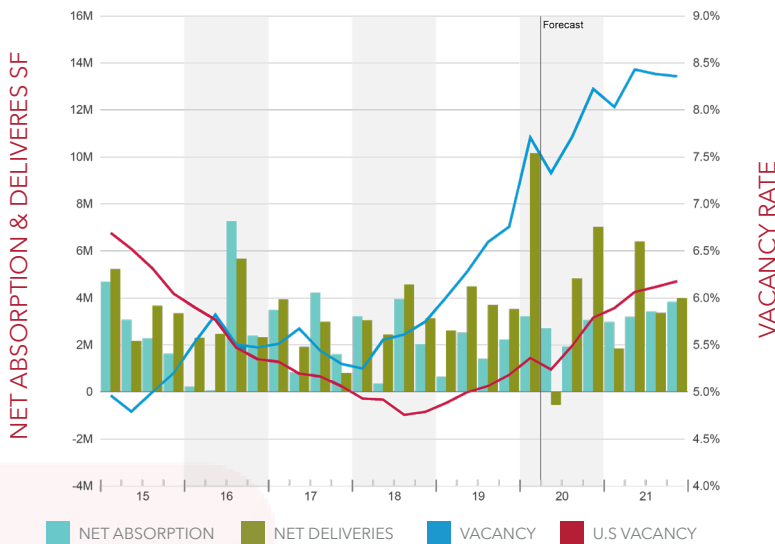


MARKET INDICATORS

	CURRENT Q1 2020	Q4 2019	Q1 2019
Vacancy Rate (%)	7.6 ↑	6.8	5.8
Net Absorption (SF)	(6,168,848) ↓	(2,458,684)	2,000,490
Quoted Rental Rate (\$)	7.41 ↑	7.23	7.44

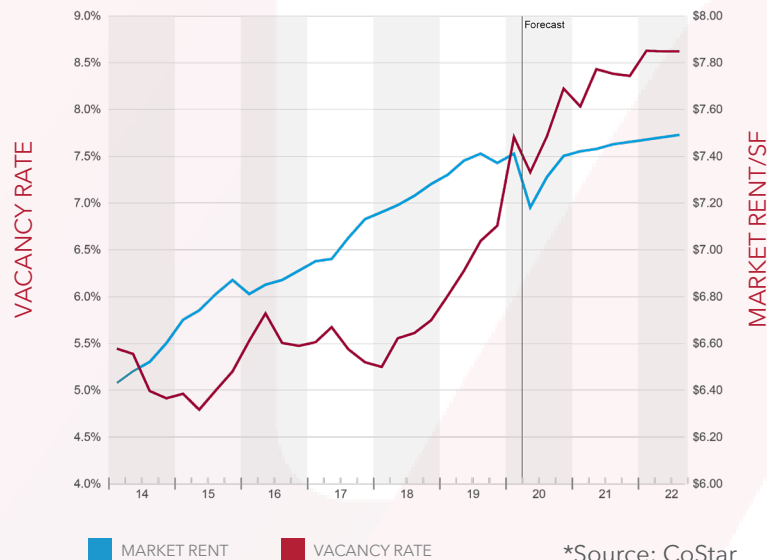
*Source: CoStar

NET ABSORPTION, DELIVERIES & VACANCY



*Source: CoStar

VACANCY VS. RENTAL RATE



*Source: CoStar

ECONOMY WRITTEN BY CHASE CRIBBS

Q1 2020 wrapped up with vacancy about 85bps higher than Q1 2019 up to 7.64%. Mainly due to the fact that we delivered 9.4M SF during the current quarter compared to 14.2M SF delivered for the entire year of 2019.

Absorption in Q1 2020 outpaced the same period last year by more than 2M SF from 6.8M in Q1 2019 up to 9.2M in Q1 2020 while rental rates remained fairly flat. We should see deliveries flattening out over Q2-Q3 2020 as new construction start and under construction project have begun to slow.

Under Construction SF dropped for the first time since the minor decrease in Q2 2019 compared to Q1 2019 (13.7M in Q2 2019 vs 14.2M in Q1 2019) although comparing Q1 2020 to Q1 2019 we saw more than 5M additional SF Under Construction, up to 19.2M in Q1 2020 from 14.2M in Q1 2019.

