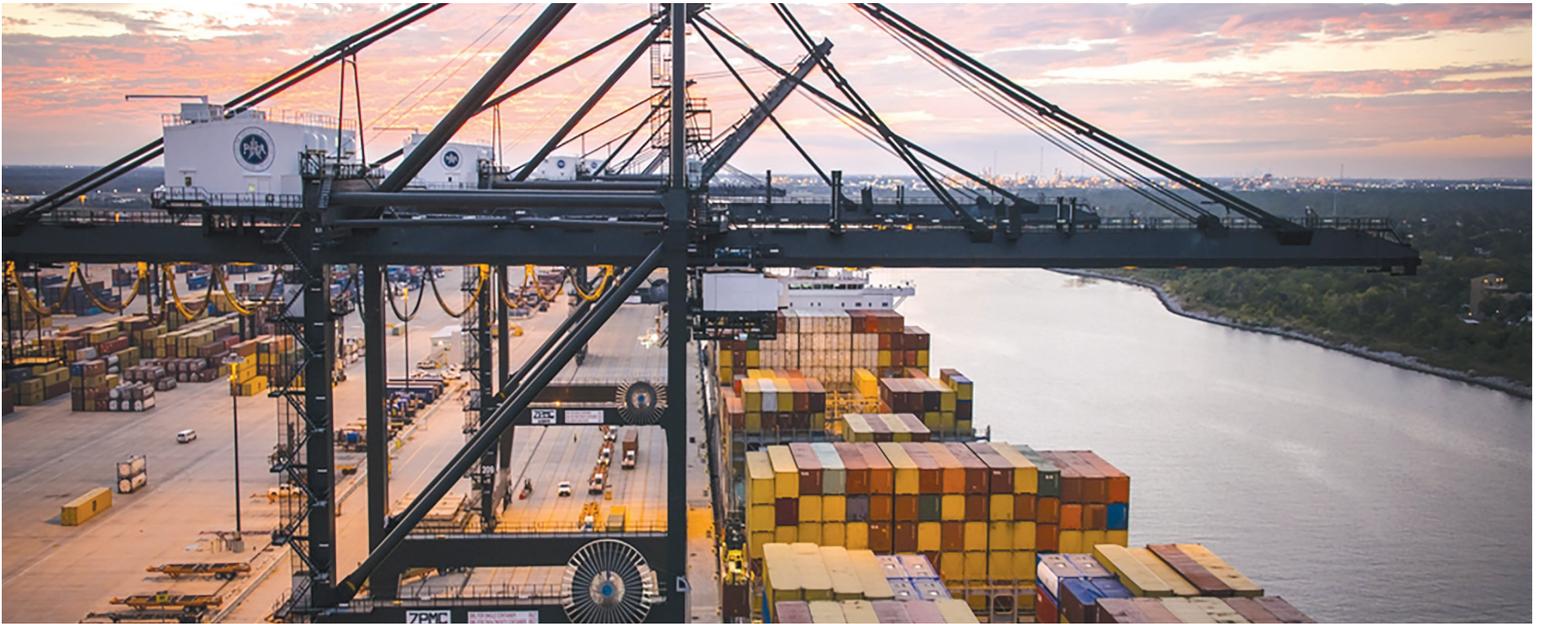


HOUSTON INDUSTRIAL | SOUTHEAST Submarket Spotlight

JUNE 2017



The Southeast submarket contains close to 90 million sq. ft. of inventory. Among major property types, Warehouse/Distribution represents 71 million sq. ft., Manufacturing totals 16 million sq. ft., and Flex space make up 2 million sq. ft. The submarket provides access to Interstate 45 with north-south routes connecting the cities of Dallas and Houston, continuing southeast from Houston to Galveston over the Galveston Causeway to the Gulf of Mexico. William P. Hobby Airport is to the west, extending around Galveston Bay and the Houston Ship Channel, giving easy access to Port Houston. Large communities in the Southeast Houston submarket include Baytown, Deer Park, La Porte, and Pasadena.

