

HOUSTON INDUSTRIAL Monthly Market Snapshot

DECEMBER 2018

Market Highlights

Industrial market continues to show steady activity. Nearing the end of the fourth quarter the vacancy rate has remained at 5.4% from this time last month. Year-to-date net absorption continues to rise, up 16.7% from last month to 8.6 million sq. ft. Additionally, there has been 22.8 million sq. ft. of leasing activity year-to-date. All the while, the average asking rate of renting industrial space stayed at \$0.61 in December, remaining steady during the last 30 days.

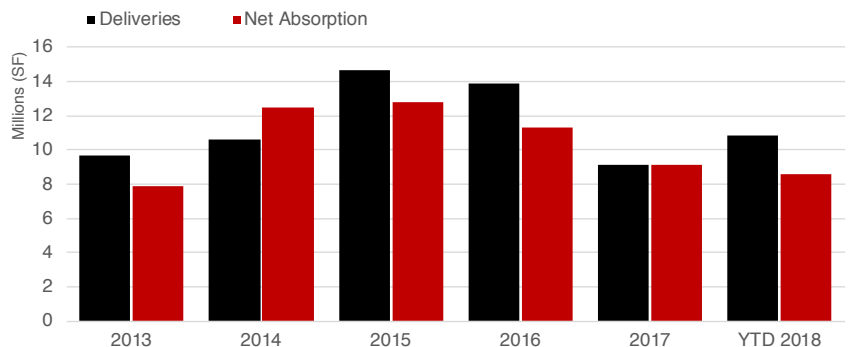
Southwest Houston picking up the pace. Plans for a 97-acre logistics center is proof that large-scale industrial demand is picking up in the southwest submarket. Logistics Property Co. is entering the Houston market with CityPark Logistics Center, located near the intersection of the Sam Houston Tollway and Highway 90, bordering both Harris and Fort Bend counties. The project will add 1.7 million sq. ft. across seven buildings when completed. CityPark is scheduled to begin construction in Q1 2019 with planned completion by the end of the year.

Foreign trade update. Houston ranked first in tonnage and seventh in value among U.S. customs districts during the first ten months of 2018, holding the top spot in seven of the past 10 years. During that period, 240.1 million metric tons in goods and commodities passed through the Houston-Galveston Customs District, a 9.1% increase over the same period in 2017.

Market Activity

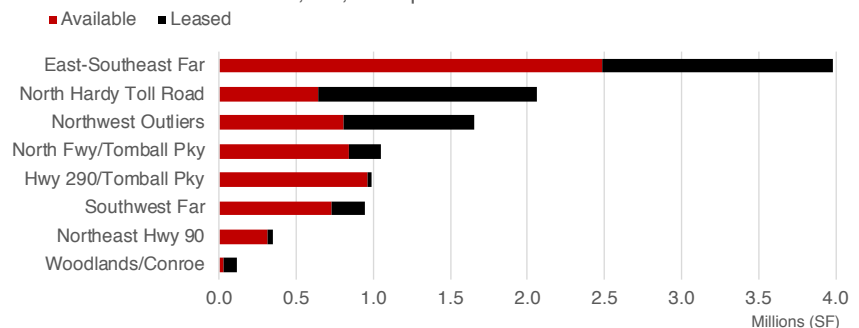
	Year-to-Date 2018	
	December	November
Vacancy	5.4%	5.4%
Availability	8.9%	8.8%
Net Absorption (SF)	8,596,548	7,364,232
Leasing Activity (SF)	22,834,955	20,750,154
Deliveries (SF)	10,827,791	9,269,764
Under Construction (SF)	11,712,694	11,937,236
NNN Avg Asking Rent (MO/PSF)	\$0.61	\$0.61

Supply & Demand



Construction Activity by Submarket over 100,000 SF

Total Under Construction 11,712,694 sq. ft.



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HOUSTON INDUSTRIAL Monthly Market Snapshot

SEPTEMBER 2018

Market Highlights

Houston industrial market continuing strong performance. Nearing the end of the third quarter the vacancy rate was unchanged from this time last month, at 5.7%. Of the 8.9 million sq. ft. delivered to the market year-to-date, about 3 million sq. ft. (32.8%) is unoccupied. Of the 88 properties with 11.0 million sq. ft. currently under construction, 63.2% of that space is available for lease. Year-to-date net absorption totals 5.3 million sq. ft., while there have been over 1,150 deals representing 16.0 million sq. ft. of leasing activity. The average asking rate of renting industrial space was unchanged from last month at \$0.60 per sq. ft. per month.

