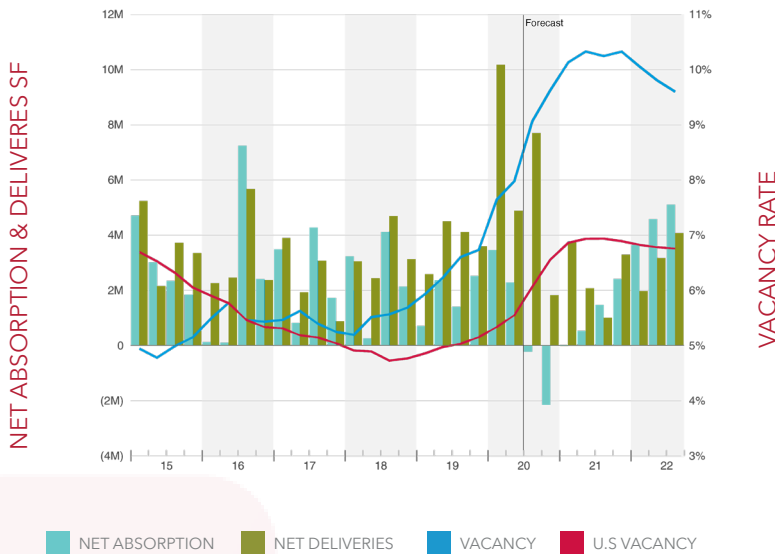


## MARKET INDICATORS

	CURRENT Q2 2020	Q1 2020	Q2 2019
Vacancy Rate (%)	7.9 <span style="color: green;">↑</span>	7.6	6.3
Net Absorption (SF)	2,337,439 <span style="color: green;">↑</span>	(6,168,848)	1,652,485
Quoted Rental Rate (\$)	7.32 <span style="color: red;">↓</span>	7.41	7.40

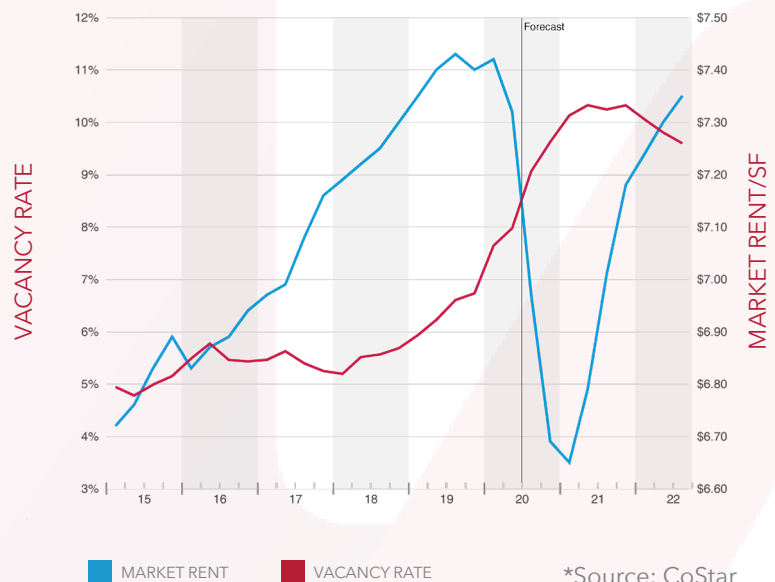
\*Source: CoStar

## NET ABSORPTION, DELIVERIES & VACANCY



\*Source: CoStar

## VACANCY VS. RENTAL RATE



\*Source: CoStar

## ECONOMY WRITTEN BY CLINT HANKLA

COVID-19 has dampened the US economy for Q2 and likely at a minimum of the short term of Q3. WTI saw an inner-day low in April below \$20 a barrel, and I don't think many can foresee what is to come beyond 60 days from now other than things must get better. However, there has been an immediate positive impact for short term warehousing needs to accommodate e-commerce, PPE storage, PPE manufacturing, and opportunistic O&G players. Although, projects slated for 2020 and further out have been hitting the brakes or running off the road. The volatility in the market and lack of consumer confidence are driving tighter lending requirements causing a divergence in expectations from all players of the real estate game.

While the impact of both WTI and COVID-19 are still being felt, the eminent cost has not become totally uncovered. There is quiet tumult no doubt, but the fires are still burning and there is still commerce. We are waiting for another shoe to fall, maybe that's the second round of COVID-19 that is kicking off Q3. Planning has arbitrarily moved into 2021. 2020 is in a position to get better and still we have optimism for a late 2020 ray of light to begin redefining our changed and untrustworthy circumstances.

