

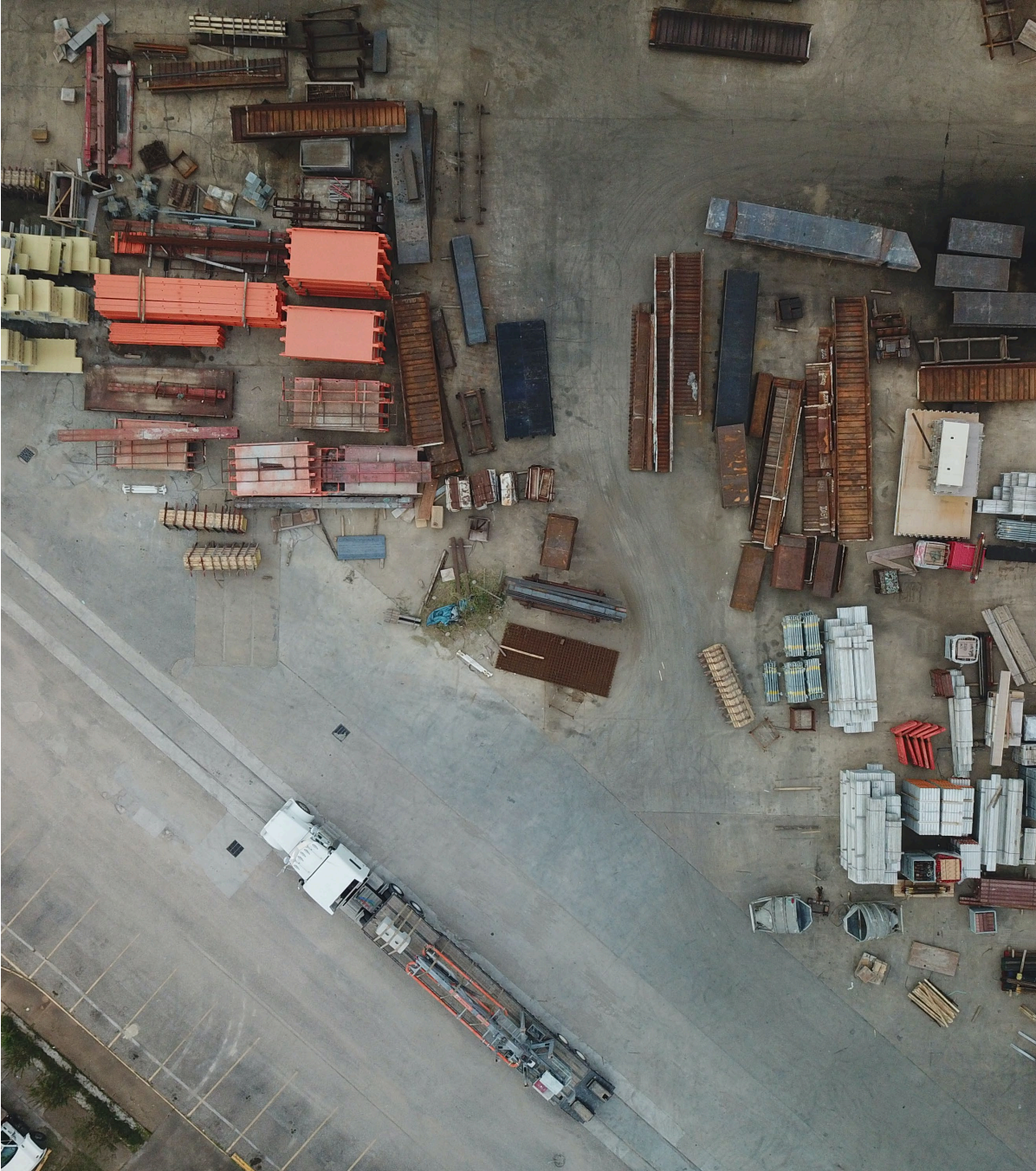


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Texas industrial insight report

Q2 2021

AVANT
by AVISON YOUNG



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U.S. industrial drivers

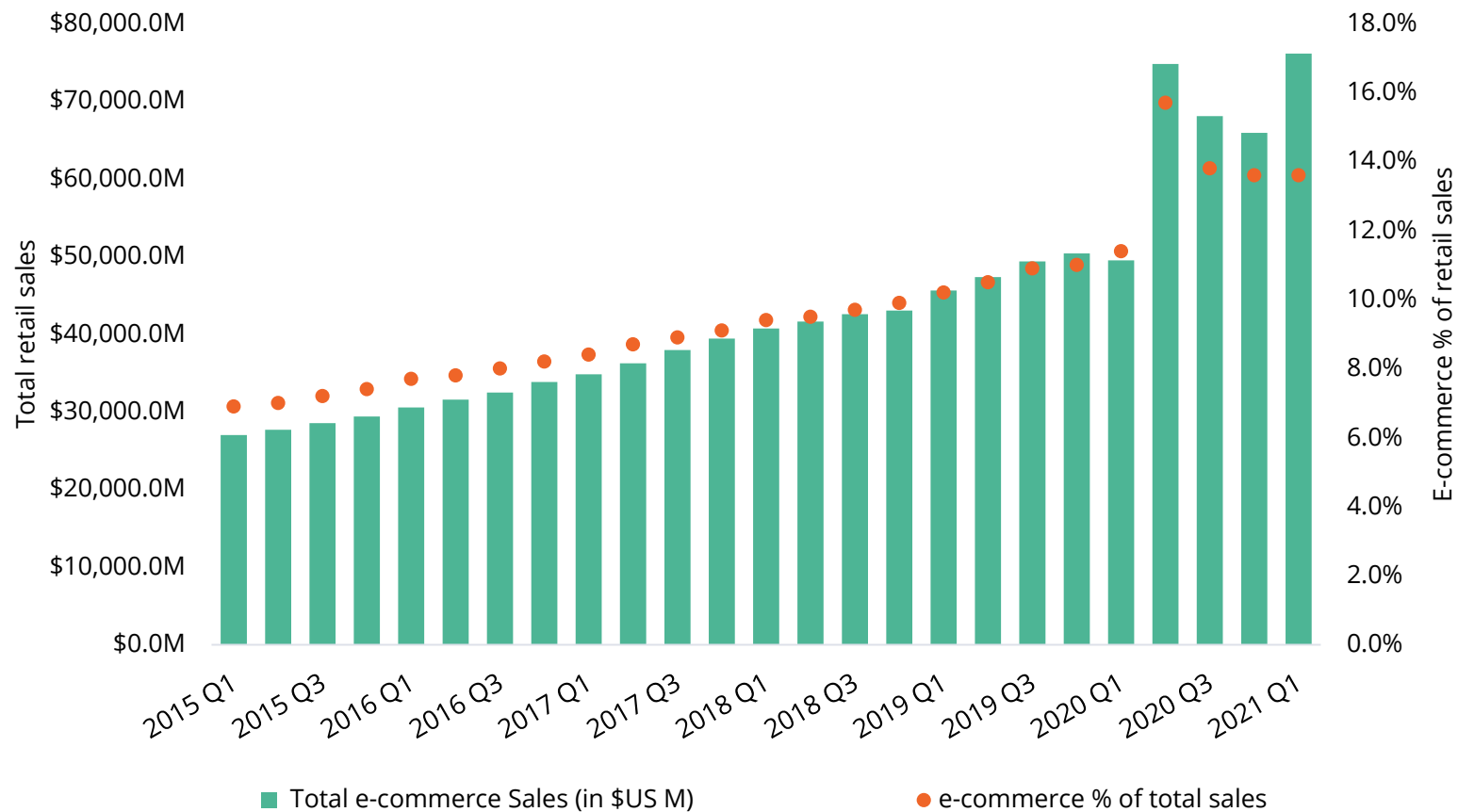
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U.S. total retail and e-commerce sales

15.7%

E-commerce share of overall retail sales in Q1 2021

Demand for e-commerce surged during the initial shock of lockdowns, driving industrial demand to record levels. As the economy begins to reopen, the rate of e-commerce growth is nearly double pre-COVID levels, suggesting accelerated e-commerce demand is sustainable.



Source: Federal Reserve Bank of St. Louis

Property type job gains and losses

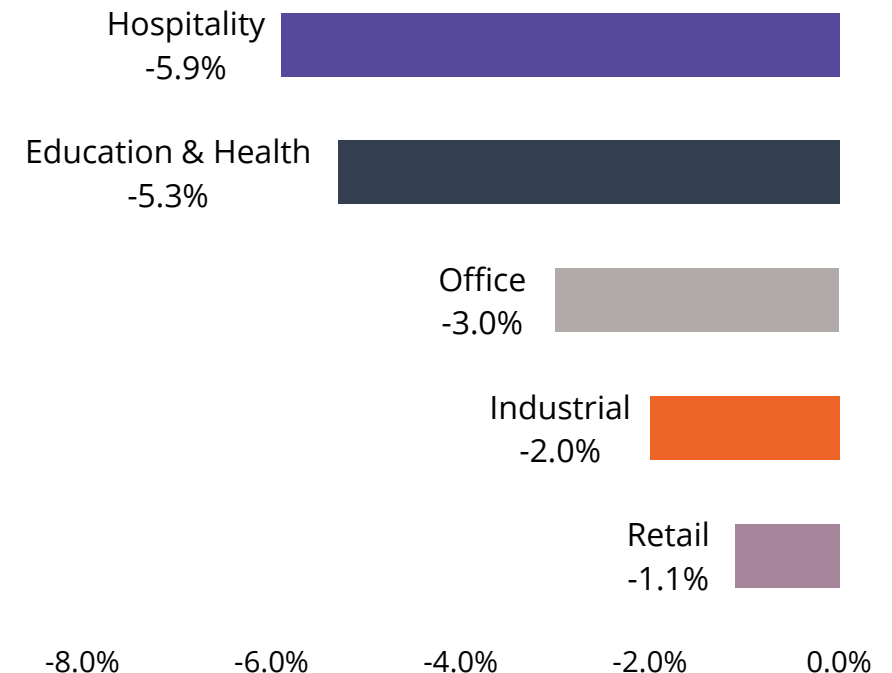
-2.9%

Change in total industrial employment during the pandemic

Post-COVID industrial job losses have been mild compared with other segments of the labor market, underscoring the industry's comparative strength as cities and economies reopen.

[VIEW DASHBOARD](#)

Total change in U.S. job gains/(losses) February 2020 to May 2021



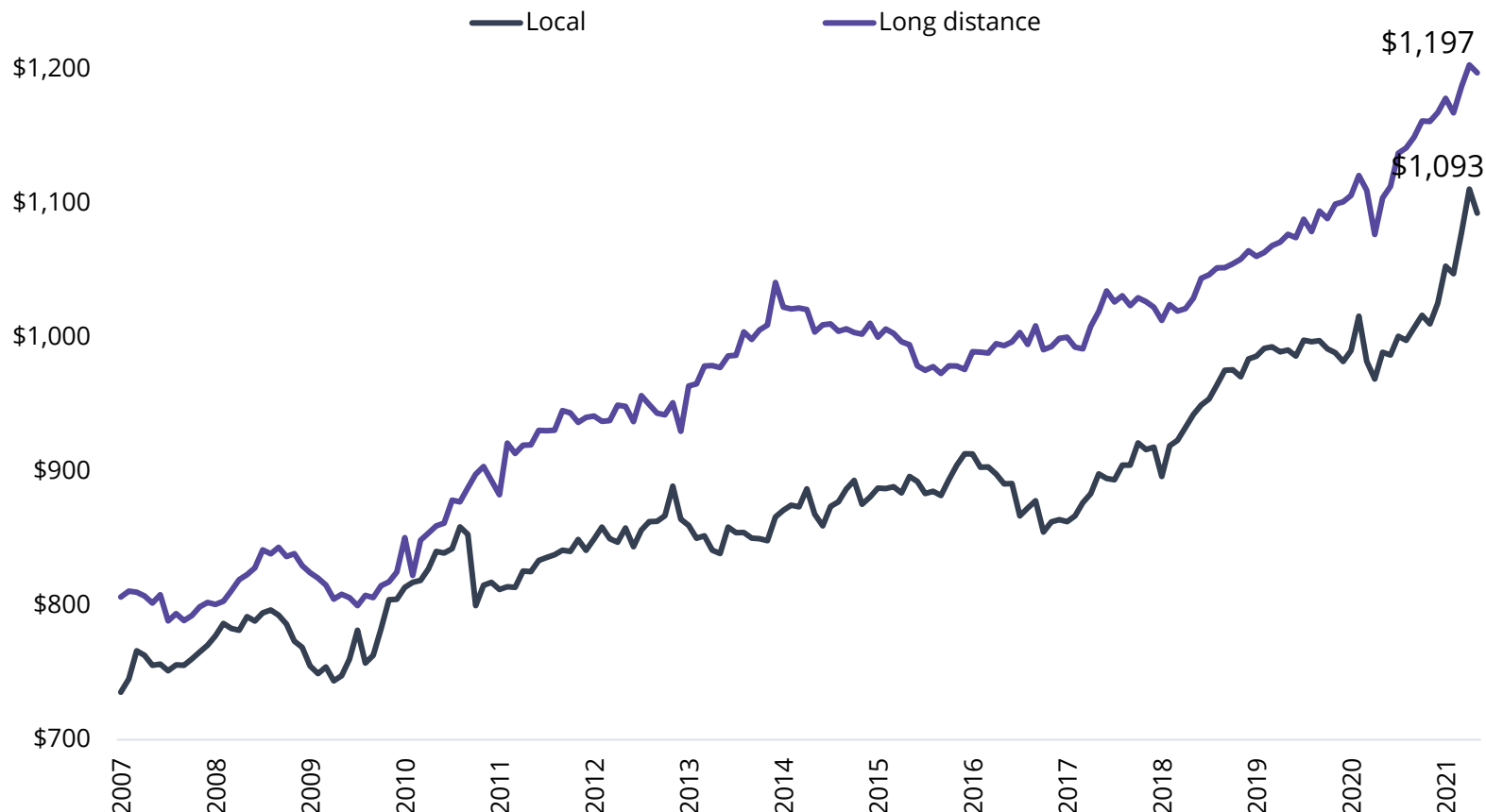
Note: Not seasonally adjusted data.
Source: Bureau of Labor Statistics

Weekly earnings for U.S. trucking employees

+10.5%

Annual change in local trucking weekly earnings, 2007 to 2021

As employers compete to fill vacant positions, wage pressure for trucking has accelerated sharply over the past 15 months. Initially focused on long-distance truckers in the early stages of the pandemic, the trend has increasingly spread to local trucking.



Source: Bureau of Labor Statistics

Key Texas industrial takeaways

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Key industrial takeaways



Economic conditions

- Texas's big 3 metro areas (Dallas-Fort Worth, Houston & Austin) have seen a **-3.0% total employment change** since the start of the pandemic, but a positive 6.7% growth in the previous 12-month period.
- Industrial property-using job employment across the 3 metros now totals over **2 million**.



Recovery rate

- Recovery rates across Dallas-Fort Worth, Houston & Austin are currently **56.6%, 50.9% & 60.9%**, respectively – all above the national average of 49.0%
- Industrial property-using jobs across the 3 metros have seen **1.1%** job growth since the beginning of the year.



Industrial demand

- There has been **66.7 msf of positive net absorption** in industrial product for the 3 markets.
- Industrial **leasing activity has seen record rates across all 3 metros** since the start of the pandemic.

Key industrial takeaways



Industrial supply

- As national, regional and local logistics and e-commerce businesses continue to expand throughout the market, developers are working to meet demand. There is currently **70 msf** of industrial product under construction across the 3 metros.
- Vacancy rates for the 3 metros are all still elevated above pre-Covid rates, with Houston having the highest vacancy rate at **6.7%**.



Pricing trends

- Base rents have changed by **3.2%, 1.5% & -0.6%** since the start of the pandemic for Dallas-Fort Worth, Houston & Austin.



Capital markets

- The 3 markets have seen investment activity surge to cumulative **\$7.8B since 2020** as investors are attracted to the sector fundamentals largely benefited from the COVID environment.
- **Asset pricing has risen** across all 3 markets.

