

“It’s everywhere”: Demand for Houston industrial space on the rise

BY BRANDI SMITH



Photo by Alain Pham for unsplash

To say that 2021 was a busy year for the team at CenterPoint Properties is an understatement.

“The market is stronger on the demand side than I’ve seen in my 20-year career,” says Rives Nolen, CenterPoint’s Senior Vice President of Investments.

After several years of lagging new supply, Nolen shares that the demand for industrial space in Houston is outpacing new construction this year.

“Our vacancy rates are still not quite on par with the rest of the country, but I think with the demand that we’re seeing right now, things are moving in the right direction,” he says.



Rives Nolen

Heading into 2022, he anticipates the market will continue in that direction, lowering vacancy rates and inflating rents.

“In terms of supply and demand, we are seeing more balance and the vacancy rate is trending back toward historical levels,” says Nolen. “We need another year like 2021, and we’re likely going to get that in 2022.”

He also expects continued demand for larger industrial footprints, a trend Nolen says began nearly a decade ago. The average deal size in Houston this year is roughly double what it’s been historically.



8705 Citypark Loop

“We started noticing larger deals in the market around 2012,” says Nolen. “Since then, it’s steadily increased, and that really accelerated over the past three years or so.”

Developers, he adds, are now building much larger buildings in Houston to meet that demand in the marketplace.

“It’ll be interesting to see whether that trend continues in the long term,” Nolen says.

Because much of the need for industrial properties is being driven by e-commerce and consumption, he says companies are staking distribution centers just beyond the traditional scope of the metro area, such as Brookshire or Waller.

“There was a time when that land was considered just too far away,” says Nolen. “Many industrial brokers will tell you they used to go dove hunting on the land where these buildings are going up!”

Now demand for that land is a function of users needing larger facilities in locations that have good access to labor, amenities, and transportation features like interstate highways. E-commerce demands faster delivery times, so companies are storing more products in large warehouses outside Houston. Some then have smaller warehouses within city limits to get those products to the consumer as quickly as possible.

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“It’s all about getting faster delivery times,” Nolen says.

As a result, it’s getting tougher to find sites that check all the boxes needed for development: transportation access, labor access and utilities.

CenterPoint is looking to acquire property in the area around the Port of Houston’s Barbour’s Cut and Bayport Container Terminals, as well as in Northwest Houston and along Beltway 8 on the west side of Houston.

Nolen says the company is also busy leasing space throughout Houston

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Market St Portfolio

Industrial

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but still has a small number of prime opportunities, including at its The Market Street Logistics Portfolio. The Portfolio features five buildings with 667,770 square feet and has space available for lease by one or multiple tenants. The rare East Houston submarket development offers quick access to Interstate 10, Loop 610 and Highway 90, and a number of desirable features such as excess land for potential trailer storage and options to add rail service.

“It’s a great leasing opportunity for one or multiple users,” Nolen says, adding that one of CenterPoint’s six buildings on Citypark Loop in Northeast Houston is also available for lease: the 191,603-square-foot building at 8705 Citypark Loop.

Come 2022, he predicts properties like those will be gobbled up in what’s expected to be another record-setting year for demand.

To learn more about CenterPoint and its available properties, contact CenterPoint Properties’ senior vice president of asset management Danielle Radtke, at 630-586-8146 or dradtke@centerpoint.com.

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