



TRANSWESTERN

# HOUSTON INDUSTRIAL MARKET

## Q4 2023



### TRENDLINES

	Q4 2023	Q4 2022	ONE-YEAR TRAILING	FIVE-YEAR AVERAGE	12-MONTH FORECAST
UNEMPLOYMENT RATE (%)	4.5	3.9	↑	5.5	↑
NET ABSORPTION (MSF)	10.4	13.2	↓	6.7	↔
DIRECT VACANCY RATE (%)	5.5%	4.4%	↑	5.8%	↑
DIRECT VACANT AVAILABLE (MSF)	36.5	24.6	↑	34.4	↑
UNDER CONSTRUCTION (MSF)	15.4	30.8	↓	19.3	↓
ASKING RENT, NNN (PSF)	\$0.73	\$0.66	↑	\$0.61	↑
SALES VOLUME (Millions)	\$193.7	\$240.4	↓	\$531.4	↑

Source: Bureau of Labor Statistics, CoStar, Real Capital Analytics, Transwestern. Arrow color palette indicates property sector agency leasing, management and investor trending assessment(s).

\*Net Absorption calculated as Net Leasing. See definition on page 13.

## DELIVERIES HEATING UP, OUTPACING STARTS AGAIN IN Q4; LEASING DEMAND STICKS TO DOUBLE DIGITS, TOTALS 33.4M SF IN 2023

### 2023 End of Year House View

Houston’s industrial market registered a total of 10.4 million square feet of new demand this quarter, exceeding Q3 levels by 44.2 percent. Nearly 85 percent of the absorption was tied to warehouse/distribution and over half of all positive growth was concentrated in just three submarkets, the Northwest Far, North Far, and Katy/Far West, geographically linked in an arc showing where demand accounted for 7.1 million square feet of newly occupied space. Due to historic levels of new project deliveries --12.0 million square feet came online spilling into more than 55 percent of pre-lease commitments -- caused 2023 to close with an overall direct rate of 5.8 percent.

Houston’s industrial pipeline now rests at 15.1 million square feet with demand expected to temper during 2024 following several consecutive years of remarkable construction volumes. For comparison, this time last year, the industrial pipeline clocked in at 30.7 million square feet. Completions will therefore outpace starts in the first of half 2024, demand will be above the growth line with a slight rise in vacancy -- just as the market begins to warm towards its next expected growth cycle in the second half.

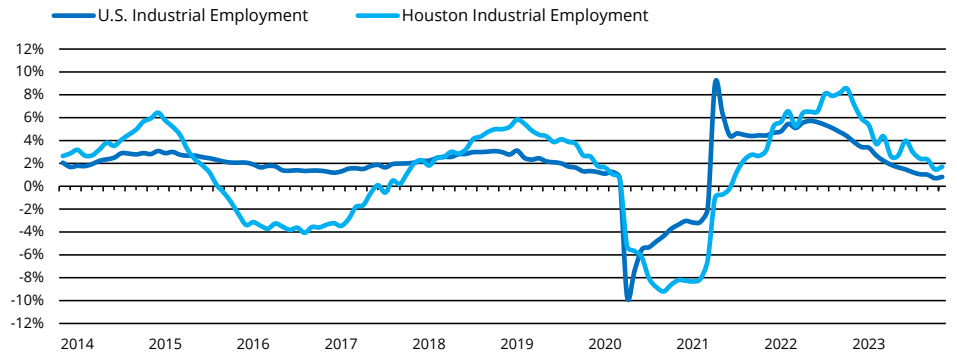


### ECONOMY

#### Steady Job Growth, Lower Inflation and Local Economic Expansion Projected for 2024

- The Houston metro is coming off several years of record economic growth during the closing quarter of 2023. The expansion is expected to continue into 2024 but at a more measured pace, according to the employment forecast released in December by the Greater Houston Partnership (GHP). During the past 42 months, specifically between May 2020 and October 2023, the Houston region created 557,000 jobs, representing 16.4 percent of the nearly 3.4 million metro total and is on track to add another 57,600 during 2024, with all sectors seeing positive gains except construction, real estate, and finance insurance and information.
- Bank of America is projecting the U.S. will see interest rate cuts starting in the first half of next year and quarterly thereafter as inflation mitigates. Inflation tracked above 3.0 percent nationwide during 2023 but is anticipated to fall to 2.5 percent by December 2024.
- The GHP sees no U.S. or local recession in 2024, a prediction echoed by recent data from the Federal Reserve Bank of San Francisco and the Federal Reserve Bank of New York. Houston's economic activity showed varied results in November, though, as non-manufacturing expanded at a faster pace and manufacturing slowed, according to the most recent Houston Purchasing Managers Index (PMI) prepared by the Institute for Supply Management – Houston. The overall PMI rose 2.1 points to 52.0 in November, up from 49.9 in October. Readings above 50 indicated overall economic expansion, with two of three underlying indicators having the strongest positive correlation with the Houston economy (sales/new orders and lead times) both pointing toward modest to strong economic growth in the near-term.