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Dallas-Fort Worth market fundamentals

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Employment and unemployment

5.3%

Dallas-Fort Worth unemployment rate as of May 2021, stabilizing to levels last experienced in 2014

Before the pandemic, unemployment was at historical lows. While the economy has added back over 509,000 jobs since its lowest point in April last year, DFW is still at a net loss of 104,614 jobs since the end of 2019.

Unemployment has recovered to 2014 levels after reaching a record high of 12.5%.



Note: Not seasonally adjusted data. Metropolitan statistical area.
Source: Bureau of Labor Statistics

Property type job gains and losses

-2.1%

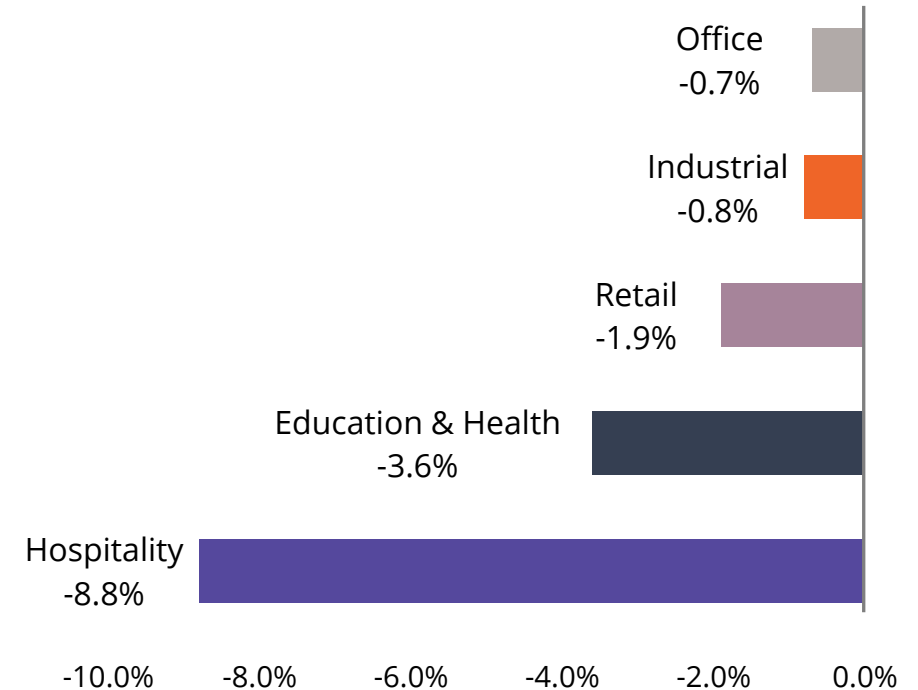
Change in total employment during the pandemic

The Dallas-Fort Worth metro area lost 2.1% of its total labor force since the pandemic began, though industrial losses were comparatively subdued. Industrial job gains in recent months demonstrates that a significant recovery is likely in that sector in the near term.

[VIEW DASHBOARD](#)

Total change in DFW MSA* job gains/(losses)

February 2020 to May 2021



Note: Not seasonally adjusted data. Metropolitan statistical area.
Source: Bureau of Labor Statistics

Industrial job gains and losses

-0.8%

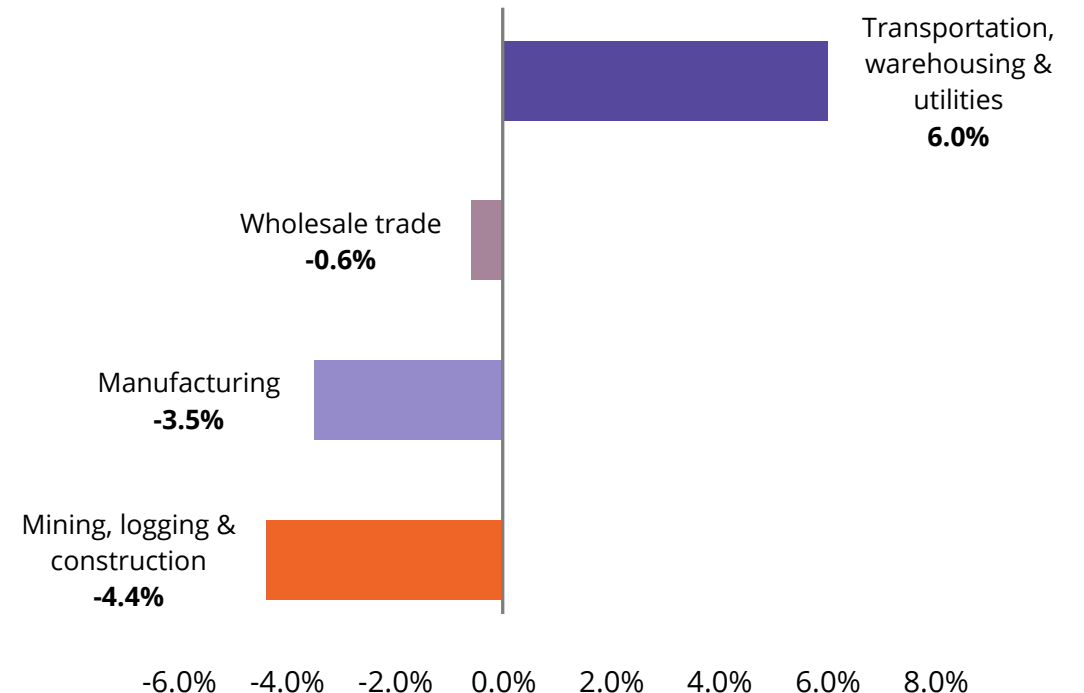
Change in industrial-centric employment during the pandemic

DFW has recovered 82.0% of industrial-centric jobs lost between February 2020 and April 2020. Meanwhile, jobs within Transportation, warehousing & utilities industries have grown by 13,400 and are now higher than they were leading into the pandemic.

[VIEW DASHBOARD](#)

Total change in DFW MSA* job gains/(losses)

February 2020 to May 2021



Note: Not seasonally adjusted data. Metropolitan statistical area.
Source: Bureau of Labor Statistics

Blue-collar workforce concentration

Source: AVANT by Avison Young, ESRI
Large pockets of blue-collar workforce are found
throughout DFW's largest Industrial submarkets

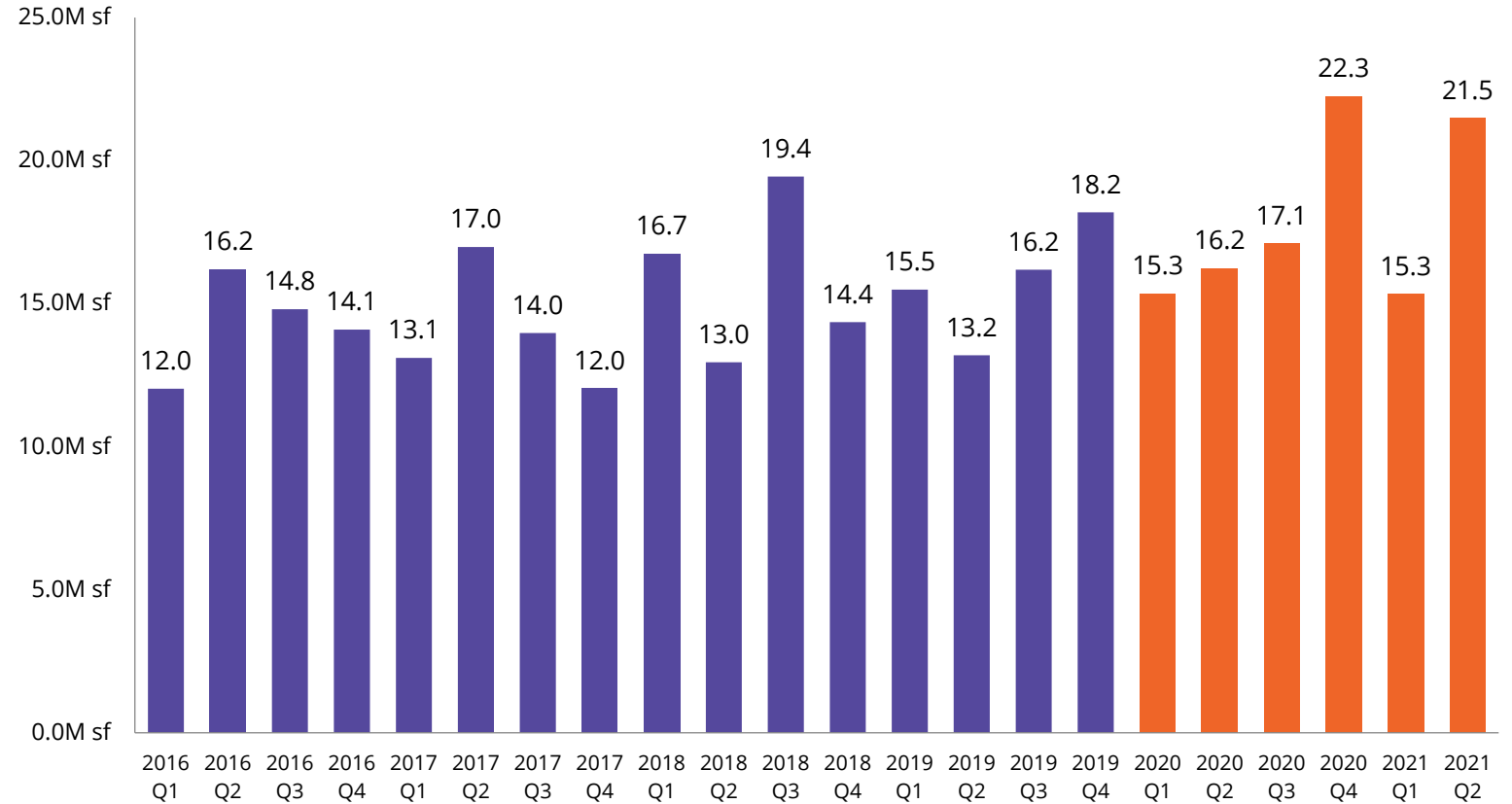


Industrial leasing activity

+18.4%

**Q1 2020 - Q2 2021 vs.
prior 3-year quarterly
average leasing activity**

Leasing has not let up during the pandemic, with Q4 2020 and Q2 2021 recording the highest rates of quarterly activity for the last 5 years.



Source: CoStar

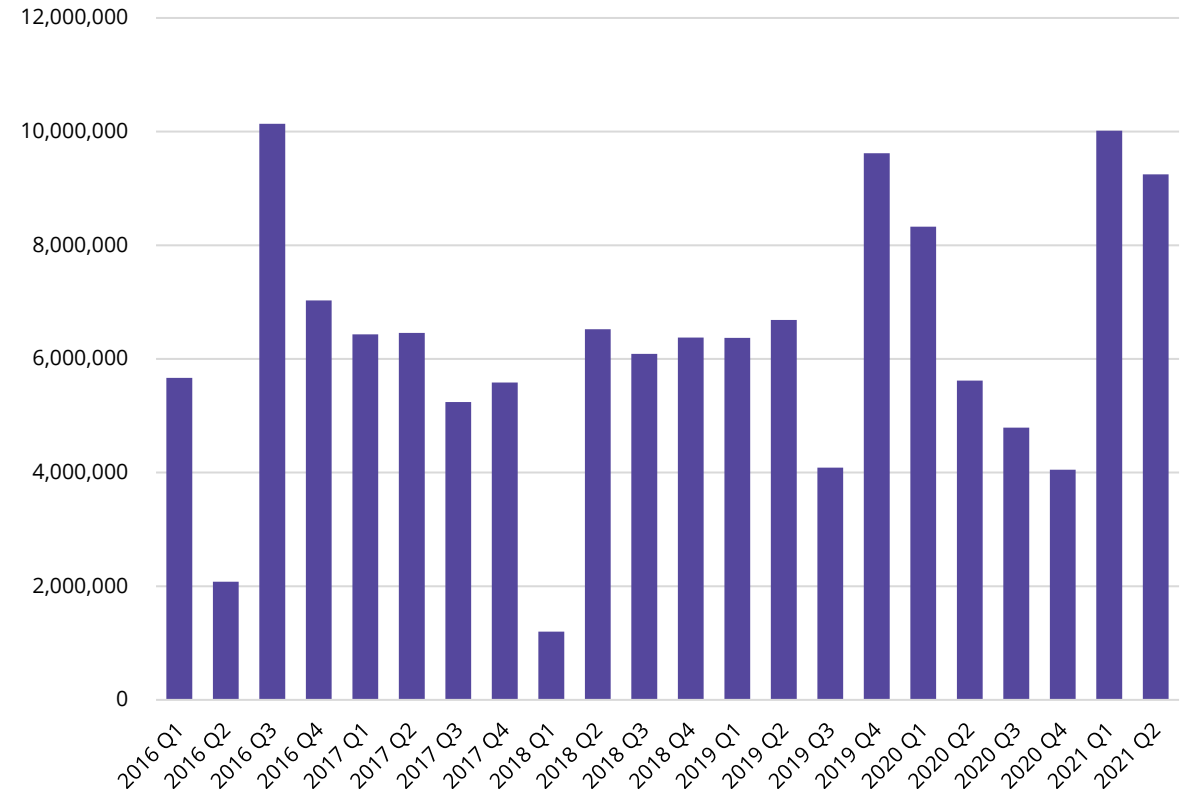
Industrial net absorption

41.95 msf

**Positive net absorption Q1 2020
through Q2 2021**

Absorption through mid-year remains quite healthy and on pace with levels throughout the prior decade. The market is not overbuilding. Instead, the market is creating opportunities to avoid market inertia and movement to high-quality new development. At 12.5 million sf through the first half of the year, aggregate 2021 net absorption could actually outpace totals for the past 2-3 years.

Quarterly net absorption



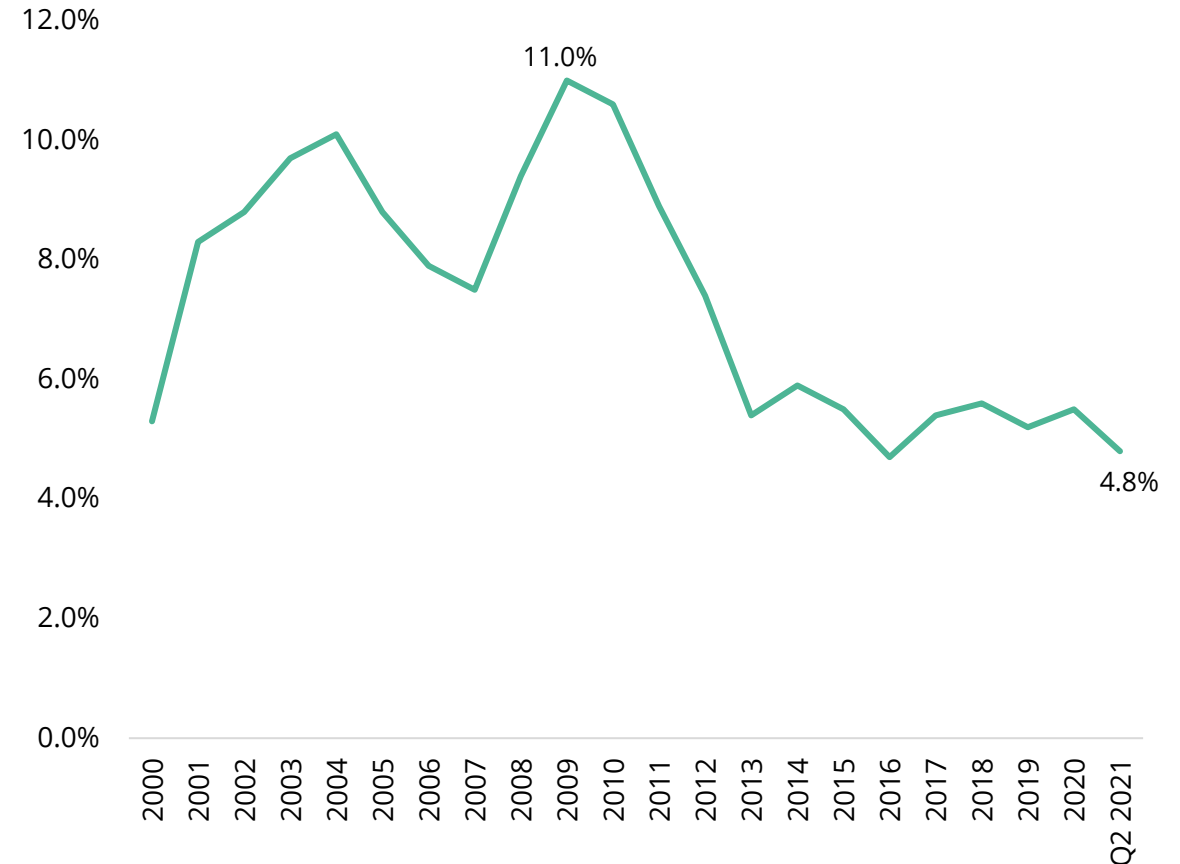
Note: Absorption is measured as the quarterly change in occupied square feet.
Source: CoStar

Industrial vacancy rate

4.8%

Near 20-year record low vacancy for Q2 2021

The Q2 2021 total vacancy rate nearly reached a post-2000 low, falling by more than half from its high in 2009. Vacancies will likely remain stable at this low rate, as they have for several years, buoyed by high demand for warehouse and distribution space.



