

HOUSTON INDUSTRIAL | NORTHWEST Submarket Spotlight

Q2 2020

Northwest industrial submarket largest in Houston area. The Northwest submarket has posted positive net absorption in all but three quarters during the past five years with 1.1 million sq. ft. of net absorption in the first half of 2020. The current vacancy rate is 8.9% representing an increase of 130 basis points year-over-year. The Northwest submarket contains 175 million sq. ft. of inventory, with Warehouse/Distribution representing 134 million sq. ft. of that total, Manufacturing 25 million sq. ft., and Flex space 16 million sq. ft. Of the 614 million sq. ft. of industrial buildings in Houston, **the largest concentration is in the Northwest submarket, representing 29% of the total stock.**

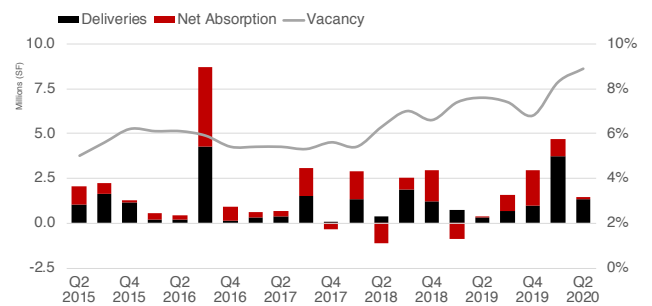
Record-breaking amount of construction. Houston has experienced record-breaking amounts of industrial product under construction with the current amount at 16.3 million sq. ft. – 5.1 million sq. ft. of that in the Northwest submarket. The coronavirus pandemic may lead to project delays or a slowdown in groundbreakings over the next few months, as owners, lenders, and developers come to terms with the changing economic environment both locally and nationally. During the pandemic, Empire West Business Park broke ground on a 300-acre industrial development located 30 miles west of Houston, in Brookshire that include three speculative buildings, totaling 1 million sq. ft., are under construction. The expected completion date is spring of 2021.

Core national industrial market. Distribution centers in northwest Houston can also serve the Austin and San Antonio markets, framing it as an essential national industrial market. The largest industrial occupiers in the submarket include Daikin North America (3.9 million sq. ft.), Academy Sports and Outdoors (1.5 million sq. ft.), and Medline (1.3 million sq. ft.). The immense infrastructure improvement to Highway 290 warrants the long-term continual growth of the Northwest submarket and serves as an incentive for expanding commercial and residential development along the corridor. **Work on the \$2.5 billion project to widen Hwy. 290 from Loop 610 to the Waller County line—a total of 38 miles—is down to the last major phase. With construction workers exempted from the earlier stay-at-home order, projects have continued to move forward. A large flyover bridge carrying FM 1960 over 290 is still expected to be completed in 2020, according to the Texas Department of Transportation.**

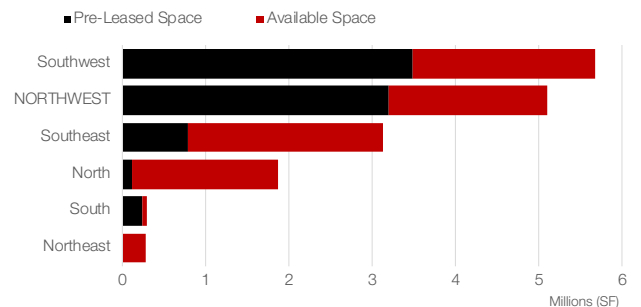
Market Indicators

	Current Qtr Q2 2020	Prior Qtr Q1 2020	Year Ago Q2 2019
Vacancy (%)	8.9	8.3	7.6
Net Absorption (SF)	141,883	955,611	67,656
Deliveries (SF)	1,315,085	3,742,732	311,950
Construction (SF)	5,097,548	5,097,548	3,129,759
Avg Asking Rent (NNN)	\$0.63	\$0.62	\$0.59
Inventory (SF)	175,410,704	174,095,619	168,660,847

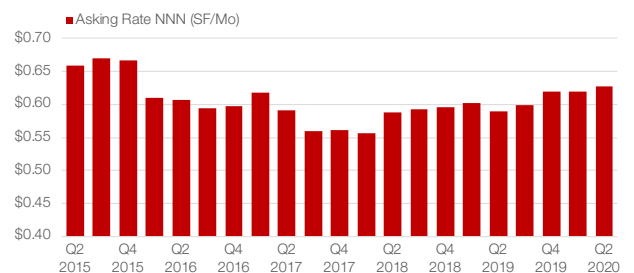
Supply & Demand



Construction by Submarket



Rent



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