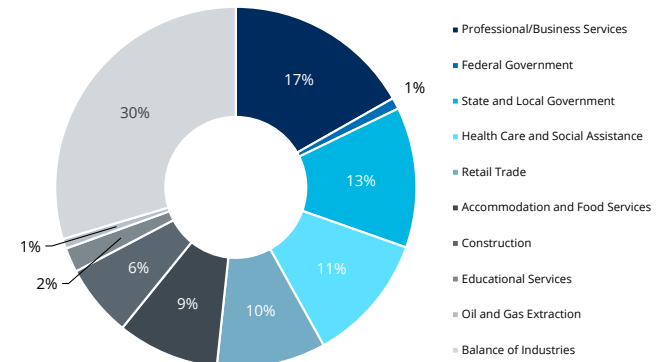
### Y-O-Y CHANGE IN INDUSTRIAL JOBS



Source: Bureau of Labor Statistics, Transwestern

### SHARE OF EMPLOYEES BY INDUSTRY

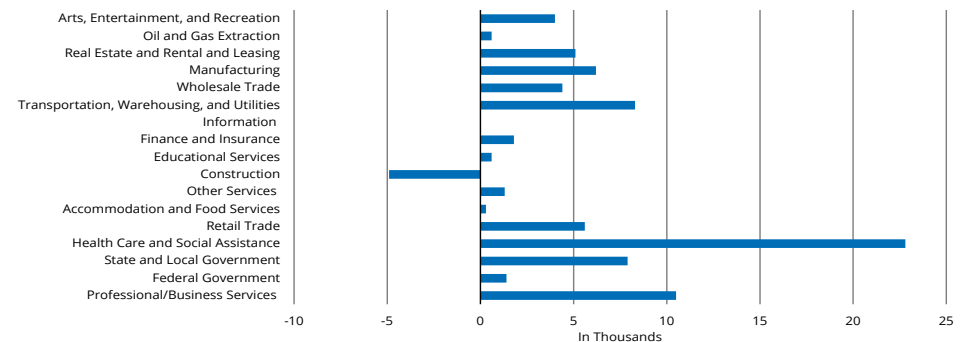
Houston | November 2023



Source: Bureau of Labor Statistics, Transwestern

### Y-O-Y CHANGE IN JOBS BY INDUSTRY

Houston | November 2023



Source: Bureau of Labor Statistics, Transwestern

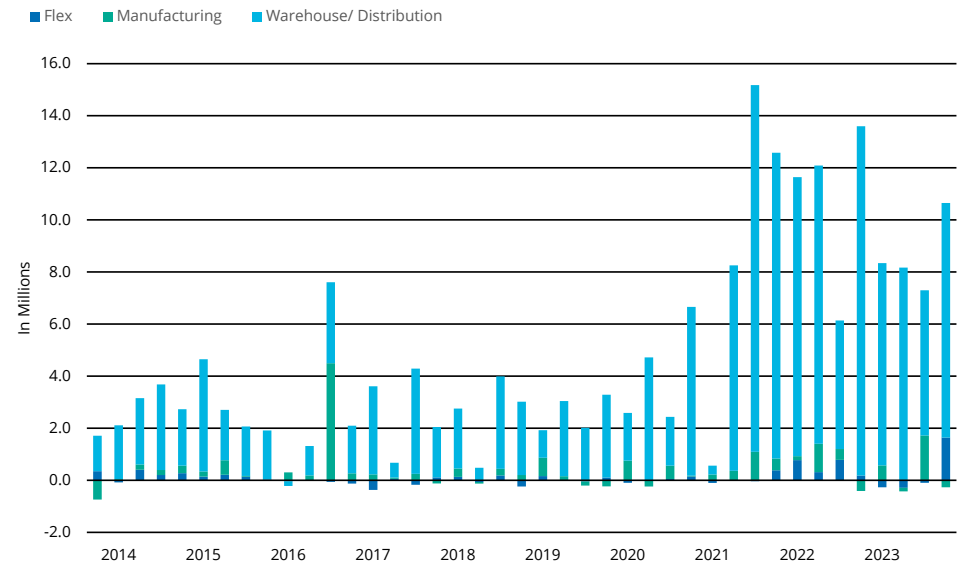


### NET ABSORPTION

#### Net Demand Reached Double-Digits in Q4 and Averaged 7.7M in Previous Three Quarters

- Houston’s industrial demand measured more than 10.3 million square feet of net absorption, exceeding similar amounts seen throughout 2023, with the previous three quarters respective results averaged 7.7 million square feet. Warehouse/distribution took down a net total of 9.0 million square feet this quarter, while Flex/R&D space logged 1.6 million square feet. Manufacturing space finished with slight net space givebacks of 207,000 square feet, mainly concentrated in the metro’s downtown and north-northwest areas.
- Three submarkets surpassed two million square feet in positive net absorption: Northwest Far (2.8M SF), North Far (2.7M SF), and Katy/Far West (2.1M SF). These three top performing submarkets accounted for just over 68.5 percent of all net demand during the period and currently hold about 24.7 percent of the metro’s construction pipeline.
- The largest reported transaction during the quarter came from Waaree Energies, an Indian manufacturer of solar PV modules and provider of solar energy solutions, signing a full-building lease at The Uplands Twinwood Business Park, a cross-dock 546,000 square foot warehouse/ distribution building located at 2439 Discovery Hills, East of Waller Ave in the Katy/Far West submarket.

