

## MARKET INDICATORS

	CURRENT Q4 2019		Q3 2019	Q3 2018
Vacancy Rate (%)	6.8	↑	6.5%	5.8
Net Absorption (SF)	(2,458,684)	↓	935,974	1,963,952
Rental Rate (\$)	7.23	↓	7.39	7.33

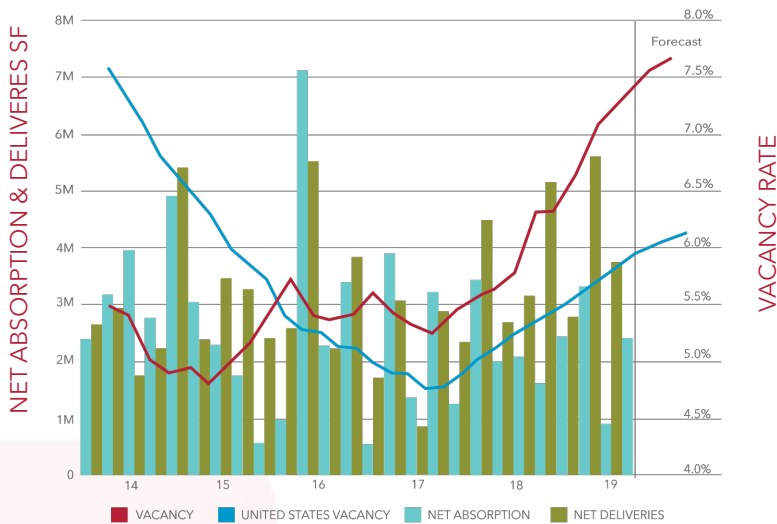
Source: CoStar

## ECONOMY

Houston's economy remains strong with positive outlook for 2020. With over 80,000 jobs created A forecast by the Greater Houston Partnership calls for the region to create over 42,000 jobs in 2020 led by the healthcare, government, food services, and construction industries. A recent report by Oxford Economics indicates that Houston is one of only a handful of U.S. cities expected to see economic growth over the next three years. The Houston metro GDP increased an average of 1.5% from 2015 to 2019 and is forecasted over the next to years to grow at a 1.9% average.

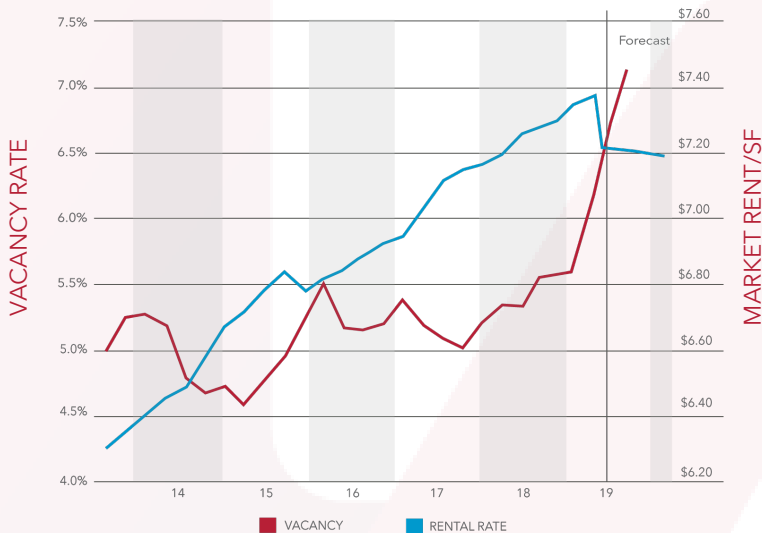
The growth is attributed to the regions reasonable cost of living and minimal government regulation allowing the area to absorb business from other areas around the country. (Oxford Economics). Although the oil & gas industry is still struggling, Houston continues to diversify it's economy with growth in the medical and construction industries. There are significant developments underway, including the ION, the Texas Medical Centers TMC3 project shall further increase Houston's diversity and future growth as more than just an oil and gas economy.

