

HOUSTON
**INDUSTRIAL MARKET
REPORT**

Fourth Quarter 2019



BELVOIR

REAL ESTATE GROUP, LLC

Going Places

BROKERAGE / DEVELOPMENT / MANAGEMENT / INVESTMENT

713.332.8202 / belvoir.net

A Message from Matthew Goldsby, Belvoir Managing Director

As Belvoir Real Estate Group celebrates its eighth anniversary this month, we're taking time to reflect on how the ever-changing dynamic of the Houston real estate market has shaped and helped our firm's growth. From Belvoir's inception as a solo operation at the start of 2012, to a team of now over 15 strong, we believe that it is opportunity that truly defines Houston real estate and our firm's relationship to it.

Belvoir began its journey as an exclusively brokerage-focused firm, which was followed by natural growth into property management, construction management, and most recently, investment syndication. We believe the ability to self-perform on the total life cycle of a deal provides two key advantages that are of particular importance to stakeholders investing in the notoriously capricious Houston market: the ability to source unique opportunities and the ability to intuit and perform on a properly aligned business plan.

As a fully integrated, full-service firm, we strongly believe that alignment across investment and commercial service lines offers a significant advantage in the Houston market and the current era of commercial real estate. Belvoir would like to thank its employees, associates and clients who have been an invaluable asset to our growing success for the past eight years.

LET'S GO PLACES.

Belvoir's team of experts are ready to answer your commercial real estate and brokerage questions. Call us at **713.332.8202** or visit us online at **belvoir.net**.

INDUSTRIAL MARKET SNAPSHOT

LEASING

Houston's industrial vacancy rate of 7.0% is currently above its 20- and 30-year historical averages and is also underperforming the national average. The vacancy rate is also up more than 200 basis points from its cyclical low in 15Q2. And strong trailing 12-month net absorption of approximately 6,600,000 SF ranked Houston in the top 10 U.S. industrial markets as of 19Q4. E-commerce and rooftop growth continue to create significant demand for industrial space in Houston this cycle. And strong demand from port-related trade and exports, particularly petrochemicals and plastics, also continues to create the need for Houston industrial real estate.

RENT

Houston ranks middle-of-the-pack among major U.S. metros in terms of asking rents, likely due to an abundance of land, a lack of zoning, and a comparatively easy entitlement/permitting process that combine to create relatively low barriers to entry for new industrial development in Houston. Asking rents grew by approximately -0.7% over the past year. Cumulatively, rents have grown more than 20% this cycle or about 2% per year.

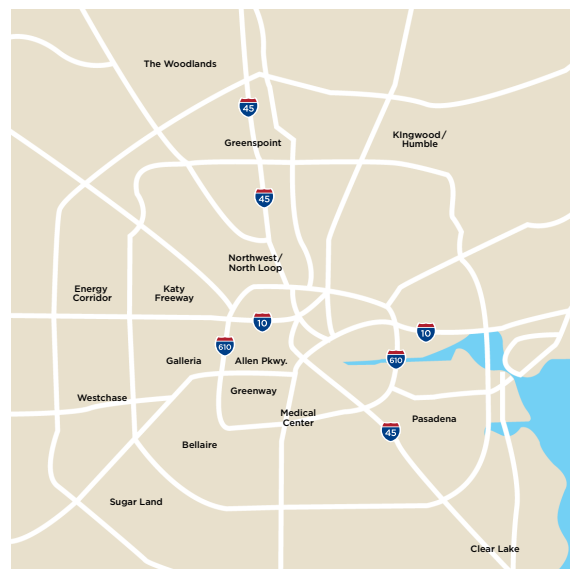
CONSTRUCTION

There was approximately 18,800,000 SF of industrial buildings under construction as of Q4 2019, which was a record for the metro, ranking it in the top five among U.S. metros. Deliveries continue to outstrip demand, particularly speculative developments. As a result, the vacancy rate could continue to climb steadily, despite generally positive tailwinds in the industrial sector. Demand for industrial space with higher clear heights and stronger load-bearing walls should continue, as logistics and distribution tenants expand their footprints.

SALES

Industrial transaction activity in Houston remains elevated, although down from recent highs. Trailing 12-month industrial investment sales volume included an estimated \$1.2 billion in confirmed trades. However, this figure should be taken with a grain of salt, as Texas is a non-disclosure state, and the amount is likely much higher. Nearly 900 industrial and flex deals were traded in Houston in 2019. More than half of the top 40 properties by size were part of portfolio deals. This comes as institutional investors are seeking to increase their industrial allocations in a major way across the U.S. by acquiring portfolios.

