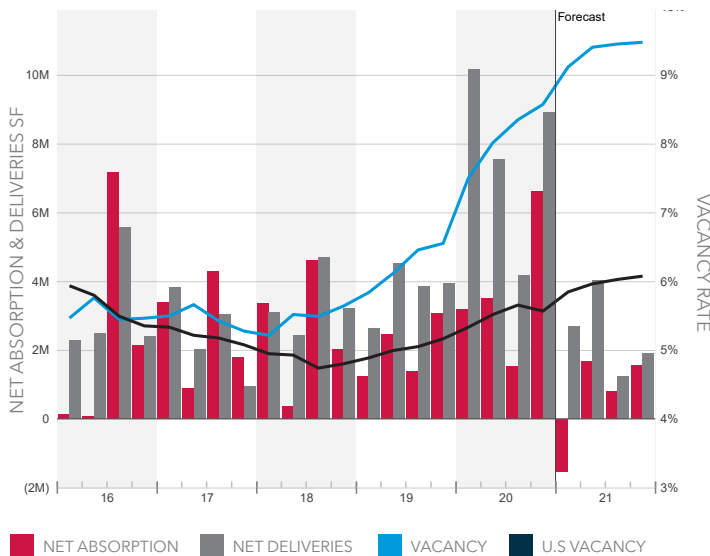


## MARKET INDICATORS

	Q4 2020	Q3 2020	Q2 2020
Vacancy Rate (%)	7.8% ▼	8.3%	8.0%
Net Absorption (SF)	12,368,610 ▲	11,046,260	11,000,687
Quoted Rental Rate (\$)	\$7.39 ▼	\$7.42	\$7.39

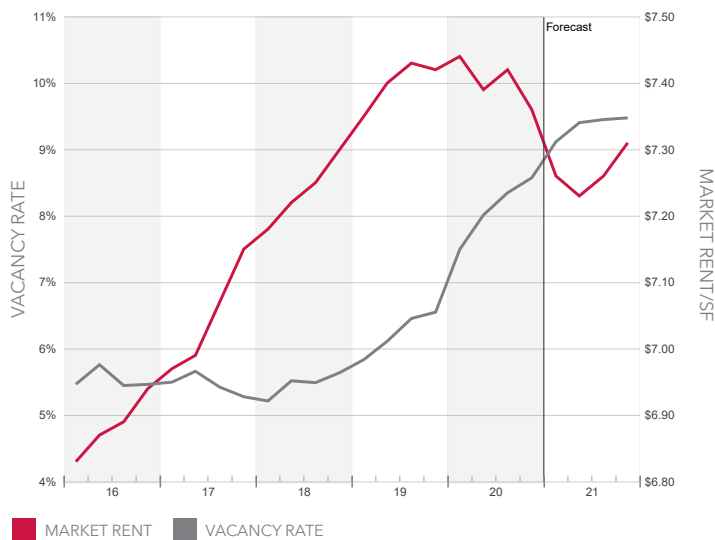
\*Source: CoStar

## NET ABSORPTION, DELIVERIES & VACANCY



\*Source: CoStar

## VACANCY VS. RENTAL RATE



\*Source: CoStar

## ECONOMY

WRITTEN BY ROBERT MCGEE

Texas continues to attract companies from outside the state. While most of the major corporate HQ relocations that made headlines have landed in either Austin or Dallas, Houston is doing better than you might think and the pandemic hasn't slowed this trend. Hewlett Packard's announcement for moving from San Jose, CA to Houston, TX was perhaps the most notable, but manufacturing companies make up the lion share of this trend. Rightfully so, in a market where you have highly skilled labor from a robust oil and gas sector that has currently laid off or furloughed so many, you can see why other manufacturers would want to locate or expand into our market.

Additionally, the benefit of being a port market and a growing population has attracted new e-commerce and traditional retailers to take down large chunks of distribution space. If oil and gas continues to recover, the later part of 2021 has a ton of potential.

