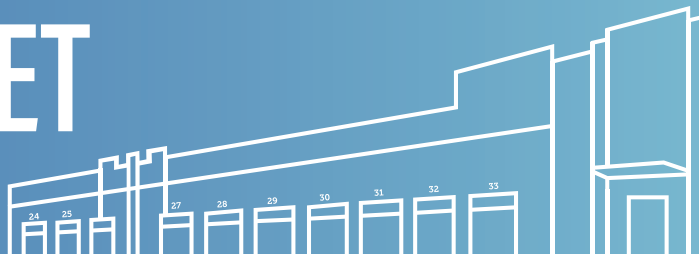


INDUSTRIAL MARKET



Exceptional 2nd Quarter Sees Vacancy Fall as Leasing Heats Up Concerns Over Spec Development Diminish as Metrics Improve

OVERVIEW

Leasing Activity Heats Up - Drives Absorption

The Houston industrial market saw robust activity over Q2 as leasing was on fire driving absorption over 8.2 MSF and leading vacancy to improve by 100 bps to 7.0%. In total, 19-new-to-building lease transaction were executed in excess of 100k square feet over the period. This was led by Ferguson Enterprises taking 751k SF at Empire West in the Katy/Far West submarket. Additionally, Living Spaces Furniture Co taking 685K square feet at Air 59 Logistics Center in the Northeast submarket, and WebstaurantStore took 644K square feet at Cedar Port Logistics, a rail-served distribution center located in the East-Southeast Far submarket. Mammoth leases were not constrained to new leasing activity alone; HD Supply renewed and expanded their lease at Greens Crossing I in the North Far submarket for a total of 602K square feet. With respect to the investment sector, sales activity also continued to rebound after the initial onset of COVID-19 brought a pause to the market. Second quarter sales of \$1.3 billion represented a 480% increase in volume year-over-year. While still below traditional sales volumes, demand for the product, particularly with a credit quality tenant and extended term, remains high. Deliveries over the quarter totaled 2.6M square feet with the majority, 2.0 MSF, being speculative space available for lease. This wave of deliveries pushed availability in the under-construction pipeline down precipitously with just under 5.0 million SF available across the 14.8 million SF under development. Considering the improvements to vacancy and reduction in availability in the construction pipeline, further speculative starts are anticipated through the balance of the year. Overall, the industrial sector continues to outperform the balance of the real estate sector and looks for sustained growth prospects through the balance of the year.

DEMAND

Q2 Absorption exceeds 8.2 million SF

As previously mentioned, Houston's heated industrial market saw 8.2M square feet of positive absorption over the period, bringing year-to-date absorption to 11.4 million SF. Considering that average annual absorption for the Houston market has averaged just over 11.0 million SF over the past decade, Houston's industrial market is poised for another record-breaking year after posting over 18.0 million SF of absorption in 2021. Over the period, the Katy/Far West submarket saw the strongest absorption totals of 1.8 million SF driven by strong leasing activity at Empire West. The East-Southeast Far submarket also saw robust positive absorption at 1.3M SF for the period.

TRENDLINES

5-YEAR TREND CURRENT QUARTER

JOB GROWTH



101K JOBS

Recovered year-over-year in Houston

ABSORPTION



8.2 MSF

Q2 absorption for all property types

DIRECT VACANCY



7.0%

Down 100 bps quarter-over-quarter

TOTAL VACANCY



7.2%

Down 100 bps quarter-over-quarter

UNDER CONSTRUCTION



14.8 MSF

2.6 MSF delivered over the quarter

RENTAL RATE



\$7.17 PSF

Down 10 bps quarter-over-

VACANCY

Vacancy Decreases 100 Basis Points Over Period

Direct vacancy for all types of industrial space registered 7.0% at mid-year, a 100-bps improvement over the quarter and 40 bps year-over-year. Overall vacancy rates also saw a 100-basis point improvement over the period to finish at 7.2%. In total, 11 of the 13 reporting submarkets saw improvement in vacancy with the largest declines occurring in the North Far submarket, which fell 430 bps to 8.1% at mid-year. Despite the overall improvements to vacancy over the quarter, several submarkets still remain above 8.0% with the East-Southeast Far currently the highest at 8.9%.

