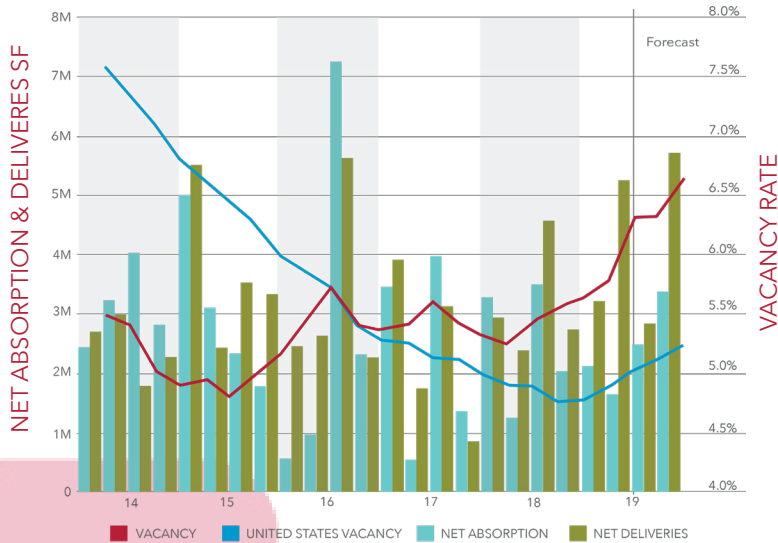


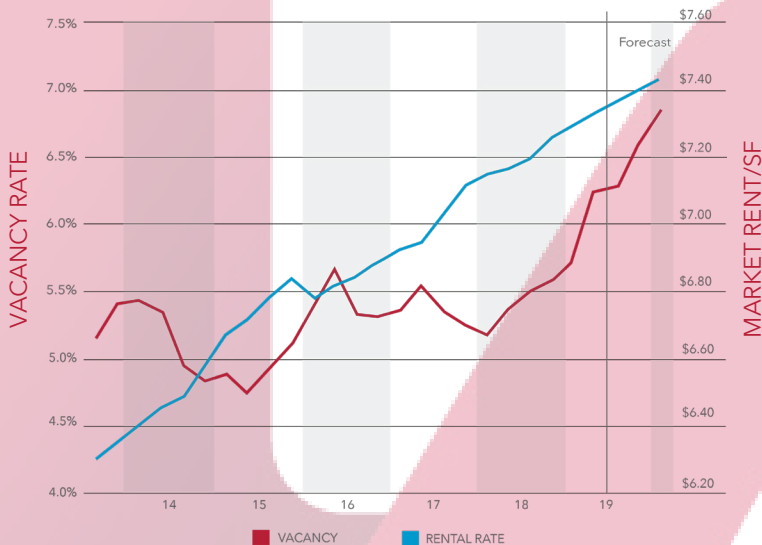
## MARKET INDICATORS

	CURRENT Q2 2019	Q1 2019	Q1 2018
Vacancy Rate (%)	6.3 <span style="color: red;">↑</span>	5.8	5.2
Net Absorption (SF)	1,652,485 <span style="color: red;">↓</span>	2,000,490	3,287,624
Rental Rate (\$)	7.40 <span style="color: red;">↓</span>	7.44	7.19

