

MARKETBEAT HOUSTON



Industrial Q3 2022

	YoY Chg	12-Mo. Forecast
6.3% Vacancy Rate	▼	▲
7.0M Net Absorption, SF	▲	▼
\$7.06 Asking Rent*, PSF	▲	▲

(Overall, All Property Classes)

* Rental rates reflect net asking \$psf/year

ECONOMIC INDICATORS Q3 2022

	YoY Chg	12-Mo. Forecast
3.3M Houston Employment	▲	▲
4.6% Houston Unemployment Rate	▼	▼
3.5% U.S. Unemployment Rate	▼	▲

Source: BLS, Moody's Analytics

ECONOMY

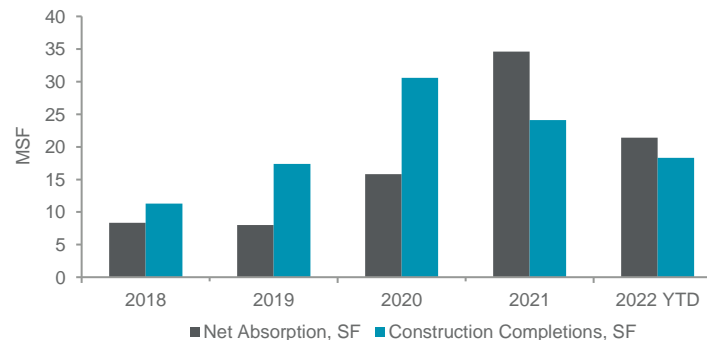
Houston's metro area (MSA) stood at 3.3 million total employment in the third quarter of 2022, a 6.0% year-over-year (YOY) increase from 3.1 million total employment in Q3 2021. Houston's job growth far surpassed the 3.9% YOY growth experienced nation-wide. Houston entered the second half of the year with substantial momentum. The MSA continues to record considerable growth in the labor market, adding 143,600 jobs so far this year, surpassing the 141,800 jobs added during all of 2021. Houston's unemployment rate fell to 4.6%, just 10 basis points (bps) lower than the previous quarter, but 160 bps lower than this time last year. The region's industrial-using employment totaled 899,369 jobs as of Q3 2022, representing a 6.1% YOY increase. Industrial-using roles are described as positions that fall within manufacturing and trade, transportation, and utilities.

SUPPLY

The Houston industrial market delivered 9.5 million square feet (msf) of new inventory during Q3 2022, bringing the year-to-date (YTD) total to just over 18.3 msf. Warehouse/distribution product, the bulk of new construction, accounts for 98.2% of the YTD total deliveries. Most of the new deliveries this quarter occurred in outlying submarkets – West-Waller County (2.4 msf), Northeast-Far (1.9 msf), Southeast-Far (1.4 msf) and Northwest-Far (1.4 msf). The largest delivery reported during Q3 2022 was Empire West Business Park Phase II – Bldg. 9 (1.0 msf), a speculative warehouse/distribution facility located in the West-Waller County submarket. High demand continues for warehouse/distribution space across the market, but deadlines on multiple projects are being extended due to high inflation and continued building supply shortages, which will likely result in construction deliveries being pushed into the next year.

Speculative completions totaled 8.1 msf during Q3 2022, with an additional 20.2 msf currently under construction and build-to-suit completions totaled 1.4 msf during Q3 2022, with an additional 7.0 msf currently under construction. Of the total 27.2 msf under construction, 41.0% (11.1 msf), is scheduled to deliver during the remainder of the year. Over half (61.7%) of the total new development currently underway is taking place in three submarkets – Southeast-Far (6.3 msf), West-Waller County (5.7 msf), and Northwest-Far (4.7 msf).

SPACE DEMANDS / DELIVERIES



OVERALL VACANCY & OVERALL ASKING RENT



MARKETBEAT HOUSTON

Industrial Q3 2022



DEMAND

Container volume continues to break records at the Port of Houston. Total container volume in August was 382,842 TEUs, 20.0% higher YOY, and an increase of 47,476 TEUs over May 2022, previously the largest month for containers. Demand for Houston industrial space continues its hot streak. The market recorded 9.2 msf of new leasing activity in Q3 2022, bringing the YTD total to 36.0 msf. The Southeast market outperformed all other markets with 3.5 msf of new leasing activity during Q3 2022, followed by the Northwest, North and Southwest markets with 2.0 msf, 1.2 msf, and 1.0 msf, respectively. During third quarter of 2022, four out of the five largest lease transactions occurred in warehouse/distribution facilities ranging from 312,034 square feet (sf) to 1.2 msf located in the Southeast-Far submarket.

