



# North Houston District

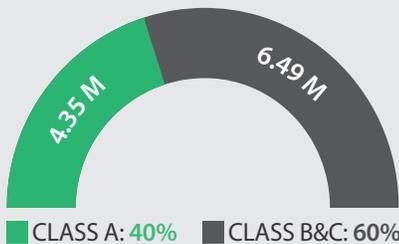
## Submarket Report

## 2016 Snapshot

### AT A GLANCE

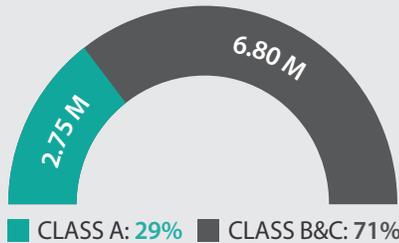
#### OFFICE INVENTORY

**10.84**  
MILLION SF



#### INDUSTRIAL/FLEX INVENTORY

**9.55**  
MILLION SF



Source: CoStar

### OFFICE

The Greater Houston office market continues to experience challenges with available space running at a 20-year high. This is also the case in the North Houston District submarket. According to reports from real estate researchers, it could take three to five years in an improving economy to see a positive change.

#### Class A

From a survey of 17 buildings, occupancy as of Dec. 31 was 41.1 percent in the North Houston District submarket. From a total of 4.35 million sq. ft., 3 million is available, 2.56 million vacant and 780,000 on the sublet market. Gross rents were reported at \$24.43 per square foot, down from \$24.87 per square foot at mid-year and below the 5-year average of \$27.31 per square foot. During the last 12 months, 111,100 sq. ft. was reported leased.

#### CLASS A OCCUPANCY | 41.1%

TOTAL 4.35 M SF

AVAILABLE 3.0 M SF

VACANT 2.56 M SF

SUBLET 780 k SF

Source: CoStar

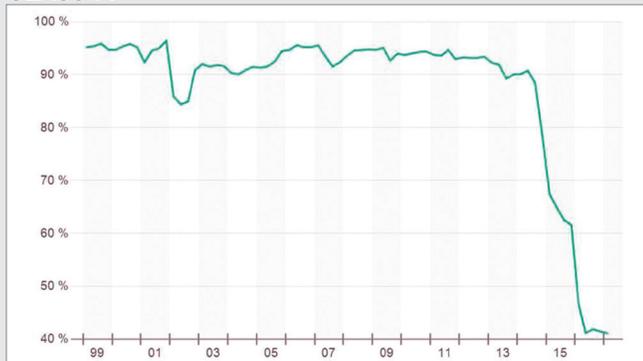
#### Class B & C

The Class B and Class C office market is performing better than Class A and has held steady during the last 6 months. As of Dec. 31, occupancy was reported at 69.9 percent, only slightly down from the mid-year figure of 72 percent. From a survey of 97 buildings totaling 6.49 million sq. ft., 2.37 million is available, 1.95 million is vacant and 296,000 is on the sublet market. Current gross rents are reported at \$16.67 per square foot, which is above the 5-year historical average of \$15.34 per square foot. During the last 12 months, 484,544 sq. ft. was reported leased.

### OFFICE OCCUPANCY RATE HISTORY

1999 - 2016

#### CLASS A



#### CLASS B & C



Source: CoStar

# INDUSTRIAL/FLEX

The industrial market continues to be strong in the North Houston District submarket, with several major projects recently completed or underway. The submarket's premier location at the junction of I-45 North and Beltway 8, additional freeway access via nearby Hardy Toll Road and I-69, proximity to Bush IAH and the Port of Houston continues to be valuable to national, regional and local warehouse and distribution operations.

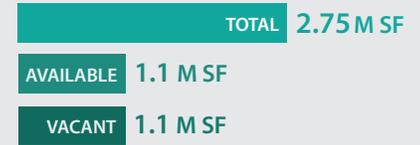
## Class A

From a survey of 15 buildings, occupancy to Dec. 31 was 59.7 percent in the North Houston submarket, unchanged from mid-year. From a total of 2.75 million square feet, 1.1 million was available/vacant. No sublet square footage was reported on the submarket. Twelve month absorption was reported to be 159,913 sq. ft.

## Class B & C

Class B and Class C industrial properties continue to perform well. From a survey of 171 buildings, occupancy as of Dec. 31 was 93.2 percent, slightly down from a mid-year reading of 94.9 percent. From a total of 6.80 million sq. ft., only 805,806 sq. ft. was available and 464,426 vacant. Current gross rents are reported at \$8.73 per square foot, trending above the 5-year historical average of \$6.26 per square foot.

**CLASS A OCCUPANCY** | **59.7%**



**CLASS B & C OCCUPANCY** | **93.2%**



Source: CoStar

# 2016 HIGHLIGHTS

## OFFICE

 <b>BUREAU VERITAS</b> <b>44,000 SF</b>	 <b>White Oak Energy</b> <b>22,000 SF</b>	 <b>vantiv</b> <b>41,000 SF</b>
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## INDUSTRIAL

 <b>amazon</b> <b>855,000 SF</b>	 <b>LOWE'S</b> <b>159,913 SF</b>	 <b>INDUSTRIAL PROPERTY TRUST</b> <b>190,565 SF</b>
 <b>Rapid Turn Laser &amp; Machine, Ltd.</b> <b>11,516 SF</b>		

## OTHER

 <b>PORSCHE NORTH HOUSTON</b> <b>64,000 SF</b>	 <b>Hass Holdings</b> <b>65,798 SF</b>
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# MULTI-FAMILY

The multi-family sector in the North Houston District is a major component of its commercial real estate market. There are approximately 70 apartment communities comprising 18,000 units in the submarket. At an assumed value of \$25,000 per unit, the estimated overall value of this real estate class is \$450 million. The majority of the apartment communities are Class C and Class D and are reported as being profitable investments, with one of the lowest vacancy rates in the city.

The vacancy rate as of Dec. 31 was 9.5 percent, slightly above the 5-year average of 8.5 percent. The uptick was likely due to damages caused by the Tax Day Flood of April 2016 to several complexes in the submarket. As more units in the area are repaired, vacancy is expected to decrease.

Rent growth has been particularly strong in the North Houston District submarket over the last 3 years. Effective rent per square foot has grown by over 20 percent since 2013, rising to \$0.86 per square foot from \$0.72 per square foot. According to a Nov. 2016 Houston Business Journal article, the Greenspoint/Northborough/Aldine neighborhood topped the list for rent growth at 4.9 percent. Sales activity continues to be robust with 3 reported transactions in the last 6 months, encompassing just over 1,400 units. Costar reports the 5-year asking price per unit in the submarket to be \$22,413 with a cap rate of 7.9 percent. Per unit prices in recent transactions are believed to be higher than this average.