## NET ABSORPTION, DELIVERIES & VACANCY



\*Source: CoStar

## VACANCY VS. RENTAL RATE



\*Source: CoStar

## TRENDING NOW

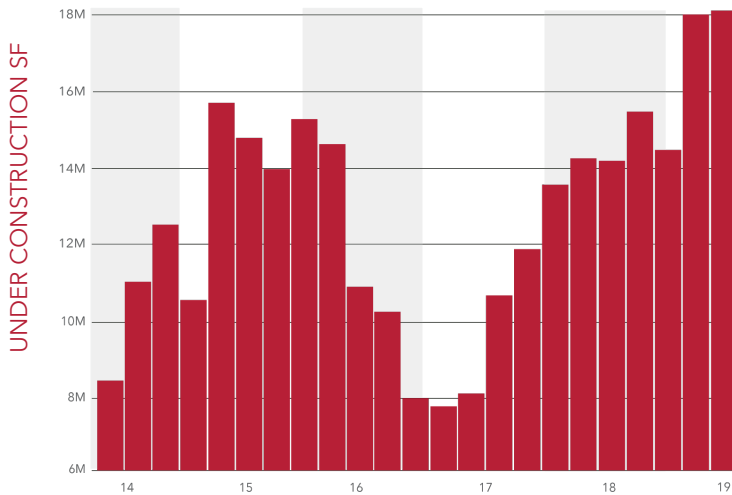
WRITTEN BY THOMAS LEGER

E-commerce continues to change industrial real estate across the nation and Houston is no exception. Distribution centers remain at the forefront of the Houston industrial real estate market. Institutional investment in the Houston area continues to grow with over 19 million SF of industrial property currently under construction, the majority of which being large distribution buildings. Overall, roughly 2 million SF of industrial property was absorbed during the fourth quarter 2019. As of this quarter, Houston ranked in the top 10 among U.S. metros in terms of trailing 12-month net absorption (CoStar).

Both individual and real estate investment firms from around the U.S and other countries continue moving capital into this market purchasing leased investment properties. Attractive interest rates, good returns, and a positive business climate are a driving factors behind this. A large portion of the investment deals that come through our office are traded off market and usually closed within a few weeks of a lease being signed or tenant build out being completed.

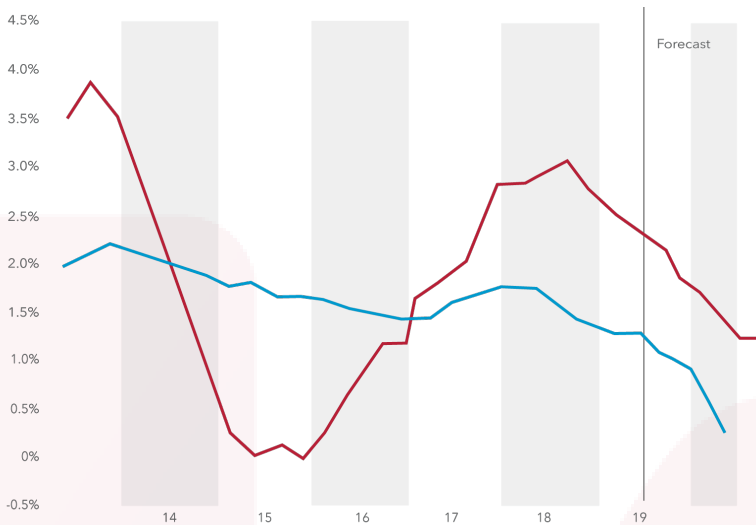
Election years are always hard to predict, it's not uncommon for business decisions to be delayed until they understand if and how the election results may impact the business climate. Only time will tell if all of the industrial space coming online in 2020 will get absorbed.

## UNDER CONSTRUCTION



\*Source: CoStar

## YEAR TO YEAR JOB GROWTH



\*Source: CoStar

## RENTAL RATES

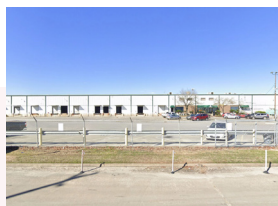
Houston is unique because of the oil and gas presence here so rental rates can differ by the type of industrial property you are looking at. The many variables in industrial causes a skew in rates. Looking at distribution versus manufacturing, the bulk-distribution rate is at \$6.27 for this quarter which increased from \$5.08 last quarter. Manufacturing building rates are at \$6.88 for this quarter, which dropped from \$7.20 from last quarter. According to CoStar, the average quoted asking rental rate for available Industrial space is at \$7.23, but this is not taking into account the many variables in industrial buildings, especially in the Houston market.

## VACANCY & ABSORPTION

The overall industrial vacancy rate in the Houston market area increased to 6.8% at the end of the fourth quarter 2019, from 6.5% at the end the third quarter 2019. The vacancy rate was 6.0% at the end of the second quarter 2019, and 5.6% at the end of the first quarter 2019 (CoStar). There is a need for industrial real estate due to e-commerce growth and port-related trades specific to our market.

