

A nighttime photograph of an industrial facility, likely a port or refinery. Two large yellow cranes are prominent in the foreground, illuminated by their own lights. In the background, a city skyline is visible under a dark sky with some clouds. The foreground shows various industrial equipment, including trucks and storage tanks.

**AVISON  
YOUNG**

# Texas industrial insight report

Q3 2021

**AVANT**  
by AVISON YOUNG



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# U.S. industrial drivers

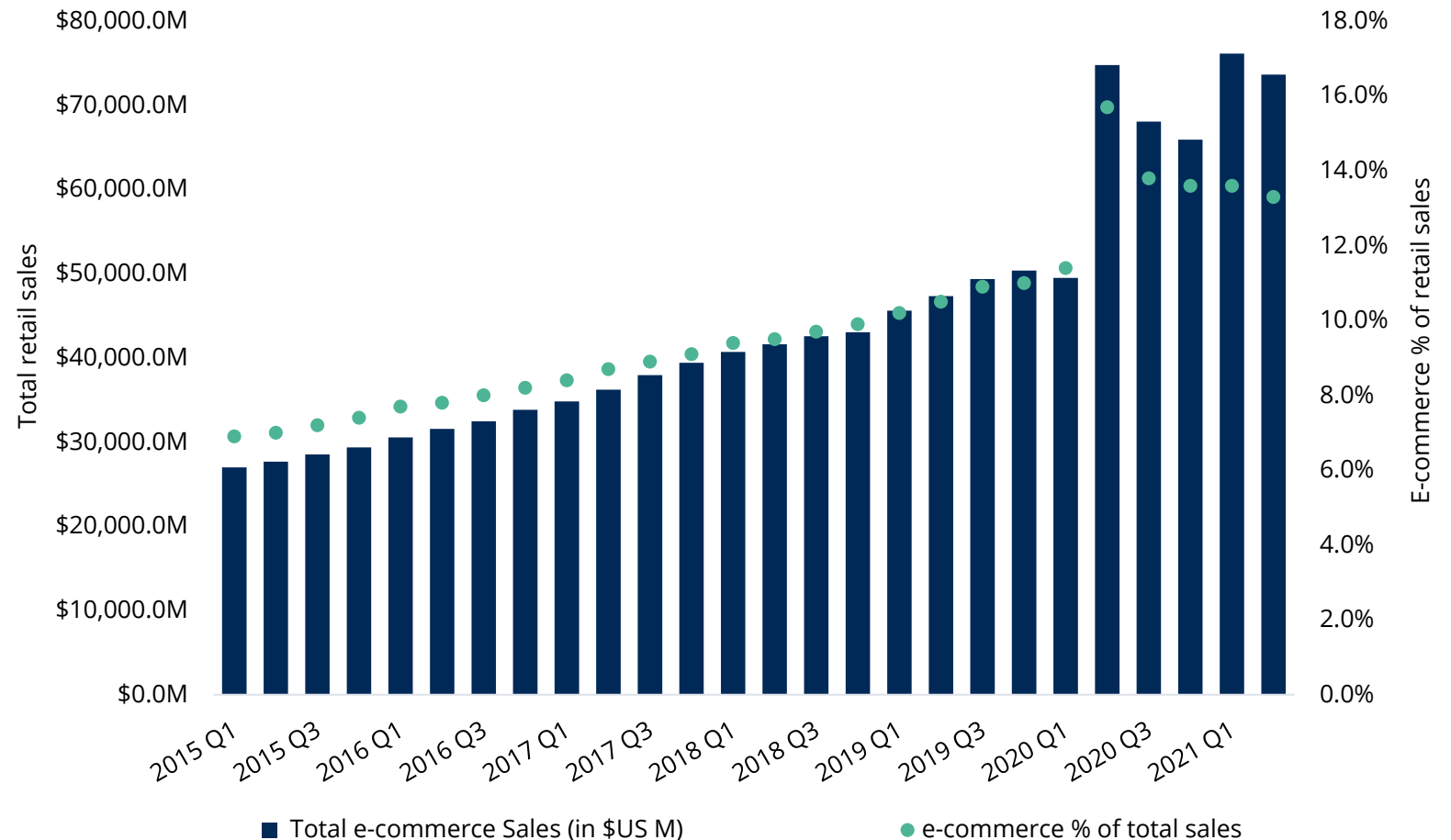
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# U.S. total retail and e-commerce sales

# 13.3%

## E-commerce share of overall retail sales in Q2 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.



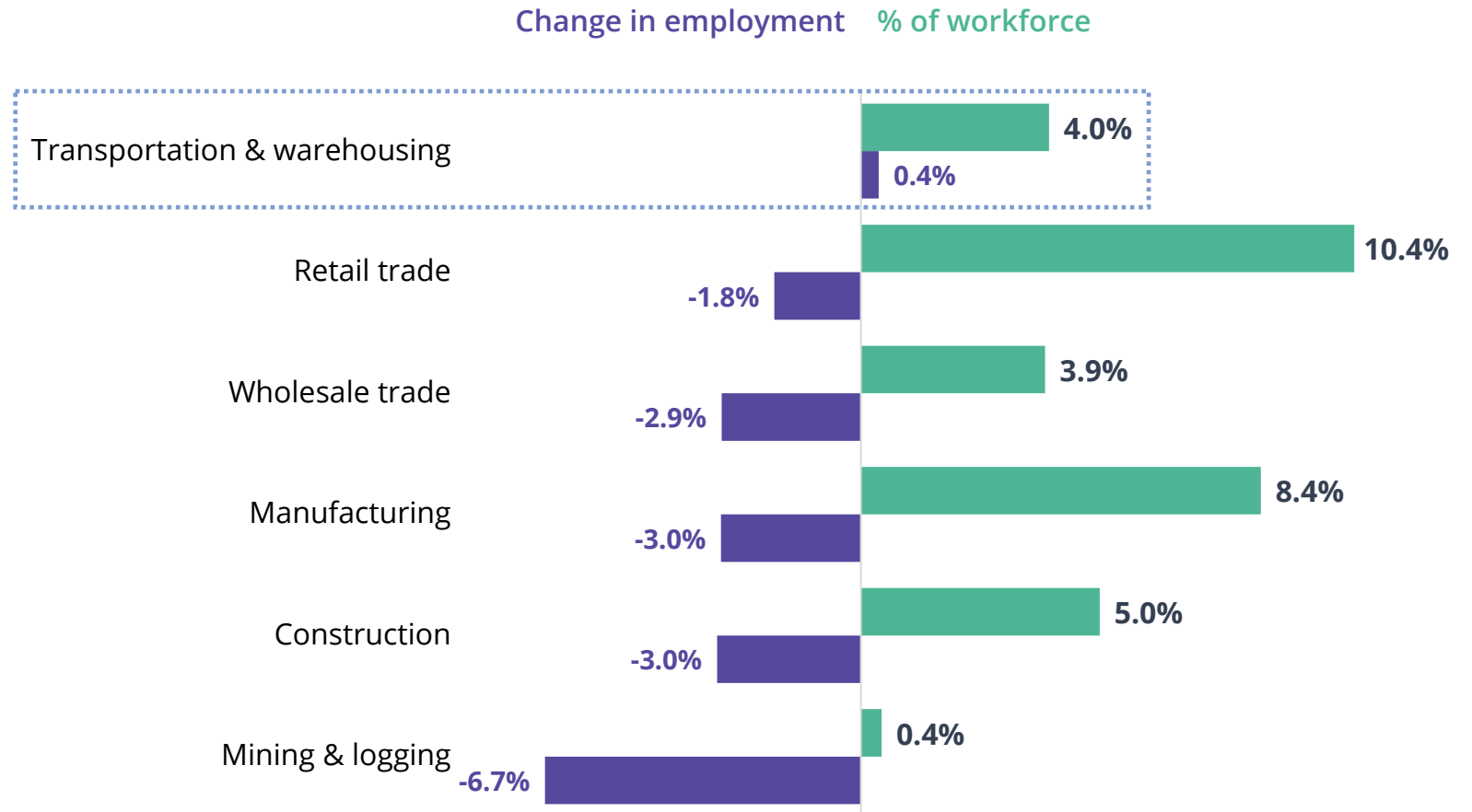
Source: Federal Reserve Bank of St. Louis  
\*Most recent update August 17, 2021

# Industrial sector job gains and losses

# +0.4%

Change in transportation and warehousing employment, February 2020 to July 2021

The transportation and warehousing employment sector has been resilient throughout the pandemic. Manufacturing, construction and wholesale trade comprise similar proportions of total U.S. employment but have contracted since February 2020.



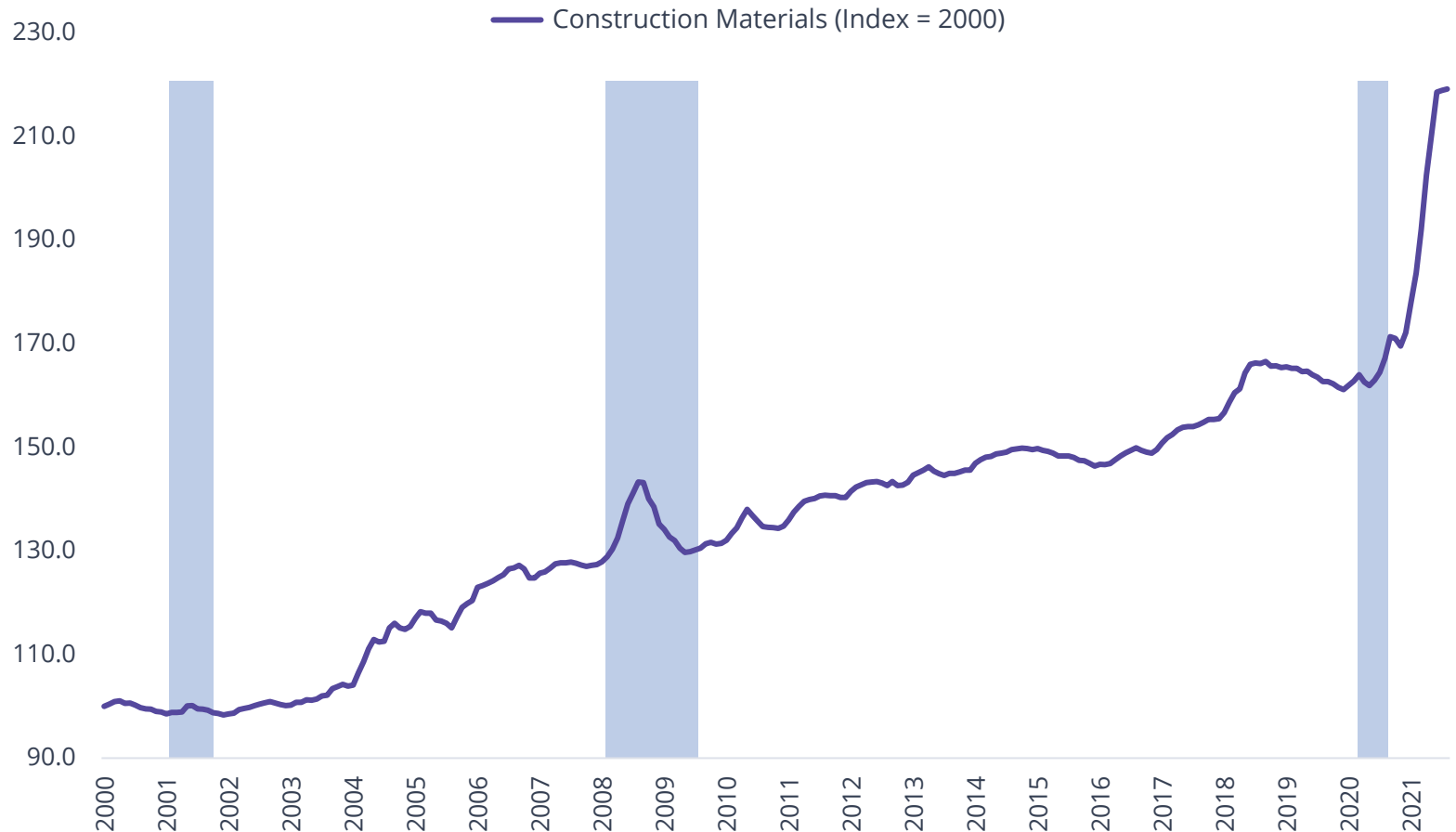
Note: Seasonally adjusted data.  
Source: Bureau of Labor Statistics

# Cost of construction materials

# +35.3%

**Construction Material  
Index cost from year-end  
2020 to August 2021**

Construction material costs have surged to start 2021, applying upward pressure on industrial pro forma rents. However, recent activity in August and September suggest that pricing is poised to moderate to 2020 levels in the coming months.



