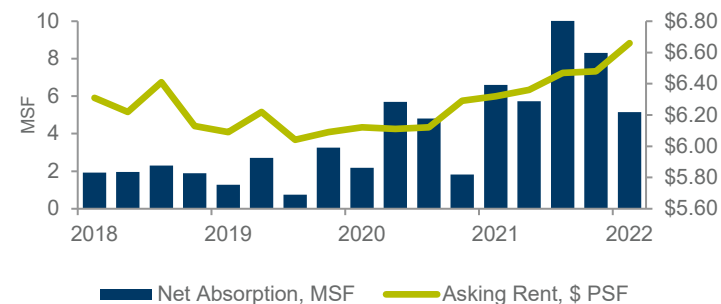
### OUTLOOK

- The construction pipeline will remain robust throughout the year.
- Demand from both investors and users will continue, and push rents higher for well-located, high-quality properties.
- Asking rates will continue to increase as the costs of supplies and labor are reflected in new construction.
- Strong absorption will continue to outpace new deliveries.

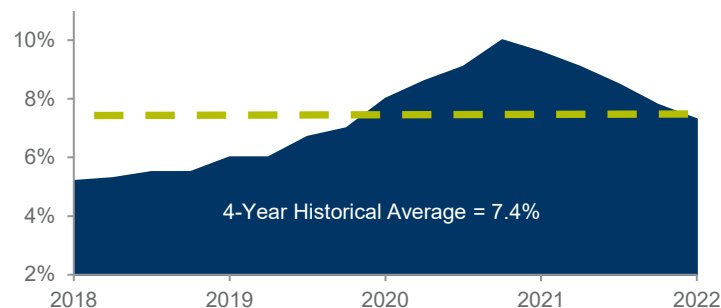
### NEW SUPPLY (MSF)