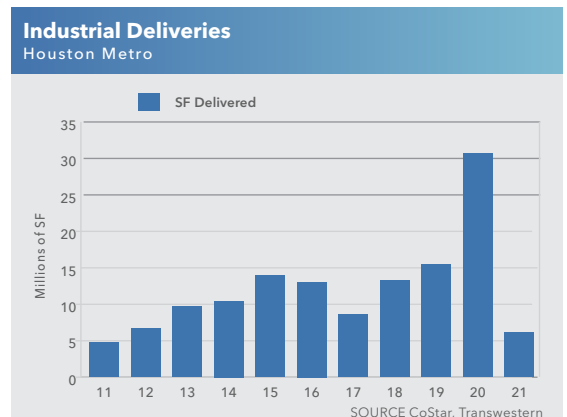
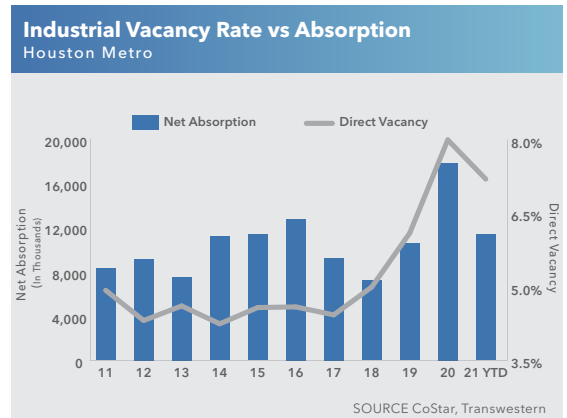
Vacancy for the manufacturing sector remained the lowest of all property types, ending the quarter at 3.2% for direct vacancy and 3.4% for overall vacancy. Direct vacancy for Warehouse/Distribution space decreased 140 bps to 7.6%. Flex space continues to be impacted by high vacancy rates in the office sector as direct vacancy increased 10 basis points over the quarter to 9.0%. Overall vacancy fell by 110 basis points over the quarter.

SUPPLY & DEVELOPMENT

Construction Pipeline Sees Availability Decline

Industrial property construction across the Houston metro area totaled 14.8 million SF across 55-properties at mid-year. These properties registered a low availability rate of just 32.8%, or 4.8M SF available for lease. Continued strong leasing activity, has helped to offset concerns over rising vacancy due to the accumulation of spec product delivered over the past several years. As such, the pipeline is now primed for expansion over the balance of the year.

Despite the limited availability of under construction properties, deliveries for the quarter were primarily comprised of spec product as 2.0 million of the 2.6 million SF delivered was available for lease. The most notable spec delivery of the quarter was that of Hunt South-west's 1.0 million SF - Cedar Port Trade Center in the East-Southeast Far submarket. Also delivering over the quarter was Stafford Crossing, a two-building, 334k SF warehouse distribution property that is 68.5% leased to Spring Lighting Group (114,500 SF) and Glove Ventures (114,500k SF) in the Southwest Near submarket.



Industrial Under Construction Houston Metro | Q2 2021

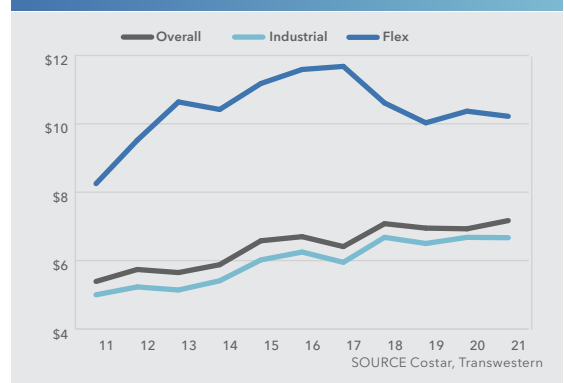
SUBMARKET	SF	% PRE-LEASED
North Far	3,477,234	99.0%
East-Southeast Far	2,615,354	78.1%
Southwest Far	2,557,004	50.3%
Katy/Far West	1,831,735	29.9%
Sugar Land	1,331,812	87.7%
Southwest Near	738,329	14.8%
Northeast	509,600	0.0%
Northwest Far	1,491,989	76.2%
South Far	237,225	87.6%
TOTAL - Houston	14,790,182	67.2%

