

Houston Industrial Record

BY AJ LATRACE



While the Houston office market has had a rough 12 months, and will likely to continue to lag in the coming quarters, the industrial market is booming. In fact, the industrial market in Houston is so strong that the metro area has hit the highest quarterly leasing total on record, according to a recent report from NAI Partners.

By the end of the second quarter of this year, Houston's overall industrial vacancy rate stood at 9%, more or less unchanged since the previous quarter, however, there was 12.5 million square feet of leasing activity recorded for Q2 of 2021, which is more than double the 6 million square feet of leasing activity during the same period last year. A wave of new deliveries from previous quarters has kept inventory levels stable and average gross rent rates relatively flat.

The news is significant for numerous reasons, but namely how the industrial market is helping bolster the broader commercial real estate sector as other asset classes continue to struggle since the start of the pandemic. But other economic indicators continue to show improvement, the report reveals, such as lower unemployment stats, the increase in drilling operations, and an uptick in new construction.

According to the report, the vast majority of industrial leasing over the last several years has been for warehouse and distribution space. The metro has had 12 straight years of positive net absorption, the report indicates, even as Houston continues to also witness record levels of industrial construction.

Major Q2 leases highlighted in the report include Ferguson's 750,7750-square-foot lease at the Empire West Business Park, a 685,000-square-foot lease by Living Spaces Furniture Company at the Air 59 Logistics Center and a 645,000-square-foot lease at 4725 E. Grand Parkway by Webstaurant Store.

While 15 million square feet of new industrial space remains under construction, nearly 70% of it is already leased, the report indicates, further illustrating the high demand for industrial space. Additionally, Port Houston's container terminals have remained busy, with year-to-date activity increasing by 8% over the same period in 2020.

As Houston's import-export activity increases and the economy continues to shift towards e-commerce and manufacturing on-shoring, and Texas's population growth remains steady, the sky-high demand for new industrial product will likely continue for the foreseeable future.

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