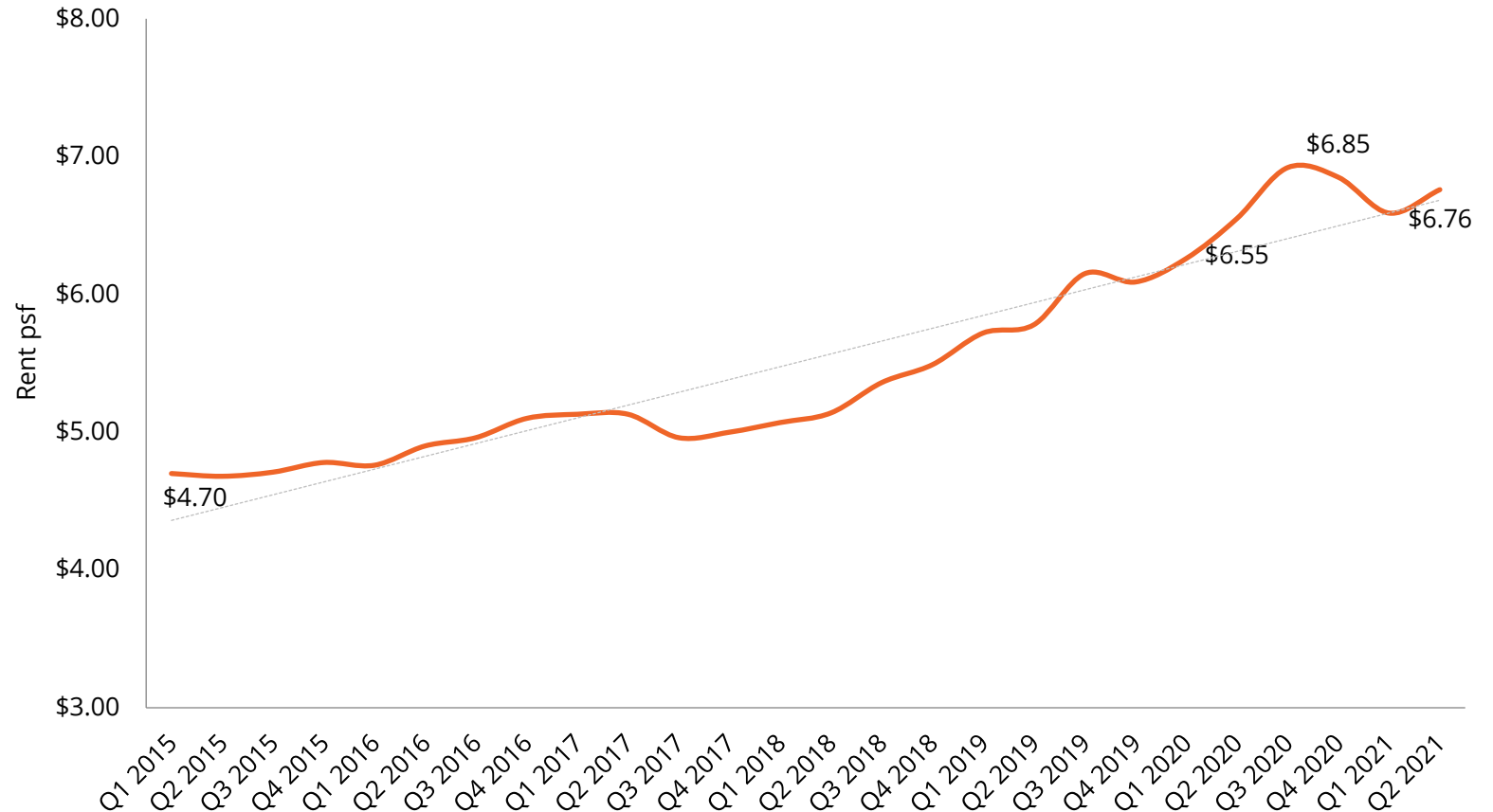
Source: CoStar

Base rents

+3.2%

Base rents since the onset of the pandemic

Base rents have softened slightly in the second quarter, but overall have trended upward since 2015, increasing by 43.8% over the last six years.



Source: AVANT by Avison Young

Record-level construction pipeline

336 properties

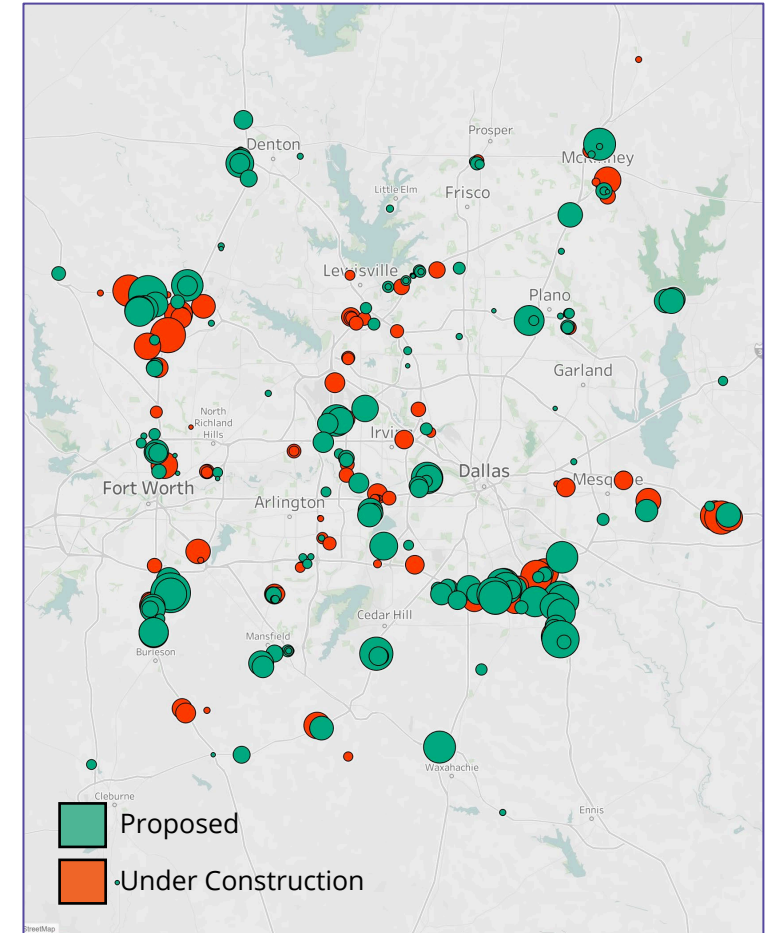
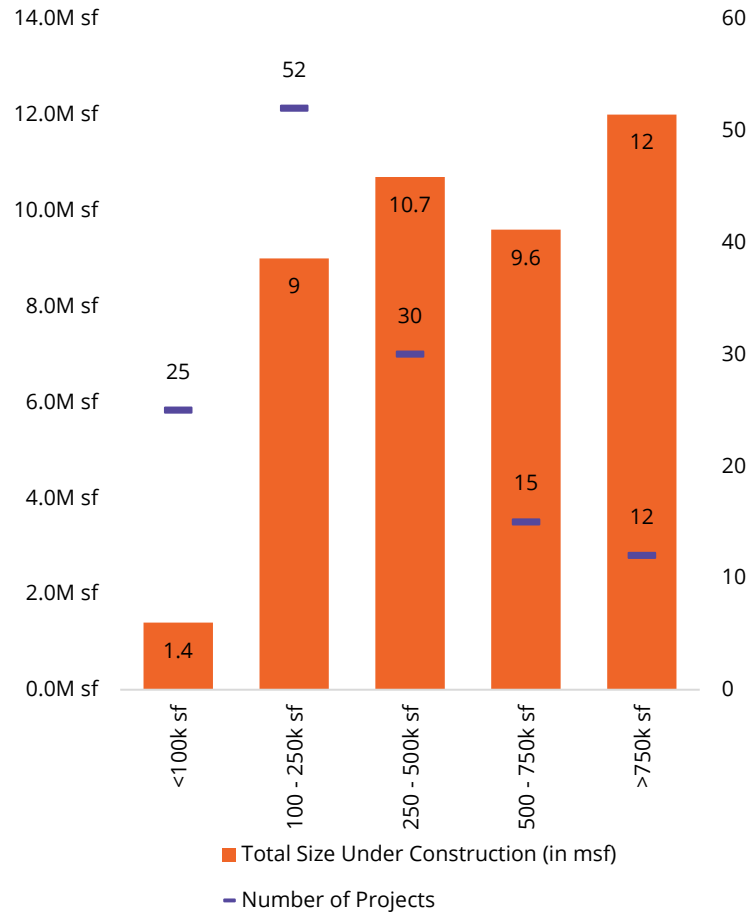
Proposed, under construction
or under renovation

42 msf

under construction

South Dallas

Submarket cluster with most
sf underway at 10.3 msf



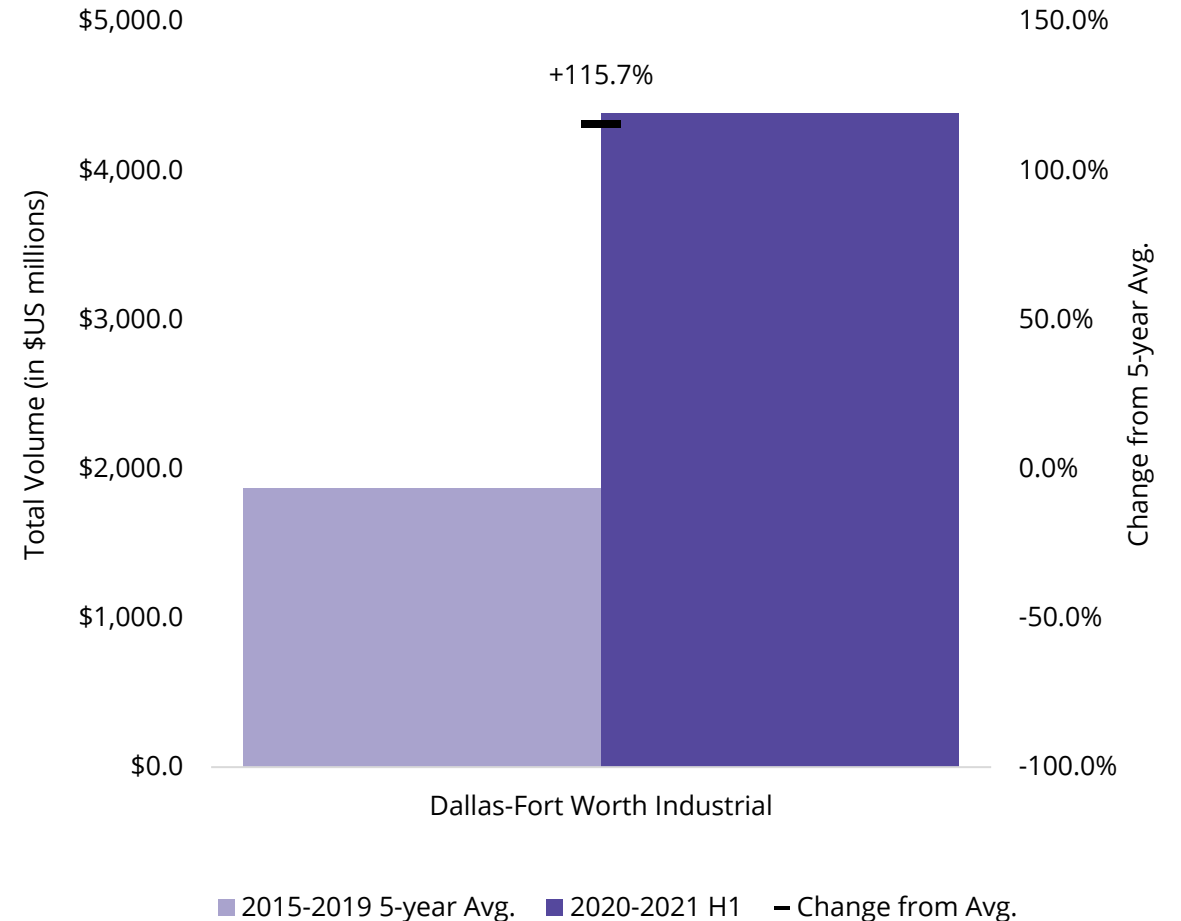
Source: AVANT by Avison Young

Investment dollar volume

\$4.4B

Industrial dollar volume, 2020 to Q2 2021

Industrial sales activity has substantially risen since the start of the pandemic as warehouse and distribution facilities became essential to online shopping demand. Industrial volumes surged +115.7% against the prior five-year average due to these stronger fundamentals.



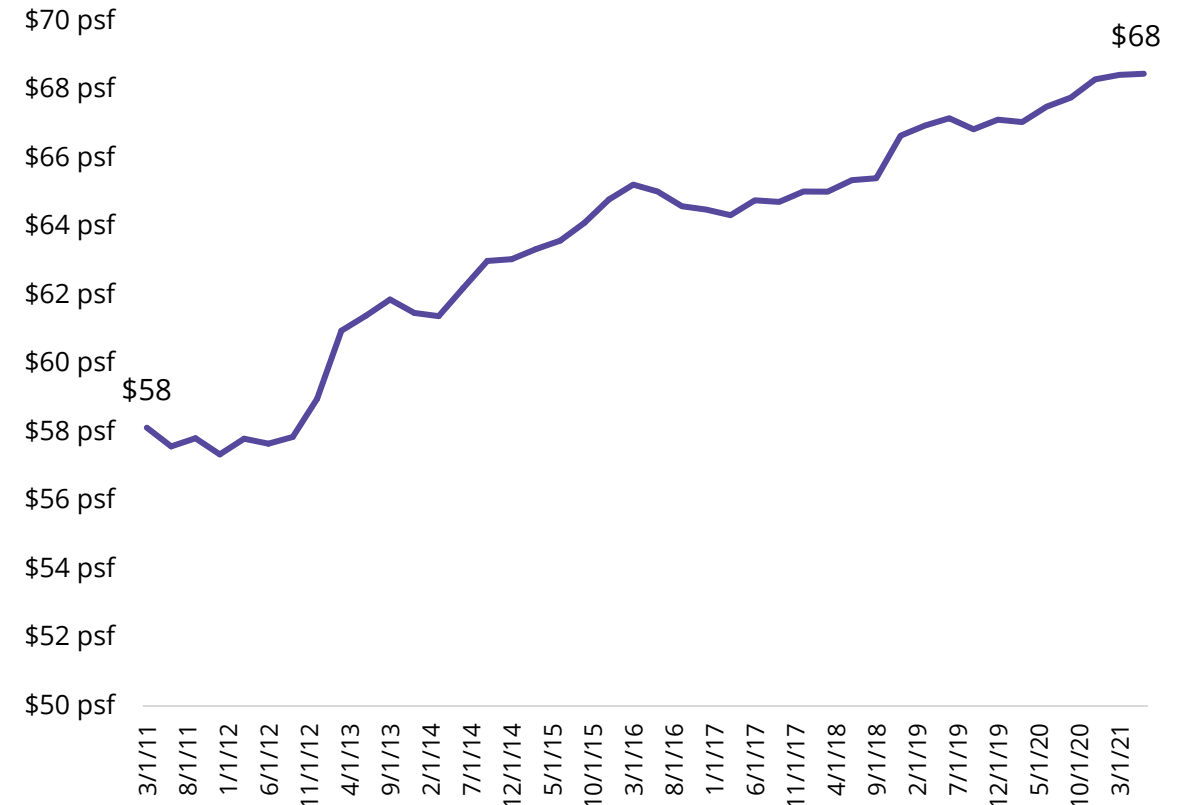
Source: AVANT by Avison Young
RCA

Industrial asset pricing

+2.1%

Dallas-Fort Worth industrial pricing, April 2020 to June 2021

Pricing for Dallas-Fort Worth industrial assets has continued to elevate since the Great Recession recovery, and continued through the pandemic, as an influx of investors seek exposure to properties that can accommodate the rise of e-commerce distribution.



