Houston industrial market report

Q2 2022

AVISON YOUNG

Industrial market trends

01

Expansions continue into 2022

The Houston industrial market's momentum continues with increased levels of absorption and leasing activity. Expanding e-commerce and retailers have filled about 38.2 million square feet (msf) in the last 12 months.

Our take on this trend...

As population increases help drive consumer brands' expansion, the positive absorption and increased leasing activity pushes the vacancy and availability rates to record lows of the last several years.

02

Developers keep building

These high levels of activity along with increased traffic at the Port of Houston contribute to the nonstop development pipeline, which has totaled about 20 msf for the last two quarters.

Our take on this trend...

The development pipeline is currently about 25% preleased with 66% of the square footage under construction located in the Northwest and Southeast. Due to this demand, the pace of construction activity could be sustained throughout the year.

03

Rents are also going up

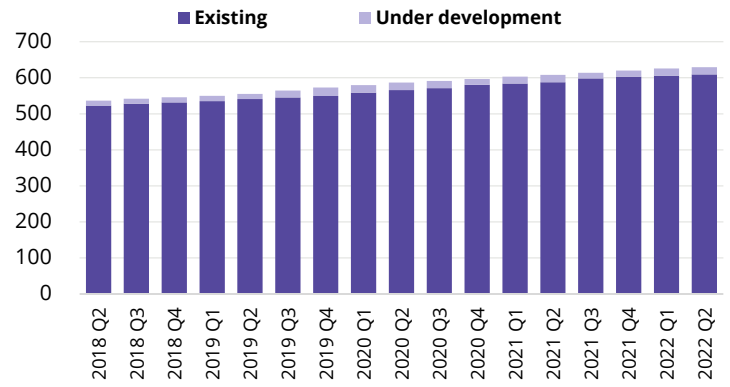
Asking rental rates have slowly risen each quarter during the last 18 months, increasing 13.5% year-over-year to break last quarter's record rent.

Our take on this trend...

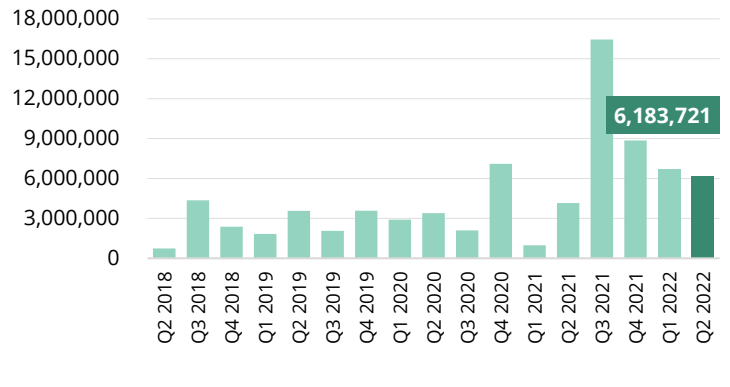
Rental rates are impacted by both increased demand and rising construction costs. If demand continues to outweigh supply, rents will also be impacted and continue to escalate.

Industrial market indicators

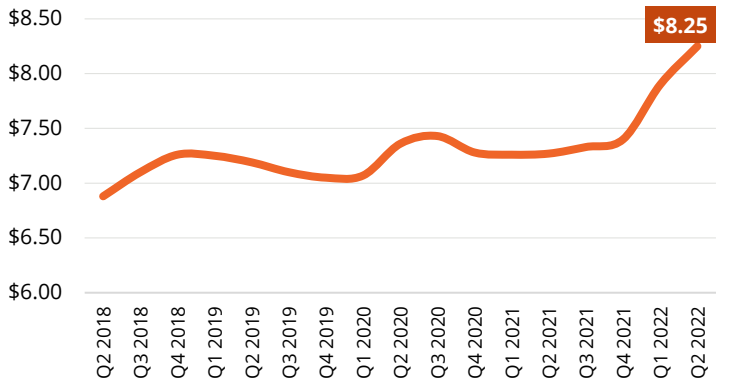
Inventory (msf)



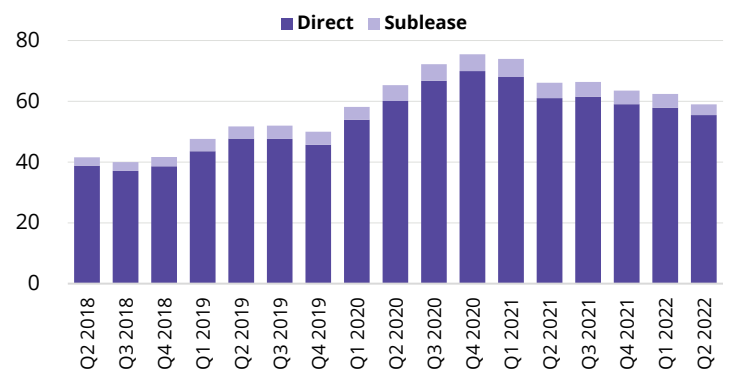
Net absorption (sf)



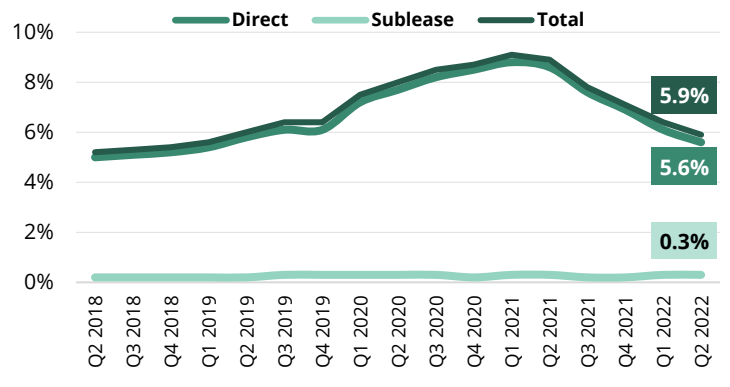
Direct asking rents (psf/NNN)