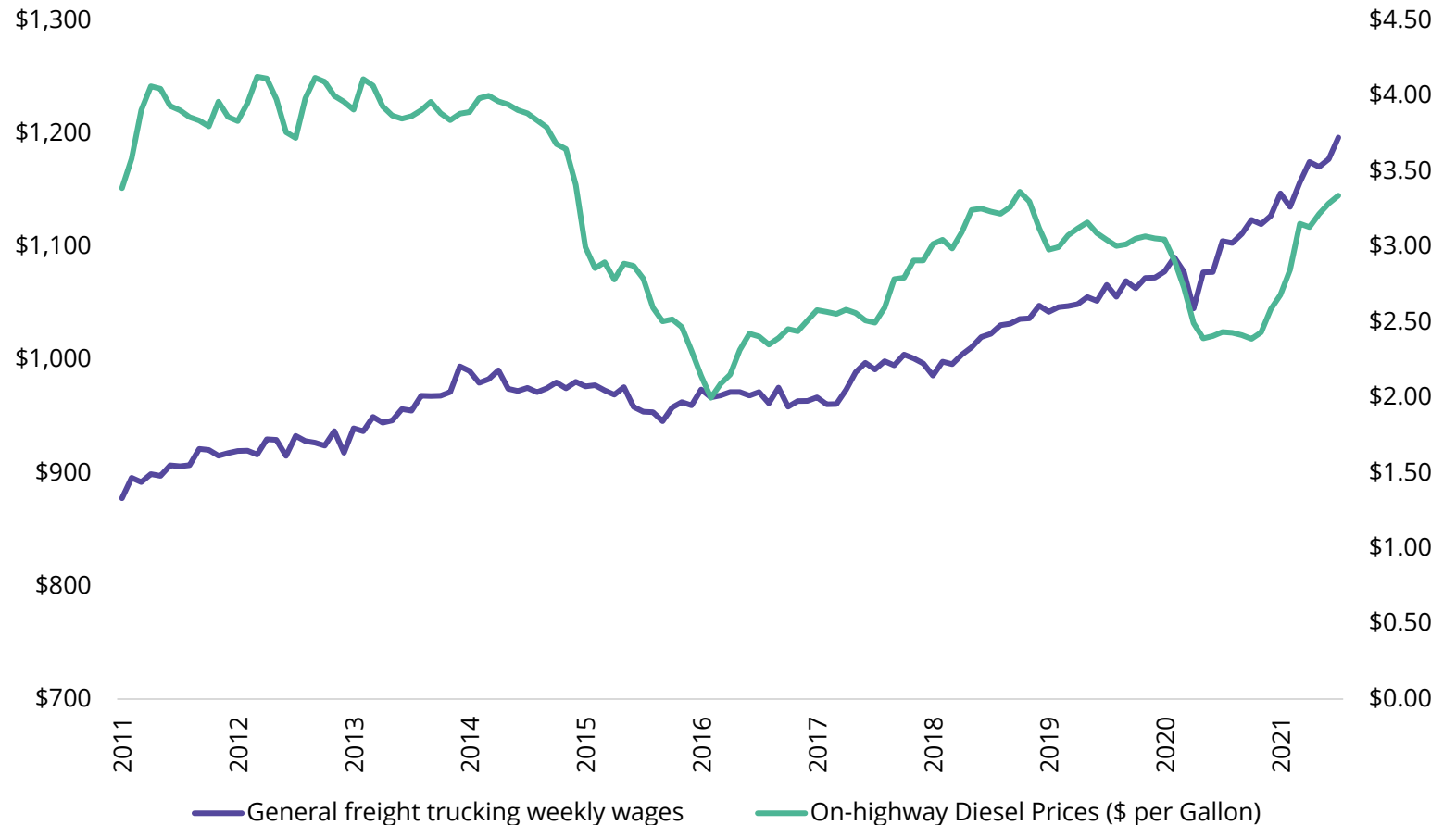
Source: Bureau of Labor Statistics

# Fuel costs and freight trucking driver wages

**+39.8%**

**Diesel prices since  
May 2020**

Rising diesel fuel prices and wage rates, for short- and long-haul trucking, are exacerbating pressures on shipping costs for companies that may have also faced international supply chain disruptions.



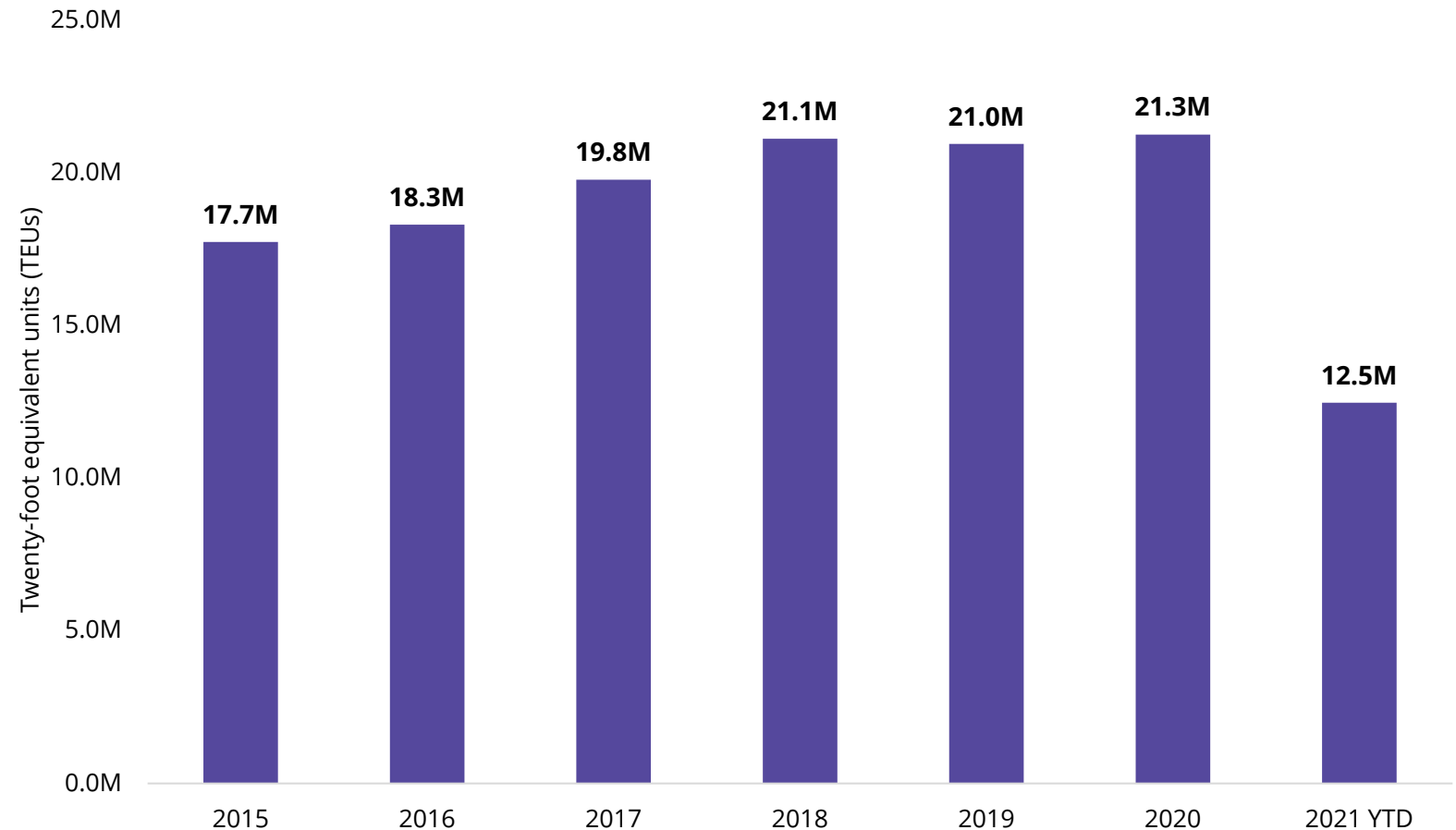
Source: Bureau of Labor Statistics, U.S. Energy Information Administration, AVANT by Avison Young

# Loaded import container volumes

# +24.0%

Change in cargo volumes,  
H1 2020 vs. H1 2021

Through June, loaded imports at major U.S. seaports are up significantly over the same period last year. While activity in 2020 was impacted by the pandemic, freight flows this year have been marred by supply chain disruptions at ports.



Note: Includes Los Angeles, Long Beach, New York / New Jersey, Savannah, Virginia, Houston, Charleston, Oakland, Seattle / Tacoma, Miami, Baltimore, Jacksonville ports.  
Source: individual port authority websites



A man in an orange polo shirt is working in a factory or warehouse. He is holding a long, thin piece of material, possibly a sheet of metal or plastic, and looking at it. In the background, there are stacks of wooden pallets and other industrial equipment. The scene is brightly lit.

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# Dallas-Fort Worth market fundamentals

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# Key industrial takeaways



## Economic conditions

- Dallas-Fort Worth's unemployment has improved to **4.7 percent**, reaching its lowest level since March 2020.
- DFW added **34,400 industrial-centric jobs** between July 2020 and August 2021 while total industrial employment now exceeds pre-pandemic levels.



## Industrial demand

- Dallas-Fort Worth has seen **57.3 msf** of leasing activity for 2021 and reached historic highs.
- Dallas-Fort Worth has seen three consecutive quarters of positive net absorption exceeding **10.0 msf**.



## 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 **50.6 msf** of industrial product under construction across in Dallas-Fort Worth.
- Vacancy rates for Dallas-Fort Worth have reached their lowest rates in recent history and now stand at **4.2 percent**.

# Key industrial takeaways



## Pricing trends

- Dallas Fort-Worth industrial base rents have grown by almost **11 percent since 2019** and now stand at an average of \$6.73 psf.



## Capital markets

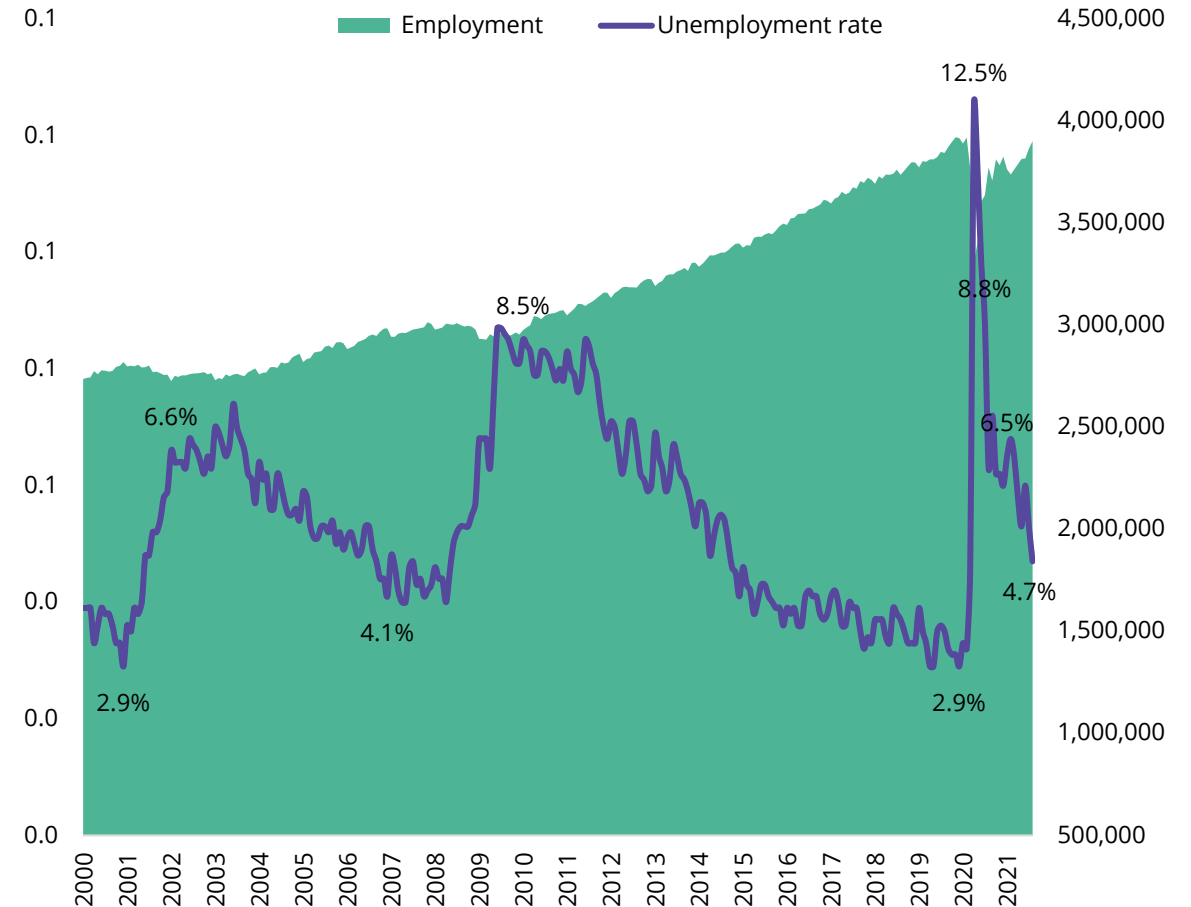
- Dallas-Fort Worth have seen investment activity surge to cumulative **\$5.8B since 2020** as investors are attracted to the sector fundamentals largely benefited from the COVID environment.
- Asset pricing reached **\$82.42 psf in Q3 2021**, up from \$67.04 psf in March 2020.