Net absorption for the overall Houston industrial market ranked top 10 among U.S. metros. To date, Houston's net absorption is (2,458,684) which is down from last quarter's 2,547,2568 square feet. The fourth quarter 2018 documents are at 935,974 square feet (CoStar).

## TOP INDUSTRIAL LEASES



411 Brisbane Street  
Eugene B. Smith & Co., Inc.  
South Highway 35  
345,100 SF  
CBRE



28420 West Ten Boulevard  
Amazon.com Services  
Northwest Outliers  
238,000 SF  
Transwestern



300 S Sheldon Road  
Gerber Plumbing Fixtures  
East I-10 Outer Loop  
180,000 SF  
Stream

## WTI PRICE

The WTI Crude Oil spot price for a barrel is averaged at \$55.20 as of the last week in October 2019. This is down 18.1% from the same period last year (GHP). The average price is forecasted to increase to \$54.431 for 2020 (EIA).

## RIG COUNT

As of December 2019, drilling rigs working in the U.S. is at 822 during the last week of October 2019. This is down 245, or 22.9%, rigs from the same week in October last year (GHP).

## HOUSTON Q4 2019 INDUSTRIAL MARKET REPORT

SUBMARKET	EXISTING INVENTORY		VACANCY		YTD NET ABSORPTION	YTD DELIVERIES	UNDER CONST SF	QUOTED RATES
	# BLDS	TOTAL RBA	TOTAL SF	VAC %				
Austin County	40	2,154	29,954	1.4%	666,389	128	-	\$8.16
CBD-NW Inner Loop	520	12,690	875,382	6.9%	(383,176)	0	-	\$7.75
Downtown Houston	909	31,913	1,409,286	4.4%	(318,041)	0	-	\$5.39
East I-10 Outer Loop	229	13,946	576,162	4.1%	(184,355)	0	-	\$5.91
East-Southeast Far	2,278	79,684	6,952,512	8.7%	2,993,402	4,962	4,374	\$7.20
Hwy 290/Tomball Pky	678	26,020	2,561,872	9.8%	(150,116)	961	2,130	\$7.43
Hwy 59/Hwy 90 (Alt)	1,057	26,440	1,607,226	6.1%	145,582	421	892	\$7.60
Liberty County	69	1,422	101,940	7.2%	(38,989)	0	-	\$7.00
North Fwy/Tomball Pky	976	30,334	3,554,891	11.7%	310,130	1,437	2,453	\$7.64
North Hardy Toll Road	879	38,957	3,557,255	9.1%	1,477,308	3,138	790	\$7.26
North Inner Loop	200	5,517	157,497	2.9%	229,767	0	-	\$5.53
North Outer Loop	1,101	25,496	1,418,083	5.6%	153,907	394	524	\$6.75
Northeast Hwy 321	115	1,889	56,316	3.0%	(36,557)	0	-	\$9.44
Northeast Hwy 90	665	21,926	1,695,581	7.7%	435,709	1,498	1,646	\$7.01
Northeast I-10	172	4,470	245,194	5.5%	(941)	11	-	\$6.75
Northeast Inner Loop	193	12,329	493,096	4.0%	129,036	0	-	\$5.12
Northwest Hwy 6	460	13,541	1,405,173	10.4%	187,196	429	106	\$8.68
Northwest Inner Loop	1,798	63,820	4,560,364	7.1%	(507,877)	175	180	\$7.10
Northwest Near	835	20,069	981,429	4.9%	(71,153)	53	-	\$6.77
Northwest Outliers	685	29,390	1,832,093	6.2%	2,316,704	2,312	3,612	\$8.26
South Hwy 35	1,807	40,248	2,189,937	5.4%	(747,013)	118	272	\$6.67
South Inner Loop	410	13,229	698,099	5.3%	(102,536)	0	-	\$6.14
Southeast Outer Loop	428	17,828	1,030,871	5.8%	(97,244)	526	176	\$5.35
Southwest Far	635	16,461	1,881,697	11.4%	569,233	1,566	772	\$7.80
Southwest Inner Loop	448	7,315	255,052	3.5%	(773,276)	0	-	\$9.36
Southwest Outer Loop	699	14,884	1,075,714	7.2%	(240,240)	9	-	\$9.06
Sugar Land	526	23,097	893,558	3.9%	193,720	497	401	\$7.83
The Woodlands/Conroe	1,201	22,814	1,752,965	7.7%	334,747	263	1,228	\$9.24
West Outer Loop	843	28,043	1,260,782	4.5%	131,473	182	-	\$7.53
Totals	20,856	645,926	45,109,981	6.3%	6,622,789	19,080	1629	\$7.30

\*Source: CoStar