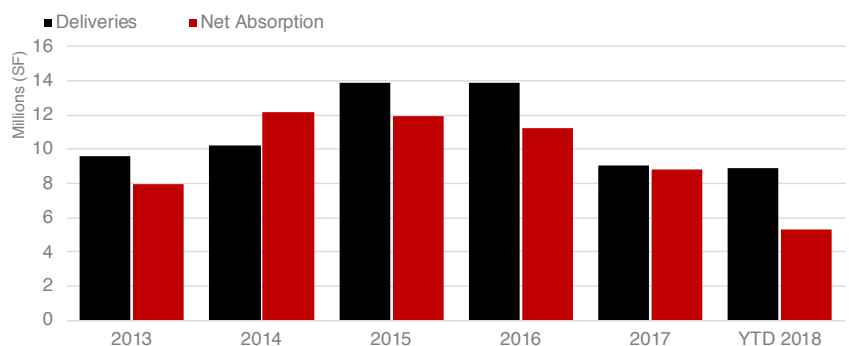
1.4 million-sq.-ft. industrial facility coming to Katy. Chevron Corp. has sold a 103-acre tract at Clay Road and State Highway 99 near Katy. Landmark Industries purchased the land from Chevron, selling a 78-acre share to Duke Realty. According to papers filed with the Harris County Clerk, Duke Realty Corp. plans to develop 1.39 million sq. ft. of industrial space on the land between five recently constructed buildings.

Houston ranked No. 2 in manufacturing GDP in the U.S. Recently, Houston was named by Business Facilities as the No. 1 large metro for potential economic growth. The metro has one of the largest concentrations of industrial space in the nation and remains among the top cities for manufacturing employment growth, noting that the region has about 6,400 manufacturers that employ more than 240,000 skilled workers and produce \$80 billion in goods a year.

Market Activity

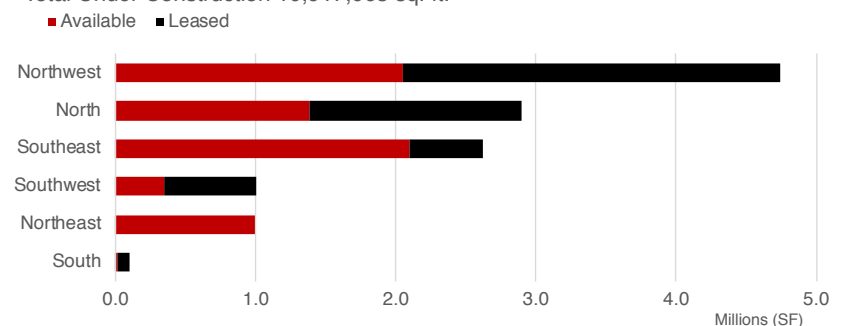
	Year-to-Date 2018		
	September		August
Vacancy	5.7%	■	5.7%
Availability	8.9%	■	8.9%
Net Absorption (SF)	5,337,390	▲	4,106,004
Leasing Activity (SF)	15,964,787	▲	14,000,158
Deliveries (SF)	8,881,500	▲	7,590,270
Under Construction (SF)	10,917,063	▼	10,948,400
NNN Avg Asking Rent (MO/PSF)	\$0.60	■	\$0.60

Supply & Demand



Construction Activity by Submarket

Total Under Construction 10,917,063 sq. ft.



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HOUSTON INDUSTRIAL Monthly Market Snapshot

AUGUST 2018

Market Highlights

Vacancy rises as new supply hits market, but rental rates increase by 3.0%.

Midway through the third quarter, the vacancy rate increased 40 basis points to 5.7%, compared to this time last month at 5.3%. Of the 7.6 million sq. ft. delivered to the market year-to-date, 1.8 million sq. ft. or one quarter of that total was delivered between July and August vacant. Of the 83 properties with 10.9 million sq. ft. currently under construction, 43.1% of that space has been spoken for. Year-to-date net absorption totals 4.1 million sq. ft., while there have been over 1,000 deals representing 14.0 million sq. ft. of leasing activity.