Houston's industrial market recorded 7.0 msf of net absorption during Q3 2022, bringing the YTD total net absorption to 21.4 msf. Southeast-Far and Northwest-Far recorded the most net absorption – together, these two submarkets accounted for 48.6% (10.4 msf) of the YTD total space absorbed. Significant tenant move-ins during Q3 2022 included Home Depot (1.2 msf) in Southeast-Far, Crane Worldwide Logistics (445,120 sf) in North-Mid, Silver Eagle Distributors (424,956 sf) in Northwest-Far, and Lineage Logistics (315,101 sf) in Northeast-Far.

Overall vacancy ended Q3 2022 at 6.3%, 40 bps higher than the previous quarter, but 170 bps lower than this time last year. Submarkets with notable decreases in quarter-over-quarter (QOQ) vacancy were North-Mid, North-Near, and Southeast-Far, which recorded 110 bps, 90 bps, and 90 bps decreases in vacancy, respectively.

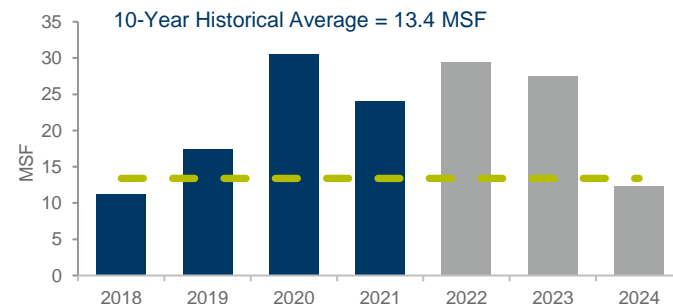
PRICING

Overall average asking rents closed the third quarter of 2022 at \$7.06 per square foot (psf), 1.2% higher than \$6.98 psf at the close of Q2 2022. North-Montgomery County led all submarkets with the highest asking rents, closing Q3 2022 at \$10.84 psf, followed by Southwest-Near and West-Far submarkets at \$9.03 psf and \$8.78 psf, respectively. Within warehouse/distribution space, asking rents rose 2.6% QOQ to \$6.73 psf. Manufacturing asking rents climbed 2.3% QOQ to \$6.98 psf, and office service centers asking rents also trended higher at 2.7% QOQ to \$10.30 psf. While rates are trending up, many landlords have stopped posting asking rates so it is quite possible the increase reported in overall asking rates may not fully reflect the actual uptick in rental rates on completed deals.

OUTLOOK

- Houston's access to transportation infrastructure like the port, rail, and major interstates will continue to solidify the city as a top-tier industrial market.
- Developers will continue to break ground on land inventories based on current demand in addition to actively seeking additional land sites that will benefit from the market's rapid industrial growth.
- Rental rates will see an uptick in the overall market due to high demand and the delivery of new class A product.

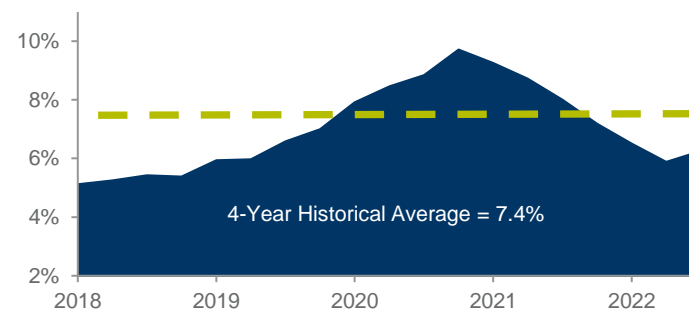
NEW SUPPLY (MSF)



