

MARKETBEAT HOUSTON



Industrial Q1 2024

6.9%
Vacancy Rate



5.1M
Net Absorption, SF



\$7.53
Asking Rent*, PSF



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

ECONOMIC INDICATORS Q1 2024

3.4M
Houston
Employment



4.0%
Houston
Unemployment Rate



3.8%
U.S.
Unemployment Rate



Source: BLS, Moody's Analytics

ECONOMY

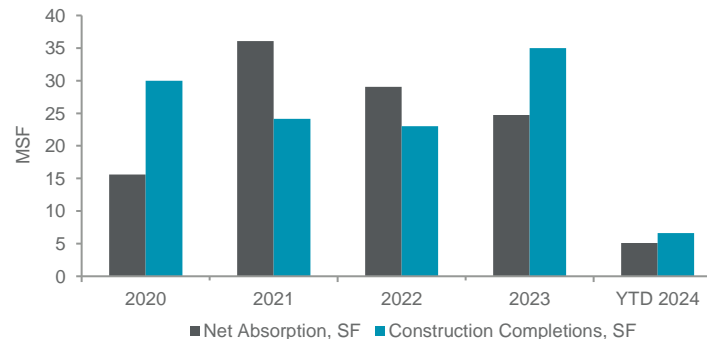
Total employment stood at 3.4 million in Houston's metro area (MSA) at the end of Q1 2024, representing a 2.5% year-over-year (YOY) increase. While Houston's job growth continues to slow, the 2.5% increase surpassed the 1.7% YOY growth experienced nation-wide. Among the 10 U.S. markets with the largest labor forces, Houston's 2.5% YOY growth ranked first, with Miami close behind at 2.4%. Houston's unemployment rate decreased to 4.0%, 20 basis points (bps) lower than one year ago. The region's industrial-using employment added 18,732 jobs over the past year, representing a 2.1% YOY rise. Industrial-using employment totaled 931,770 jobs as of Q1 2024 and accounts for 27.1% of the total jobs in the region. Industrial-using roles are described as positions that fall within manufacturing and trade, transportation, and utilities.

SUPPLY

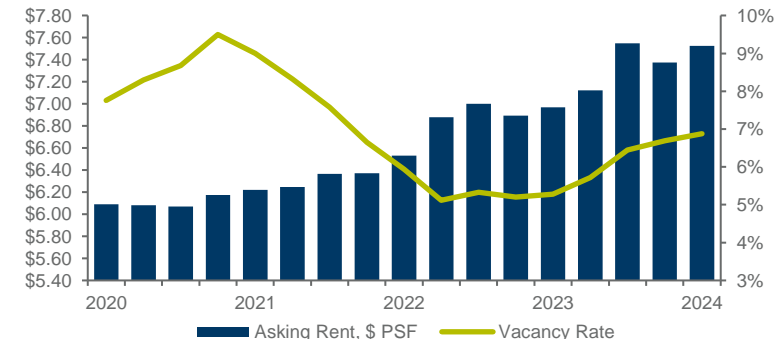
Just 2.0 million square feet (msf) started construction in Q1 2024 as Houston's industrial pipeline further diminished. Like other major markets in the United States, developers in Houston face ongoing challenges due to increased interest rates, tight lending markets, high construction costs, and normalized demand following record supply. As supply continues to rebalance, 6.6 msf of new inventory delivered during Q1 2024. More than half of these deliveries were in the South and Southeast markets, featuring 2.2 msf and 1.6 msf of new space, respectively. Of the 6.6 msf of new deliveries, 4.7 msf (71.7%) remains available. This quarter's deliveries leaves just 10.7 msf under construction in the Houston industrial market, the lowest total under construction since Q4 2018. The bulk of the construction activity is taking place in the Southeast (4.4 msf) and North (2.4 msf) – these two markets alone account for 63.1% of the total construction underway in the market.

Sublease availability in the Houston industrial market rose once again, ending Q1 2024 at 1.1% available, 10 basis points (bps) higher quarter-over-quarter (QOQ), and 60 bps higher YOY. This brings Houston's sublease availability to an all-time high, with over 6.1 msf of space available for sublease, compared to 2.6 msf at the start of 2023.