# Employment and unemployment rate

# 4.7%

## Dallas-Fort Worth unemployment rate as of August 2021

Dallas-Fort Worth's unemployment rate has reached its lowest level since March 2020 (4.6%), after steadily improving following the 462,000 job losses that occurred between March 2020 and April 2020.



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



# Industrial job gains and losses

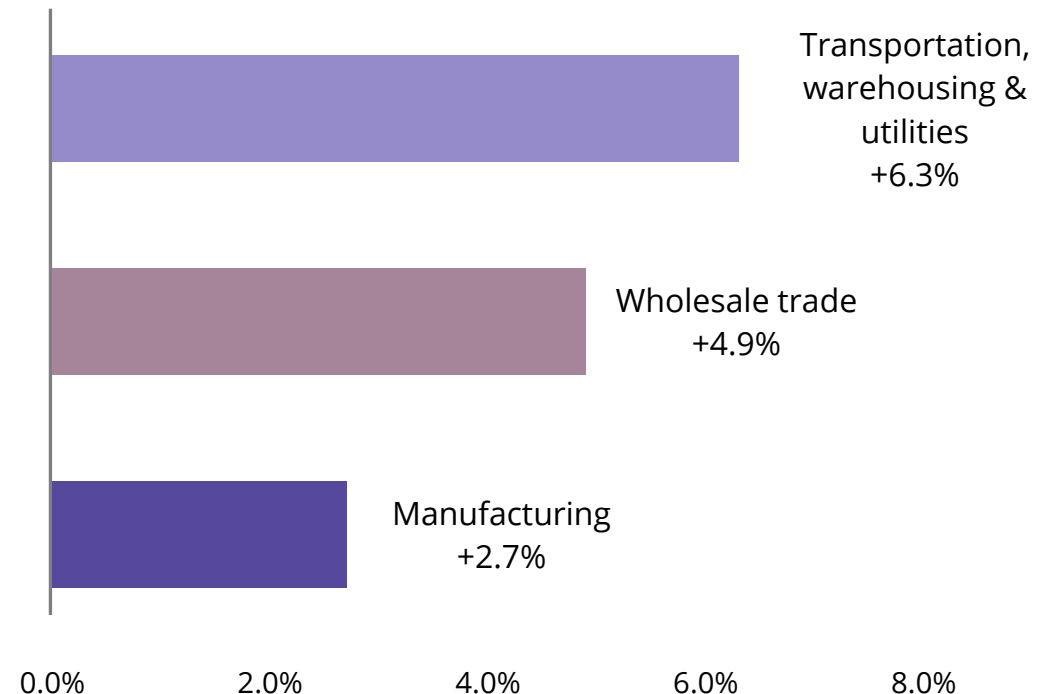
# +4.5%

## Change in industrial employment from July 2020 to August 2021

DFW added 34,400 industrial-centric jobs between July 2020 and August 2021. During that same time period, transportation, warehousing & utilities led job growth during that time period, growing by 14,300 jobs, while wholesale trade employment has grown by 9,900 jobs, and manufacturing by 7,400 jobs.

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

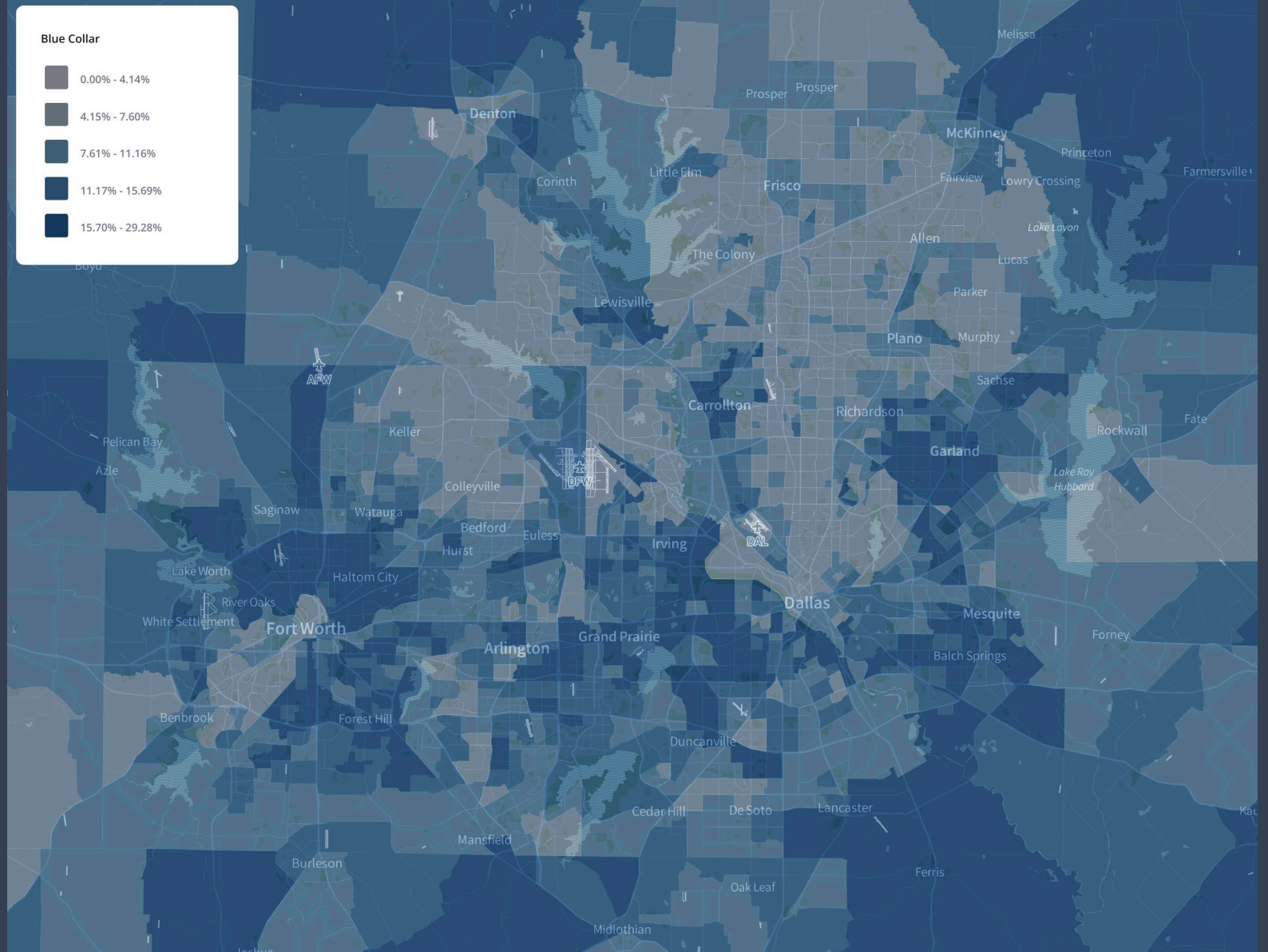
July 2020 to August 2021



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

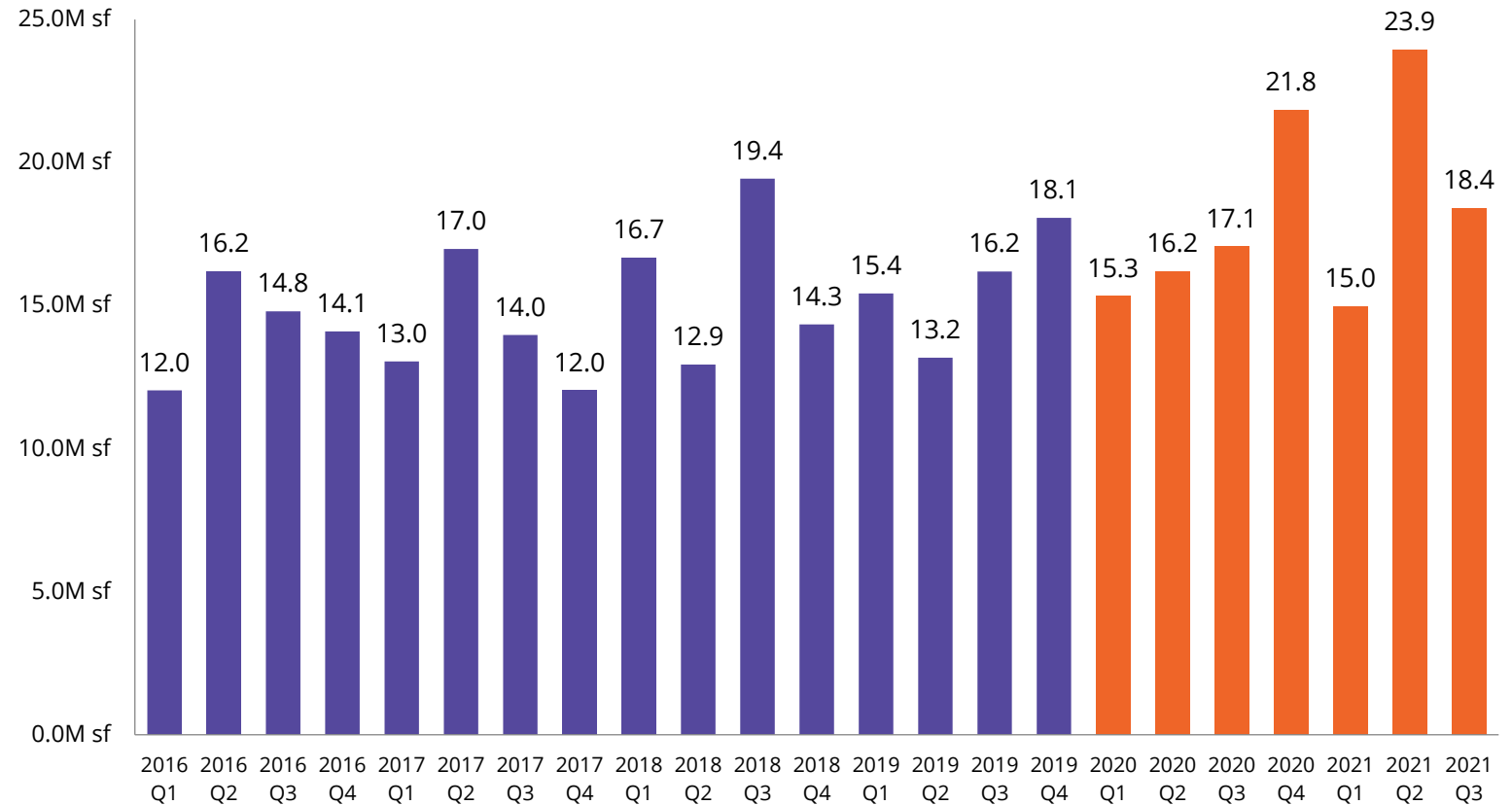


# Industrial leasing activity

# 57.3 msf

## Leasing activity in 2021 YTD

Leasing activity has remained strong in Q3 2021 after record leasing activity in Q2 2021. The DFW market is projected to reach 76.4 msf of leasing activity for 2021 and surpass 2020 totals of 70.5 msf.