OVERALL NET ABSORPTION / OVERALL ASKING RENT



OVERALL VACANCY



MARKETBEAT HOUSTON



Industrial Q3 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)*
CENTRAL BUSINESS DISTRICT	179,109	0	0.0%	0	0	0	0	N/A	N/A	N/A
North-Near	6,946,565	326,067	4.7%	63,341	-70,555	0	0	\$6.53	\$7.20	\$7.74
North-Mid	14,802,493	866,091	5.9%	840,905	1,094,977	1,102,081	725,740	\$5.00	\$7.50	\$5.87
North-Far	52,848,131	4,611,300	8.7%	708,913	3,047,316	2,015,445	1,633,582	\$6.50	\$7.72	\$5.63
North-Montgomery County	12,981,827	446,434	3.4%	66,011	971,994	70,000	790,000	\$7.41	\$13.95	\$10.01
NORTH	87,579,016	6,249,892	7.1%	1,679,170	5,043,732	3,187,526	3,149,322	\$6.50	\$9.66	\$5.81
Northeast-Near	20,916,239	376,269	1.8%	49,679	529,960	0	134,450	\$6.29	\$9.30	\$7.37
Northeast-Far	10,387,767	1,728,502	16.6%	623,144	1,446,038	2,679,452	1,932,630	\$6.50	N/A	\$6.01
NORTHEAST	31,304,006	2,104,771	6.7%	672,823	1,975,998	2,679,452	2,067,080	\$6.43	\$9.30	\$6.28
Northwest-Near	26,105,118	846,454	3.2%	182,319	141,574	0	0	\$6.50	\$9.73	\$6.31
Northwest-Far	110,891,282	7,474,783	6.7%	883,168	3,287,387	4,742,015	4,057,391	\$7.91	\$10.26	\$7.22
NORTHWEST	136,996,400	8,321,237	6.1%	1,065,487	3,428,961	4,742,015	4,057,391	\$7.70	\$10.20	\$7.15
South-Near	22,916,722	950,651	4.1%	44,070	140,277	102,898	151,342	\$9.48	\$8.95	\$7.54
South-Far	14,783,242	528,815	3.6%	57,689	270,943	2,546,175	263,800	\$5.95	\$8.50	\$8.10
SOUTH	37,699,964	1,479,466	3.9%	101,759	411,220	2,649,073	415,142	\$6.73	\$8.94	\$7.69
Southeast-Near	36,191,820	1,814,912	5.0%	109,762	255,516	807,464	0	\$5.36	N/A	\$5.53
Southeast-Mid	15,742,003	729,863	4.6%	113,250	369,855	403,066	119,690	\$6.00	N/A	\$7.36
Southeast-Far	67,864,581	3,918,896	5.8%	1,903,046	7,124,103	6,310,807	4,590,957	\$9.02	\$11.39	\$6.37
SOUTHEAST	119,798,404	6,463,671	5.4%	2,126,058	7,749,474	7,521,337	4,710,647	\$6.83	\$11.39	\$6.36
Southwest-Near	4,413,912	85,113	1.9%	0	-82,693	0	0	N/A	\$10.00	\$9.00
Southwest-Far	59,394,252	3,740,503	6.3%	977,384	2,276,474	83,000	1,192,416	\$7.96	\$10.96	\$7.37
SOUTHWEST	63,808,164	3,825,616	6.0%	977,384	2,193,781	83,000	1,192,416	\$7.96	\$10.96	\$7.42
West-Far	30,787,312	1,475,484	4.8%	37,300	-354,364	588,304	121,000	\$8.92	\$11.94	\$7.75
West-Waller County	19,682,315	3,112,248	15.8%	341,987	978,327	5,720,496	2,579,607	N/A	N/A	\$6.79
WEST	50,469,627	4,587,732	9.1%	379,287	623,963	6,308,800	2,700,607	\$8.92	\$11.94	\$7.01
HOUSTON TOTALS	527,834,690	33,032,385	6.3%	7,001,968	21,427,129	27,171,203	18,292,605	\$6.98	\$10.30	\$6.73

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

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

KEY LEASE TRANSACTIONS Q3 2022

PROPERTY	SUBMARKET	TENANT	SF	TYPE
Cedar Port Industrial Park	Southeast-Far	Home Depot	1,211,620	Warehouse/Distribution
Bayport Industrial Complex	Southeast-Far	Packwell	800,000	Warehouse/Distribution
Bayport 146 Distribution Center	Southeast-Far	American Acryl	454,600	Warehouse/Distribution

