PRESENTATION FOR REAL ESTATE SERVICES

GLOBALLY CONNECTED. LOCALLY FOCUSED. DEDICATED TO DELIVER.

COMMERCE PARK NORTH
CRESCENT 10
PLAZA SOUTHWEST
TECHNIPARK TEN
WESTCHASE PARK

ADLER REAL ESTATE PARTNERS

CBRE

EXECUTIVE SUMMARY

GLOBALLY CONNECTED | LOCALLY FOCUSED | DEDICATED TO DELIVER

GLOBALLY CONNECTED

CBRE Group, Inc. is a commercial real estate services and investment firm. It is the largest company of its kind in the world. It is based in Los Angeles, California and operates more than 450 offices worldwide and has clients in more than 100 countries.

840
INDUSTRIAL BROKERS IN NORTH AND SOUTH AMERICA

370
INDUSTRIAL BROKERS IN EUROPE AND ASIA

Specialty Industrial Practice Groups

- Port & Integrated Logistics
- E-Commerce
- Data Centers
- Food Facilities
- Land Services
- Supply Chain Advisory
- Special Properties

LOCALLY FOCUSED

More than 46 years ago, CBRE became the preeminent provider of end-to-end real estate services in the Greater Houston area. Today, CBRE continues to lead the region with hundreds of professionals collaborating without borders across multiple full-service offices. Our effective integration of all CBRE service lines empowers us to offer a one-stop solution for all your real estate needs.

Our success isn't a result of size; it is a result of our strong commitment to meeting and exceeding our clients' expectations. Our focus is on building advantage for clients of all sizes by meeting their real estate objectives and enhancing their bottom line. Our position in the market allows us to provide our clients with unrivaled local market knowledge. Through a combination of considerable market knowledge and experience analyzing current conditions and projecting future trends, we can provide the optimum solution to any real estate requirement.

±1,551
CBRE EMPLOYEES IN HOUSTON

136
TOTAL BROKERS ACROSS ALL COMMERCIAL REAL ESTATE LINES

26
INDUSTRIAL BROKERS

WITH →

427+
YEARS OF EXPERIENCE IN HOUSTON

At CBRE, it's all about thinking exponentially.

DEDICATED TO DELIVER

At CBRE, we believe technology is only as effective as the quality of the data that fuels it and the expertise of the organization that leverages it. With that, technology can truly impact real estate performance and potential by revealing dynamic insights and enabling actionable strategies.
Our technology does just that.

Powered by the industry's best intelligence across all asset classes, coupled with our people's unrivaled global expertise, CBRE's Suite of Enablement Technologies powers superior outcomes for every client we serve.

CBRE, on a global and local basis is eager to work with you on the leasing assignment for The Portfolio. We're ready to harness the full power of our reach and resources to promote your property. No other real estate partner can match our ability to generate momentum, and meet your financial goals. Our team is dedicated to deliver the best outcome possible for your assets.

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01

THE TEAM

YOUR CBRE PARTNERS
INDUSTRIAL LEASING TEAM

CBRE INDUSTRIAL BROKERS
2017-2019 YTD TRANSACTIONS

AGENCY: 216 DEALS | 15,273,314 SF
OCCUPIER: 257 DEALS | 13,425,327 SF
INVESTMENT PROPERTIES: 65 DEALS | 51,379,855 SF

THE LEASING TEAM

JASON DILLEE

As Senior Vice President, Jason Dillee participates in CBRE's industrial services group in Houston. Jason has experience in the many different areas of commercial real estate from tenant and landlord representation to asset acquisition, development and disposition and has completed hundreds of transactions valued at over $300 million. Jason's education and professional background have provided him the skill set to consistently bring measurable value to his clients.

NATHAN WYNNE

Nathan Wynne is a Vice President within CBRE's Industrial Services group. Mr. Wynne primarily focusing on leasing and growing his team's investor portfolio through development and asset acquisition. He has also completed numerous significant occupier transactions including regional distribution centers and large-scale build-to-suits. Over the last eight years, Mr. Wynne has assisted in over 150 transactions providing in excess of $250,000,000 in transaction value.

HARPER GULLY

Harper Gully is an Associate with CBRE specializing in industrial leasing. Mr. Gully has more than 10 years of experience in real estate development and investment and utilizes his previous experience with BBVA Compass and Capital Commercial Investments to provide his occupier clients a thorough understanding of the landlord's position, ultimately yielding superior results for his tenants.

SUSAN HAYSOM

Susan Haysom is an Associate at CBRE. Her role consists of managing a number of services provided to corporate clients, including, but not limited to lease negotiations, market research, cost-reduction strategies, site selection, broker opinions of value, preparation of lease versus own analyses, and marketing.

KAYLA RIPPLE

Kayla Ripple is a Client Services Coordinator at CBRE with 7 years of experience in commercial real estate. Kayla joined the Team in 2019 and currently focuses her knowledge and experience tending to the details of the daily operations of her team while at the same time utilizes her extensive marketing and lease processing skills to provide an exceptional level of service to her team's clients.

02

ABOUT CBRE

The Largest Commercial Real Estate Firm in the World.

CBRE Group, Inc. (NYSE:CBRE), a Fortune 500 and S&P 500 company headquartered in Los Angeles, is the world's largest commercial real estate services and investment firm (in terms of 2018 revenue). The company offers strategic advice and execution for property sales and leasing; corporate services; property, facilities and project management; mortgage banking; appraisal and valuation; development services; investment management; and research and consulting.

CBRE is a matrix organization, with service line and geographic leaders partnering to ensure each service and specialty is delivered with consistent high quality across all markets and property types. Bob Sulentic, President and CEO, oversees all firm service lines, functions and geographies globally. He leads a highly seasoned and well-respected executive management team who bring a diversity of experience and perspectives to their leadership roles.

At the field level, all service lines report to the local market leaders, and all shared resources and support services report to the Managing Directors' operational partners. Local markets operate as individual business units and roll up to our regional and national groups, ensuring alignment of goals and strategies with the corporate level.

Although CBRE is home to more than 90,000 professionals, they are not hampered by the bureaucracy that often accompanies larger firms. CBRE's executive management team has worked hard to maintain the agility and entrepreneurial spirit that has contributed to our firm's success for over a century.

Our clients benefit from the best of both worlds—the breadth and depth of resources, market knowledge, relationships, tools and expertise of the global leader in real estate, delivered through the Single Point of Contact commitment, responsiveness and attention to detail of our client-centric teams.