### NET ABSORPTION BY PRODUCT TYPE



Source: CoStar, Transwestern

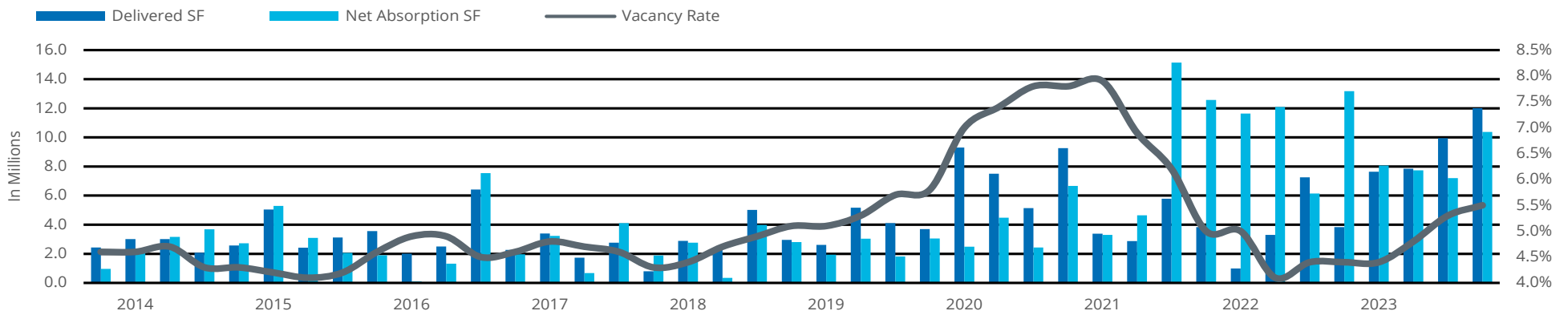


### VACANCY

#### Inching Up 20 bps, Vacancy Holds Generally Firm Even as Speculative Construction Delivers

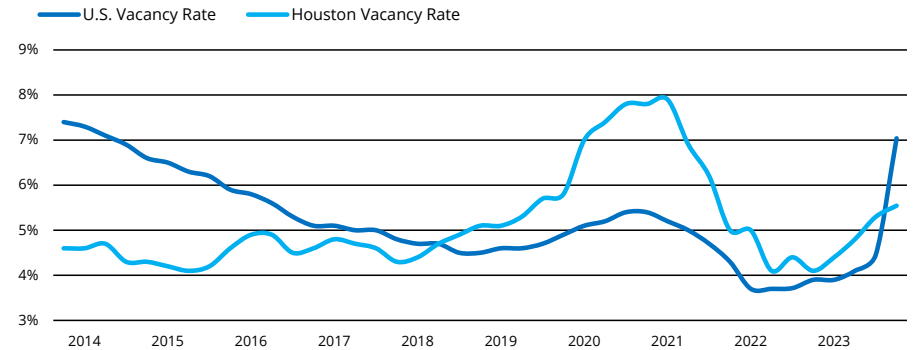
- Houston finished the quarter with an overall direct vacancy of 5.5 percent, increasing 20 basis points this period. As we first reported earlier this year, new speculative warehouse/distribution space has been driving up immediate metro availability with the new product's lower pre-lease commitments and the fourth quarter sustained the pattern. Out of the nearly 12 million square feet warehouse/distribution space that delivered in the final 90 days of the year, the pre-lease rate was 45 percent. Still, that level is more reflective of a seasonal slowdown which is expected to accelerate in the first half of 2024 - especially in the fast-growing residential suburban submarkets in the metro's west and northwest.
- Elevated construction levels are linked to vacancy above citywide averages in several larger submarkets including Katy/Far West (9.9% direct vacancy, 827K SF under development), East-Southeast Far (7.2% direct vacancy, 4.9M SF under development), Northwest Far (5.9% direct vacancy, 1.5M SF under development), and Northeast (5.9% direct vacancy, 4.1M SF under development), which currently have a combined pre-lease commitment of 17.1 percent.

