

## Industrial Report | 3rd Quarter 2009

Excerpts from 3rd Quarter 2009 Industrial Report by NAI Houston



SOUTHEAST TEXAS

### TRENDS:



### Overview

The Houston industrial market ended the 3rd quarter 2009 with a vacancy rate of 6.9%. The vacancy rate was down over the previous quarter, with net absorption totaling positive 427,404 square feet. Rental rates ended the 3rd quarter at \$5.70, a decrease over the previous quarter. A total of 12 buildings were delivered to the market in the 3rd quarter totaling 292,338 square feet with 1,797,113 square feet under construction.

The total Industrial inventory in Houston amounts to 482,440,258 SF in 13,431 buildings at the end of the 3rd quarter 2009. The Flex market consists of 41,892,377 SF in 1,536 properties. The Warehouse market consists of 440,547,881 SF in 11,895 properties. Within the Industrial market, 3,672 are owner occupied properties with 155,095,966 SF of space.

### Absorption

Tenants moving out of large blocks of space in 2009 include: Tru Logistics, Inc., West by Northwest Industrial Park, (140,000 SF); Drake Container,

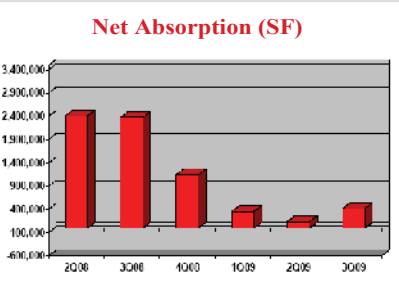
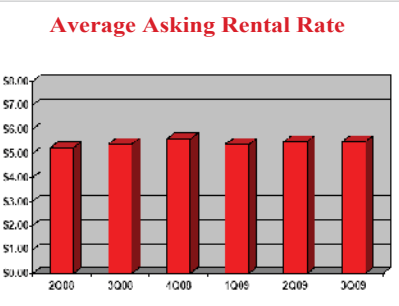
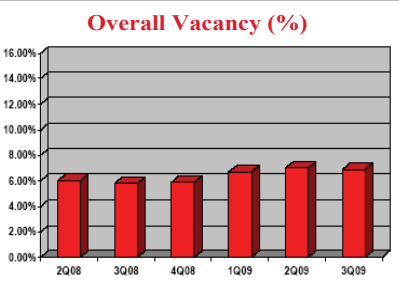
Minimax 3 (128,459 SF) and Fashion Glass & Mirror, Bondesen North Business Park (74,144 SF).

Tenants moving into large blocks of space in 2009 include: Walgreen Co. Walgreens Distribution Center, (500,290 SF); and Ozburn-Hessey Logistics, L.L.C., Bayport North Distribution Center, (300,000 SF).

The Flex building market had a net absorption of positive 477,060 square feet in the 3rd quarter 2009, compared to positive 202,596 square feet in the 2nd quarter 2009, negative (94,248) in the 1st quarter 2009 and positive 107,478 in the 4th quarter 2008.

The Warehouse building market recorded net absorption of negative (49,656) SF in the 3rd quarter 2009 compared to positive 233,652 SF in the 1st quarter 2009, positive 975,641 in the 4th quarter 2008 and positive 3,362,369 SF in the 3rd quarter 2008.