Distribution center breaks ground to support accelerating growth.

There have been 8.0 million sq. ft. of construction starts in the last 12 months in the Greater Houston area. Retailer Conn's is the most recent company to expand its industrial space in the Houston area. Conn's HomePlus completed a deal for a new 656,658-sq.-ft. distribution center near George Bush Intercontinental Airport in the North submarket. In addition, Best Buy finalized development on a 550,000-sq.-ft. distribution center in Missouri City, while Houston-based Pontikes Development is building a three million-sq.-ft. industrial park in Baytown.

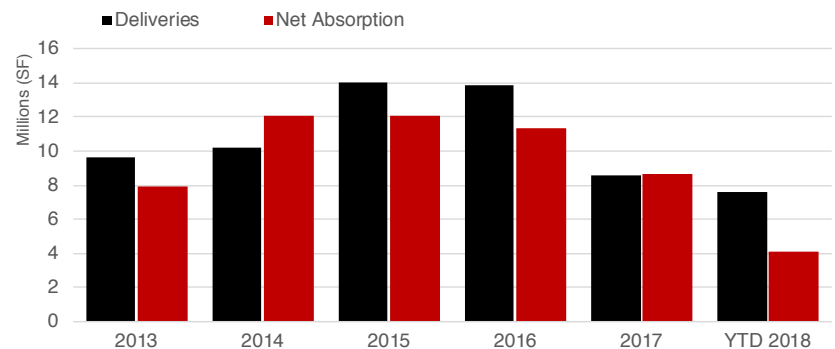
Strong growth in the Houston labor force.

Year-over-year job growth in Houston was 2.9% in June (88,500). The biggest gains the past three months were in professional and business services (11,500), followed by construction (6,800) and manufacturing (4,000). The unemployment rate in Houston was 4.4% in June—down from the December 2017 rate of 4.6%.

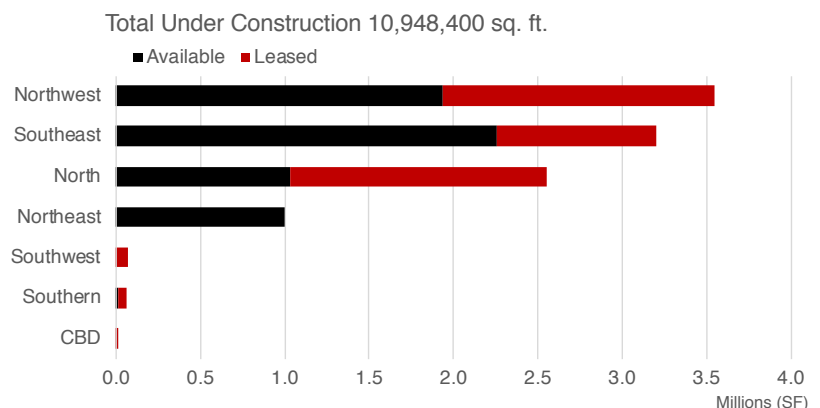
Market Activity

	Year-to-Date 2018	
	August	July
Vacancy	5.7% ▲	5.3%
Availability	8.9% ▲	8.7%
Net Absorption (SF)	4,106,004 ▲	3,409,836
Leasing Activity (SF)	14,000,158 ▲	11,551,634
Deliveries (SF)	7,590,270 ▲	4,800,882
Under Construction (SF)	10,948,400 ▼	12,412,732
NNN Avg Asking Rent (PSF)	\$7.20 ▲	\$6.99

Supply & Demand



Construction Activity by Submarket



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HOUSTON INDUSTRIAL Monthly Market Snapshot

MARCH 2018

Market Highlights

Supply balancing out demand. Nearing the end of the first quarter, the vacancy rate dropped 20 basis points to 5.4%, compared to this time last month at 5.6%. Occupancy of the 2.1 million sq. ft. delivered to the market year-to-date stands at 81%, and of the 7.0 million sq. ft. currently under construction, 64% is available for lease. Year-to-date net absorption totals 1.1 million sq. ft., in addition to 350 deals representing 3.7 million sq. ft. of leasing activity.