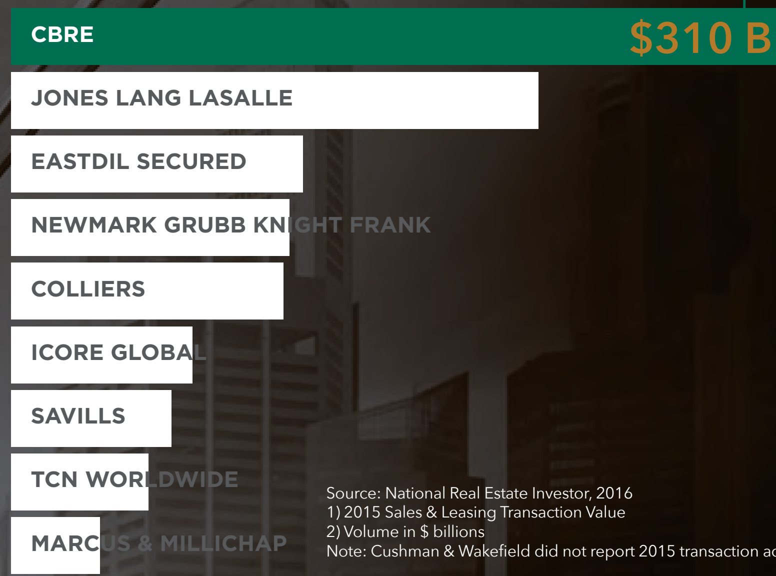
CBRE Industrial Statistics

NYSE: CBRE

#1
- Leasing
- Investment sales
- Outsourcing
- Appraisal and valuation
- Commercial mortgage brokerage and servicing firm
- Commercial real estate investment manager

480+
offices in 111 countries

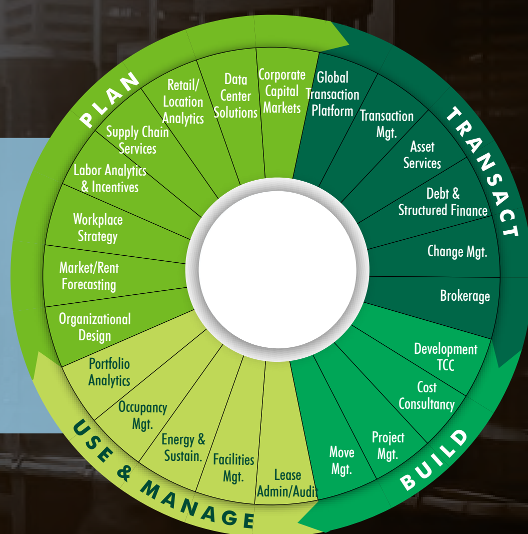
Engaged with
90% of the Fortune 100



Source: National Real Estate Investor, 2016
1) 2015 Sales & Leasing Transaction Value
2) Volume in $ billions
Note: Cushman & Wakefield did not report 2015 transaction activity

Using A Fully-Integrated, Robust Platform

- More Visibility.
- Better Decisions.
- Faster Results.



Industrial Professionals across the Globe

WHY CBRE

A True Focus on Product Type

- Our team has the expertise and capacity to focus on the best outcomes for Adler's Houston Portfolio
- Client first mentality insures our team will keep the portfolio a top priority
- Goals are aligned with Adler Real Estate Partners

Experience Laying Out, Leasing Up & Maintaining High Occupancy in a Competitive Environment

- Bayport North Logistics Center
- City Park East
- 1040 Lockwood
- Central Green Business Park
- Pinemont Center
- Prologis Park Antoine
- Prologis Park Northpark
- Park 59
- Park 8

CBRE's Local Experience, Resources & People

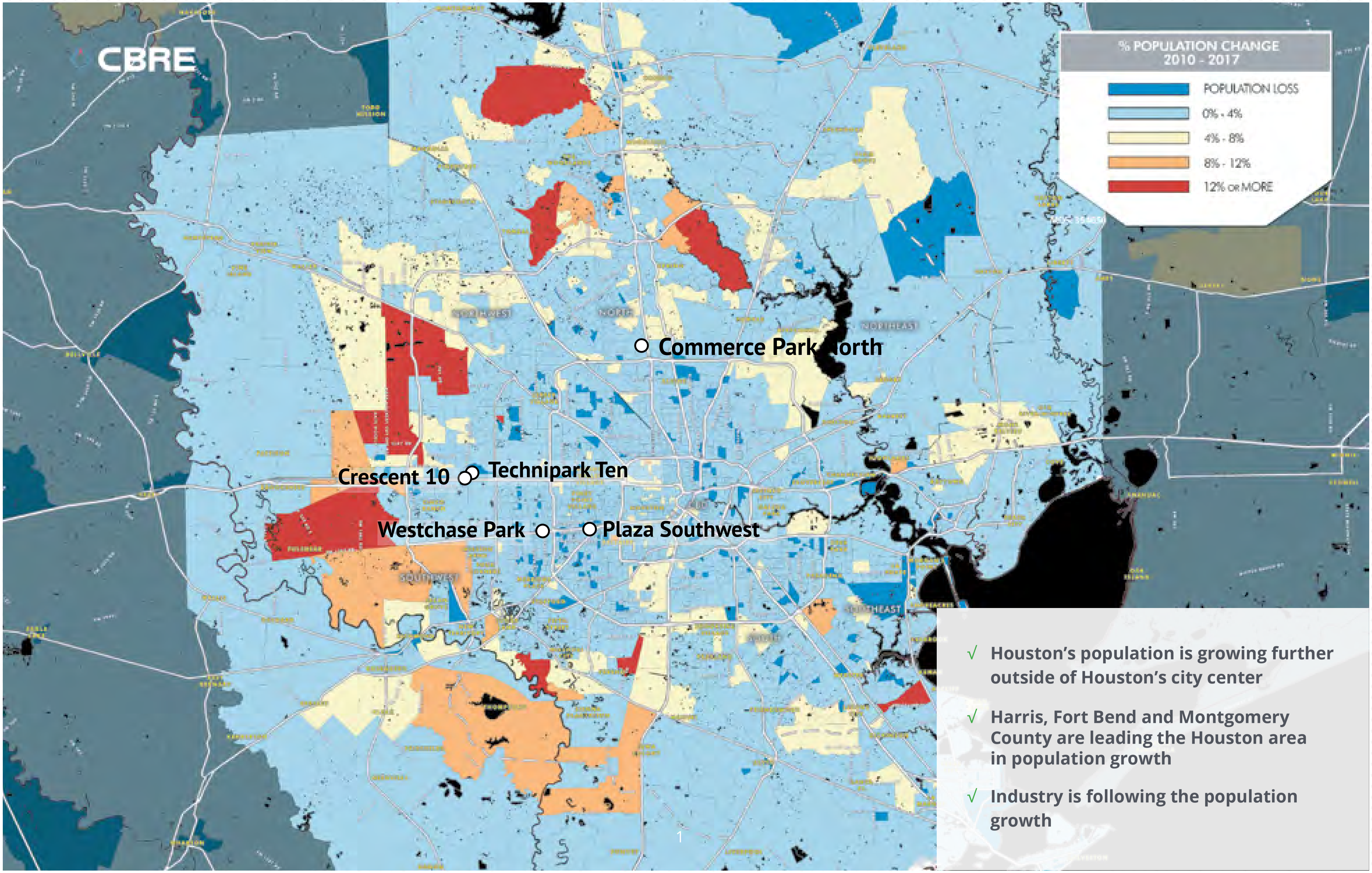
- Houston office established in 1976
- 1,551 employees across Houston
- 136 brokers across all product types
- 26 dedicated industrial brokers with 427+ combined years of experience

CBRE's Local, National & International Specialty Groups

- E-Commerce
- Data Center
- Food Facilities
- Port & Integrated Logistics
- Supply Chain Advisory
- Special Properties

UNDERSTANDING HOUSTONS GROWTH

60 Mile Radius from Houston's City Center



- √ Houston's population is growing further outside of Houston's city center
- √ Harris, Fort Bend and Montgomery County are leading the Houston area in population growth
- √ Industry is following the population growth

TARGET TENANTS

Our team's expertise and knowledge is backed by CBRE's research and resources. Based upon where the market is headed, it is imperative that we target an array of prospective Tenants.