### OVERALL NET ABSORPTION / OVERALL ASKING RENT



### OVERALL VACANCY



# MARKETBEAT HOUSTON



## Industrial Q1 2022

### 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)*
<b>CENTRAL BUSINESS DISTRICT</b>	<b>179,109</b>	<b>0</b>	<b>0.0%</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
North-Near	6,898,816	228,567	3.3%	21,104	21,104	0	0	\$4.20	\$7.20	\$5.91
North-Mid	14,016,951	1,187,677	8.5%	79,526	79,526	1,827,821	0	\$5.83	\$5.91	\$6.27
North-Far	51,008,916	5,261,757	10.3%	833,942	833,942	2,299,056	0	\$6.12	\$7.81	\$5.81
North-Montgomery County	11,955,425	696,683	5.8%	147,495	147,495	886,000	240,000	\$9.32	\$13.42	\$9.73
<b>NORTH</b>	<b>83,880,108</b>	<b>7,374,684</b>	<b>8.8%</b>	<b>1,082,067</b>	<b>1,082,067</b>	<b>5,012,877</b>	<b>240,000</b>	<b>\$7.24</b>	<b>\$9.42</b>	<b>\$6.01</b>
Northeast-Near	20,661,364	950,584	4.6%	153,070	153,070	134,450	0	\$6.60	\$13.00	\$5.44
Northeast-Far	7,877,161	1,083,066	13.7%	193,844	193,844	2,290,599	0	\$9.01	N/A	\$4.99
<b>NORTHEAST</b>	<b>28,538,525</b>	<b>2,033,650</b>	<b>7.1%</b>	<b>346,914</b>	<b>346,914</b>	<b>2,425,049</b>	<b>0</b>	<b>\$7.46</b>	<b>\$13.00</b>	<b>\$5.06</b>
Northwest-Near	25,933,405	1,109,263	4.3%	-199,468	-199,468	0	0	\$4.20	\$8.69	\$6.08
Northwest-Far	106,927,909	8,054,454	7.5%	970,039	970,039	5,769,259	1,091,475	\$7.07	\$9.30	\$7.06
<b>NORTHWEST</b>	<b>132,861,314</b>	<b>9,163,717</b>	<b>6.9%</b>	<b>770,571</b>	<b>770,571</b>	<b>5,769,259</b>	<b>1,091,475</b>	<b>\$6.94</b>	<b>\$9.21</b>	<b>\$6.92</b>
South-Near	22,791,234	1,097,607	4.8%	-98,372	-98,372	254,240	0	\$10.85	\$9.51	\$5.78
South-Far	14,466,822	639,715	4.4%	206,543	206,543	1,968,775	207,800	\$5.49	12	\$6.18
<b>SOUTH</b>	<b>37,258,056</b>	<b>1,737,322</b>	<b>4.7%</b>	<b>108,171</b>	<b>108,171</b>	<b>2,223,015</b>	<b>207,800</b>	<b>\$7.24</b>	<b>\$9.70</b>	<b>\$5.91</b>
Southeast-Near	36,427,454	2,106,995	5.8%	181,954	181,954	807,464	0	\$4.98	\$5.48	\$4.59
Southeast-Mid	15,790,773	1,116,816	7.1%	55,950	55,950	498,756	178,860	\$9.70	N/A	\$8.20
Southeast-Far	62,702,945	5,700,386	9.1%	1,858,907	1,858,907	5,206,238	970,980	\$8.85	\$10.75	\$5.45
<b>SOUTHEAST</b>	<b>114,921,172</b>	<b>8,924,197</b>	<b>7.8%</b>	<b>2,096,811</b>	<b>2,096,811</b>	<b>6,512,458</b>	<b>1,149,840</b>	<b>\$6.70</b>	<b>\$9.04</b>	<b>\$5.57</b>
Southwest-Near	4,223,347	2,420	0.1%	0	0	0	0	N/A	\$10.25	N/A
Southwest-Far	57,401,437	4,852,458	8.5%	622,550	622,550	856,621	354,004	\$5.37	\$10.55	\$7.00
<b>SOUTHWEST</b>	<b>61,624,784</b>	<b>4,854,878</b>	<b>7.9%</b>	<b>622,550</b>	<b>622,550</b>	<b>856,621</b>	<b>354,004</b>	<b>\$5.37</b>	<b>\$10.60</b>	<b>\$7.00</b>
West-Far	30,582,219	1,647,363	5.4%	-437,607	-437,607	1,466,664	0	\$12.22	\$10.37	\$6.31
West-Waller County	16,330,198	1,154,996	7.1%	556,415	556,415	5,250,135	184,205	\$11.52	N/A	\$5.56
<b>WEST</b>	<b>46,912,417</b>	<b>2,802,359</b>	<b>6.0%</b>	<b>118,808</b>	<b>118,808</b>	<b>6,716,799</b>	<b>184,205</b>	<b>\$11.86</b>	<b>\$10.37</b>	<b>\$5.92</b>
<b>HOUSTON TOTALS</b>	<b>506,175,485</b>	<b>36,890,807</b>	<b>7.3%</b>	<b>5,145,892</b>	<b>5,145,892</b>	<b>29,516,078</b>	<b>3,227,324</b>	<b>\$7.00</b>	<b>\$9.70</b>	<b>\$6.21</b>

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

### KEY LEASE TRANSACTIONS Q1 2022

PROPERTY	MARKET	TENANT	SF	TYPE
Cedar Port Trade Center, Baytown	Southeast-Far	Walmart Distribution	1,021,440	Warehouse/Distribution
AmeriPort Business Park, Baytown	Southeast-Far	Safavieh	1,000,977	Warehouse/Distribution
Interchange 249, Tomball	Northwest-Far	Macy's Corporate Services	908,853	Warehouse/Distribution