### DELIVERY IMPACT ON KEY INDICATORS



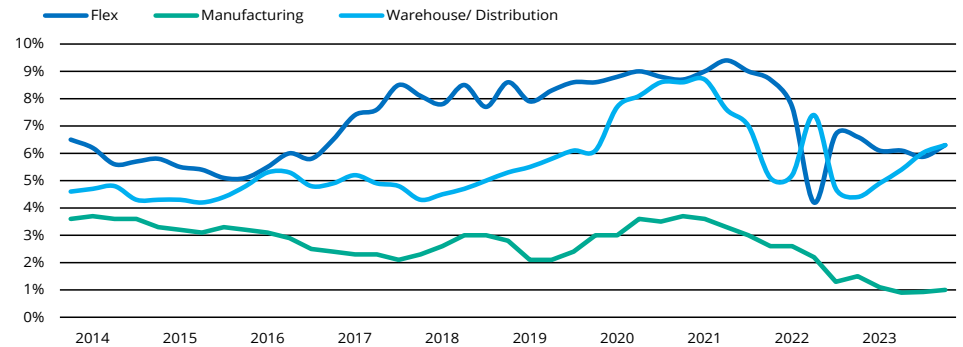
Source: CoStar, Transwestern

### OVERALL VACANCY RATE



Source: CoStar, Transwestern

### OVERALL VACANCY RATE BY PRODUCT TYPE



Source: CoStar, Transwestern

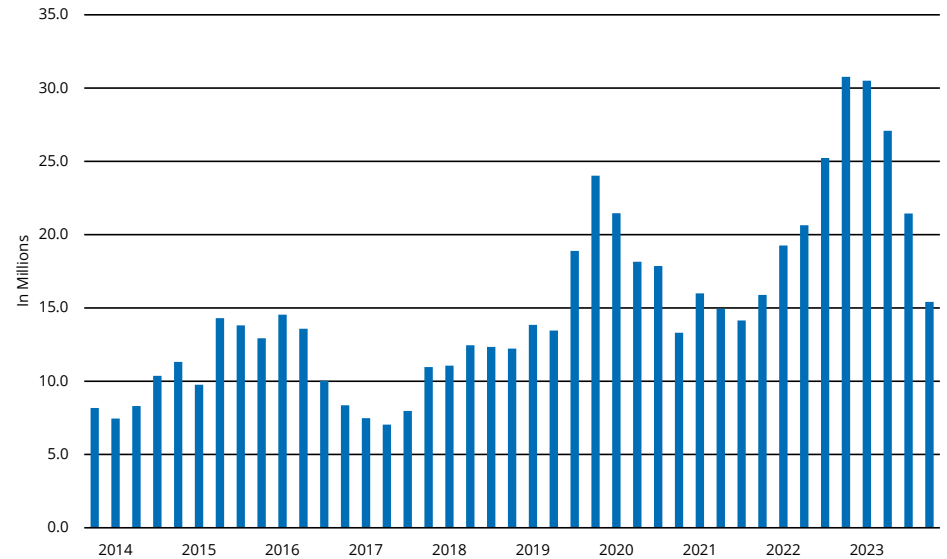


### UNDER CONSTRUCTION

#### Total Construction Volume Shaved in Half During 2023

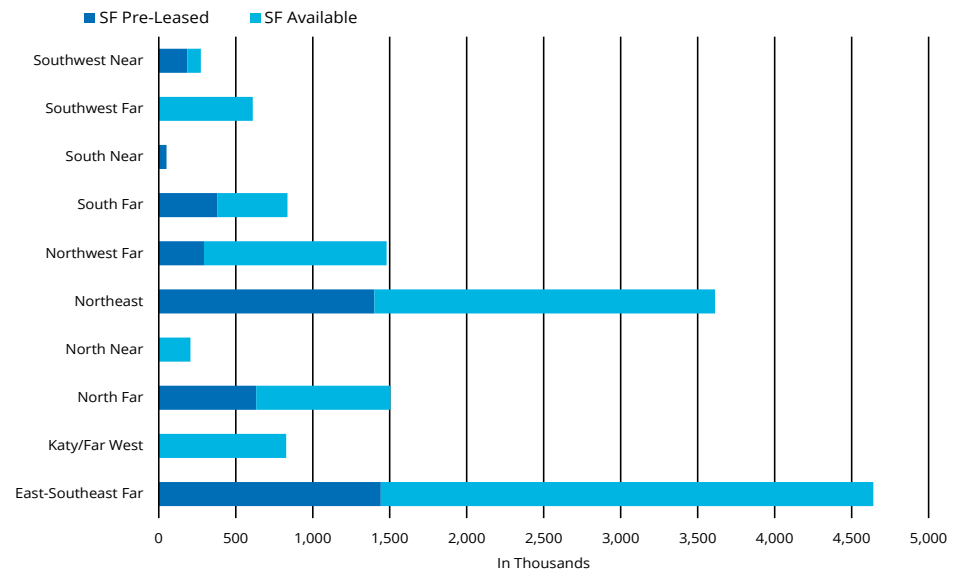
- Houston’s industrial pipeline clocked in at 15.2 million square feet in the final reporting period of the year, decreasing just over 6.0 million square feet quarter-over-quarter, but still maintaining the double-digit figure that has become a market staple since 2018. Houston’s construction pipeline has continued to taper with softening demand and elevated interest rates. New building deliveries outpaced starts by 5.9 million square feet this quarter with projects completed in eight submarkets for a total of 12.0 million square feet.
- There were two recent notable deliveries over the quarter with each project containing 1.2 million square feet and both located in the North Far submarket: Lovett Industrial’s NorthPort Logistics Center, speculative warehouse/distribution center came online at 00 Conroe Park Dr W in the North Far and Prologis, Inc.’s Building 4 in Presidents Park. The latter is a tailored-made facility for WayFair, which was scheduled to be fully occupied upon completion, but the entire facility is now on the market available for sublease.
- Two large projects announced during the quarter include Houston-based PinPoint Commercial’s Grand Central West Industrial Park – Building 2, a roughly 843,000 square foot warehouse/distribution center built at 22206 Beckendorff Rd in the Northwest Far submarket. The entire building is currently available for pre-lease and has an estimated delivery date of Q4 2024. The second major new project came from Tampa-based Brennan Investment Group with their 157,300 square foot speculative, rear load, warehouse/distribution center at 500 N Sam Houston Pky W in the North Far submarket. The projected is slated to deliver in the fourth quarter 2024.

### UNDER CONSTRUCTION



Source: CoStar, Transwestern

### UNDER CONSTRUCTION BY SUBMARKET



Source: CoStar, Transwestern

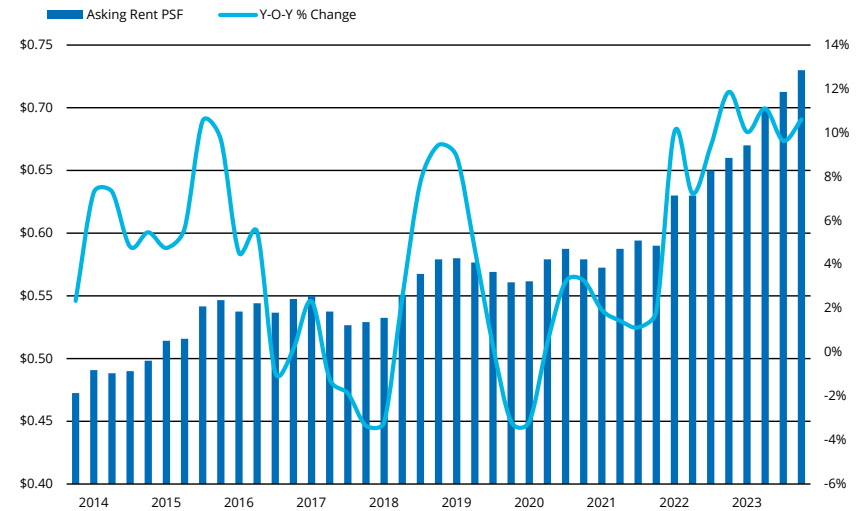


### RENTAL RATES

#### Houston's Annual Industrial Rents Hit Third Double-Digit Bump in 2023, Outpacing the U.S. Average During Entire Year

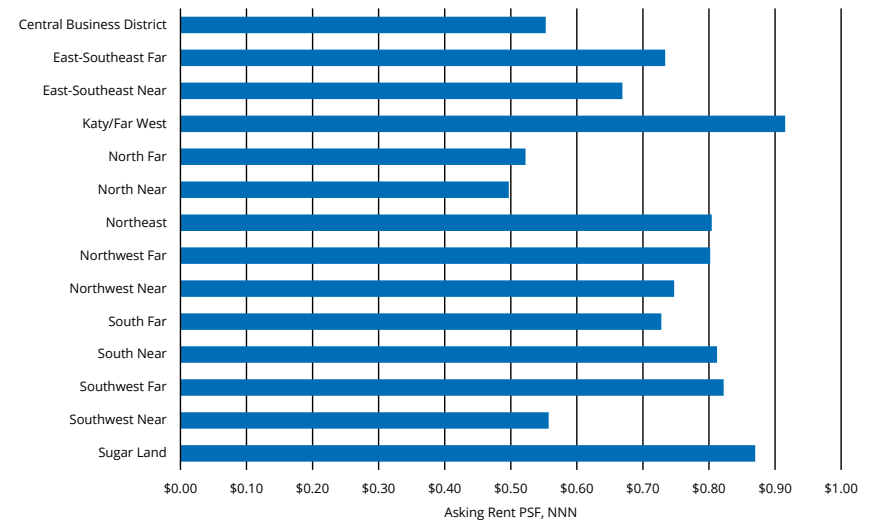
- Houston's overall triple-net industrial rents rose throughout the quarter as both warehouse/distribution and manufacturing space experienced gains of 3.8 percent and 0.6 percent, respectively. On the flip side, Flex/R&D witnessed an overall decrease of 6.8 percent corresponding with the softer demand for back-office space.
- Warehouse/distribution space asking rents clocked in at \$0.72/MO NNN. The average asking rate witnessed a solid gain over 2022 with a 12-month expansion of 10.8 percent.
- Manufacturing space scored in the black for rising asking rents. The subtype saw rents climb \$0.74/MO NNN this quarter, a 0.6 percent increase and an impressive double-digit rise of 19.0 percent when compared to the same period last year.
- The most notable rent gains came from warehouse/distribution space. For example, North Near saw warehouse/distribution rents increased by 22.5 percent to \$0.51/MO NNN, while the Central Business District had its available inventory command an additional 19.8 percent per square foot, bringing its total to \$0.59/MO NNN.
- Nine out of the 14 submarkets experienced at least a one percent gain or better during the fourth quarter. Industrial rents continue to see upward trajectory with continued gains surpassing the national average. Houston's overall annual rent increased by 10.7 percent during 2023 while the U.S. average grew by 7.6 percent, according to Yardi Matrix, a market and institutional research platform.