Service Companies

Local Suppliers

Affordable Office Occupiers

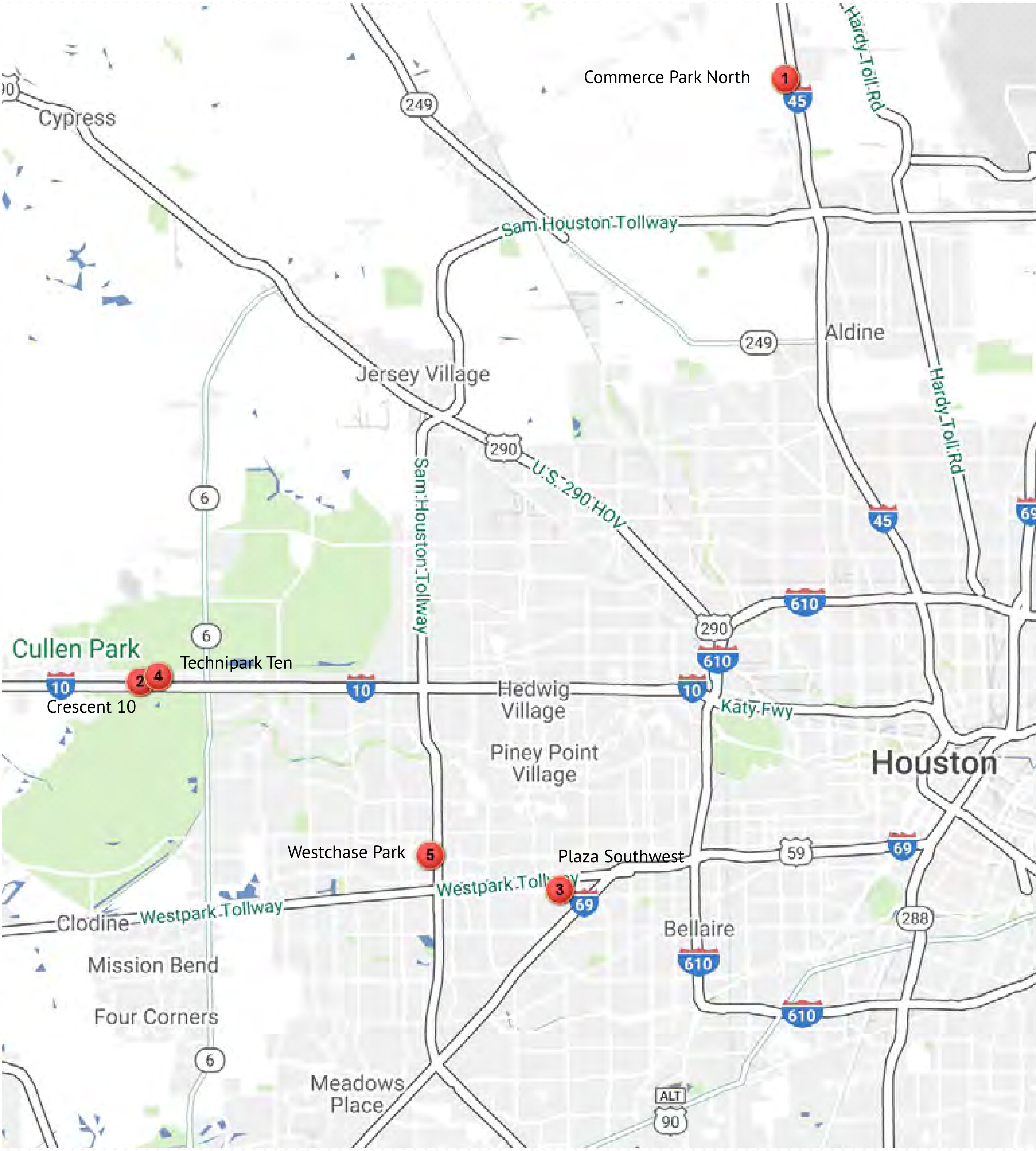
Education/Training Related Users

Local Import/Export

Home Healthcare Providers

Printing/Reprographics Services

ADLER HOUSTON PORTFOLIO



NORTH

COMMERCE PARK NORTH

15621 BLUE ASH DRIVE

5 MILE

$7.66
($0.64)
AVG. RATE

11.5%
VACANCY RATE

113
FLEX BLDG COUNT

4,421,544
FLEX RBA

106
KNOWN TENANTS

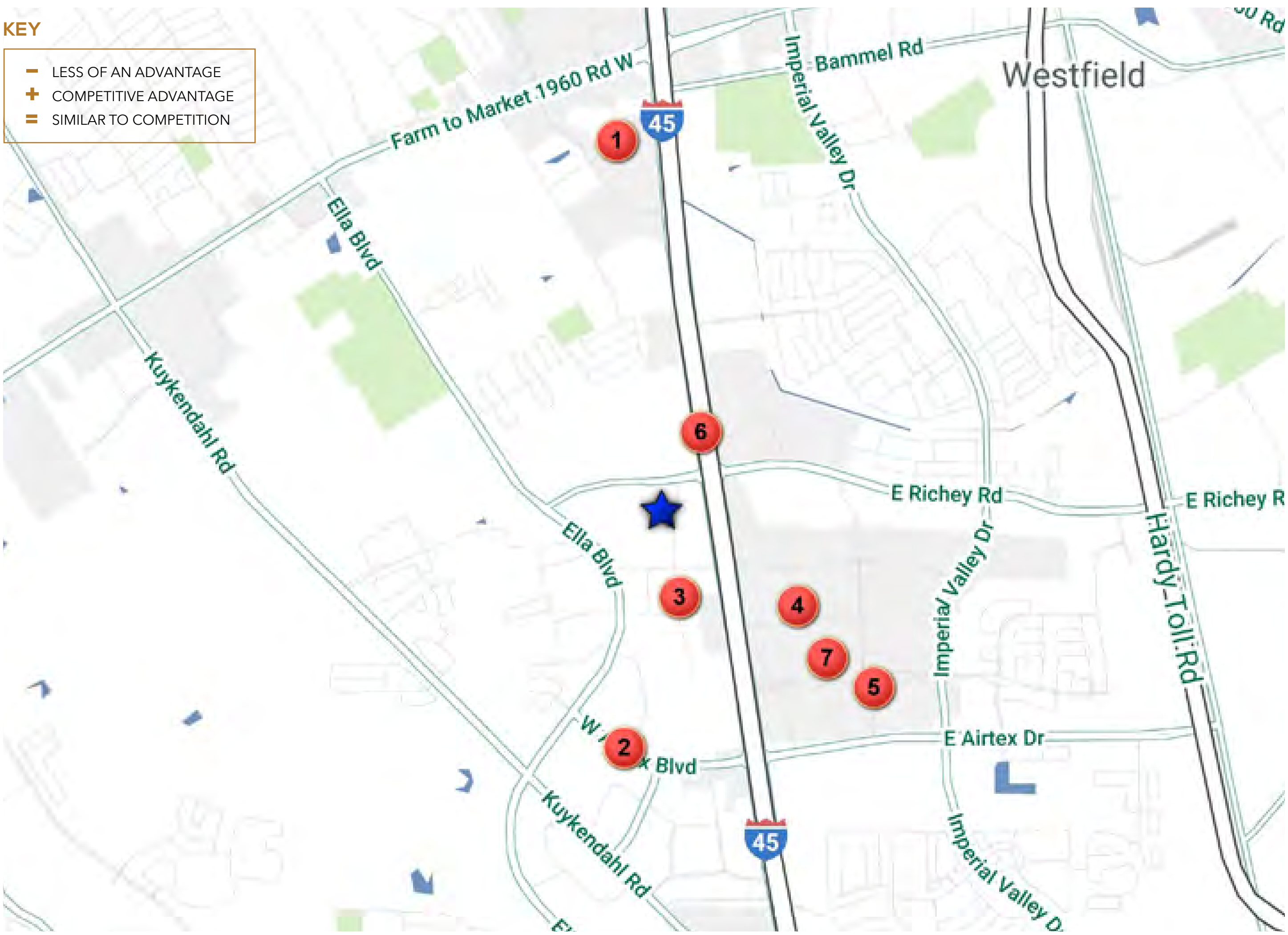
KEY COMPETITION

Commerce Park North

Map ID	Address	Access	Frontage Visibility	Circula-tion	Business Park Environment	Product Mix	Employee Parks	Available Size/SF	Business Park	Dock	Comments
1	Wells Fargo Business Park 301 Wells Fargo Dr Houston, TX 77090	=	=	=	+	−	=	±1,579 - 11,666 SF	Yes	Grade Level	Fully Fenced
2	Park North Center 211-285 W Airtex Blvd Houston, TX 77090	+	=	=	=	−	=	±3,222 - 15,601 SF	Yes	Grade Level	Fenced Truck Court
3	Commerce Park Business Center 220 Barren Springs Dr Houston, TX 77090	=	=	=	=	−	−	±2,086 - 11,000 SF	Yes	Grade Level	Fully Fenced
4	Century Business Plaza 283 Lockhaven Dr Houston, TX 77073	=	=	=	−	+	=	±16,580 SF	Yes	Dock High	
5	Century Center V 500 Century Plaza Dr Houston, TX 77073	=	−	=	=	=	=	±2,919 - 22.017 SF	Yes	Grade Level	100% HVAC
6	North Freeway Business Center 16745 N I-45 Houston, TX 77090	+	+	−	−	−	−	±6,700 SF	No	Dock High	
7	Century Plaza Business Park 403 Century Plaza Dr Houston, TX 77073	=	+	=	=	=	−	±3,000 - 18,079 SF	Yes	Dock High	

KEY

− LESS OF AN ADVANTAGE
+ COMPETITIVE ADVANTAGE
= SIMILAR TO COMPETITION



WEST

