



North Houston District

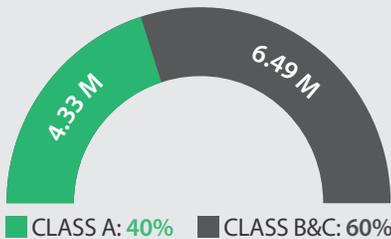
Submarket Report

January - June 2017

AT A GLANCE

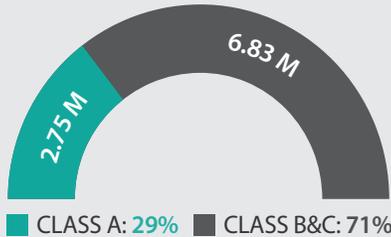
OFFICE INVENTORY

10.82
MILLION SF



INDUSTRIAL/FLEX INVENTORY

9.58
MILLION SF



Source: CoStar

OFFICE

The Greater Houston Area office market posted its sixth consecutive quarter of negative absorption. Availability is running at a 20-year high, and there is over 11 million sq. ft. of sublease space. According to CBRE's Q2 report, the market could take five years to recover. However, the report also notes leasing activity reached 3.2 million square feet, a rate not seen since 2014. With an improving economy and steady job growth, this may indicate a distant light at the end of the tunnel. As a subset of this market, North Houston faces many of the same challenges seen citywide.

Class A

From a survey of 17 buildings, occupancy as of June 30 was 42.5 percent in the North Houston District submarket. From a total of 4.33 million sq. ft., 2.89 million is available, 2.49 million vacant and 563,000 on the sublet market. Gross rents were reported at \$23.50 per square foot, down from \$24.43 per square foot at year-end and below the five-year average of \$27.08 per square foot. During the last 12 months, 179,157 sq. ft. was reported leased.

CLASS A OCCUPANCY | 42.5%



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 six months. As of June 30, occupancy was reported at 65.6 percent, only slightly down from the year-end figure of 69.9 percent. From a survey of 95 buildings totaling 6.49 million sq. ft., 2.58 million is available, 2.23 million is vacant and 308,000 is on the sublet market. Current gross rents are reported at \$16.09 per square foot, which is above the five-year historical average of \$15.41 per square foot. During the last 12 months, 592,468 sq. ft. was reported leased.

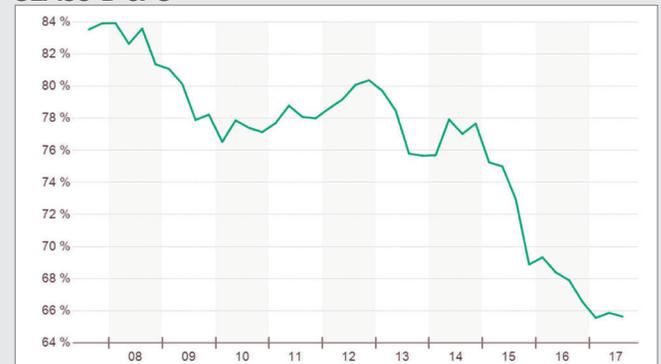
OFFICE OCCUPANCY RATE HISTORY

June 2007 - June 2017

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 at June 30 was 59.7 percent in the North Houston submarket, unchanged from year-end 2016. From a total of 2.75 million square feet, 1.2 million was available, 1.1 was vacant, and just under 100k square feet was on the sublet market. 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 169 buildings, occupancy at June 30 was 90.1 percent, slightly down from an end-of-year reading of 93.2 percent. From a total of 6.80 million sq. ft., only 970,273 sq. ft. was available and 676,050 vacant, up from 464,426 vacant at the end of the year. Current gross rents are reported at \$7.70 per square foot, trending above the 5-year historical average of \$6.53 per square foot.

CLASS A OCCUPANCY | **59.7%**

TOTAL 2.75 M SF

AVAILABLE 1.2 M SF

VACANT 1.1 M SF

SUBLET 93 k SF

CLASS B & C OCCUPANCY | **90.1%**

TOTAL 6.8 M SF

AVAILABLE 970k SF

VACANT 656k SF

SUBLET 73 k SF

Source: CoStar

2017 HIGHLIGHTS

OFFICE

BAKER
CONCRETE CONSTRUCTION
101,111 SF

vantiv
41,000 SF

vinmar
37,617 SF

Centre
TECHNOLOGIES
18,073 SF

POWER
ENGINEERS
13,900 SF

INDUSTRIAL

amazon
855,000 SF

OTHER

PORSCHE
NORTH HOUSTON
64,000 SF

RETAIL

The North Houston District submarket's retail sector is a major component of its commercial real estate market. The area offers a variety of developments from big box stores along North Freeway, such as Walmart, to strip centers in our southeast quadrant that cater to the local community. In addition, an international grocery chain, ALDI, is building a new location on West Road that is scheduled to open in 2018.

CoStar surveyed 195 buildings in the North Houston District, which totals approximately 5.3 million sq. ft. of space. The survey indicates only 370,314 sq. ft. were vacant as of June 30 for an occupancy rate of 93 percent.

Triple net lease rates at the surveyed properties were \$12.56 per square foot, above the five-year average of \$12.40. Twelve month leasing activity was reported at 121,746 sq. ft.

Recent sales transactions include Hass Holdings purchase of the 65,798 square foot West Road Collection shopping center for a reported \$15 million, approximately \$228 per square foot. The center, located at the corner of West Road and the North Freeway, is 98 percent leased with Best Buy as its main tenant. CBRE's most recent survey indicates cap rates likely range from 5.25 - 6.0 percent for stabilized Class A neighborhood/community center properties; 7.25 - 8.5 percent for Class B properties; and 8.5 - 11.0 percent for Class C properties.

FOR MORE INFORMATION

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