

HOUSTON INDUSTRIAL | SOUTHEAST Submarket Spotlight

Q1 2019

Southeast submarket leads in new construction.

The Southeast submarket has posted positive net absorption in all but one quarter during the past five years, and vacancies have remained steady, averaging 4.7% during the same time period. The submarket has undergone an inventory expansion since the oil downturn in 2014, adding 128 industrial properties totaling an extra 17.5 million sq. ft. representing 21.1% growth. And development is still soaring with 5.8 million sq. ft. underway, over one-third of the total amount of industrial construction in the Houston metro.

Port Houston and Houston Ship Channel. In April, Port Houston released the nationwide Economic Impact Study of the Houston Ship Channel. Results indicated that in 2018 the private and public terminals of greater Port Houston accounted for 10% of all jobs supported by the U.S. coastal ports, and the economic values supported by cargo activity at these facilities to the State of Texas represented nearly 21% of the state's gross domestic product. In addition, in 2018, the Houston Ship Channel generated nearly \$802 billion in U.S. economic value, supported 3.2 million jobs, and provided \$38 billion in tax revenue. In Texas, it generated \$339 billion in economic value, sustained 1.3 million jobs, and generated \$5.6 billion in state and local tax revenue.

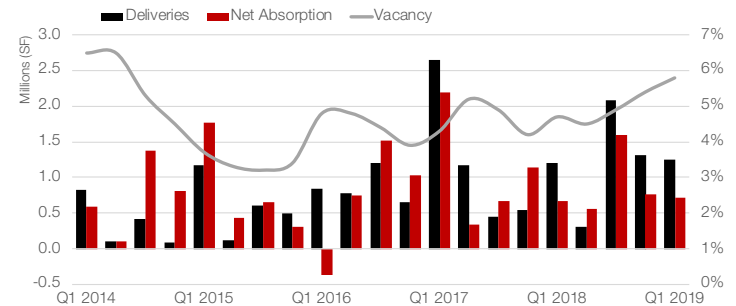
Houston home to 49% of the U.S. petrochemical industry. Since 2013, many chemical companies have built new facilities or expanded existing ones on the Gulf Coast, representing part of more than \$50 billion worth of chemical plant construction in the Houston region. While the Ship Channel chemical boom has slowed down, new proposals and projects continue. Recent project announcements include ExxonMobil's \$2 billion investment to expand its Baytown chemical plant, creating 2,000 construction jobs; LyondellBasel's \$2.4 billion petrochemical expansion; and Houston-based Bayport Polymers LLC (also known as Baystar) just broke ground on part of a \$3 billion expansion at its petrochemical complex in Pasadena.

Rapid growth and strong demand. The largest industrial tenants in the southeast 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 643,000-sq.-ft. Bayport South; and the 526,000-sq.-ft. Houston Tradeport - Building 3.

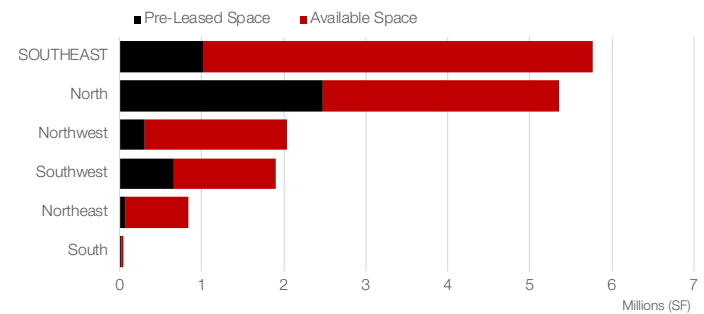
Market Indicators

	Current Qtr Q1 2019	Prior Qtr Q4 2018	Year Ago Q1 2018
Vacancy (%)	5.8	5.4 ▲	4.7 ▲
Net Absorption (SF)	723,284	758,776 ▼	673,665 ▲
Deliveries (SF)	1,252,830	1,320,269 ▼	1,203,642 ▲
Construction (SF)	5,762,013	4,834,829 ▲	4,103,172 ▲
Avg Asking Rent (NNN)	\$0.68	\$0.71 ▼	\$0.56 ▲
Inventory (SF)	100,037,635	98,784,805 ▲	95,065,225 ▲

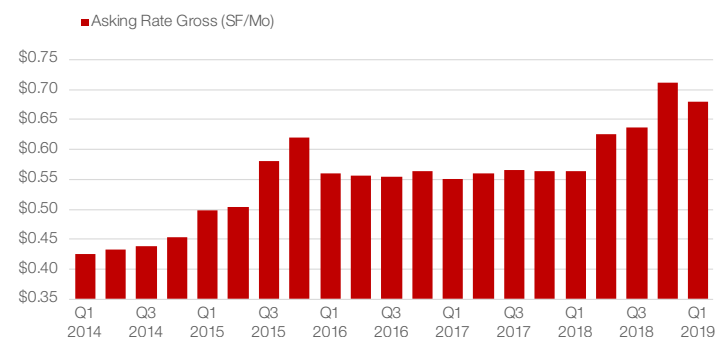
Supply & Demand



Construction by Submarket



Rent



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