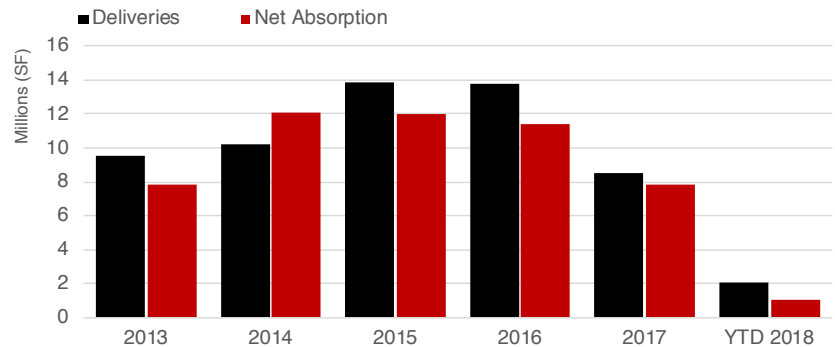
Former Randalls facility sold. Real Capital Analytics reports industrial sales volume in the Houston area at \$104.8 million year-to-date. So far this year, the buyer composition is made up of 87% private investment capital. A recent top transaction is the acquisition by Crow Holdings Industrial of the former Randalls warehouse and distribution center, made up of 398,000 sq. ft. of grocery/dry space, 119,500 sq. ft. of refrigerated space, and 113,200 sq. ft. of freezer space, totaling 700,644 sq. ft. Randalls' parent, grocery giant Albertsons, put the 70.24-acre property at 10700 Telge Road on the market in 2017.

Job growth stronger than estimated. The revised Bureau of Labor Statistics Houston employment in 2017 estimate shows that job growth increased 1.9% year-over-year from December 2016, or about 57,800 jobs. This is in comparison to the previous early estimate of 1.4% reported at the end of January. The biggest job gains were in professional and business services (23,000) and trade, transportation and utilities (11,300), followed by construction (8,000), which surged at the end of the year due to post-Hurricane Harvey rebuilding.

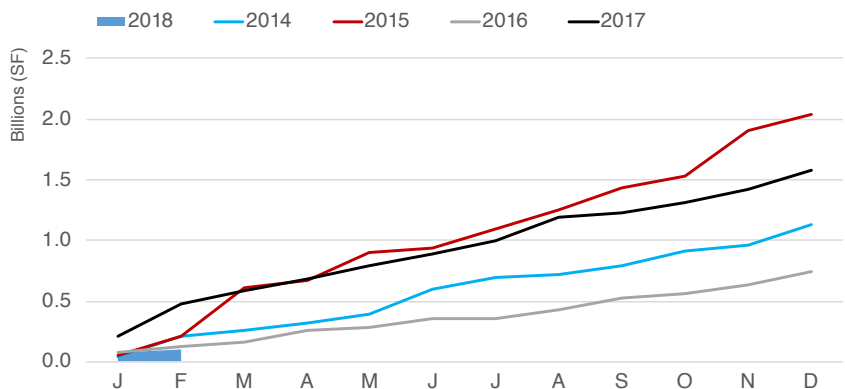
Market Activity

	YTD 2018
Vacancy	5.4%
Availability	8.8%
Net Absorption (SF)	1,074,959
Leasing Activity (SF)	3,739,740
Deliveries (SF)	2,101,533
Under Construction (SF)	6,968,524
Avg Asking NNN Rent (PSF)	\$6.65

Supply & Demand



Cumulative Monthly Sales Volume



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HOUSTON INDUSTRIAL Monthly Market Snapshot

FEBRUARY 2018

Market Highlights

Market activity. The vacancy rate stood at 5.6% midway through the first quarter, with deliveries at 1.3 million sq. ft. There is 7.0 million sq. ft. currently under construction, with about 30% of that space occupied. Year-to-date net absorption totals 110,089 sq. ft., while leasing activity has tallied a healthy 3.1 million sq. ft.