KEY SALES TRANSACTIONS Q3 2022

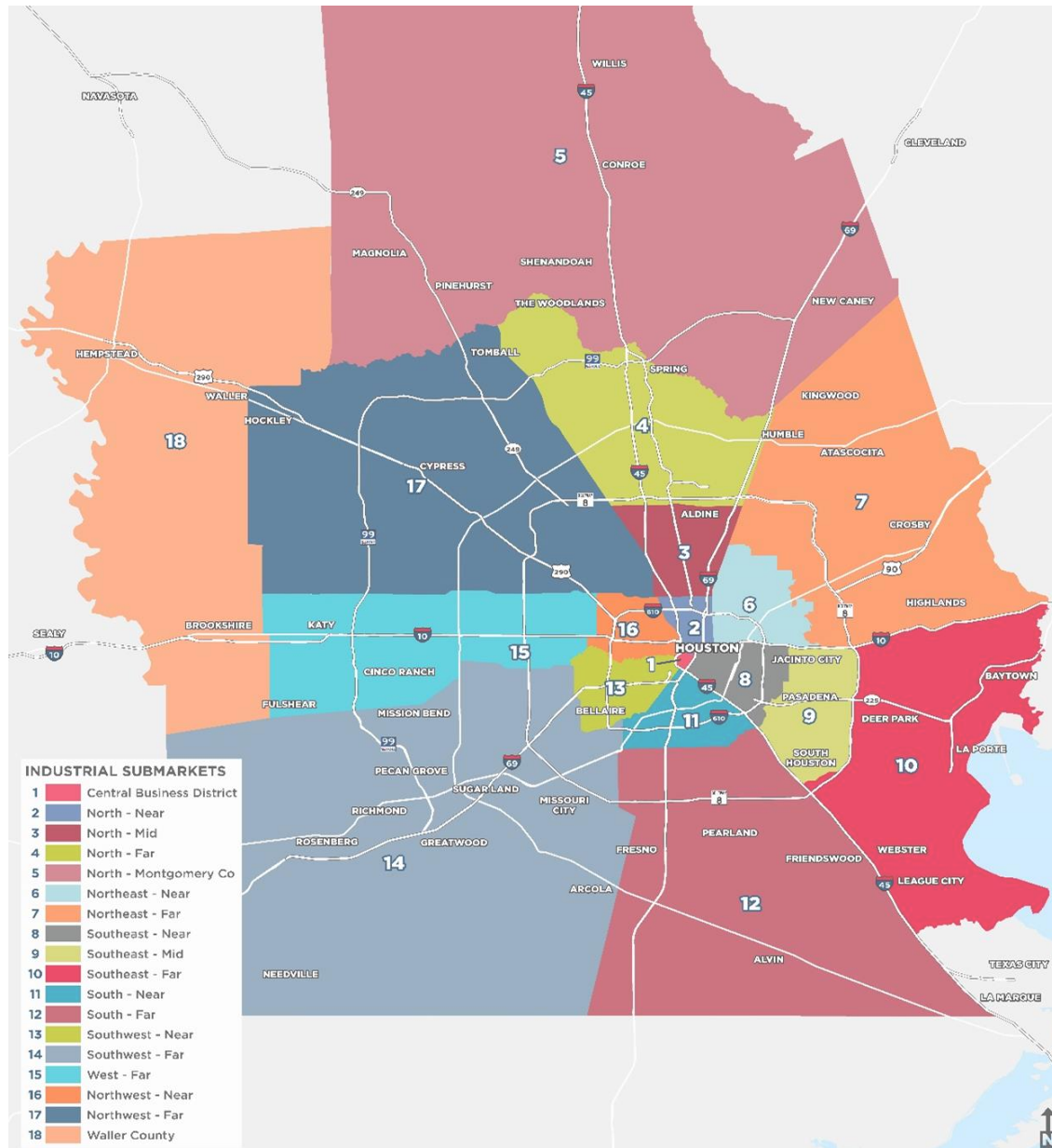
PROPERTY	SUBMARKET	SELLER BUYER	SF
6023 Navigation Boulevard	Southeast-Near	General Electric Company Confidential Buyer	301,500
Thompson 10 Logistics Center	Southeast-Far	Ledo Capital Group Fabco Properties VI, LLC	570,222
8807 Liberty Road	Northeast-Near	Plateplus, Inc. No Moore Entities, LLC	200,000

MARKETBEAT HOUSTON

Industrial Q3 2022



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 400 offices and 60 countries. In 2021, the firm had revenue of \$9.4 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.

©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