RENTAL RATES

Asking Rates Stable Over Quarter

Asking rates for overall industrial space (including flex) remained flat over the quarter, averaging \$7.17 per SF. While flat over the period, asking rates are down 150 bps year-over-year. Flex properties continue to navigate headwinds cast by the struggling office market. As such, asking rates for Flex properties fell 200 bps over the quarter and by 770 bps year-over-year to end mid-year at \$10.23 per SF. Conversely, warehouse/distribution has seen a gradual uptick in asking rates, ending mid-year at \$6.82 per SF, up 120 bps over the quarter and 430 bps over the year. Distribution rates should start increasing due to a tightening supply coupled with a sharp increase in land prices and construction materials. The cost to building is increasing and will be reflected in the asking and lease rates.

Rental Rates (NNN)
Houston Metro Area

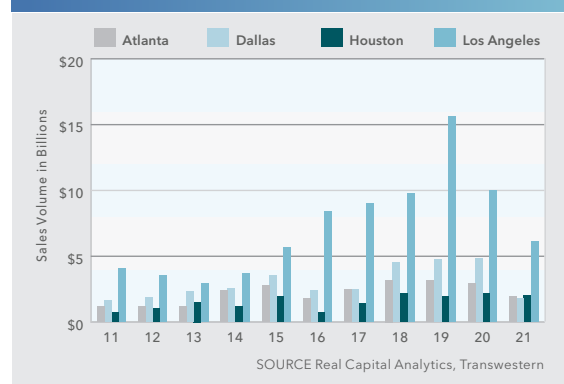


INVESTMENT SALES

Portfolio Transactions Push Volume in Q1

According to data from Real Capital Analytics, the Houston metro recorded \$1.3 billion of investment sales activity in the second quarter, bringing the year-to-date totals to \$2.95 billion. This is an increase in sales volume of 480% year-over-year, when pandemic quarantines were in place muting activity. Average price per square foot for second quarter transactions registered \$100 SF, up 17.5% year-over-year. Triten Real Estate Partners were highly active in dispositions over the quarter, selling portfolios in multiple submarkets throughout the city totaling 13 individual properties. Most notably, Triten sold a 3-building, 738,701 SF, Class A portfolio in the East-Southeast Submarket (Bayport North Logistics Center & Underwood Port Logistics Center) to Lexington Realty Trust.

Comparative Industrial Investment Sales Volume
Select Metro Areas



Notable Q2 Sales Transactions

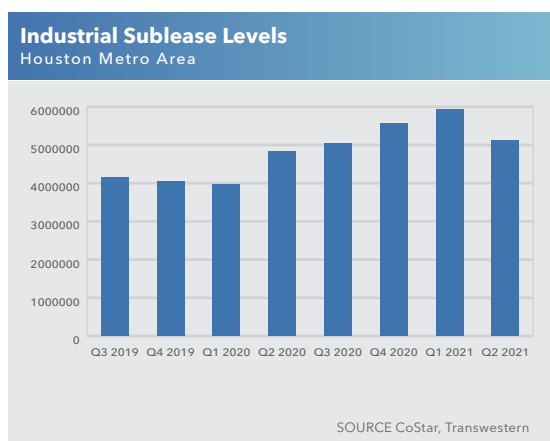
PROPERTY	SUBMARKET	SF (HOU)	SELLER	BUYER
Independence Logistics Park	East-Southeast Far	2,332,957	Hines	Starwood REIT
Southwest Logistics Portfolio	Southwest	1,072,060	Link Logistics	Exeter
Amazon Fulfillment - 10550 Ella Blvd	North Far	855,000	USAA Real Estate	Mirae Asset
North Houston Logistics Center	North Near	757,310	Ivanhoe Cambridge (IDI), Oxford Properties Group	Equus
Bayport North Logistics Center - Underwood Port Logistics Center	East-Southeast Far	738,701	Triten Real Estate Partners	Lexington Realty Trust
Highland Grove	Northwest Far	656,973	Crow Holdings	Modlo
Bayport South	East-Southeast Far	643,118	Panattoni Development	AEW Capital Management
Parc 59	Northeast	598,651	Jackson Shaw, Thackeray Partners	Nuveen
Triten Houston Infill Portfolio	Multiple	568,066	Triten Real Estate Partners	High Street Equity