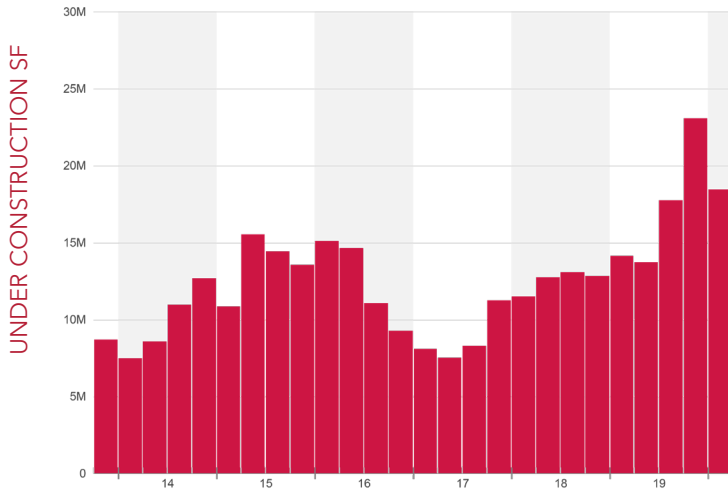
TRENDING NOW WRITTEN BY CHASE CRIBBS

WTI, which saw an inner-day low in late March below \$20 a barrel, and COVID19, which effectively shut down US commerce, will impact the US and Houston CRE Markets for the foreseeable future.

There has been an immediate positive impact for short term warehousing needs to accommodate e-commerce and PPE storage/distribution but there is likely to be a longer lasting effect on projects that were slated for 2020 and possibly further out.

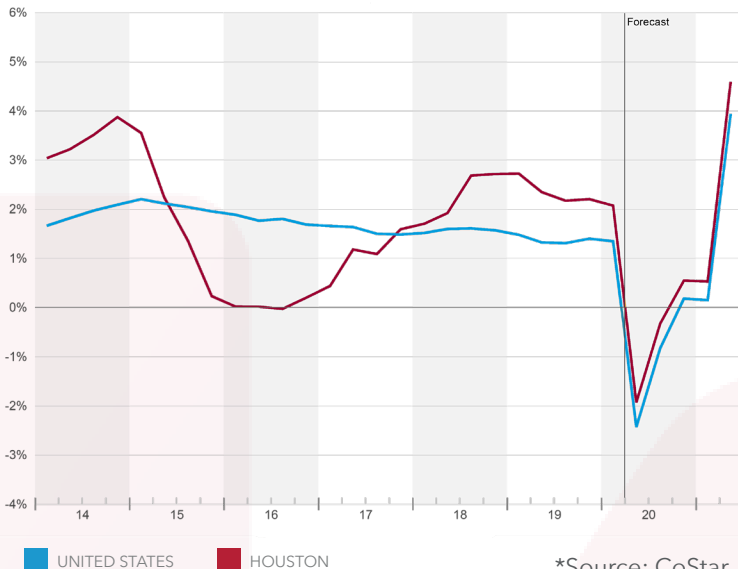
The volatility in the markets and lack of consumer confidence combined with tighter lending requirements will cause a divergence in expectations from buyers and sellers as well as Tenants and Landlords. While the impact of both WTI, and COVID19, were felt so quickly, the confidence lost in the last 60 days will take much longer to regain, although some are predicting we will see a rebound in late 2020.

UNDER CONSTRUCTION



*Source: CoStar

YEAR TO YEAR JOB GROWTH



*Source: CoStar

WTI PRICE

The WTI Crude Oil spot price for a barrel is averaged at \$19-22 as of mid March. The average price was forecasted to increase to \$54.31 for 2020 but is now predicted to be \$38.19 because of economic turns due to COVID-19 (GHP).

RIG COUNT

As March 2020, drilling rigs working in the U.S. is at 792. This is down 225, or 22.87%, rigs from the same week in March last year (Baker Hughes).