Source: RCA

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Houston market fundamentals

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Employment and unemployment

6.6%

Houston MSA unemployment rate as of May 2021, stabilizing to levels last experienced in 2012

Before the pandemic, unemployment was at historical lows. While the economy has added back over 360,000 jobs since its lowest point in April last year, we are still at a net loss of 134,736 jobs since the start of 2020.

Unemployment has recovered to 2012 levels after reaching 14.0% in April 2020.



Note: Not seasonally adjusted data. Metropolitan statistical area.
Source: Bureau of Labor Statistics

Property type job gains and losses

-4.8%

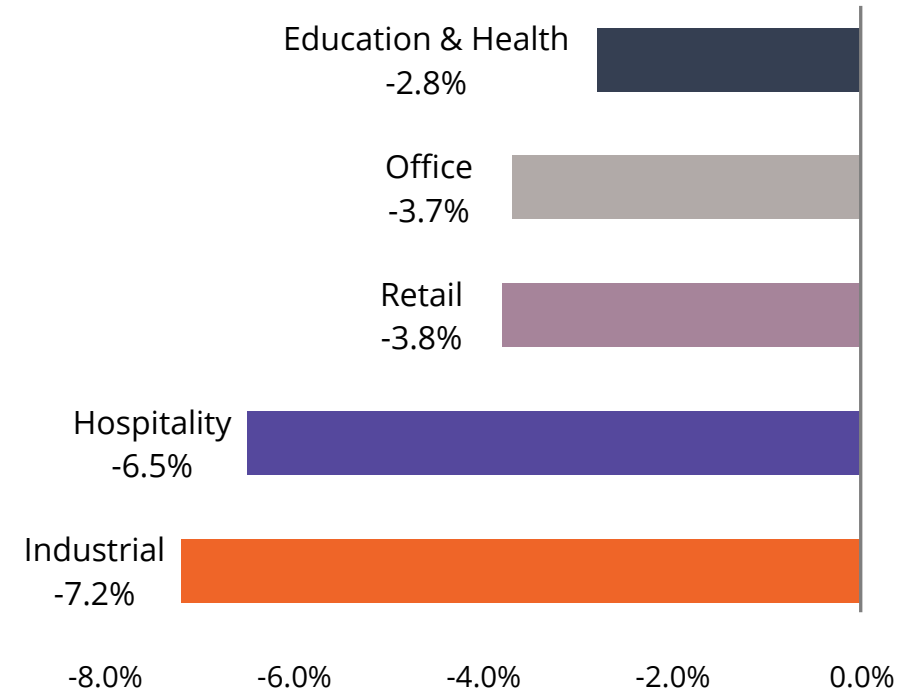
Change in total employment during the pandemic

The Houston metro area lost 4.8% of its total labor force since the pandemic began, with industrial losses accruing the largest percentage loss. Industrial job gains since the start of the year demonstrate that a stable, steady recovery is likely in that sector in the near-term.

[VIEW DASHBOARD](#)

Total change in Houston MSA* job gains/(losses)

February 2020 to May 2021



Note: Not seasonally adjusted data. Metropolitan statistical area.
Source: Bureau of Labor Statistics

Industrial job gains and losses

-7.2%

Change in industrial-centric employment during the pandemic

The Houston metro area lost 7.2% of industrial employment since the pandemic began, as evidenced by a sharp decline in jobs early in 2020. Transportation, warehousing & utilities jobs are the only sector to see net positive growth since the pandemic started after adding over 10,000 jobs since February 2020.

[VIEW DASHBOARD](#)

Total change in Houston MSA* job gains/(losses)

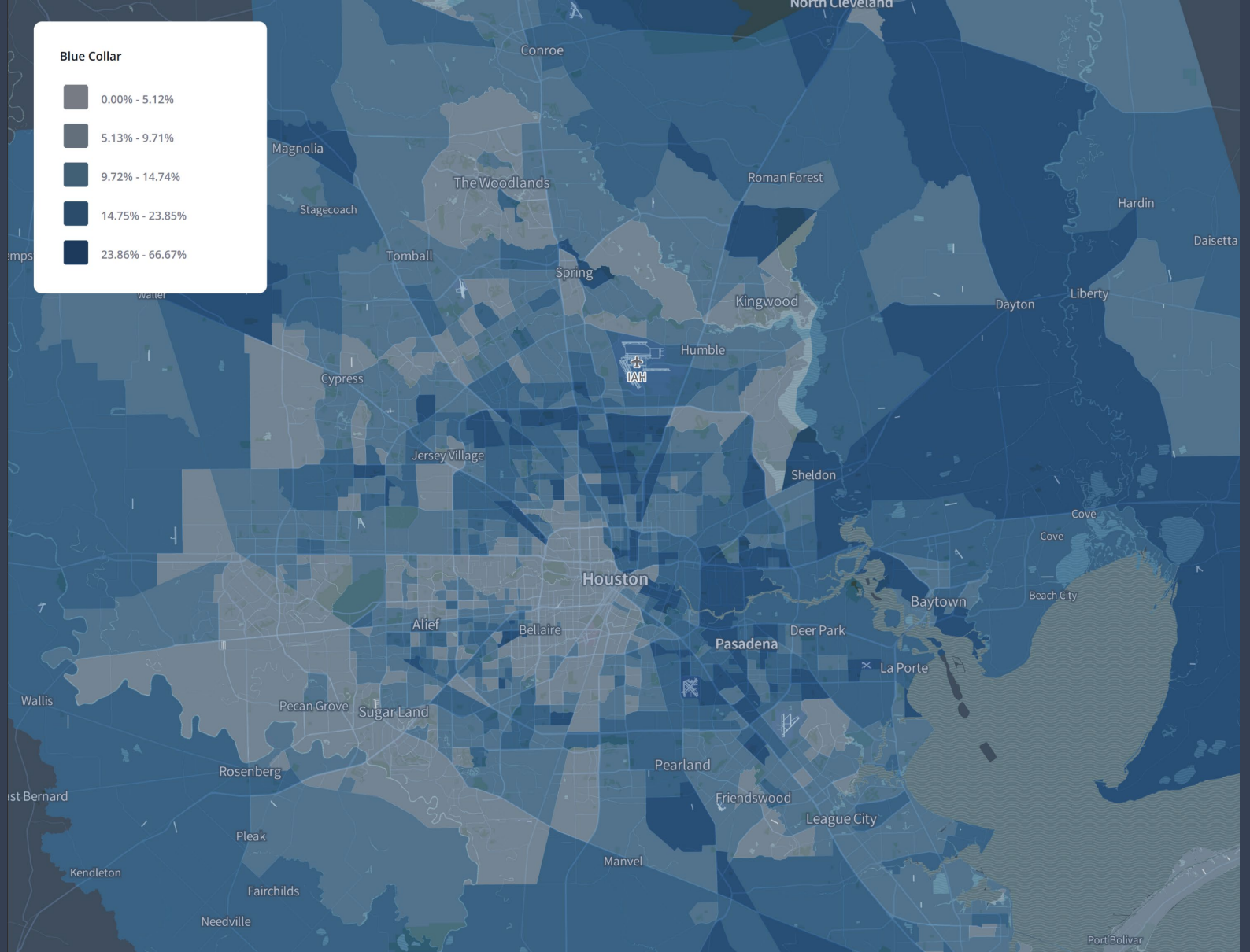
February 2020 to May 2021



Note: Not seasonally adjusted data. Metropolitan statistical area.
Source: Bureau of Labor Statistics

Blue-collar workforce concentration

Source: AVANT by Avison Young, ESRI
Large pockets of blue-collar workforce are found
throughout Houston's largest Industrial submarkets

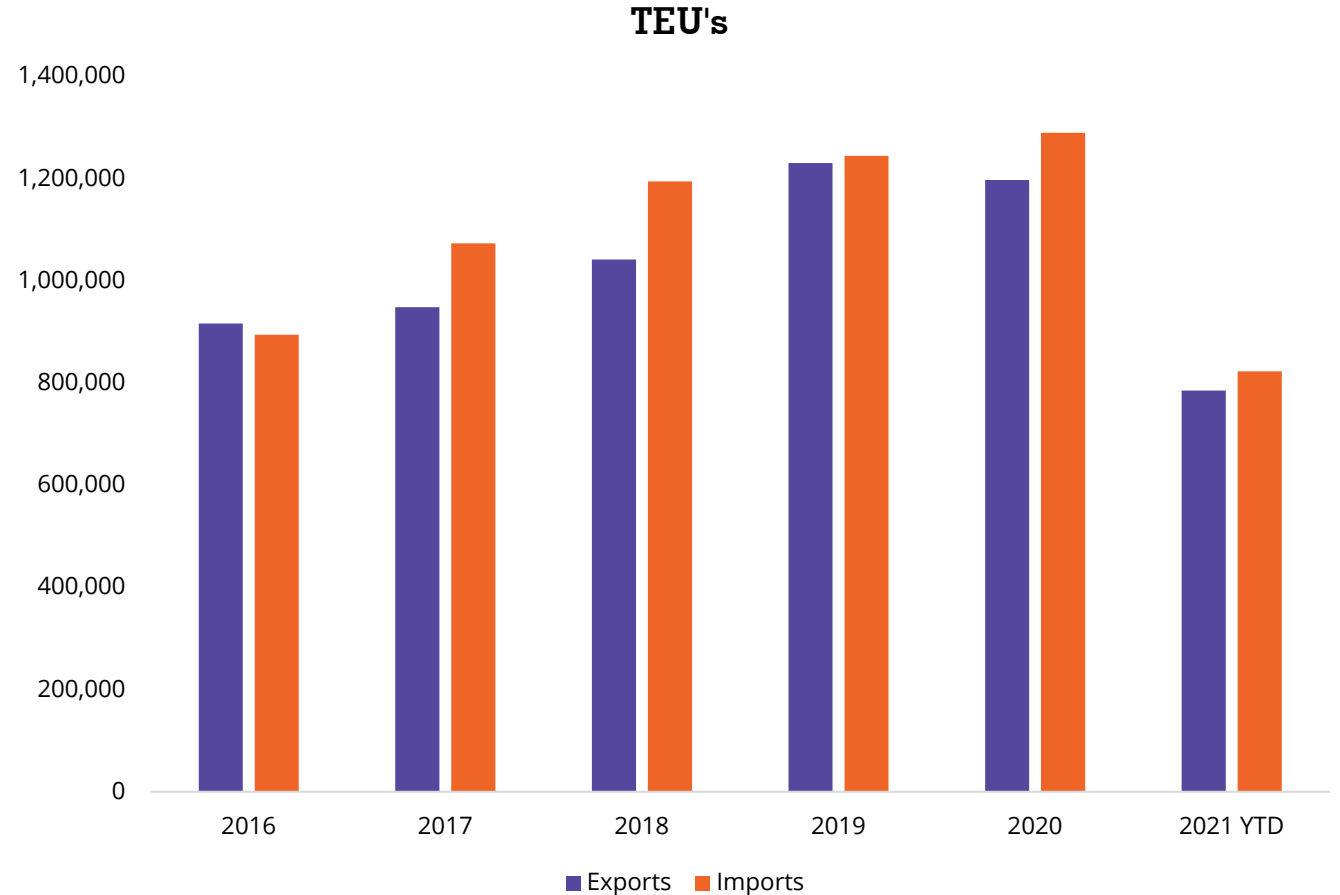


Port of Houston cargo volume

1.6 million

**2021 YTD TEU total volume
(imports & exports)**

- *Number 1 U.S. port in foreign waterborne tonnage*
- *Number 1 U.S. port in total foreign and domestic waterborne tonnage*
- *Number 3 U.S. port in terms of total foreign cargo value*
- *6th ranked U.S. container port by total TEUs*



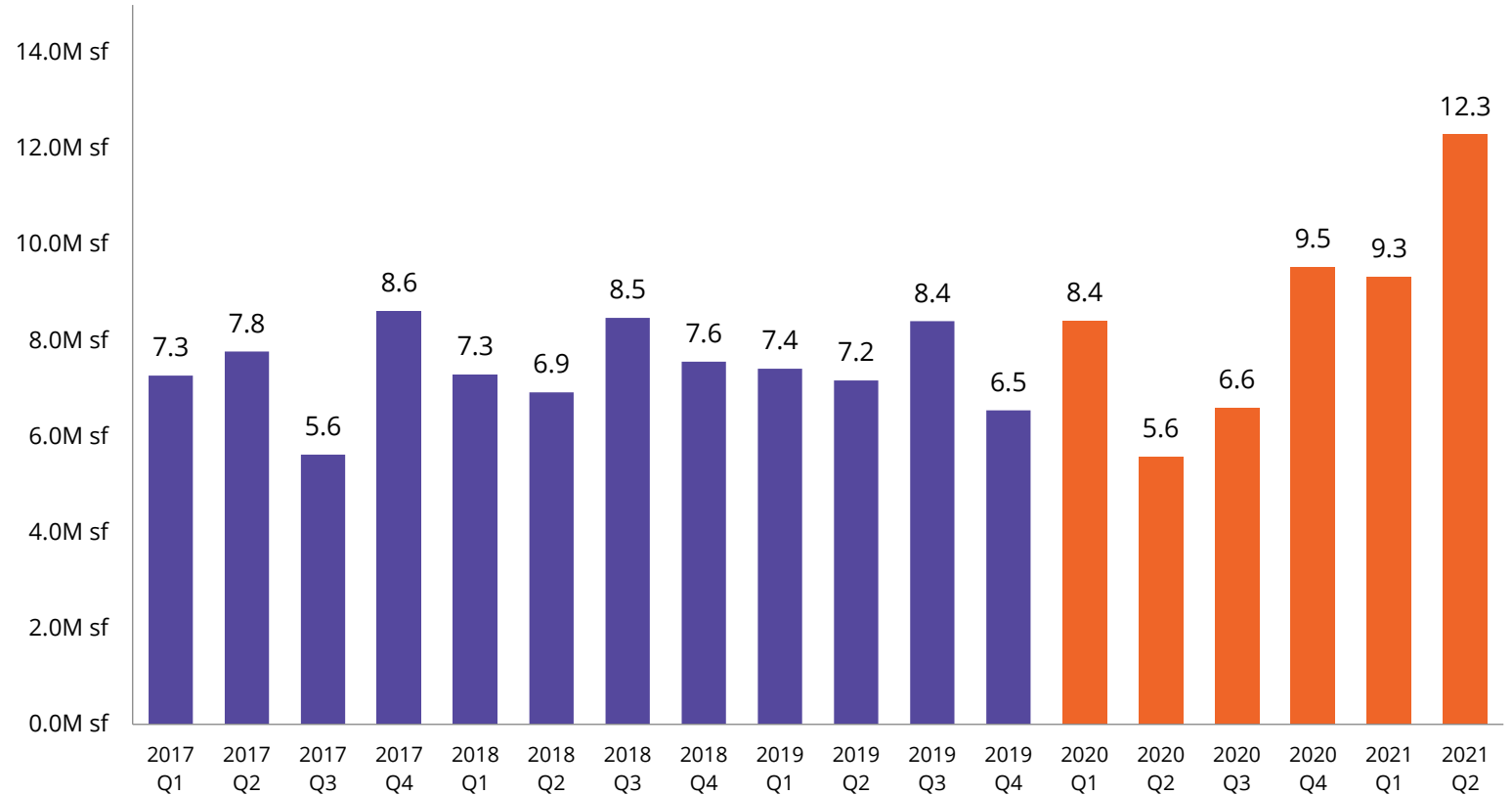
Source: Port of Houston

Industrial leasing activity

+16.2%

**Q1 2020 - Q2 2021
average vs. prior 3-year
quarterly average
leasing activity**

Leasing has not let up during the pandemic, with Q4 2020 and Q2 2021 recording the highest rates of quarterly activity for the last 5 years.