SOURCE:CoStar, Real Capital Analytics, Transwestern

OUTLOOK

Changing Consumer Behavior Fuels Industrial Growth

After a brief pause in early-mid 2020 due to the onset of COVID-19 and subsequent quarantines, Houston’s industrial sector has resumed its no holds barred expansion throughout the metro area. Houston’s industrial sector has already absorbed over 11.3 million square feet year-to-date after averaging 11.2 million SF of net annual absorption over the last decade. Surmounting last year’s record of over 18.0 million SF of absorption is well in site for the balance of the year. This surge in demand is primarily fueled by changing consumer behaviors that are more dependent upon e-commerce and focused on the quality of their living spaces. Looking forward, continued market growth via positive net absorption and an uptick in construction activity is anticipated to characterize the market.



Notable Q2 Leases

TENANT	SF	LEASE TYPE	PROPERTY ADDRESS	SUBMARKET
Ferguson Enterprises	775,775	New	100 Empire Blvd	Katy/Far West
Living Spaces Furniture Co	685,400	New	18210 Eastex Fwy	Northeast
WebstaurantStore	643,940	New	4725 E Grand Pky S	East-Southeast Far
HD Supply	601,623	Renewal/Expansion	10565 Greens Crossing Blvd	North Far
FedEx	534,000	New	505 Aldine Bender Rd	North Near
Goodman Manufacturing	494,800	New	9626 Fallbrook Pines	Northwest Far
Custom Goods	353,600	New	9431 Bay Area Blvd	East-Southeast Far
GCP Paper USA, Inc.	235,845	New	14720 John F Kennedy Blvd	North Near
Amazon	219,000	New	0 Spring Stuebner Rd	North Far
Foxconn Assembly, LLC	200,200	New	9625 Fallbrook Dr	Northwest Far
APAC DFW, LLC	200,000	New	2902 E 13th St	East-Southeast Far
Banta Corporation	129,600	Renewal	6315 West by Northwest Blvd	Northwest Near
Communications Test Design Inc	114,467	Renewal	6215 West by Northwest Blvd	Northwest Near
Spring Lighting Group	114,450	New	11325 Cash Rd	Southwest Near
Pathmark Transportation	109,386	Renewal	11325 Cash Rd	Southwest Near

 Indicates Transwestern represented parties involved in transaction

WHY OUR METHODOLOGY IS THE BEST INDICATOR OF CURRENT MARKET CONDITIONS

We include owner occupied and single-tenant buildings in our inventory, vacancy and absorption statistics to capture more market activity than many of our competitors. This allows us to better correlate changes in the market with changes in employment. As single-tenant space does compete with multi-tenant space, we believe it is critical to understand all components of the market. The inclusion of single-tenant and owner-occupied space tends to yield lower vacancy rates and higher absorption totals than some of our competitors’ results, but our coverage of the market is more comprehensive.

