

HOUSTON INDUSTRIAL | NORTHWEST Submarket Spotlight

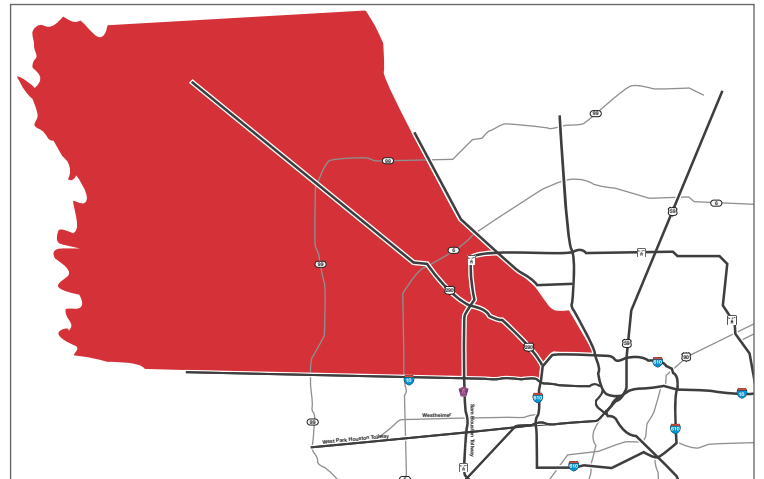
JULY 2017



Throughout 2017, the Northwest submarket in Houston has been a hotbed of industrial activity, with warehouse and distribution centers reigning supreme. The Northwest submarket contains 154 million sq. ft. of inventory, with Warehouse/Distribution representing 114 million sq. ft. of that total, Manufacturing 23 million sq. ft., and Flex space 17 million sq. ft. Of the more than 542 million sq. ft. of industrial buildings in Houston, the largest concentration is in the Northwest submarket, tallying 3,200 properties representing 28.4% of the total stock. As of the end of the second quarter, the northwest submarket's vacancy rate was 5.2%, with 224,047 sq. ft. of positive absorption in 2017 and 391,012 sq. ft. of new industrial product delivered.

Furthermore, warehouse and distribution centers in the Northwest submarket are a good indicator of Houston's diversified economy. A testament to those developments is FedEx's 800,000-sq.-ft. distribution center in Cypress, off West Grand Parkway. The distribution center, when finished, will be the largest of the FedEx Ground facilities in Texas. The facility will employ about 400 people and is scheduled to open in August of this year. In addition, Daikin Texas Technology Park opened its new \$417 million, 497-acre state-of-the-art mega manufacturing development in the Waller County/Northwest Highway 6 submarket. The park is the largest tilt-wall structure in the U.S., and the second-largest manufacturing facility in the U.S. The workforce should hit the 5,000-plus mark between 2017 and 2018, with the rumored number of employees reaching up to 6,000.

Houston Industrial Northwest Submarket



Bordered by Interstate 10, Highway 249, the Brazos River, and proximity to major thoroughfares including U.S. Highway 290, SH 6, Beltway 8, Grand Parkway (SH 99), and Interstate 45, the Northwest benefits from unmatched connectivity to major metros outside of Houston and access to the rest of Texas—a key tactical advantage for the location of ecommerce or regional warehouse and distribution centers.