SPACE DEMANDS / DELIVERIES



OVERALL VACANCY & OVERALL ASKING RENT



MARKETBEAT HOUSTON



Industrial Q1 2024

DEMAND

Houston's industrial demand continues to consistently remain at sustainable and healthy levels. Q1 2024 witnessed robust leasing activity, with 9.1 msf of new leasing activity, a 7.0% increase compared to the previous quarter. This also exceeded the quarterly average from 2023 (8.4 msf). Notably, the Northwest and Southeast markets contributed significantly, each posting 2.4 msf of new leasing activity.

In terms of net absorption, Houston achieved a balanced total of 5.1 msf of positive net absorption during Q1 2024. Although this represented a 23.1% decrease QOQ, supply and demand were in balance in Q1 2024. Additionally, Houston ranked first in overall absorption out of the 83 industrial markets tracked nationwide by Cushman & Wakefield. Houston was one of only two markets which recorded more than 3.0 msf of positive absorption during the quarter.

Houston's overall vacancy rate has been on the rise for five consecutive quarters, reaching 6.9% at the end of Q1 2024. This represents a 20-bps increase QOQ and a significant 160-bps increase YOY. Despite this upward trend, the current vacancy rate remains consistent with the 10-year historical average. Looking ahead, it is anticipated that vacancy rates will continue to climb as this wave of new supply works its way through the market.

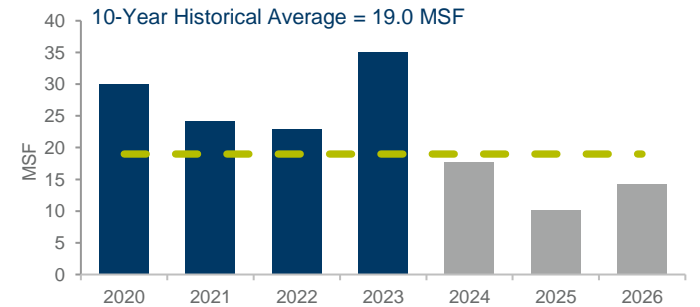
PRICING

Despite a decline in Q4 2023, overall average asking rents rebounded in Q1 2024, closing the quarter at \$7.53 per square foot (psf). This represents a 2.1% increase QOQ from the previous quarter's rate of \$7.37, and a significant 8.0% growth YOY from \$6.97. Average rental rates are expected to remain elevated throughout 2024 as supply is constrained. The South and West led all markets with the highest asking rates, closing Q1 2024 at \$8.26 psf and \$7.88 psf, respectively. For warehouse/distribution, the bulk of the industrial market, asking rates rose 1.9% QOQ to \$7.27 psf.

OUTLOOK

- Houston will continue to outperform other major industrial markets due to its proximity to the Port of Houston, amplified employment growth, and net migration.
- As the benefits of new supply fade due to a normalized development pipeline, absorption is expected to decline, but remain positive and healthy.
- While sublease availability will likely continue to rise, Houston's sublease availability remains beneath concerning levels experienced by other major US markets.

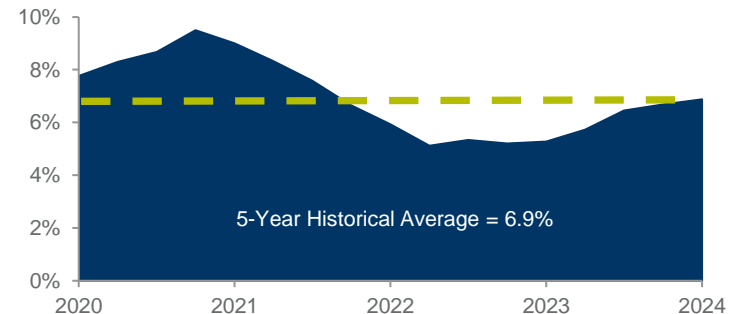
NEW SUPPLY (MSF)