Sales Activity. Real Capital Analytics reports industrial sales volume in the Houston area at \$79.6 million as of the end of January, resulting in a year-over-year change of -62.0%. So far this year, the buyer composition is made up of 87% private investment capital. A recent top transaction is the acquisition by Sealy & Co. of Sam Houston Business Park, a four-building 262,631-sq.-ft. industrial park at 8844 N. Sam Houston Parkway W., from Levey Group.

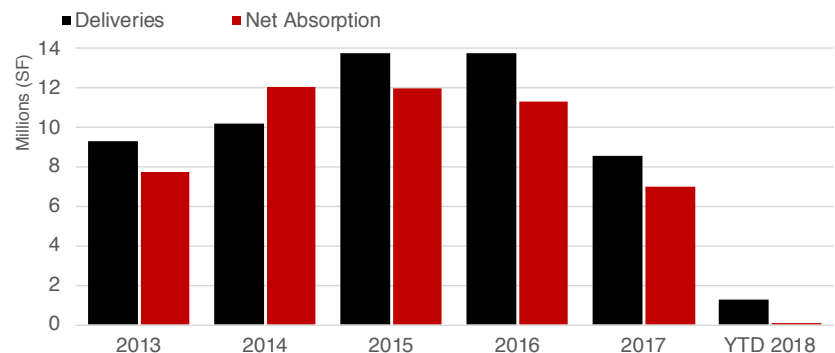
New distribution space in Humble. Park Air 59 will contain up to 700,000 sq. ft. of Class A distribution space on 38 acres with cross-dock configuration and plenty of trailer storage. The industrial park is located at the northeast corner of Will Clayton Pkwy. and US 59, built in response to the continued demand for big-box distribution centers. The Northeast submarket currently has a vacancy rate of 3.1% for Warehouse/Distribution space.

Houston Purchasing Managers Index. The PMI registered 54.8 in January, up from 54.5 in December. Readings above 50 signal economic expansion over the next three to four months, and below 50 signal contraction. The region's PMI slipped below 50 in the three months immediately following Hurricane Harvey but climbed above 50 in November. January's 54.8 reading is the highest since October 2014, when the PMI registered 58.5.

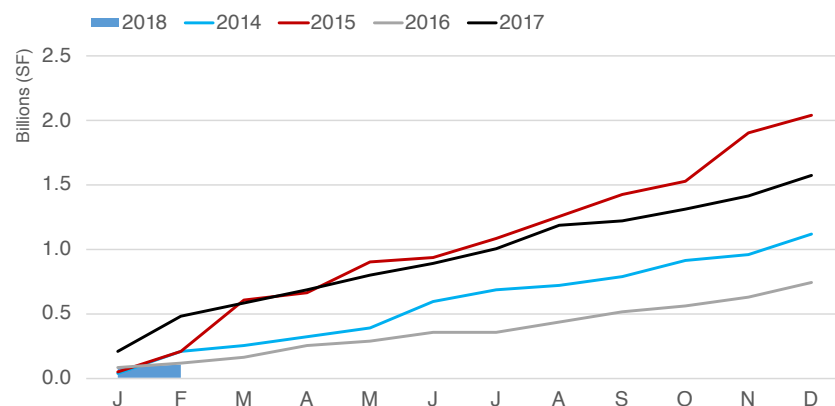
Market Activity

	YTD 2017
Vacancy	5.6%
Availability	9.0%
Net Absorption (SF)	110,089
Leasing Activity (SF)	3,108,808
Deliveries (SF)	1,318,061
Under Construction (SF)	6,996,480
Avg Asking NNN Rent (PSF)	\$6.73

Supply & Demand



Cumulative Monthly Sales Volume



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HOUSTON INDUSTRIAL Monthly Market Snapshot

NOVEMBER 2017

Market Highlights

Market and sales activity. The vacancy rate stood at 5.5% midway into the fourth quarter, with year-to-date net absorption at 6.4 million sq. ft. and deliveries at 8.4 million sq. ft. The amount of space under construction during 2017 has remained steady, currently standing at 5.2 million sq. ft., with about half of that space available for lease.

Real Capital Analytics data reports year-to-date industrial sales volume in the Houston area at \$984 million, resulting in a year-over-year change of 127%. The buyer composition is made up of 36% private, 38% institutional, 12% public listed/REITs, and 10% cross-border.

