

## Record-high net absorption, leasing activity and sales price increases follow WTI oil price recovery in 2021

With demand driven largely by e-commerce retailers, third-party logistics providers and materials distributors, net absorption totaled 8.9 million square feet (msf) in the Houston industrial market during the fourth quarter of 2021. Over the past 12 months, net absorption exceeded 25.0 msf which is a record for the city. This positive momentum has led to tight conditions for tenants looking for space, with vacancy now averaging 7.3%. Industrial property sales volume totaled \$2.0 billion during 2021 with an average price per square foot of \$90, which reflects a 6.1% increase from the previous year.

### Port of Houston's container terminals have remained busy

Activity at the Port of Houston in 2021 was marked by a 16% increase in twenty-foot equivalent units (TEUs) and a 32.5% increase in value over the same period in 2020. This upward trend has been largely driven by growth in three main commodities: oil, chemicals and automotive. Shipping volume is expected to continue to rise during the first half of 2022 driven by ongoing strength in the regional economy. Houston ranked third in population growth and first in homebuilding nationally, which is supporting sustained growth for industrial demand.

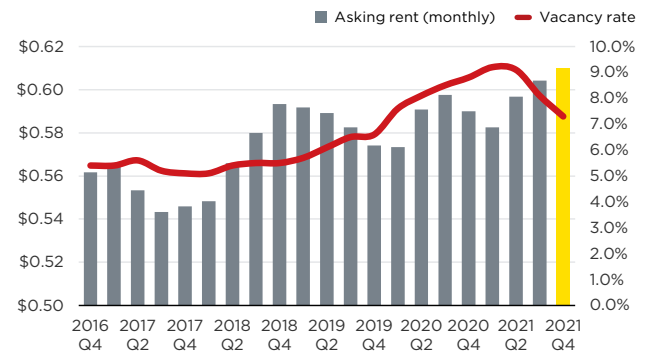
### Impact of Omicron variant adds volatility and uncertainty to energy sector

Although the WTI crude oil price has been recovering from the initial pandemic impact, the rise of the Omicron variant has increased price volatility and uncertainty for the local economy. At the moment, the Houston industrial market is seeing a continuous uptick in activity combined with a steady under construction pipeline. While more than 16.0 msf of new product is currently under construction, less than 30% of the new deliveries are available with the majority of projects being pre-leased or build-to-suit. During the quarter, there were more than 10 signed leases greater than 100,000 square feet (sf) including a 1.0 msf lease at the TGS Cedar Port Industrial Park.

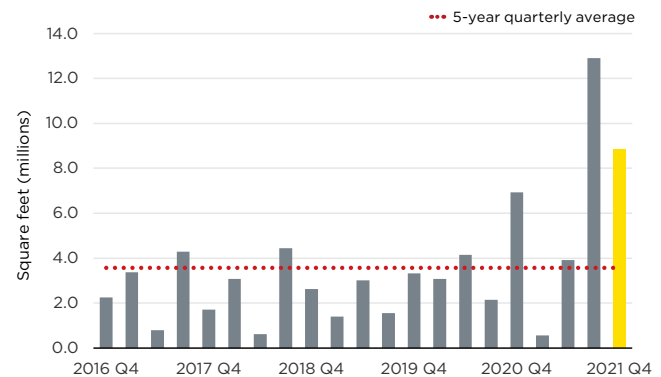
### KEY STATISTICS

	Q4 2020	Q4 2021	Y-o-Y Change
<b>Inventory</b>	577.7 MSF	596.5 MSF	▲
<b>Vacancy Rate</b>	8.8%	7.3%	▼
<b>Quarterly Net Absorption</b>	6.9 MSF	8.9 MSF	▲
<b>Under Construction</b>	12.9 MSF	16.2 MSF	▲
<b>Deliveries</b>	9.3 MSF	4.3 MSF	▼
<b>Asking Rental Rate (Monthly)</b>	\$0.59	\$0.61	▲