CRESCENT 10 & TECHNIPARK TEN

1304 LANGHAM CREEK DRIVE & 16115 AND 16155 PARK ROW

5 MILE

$12.13
$1.01
AVG. RATE

17.1%
VACANCY RATE

40
FLEX BLDG COUNT

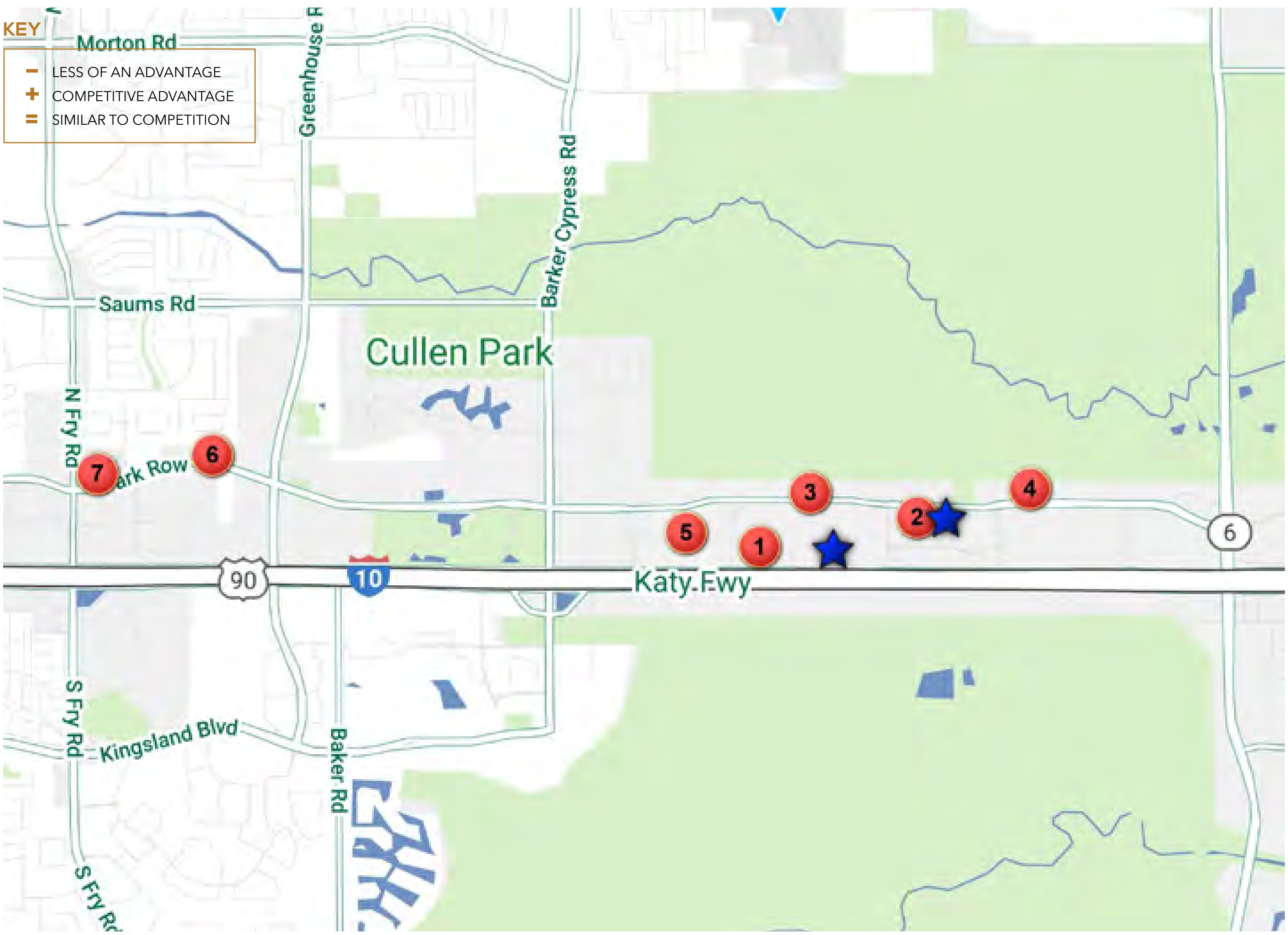
1,648,483
FLEX RBA

67
KNOWN TENANTS

KEY COMPETITION

Crescent 10 and Technipark

Map ID	Address	Access		Frontage Visibility		Circula-tion		Business Park Environment		Product Mix		Employee Parks		Available Size/SF	Business Park	Dock	Comments
1	Park Ten Business Center 16810 Barker Springs Rd Houston, TX 77084	=	+	–	=	–	=	=	=	+	=	=	=	±4,074 - +26,606 SF	Yes	Dock High &Grade Level	5 Building Project; Mix of all office and office warehouse;
2	Techniplex Business Center 16203 Park Row Houston, TX 7784	=	=	–	=	=	=	=	=	+	=	=	=	±3,125 - 13,993 SF	Yes	Dock High &Grade Level	
3	Park 10 Business Park 16600 Park Row Houston, TX 77090	+	=	–	=	–	=	=	=	–	–	–	=	±6,611SF	Yes	Dock High	only office/flex available - only one dock door (not available with current vacancy)
5	Business Center at Park Ten 15720 Park Row Houston, TX 77084	=	=	–	–	=	=	=	=	+	=	=	=	±3,215 - 25,600 SF	Yes	Dock High & Grade Level	Newly renovated; Class A Flex space
6	Park Ten Distribution Center 1325 S Creek Dr Houston, TX 77084	+	+	–	–	–	=	=	–	–	–	–	–	±9,000 - +13.500 SF	Yes	Dock High	
6	Westgate Service Center 19416 Park Row Houston, TX 77084	+	=	–	=	–	–	=	=	–	=	–	=	±4,670 - +24,702 SF	Yes	Semi-Dock High & Grade Level	
7	Corporate Park West 1718 N. Fry Road Houston, TX 77084	=	–	–	–	–	–	=	=	+	=	+	=	±1,500 - 27,148 SF	Yes	Dock High & Semi Dock High	Partly 100% HVAC