## NET ABSORPTION, DELIVERIES & VACANCY



## VACANCY VS. RENTAL RATE



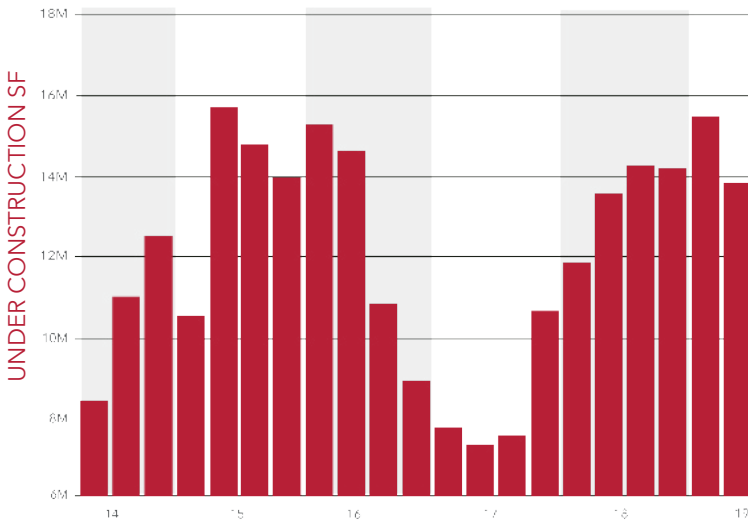
## ECONOMY

Houston's economy has grown over the last decade on many fronts, including foreign trade and direct investment. However, the city has transitioned from being reliant on energy-related demand to being well diversified with major growth in medical, tech, education, and more recently serving as a true regional distribution center for a growing state-wide market (Costar). Over the course of the last decade, Houston-area exports have grown over 50%, from \$80 billion in 2008 to \$120.7 billion in 2018, with big investments in chemicals and plastics being a major contributor. During this time, Houston has been the only metro area to advance exports at this rate (GHP). Due to its global relationships, in the last decade Houston has seen 659 foreign-owned companies announce new operations and existing expansions within the Houston area (GHP). Overall, the Houston economy continues to grow, adding 86,200 jobs in the previous 12 months ending April 2019 (GHP), and the outlook continues to look strong for the Bayou City.

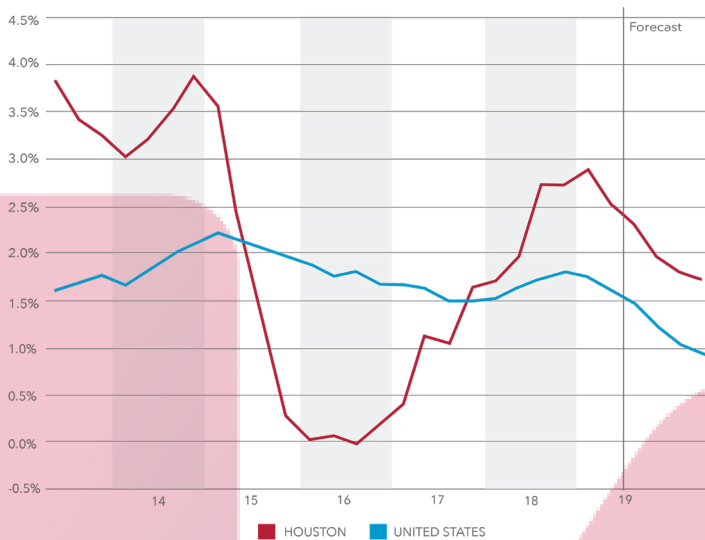
## TRENDING NOW WRITTEN BY ROBERT MCGEE

Construction of distribution product in the Houston MSA continues to grow. From 3Q 2018 to 1Q 2020 a little over 24 million SF has been, or will be, delivered in the Houston market. Of the 24 million SF, a little over 5.5 million SF is leased. However, requirements for bulk space continue to grow in both the number and size of requirements. The Houston market, which previously hasn't seen many 500K SF plus requirements, continues to morph into a major distribution market. Last year's deals such as Conn's, Grocer Supply, Best Buy, Amazon, and Southern Glazer's Wine and Spirits are continually being matched in 2019 by Home Depot, 5 Below, Medline, Floor and Décor, and Lowe's to name a few. E-Commerce, retail, and food and beverage distribution spur the activity. This is likely attributable to a growing population, not just Houston, but also in San Antonio, and Austin, to the west, and neighboring states like Louisiana and Arkansas. Secondly, the Port of Houston Authority is very active in attracting importers to the region. As a result, imports at Barbour's Cut and Bayport Container Terminals have increased to about 1.4 million TEU's during 2018. Additionally, attributable are retailers adding a second or even third Port of entry location to their distribution channels. Strikes in previous years on the west coast have been very costly for retailers, so securing another port of entry can save a tremendous amount of time and money for these groups having a second or third option through which to ship their product. Manufacturing in Houston continues at a steady pace. Demand for crane served buildings has been slower than the boom years, with the obvious culprit being the price of crude. However, many midstream and downstream related manufacturers continue to absorb space. In fact, manufacturing jobs led the way over the previous 12 months ending April 19', with 14,900 jobs in this sector added (GHP).