Tenant	Qtr.	Building	Size (SF)
Ozburn-Hessey Logistics	1st	Bayport North Distribution Center	300,000 SF
Tramontina-USA Inc.	2nd	Tramontina Distribution Center	299,742 SF
* United DC	3rd	8921 Market St.	224,511 SF
* B&G Foods, Inc.	1st	Distribution Center I	151,966 SF
Jacobsen Warehouse Co.	3rd	Bayport North Distribution Center	137,500 SF
Foxconn Technology Group	3rd	Centre @ Cypress Creek	122,547 SF
Advance Platinum Solutions	1st	W. Little York Distribution Center	110,000 SF
Overland Distribution	1st	PortCrossing Commerce Center	103,184 SF
Liberty Polymer	1st	1202 Harris	84,405 SF
Cadeco Industries	1st	Portwall Distribution Center	81,800 SF
Snider Tire, Inc.	2nd	ProLogis NorthPark-6	81,492 SF
Sandvic, Inc.	1st	Cole Creek #4	80,000 SF
RAM Chemical	3rd	Westland Business Park	79,740 SF
Retail Concepts, Inc.	1st	Techway SW Business Park	78,180 SF
Bayport Global Logistics	1st	1300 E. Barbour's Cut Blvd.	73,000 SF



### Vacancy

The Industrial vacancy rate in the Houston market was 6.9% at the end of the 3rd quarter 2009. The vacancy rate was 7% at the end of the 2nd quarter 2009, 6.7% at the end of the 1st quarter 2009 and 5.9% at the end of the 4th quarter 2008.

Flex projects reported a vacancy rate of 12.5% at the end of the 3rd quarter 2009, 13.5% at the end of the 2nd quarter 2009, 13.2% at the end of the 1st quarter 2009, and 12.2% at the end of the 4th quarter 2008.

Warehouse projects reported a vacancy rate of 6.5% at the end of the 3rd quarter 2009, 6.3% at the end of the 2nd quarter 2009, 6% at the end of the 1st quarter 2009, and 5.3% at the end of the 4th quarter 2008.

### Rental Rates

The average quoted rental rate for Industrial space was \$5.70/SF at the end of the 3rd quarter 2009. This was a 5.6% decrease in quoted rental

rates from the end of the 2nd quarter 2009 with rates reported at \$6.04/SF.

### Deliveries & Construction

A total of 12 buildings with 292,338 SF were completed during the 3rd quarter 2009. The 2nd quarter 2009 brought 34 buildings totaling 1,605,716 SF to the Houston market. The 1st quarter 2009 brought 53 buildings totaling 4,330,655 SF, the 4th quarter 2008 brought 40 buildings totaling 3,144,817 SF and the 3rd quarter 2008 brought 24 buildings totaling 1,644,136 SF. Houston had 1,797,113 SF under construction at the end of the 3rd quarter 2009.

### Leasing Activity

Notable lease signings during the 3rd quarter 2009 include: United DC renewal of 224,511 SF at 8921 Market St., Jacobsen Warehouse Co. renewing 137,500 SF at 9770 New Century and RAM Chemical's lease of 79,740 SF at 8323 N. Eldridge.

Total Industrial Market Statistics							
MARKET	# BLDGS.	TOTAL RBA (SF)	TOTAL AVAIL. (SF)	TOTAL AVAIL. (%)	TOTAL NET ABSORPTION (SF)	TOTAL AVERAGE RATE (\$/SF/YR)	UNDER CONSTRUCTION (SF)
CBD	2,042	33,047,700	3,606,198	5.5%	(693,669)	\$5.17	0
North Corridor	2,198	67,523,649	5,754,112	8.5%	1,273,632	\$6.78	650,220
Northeast Corridor	769	32,891,371	1,063,819	3.2%	(154,372)	\$4.18	30,000
Northwest Corridor	3,404	130,118,710	9,400,687	7.2%	(1,515,731)	\$5.90	450,000
Southeast Corridor	1,487	76,611,246	6,175,540	8.1%	1,569,160	\$5.01	0
Southern Corridor	1,368	44,446,889	232,259	5.0%	(254,509)	\$4.60	0
Southwest Corridor	2,153	64,598,092	5,014,599	7.8%	696,811	\$6.75	1,086,613
<b>Totals</b>	<b>13,431</b>	<b>482,440,258</b>	<b>33,247,214</b>	<b>6.9%</b>	<b>921,322</b>	<b>\$5.70</b>	<b>2,216,833</b>