While Houston's office market has been slow to recover from the oil downturn, the industrial and retail markets are managing much better. Port-and-rail-oriented developments in the Southeast submarket are a good indicator of Houston's diversified economy. A testament to those developments is the recent 500,000-sq.-ft. rail-served distribution facility for Vinmar International, a Houston-based petrochemical marketing and distribution company. The acquisition of 40 acres in the TGS Cedar Port Industrial Park near Baytown was prompted in part by the expanded Panama Canal. The expansion was completed in June 2016 allowing for larger ships and more cargo containers to pass through the canal. Many additional industrial and distribution projects have been completed at Cedar Port, including IKEA's 1.0 million sq. ft. distribution facility. To meet the current market demand for rail-served sites, Phase III at Cedar Port Industrial Park is delivering a 3,000-acre tract to provide for bulk distribution and manufacturing. There has been over

Houston Industrial Southeast Submarket



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4.1 million sq. ft. of industrial buildings completed in Houston in 2017—3.1 million sq. ft., or 75% of that total, is warehouse/distribution space that is 50% pre-leased, in the Southeast submarket. Also, there are approximately 295 industrial rail-served properties in the Houston metro with the largest concentration in the Southeast submarket tallying 68 properties representing almost 13 million sq. ft., or 23% of the total.

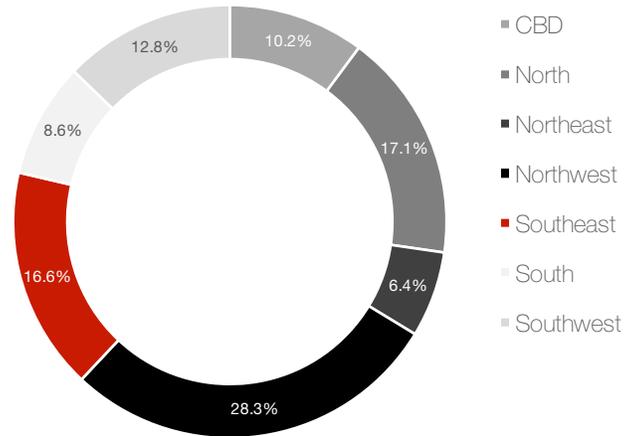
Leasing activity in the Southeast submarket adds up to 69 deals totaling almost 1.3 million sq. ft. during 2017. Companies such as Gulf Winds, Flexitallic, Hawthorne Customs & Dispatch, and Wrist USA Houston selected these locations due to the proximity to Port Houston and the neighboring petrochemical growth, offering strategic benefits for the submarket and its users. Recently announced, Kuraray America, Inc. is the first tenant to sign 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.

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. Houston has led the U.S. in exports four years in a row, according to the ITA. Metro exports totaled \$97.1 billion in 2015, the latest year for which data is available.

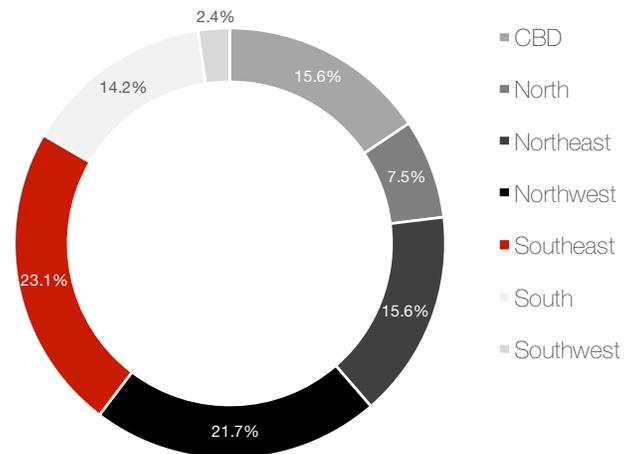
Current economic difficulties in Houston result almost entirely from the downfall of oil prices and record-low levels of drilling activity. Although during the two-year-plus downturn, the petrochemical industry has been experiencing a boom. The Gulf Coast petrochemical business has seen many companies building new or expanding facilities in the last few years. Earlier this year, the BASF plant in Beaumont revealed its \$270 million expansion and Brazilian chemical company Braskem opened its new UTEC plant in La Porte. There have been more than \$50 billion in chemical plant construction in the Houston metro since 2013. As Houston began to lose jobs in the energy industry, construction jobs were gained in the petrochemical plants, counterbalancing job growth. The petrochemical boom began over the past decade, as natural gas prices dropped, affording Houston the opportunity to utilize the area's knowledge base, historical infrastructure and accessibility to the Houston Ship Channel.

Houston's economy has shown resistance amid the oil market slump, and there are reassuring indicators that the energy sector is steadying. The nation's active rig count is up to 908, from a record low of 404 this time last year, marking the rig count's 19th consecutive weekly increase. As oil prices are hovering around \$50 a barrel, most market experts are using past knowledge and available facts to try and predict whether \$50 oil is here to stay.

Houston Industrial Inventory



Houston Industrial Rail-Served Properties



Houston Industrial Deliveries