HARWIN

PLAZA SOUTHWEST

7302 AND 7350 HARWIN DRIVE, 5601 AND 5750 BINTLIFF DRIVE AND 5755 BONHOMME ROAD

5 MILE

$10.48
($0.87)
AVG. RATE

10.1%
VACANCY RATE

171
FLEX BLDG COUNT

5,373,611
FLEX RBA

292
KNOWN TENANTS

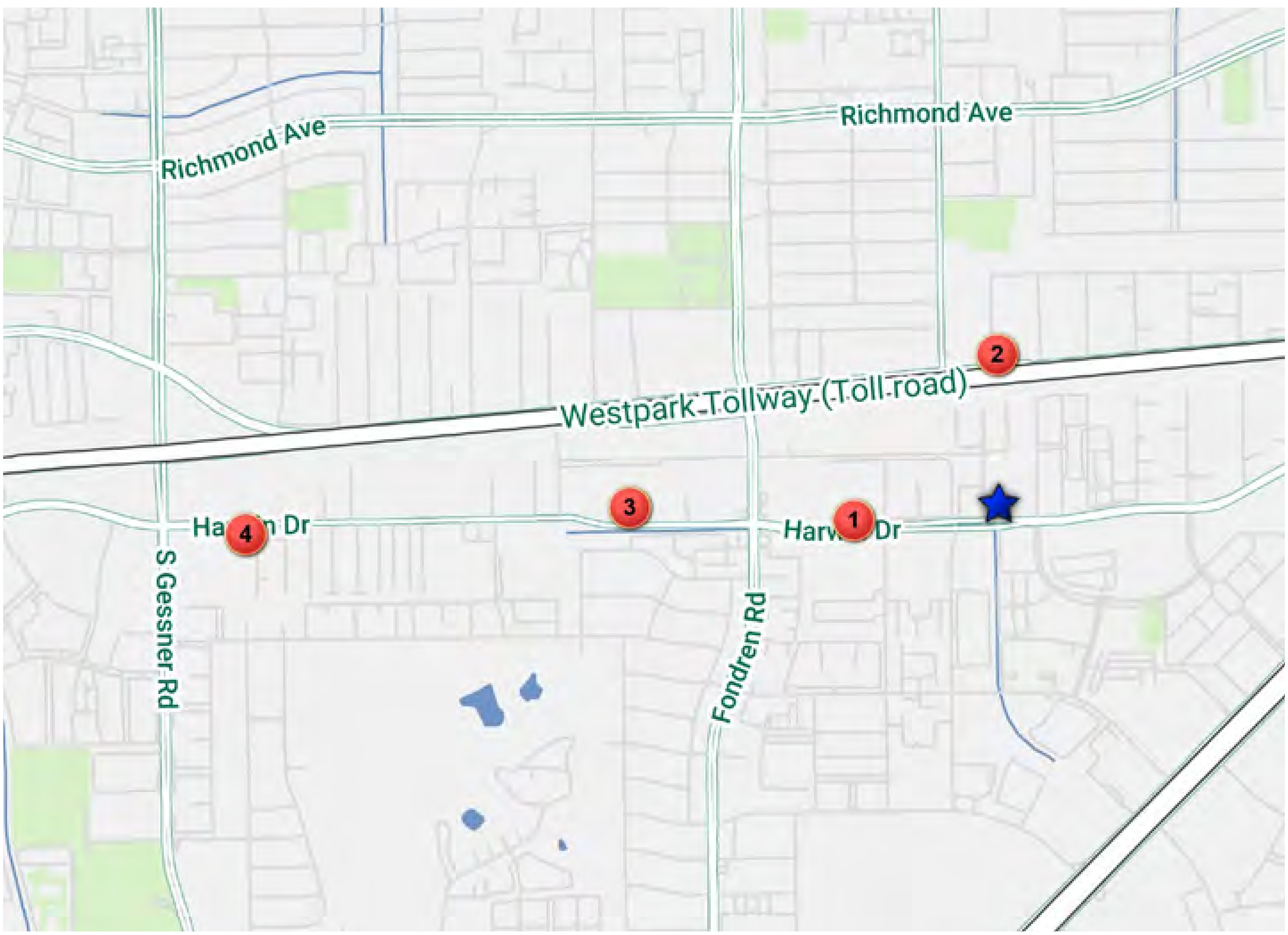
KEY COMPETITION

Plaza Southwest

Map ID	Address	Access	Frontage Visibility	Circula-tion	Business Park Environment	Product Mix	Employee Parks	Available Size/SF	Business Park	Dock	Comments
1	Harwin Business Center 7580 - 7590 Harwin Dr Houston, TX 77036	+	–	=	=	=	=	±9,490 - +20,319 SF	Yes	Dock High	4 buildings
2	8300 Westpark Dr Houston, TX 77063	=	=	=	–	–	–	±6,000 - +7,000 SF	No	Grade Level	Fenced truck court
3	West Way Business Plaza 8000 Harwin Drive Houston, TX 77036	+	–	–	=	=	–	±4,950 - +10,000 SF	Yes	Dock High & Grade Level	10 buildings
4	Point Harwin Service Ctr 9941 - 9949 Harwin Dr Houston, TX 77036	=	–	–	=	–	–	±3,000 - +8,000 SF	Yes	Grade Level	5 buildings