Source: CoStar
Industrial & Flex | Existing & Under Construction | 20,000 sf+ | Owner-Occupied included

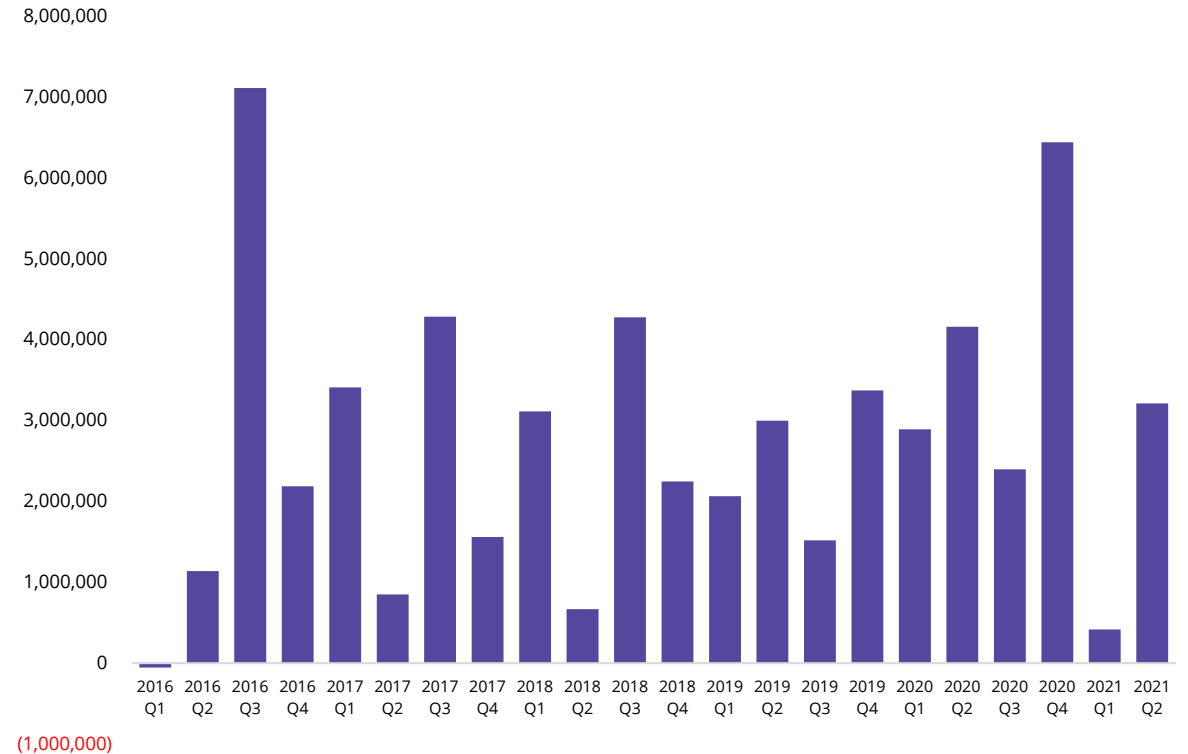
Industrial net absorption

19.5 msf

Positive net absorption Q1 2020 through Q2 2021

Absorption through mid-year remains healthy and on pace with levels throughout the prior decade. The market is not overbuilding. Instead, the market is creating opportunities to avoid market inertia and movement to high-quality new development. At 3.6 million sf of positive net absorption through the first half of the year, aggregate 2021 net absorption is set to underperform compared to 2020, but in line with recent years.

Quarterly net absorption



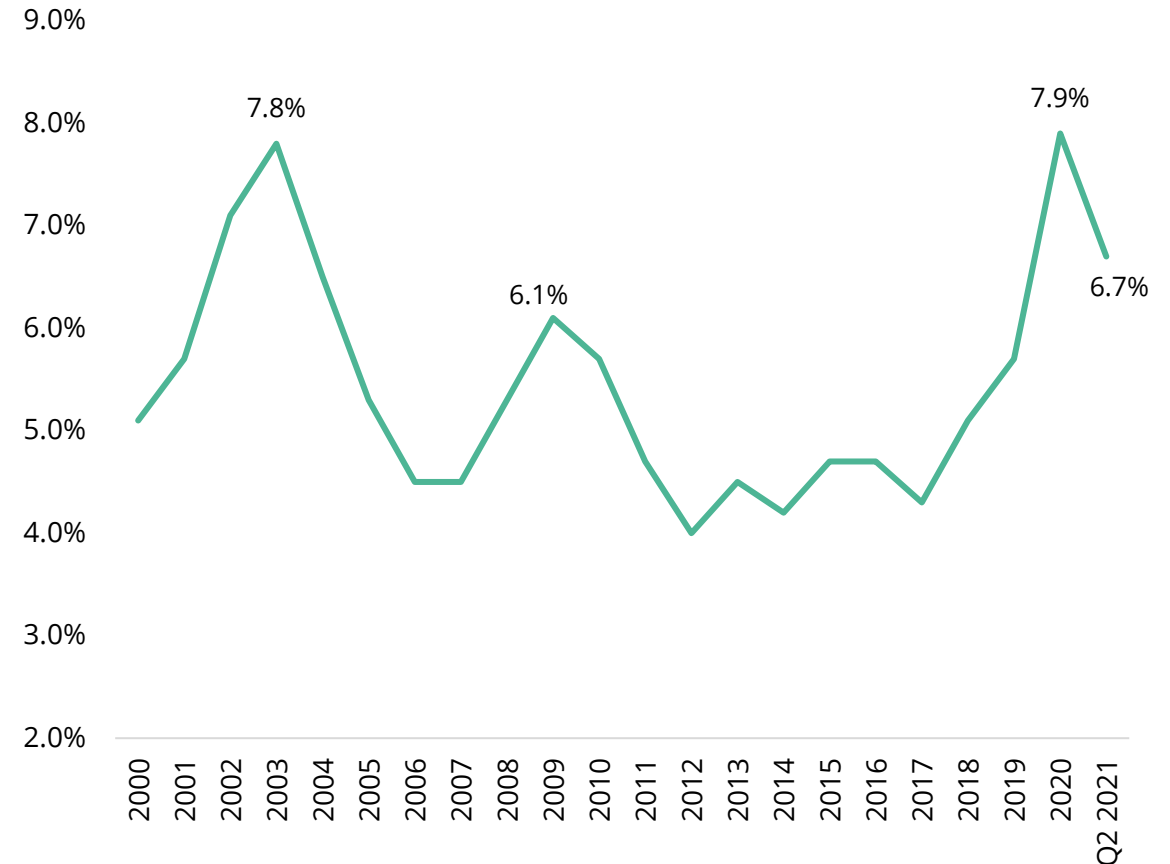
Note: Absorption is measured as the quarterly change in occupied square feet.
Source: CoStar

Industrial vacancy rate

6.7%

Vacancies remain elevated to levels above Great Recession highs

Vacancy rates continue to decline as activity returns. 2020 saw rates reach their highest levels in 20 years, driven by substantial deliveries to the market. It will take some time and circumstance to see a return to the lows experienced during this cycle.



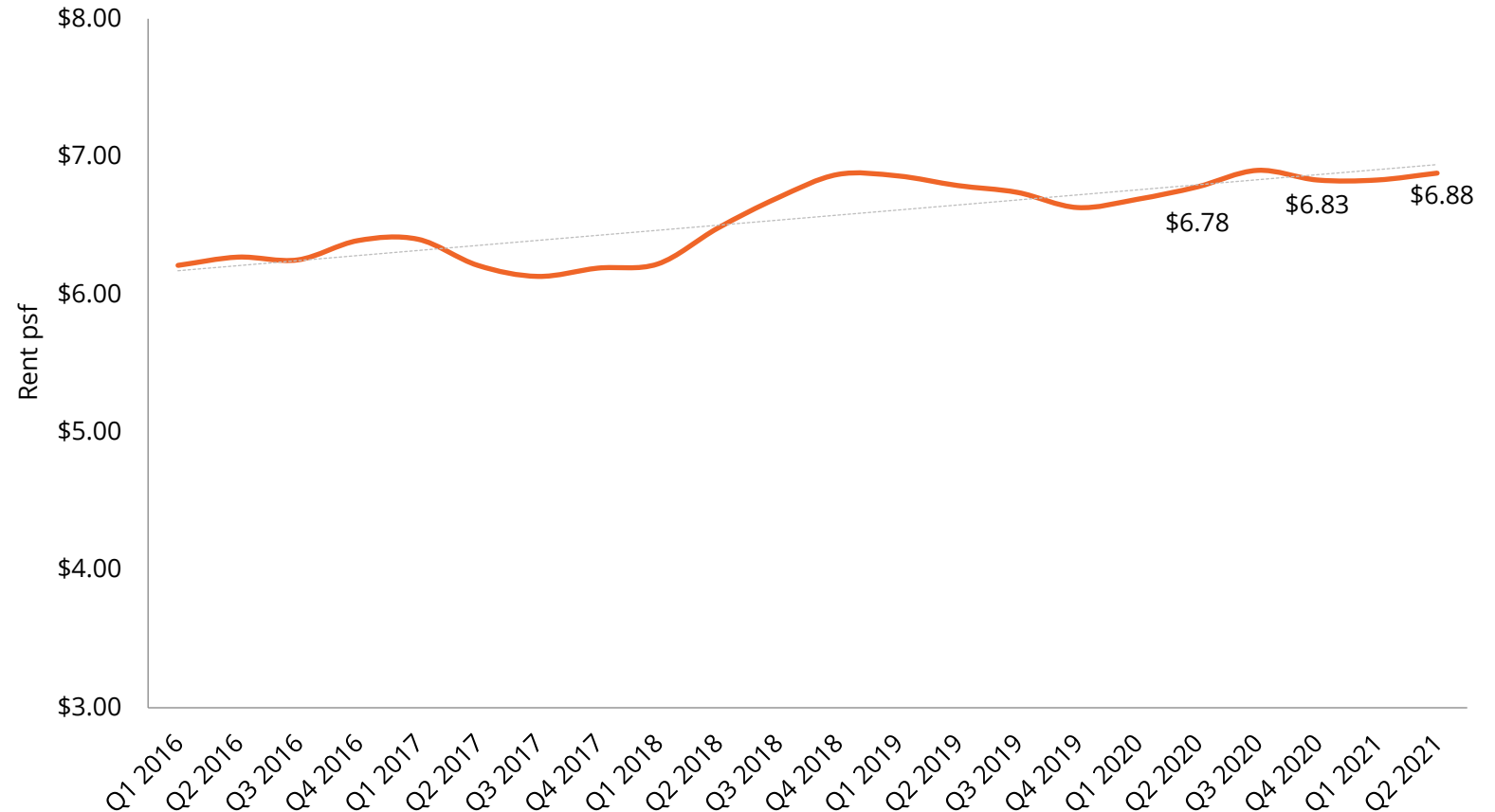
Source: CoStar

Base rents

+1.5%

Base rents since the onset of the pandemic

Base rents have softened slightly in the second quarter, but overall have trended upward since 2015, increasing by 43.8% over the last six years.



Source: AVANT by Avison Young

Big-box demand drives construction

281 properties

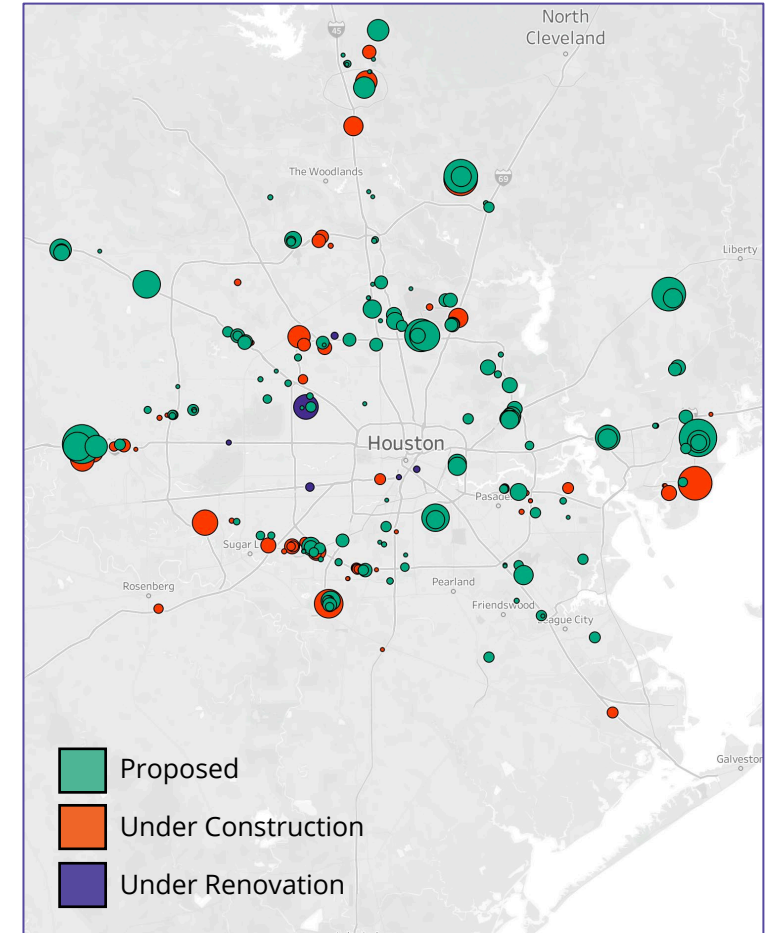
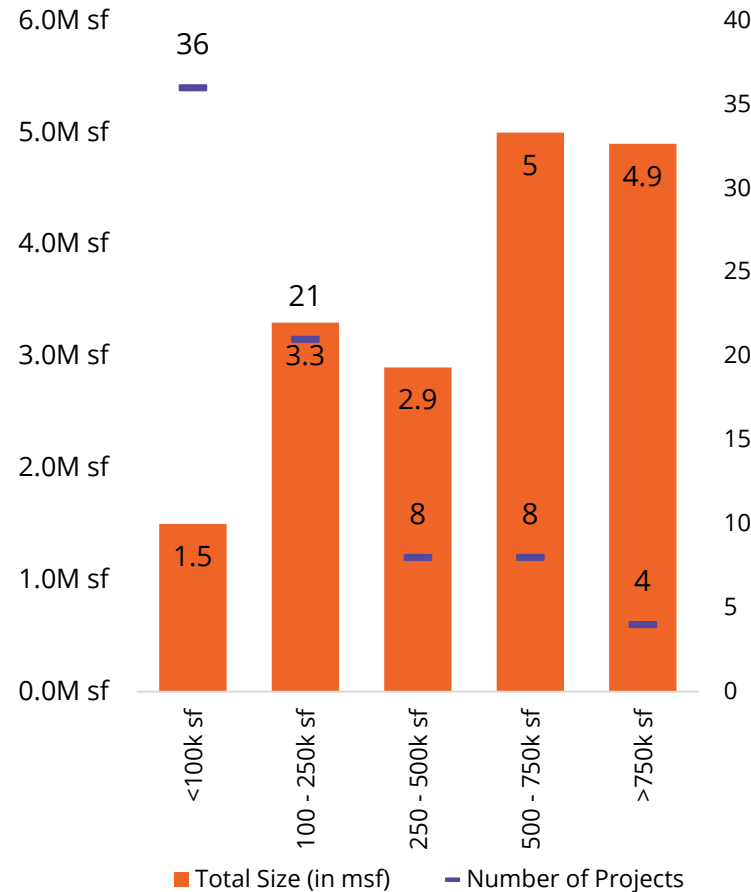
Proposed, under construction
or under renovation

15.1 msf

under construction

**Southwest
Corridor**

Submarket cluster with most
sf under construction at 15.