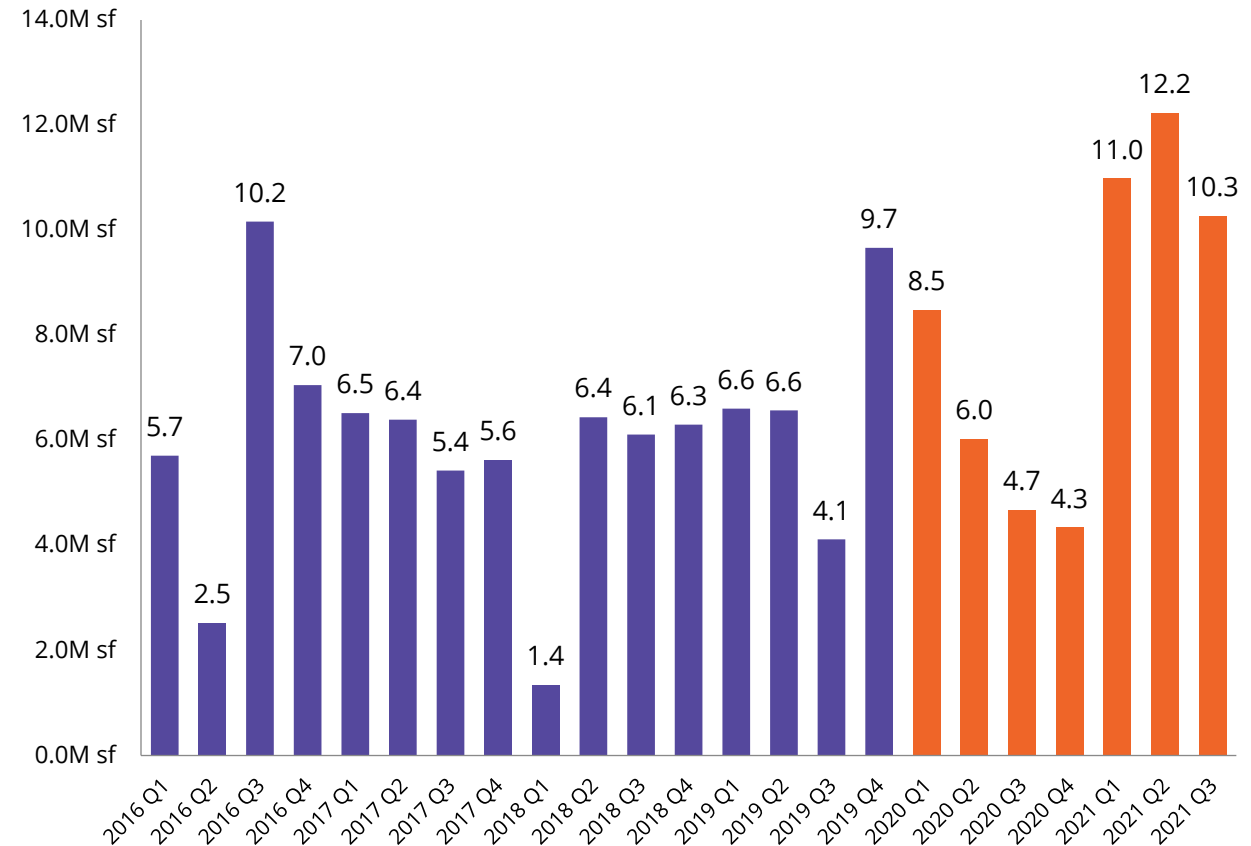
Source: CoStar

# Industrial net absorption

# 33.5 msf

Positive net absorption for 2021 YTD

DFW has achieved record levels of net absorption, recording 10.0+ msf of positive net absorption for three consecutive quarters.



Note: Absorption is measured as the year-over-year change in occupied square feet.  
Source: CoStar

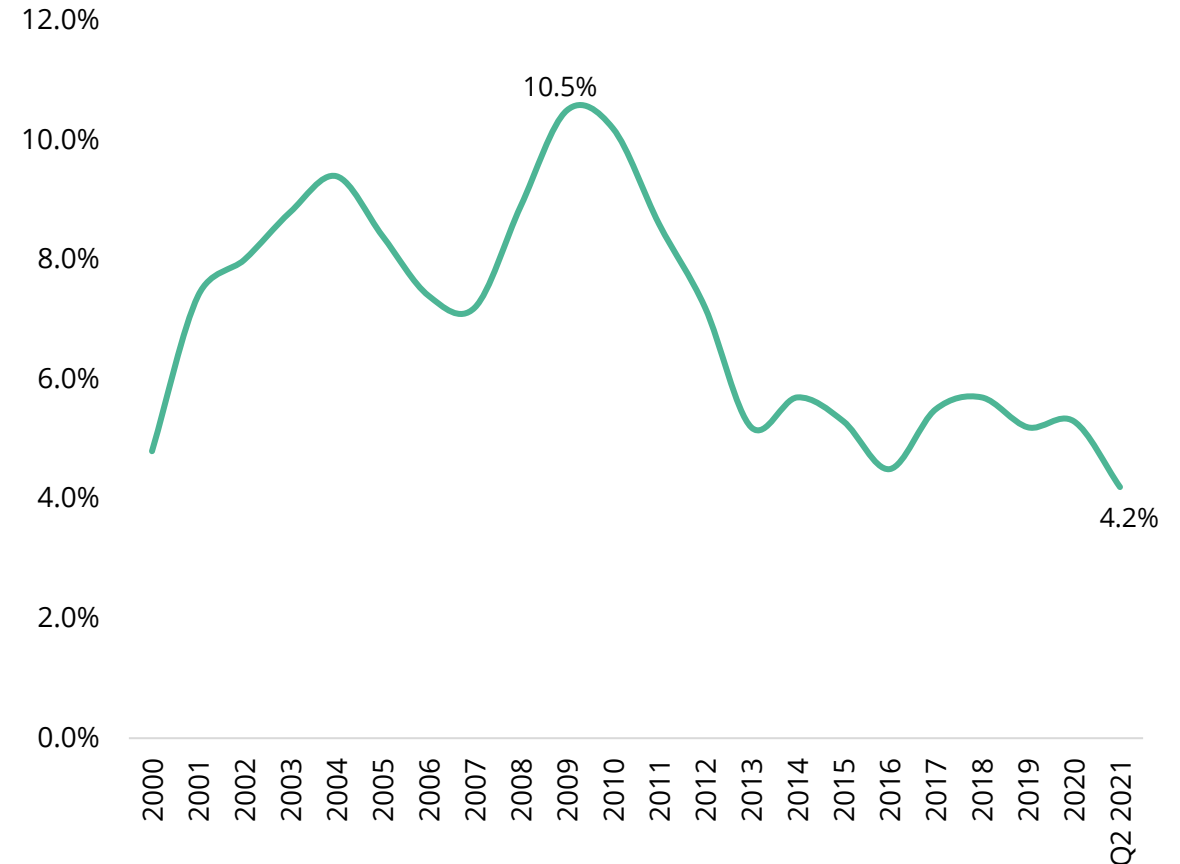


# Industrial vacancy rate

# 4.2%

**Near 20-year record low vacancy for Q3 2021**

The Q3 2021 direct vacancy rate has reached record lows after dipping below 5% over the last two quarters following historic leasing activity. Vacancies are expected to continue to face downward pressure as demand remains strong.



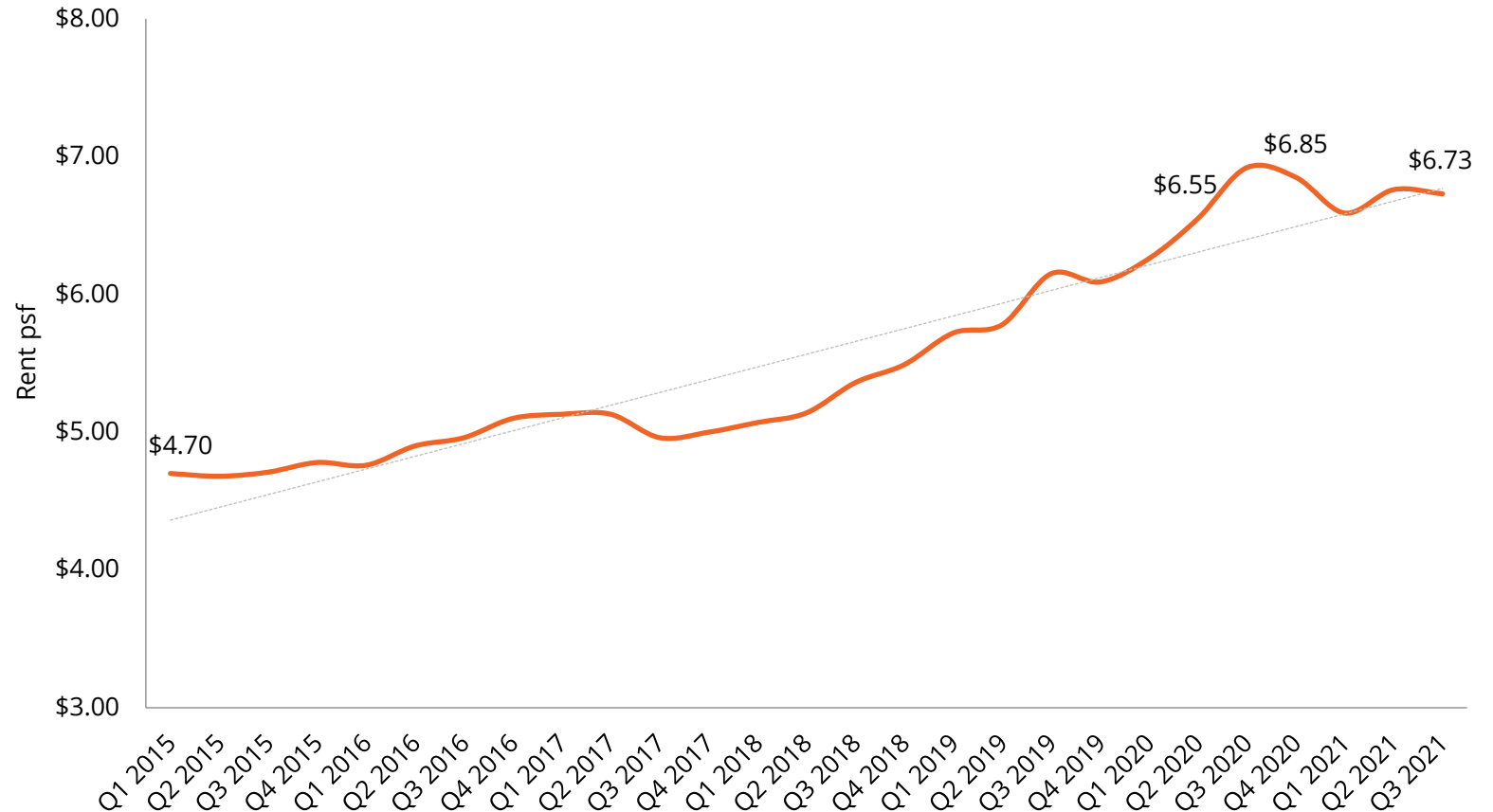
Source: CoStar

# Base rents

# + 10.5%

## Base rents since Q4 2019

Despite seeing a slow-down in rent growth in recent quarters, rents have steadily trended upward since 2015 and grown by almost 11% since 2019.