### ASKING RENT



Source: CoStar, Transwestern

### ASKING RENTS BY SUBMARKET



Source: CoStar, Transwestern

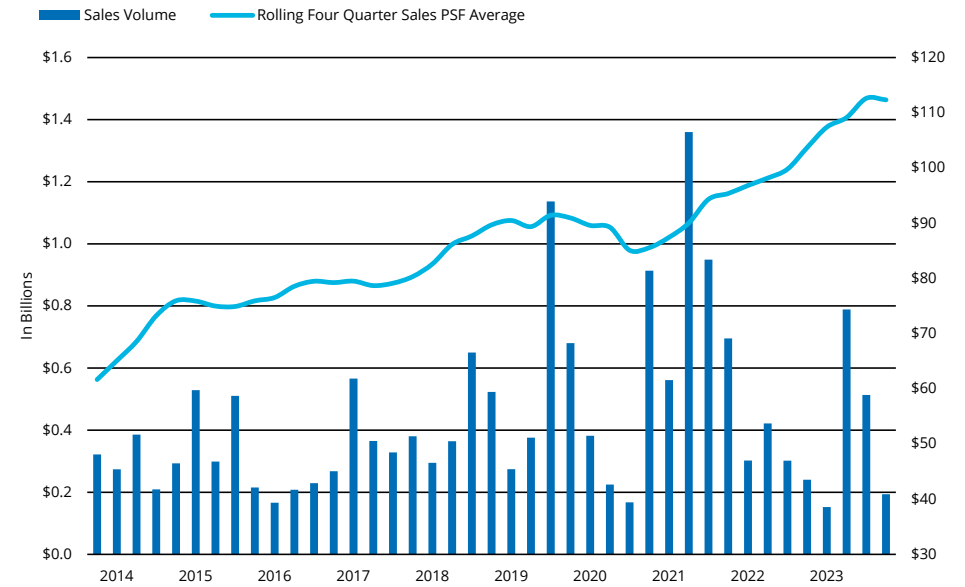


### SALES

#### REITs, Foreign and Private Investors Were the Year’s Net Buyers But Trade Volume Still Fell as Expected

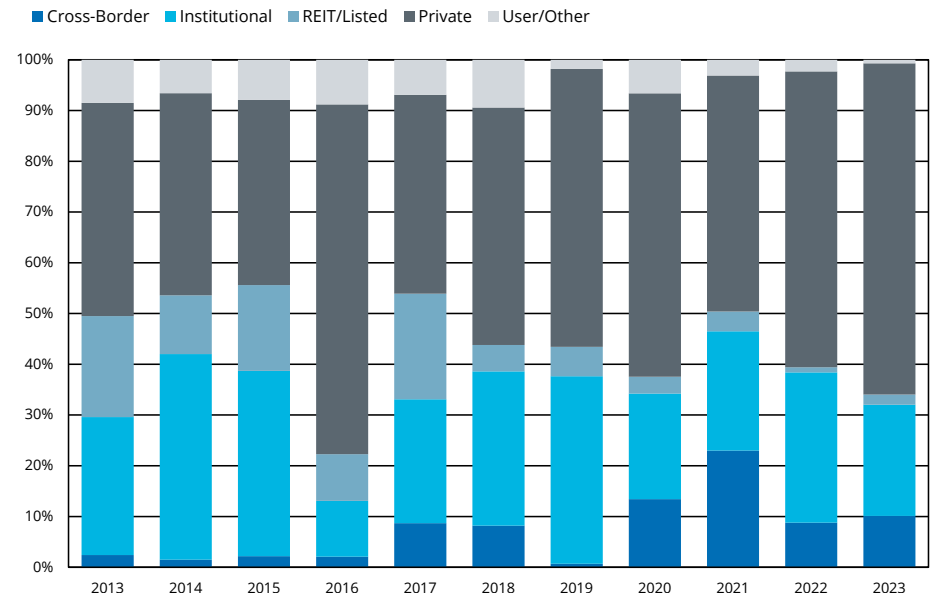
- Investors completed 17 property sales throughout Houston during the quarter, decreasing from the 18 trades completed during the third. Building acquisitions averaged \$110 per square foot, down from \$111 from the same period last year and decreasing from \$117 quarter-over-quarter.
- International and private investors finished both the quarter and the year with net acquisitions outweighing net dispositions. International investors acquired a net total of \$96.6 million in assets over the quarter, which brings their overall holdings to \$44.9 million for the year. Private investors overall holdings remained relatively flat during the period with only a slight bump of \$16.0 million in acquisitions. The private sector concluded 2023 with a net total of \$179.5 million in acquisitions.
- Institutional investors and REITs finished the quarter with net dispositions outweighing net acquisitions. Institutional investors disposed a net total of \$83.9 million during the quarter, bringing their 2023 portfolio to a net total of \$127.7 million in sales. REITs overall holdings experienced a slight net decrease of \$7.2 million during Q4 but remained in the black for 2023 with annual net acquisitions clocking in at \$10.4 million.
- A noteworthy property trade announced this period came from, Texas-based Nan Ya Plastics USA, a Taiwanese plastic and packaging manufacture, acquiring 424,000 square foot 4186 Shadrack St – Northeast Crossing from Dallas-based real estate development firm Jackson-Shaw. The Class A warehouse/distribution facility is in the Northeast submarket at the corner of Wallisville Rd and Shadrack St.
- Also announced during the quarter, California-based Greenlaw Partners and Florida-based BentallGreenOak, acquired Main Central Business Park from Houston-based Clay Development & Construction. The Class A, 524,640 square foot warehouse/distribution center is located in the Southwest Far submarket at the corner of the Fort Bend Pkwy Toll Road and Highway 90.