One of the country's largest freight companies to build facility in Conroe. FedEx plans to spend \$18.1 million to build a 78,000-sq.-ft. distribution center on a 45-acre site at Conroe Park North Industrial Park in the North submarket. The new facility will create 96 new full-time and 35 new part-time jobs. Construction on the project is expected to be complete by December 2018.

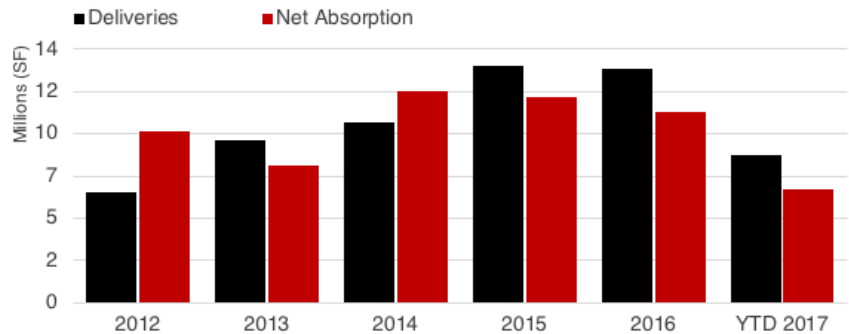
Processing facility to nearly double its size. Goya Foods, one of the largest Hispanic-owned food companies in the U.S., is planning an expansion to its processing facility in Brookshire, just north of Interstate 10 and west of Katy. The company will add 324,000 sq. ft. of production/distribution warehouse space to the existing 380,000-sq.-ft. facility at 30602 Goya Road. Goya expects the project to complete in 2018 with 29 new dock doors.

Current Employment Statistics. The Houston-The Woodlands-Sugar Land metro area created 43,200 jobs in October, according to the Texas Workforce Commission. That's the largest single-month job gain on record. This followed three consecutive monthly losses totaling 35,200 jobs. The record-setting growth reflects the aftereffects of Hurricane Harvey plus an expected post-summer improvement, not a surge in economic activity.

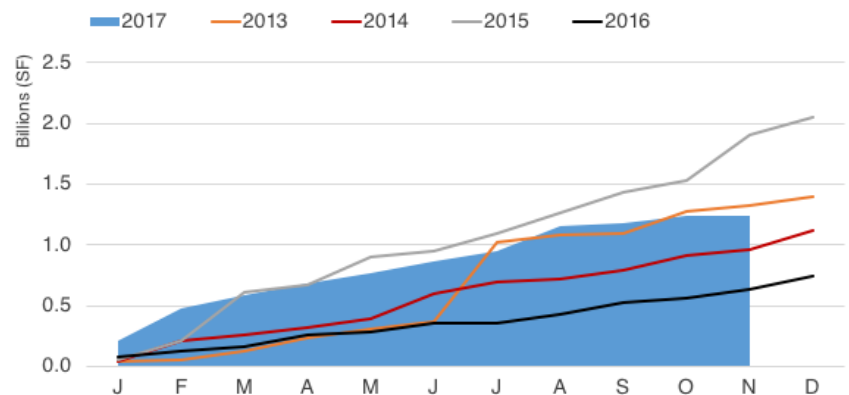
Market Activity

	YTD 2017
Vacancy	5.5%
Availability	9.1%
Net Absorption (SF)	6,430,528
Leasing Activity (SF)	20,147,654
Deliveries (SF)	8,382,958
Under Construction (SF)	5,242,389
Avg Asking NNN Rent (PSF)	\$6.78

Supply & Demand



Cumulative Monthly Sales Volume



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AUGUST 2017

Market Highlights

Advantageous position for growth potential. New supply delivered during 2017 stands at 5.5 million sq. ft., with overall net absorption at 2.1 million sq. ft., pushing vacancy up to 5.8% year-to-date. Although it has been tight, supply has outpaced demand since Q3 2014, when the oil downturn became evident in the Houston area. Since that time, construction activity has been gradually decreasing, assisting in balancing the scales. The current amount of space under construction is close to 4.8 million sq. ft., with 65% preleased, further supporting stabilization and the opportunity for growth.