Source: CoStar

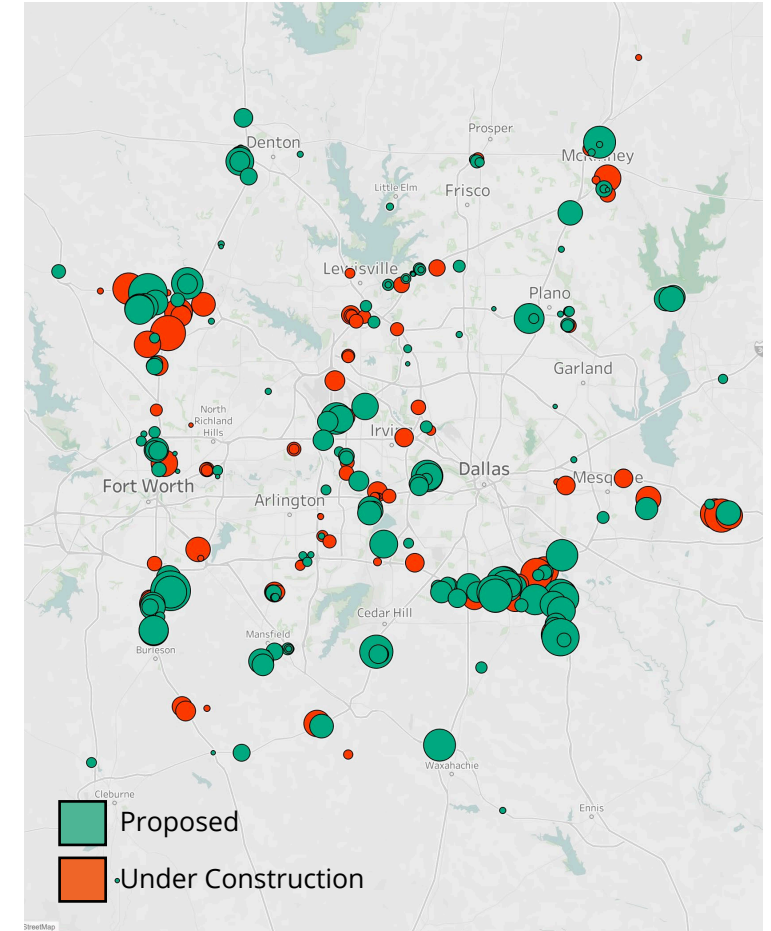
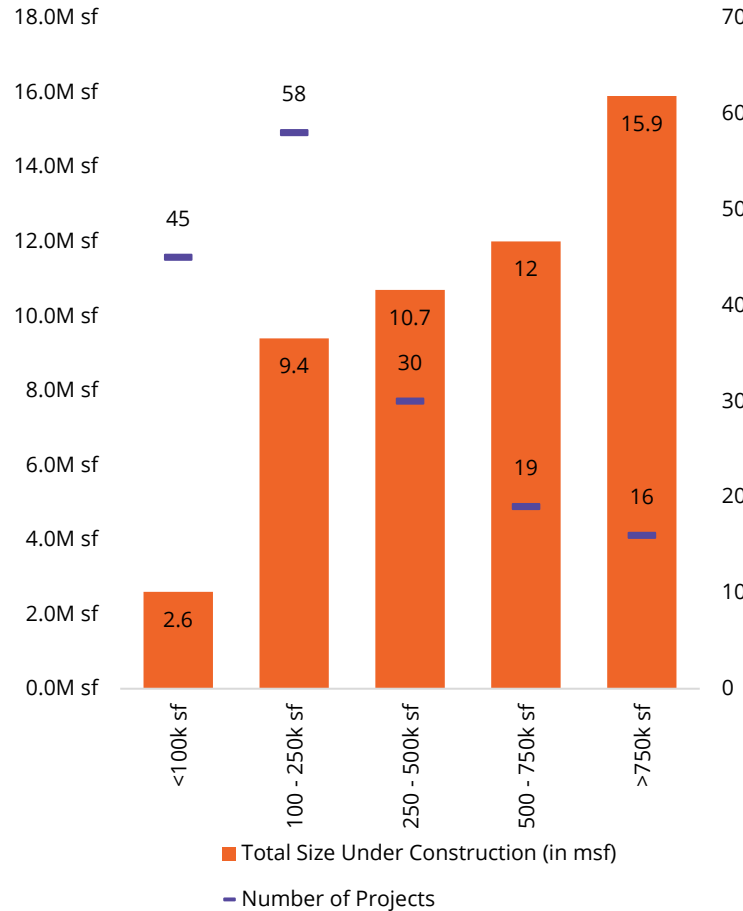
# Industrial development pipeline

**168 properties**

under construction

**50.6 msf**

under construction



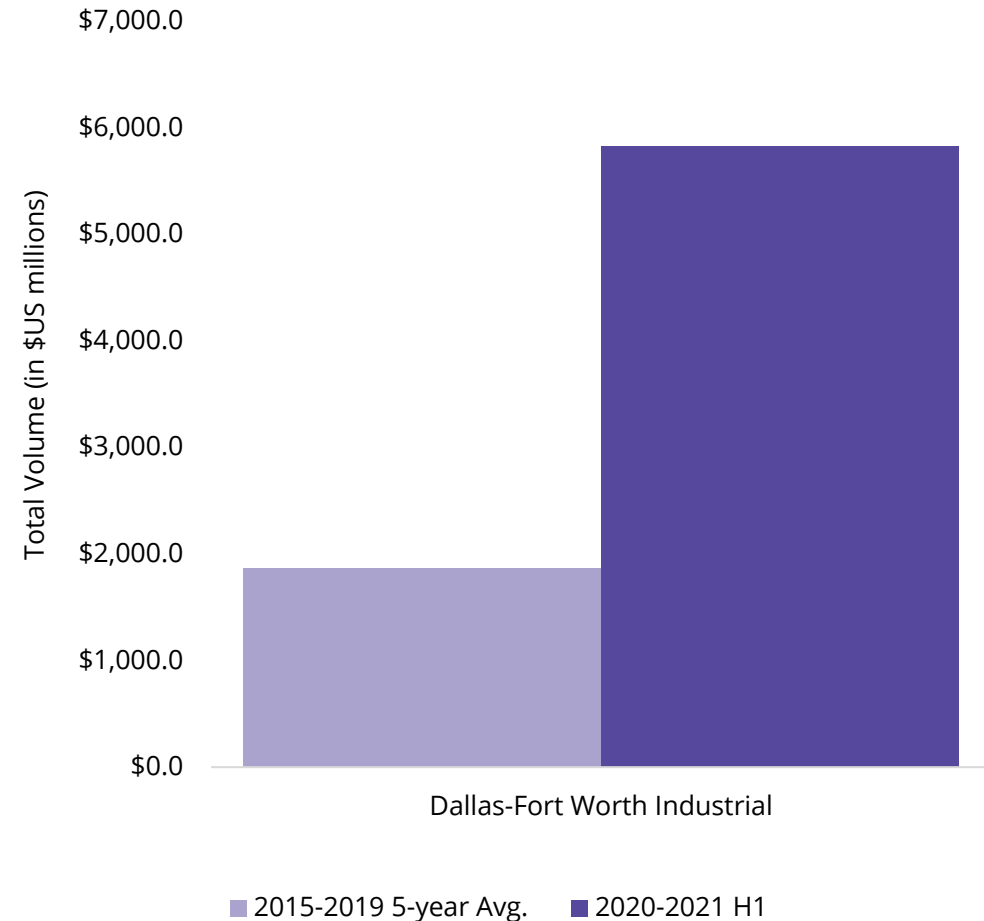
Source: AVANT by Avison Young, CoStar

# Investment dollar volume

# \$5.8B

Industrial dollar volume, 2021 to Q3 2021

Industrial sales activity has substantially risen since the start of the pandemic as warehouse and distribution facilities became essential to online shopping demand.



Source: AVANT by Avison Young  
RCA

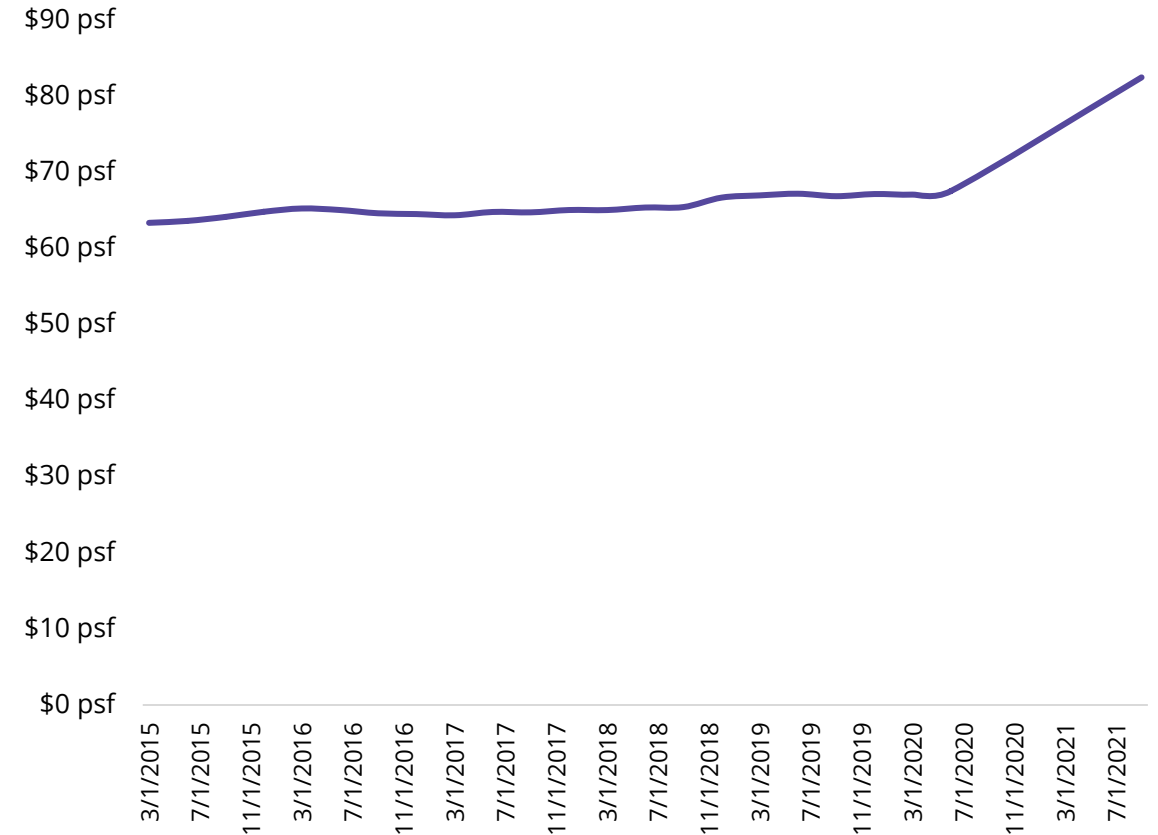


# Industrial asset pricing

# 82.42 psf

Dallas-Fort Worth industrial pricing,  
Q3 2021

Pricing for Dallas-Fort Worth industrial assets substantially escalated in Q3 2021 investors remain bullish on the DFW market and demand continues to grow.



Source: AVANT by Avison Young  
RCA



# Houston market fundamentals

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# Key industrial takeaways



## Economic conditions

- Houston's unemployment has improved to **6.1 percent**, reaching its lowest level since March 2020.
- Houston added **13,000 industrial-centric jobs** between July 2020 and August 2021.



## Industrial demand

- Overall leasing activity has been sustained throughout the pandemic, currently sitting at **50.4 percent** of the prior three-year quarterly average.
- Houston has seen three consecutive quarters of positive net absorption exceeding **33.7 msf**, setting a quarterly record of 14.6 msf in the second quarter.



## Industrial supply

- As national, regional and local logistics and e-commerce businesses continue to expand throughout the market, developers are working to meet demand. Currently, there are **89 properties** larger than 20,000 sf totaling **19.9 msf** under construction.
- 2021 may see demand outpace supply if record-level leasing activity continues. **61 buildings** totaling **13 msf** have been delivered.
- The overall vacancy rate for the Houston industrial market continued to show resilience with vacancy at **7.6 percent**, a slight decrease from 7.0% reported in the previous quarter.

# Key industrial takeaways



## Pricing trends

- Base rents have increased by **3.2 percent** since the start of the pandemic and have continued a steady upward trajectory since 2015.
- The average NNN rent is now **\$7.29 psf**.



## Capital markets

- Houston investment activity increased to **\$2.9B** through third quarter, which equals the entirety of 2020.
- Industrial volumes jumped **68.2 percent** compared to the prior five-year average due to these stronger fundamentals.
- Asset pricing increased **7.8 percent** to \$97 psf during third quarter to accommodate investors seeking e-commerce properties.