KEY

– LESS OF AN ADVANTAGE
+ COMPETITIVE ADVANTAGE
= SIMILAR TO COMPETITION



WESTCHASE

WESTCHASE PARK

3120 AND 3130 ROGERDALE ROAD

5 MILE

$10.50
($0.86)
AVG. RATE

10.2%
VACANCY RATE

205
FLEX BLDG COUNT

6,395,347
FLEX RBA

336
KNOWN TENANTS

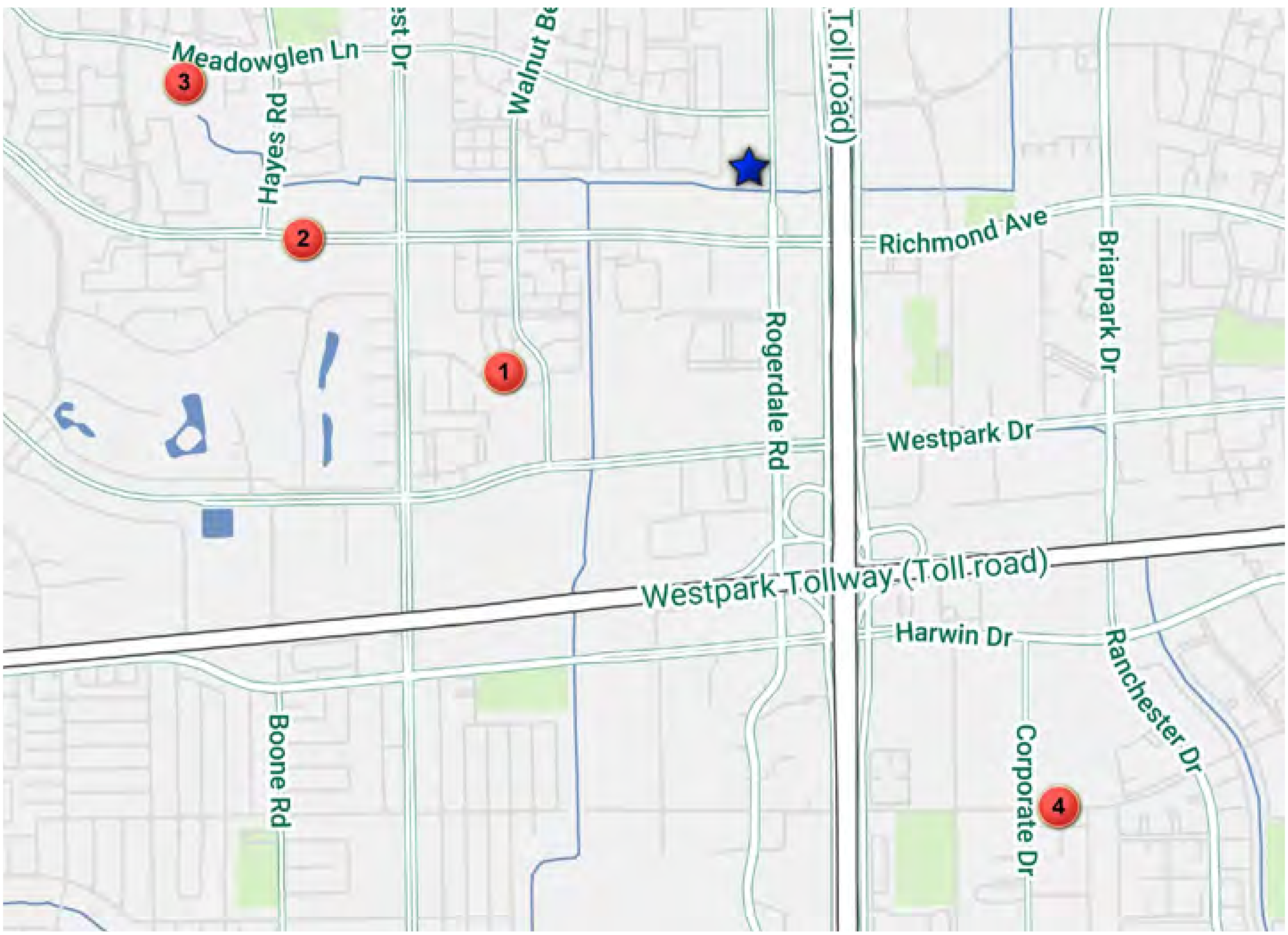
KEY COMPETITION

Westchase park

Map ID	Address	Access	Frontage Visibility	Circula-tion	Business Park Environment	Product Mix	Employee Parks	Available Size/SF	Business Park	Dock	Comments
1	Wilcrest Green Office Park 3300 - 3352 Walnut Bend Ln Houston, TX 77042	-	-	=	=	=	=	±1,960 - +22,341 SF	Yes	Grade Level	2 Building Project; Mix of all office and office warehouse;
2	Westchase Corporate Park 11241 Richmond Ave. Houston, TX 7782	-	-	=	=	-	-	±600 - 9,565 SF	Yes	Grade Level	13 Buildings
3	Meadowglen Business Park Meadowglen Business Park Houston, TX 77082	-	-	+	=	+	=	±2,550 - 5,100 SF	Yes	Grade and Semi Dock High	2 Buildings
4	Enterprise Park 9501 - 9519 Houston, TX 77036	-	-	-	=	-	+	±936 - 10,125 SF	Yes	Grade Level	5 Building

KEY

- − LESS OF AN ADVANTAGE
- + COMPETITIVE ADVANTAGE
- = SIMILAR TO COMPETITION



03 MARKETING & LEASING STRATEGY

CBRE Research Capabilities

CBRE invests heavily in global and local research, analysis and the latest technological innovations in order to sustain a premier service delivery platform. Such investments equip the firm's clients and professionals with the most current and accurate global and local market information anywhere in the world.

CBRE's research and data gathering operation is the largest and most comprehensive of its kind in the industry. Offering the most extensive data collection, query tools and information capabilities, brokers have online access to the most current listings, transaction terms, comparables and property details as well as valuable historical data and trends. The group's comprehensive data covers leasing, investment sales, valuation, taxes and operating expenses.

Brokers within our Houston office meet monthly to share comparable lease transactions, tenants in the market, and other timely information. Given our size and market share in Houston, this has given us a distinct advantage compared to our competitors in a quickly changing market. These monthly meetings give us the most current snapshot of the market and allow our professionals to accurately determine values, recognize trends and make accurate predictions of where the market is heading.

In Houston, CBRE Research prepares quarterly MarketView reports for the office, industrial, retail, and multi-housing sectors. Select submarket and ViewPoint reports are also published throughout the year. Additionally, MarketFlash briefings covering various economic and geopolitical topics that impact commercial real estate are published weekly. CBRE reports offer clients information on local market conditions, relevant statistics and industry trends.

***Please see appendix for examples of full research reports.**

ACTION &

STEP 1

PROJECT INITIATION

- Establish and align goals
- Engagement and strategy session
- Communication and reporting - VTS
- Budget requirements and approval processes
- Objectives and constraints
- Establish project timeline
- Execute listing agreement

STEP 2

MARKET EVALUATION

- Inspect premises and plans
- Identify and analyze competitive properties
- Identify lease comps - if available
- Analyze active users in the market
- Evaluate pricing, incentives, terms
- Prepare property and market information
- Make ready vacancies
- Layout and plans
- Stacking requirements

EXECUTION

STEP 3

STEP 4

STEP 5

MARKETING PLAN

- Direct prospect soliciting - call sheets
- Branding, positioning development
- Prepare print and digital collateral
- Begin cold-calls and targeted canvassing
- Broker mailings and e-mail blast campaigns
- Identify deals and send unsolicited offers
- Continuous follow-up with interested occupiers and brokers - almost all tours generate significant interest
- Updated listings on CoStar, Loopnet, Commgate, and CBRE.com.
- Prospect activity reporting-VTS / monthly call
- Targeted canvassing lists
- Cold call for prospective tenant criteria
- Meetings / lunches with tenant rep brokers
- Adler branded small space marketing package by location

NEGOTIATION

- Review potential tenant with Adler Partners OFAC requirements
- Proposal negotiations
- Review/analyze offers
- Confirm lease qualifications
- Assess economic impact of offers
- Recommend strategy
- Negotiate terms
- Contract documents
- Final lease execution

POST PROJECT CLOSE-OUT

- Confirm move-in of new tenants
- Satisfy post occupancy lease obligations

04

COMPENSATION

Fee Schedule

New Leases	4% direct, 6% Co-brokered
Renewals	4% direct, 6% Co-brokered
Extensions	4% direct, 6% Co-brokered
Expansions	4% direct, 6% Co-brokered
Leases with Termination Rights	4% direct, 6% Co-brokered
10-Year and 15-Year Deals	4% direct, 6% Co-brokered on a 10-year, TBD on a 15-year

*All fees above would be paid on a gross basis

* Co-brokers, are any brokers other than Jason Dillee, Nathan Wynne, Harper Gully, Susan Haysom, and Kayla Ripple

05

APPENDIX

WE POWER THE REAL ESTATE THAT POWERS BUSINESS.