Rally for Houston job growth. The Houston area economy added 56,100 new jobs over the 12-month period ending June 30, one of the strongest reports since job growth began to dwindle in 2015, according to the Texas Workforce Commission. Houston now has a new record high of 3,058,900 individuals employed.

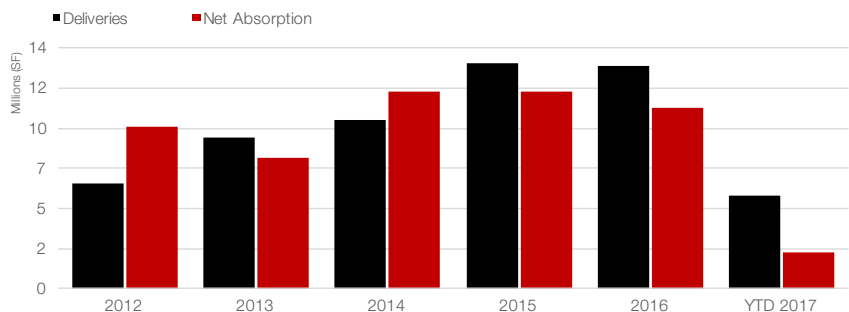
Port Houston container volume on the rise. The Port Commission's second quarter report stated that it handled almost 20 million tons of cargo this year, an increase of 13% from the same period last year. In addition, container volumes increased by 14% year-over-year, and more than 1.7 million tons of steel crossed Port Houston wharves, reflecting a year-to-date increase of nearly 50%.

Amazon opens first Houston-area fulfillment center. The 855,000-sq.-ft. facility opened in July and includes a warehouse and distribution space on 71 acres at the 971-acre Pinto Business Park site, located at I-45 and Beltway 8. The center opened with 800 employees, but it will hire 2,500 full-time workers when fully staffed. A second Houston-area fulfillment center is currently under construction in Katy.

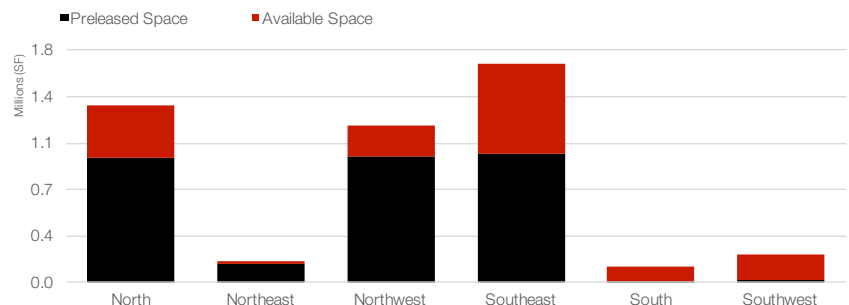
Market Activity

	YTD 2017
Vacancy Direct	5.5%
Vacancy w/Sublease	5.8%
Available Direct	8.7%
Available w/Sublease	9.4%
Net Absorption (SF)	2,147,878
Leasing Activity (SF)	12,405,492
Deliveries (SF)	5,555,453
Under Construction (SF)	4,787,551
Avg Asking NNN Rent (PSF)	\$6.80

Supply & Demand



Under Construction



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HOUSTON INDUSTRIAL Monthly Market Snapshot

JUNE 2017

Market Highlights

There is 4.3 million sq. ft. in the Houston industrial construction pipeline, with about 29% available for lease.

A 500,000-sq.-ft. build-to-suit distribution facility is being developed in Baytown, to be occupied by Vinmar International, a petrochemical marketer and distributor.

Port Houston continues to thrive, handling nearly 13 million tons of cargo for the year, an increase of 9% over last year. Total container volumes have also grown, by 12%, as reported by the Port Commission.

Land is being cleared for one of the Houston area's biggest warehouses and job-growth projects so far in 2017—the 1 million-sq.-ft. Amazon distribution center in Katy.

Leasing activity is at 7.6 million sq. ft. year-to-date, taking place across 560 deals in the Houston metro.