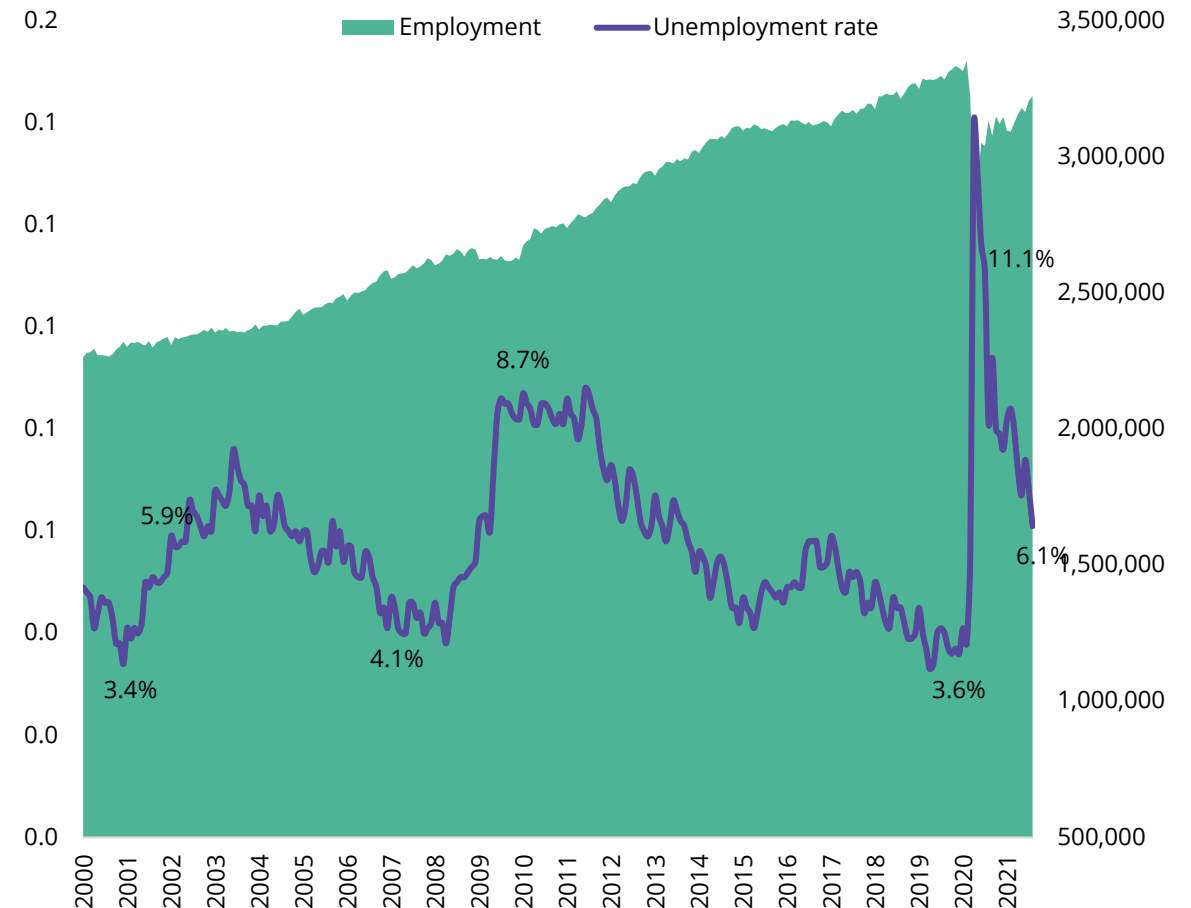


# Employment and unemployment rate

# 6.1%

**Houston unemployment rate as of August 2021, dipping below the height of the Great Recession**

Historically tightened labor market conditions were halted by the pandemic with nearly 533,833 job losses between February and April 2020. However, reopening efforts enabled the economy to add 75.8% of jobs lost during the pandemic.



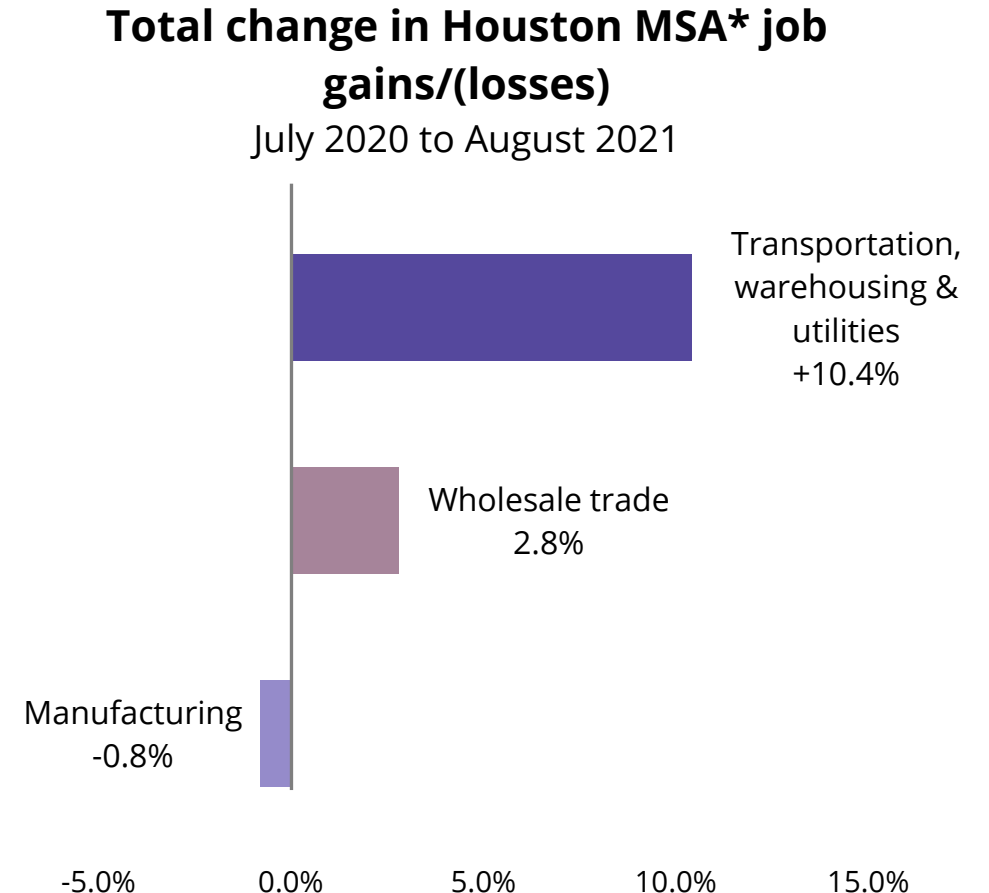
Note: Not seasonally adjusted data. Metropolitan statistical area.  
Source: Bureau of Labor Statistics

# Industrial job gains and losses

# +3.6%

## Change in industrial employment from July 2020 to August 2021

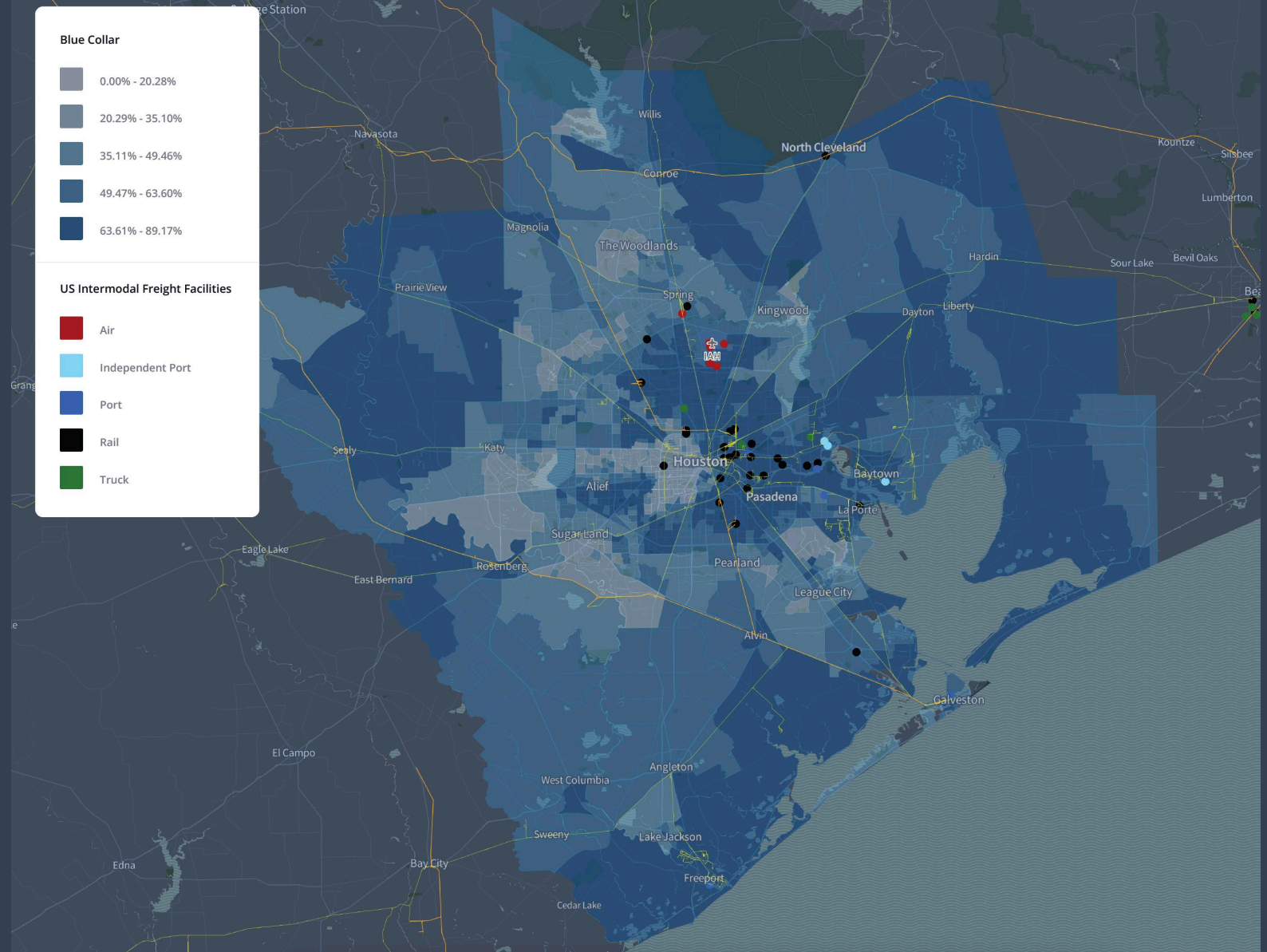
The Houston metro area lost 2.6% of industrial employment since the pandemic began, as evidenced by a sharp decline in jobs early in 2020. Transportation, warehousing & utilities and wholesale trade have seen an uptick in employment growth since July 2020.



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

# Freight rail & intermodal facilities

Source: AVANT by Avison Young, ESRI  
Intermodal facilities are clustered around seaport submarkets and major throughout corridors, with Class I rail lines providing connectivity throughout the country



# Port of Houston cargo volume

# 2.5 million

2021 YTD TEU total volume  
(imports & exports)

- Largest Texas port with 40% of market share by tonnage
- 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