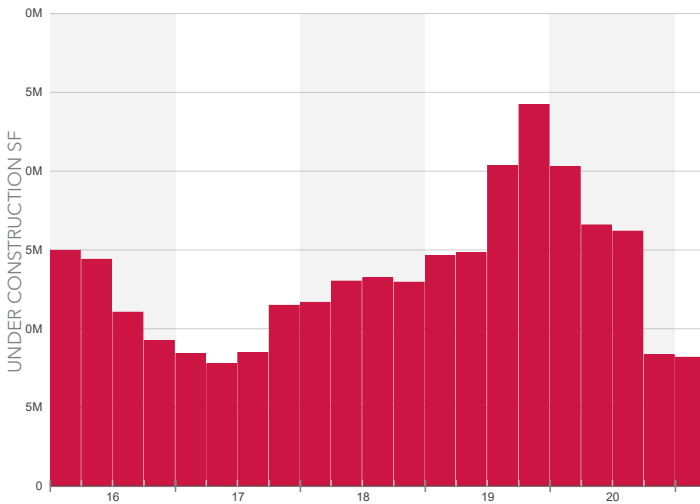
## TRENDING NOW

WRITTEN BY ROBERT MCGEE

The fourth quarter was the closest to normalcy since the pandemic began. Nearly 43% of 2020's net absorption (on speculative distribution space excluding design build and build-to-suits) came in the last three months. Deals put on hold for the previous two quarters finally started to land. News of the vaccine and improving economic signs lifted confidence as 26 million SF was delivered during the year.

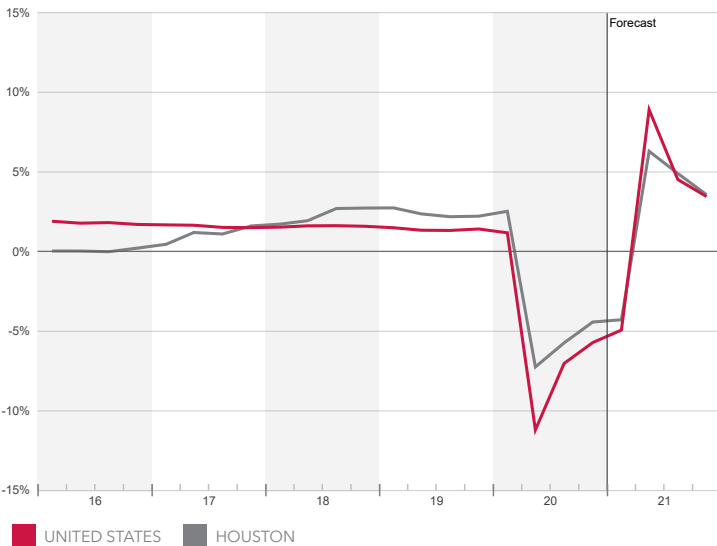
New construction starts also slowed, which will provide some time to balance the market by absorbing more space before delivery of an additional 6 million SF currently under construction. Vacancy should start to trend lower given the 18 million SF of active requirements largely in the southeast and northwest submarkets.

## UNDER CONSTRUCTION



\*Source: CoStar

## YEAR TO YEAR JOB GROWTH



\*Source: CoStar

## ECONOMIC INDICATORS

### WTI PRICE

The closing spot price for West Texas Intermediate (WTI), the U.S. benchmark for light, sweet crude, averaged \$47.73 per barrel during the last week of December '20, down 22.1 percent from \$61.26 for the same period in '19.

\*Source: Greater Houston Partnership

### RIG COUNT

Baker Hughes reports 351 drilling rigs were working in the U.S. during the first week of January '21. That's down from 796 rigs the same week in January last year. The rig count has inched up steadily since bottoming at 244 in mid-August. However, it remains well below its recent peak of 1,083 in late December '18.

## 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 \$7.39, which has decreased from Q3 2020 when rental rates were quoted at \$7.42, 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 decreased to 7.8% at the end of the fourth quarter, compared to 8.3% at the end of the third quarter. This time last year the vacancy rate was 6.5% at the end of the fourth 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 15 among U.S. metros. To date, Houston's net absorption is 12,368,610 which is up from last quarter's 11,046,260 square feet. The fourth quarter 2019 shows a net absorptions of 8,156,261 square feet (CoStar).