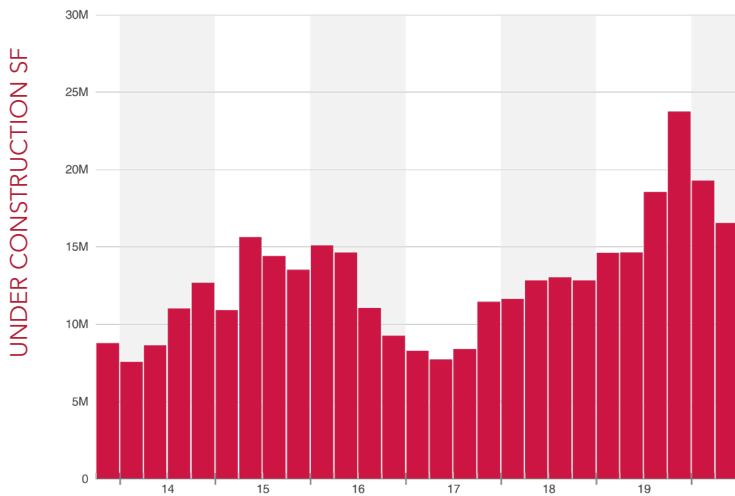
## TRENDING NOW WRITTEN BY CLINT HANKLA

In the last quarter the Houston Market has been reacting tentatively to the coronavirus pandemic... both positively and negatively with anticipated heavy turbulence on the horizon. Many transactions are getting done on the investment and purchase side but transactions in leasing have cooled either by delay/analysis or they have out right cancelled. As I am writing this report, Houston has not pushed out waves of sublease space and properties coming back to the market whose tenants handed back their keys. We anticipate them occurring heavily in the third and fourth quarters.

On underwriting, lease up risk has increased in burden by lenders, look for this and credibility of the deal in general to affect loan terms more heavily than before. If you can get through the underwriting you will likely experience very favorable lending terms. If you have dry powder, or a tenant in hand it is your lucky day. True performance has been masked by the PPP loan program which has kept many alive but funding should either be dried up now or very close to it. When we are on the other side of the PPP loan program, expect more defensive decision making will be made along with decisions close down as well, unfortunately. Hang onto your hats and keep an open mind in Q3!

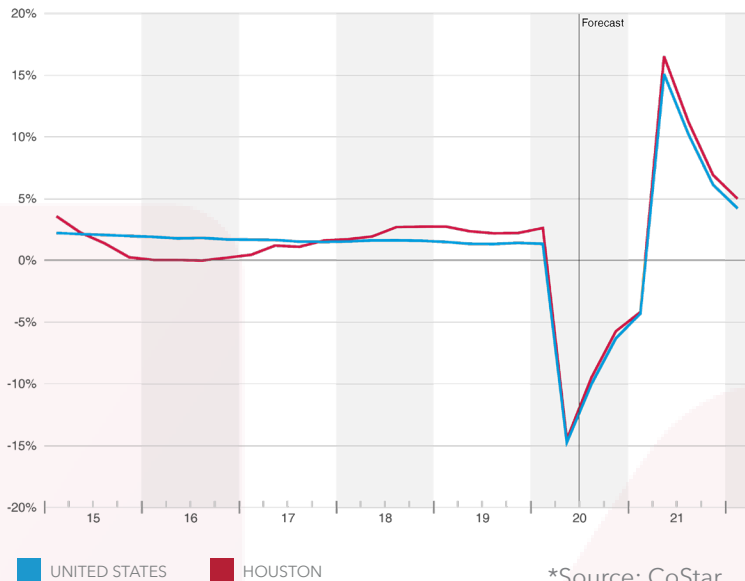
# HOUSTON Q2 2020 INDUSTRIAL MARKET REPORT

## 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. According to CoStar, the average quoted asking rental rate for available Industrial space is at \$7.32, which has decreased from Q1 2020 when rental rates were quoted at \$7.41, 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 7.9% at the end of the second quarter 2020, from 7.6% at the end the first quarter 2020. This time last year the vacancy rate was 6.3% at the end of the second 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 2,337,439 which is up from last quarter's (6,168,848) square feet. The second quarter 2019 shows a net absorptions of 1,652,485 square feet (CoStar).