Houston Industrial Market Indicators

Submarket	Inventory	SF Available Immediately	Direct Vacancy Q1 2021	Direct Vacancy Q2 2021	Vacancy with Sublet Q2 2021	Under Construction	Net Absorption Q2 2021	YTD Absorption
Central Business District								
Flex/R & D	362,552	14,800	4.8%	4.1%	4.1%	0	3,000	3,000
Manufacturing	5,386,275	227,777	3.9%	4.2%	4.2%	0	(17,000)	34,000
Warehouse/Distribution	20,049,999	1,168,046	4.9%	5.8%	5.8%	0	(180,000)	(320,000)
Total - Central Business District	25,798,826	1,405,477	4.7%	5.4%	5.4%	0	(194,000)	(283,000)
East-Southeast Far								
Flex/R & D	1,480,273	88,326	5.6%	6.0%	6.0%		(5,000)	13,000
Manufacturing	7,311,014	319,849	4.8%	4.4%	4.8%	40,000	105,000	148,000
Warehouse/Distribution	64,181,047	6,070,519	10.8%	9.5%	9.7%	2,575,345	1,166,000	775,000
Total - East-Southeast Far	72,972,334	6,478,694	9.2%	8.9%	9.1%	2,615,345	1,266,000	936,000
East-Southeast Near								
Flex/R & D	361,108	3,000	0.8%	0.8%	0.8%	0	0	(3,000)
Manufacturing	9,654,974	239,620	2.5%	2.5%	2.5%	0	82,000	82,000
Warehouse/Distribution	19,097,104	2,064,315	11.7%	10.8%	10.8%	0	175,000	(16,000)
Total - East-Southeast Near	29,113,186	2,306,935	8.5%	7.9%	7.9%	0	257,000	63,000
North Far								
Flex/R & D	7,533,060	768,372	10.4%	10.2%	10.6%	36,000	15,000	38,000
Manufacturing	10,600,108	234,874	3.1%	2.2%	2.3%	240,000	94,000	506,000
Warehouse/Distribution	62,642,743	6,107,184	10.9%	9.7%	9.9%	3,201,234	721,000	1,242,000
Total - North Far	80,775,911	7,110,430	9.8%	8.8%	9.0%	3,477,234	830,000	1,786,000
North Near								
Flex/R & D	927,451	97,382	11.8%	10.5%	10.5%	0	12,000	(6,000)
Manufacturing	2,864,905	97,407	3.4%	3.4%	3.4%	0	0	9,000
Warehouse/Distribution	15,484,598	1,362,645	14.1%	8.8%	8.8%	0	843,000	958,000
Total - North Near	19,276,954	1,557,434	12.4%	8.1%	8.1%	0	855,000	961,000
Northeast								
Flex/R & D	311,869	10,913	6.5%	3.5%	3.5%	0	9,000	6,000
Manufacturing	7,848,991	24,960	0.3%	0.3%	0.3%	0	0	39,000
Warehouse/Distribution	28,211,573	2,139,001	10.6%	7.6%	7.6%	509,600	1,046,000	907,000
Total - Northeast	36,372,433	1,333,424	8.3%	6.0%	6.0%	509,600	1,055,000	952,000
Northwest Far								
Flex/R & D*	3,822,687	256,157	7.1%	6.7%	6.7%	0	16,000	107,000
Manufacturing	15,566,048	957,440	6.5%	6.2%	6.8%	0	41,000	(369,000)
Warehouse/Distribution	50,279,297	4,041,045	8.2%	8.0%	8.4%	1,491,898	540,000	2,064,000
Total - Northwest Far	69,668,032	5,270,088	7.8%	7.6%	7.9%	1,491,898	597,000	1,802,000
Northwest Near								
Flex/R & D*	9,693,754	988,763	8.3%	10.2%	10.7%	0	(184,000)	(165,000)
Manufacturing	9,007,101	171,135	1.7%	1.9%	1.9%	0	(18,000)	171,000
Warehouse/Distribution	59,249,509	3,080,974	6.3%	5.2%	5.4%	0	652,000	542,000
Total - Northwest Near	77,950,364	4,240,872	6.0%	5.4%	5.7%	0	450,000	548,000

SOURCE Inventory and vacancy from analysis of CoStar data, net absorption computed by Transwestern

NOTE Includes buildings 25,000 SF RBA and greater, does not include buildings under construction or owned by the govern-

See next page for balance of industrial indicators.