OVERALL NET ABSORPTION / OVERALL ASKING RENT



OVERALL VACANCY



MARKETBEAT HOUSTON



Industrial Q1 2024

OVERALL MARKET STATISTICS

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

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 (WD)*
CENTRAL BUSINESS DISTRICT	179,109	0	0.0%	0	0	0	0	N/A	N/A	N/A
North-Near	7,004,956	160,431	2.3%	-22,000	-22,000	0	0	\$6.50	\$6.54	\$4.16
North-Mid	15,092,732	782,384	5.2%	49,894	49,894	0	160,144	\$9.00	N/A	\$7.06
North-Far	57,977,196	5,460,808	9.4%	795,570	795,570	2,389,360	0	N/A	\$7.58	\$6.64
North-Montgomery County	14,234,022	1,557,402	10.9%	123,714	123,714	0	0	\$8.67	\$18.00	\$8.58
NORTH	94,308,906	7,961,025	8.4%	947,178	947,178	2,389,360	160,144	\$8.33	\$9.65	\$7.14
Northeast-Near	22,156,051	1,503,494	6.8%	686,921	686,921	0	358,191	\$5.88	\$9.22	\$6.20
Northeast-Far	14,773,814	2,044,840	13.8%	185,222	185,222	0	1,026,270	N/A	\$20.75	\$7.73
NORTHEAST	36,929,865	3,548,334	9.6%	872,143	872,143	0	1,384,461	\$5.88	\$11.45	\$6.88
Northwest-Near	25,907,007	804,480	3.1%	-101,521	-101,521	0	0	\$5.40	\$9.97	\$5.16
Northwest-Far	117,731,925	8,235,212	7.0%	989,906	989,906	27,375	757,989	\$8.27	\$11.23	\$7.59
NORTHWEST	143,638,932	9,039,692	6.3%	888,385	888,385	27,375	757,989	\$8.17	\$10.98	\$7.46
South-Near	23,020,825	792,422	3.4%	95,416	95,416	102,898	0	N/A	\$10.90	\$7.24
South-Far	20,003,014	2,071,488	10.4%	1,238,389	1,238,389	690,093	2,289,150	\$6.00	\$12.20	\$8.05
SOUTH	43,023,839	2,863,910	6.7%	1,333,805	1,333,805	792,991	2,289,150	\$6.00	\$11.28	\$7.82
Southeast-Near	37,065,504	1,535,083	4.1%	-154,465	-154,465	0	0	N/A	N/A	\$6.91
Southeast-Mid	16,608,727	524,961	3.2%	74,949	74,949	0	0	\$8.00	N/A	\$6.29
Southeast-Far	76,824,760	6,608,176	8.6%	431,712	431,712	4,383,051	1,602,585	\$13.69	\$9.66	\$7.07
SOUTHEAST	130,498,991	8,668,220	6.6%	352,196	352,196	4,383,051	1,602,585	\$12.13	\$9.66	\$6.97
Southwest-Near	4,466,341	22,883	0.5%	46,110	46,110	0	0	N/A	\$5.50	N/A
Southwest-Far	61,389,087	2,782,377	4.5%	170,896	170,896	1,268,922	90,328	\$6.89	\$11.51	\$7.17
SOUTHWEST	65,855,428	2,805,260	4.3%	217,006	217,006	1,268,922	90,328	\$6.89	\$10.96	\$7.17
West-Far	31,815,030	1,452,891	4.6%	57,268	57,268	1,036,255	0	\$8.78	\$11.86	\$7.19
West-Waller County	26,366,800	3,026,081	11.5%	438,245	438,245	844,240	338,000	N/A	N/A	\$7.77
WEST	58,181,830	4,478,972	7.7%	495,513	495,513	1,880,495	338,000	\$8.78	\$11.86	\$7.61
HOUSTON TOTALS	572,616,900	39,365,413	6.9%	5,106,226	5,106,226	10,742,194	6,622,657	\$8.18	\$10.82	\$7.27

KEY LEASE TRANSACTIONS Q1 2024

PROPERTY	SUBMARKET	TENANT	SF	TYPE
Grand Central West – Building 2	West	Builders First Source	843,360	Warehouse/Distribution
Nexus North Logistics – Building 1	North	Solar Plus Technologies	567,140	Warehouse/Distribution
59 Logistics Center	North	United Airlines	509,600	Warehouse/Distribution