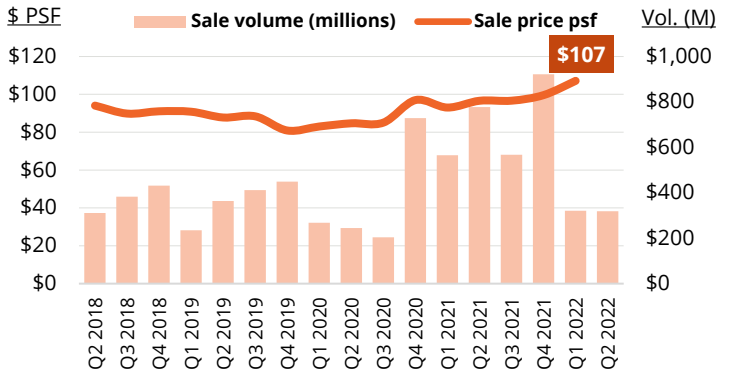
Availability (msf)



Vacancy



Investment sales



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Industrial market activity

Recent leasing activity

Tenant name	Address	Building name	Sign date	Size (sf)	Transaction type	Lease type	Submarket
Meiborg	1211 Rankin Road	Fairway North Logistics Park Building 2	4/1/2022	392,480	Direct	New	North
Supply Chain Warehouses	4000 Cedar Boulevard	Cedar Crossing Business Park Building C	4/1/2022	306,980	Direct	New	Southeast
CubeWorks	12510 W. Airport Boulevard	Sugar Land Crossroads Building 2	5/9/2022	199,978	Direct	New	Southwest
Isikel	West Ten Boulevard	Stonelake West 10	5/9/2022	195,974	Direct	New	Northwest
Walmart	13300 John F Kennedy Boulevard	Kennedy Greens Distribution Center I	5/1/2022	194,439	Direct	New	North
X Cargo	4300 Malone Drive	Bayport North Industrial Park	6/1/2022	195,438	Direct	New	Southeast
Wrist USA	4129 Greenshadow Drive	Park 225	4/20/2022	165,864	Direct	New	Southeast
Gulf Stream Marine	4000 Cedar Boulevard	Cedar Crossing Business Park Building D	4/2/2022	152,000	Direct	New	Southeast
Pepsi	S. Sam Houston Parkway W.	CityPark Logistics Center Building 7	4/27/2022	150,000	Direct	New	Southwest

Q2 2022 completed buildings

Building name	Address	Size (sf)	Preleased (%)	Tenant	Submarket
Prologis Presidents Park Building B2	Milner Road	629,186	100.0%	Confidential	North
American Furniture Warehouse	12310 Interstate 45 S.	492,262	100.0%	American Furniture Warehouse	North
290 Eight Distribution Center	12400 W. Little York Road	295,680	0.0%	TBD	Northwest
The Business Center at Far Corners Building 2	4670 S. Sam Houston Parkway W.	139,200	0.0%	TBD	Southwest
Mesa East Industrial Park	Mesa Road/Spikewood Drive	134,454	72.1%	J2 Resources	Northeast

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Industrial market stats by submarket and product type

By Submarket	Inventory (sf)	Total Vacancy (%)	Available Sublease (sf)	Total Availability (%)	Q2 Total Net Absorption (sf)	YTD Total Net Absorption (sf)	YTD Leasing Activity (sf)	YTD Deliveries (sf)	Under Construction (sf)	Average Quoted Rents (psf/NNN)
CBD/Inner Loop	45,749,068	5.0%	539,760	8.4%	(99,904)	(220,673)	643,666	0	159,085	$10.11
North	113,261,880	5.9%	947,259	10.2%	1,420,094	2,605,021	4,290,878	1,756,821	2,998,052	$8.18
Northeast	40,758,590	5.5%	88,843	7.7%	604,095	1,030,454	2,153,364	134,454	1,591,030	$5.51
Northwest	171,578,056	6.1%	1,076,332	10.6%	1,401,657	3,130,806	5,481,897	1,757,990	7,763,652	$8.52
South	43,092,163	2.5%	122,033	3.8%	379,866	601,641	720,946	83,800	68,000	$7.62
Southeast	111,158,828	6.1%	396,235	9.1%	1,899,303	4,210,078	5,575,303	1,231,340	5,607,535	$8.22
Southwest	83,420,924	7.5%	382,629	10.1%	578,610	1,524,480	2,973,086	980,320	2,077,082	$10.30
Market Total	**609,015,509**	**5.9%**	**3,553,091**	**9.4%**	**6,183,721**	**12,881,807**	**21,839,140**	**5,944,725**	**20,264,436**	**$8.25**

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Flex	41,973,266	9.1%	693,467	11.2%	(5,165)	309,100	1,776,080	97,476	107,333	$10.34
Manufacturing	108,524,844	3.0%	323,012	4.8%	1,201,038	1,887,585	1,779,450	1,168,502	892,101	$7.81
Warehouse/Distribution	458,517,399	6.3%	2,536,612	10.3%	4,987,848	10,685,122	18,283,610	4,678,747	19,265,002	$7.97
Market Total	**609,015,509**	**5.9%**	**3,553,091**	**9.4%**	**6,183,721**	**12,881,807**	**21,839,140**	**5,944,725**	**20,264,436**	**$8.25**

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