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. According to CoStar, the average quoted asking rental rate for available Industrial space is at \$7.41, which has increased from Q4 2019 when rental rates were quoted 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 7.6% at the end of the first quarter 2020, from 6.8% at the end the fourth quarter 2019. This time last year the vacancy rate was 5.6% at the end of the first quarter 2019 (CoStar). With the rise of e-commerce, there is a need for industrial real estate because of the additional space needed to support large warehouses for storage as you see big-box stores decrease. Port-related trades specific to our market will also call for more industrial space. Net absorption for the overall Houston industrial market ranked top 10 among U.S. metros. To date, Houston's net absorption is (6,168,848) which is down from last quarter's (2,458,684) square feet. The fourth quarter 2018 shows a net absorptions of 2,577,450 square feet (CoStar).

TOP INDUSTRIAL LEASES



16225 Tomball Pkwy
Amazon
Hwy290/Tomball Pkwy
443,520 SF
Cushman & Wakefield



18140 Kickapoo Road
Goodman Air Conditioning
Northwest Highway 6
312,640 SF
Sealy & Company



8221 Volta Drive
Starplast
North Hardy Toll Road
168,850 SF
JLL/Duke Realty

HOUSTON Q1 2020 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%	119,538	124	-	\$8.41
CBD-NW Inner Loop	521	12,692	1,058,880	8.3%	(509,202)	0	-	\$7.97
Downtown Houston	910	31,939	1,320,075	4.1%	(614,103)	0	-	\$5.48
East I-10 Outer Loop	229	13,946	563,512	4.0%	(86,632)	0	398	\$6.01
East-Southeast Far	2,312	81,978	7,025,733	8.6%	2,838,602	4,540	4,158	\$7.34
Hwy 290/Tomball Pky	693	27,561	3,346,749	12.1%	808,853	1,992	1,388	\$7.59
Hwy 59/Hwy 90 (Alt)	1,068	27,404	2,275,040	8.3%	(62,688)	1,178	646	\$7.79
Liberty County	70	1,427	82,700	5.8%	(12,479)	0	-	\$7.01
North Fwy/Tomball Pky	1,007	32,818	4,267,103	13.0%	1,552,437	3,020	1,021	\$7.83
North Hardy Toll Road	899	39,487	3,925,924	9.9%	1,544,320	3,389	627	\$7.41
North Inner Loop	201	5,476	166,962	3.0%	143,031	0	-	\$5.78
North Outer Loop	1,105	26,034	1,916,920	7.4%	(8,942)	918	484	\$6.90
Northeast Hwy 321	116	1,891	56,316	3.0%	(34,979)	0	-	\$9.65
Northeast Hwy 90	682	22,501	1,685,149	7.5%	602,743	1,275	324	\$7.27
Northeast I-10	175	4,483	52,911	1.2%	187,807	0	-	\$6.87
Northeast Inner Loop	194	12,343	495,906	4.0%	142,904	0	-	\$5.19
Northwest Hwy 6	465	13,576	1,373,663	10.1%	179,893	274	419	\$8.93
Northwest Inner Loop	1,800	64,126	4,832,987	7.5%	(355,211)	254	22	\$7.25
Northwest Near	834	20,015	783,603	3.9%	598,549	53	-	\$6.96
Northwest Outliers	706	30,974	3,052,929	9.9%	2,089,231	2,347	3,427	\$8.38
South Hwy 35	1,828	40,549	2,249,665	5.5%	(737,994)	198	317	\$6.85
South Inner Loop	417	13,298	658,238	4.9%	(50,782)	10	-	\$6.24
Southeast Outer Loop	436	18,122	1,216,450	6.7%	(39,511)	176	-	\$5.45
Southwest Far	654	16,843	1,834,334	10.9%	699,872	1,683	2,567	\$7.99
Southwest Inner Loop	443	7,004	269,592	3.8%	(79,403)	0	-	\$9.78
Southwest Outer Loop	700	14,886	1,186,009	8.0%	(325,619)	9	2	\$9.34
Sugar Land	534	23,538	872,128	3.7%	762,433	799	2,348	\$8.07
The Woodlands/Conroe	1,235	23,225	1,955,136	8.4%	(82,307)	291	1,079	\$9.53
West Outer Loop	845	28,155	1,650,742	5.9%	(81,475)	152	58	\$7.87
Totals	21,119	658,445	50,205,310	6.6%	9,188,886	22,682	19,285	\$7.49

*Source: CoStar