Houston Industrial Market Indicators

Submarket	Inventory	SF Available Immediately	Direct Vacancy Q1 2021	Direct Vacancy Q2 2021	Vacancy with Sublet Q2 2021	Under Construction	Net Absorption Q2 2021	YTD Absorption
South Far								
Flex/R & D	986,209	7,890	0.8%	0.8%	0.8%	0	0	(6,000)
Manufacturing	6,730,298	60,573	1.8%	0.9%	0.9%	0	61,000	61,000
Warehouse/Distribution	21,141,970	1,099,382	4.1%	5.2%	5.3%	237,225	186,000	232,000
Total - South Far	28,858,477	1,167,845	3.4%	4.0%	4.1%	237,225	247,000	287,000
South Near								
Flex/R & D	927,010	110,314	14.2%	11.9%	11.9%	0	21,000	32,000
Manufacturing	1,594,760	170,639	10.7%	10.7%	10.7%	0	0	0
Warehouse/Distribution	7,610,913	449,044	6.7%	5.9%	6.7%	0	61,000	31,000
Total - South Near	10,132,683	729,997	8.0%	7.2%	7.8%	0	82,000	63,000
Southwest Far								
Flex/R & D	1,777,806	295,768	17.8%	16.6%	16.6%	42,000	21,000	(25,000)
Manufacturing	1,829,793	0	1.6%	0.0%	0.0%	0	29,000	29,000
Warehouse/Distribution	10,954,827	1,100,974	10.6%	10.1%	10.5%	2,515,004	60,000	3,518,000
Total - Southwest Far	14,562,426	1,396,742	10.3%	9.6%	9.9%	2,557,004	110,000	3,522,000
Southwest Near								
Flex/R & D	5,325,465	256,978	6.5%	4.8%	4.9%	0	87,000	117,000
Manufacturing	3,205,545	160,464	6.5%	5.0%	5.0%	0	49,000	190,000
Warehouse/Distribution	27,374,225	1,900,369	7.9%	6.9%	7.3%	738,329	574,203	632,203
Total - Southwest Near	35,905,235	2,317,811	7.6%	6.5%	6.7%	738,329	710,203	939,203
Sugar Land								
Flex/R & D	2,254,292	162,612	5.9%	7.2%	7.2%	0	(30,000)	(29,000)
Manufacturing	1,973,516	59,528	0.0%	3.0%	3.0%	0	(59,528)	7,472
Warehouse/Distribution	13,083,784	505,480	2.1%	3.9%	3.9%	1,331,812	457,816	592,816
Total - Sugar Land	17,311,592	727,620	2.4%	4.2%	4.2%	1,331,812	368,288	571,288
West - Katy/Far West								
Flex/R & D	1,281,370	268,199	21.6%	20.9%	20.9%	36,000	9,000	(134,000)
Manufacturing	1,189,163	24,000	2.0%	2.0%	2.0%	0	0	30,000
Warehouse/Distribution	22,895,897	1,172,251	11.7%	5.1%	5.1%	1,795,735	1,787,000	(303,000)
Total - West - Katy/Far West	25,366,430	1,464,450	11.1%	5.8%	11.1%	1,831,735	1,796,000	(407,000)
Houston								
Flex/R & D	37,044,906	3,329,474	8.9%	9.0%	9.2%	114,000	(24,000)	(37,000)
Manufacturing	84,762,491	2,748,266	3.5%	3.2%	3.4%	280,000	366,000	937,000
Warehouse/Distribution	422,257,486	32,261,229	8.8%	7.6%	7.8%	14,396,182	7,889,000	10,454,000
Total - Houston	544,064,883	38,338,969	8.0%	7.0%	7.2%	14,790,182	8,231,000	11,354,000

SOURCE Inventory and vacancy from analysis of CoStar data, net absorption computed by Transwestern

NOTE Includes buildings 25,000 SF RBA and greater, does not include buildings under construction or owned by the government

