

Houston



The Houston industrial market saw another positive quarter in Q3 2020 despite economic pressure from the COVID-19 pandemic and oil prices that remain below the levels of profitability.



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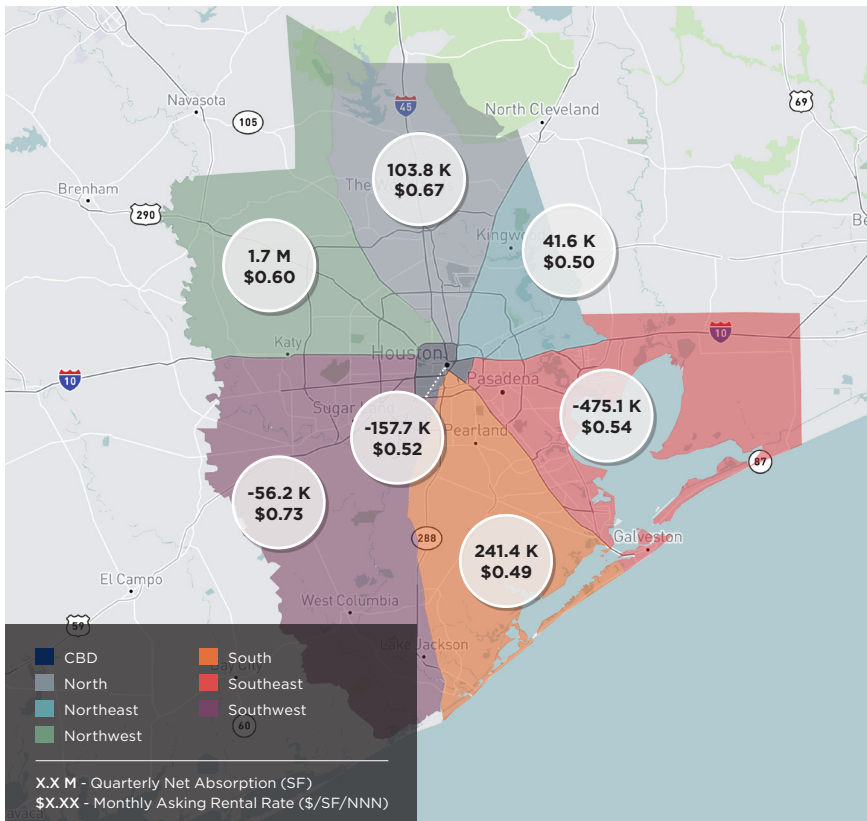
Net occupier demand for the quarter totaled 1.4 million square feet (msf), primarily driven by e-commerce retailers, third-party logistics providers, and materials distributors. In line with its historical performance, the Northwest submarket posted the highest levels of net absorption, totaling 1.7 msf, and saw two of the five largest leases for Q3, both of which were in a Prologis-owned development. The lowest level of net absorption, totaling negative 475,000 square feet (sf), was observed in the Southeast submarket, which is home to the Port of Houston and a large concentration of petrochemical manufacturers.

Vacancy rates, at 9.0% market-wide, continued trending upward over the quarter, rising 50 basis points (bps) over the quarter and 210 bps over the year. The North, Southeast, and Southwest submarkets all have vacancy rates above 10.0% which is symptomatic of pandemic-depressed

KEY STATISTICS

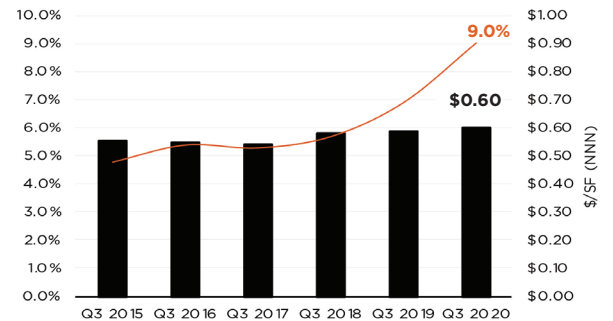
	Q3 2019	Q3 2020	y-o-y Change
Inventory	517.6 MSF	541.5 MSF	▲
Vacancy Rate	6.90%	9.00%	▲
Net Absorption	1.5 MSF	1.4 MSF	▼
Under Construction	16.8 MSF	17.2 MSF	▲
Overall Monthly Asking Rent (NNN)	\$0.59	\$0.60	▲

demand paired with high levels of speculative development. Rental rates have remained relatively flat over the quarter, increasing by \$0.01 per square foot (psf), or 2.4%, over the year to \$0.60 psf per month. However, Houston's industrial market is still showing increased signs of tenant favorability as landlords have been apt to offer generous rent abatement and more competitive tenant improvement credits on long-term leases. With no clear end in sight for the ongoing pandemic that's placing pressure on demand, landlords will likely continue to offer competitive packages to tenants with good credit.