### KEY SALES TRANSACTIONS Q1 2022

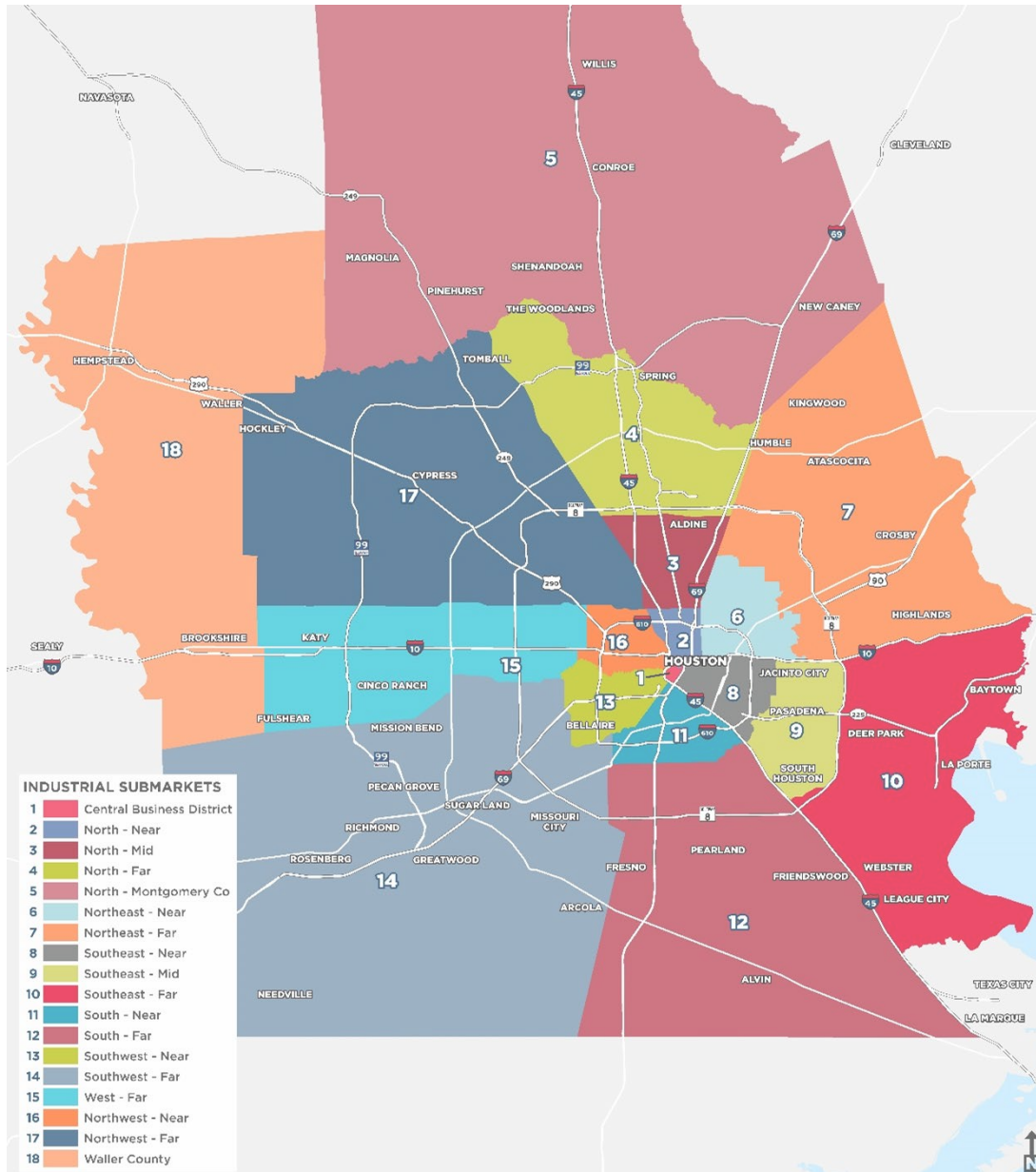
PROPERTY	MARKET	SELLER   BUYER	SF
Baytown Intermodal Center, Baytown	Southeast-Far	CenterPoint Property Trust   Reich Brothers	1,222,029
2135 Highway 6 South, Houston	Southwest-Far	2135 Highway 6 South, Ltd   Graniti Vicential Realty	358,739
8700 Fairbanks-North-Houston, Houston	Northwest-Far	McKinley 2014 Acquisition, LLC   Investment & Development Ventures	237,404

# MARKETBEAT HOUSTON

Industrial Q1 2022



## INDUSTRIAL SUBMARKETS



### Mary Doetterl

Senior Analyst, Houston Research

Tel: +1 713 963 2859

[Mary.doetterl@cushwake.com](mailto:Mary.doetterl@cushwake.com)

### Sherra Gilbert

Associate Director, Houston Research

Tel: +1 713 260 0282

[sherra.gilbert@cushwake.com](mailto: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 approximately 60 countries. In 2021, the firm had revenue of \$9.4 billion across core services of property, facilities and project management, leasing, capital markets, and valuation and other services.

To learn more, visit [www.cushmanwakefield.com](http://www.cushmanwakefield.com) or follow @CushWake on Twitter.

©2022 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.

[cushmanwakefield.com](http://cushmanwakefield.com)