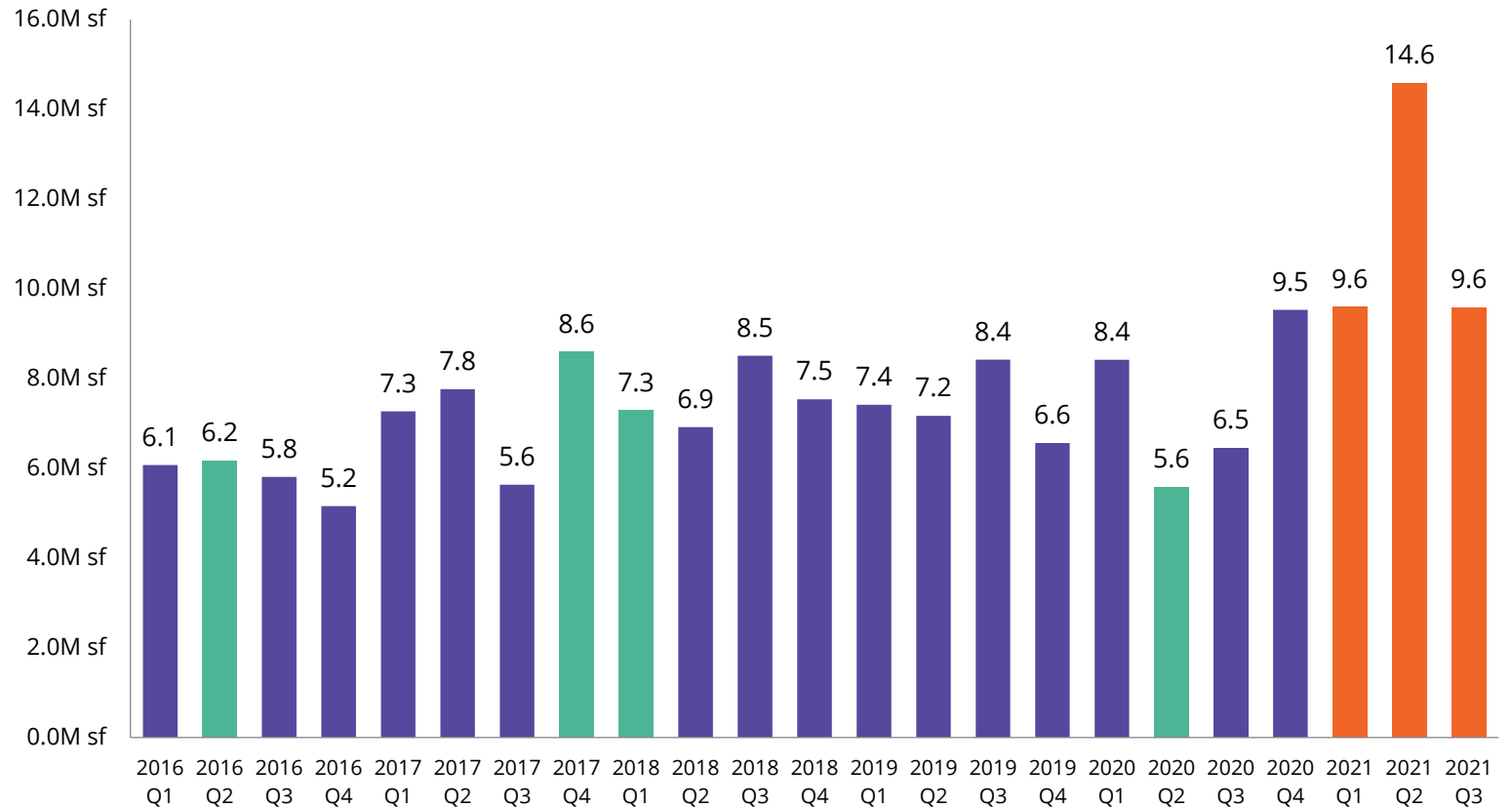
Source: Port of Houston  
\* Through September 2021

# Industrial leasing activity

# +50.4%

**YTD 2021 vs. prior 3-year  
quarterly average leasing  
activity**

Leasing activity has skyrocketed during 2021, with an average 11.3 msf per quarter and the highest on record at 14.6 msf during second quarter.



Source: CoStar

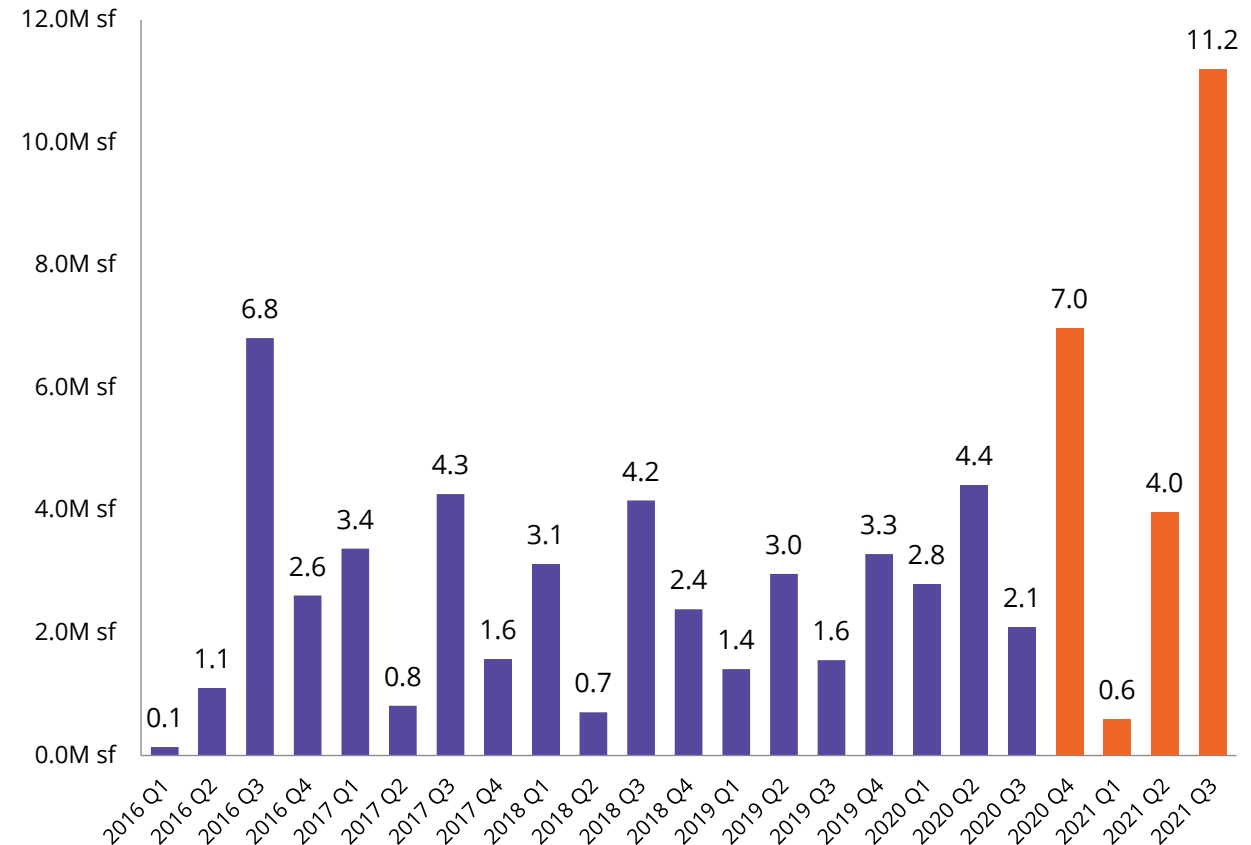


# Industrial net absorption

# 22.8 msf

Positive net absorption Q4 2020 through Q3 2021

Third-quarter net absorption set a record with 11.2 msf, the highest of any quarter in history. Year-to-date net absorption is close to the total for 2020, which outperformed the previous four years by 62%.



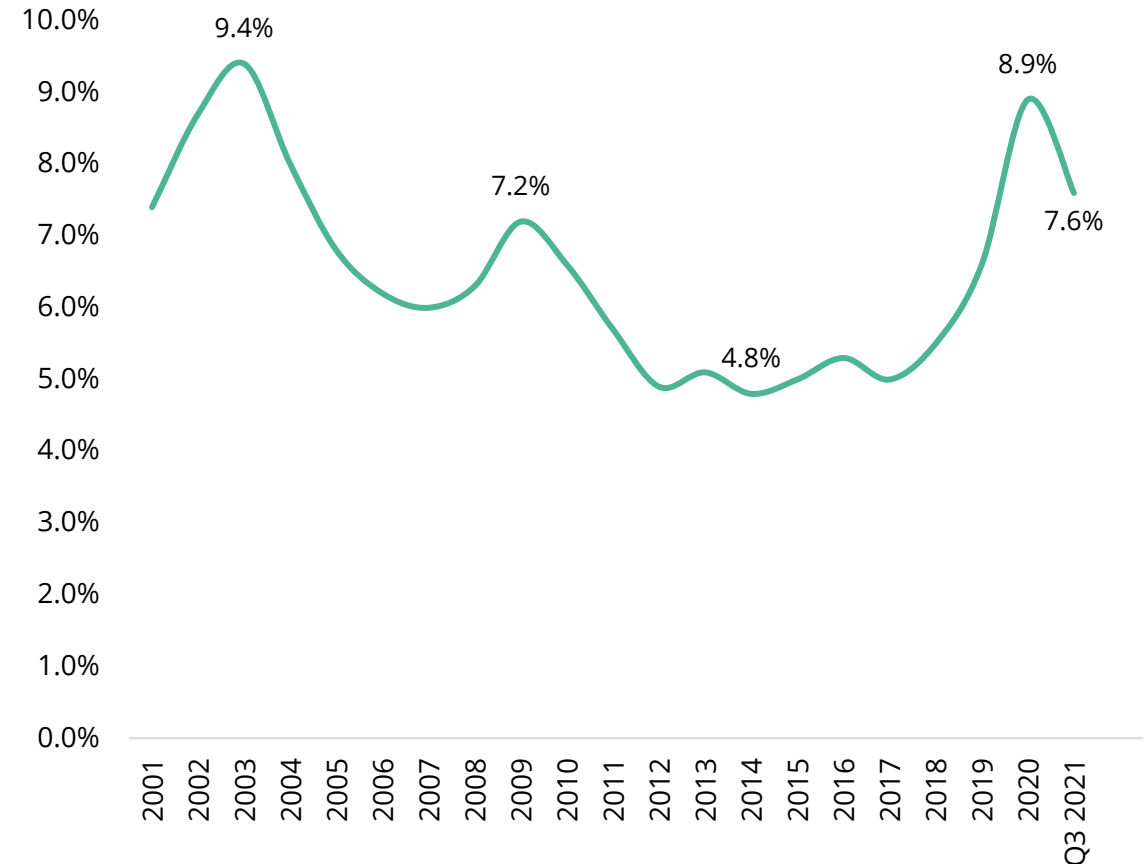
Note: Absorption is measured as the year-over-year change in occupied square feet.  
Source: CoStar

# Industrial vacancy rate

# 7.6%

Vacancy dropped from 2020 levels

Vacancy rates continue to decline as activity returns. 2020 saw rates reach the highest levels in history, driven by substantial deliveries to the market. 2021 may see demand outpace supply if record-level leasing activity continues.



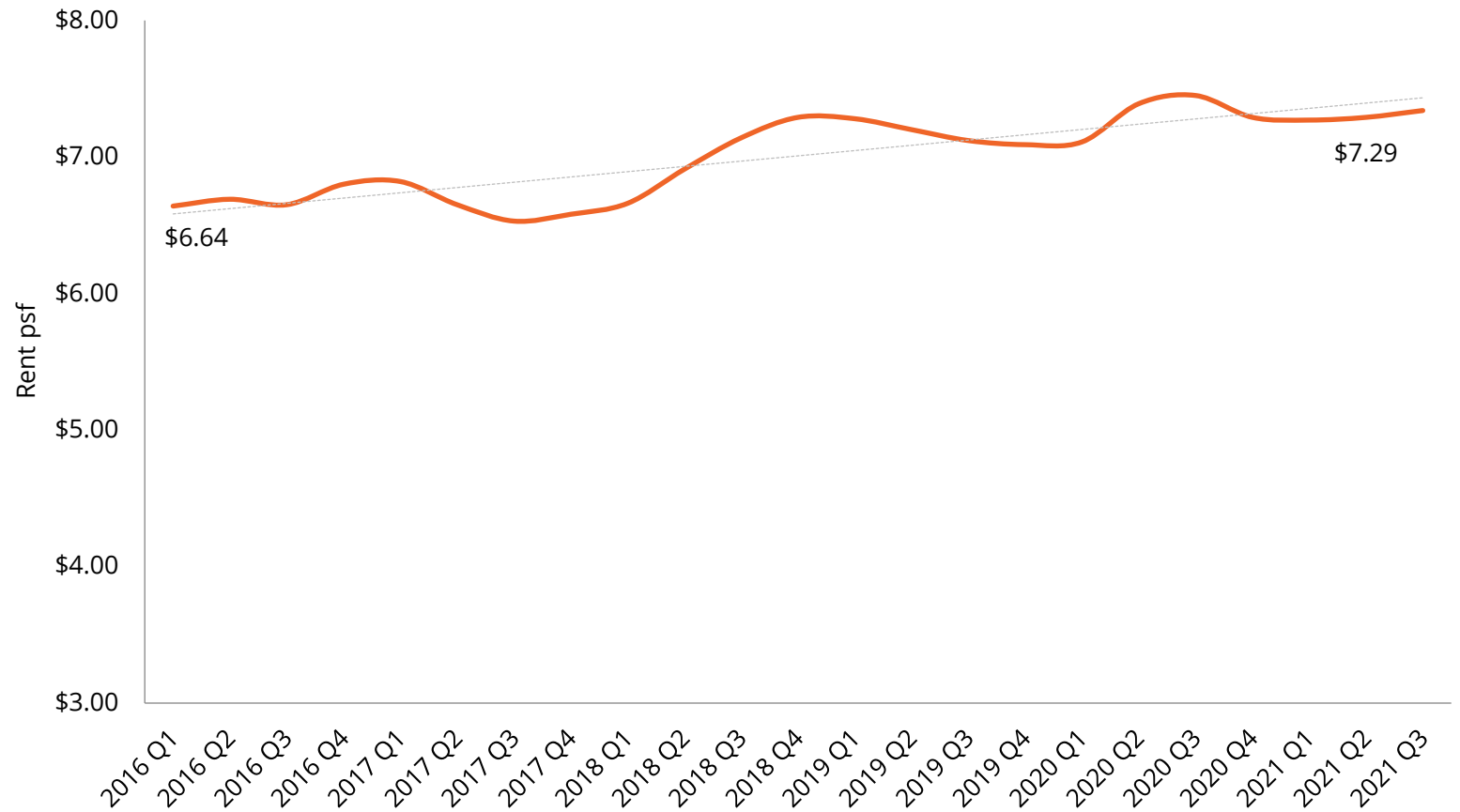
Source: CoStar

# Base rents

**+3.2%**

## Base rents since the onset of the pandemic

Base rents have improved marginally during the third quarter, but have trended upward overall since 2016, increasing by 10.5% over the last six years.



