

HOUSTON INDUSTRIAL | SOUTHEAST Submarket Spotlight

Q4 2018

Hottest submarket for new development. The Southeast submarket has posted positive net absorption in all but one quarter during the past five years, and vacancies have remained steady, averaging 4.6% during the same time period. The submarket has undergone an inventory expansion since before the oil downturn in 2014, adding 127 industrial properties totaling an additional 16.4 million sq. ft. representing 20.1% growth. And development is still booming with 4 million sq. ft. underway, one-third of the total amount of industrial construction in the Houston metro.

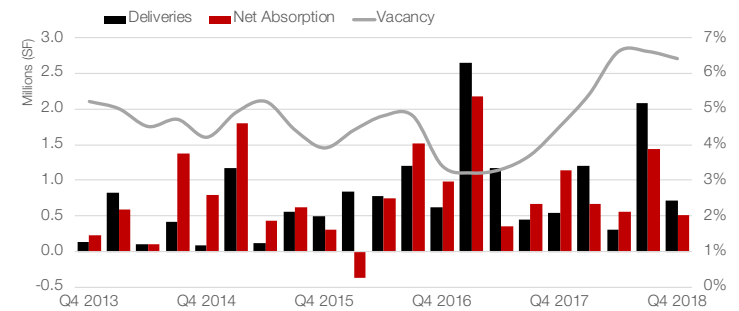
Breaking records at Port Houston and Houston Ship Channel. Several records were broken in 2018, including that total tonnage at Port Houston facilities set a record of 35.7 million tons, which reflected an increase of 9% from 2017. In addition, container twenty-foot equivalent units increased 10% to 2.7 million, a new record for the Port Authority. Driven by logistics, plastics, and other petrochemical activity at Port Houston, some of the largest recent leases include Plastic Bagging & Packaging (520,000 SF), Valvoline (473,000 SF), Plantgistix (337,000 SF), and UNIS Transportation (258,000 SF).

Rapid growth and strong demand. The Southeast submarket recently experienced a petrochemical expansion in excess of \$50 billion in new projects and expansions, which is positively affecting demand for industrial supply, particularly for plastics and logistics. The largest industrial tenants in the submarket include Katoen Natie (3 million sq. ft.), 3PL Gulf Winds International (1.4 million sq. ft.), Palmer Logistics (1.2 million sq. ft.), Frontier Logistics (1 million sq. ft.), and IKEA (1 million sq. ft.). Ever growing, the largest projects under construction include the 784,000-sq.-ft. Phase III at Bay Area Business Park; the 600,000-sq.-ft. Port Crossing Commerce Center building for Valvoline; and the 520,000-sq.-ft. PBP at 5055 E Grand Pkwy. S. As energy companies remain invested in natural gas and petrochemicals, and the Port of Houston remains a leading port in the U.S., development activity from high demand for new and expanded facilities should continue at an accelerated pace for the foreseeable future.

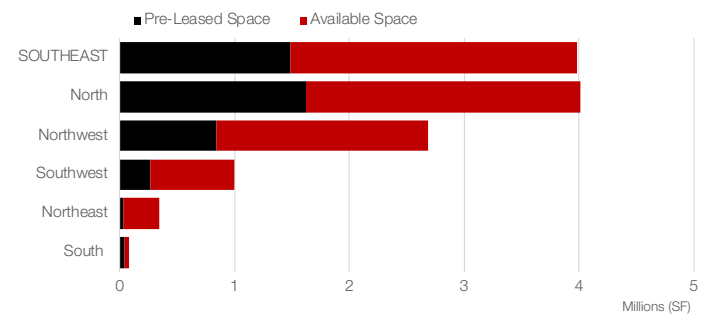
Market Indicators

| | Current Qtr Q4 2018 | Prior Qtr Q3 2018 | Year Ago Q4 2017 |
|-----------------------|------------------------|----------------------|---------------------|
| Vacancy (%) | 5.2 | 5.0 | 4.2 |
| Net Absorption (SF) | 515,012 | 1,442,695 | 1,140,823 |
| Deliveries (SF) | 719,909 | 2,087,661 | 542,372 |
| Construction (SF) | 3,978,229 | 3,469,551 | 3,757,523 |
| Avg Asking Rent (NNN) | \$0.71 | \$0.64 | \$0.56 |
| Inventory (SF) | 97,523,424 | 96,803,515 | 93,200,562 |

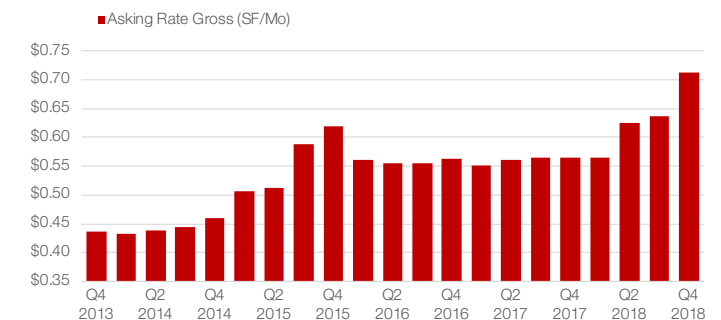
Supply & Demand



Construction by Submarket



Rent



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