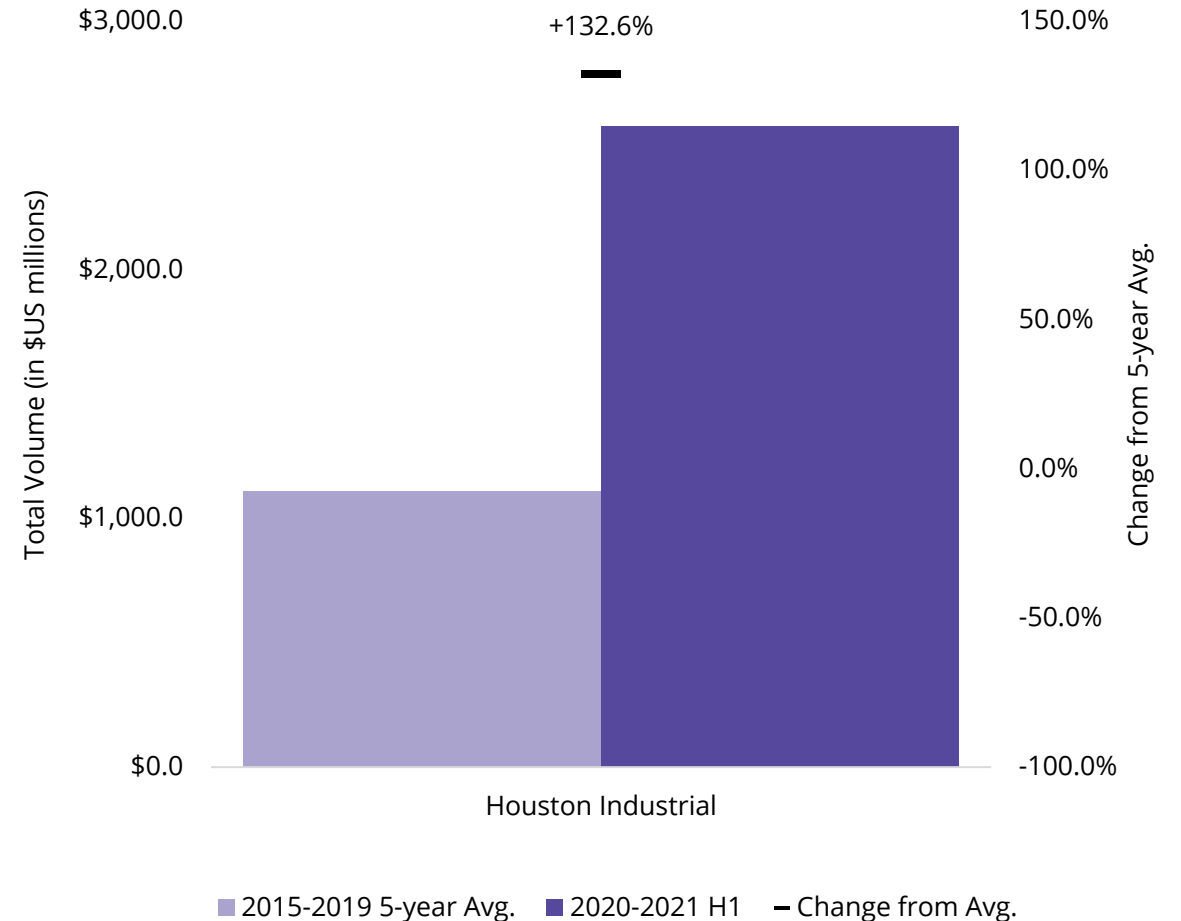
Source: AVANT by Avison Young

Investment dollar volume

\$2.6B

Industrial dollar volume, 2020 to Q2 2021

Industrial sales activity has substantially risen since the start of the pandemic as warehouse and distribution facilities became essential to online shopping demand. Industrial volumes surged +132.6% against the prior five-year average due to these stronger fundamentals.



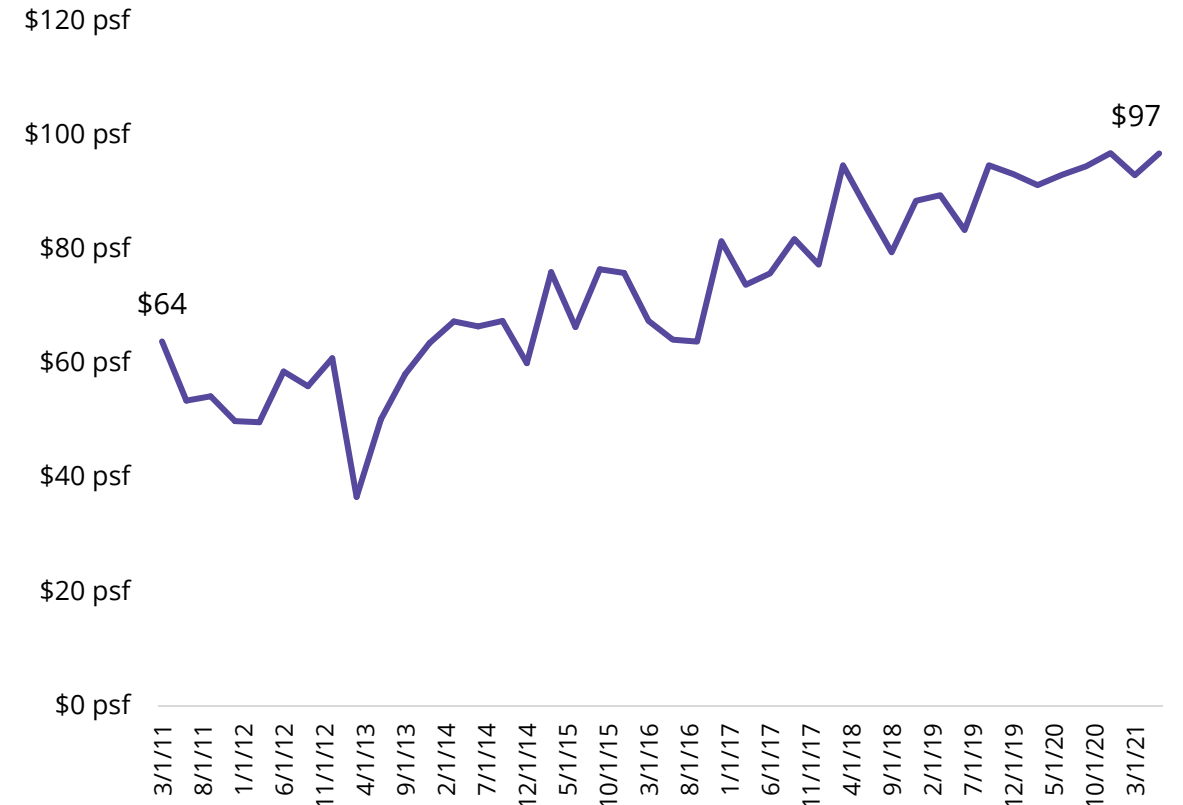
Source: AVANT by Avison Young
RCA

Industrial asset pricing

+6.0%

Houston industrial pricing, April 2020 to June 2021

Pricing for Houston industrial assets has continued to elevate since the Great Recession recovery, and continued through the pandemic, as an influx of investors seek exposure to properties that can accommodate the rise of e-commerce distribution.



Source: RCA



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Austin market fundamentals

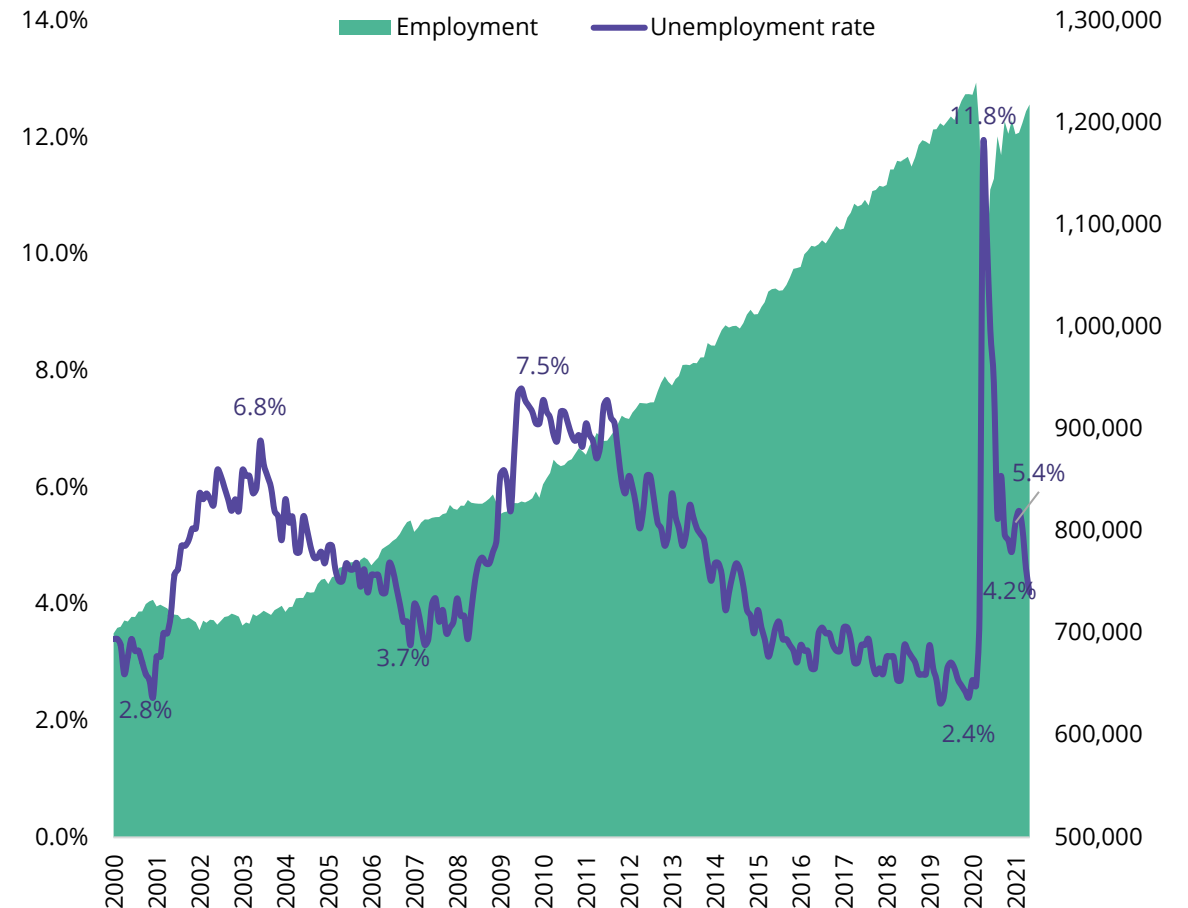
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Employment and unemployment

4.2%

Austin-Round Rock unemployment rate as of May 2021, stabilizing to levels last experienced in 2014

Before the pandemic, unemployment was at historical lows. The economy has added back over 183,000 jobs since its lowest point in April last year, and has nearly gained back the jobs that were lost. Unemployment has recovered to 2014 levels after reaching a record high of 11.8%.



Note: Not seasonally adjusted data. Metropolitan statistical area.
Source: Bureau of Labor Statistics

Property type job gains and losses

-1.1%

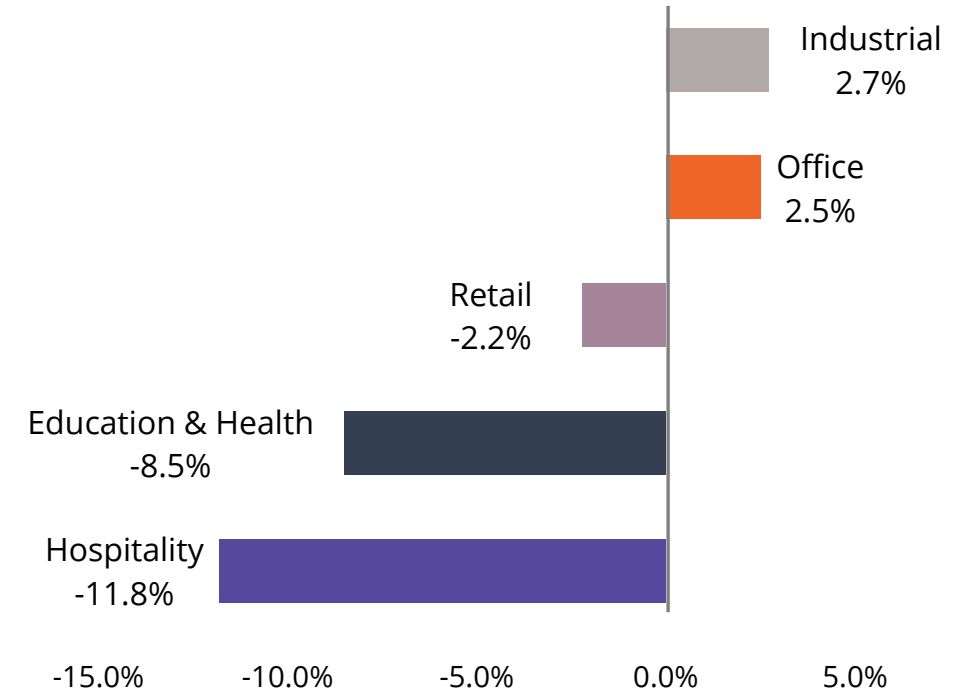
Change in total employment during the pandemic

The Austin-Round Rock metro area lost 1.1% of its total labor force since the pandemic began, though industrial losses were comparatively subdued. Industrial job gains in recent months demonstrates that a significant recovery is likely in that sector in the near-term.

[VIEW DASHBOARD](#)

Total change in Austin-Round Rock MSA* job gains/(losses)

February 2020 to May 2021



Note: Not seasonally adjusted data. Metropolitan statistical area.
Source: Bureau of Labor Statistics

Industrial job gains and losses

+2.7%

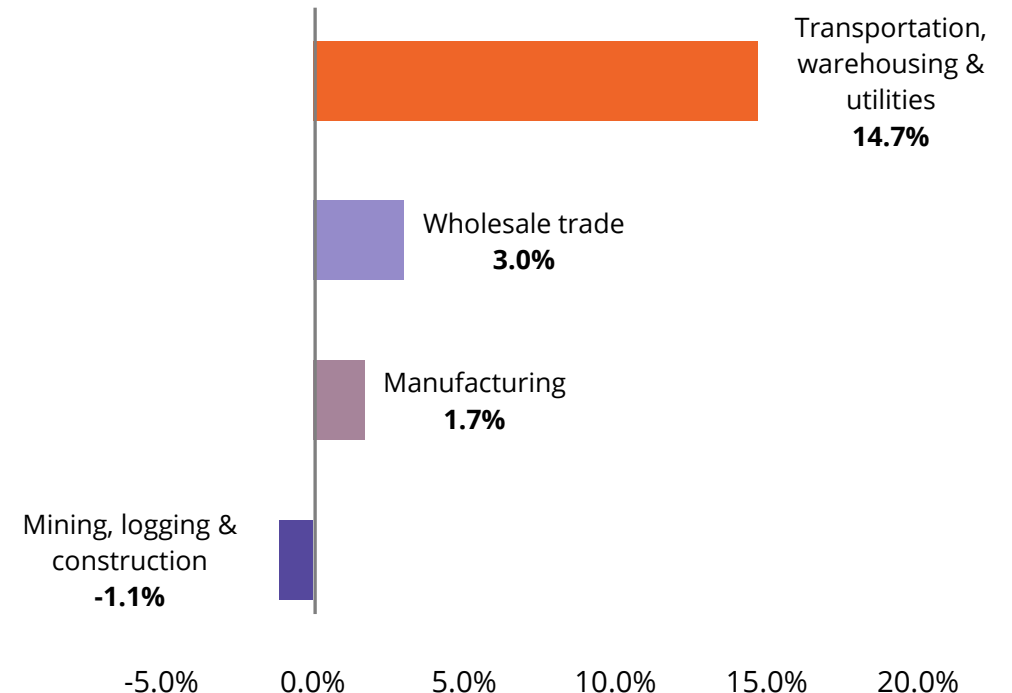
Change in industrial-centric employment during the pandemic

The Austin-Round Rock metro area has gained 2.7% of industrial employment since the pandemic began and ranks #6 of the top US Metros in change of industrial-centric employment since February 2020.