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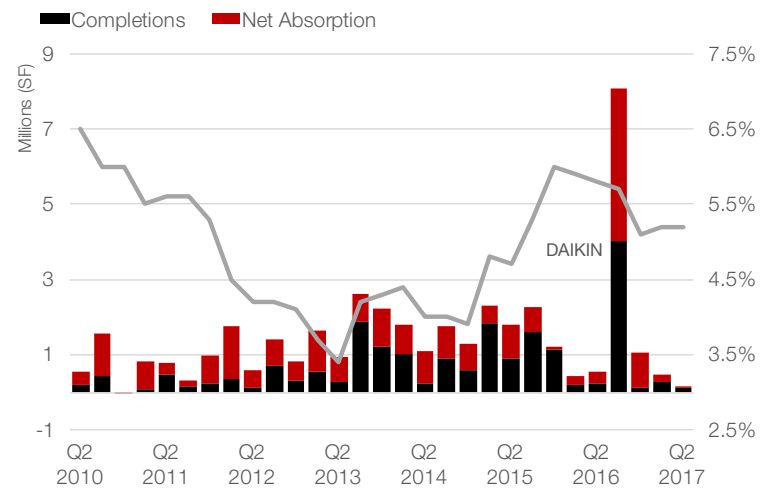
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Ultimately, it's easy to understand why companies such as Ford Motor Company, Staples, Exel, plus oil and gas firms such as National Oilwell Varco and GE Oil and Gas, have each selected locations in the heart of Houston's Northwest industrial submarket due in part to the immediate access of main roads connecting the largest metros in the state. Recently, Bel Furniture signed a 415,296-sq.-ft. lease in the West Ten Distribution Center. The space includes a 74,793-sq.-ft. showroom and an adjacent 340,503-sq.-ft. distribution center, located at 28450 West Ten Blvd. off Interstate 10 at Cane Island Parkway. West Ten Business Park is the address for a collection of industries, including Pepperl+Fuchs, Vahle, Igloo and Medline. Another major facility coming to the Katy area is Amazon.com Inc.'s second Houston-area fulfillment center. The 1 million-sq.-ft. facility will be near Woods Road and U.S. Highway 90.

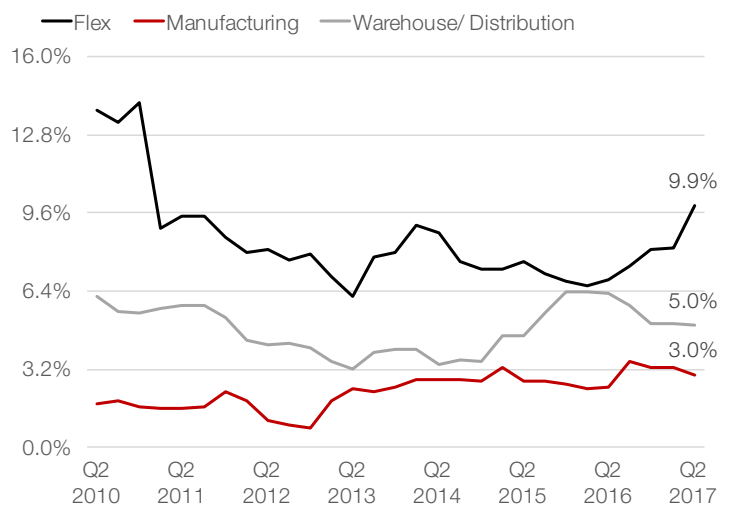
And finally, every day in the Northwest submarket, hundreds of thousands of people travel up and down US 290 between I-610 and the Harris/Waller County line. Despite the oil downturn during the past several years, thousands more will join in that traffic flow because the population growth rate of the Houston region is exploding. The US 290 corridors current population of about 698,000 is projected to expand to 1.1 million between the years 2010 and 2040. In June of 2011, construction began on the Highway 290 Project with the I-610/US 290 interchange and has extended to 13 program projects along the 38-mile stretch. When finished the US 290 roadway will feature five lanes in both directions between I-610 and SH 6/FM 1960, four lanes in both directions between SH 6/FM 1960 and SH 99 (Grand Parkway), and three lanes in both directions between SH 99 and the Harris/Waller County line. Further, there will be a barrier separated, reversible High Occupancy Vehicle (HOV) lane between I-610 and SH 99. The project is on schedule for substantial completion in 2018.

Overall, the outlook for Houston is hopeful. Labor market data suggests job growth, improvement in the energy sector, and low fuel prices helping consumers. Houston's unemployment rate was 5.1% in May, down from 5.4% in April and below its year-to-date average of 5.5%. Other positive indicators are the Houston Purchasing Managers Index, which registered at 54.1 in May, signaling economic expansion in metro Houston for the eighth consecutive month; and the closely followed Baker Hughes U.S. Rig Count, which rose for 23 straight weeks totaling over 940 rigs. Conversely, increasing costs and moderate oil prices may soften the course of the rig count. The recent forecast by the Energy Information Administration estimated oil (WTI) should average \$51 in 2017 and \$55 in 2018, while market experts state the industry needs \$60 to \$65 per barrel oil for sustained growth and success.

Supply & Demand Northwest Submarket



Vacancy Northwest Submarket



Leasing Activity by Submarket

