



North Houston District

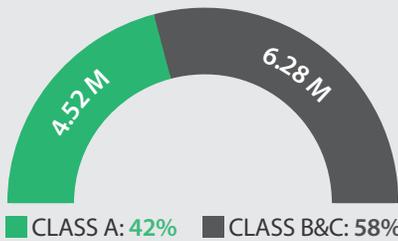
Submarket Report

2017 Snapshot

AT A GLANCE

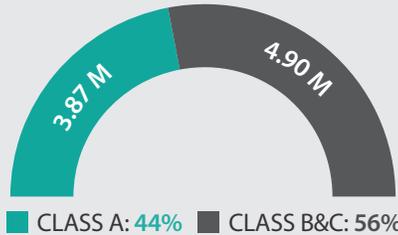
OFFICE INVENTORY

10.80 MILLION SF



INDUSTRIAL/FLEX INVENTORY

8.77 MILLION SF



Source: CoStar

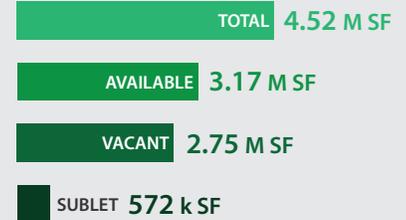
OFFICE

The Greater Houston Area office market had its first quarter of positive net absorption in Q4 2017 for the first time in 18 months. Overall vacancy fell by 30 basis points, and sublease listings decreased by 1.3 million square feet. CBRE summarizes that modest gains in occupancy may continue and that Houston's office market is beginning 2018 on relatively solid footing. In our H1 2017 report, we indicated a distant light at the end of the tunnel - and that light may now be a little closer.

Class A

From a survey of 18 buildings, occupancy as of Dec. 31 was 39.2 percent in the North Houston District submarket. From a total of 4.52 million sq. ft., 3.17 million is available, 2.75 million is vacant and 572,000 is on the sublet market. Gross rents were reported at \$23.12 per square foot, down from \$23.50 per square foot at mid-year and below the five-year average of \$26.46 per square foot. During the last 12 months, 103,898 sq. ft. was reported leased.

CLASS A OCCUPANCY | 39.2%



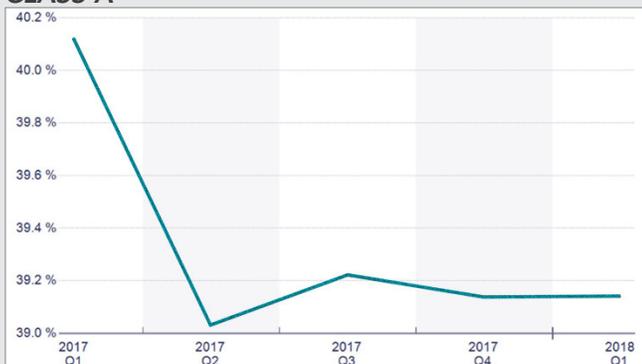
Source: CoStar

Class B & C

The Class B and Class C office market is performing better than Class A and has held steady over the last year. As of Dec. 31, occupancy was reported at 66.5 percent, slightly up from the mid-year figure of 65.6 percent. From a survey of 93 buildings totaling 6.28 million sq. ft., 2.54 million is available, 2.10 million is vacant and 330,674 is on the sublet market. Current gross rents are reported at \$15.12 per square foot, which is essentially the five-year average of \$15.16 per square foot. During the last 12 months, 355,505 sq. ft. was reported leased.

OFFICE OCCUPANCY RATE HISTORY

CLASS A



CLASS B & C



Source: CoStar

INDUSTRIAL/FLEX

The industrial market continues to be strong in the North Houston District submarket. Growth in Pinto Business Park included major developments with more announcements expected. 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. In 2017, Amazon opened its 855,000 square foot fulfillment center, and two of the Top 10 Houston Area Industrial Leases were signed in the District.

Class A

From a survey of 18 buildings, occupancy to Dec. 31 was 71.3 percent in the North Houston submarket, significantly higher than the mid-year figure of 59.7 percent. From a total of 3.87 million sq. ft., 1.24 million is available, 1.11 million is vacant, and 129,000 is on the sublet market. Twelve month absorption was reported to be 881,000 sq. ft., higher than the five-year average of 525,000 sq. ft.

Class B & C

Class B and Class C industrial properties continue to perform well. From a survey of 112 buildings, occupancy as of Dec. 31 was 94.4 percent, up from the mid-year figure of 90.1 percent. From a total of 4.90 million sq. ft., only 473,000 is available, 273,000 is vacant and 99,000 is on the sublet market. Current gross rents are reported at \$7.28 per square foot, trending above the five-year average of \$7.12 per square foot.

CLASS A OCCUPANCY | **71.3%**

TOTAL **3.87 M SF**

AVAILABLE **1.24 M SF**

VACANT **1.11 M SF**

SUBLET **129 k SF**

CLASS B & C OCCUPANCY | **94.4%**

TOTAL **4.9 M SF**

AVAILABLE **473 k SF**

VACANT **273 k SF**

SUBLET **99 k SF**

Source: CoStar

2017 HIGHLIGHTS

OFFICE

LINCOLN
PROPERTY
COMPANY

H. I. G.

2,100,000 SF

BAKER
CONCRETE CONSTRUCTION

101,111 SF



CODILIS & STAWIARSKI, P.C.
TEXAS

19,675 SF

vantiv

41,000 SF



vinmar

37,617 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, such as Walmart and Home Depot, to strip centers that cater to the local community. Major new developments in 2017 included the construction of a new ALDI grocery store on West Road and the opening of a new Marshall's store on I-45 just south of West Road.

CoStar surveyed 185 buildings in the North Houston District, which totals 4.37 million sq. ft. of space. The survey indicates 636,000 sq. ft. were vacant as of Dec. 31. Twelve month leasing activity was reported at 42,680 sq. ft.

In 2017, the largest transaction in the District was the purchase of the West Road Collection shopping center by Hass Holdings. The center, located at the corner of West Road and the North Freeway, is nearly fully leased with Best Buy as its main tenant. The transaction for the 65,798 square foot center was for a reported \$15 million, approximately \$228 per square foot.

Lastly, 2017 saw significant activity at Greenspoint Mall. While the picture has yet to come into focus, major developments are possible in 2018.

FOR MORE INFORMATION

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1/2018