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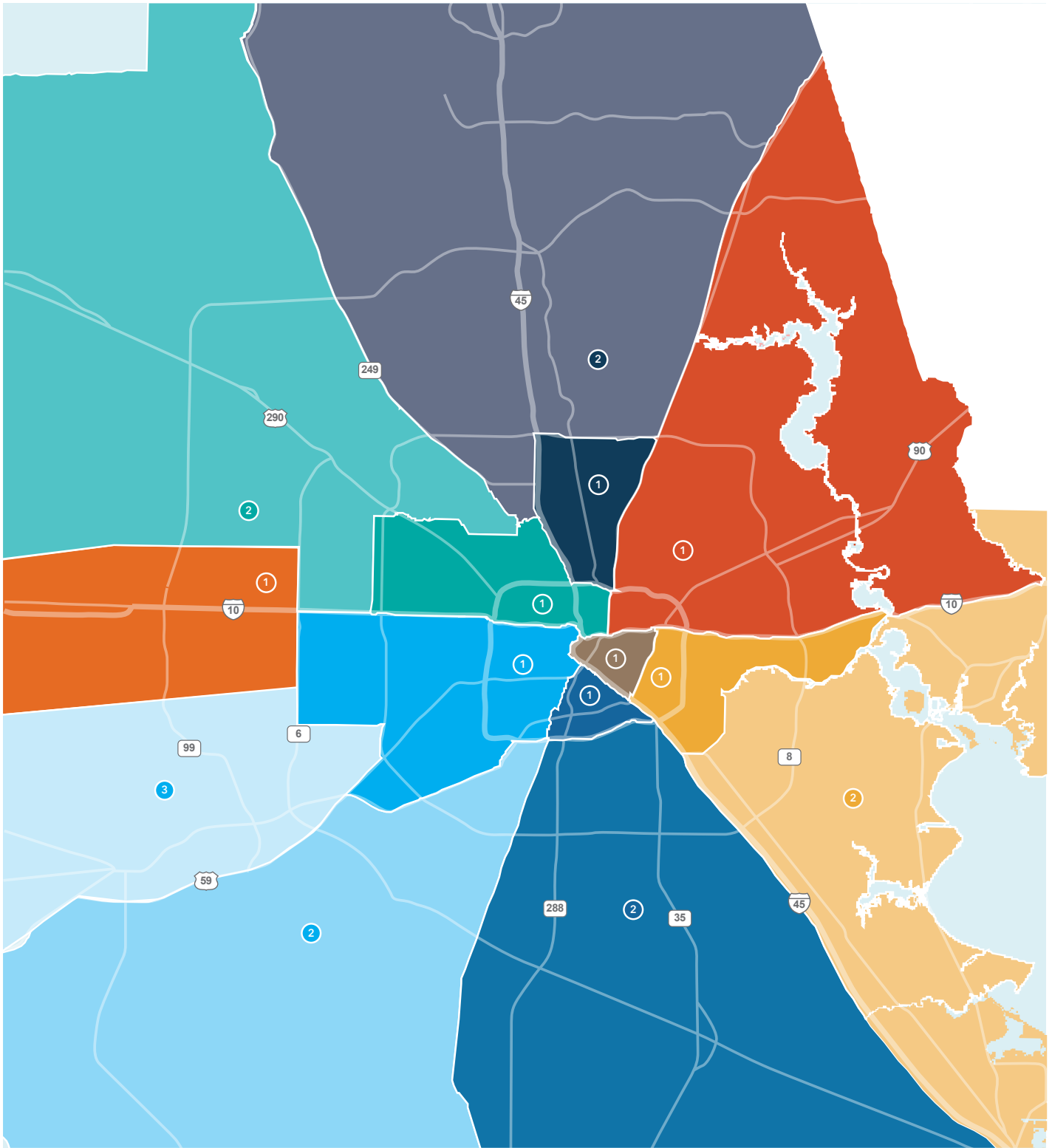
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METHODOLOGY

The information in this report is the result of a compilation of information on office, industrial, retail, multifamily and healthcare properties located in the Houston metropolitan area. This report includes single-tenant, multi-tenant and owner-user properties and excludes properties owned and occupied by a government agency.

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Q2 2021 | HOUSTON | INDUSTRIAL MARKET



1	Houston CBD	SE 1	East-Southeast Near	NW 1	Northwest Near	NE 1	Northeast
1	Southwest Near	SE 2	East-Southeast Far	NW 2	Northwest Far	W 1	Katy/Far West
2	Southwest Far	S 1	South Near	N 1	North Near		
3	Sugar Land/Southwest	S 2	South Far	N 2	North Far		