[VIEW DASHBOARD](#)

Total change in Austin-Round Rock MSA* job gains/(losses)

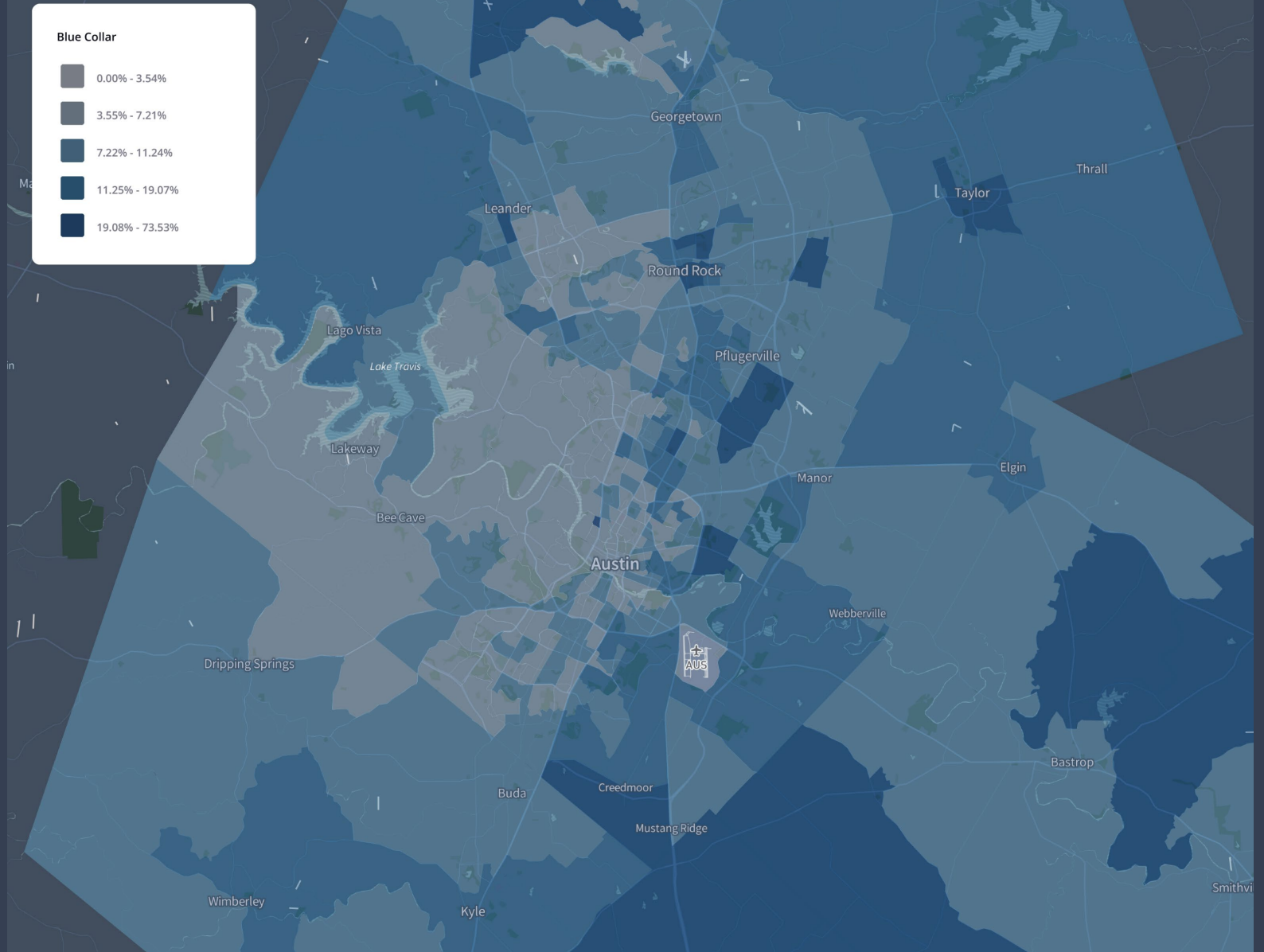
February 2020 to May 2021



Note: Not seasonally adjusted data. Metropolitan statistical area.
Source: Bureau of Labor Statistics

Blue-collar workforce concentration

Source: AVANT by Avison Young, ESRI
Large pockets of blue-collar workforce are found
throughout Austin-Round Rocks' largest
Industrial submarkets

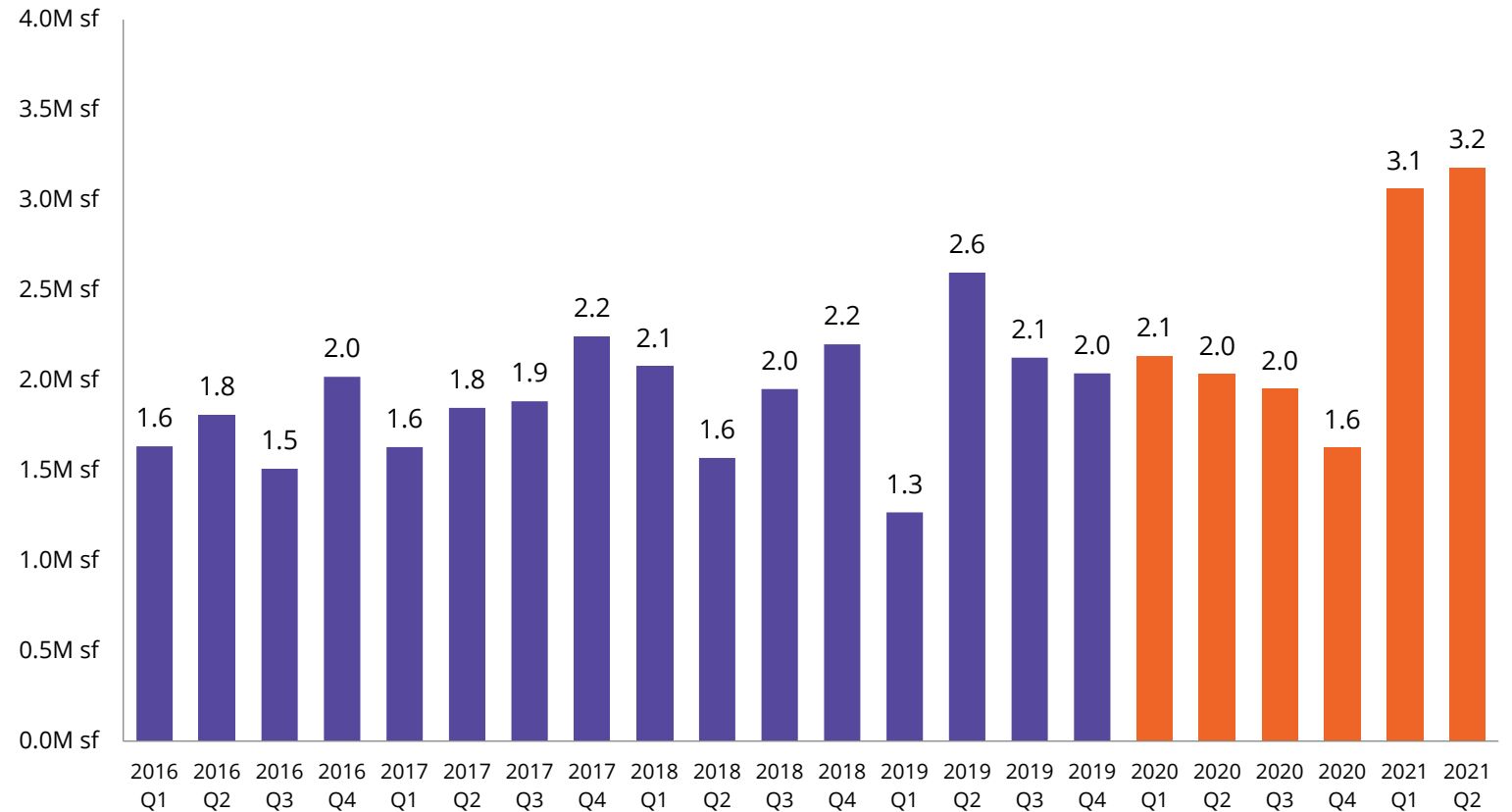


Industrial leasing activity

+63.5%

**Q1 2020 - Q2 2021 vs.
prior 3-year quarterly
average leasing activity**

Leasing has not let up during the pandemic, with Q1 2021 and Q2 2021 recording the highest rates of quarterly activity for the last 5 years.



Source: CoStar

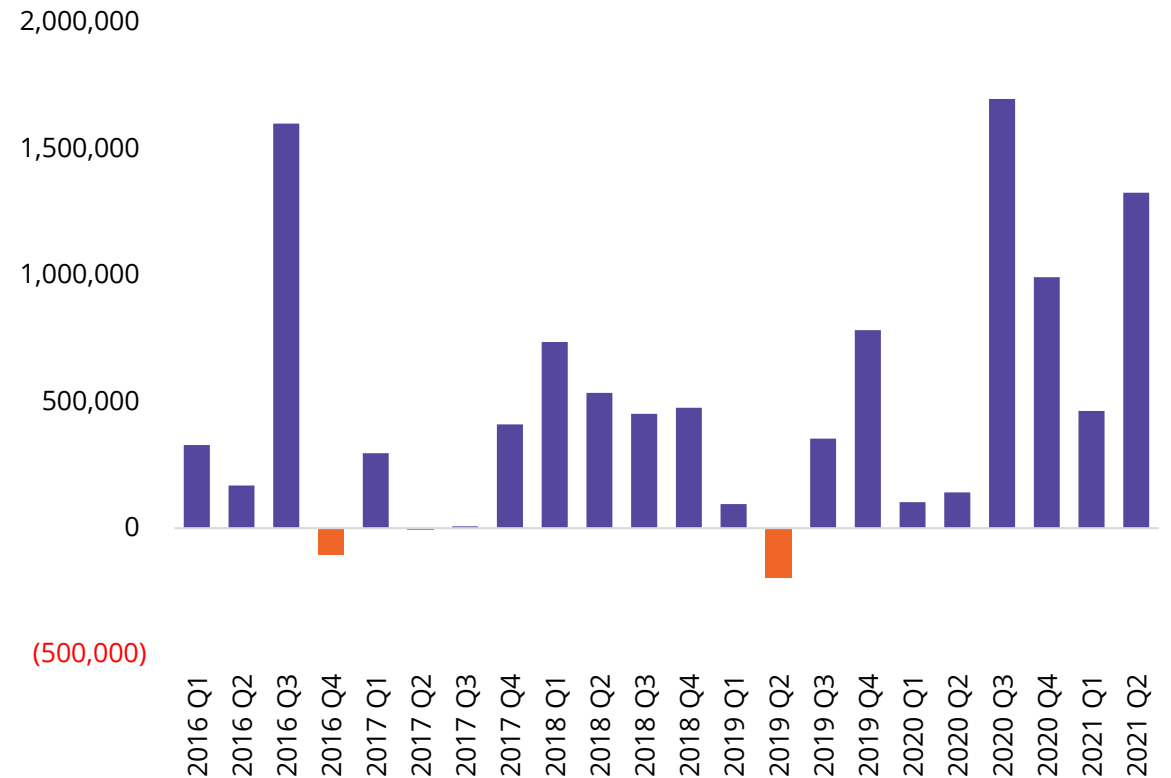
Industrial net absorption

4.7 msf

Positive net absorption Q1 2020 through Q2 2021

Absorption through mid-year remains strong and on pace with or above levels throughout the prior decade. The market is not overbuilding. Instead, it is creating opportunities to avoid market inertia and movement to high-quality new development. At 1.7 million sf of positive net absorption through the first half of the year, aggregate 2021 net absorption is set to perform comparable with recent years.

Quarterly net absorption



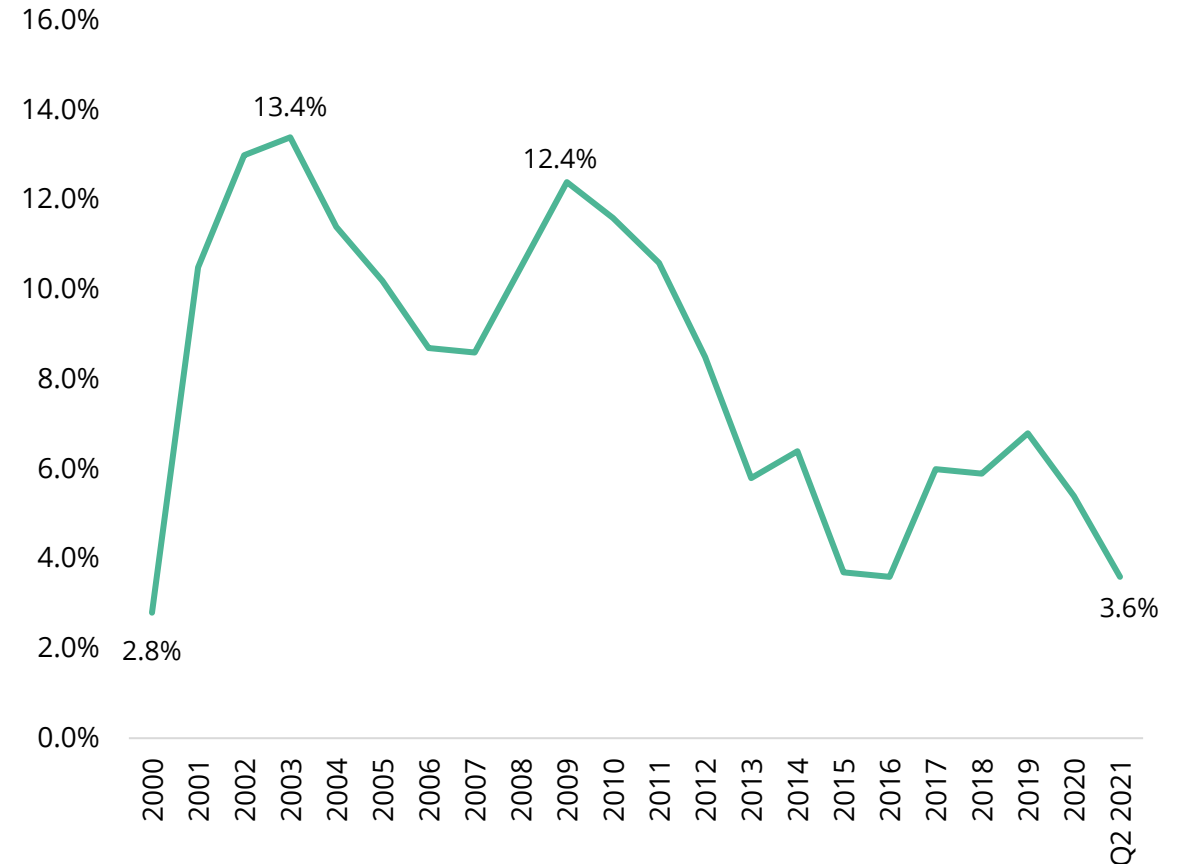
Note: Absorption is measured as the quarterly change in occupied square feet.
Source: CoStar

Industrial vacancy rate

3.6%

Near 20-year record low vacancy for Q2 2021

The Q2 2021 total vacancy rate nearly reached a post-2000 low, seeing a mostly continuous decline since the Great Recession. Vacancies will likely remain stable at this low rate, as they have for several years, buoyed by high demand for warehouse and distribution space.