## UNDER CONSTRUCTION



## YEAR TO YEAR JOB GROWTH



## WTI PRICE

The WTI Crude Oil (Nymex) is at a price of 57.80 as of July 9, 2019 finishing in a +0.14 change and a +0.24% Change from last year. It fell -2.00 from last quarters price at \$59.49 (Bloomberg).

## RIG COUNT

As of July 3, 2019, drilling rigs working in the U.S. is at 963 during the last week of June 2019. This is down 89 rigs from last year with a -4 change from the prior count (Baker Hughes).

## RENTAL RATES

According to CoStar, the average quoted asking rental rate for available Industrial space is at \$7.40, down a few points from the \$7.44 rate at the end of the first quarter 2019. Although, a year ago rental rates were \$7.19, showing an increase of \$0.21. Different submarkets are experiencing a variance in rent and this could be tied directly to both submarket vacancy and land values.

## VACANCY

The overall industrial vacancy rate in the Houston market area increased to 6.3% at the end of the second quarter 2019, from 5.8% at the end of the first quarter 2019. The vacancy rate was 5.6% at the end of the fourth quarter 2018, 5.6% at the end of the third quarter 2018, and 5.4% at the end of the second quarter 2018. This rate is generally low and is below the 20-year historical average, but aligned with similar markets. However, as of this quarter, the vacancy rate has crept above the U.S average due to new supply growing faster than demand. Flex projects reported a vacancy rate of 10.2% at the end of the second quarter 2019 with a +0.5 increase from last quarter at 9.7%. This was an increase from last quarters rate of 9.2%. There was a dip at the end of the third quarter 2018 when the rate was at 8.9%. Warehouse projects have a vacancy rate of 5.8% with an increase of 0.3% from 5.5% at the end of the first quarter 2019, 5.3% at the end of fourth quarter 2018, 5.3% at the end of the third quarter 2018, and 5.1% at the end of the second quarter 2018.

## ABSORPTION

Net absorption for the overall Houston industrial market ranked top 10 among U.S metros. To date, Houston's net absorption for Q2 is at 1,652,485 from last quarter's 2,000,490 square feet. The fourth quarter 2018 documents are at 2,416,742 square feet and, 972,855 square feet in the third quarter of 2018.

The flex building market recorded net absorption of 12,375 as of second quarter 2019, from a negative 120,275 square feet in the first quarter 2019, compared to negative 136,144 square feet in fourth quarter 2018. Third quarter 2018 was positive 198,2015 while second quarter 2018 was negative 129,603 square feet.

The warehouse building market recorded net absorption of 1,214,954 for this quarter, down from 2,120,765 square feet in the first quarter 2019, and compared to positive 2,552,886 square feet in the fourth quarter 2018, positive 2,774,650 in the third quarter 2018, and positive 1,087,312 in the second quarter 2018.