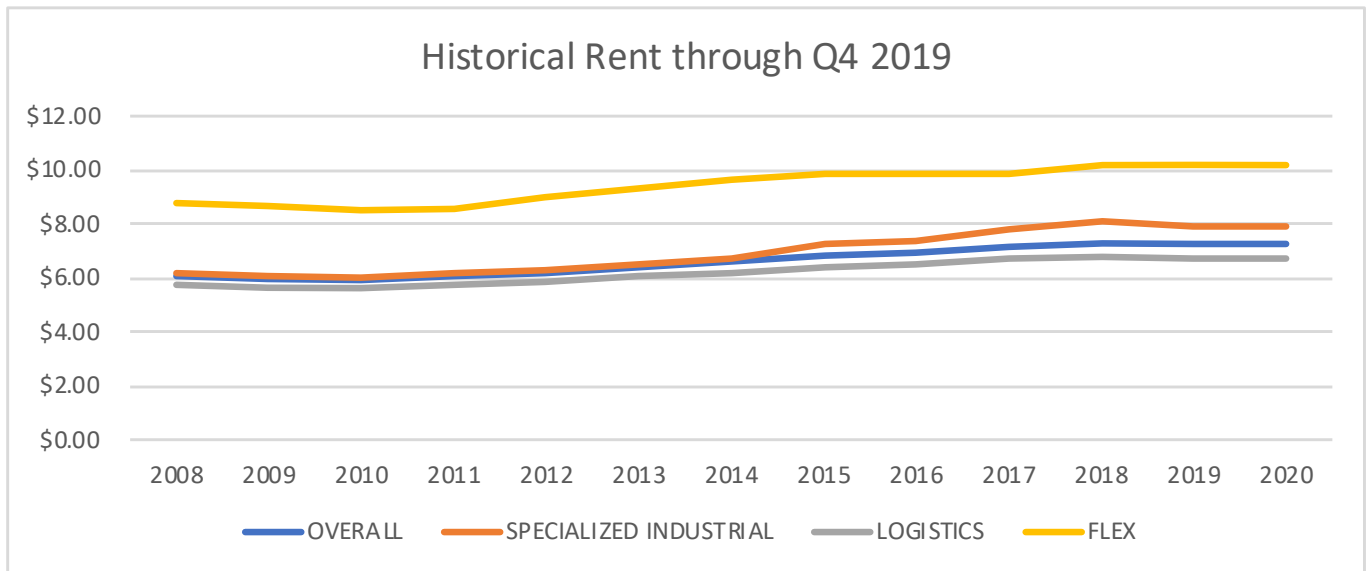
Source: CoStar Property®



Market	Existing Inventory		Vacancy		YTD Net Absorption	YTD Deliveries	Under Const SF	Rent Per SF
	Bldgs	SF (000)	SF	Percent				
Downtown Houston	909	31,914	1,409,286	4.4%	(307,197)	0	-	\$5.39
East-Southeast Far	2,279	79,712	6,951,222	8.7%	3,061,486	5,007	4,374	\$7.20
Hwy 290/Tomball Pky	678	26,020	2,564,622	9.9%	(157,979)	992	2,130	\$7.42
Hwy 59/Hwy 90 (Alt)	1,057	26,440	1,612,186	6.1%	157,284	421	892	\$7.61
North Fwy/Tomball Pky	976	30,334	3,557,891	11.7%	321,400	1,445	2,453	\$7.64
North Hardy Toll Road	879	38,957	3,583,630	9.2%	1,453,804	3,145	769	\$7.25
North Outer Loop	1,101	25,496	1,424,509	5.6%	154,659	394	524	\$6.75
Northeast Hwy 90	665	21,926	1,695,581	7.7%	437,304	1,518	857	\$7.09
Northwest Inner Loop	1,798	63,793	4,566,502	7.2%	(527,461)	179	180	\$7.11
Northwest Near	836	20,073	1,021,109	5.1%	(121,050)	53	-	\$6.78
Northwest Outliers	683	29,370	1,839,143	6.3%	2,325,935	2,317	3,634	\$8.26
South Hwy 35	1,807	40,248	2,183,937	5.4%	(737,027)	119	272	\$6.68
Sugar Land	525	23,072	893,558	3.9%	188,840	472	426	\$7.82
NASA/Clear Lake	534	10,402	1,413,905	13.6%	100,352	5	74	\$23.82
West Outer Loop	843	28,043	1,256,238	4.5%	127,904	184	-	\$7.53

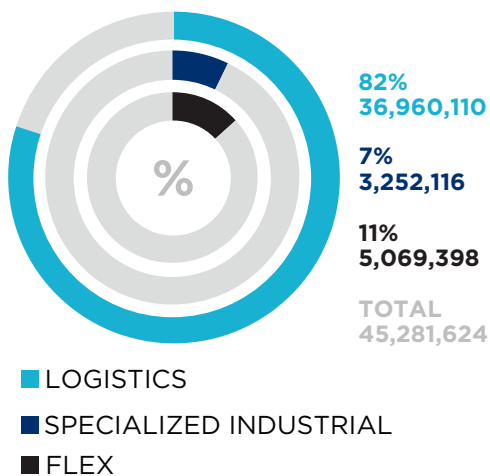
Source: CoStar Property®

HISTORICAL AND FORECAST RENTAL RATES BY CLASS

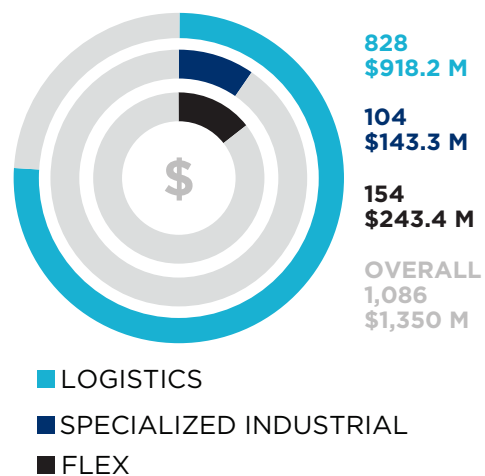


Source: CoStar Property®

VACANCY BY CLASS



SALES BY CLASS



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