## TOTAL INDUSTRIAL LEASES



### 10629 RED BLUFF ROAD

- Dunavant Distribution Group
- East-Southeast Far
- 784,000 SF
- Principal Financial Group, Inc.



### 4501 BLALOCK ROAD

- HEB
- Northwest Inner Loop
- 401,280
- Prologis, Inc.



### 9800 DERRINGTON ROAD

- Amazon
- Hwy 290/Tomball Pky
- 368,467
- Trammell Crow/Clarion Partners

## SUBMARKET STATISTICS

SUBMARKET	EXISTING INVENTORY		VACANCY		YTD NET ABSORPTION	YTD DELIVERIES SF	UNDER CONST SF	QUOTED RATES
	# BLDGS	TOTAL RBA	TOTAL SF	VAC %				
Austin County	44	2,364	191,000	8.1%	4,954	0	-	\$6.80
CBD - Northwest Inner Loop	522	12,493	647,388	5.2%	(44,442)	0	-	\$7.96
Downtown Houston	901	32,260	1,629,843	5.1%	(476,128)	0	-	\$5.47
East I-10 Outer Loop	263	15,010	1,466,859	9.8%	(595,771)	396	-	\$6.04
East-Southeast Far	2,404	87,888	10,507,073	12.0%	1,267,584	5,715	1,085	\$7.25
Hwy 290/Tomball Pkwy	714	29,672	4,610,822	15.5%	1,114,733	2,897	141	\$7.47
Hwy 59/Hwy 90 (Alt)	1,081	27,912	2,217,083	7.9%	564,126	1,180	539	\$7.68
Liberty County	76	2,022	57,000	2.8%	49,065	0	-	\$6.85
North Fwy/Tomball Pkwy	1,072	34,627	4,505,318	13.0%	2,044,135	3,098	193	\$7.80
North Hardy Toll Road	921	41,234	4,669,133	11.3%	(282,006)	1,217	641	\$7.38
North Inner Loop	205	5,645	189,868	3.4%	(34,515)	0	-	\$5.72
North Outer Loop	1,118	26,788	2,217,330	8.3%	398,115	990	534	\$6.88
Northeast Hwy 321	119	1,912	44,180	2.3%	172	0	-	\$9.61
Northeast Hwy 90	699	23,735	2,631,971	11.1%	290,841	1,132	-	\$7.26
Northeast I-10	189	4,549	89,929	2.0%	115,172	0	-	\$6.97
Northeast Inner Loop	193	12,246	724,384	5.9%	(192,302)	0	-	\$5.19
Northwest Hwy 6	533	14,460	1,146,627	7.9%	762,154	535	623	\$8.81
Northwest Inner Loop	1,819	64,101	4,998,539	7.8%	(292,992)	155	-	\$7.18
Northwest Near	840	20,139	979,531	4.9%	(141,845)	0	135	\$6.93
Northwest Outliers	754	34,660	3,690,392	10.6%	3,030,262	4,636	1,061	\$8.26
South Hwy 35	1,869	41,226	1,658,555	4.0%	1,107,129	551	240	\$7.25
South Inner Loop	418	12,649	1,108,004	8.8%	(732,886)	0	-	\$6.24
Southeast Outer Loop	443	18,178	1,783,444	9.8%	(383,549)	139	-	\$5.47
Southwest Far	684	19,620	2,714,986	13.8%	1,795,124	2,704	125	\$7.83
Southwest Inner Loop	439	6,825	715,345	10.5%	(301,498)	0	-	\$9.62
Southwest Outer Loop	702	14,713	1,153,630	7.8%	(72,965)	25	-	\$9.29
Sugar Land	563	26,241	1,012,893	3.9%	2,387,717	2,667	2,034	\$7.94
The Woodlands/Conroe	1,330	26,374	1,834,991	7.0%	1,226,398	1,382	743	\$9.36
West Outer Loop	864	28,817	1,735,244	6.0%	(238,172)	216	68	\$7.71
<b>TOTALS</b>	<b>21,779</b>	<b>688,360</b>	<b>60,931,362</b>	<b>7.8%</b>	<b>12,368,610</b>	<b>29,635</b>	<b>8,162</b>	<b>\$7.39</b>

\*Source: CoStar

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