

Two Texas markets prove to be elite when it comes to industrial real estate

BY MATT BAKER

Fisher59's 205,000-square-foot corporate headquarters and beverage distribution center in Denton, Texas.



There's been a lot of talk that the industrial market—particularly that segment serving e-commerce companies—is proving to be resilient to the economic damage wrought by COVID-19. Two Texas markets are helping lead the way as the country forges a path forward during the pandemic.

New research by Transwestern suggest that there remained strong demand for large scale industrial space across the country during the first half of the year. This demand is revving the engines of development, investment and leasing activity.

Transwestern indexes the health of the national industrial market by tracking deal velocity and construction activity in 11 growth regions. Dubbed the “Elite 11,” these markets are perennial targets for both global investors as well as the most sought-after locations for big-box distribution users, last-mile logistics, e-commerce and manufacturing companies.

Two Texas markets, Dallas-Fort Worth and Houston, make Transwestern's Elite 11, along with Atlanta, Chicago, Lehigh Valley (PA), New Jersey, Northern California, Seattle, South Florida, Southern California and Washington/Baltimore. These core markets are proving that this is one asset class that can't be beaten by the pandemic.

“Many sectors of the real estate market have been put on pause since March—but not the industrial real estate sector, which continues to flourish,” said Transwestern's Matt Dolly, director of research. “Prior to the pandemic, the core markets led investment activity, and this movement has only intensified in recent months.”

Digging into indicators such as rent acceleration, space absorption and pace of development (relative to the size of each market), Transwestern identified several trends. Seven of the 11 markets—including Dallas and Houston—saw annualized rent growth

larger than the national average of 3.9 percent. In fact, Dallas had an incredible 14.4 percent year-over-year increase in rent. No other market even made it to double digits.

The Metroplex also led the Elite 11 when it came to year-over-year net absorption, with 2.9 percent. Houston's 1.8 percent absorption was good for third place, right behind Atlanta's 2.2 percent.

Houston, on the other hand, was the only market to expand by more than 4.0 percent during the past 12 months. With its inventory growing by 4.1 percent, it outpaced all other markets, just ahead of Dallas' 3.7 percent inventory growth. With more than 900 million square feet, Dallas also ranks third in raw total inventory, behind Southern California and Chicago.

One recent delivery to the DFW metro was a build-to-suit corporate headquarters and beverage



Fisher59's 205,000-square-foot corporate headquarters and beverage distribution center in Denton, Texas.

distribution center for Fisher59 in Denton, Texas. HDA Architects designed the 205,000-square-foot facility which also includes a 21,000-square-foot, two-story office space.

Not all is quite so promising, however. There is concern that, as new deliveries are on a record-setting pace in some markets, there is the potential for overbuilding. Houston currently has approximately 15 million square feet of industrial space under construction, which places it at the

middle of the pack of the Elite 11. Dallas-Fort Worth, on the other hand, has around 28 million square feet of new product underway, second-most behind Southern California.

The result is that in the short term there is likely to be a decline in speculative projects breaking ground. Will that be enough from tipping certain markets in oversupplied territory? That remains to be seen, though the voracious demand by e-commerce companies throughout the pandemic may indicate

that any new space in these markets is unlikely to sit vacant for too long.

“Core markets offer three primary benefits: large population centers, established infrastructure and historical performance,” said Walter Byrd, executive managing director – industrial services at Transwestern. “Many investors have capital they are eagerly waiting to deploy in prime assets, which can be tough to come by in the Elite 11 markets.”

real estate
auctions



Corpus Christi



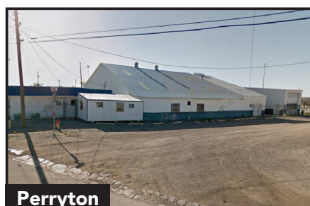
Kenedy



Kingsville



Marshall



Perryton

Schlumberger Surplus Properties Auction October 19 - 21

Open Public Inspections 11-2pm Fri Sept 25

CORPUS CHRISTI, TX

• 6441 IH-37

Industrial/warehouse building with 23,000+/- sf situated on 4.07+/- ac. Frontage on I-37 Access Rd.

Auctions: 12pm, Wed Oct 21

KINGSVILLE, TX

• W FM 772 & W CR 2134

SELLS WITHOUT RESERVE
Industrial/warehouse facility containing 18,872+/- sf built in 1999 on 4.94+/- ac.

Auctions: 10am, Wed Oct 21

PERRYTON, TX

• 702 East Brillhart Avenue

SELLS WITHOUT RESERVE
21,000+/- sf industrial/warehouse facility on 2.8+/- ac.

Auctions: 10am, Tue Oct 20

KENEDY, TX

• 4530 Highway 181 Lot 2A

Industrial/warehouse building containing 19,038+/- sf on a 10.25+/- acre parcel.

Auctions: 2:30pm, Wed Oct 21

MARSHALL, TX

• 5605 Medco Drive

Industrial/warehouse site containing two buildings totaling 31,500+/- sf on 14.84+/- ac.

Auctions: 11:15am, Mon Oct 19


TYLER, TX

• 3243 West Gentry Parkway

SELLS WITHOUT RESERVE
9,000+/- sf industrial/warehouse facility on a 1.68+/- ac site.

Auctions: 9am, Mon Oct 19

MONAHANS, TX • Loop 464 & CR 310 - **Removed from Auction due to a Pre-Auction Offer**

Bid on location or live online at  [auctionnetwork.com](https://www.auctionnetwork.com)

View All Schlumberger Surplus Properties at:
williamsauction.com/SLB • 800.801.8003