

HOUSTON INDUSTRIAL | SOUTHEAST Submarket Spotlight

Q3 2019

Solid industrial market in Southeast Houston. The Southeast submarket contains 103 million sq. ft. of inventory, with Warehouse/Distribution representing 83 million sq. ft. of that total, Manufacturing 17 million sq. ft., and Flex space 3 million sq. ft. Of the 590 million sq. ft. of industrial buildings in Houston, the third largest concentration is in the Southeast submarket, representing 17.5% of the total stock. The Southeast submarket has posted positive net absorption in all but two quarters during the past five years, and vacancies have remained low, averaging only 4.9% during the same time period.

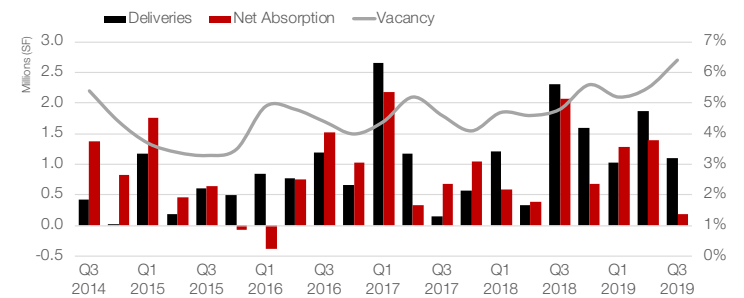
Rapid growth and strong demand. The Southeast submarket has experienced an inventory expansion since the oil downturn in 2014, adding 136 industrial properties totaling an additional 20 million sq. ft. representing 24% growth. Development is still increasing with 5.1 million sq. ft. underway, 28% of the total amount of industrial construction in the Houston metro. The largest industrial occupiers 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 644,000-sq.-ft. Cedar Port Logistics; and the 643,000-sq.-ft. Bayport South Business Park.

Port Houston—the crown jewel of the Texas economy. The greater Port of Houston, which is comprised of about 200 facilities along the ship channel, has a national economic impact of nearly \$802 billion annually and supports about 3.2 million jobs. In Texas alone, the economic value of the port is about \$340 billion. Operationally, the facilities have handled close to 30 million tons of cargo through August, an increase of 7% over last year as both container volumes and steel have maintained their upward trends in 2019. The number of twenty-foot equivalent units or container TEUs handled through August totaled nearly two million, an increase of 11% compared to this time last year. Port officials expect to approach three million by the end of this year. The Port of Houston continues to be among the fastest-growing container ports in the country, fueled by an increasing number of import distribution centers in the Houston region and a robust manufacturing base in the State of Texas.

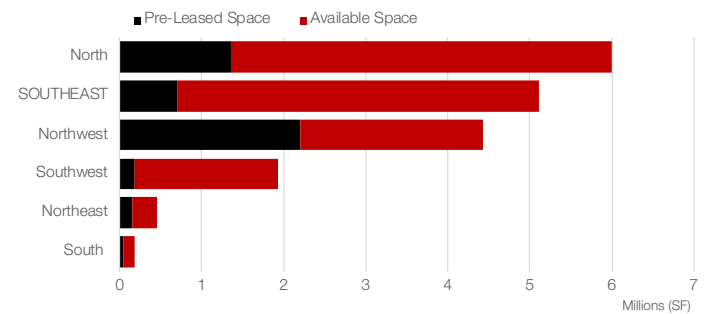
Market Indicators

	Current Qtr Q3 2019	Prior Qtr Q2 2019	Year Ago Q3 2019
Vacancy (%)	6.4	5.5	4.8
Net Absorption (SF)	184,693	1,402,006	2,079,395
Deliveries (SF)	1,100,807	1,862,604	2,313,161
Construction (SF)	5,111,253	2,240,627	4,233,492
Avg Asking Rent (NNN)	\$0.63	\$0.71	\$0.66
Inventory (SF)	103,185,089	102,084,282	97,599,600

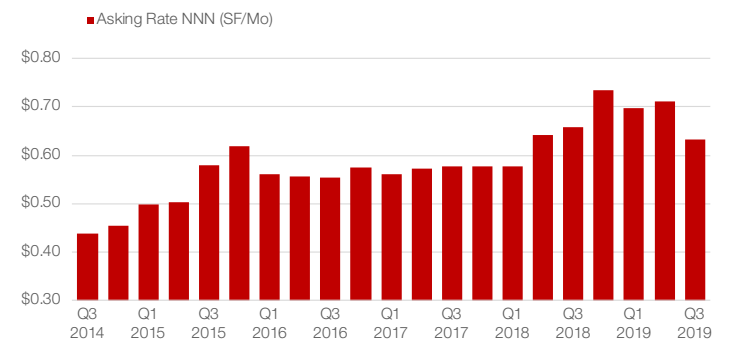
Supply & Demand



Construction by Submarket



Rent



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