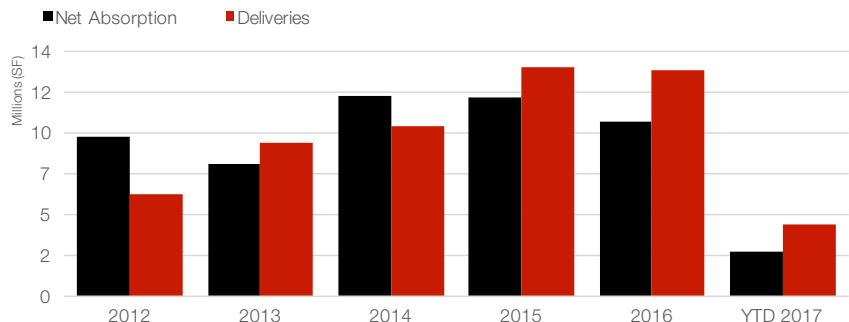
Kuraray America, Inc. recently signed a lease at Bayport Logistics Park, a 185-acre industrial complex in Pasadena. The long-term lease is for 465,851 sq. ft. and will occupy two buildings across 30.5 acres, both of which will be build-to-suit.

Net absorption for the overall industrial market is at 2.7 million sq. ft. year-to-date. For full-year 2016, total net absorption was 10.3 million sq. ft. Direct space absorbed 11.3 million sq. ft., more than enough to balance the negative 1 million sq. ft. from sublease space.

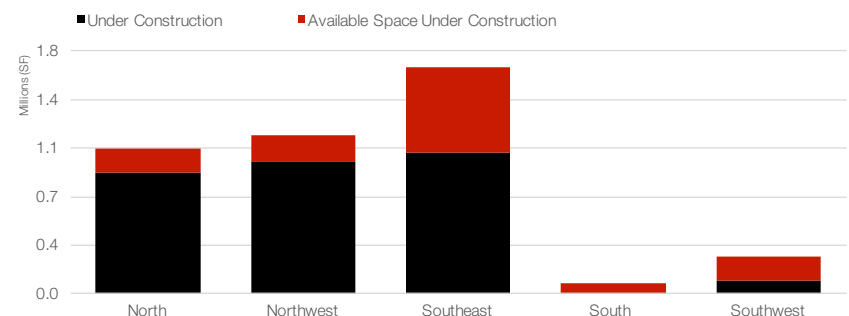
Market Activity

	YTD June 1, 2017
Vacancy Direct	5.3%
Vacancy w/Sublease	5.5%
Available Direct	8.7%
Available w/Sublease	9.5%
Net Absorption (SF)	2,687,318
Leasing Activity (SF)	7,641,519
Deliveries (SF)	4,234,278
Under Construction (SF)	4,295,984
Avg Asking NNN Rent (PSF)	\$6.86

Supply & Demand



Under Construction



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HOUSTON INDUSTRIAL Monthly Market Snapshot

MARCH 2017

Market Highlights

Vacancy overall has been at or below the current rate of 5.6% for 21 consecutive quarters.

53 projects representing 4.7 million sq. ft. of construction underway.

1.6 million sq. ft. in 8 buildings came online quarter-to-date 2017.

Key Economic Indicators

The Houston Purchasing Managers Index, a short-term leading indicator for regional production, scored 54.2 in January, up from 50.7 in December, indicating economic expansion in metro Houston for the fourth straight month, according to the Institute for Supply Management-Houston.

Houston-area auto dealers sold 20,889 vehicles in January, a small increase from 20,825 vehicles in January 2016, according to TexAuto Facts. The average retail sales price per vehicle in Houston was \$36,719, up 1.0% from \$36,357 from the same period last year.

Market Activity

	QTD Feb-17	Prior Quarter Q4 2016	Year Ago Quarter Q1 2016
Net Absorption	1,446,612	2,307,836	245,535
Vacancy Rate	5.6%	5.6%	5.4%
NNN Avg Asking Rent	\$7.06	\$7.07	\$6.97
Deliveries	1,621,728	3,322,514	2,156,379
Under Construction	4,778,563	5,889,724	14,357,536

Select Lease Transactions

Tenant	SF	Lease Type	Property Name/ Address	Submarket
Hawthorne Customs & Dispatch	96,793	New/Sublease	1401 S 16th St.	Southeast
Penske	43,560	New/Direct	8360 Lyons Ave.	Southeast
MCA Communications	34,650	New/Direct	467-487 W 38th St.	Northwest

Supply & Demand