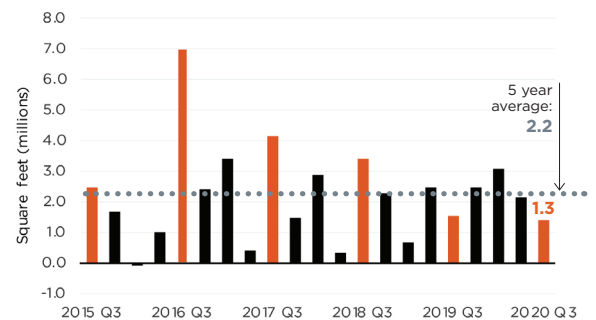
VACANCY AND ASKING RENT TRENDS

Houston



NET ABSORPTION

Houston



“High levels of speculative construction, driven by Houston’s bullish developers, have led to many industrial projects delivering vacant which alludes to a threat of over-supply as vacancy rates continue climbing north.”

– John McWilliams, Research Manager

SUBMARKET OVERVIEW

20,000 SF and up (owner occupied included)

Submarket	Existing Inventory		Vacancy			Q3 2020 Net Absorption (SF)	Q3 2020 Deliveries (SF)	Under Construction (SF)	Overall Monthly Asking Rent (NNN)
	# Bldgs	Total (SF)	Direct (SF)	Total (SF)	Vac %				
CBD	695	45,836,397	2,568,751	2,656,751	5.8%	-157,740	0	0	\$0.52
North	1,379	99,503,077	10,082,616	10,316,591	10.4%	103,813	453,577	3,879,539	\$0.67
Northeast	442	34,309,606	2,322,521	2,418,974	7.1%	41,613	279,500	316,172	\$0.50
Northwest	2,112	154,218,763	13,504,044	14,111,920	9.2%	1,658,306	1,498,464	4,174,682	\$0.60
South	633	39,933,066	1,772,067	2,001,760	5.0%	241,444	223,504	438,630	\$0.49
Southeast	944	99,367,385	9,945,674	10,175,774	10.2%	-475,152	225,074	2,424,328	\$0.54
Southwest	1,027	68,300,850	6,900,692	6,936,324	10.2%	-56,243	1,602,476	6,000,820	\$0.73

MAJOR TRANSACTIONS

Sales

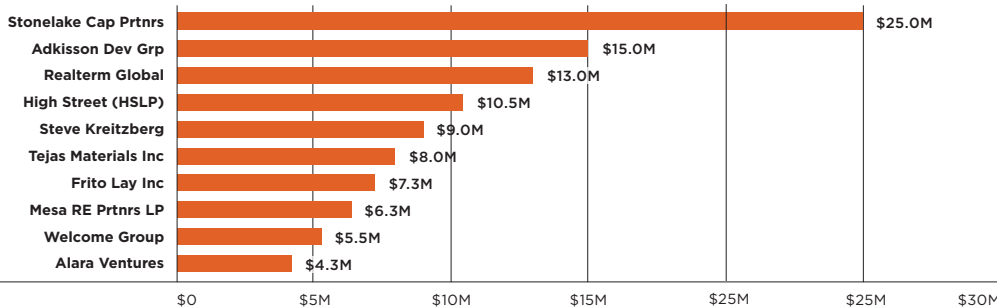
Owner/Buyer	Seller	Date	Address	Square Feet	Built	Land Area (acres)	Price	Submarket
Stonlake Cap Ptnrs	Transwestern Development Company, UBS Realty Investors LLC	Jul-20	28420 W Ten Boulevard	238,000	2019	41.00	Undisclosed	Northwest
Adkisson Dev Grp	Letourneau Technologies Drilling Systems Inc	Sep-20	6500 Brittmoore Road	158,700	1979	13.00	Undisclosed	Northwest
EquipmentShare	Senterra, Finial Group	Aug-20	6811 McHard Road	145,185	2019	18.95	Undisclosed	Southwest
Realterm Logistics	William E Cooper Inc	Sep-20	6410 W Sam Houston Parkway North	132,000	2000	18.15	Undisclosed	Northwest
Alara Ventures	TPC Real Estate	Sep-20	1440 Greengrass Drive	125,512	1969	3.63	Undisclosed	Northwest

Leases

Tenant	Square Feet	Address	City	Submarket	Landlord
DHL	254,160	8833 Citypark Loop	Houston	Northeast	CenterPoint Properties
S.I. Warehousing Company	252,203	625 Independence Parkway - Bldg. B	Deer Park	Southeast	Molto Properties
MiTek	156,505	560 E Richey Road	Houston	Northwest	Prologis, Inc.
Toshiba, Inc.	140,000	10435 Okanella Street	Houston	Northwest	Prologis, Inc.
Vee Express	114,492	8503 Citypark Loop	Houston	Northeast	CenterPoint Properties

TOP BUYERS

Q3 2020



Source Savills Research

Market Highlights



Vacancy

Up **210 basis points** year over year, from 6.9% in Q3 2019.



Asking Rent Growth

Up **\$0.01 PSF** year-over-year, from \$0.59 in Q3 2019.



Under Construction

Up **0.4 MSF** year-over-year, from 16.8 in Q3 2019.

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