### SALES VOLUME



Source: Real Capital Analytics, Transwestern

### BUYER CAPITAL COMPOSITION



Source: Real Capital Analytics, Transwestern



## NOTABLE REPORTED LEASES

TENANT	ADDRESS	SUBMARKET	TYPE	SF LEASED
WAAREE ENERGIES	2439 Discovery Hills Pky	Katy/Far West	New	546,000
EXXONMOBIL	8235 Plummer St	East-Southeast Near	New	525,000
HINTON LUMBER PRODUCTS	359 Old Underwood Rd	East-Southeast Far	New	450,000
WISEBAKER BUILDER SERVICES	1020 Bammel Rd	North Far	New	409,795
JOHNSON HEALTH TECH	574 Pederson Rd	Katy/Far West	New	343,760
WESTERN POST (WESTERN GROUP)	14402 Fallbrook Dr	Northwest Far	New	521,600
MODERN POLYMER PRODUCTS	3042 Highway 225	East-Southeast Far	Renewal	300,000
STAPLES	6400 Hollister St	Northwest Near	Renewal	276,600
CRC WAREHOUSING	359 Old Underwood Rd	East-Southeast Far	Renewal	225,000
PRIMESOURCE BUILDING PRODUCTS	3101 Eastveld Dr	North Far	New	195,910

= Transwestern transaction

SOURCE: Transwestern Research.

## NOTABLE SALES

PROPERTY	SUBMARKET	BUILDING SF	BUYER	SELLER
MAIN CENTRAL BUSINESS PARK	Southwest Far	523,640	Greenlaw Partners; BentallGreenOak	Clay Development & Construction
4186 SHADRACK ST - NORTHEAST CROSSING	Northeast	424,404	Nan Ya Plastics	Jackson-Shaw Company; Diamond Realty Investments
PORT 146 & LAPORTE DISTRIBUTION CENTER (PORTFOLIO)	East-Southeast Far	333,861	Triten Real Estate Partners	ARES
KINGSLAND 10 BUSINESS PARK - BUILDING 4	Katy/Far West	187,888	Triten Real Estate Partners	Adkisson Development Group
MESA EAST INDUSTRIAL PARK	Northeast	134,545	ALE6414MESA LLC; JME6414MESA LLC	Taurus
ALLIED POWER BUILDING	Northwest Far	113,000	Undisclosed	University Crossroads LLC

SOURCE: Transwestern Research.

## WHY OUR METHODOLOGY IS THE BEST INDICATOR OF CURRENT MARKET CONDITIONS

We include owner occupied and single-tenant buildings in our inventory, vacancy and absorption statistics to capture more market activity than many of our competitors. This allows us to better correlate changes in the market with changes in employment. As single-tenant space does compete with multi-tenant space, we believe it is critical to understand all components of the market. The inclusion of single-tenant and owner-occupied space tends to yield lower vacancy rates and higher absorption totals than some of our competitors' results, but our coverage of the market is more comprehensive.



## HOUSTON INDUSTRIAL MARKET INDICATORS

SUBMARKET	INVENTORY SF	DIRECT VACANT SF	DIRECT VACANCY RATE	OVERALL VACANCY RATE	UNDER CONSTRUCTION SF	NET ABSORPTION* SF	ROLLING 4-QTR ABSORPTION SF	ASKING RENT NNN, MONTHLY
<b>CENTRAL BUSINESS DISTRICT</b>								
<b>FLEX/R&amp;D</b>	401,168	24,448	6.1%	6.1%	-	20,000	(44,000)	\$1.50
<b>MANUFACTURING</b>	4,870,735	25,138	0.5%	0.7%	-	(226,000)	(460,000)	\$0.34
<b>WAREHOUSE/DISTRIBUTION</b>	19,912,389	1,522,028	7.6%	8.2%	-	(742,000)	(314,000)	\$0.59
<b>TOTAL - CENTRAL BUSINESS DISTRICT</b>	25,184,292	1,571,614	6.2%	6.7%	-	(948,000)	(818,000)	\$0.55
<b>EAST-SOUTHEAST FAR</b>								
<b>FLEX/R&amp;D</b>	2,417,735	179,164	7.4%	7.9%	-	574,000	648,000	\$0.80
<b>MANUFACTURING</b>	7,595,998	74,384	1.0%	1.0%	-	33,000	(20,000)	-
<b>WAREHOUSE/DISTRIBUTION</b>	81,973,904	6,398,896	7.8%	8.5%	4,922,493	1,224,000	6,622,000	\$0.73
<b>TOTAL - EAST-SOUTHEAST FAR</b>	91,987,637	6,652,444	7.2%	7.9%	4,922,493	1,831,000	7,250,000	\$0.73
<b>EAST-SOUTHEAST NEAR</b>								
<b>FLEX/R&amp;D</b>	361,108	3,000	0.8%	0.8%	-	(3,000)	(3,000)	-
<b>MANUFACTURING</b>	9,392,373	2,800	0.0%	0.0%	-	(10,000)	(130,000)	\$0.70
<b>WAREHOUSE/DISTRIBUTION</b>	22,192,210	350,251	1.6%	1.6%	-	(11,000)	735,000	\$0.66
<b>TOTAL - EAST-SOUTHEAST NEAR</b>	31,945,691	356,051	1.1%	1.1%	-	(24,000)	602,000	\$0.67
<b>KATY/FAR WEST</b>								
<b>FLEX/R&amp;D</b>	1,524,349	107,128	7.0%	7.3%	60,000	149,000	292,000	\$1.29
<b>MANUFACTURING</b>	1,193,593	23,500	2.0%	2.0%	-	-	20,000	\$0.72
<b>WAREHOUSE/DISTRIBUTION</b>	34,600,192	3,559,806	10.3%	11.0%	767,520	1,903,000	4,408,000	\$0.86
<b>TOTAL - KATY/FAR WEST</b>	37,318,134	3,690,434	9.9%	10.6%	827,520	2,052,000	4,720,000	\$0.87