Source: CoStar

# Industrial development pipeline

**89 properties**

under construction

**19.9 msf**

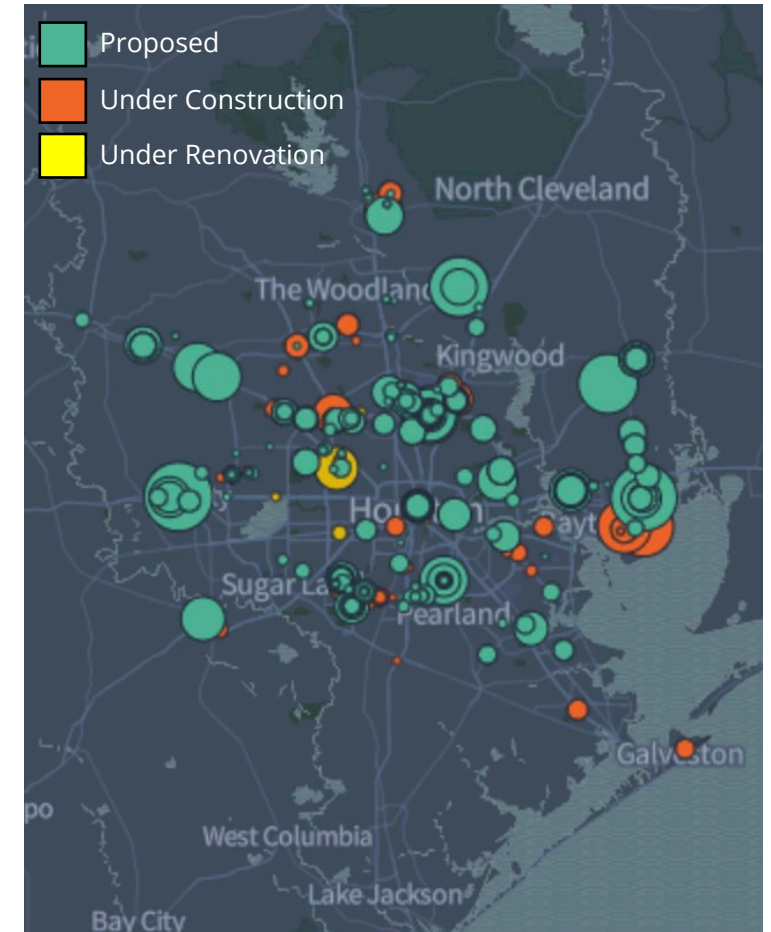
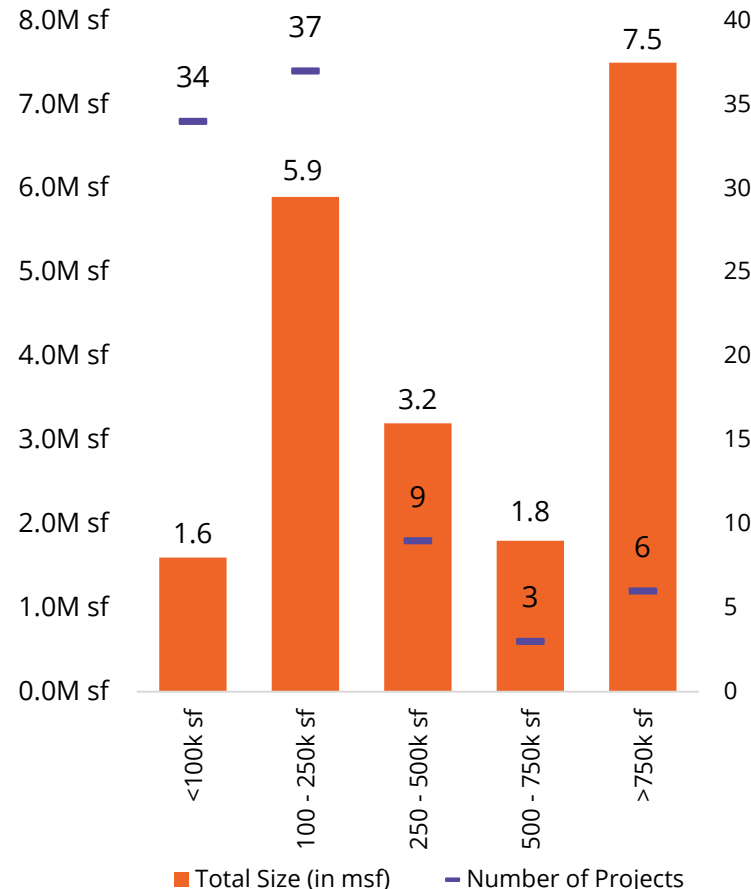
under construction

**3.4%**

share of industrial  
inventory

**Northwest**

Submarket with most  
projects under construction



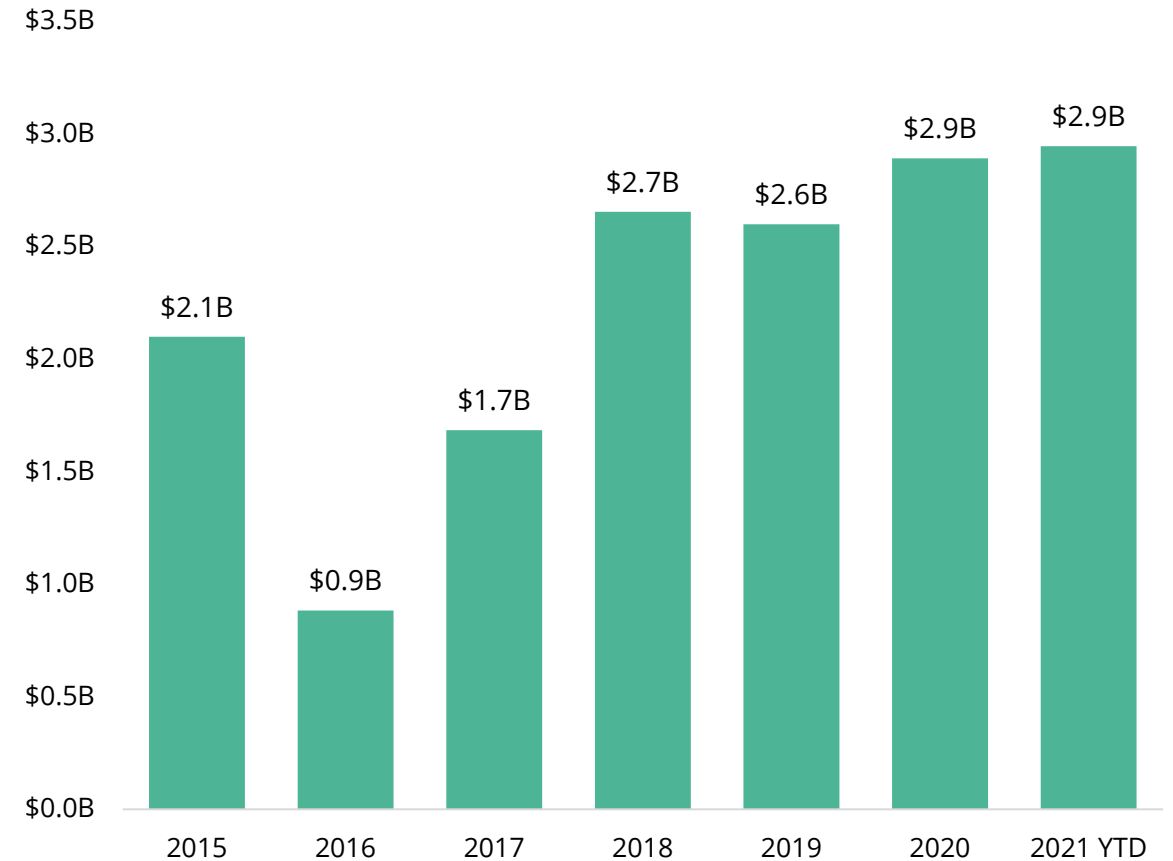
Source: AVANT by Avison Young, CoStar

# Investment dollar volume

# \$2.9B

**Industrial dollar volume equals 2020 annual volume**

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 increased 68.2% against the prior five-year average due to these stronger fundamentals.



Source: AVANT by Avison Young  
RCA

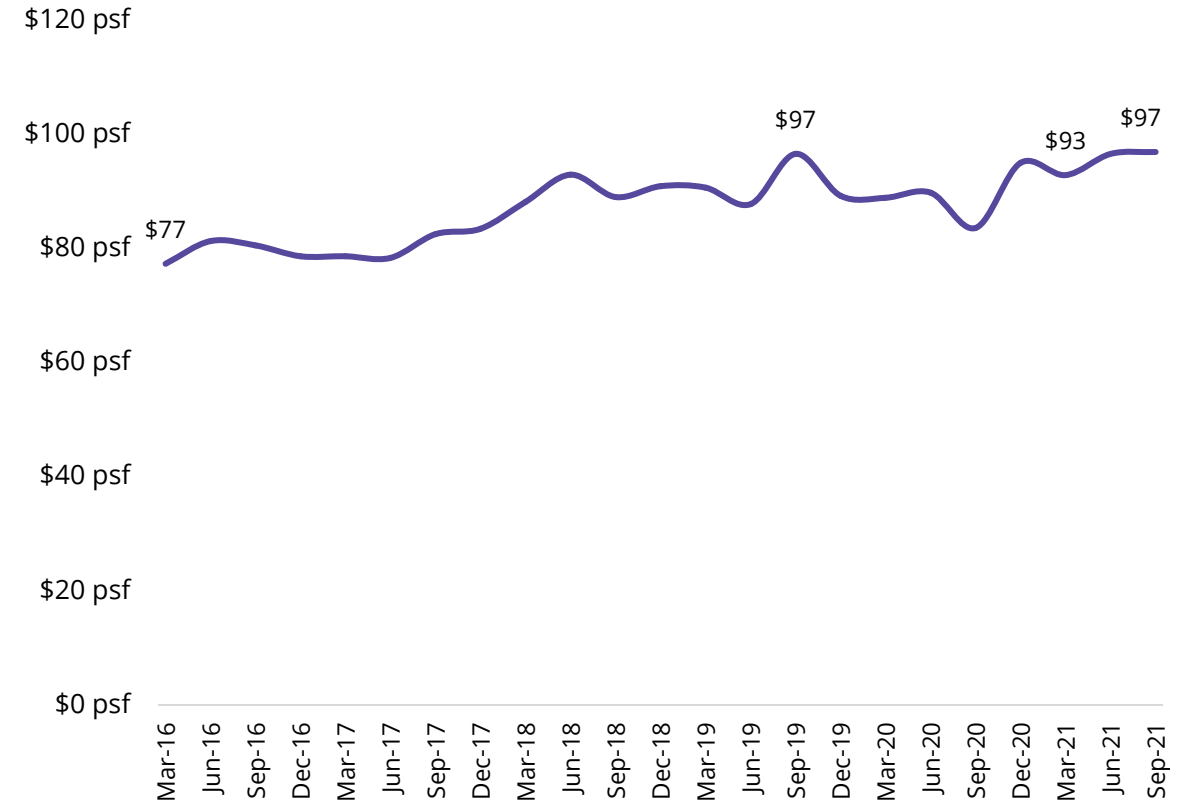


# Industrial asset pricing

**+7.8%**

**Houston industrial pricing,  
April 2020 to September 2021**

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



Source: AVANT by Avison Young  
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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