CBRE Industrial & Logistics Practice

CBRE Industrial & Logistics Services represents the largest industrial services platform in the world, offering an integrated suite of advisory, transaction and management services for occupiers and investors across the entire real estate lifecycle. We power the real estate of companies whose business performance depends on integrated supply chains, connected footprints and efficient operations by aligning business strategy and delivery models with intelligent, streamlined and optimized real estate solutions.

CBRE's personal approach, comprehensive range of services and breadth of global intelligence allows us to drive better business outcomes for our industrial investor clients. We have experience across all formats and all markets, empowering our team to help maximize the value of your assets, no matter the size or location.

Industrial Specialty Groups

SPECIAL PROPERTIES | PORT & INTEGRATED LOGISTICS | E-COMMERCE | LAND SERVICES | DATA CENTERS | OMNICHANNEL | SUPPLY CHAIN ADVISORY | FOOD FACILITIES

Our Partners - CBRE represents 90% of the Fortune 500 Companies

CURRENT LEASING ASSIGNMENTS

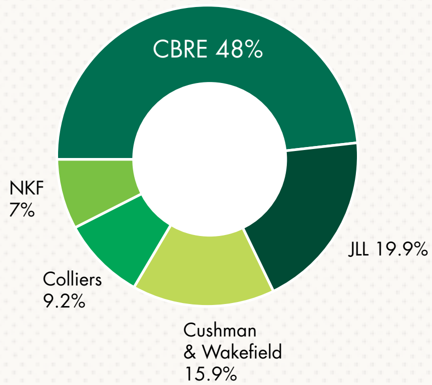
CBRE Current Leasing Assignments in the Greater MSA

At CBRE, we actively work to prevent or mitigate any conflicts of interest. Our team's current leasing assignments are outside of Adler Partners' Houston Portfilio, and will not conflict will our ability to efficiently and effectively lease its available space.

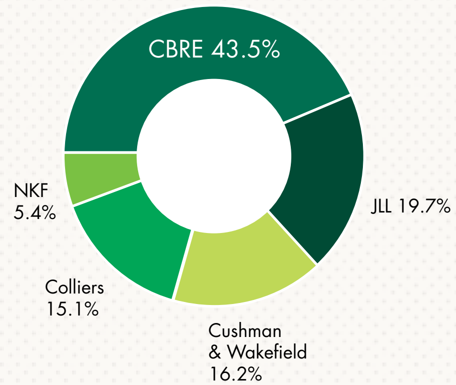
Property Name	City	Building SF
Pinemont Center	Houston	10,125 - 34,875 SF
1801-1895 W Sam Houston Pky N	Houston	40,000 - 110,810 SF
4330 Underwood Rd	Pasadena	216,000 SF
11100 W Airport Blvd	Stafford	10,000 - 185,000 SF
59 Logistics Center	Humble	509,600 SF
Prologis Park Northpark	Houston	11,711 - 130,127 SF
Prologis Park Beltway Antoine	Houston	6,884 - 65,777 SF
Parc 59	Humble	18,000 - 279,500 SF
8615 North Loop E	Houston	36,400 SF
560 E Richey Rd	Houston	78,243 - 156,505 SF
8503 Citypark Loop	Houston	114,000 SF
8000 Market Street	Houston	36,000 SF
225 Distribution Center	Pasadena	514,444 SF
1040 Lockwood Dr	Houston	37,464 SF
Central Green Business Park	Houston	67,570 SF
4200 Cedar Blvd	Baytown	50,000 SF
225 Distribution Center	Pasadena	40,000 - 147,250 SF
Mesa Rd & Spikewood Dr	Houston	60,000 - 134,454 SF
Greens Crossing Distribution Center	Houston	55,425 SF
Park 8	Houston	242,760 SF

TOP 25 TRANSACTIONS Q2 2019

US Market Share for Tenant Rep



US Market Share for Owner/Landlord Rep

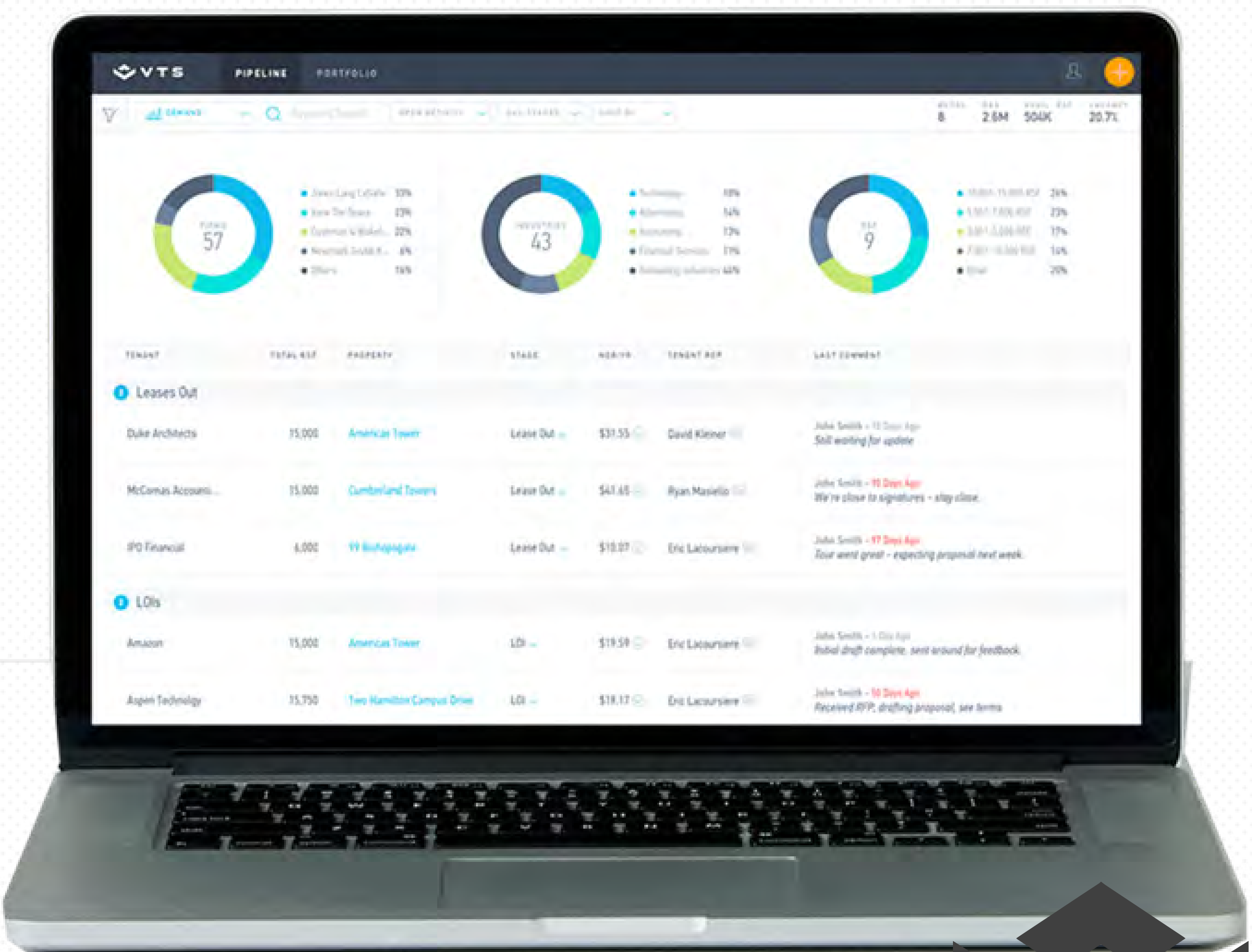


Note: Percentage based on active users. Data collected from 61 markets representing 1,838 transactions.