\*See page 13 for definition of Net Absorption under the Research Methodology



## HOUSTON INDUSTRIAL MARKET INDICATORS

SUBMARKET	INVENTORY SF	DIRECT VACANT SF	DIRECT VACANCY RATE	OVERALL VACANCY RATE	UNDER CONSTRUCTION SF	NET ABSORPTION* SF	ROLLING 4-QTR ABSORPTION SF	ASKING RENT NNN, MONTHLY
<b>NORTH FAR</b>								
<b>FLEX/R&amp;D</b>	8,265,383	355,476	4.3%	5.7%	43,244	(66,000)	23,000	\$0.69
<b>MANUFACTURING</b>	11,151,141	-	-	-	-	(39,000)	203,000	\$1.15
<b>WAREHOUSE/DISTRIBUTION</b>	76,789,691	5,261,087	6.9%	8.8%	1,462,498	2,365,000	5,852,000	\$0.91
<b>TOTAL - NORTH FAR</b>	96,206,215	5,616,563	5.8%	7.5%	1,505,742	2,260,000	6,078,000	\$0.92
<b>NORTH NEAR</b>								
<b>FLEX/R&amp;D</b>	926,240	74,285	8.0%	8.0%	-	188,000	(5,000)	\$0.70
<b>MANUFACTURING</b>	2,994,900	108,100	3.6%	3.6%	-	(41,000)	(129,000)	-
<b>WAREHOUSE/DISTRIBUTION</b>	17,066,124	988,538	5.8%	5.8%	206,136	(28,000)	477,000	\$0.51
<b>TOTAL - NORTH NEAR</b>	20,987,264	1,170,923	5.6%	5.6%	206,136	119,000	343,000	\$0.52
<b>NORTHEAST</b>								
<b>FLEX/R&amp;D</b>	677,373	23,189	3.4%	3.4%	-	332,000	332,000	\$0.67
<b>MANUFACTURING</b>	10,053,267	17,500	0.2%	0.2%	-	79,000	1,252,000	\$0.35
<b>WAREHOUSE/DISTRIBUTION</b>	34,430,128	2,632,259	7.6%	8.1%	4,074,701	(340,000)	1,233,000	\$0.54
<b>TOTAL - NORTHEAST</b>	45,160,768	2,672,948	5.9%	6.3%	4,074,701	71,000	2,817,000	\$0.50
<b>NORTHWEST FAR</b>								
<b>FLEX/R&amp;D</b>	3,576,665	250,177	7.0%	7.4%	26,000	245,000	(394,000)	\$0.76
<b>MANUFACTURING</b>	16,065,006	205,679	1.3%	1.3%	268,000	-	927,000	\$0.72
<b>WAREHOUSE/DISTRIBUTION</b>	64,016,211	4,889,273	7.6%	7.7%	1,185,843	2,555,000	4,597,000	\$0.83
<b>TOTAL - NORTHWEST FAR</b>	83,657,882	5,345,129	6.4%	6.5%	1,479,843	2,800,000	5,130,000	\$0.80

\*See page 13 for definition of Net Absorption under the Research Methodology



## HOUSTON INDUSTRIAL MARKET INDICATORS

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<b>NORTHWEST NEAR</b>								
<b>FLEX/R&amp;D</b>	9,275,006	752,602	8.1%	8.6%	-	(293,000)	(552,000)	\$0.91
<b>MANUFACTURING</b>	8,901,834	210,570	2.4%	2.4%	-	(27,000)	68,000	\$0.81
<b>WAREHOUSE/DISTRIBUTION</b>	60,184,626	2,034,212	3.4%	3.6%	-	26,000	(399,000)	\$0.78
<b>TOTAL - NORTHWEST NEAR</b>	78,361,466	2,997,384	3.8%	4.1%	-	(294,000)	(883,000)	\$0.80
<b>SOUTH FAR</b>								
<b>FLEX/R&amp;D</b>	1,191,700	37,785	3.2%	3.2%	-	54,000	103,000	\$0.98
<b>MANUFACTURING</b>	6,767,925	33,812	0.5%	1.9%	318,089	10,000	142,000	\$0.61
<b>WAREHOUSE/DISTRIBUTION</b>	26,599,825	1,671,407	6.3%	6.6%	517,637	739,000	3,435,000	\$0.77
<b>TOTAL - SOUTH FAR</b>	34,559,450	1,743,004	5.0%	5.6%	835,726	803,000	3,680,000	\$0.75
<b>SOUTH NEAR</b>								
<b>FLEX/R&amp;D</b>	875,693	91,870	10.5%	11.2%	-	(18,000)	(76,000)	\$1.00
<b>MANUFACTURING</b>	1,582,298	-	-	-	-	(64,000)	(5,000)	\$0.58
<b>WAREHOUSE/DISTRIBUTION</b>	7,818,570	33,808	0.4%	-	50,000	200,000	266,000	\$0.73
<b>TOTAL - SOUTH NEAR</b>	10,276,561	125,678	1.2%	1.0%	50,000	118,000	185,000	\$0.73
<b>SOUTHWEST FAR</b>								
<b>FLEX/R&amp;D</b>	1,781,404	85,021	4.8%	4.8%	-	(3,000)	71,000	\$1.09
<b>MANUFACTURING</b>	1,900,693	-	-	-	-	-	71,000	\$1.00
<b>WAREHOUSE/DISTRIBUTION</b>	15,538,529	1,052,189	6.8%	6.8%	1,025,690	602,000	2,088,000	\$0.76
<b>TOTAL - SOUTHWEST FAR</b>	19,220,626	1,137,210	5.9%	5.9%	1,025,690	599,000	2,230,000	\$0.81

\*See page 13 for definition of Net Absorption under the Research Methodology



## HOUSTON INDUSTRIAL MARKET INDICATORS

SUBMARKET	INVENTORY SF	DIRECT VACANT SF	DIRECT VACANCY RATE	OVERALL VACANCY RATE	UNDER CONSTRUCTION SF	NET ABSORPTION* SF	ROLLING 4-QTR ABSORPTION SF	ASKING RENT NNN, MONTHLY
<b>SOUTHWEST NEAR</b>								
<b>FLEX/R&amp;D</b>	5,487,171	244,663	4.5%	4.5%	35,000	92,000	158,000	\$0.90
<b>MANUFACTURING</b>	3,062,568	107,608	3.5%	3.5%	-	15,000	(44,000)	-
<b>WAREHOUSE/DISTRIBUTION</b>	29,042,009	1,201,199	4.1%	4.5%	238,530	(812,000)	52,000	\$0.81
<b>TOTAL - SOUTHWEST NEAR</b>	<b>37,591,748</b>	<b>1,553,470</b>	<b>4.1%</b>	<b>4.4%</b>	<b>273,530</b>	<b>(705,000)</b>	<b>166,000</b>	<b>\$0.82</b>
<b>SUGAR LAND</b>								
<b>FLEX/R&amp;D</b>	2,837,137	267,618	9.4%	9.9%	-	368,000	431,000	\$1.03
<b>MANUFACTURING</b>	1,968,529	-	-	-	-	-	(5,000)	-
<b>WAREHOUSE/DISTRIBUTION</b>	20,178,093	436,076	2.2%	2.3%	-	1,331,000	1,470,000	\$0.49
<b>TOTAL - SUGAR LAND</b>	<b>24,983,759</b>	<b>703,694</b>	<b>2.8%</b>	<b>3.0%</b>	<b>-</b>	<b>1,699,000</b>	<b>1,896,000</b>	<b>\$0.56</b>
<b>HOUSTON</b>								
<b>FLEX/R&amp;D</b>	40,524,372	2,570,711	6.3%	6.9%	164,244	1,639,000	984,000	\$0.86
<b>MANUFACTURING</b>	90,495,760	917,191	1.0%	1.0%	586,089	(270,000)	1,890,000	\$0.74
<b>WAREHOUSE/DISTRIBUTION</b>	527,408,625	33,019,567	6.3%	6.9%	14,657,184	9,012,000	30,522,000	\$0.72
<b>TOTAL - HOUSTON</b>	<b>658,428,757</b>	<b>36,507,469</b>	<b>5.5%</b>	<b>6.1%</b>	<b>15,407,517</b>	<b>10,381,000</b>	<b>33,396,000</b>	<b>\$0.73</b>