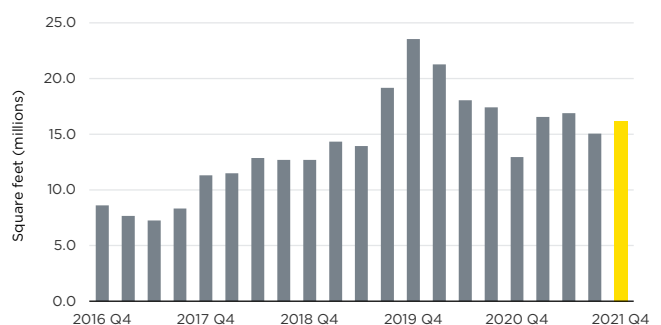
### ASKING RENT AND VACANCY



### NET ABSORPTION



### UNDER CONSTRUCTION



### Outlook

- Recent leasing activity and construction trends are expected to continue during the first half of 2022 with support from 3PL and e-commerce companies.
- Rising wages due to labor shortages and inflation will continue to challenge industrial occupiers.
- Uncertainty with the Omicron variant and winter weather along with effects of consumer behavior present a wide range of potential outcomes for energy consumption going forward.

BY THE NUMBERS

**8.9M**

SF net absorption, which is the second highest on record

**4.1%**

South submarket has the lowest vacancy rate

**\$76.97**

Q4 2021 average WTI Price (per barrel)

TOP TRANSACTIONS

Leases

Tenant	Square Feet	Address	Transaction Type	Submarket	Landlord
Undisclosed	1,021,440	4633 Borusan Road	New	Southeast	Hunt Southwest Real Estate
SRS Distribution Inc.	144,045	2737 West Grand Parkway North	New	Northwest	First Industrial Realty Trust
Texas Tissue	143,690	1521 Greens Road	New	North	Clarion Partners
Matco-Norca	126,437	1150-1170 Silber Road	Renewal	Northwest	Greenfield Partners
Performance Team	123,000	5800 Mesa Drive	New	Northeast	Dayton Street Partners

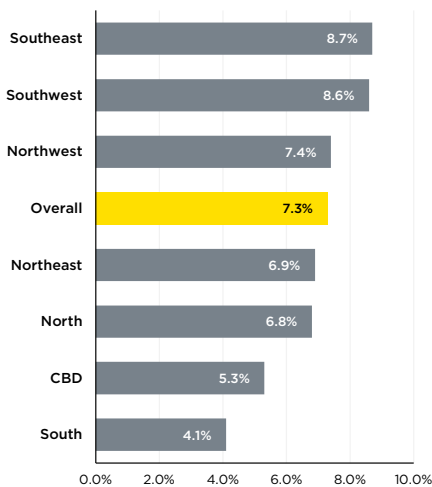
Sales

Owner/Buyer	Square Feet	Address	Price	Submarket	Seller
BREIT	996,482	Borusan Road	\$71,197,665	Southeast	WPT Industrial REIT
Realty Income Corp	914,195	777 Igloo Road	n/a	Northwest	VEREIT
EGT - Exeter Property Group	737,630	2062 Woods Road	n/a	Southwest	Clay Development
Yacoel Properties	511,040	23623 Colonial Parkway	n/a	Northwest	99 Cents Only
BREIT	498,231	Jordan Ranch Blvd And Kingsland	\$35,598,118	Southwest	WPT Industrial REIT

Source: Savills Research

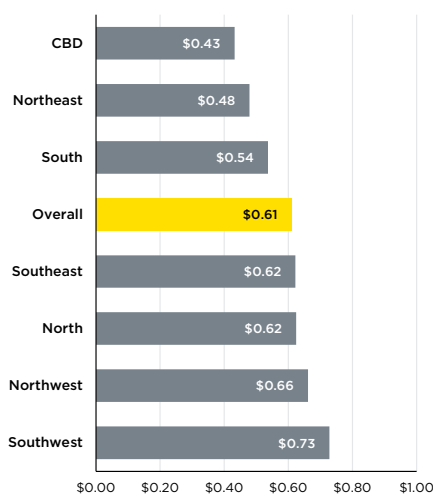
VACANCY RATE COMPARISON

Houston Industrial Submarkets



RENTAL RATE COMPARISON (\$/SF)

Houston Industrial Submarkets



Unless otherwise noted, all rents quoted throughout this report are average asking net (NNN) rents per square foot. Statistics are calculated using both direct and sublease information. Current and historical vacancy and rent data are subject to change due to changes in inventory.

The information in this report is obtained from sources deemed reliable, but no representation is made as to the accuracy thereof. Unless otherwise noted, source for data is Savills Research.

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