## TOP INDUSTRIAL LEASES



9010 West Little York  
-  
Hwy 290/Tomball Pkwy  
76,000 SF  
Prologis, Inc.



1200-1236 Silber Road  
-  
Northwest Inner Loop  
61,500 SF  
Capcor Partners LLC.



8718 West Little York  
Fleenor Paper Company  
Hwy 290/Tomball Pkwy  
46,800 SF  
Clarion Partners

## WTI PRICE

The WTI Crude Oil spot price for a barrel is averaged at \$34.19 as of late May, down 39.9% at this time in 2019 (GHP). As of July 2020 the WTI is at \$40.83 and increased from a few months ago (Business Insider).

## RIG COUNT

As of June 2020, drilling rigs working in the U.S. is at 279. This is down 690, or 71.2%, rigs from the same week in June last year (Baker Hughes).

## HOUSTON Q2 2020 INDUSTRIAL MARKET REPORT

SUBMARKET	EXISTING INVENTORY		VACANCY		YTD NET ABSORPTION	YTD DELIVERIES SF	UNDER CONST SF	QUOTED RATES
	# BLDS	TOTAL RBA	TOTAL SF	VAC %				
Austin County	41	2,320	194,500	8.4%	(25,663)	0	-	\$8.30
CBD-NW Inner Loop	520	12,472	913,615	7.3%	(271,305)	0	-	\$7.92
Downtown Houston	911	32,627	1,580,762	4.8%	(569,390)	0	-	\$5.43
East I-10 Outer Loop	229	13,873	275,385	2.0%	95,534	0	396	\$5.96
East-Southeast Far	2,336	83,786	7,481,240	8.9%	2,535,975	4,520	2,686	\$7.25
Hwy 290/Tomball Pky	702	28,505	4,208,537	14.8%	1,033,573	2,802	623	\$7.49
Hwy 59/Hwy 90 (Alt)	1,070	27,441	2,253,904	8.2%	(137,608)	1,123	965	\$7.76
Liberty County	72	1,465	90,500	6.2%	(15,047)	0	-	\$7.05
North Fwy/Tomball Pky	1,018	33,023	4,151,414	12.6%	1,659,138	3,053	983	\$7.85
North Hardy Toll Road	905	39,861	4,064,675	10.2%	62,258	2,222	493	\$7.45
North Inner Loop	203	5,518	175,289	3.2%	108,060	0	-	\$5.79
North Outer Loop	1,110	26,199	2,024,322	7.7%	35,397	1,063	342	\$6.88
Northeast Hwy 321	118	1,894	50,416	2.7%	(12,499)	0	-	\$9.67
Northeast Hwy 90	686	22,594	1,744,509	7.7%	315,875	1,302	280	\$7.22
Northeast I-10	175	4,483	42,595	1.0%	203,634	0	-	\$6.83
Northeast Inner Loop	193	12,240	474,906	3.9%	287,117	0	-	\$5.17
Northwest Hwy 6	499	14,036	1,568,544	11.2%	269,786	792	211	\$8.89
Northwest Inner Loop	1,805	64,112	4,990,157	7.8%	(415,198)	225	22	\$7.21
Northwest Near	838	20,040	800,357	4.0%	637,189	53	-	\$6.93
Northwest Outliers	734	31,453	3,150,968	10.0%	2,325,543	2,886	4,316	\$8.44
South Hwy 35	1,842	40,604	1,761,038	4.3%	441,074	200	289	\$6.84
South Inner Loop	417	13,236	1,000,642	7.6%	(350,787)	0	-	\$6.25
Southeast Outer Loop	437	18,186	1,737,083	9.6%	(380,951)	176	-	\$5.47
Southwest Far	665	17,064	1,786,209	10.5%	776,475	829	2,468	\$8.07
Southwest Inner Loop	442	7,010	593,891	8.5%	(325,219)	0	-	\$9.55
Southwest Outer Loop	701	14,922	1,188,273	8.0%	(286,946)	9	-	\$9.34
Sugar Land	549	23,747	981,690	4.1%	668,566	834	2,279	\$8.14
The Woodlands/Conroe	1,305	26,109	2,046,327	7.8%	990,482	1,321	86	\$9.35
West Outer Loop	857	28,542	1,701,629	6.0%	145,872	404	83	\$7.80
Totals	21,380	667,362	53,033,377	7.2%	9,800,935	23,814	2,448	\$7.46

\*Source: CoStar