\*See page 13 for definition of Net Absorption under the Research Methodology

SOURCE Inventory and vacancy from analysis of CoStar data, net absorption computed by Transwestern

NOTE Includes buildings 25,000 SF RBA and greater, does not include buildings under construction or owned by the government



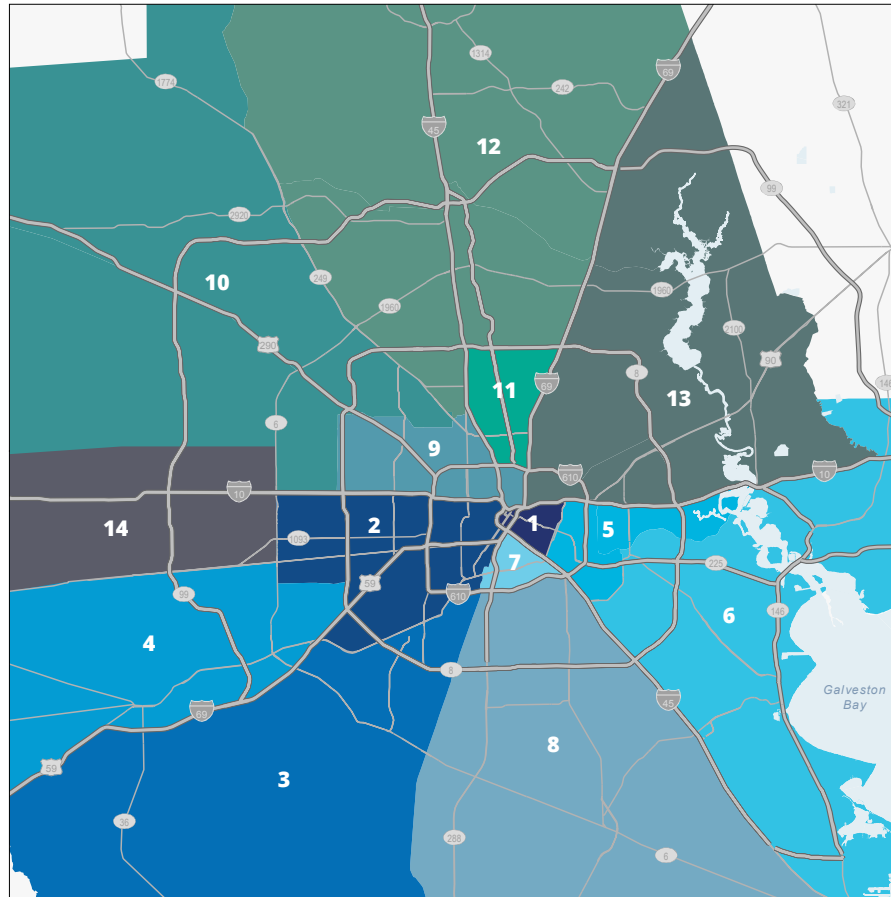
### RESEARCH METHODOLOGY

The information in this report is the result of a compilation of information on office properties located in the Houston metropolitan area. This report includes Warehouse/distribution, Flex and Manufacturing properties 25,000 SF and larger and analyzes leasing, renewal, representative investment sales activity. In Houston, Transwestern calculates Net Absorption as "Net Leasing," or change in Total Available space. Space returned to market registers as negative absorption; Space leased or reoccupied registers as positive absorption. Transwestern's methodology provides a real-time indicator of supply and demand in the space market that eliminates time lags and incomplete information inherent to tracking physical move-ins & move-outs.

### ABOUT TRANSWESTERN

The privately held Transwestern companies have been delivering a higher level of personalized service and innovative real estate solutions since 1978. Through an integrated, customized approach that begins with good ideas, the firm drives value for clients across commercial real estate services, development, investment management, and opportunistic endeavors for high-net-worth investors. Operating from 33 U.S. offices, Transwestern extends its platform capabilities globally through strategic alliance partners whose unique geographic, cultural, and business expertise fuels creative solutions. Learn more at [transwestern.com](https://transwestern.com) and @Transwestern.

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### Houston Industrial Submarkets

- 1** Houston CBD
- Southwest**
- 2** Southwest Near
- 3** Southwest Far
- 4** Sugar Land/Southwest
- Southeast**
- 5** East-Southeast Near
- 6** East-Southeast Far
- South**
- 7** South Near
- 8** South Far
- Northwest**
- 9** Northwest Near
- 10** Northwest Far
- North**
- 11** North Near
- 12** North Far
- Northeast**
- 13** Northeast
- West**
- 14** Katy/Far West

### FOR MORE INFORMATION

#### Robert Kramp

Vice President  
Research & Investment Analytics  
[Robert.Kramp@transwestern.com](mailto:Robert.Kramp@transwestern.com)  
713.270.3346

#### Kelsey Meck

Analyst  
Research & Investment Analytics  
[Kelsey.Meck@transwestern.com](mailto:Kelsey.Meck@transwestern.com)  
713.272.1286

#### Harrison Owens

Analyst  
Research & Investment Analytics  
[Harrison.Owens@transwestern.com](mailto:Harrison.Owens@transwestern.com)  
713.270.3338