KEY SALES TRANSACTIONS Q1 2024

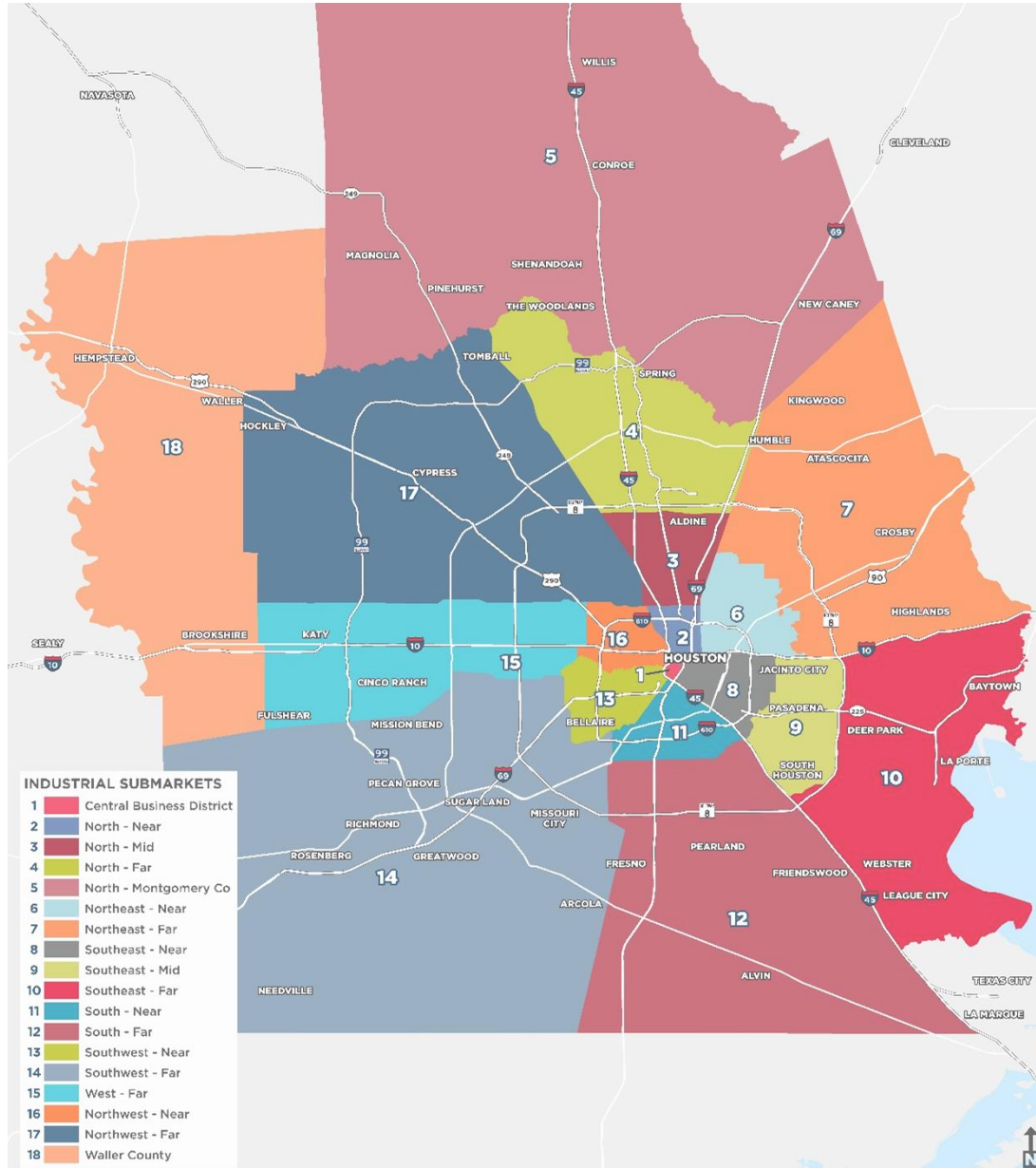
PROPERTY	SUBMARKET	SELLER BUYER	SF
Great 290 Distribution Center	West	Pagewood Sealy & Company	500,840
Northeast Crossing Industrial park	Northeast	Jackson-Shaw Company Nan Ya Plastics	424,404
Northwest Logistics Center	Northwest	GLP Sterling Investors	411,442

MARKETBEAT HOUSTON

Industrial Q1 2024



INDUSTRIAL SUBMARKETS



Andrea Johnson
Analyst, Houston Research
Tel: +1 713 260 0222
Andrea.E.Johnson@cushwake.com

Cory Krause
Analyst, Houston Research
Tel: +1 713 260 0260
Cory.Krause@cushwake.com

Taylor Thiessen
Analyst, Houston Research
Tel: +1 281 688 9499
Taylor.Thiessen@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 commercial real estate services firm for property owners and occupiers with approximately 52,000 employees in nearly 400 offices and 60 countries. In 2023, the firm reported revenue of \$9.5 billion across its core services of property, facilities and project management, leasing, capital markets, and valuation and other services. It also receives numerous industry and business accolades for its award-winning culture and commitment to Diversity, Equity and Inclusion (DEI), sustainability and more. For additional information, visit www.cushmanwakefield.com.

©2024 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