SUBMARKET	EXISTING INVENTORY		VACANCY			YTD NET ABSORPTION	YTD DELIVERIES	UNDER CONST SF	QUOTED RATES
	# BLDGS	TOTAL RBA	DIRECT SF	TOTAL SF	VAC %				
Austin County Ind	34	1,669,727	1,454	1,454	0.1%	587,920	0	0	\$1.89
CBD-NW Inner Loop In.	522	12,697,369	621,127	626,031	4.9%	(61,973)	0	0	\$11.72
Downtown Houston Ind	904	32,399,229	1,153,128	1,172,528	3.6%	402,337	0	0	\$6.68
East I-10 Outer Loop.	217	14,054,321	494,287	494,287	3.5%	(108,500)	0	0	\$7.77
East-Southeast Far I.	2,219	76,967,810	5,212,884	5,389,147	7.0%	2,732,340	2,891,234	2,702,472	\$6.90
Hwy 290/Tomball Pky .	668	25,218,953	2,459,225	2,632,954	10.4%	(408,252)	786,323	185,588	\$8.17
Hwy 59/Hwy 90 (Alt) .	1,047	26,193,465	889,134	898,134	3.4%	405,945	60,000	1,113,822	\$7.59
Liberty County Ind	67	1,410,732	92,299	92,299	6.5%	(12,550)	0	0	\$6.76
North Fwy/Tomball Pk.	952	28,449,442	2,429,234	2,650,052	9.3%	369,223	273,670	3,110,782	\$7.74
North Hardy Toll Roa.	856	38,248,542	1,981,989	2,094,740	5.5%	1,493,682	1,689,299	1,700,556	\$7.56
North Inner Loop Ind	197	5,322,971	378,000	378,000	7.1%	62,079	0	0	\$4.38
North Outer Loop Ind	1,089	24,851,215	982,753	1,038,790	4.2%	191,043	0	373,900	\$6.36
Northeast Hwy 321 In.	112	1,846,578	40,086	40,086	2.2%	(17,800)	0	0	\$11.97
Northeast Hwy 90 Ind	648	20,651,906	906,880	943,280	4.6%	102,822	444,000	1,000,200	\$6.90
Northeast I-10 Ind	171	4,447,020	234,277	234,277	5.3%	(1,218)	0	10,800	\$5.56
Northeast Inner Loop.	191	12,229,065	814,621	842,121	6.9%	(220,785)	0	0	\$4.48
Northwest Hwy 6 Ind	428	13,015,851	1,125,857	1,125,857	8.6%	151,677	82,625	303,091	\$6.41
Northwest Inner Loop.	1,792	64,412,977	4,187,668	4,581,785	7.1%	(408,248)	114,000	22,166	\$7.01
Northwest Near Ind	827	20,129,856	1,089,841	1,089,841	5.4%	(274,750)	0	32,200	\$6.76
Northwest Outliers I.	634	27,613,669	2,410,057	2,429,100	8.8%	527,814	1,106,855	1,485,020	\$8.34
San Jacinto County I.	7	50,396	3,645	3,645	7.2%	(3,645)	0	0	\$0.00
South Hwy 35 Ind	1,784	40,159,854	1,762,473	1,923,849	4.8%	(622,844)	29,000	60,000	\$6.38
South Inner Loop Ind	408	13,394,049	733,899	738,486	5.5%	(118,254)	0	0	\$7.94
Southeast Outer Loop.	421	18,019,054	427,190	465,281	2.6%	(51,215)	0	176,201	\$8.85
Southwest Far Ind	611	15,523,558	1,651,655	1,660,190	10.7%	323,018	1,062,029	747,739	\$9.27
Southwest Inner Loop.	452	7,505,197	296,676	297,876	4.0%	(38,380)	0	0	\$12.92
Southwest Outer Loop.	698	15,019,871	1,015,679	1,036,541	6.9%	(64,883)	4,500	4,500	\$9.78
Sugar Land Ind	517	22,836,630	960,512	982,718	4.3%	(133,372)	167,474	298,629	\$7.85
The Woodlands/Conroe.	1,158	21,961,902	1,789,736	1,880,868	8.6%	159,560	115,873	356,811	\$9.32
West Outer Loop Ind	826	27,587,884	1,390,129	1,404,129	5.1%	(90,600)	78,172	89,500	\$7.85
Totals	20,457	633,889,093	37,536,395	39,148,346	6.2%	4,872,191	8,905,054	13,773,977	\$7.48