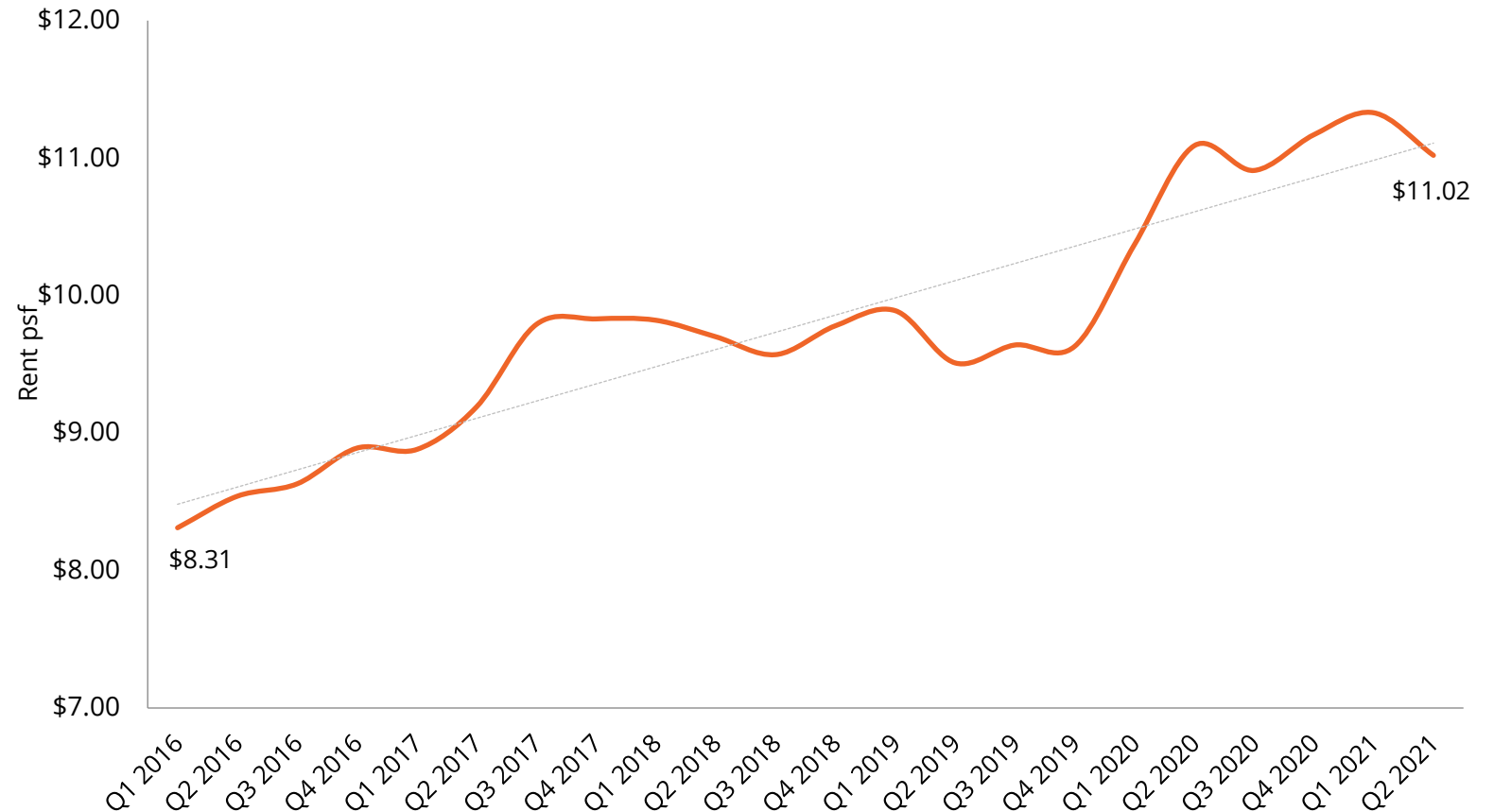
Source: CoStar

Base rents

-0.6%

**Base rents since the
onset of the pandemic**

Base rents have softened slightly in the second quarter, but overall have trended upward since 2015, increasing by 32.6% over the last five years.



Source: AVANT by Avison Young

Record-level construction pipeline

106 properties

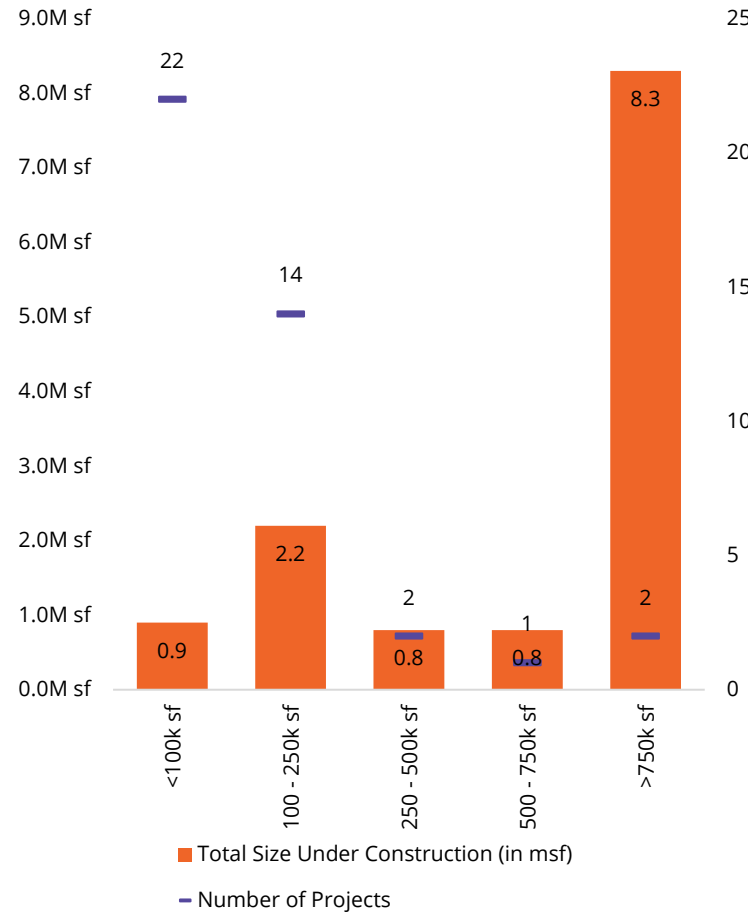
Proposed, under construction
or under renovation

13 msf

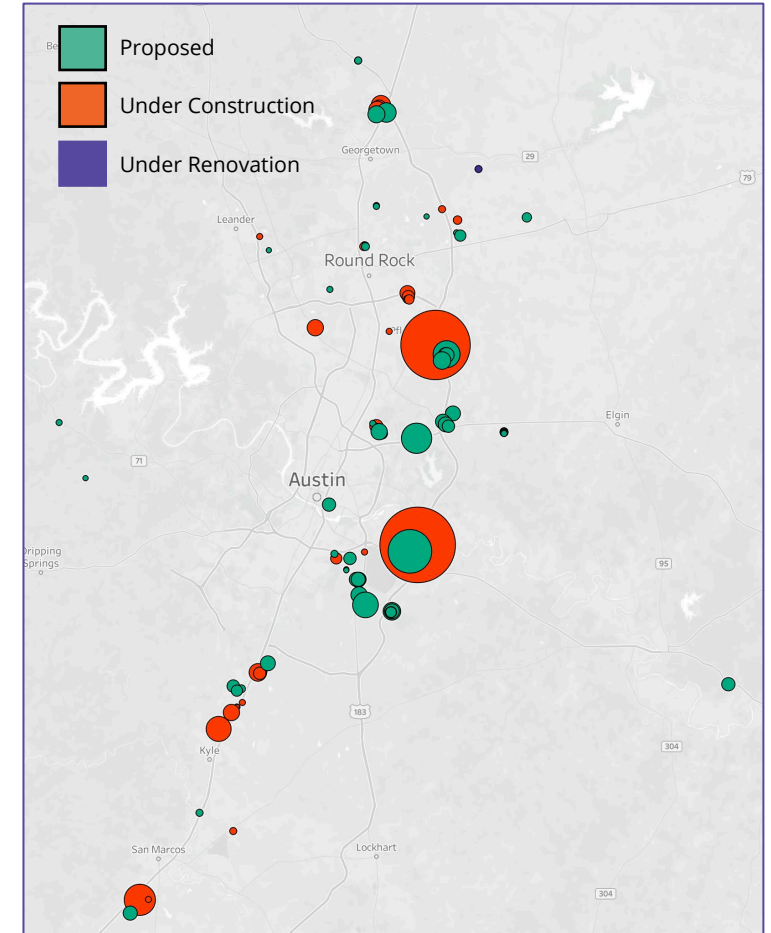
under construction

East

Submarket cluster with most
sf underway at 4.5 msf



Source: AVANT by Avison Young

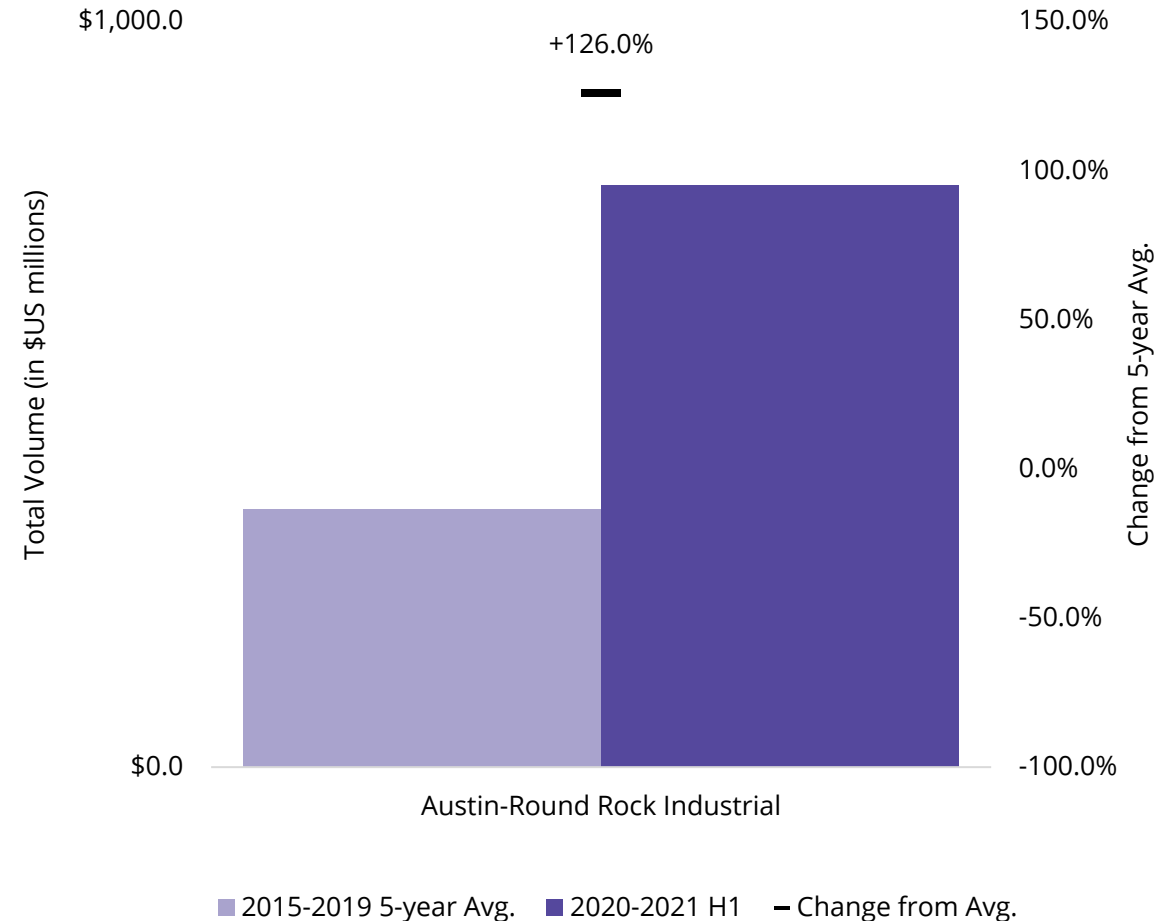


Investment dollar volume

\$0.8B

Industrial dollar volume, 2020 to Q2 2021

Industrial sales activity has substantially risen since the start of the pandemic as warehouse and distribution facilities became essential to online shopping demand. Industrial volumes surged +126.0% against the prior five-year average due to these stronger fundamentals.



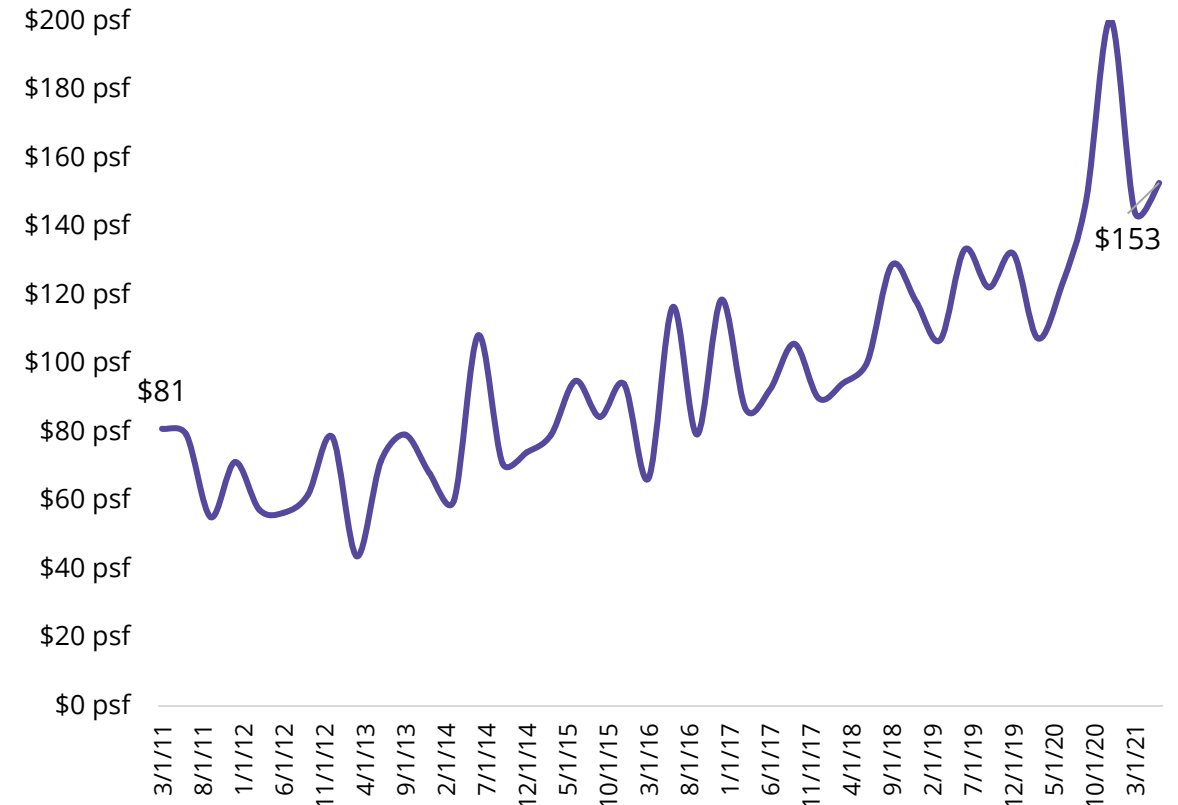
Source: AVANT by Avison Young
RCA

Industrial asset pricing

+42.2%

Austin-Round Rock industrial pricing, April 2020 to June 2021

Pricing for Austin-Round Rock industrial assets has continued to elevate since the Great Recession recovery, and supercharged through the pandemic, as an influx of investors seek exposure to properties that can accommodate the rise of e-commerce distribution.



Source: RCA



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Get in touch

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Get in touch



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Let's talk

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