REPORTING

Smart Reporting With View The Space (VTS)

- Delivers real-time visibility into leasing and marketing activity for properties or portfolios, along with enhanced reporting and collaboration with CBRE professionals
- Features click-down menus for tours, LOIs, leases, comments and more
- The CBRE team can make updates from any mobile device or computer for up-to-the-minute marketing activity and progress



SAMPLE OF THE TEAM'S TRANSACTIONS

Ground Up Development Sites	Ground Up Development Sites	Significant Lease Transactions	Significant Listings
Cedar Port Logistics Center	**Mesa East Industrial Park**	**City Park East**	**Park 290**
57.37 Acres – 1,021,440 SF Buyer: Hunt Southwest	12.29 Acres - 134,454 SF Buyer: Ancorian	906,258 SF Landlord: Centerpoint Properties Tenant: DHL	538.88 Acres - BTS Landlord: McCormack Commercial
Port 146	**Ley Road Distribution Center**	**Conroe Park North**	**Cedar Port Trade Center**
11.68 Acres – 140,400 SF Buyer: Clay Development	35.72 Acres – 408,240 SF Buyer: Core 5 Industrial Partners	850,000 SF Developer: Ryan Companies Tenant: Five Below	1,021,440 SF – 1 Building Landlord: Hunt Southwest
Southeast Distribution Center	**Parc 59**	**Bayport North Industrial Park**	**59 Logistics Center**
12.19 Acres – 170,476 SF Buyer: Vigavi	20.23 Acres – 279,500 SF Buyer: Jackson Shaw	561,955 SF Landlord: Avera Companies Tenant: Kuraray America	509,600 SF – 1 Building Landlord: Hunt Southwest
Bayport North Logistics Center I	**59 Logistics Center**	**Imperial Distribution Center**	**Parc 59**
5.77 Acres – 102,863 SF Buyer: Triten Real Estate Partners	41.14 Acres – 509,600 SF Buyer: Under Contract	328,020 SF Landlord: Industrial Income Trust Tenant: CVS	279,500 SF – 2 Buildings Landlord: Jackson Shaw / Thackeray
225 Distribution Center	**Undisclosed – Northwest**	**Bayport North Logistics Center**	**Park 8 Distribution Center**
11.82 Acres – 152,621 SF Buyer: Avera Companies	16.32 Acres – 249,900 SF Buyer: Under Contract	233,190 SF Landlord: Triten Real Estate Partners Tenant: A&R Logistics	242,760 SF – 1 Building Landlord: Avera / AEW

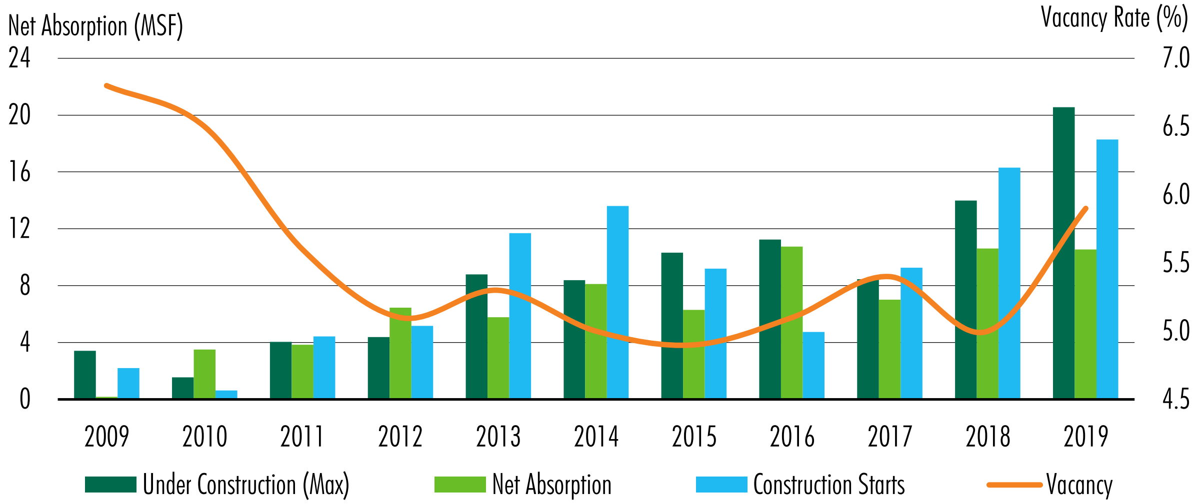
Houston Industrial, Q4 2019

Absorption and construction remain robust in 2019

Vacancy	Completions	Under Construction	Ground Broken	Net Absorption
5.9%	3,509,685 SF	17,008,713 SF	4,188,180 SF	3,272,516 SF

*Arrows indicate trend from previous quarter.

Figure 1: Historical Construction Activity, Net Absorption, & Vacancy Rate



Source: CBRE Research, Q4 2019.

NEAR RECORD-BREAKING ABSORPTION

Consumer goods companies led demand in 2019 and drove annual net absorption to nearly 10.6 million sq. ft., just 196,558 sq. ft. below the 2016 record high. However, the market wide vacancy rate increased 30 basis points quarter over quarter because of the 3.5 million sq. ft. of deliveries in Q4 2019. The North submarket had the highest year end vacancy at 8.6% due to 1.9 million sq. ft. in deliveries. The Northeast had the lowest rate at 3.9%.

The Houston Purchasing Managers Index fell below 50 for the first time in 24 months to 46.9 in November, signaling contraction in manufacturing. According to the Texas Workforce Commission, November 2019 Houston employment grew 2.7% year over year. Houston trade in metric tons increased 9.7% from October 2018 to October 2019 and continues to rank first in tonnage in the country. The Port of Houston, drives local industrial market demand, particularly in the Southeast submarket.

ANNUAL RECORD-BREAKING CONSTRUCTION

Construction has been trending up since 2017, reaching a record high of 20.6 million sq. ft. in Q2 2019, and closed 2019 at just over 17 million sq. ft. The development pipeline tapered slightly since Q3 2019 and construction starts were down 4.8 million sq. ft. quarter over quarter and 1.8 million sq. ft. year over year. Although total 2019 deliveries hit a record high of 14.4 million sq. ft., outpacing 2018 by 3.5 million sq. ft., the supply of new space and construction slow in Q4 2019. However, the pre lease rate of new construction sat at a healthy 22%.

Most of the 3.5 million sq. ft. of space delivered during Q4 2019 was in the North and Northwest submarkets, with 1.9 million sq. ft. and 1.1 million sq. ft., respectively. Deliveries included Costco's 518,519 sq. ft. distribution center and the 498,700 sq. ft. American Furniture Warehouse; both projects were located in the Northwest submarket.

Figure 2: Market Snapshot

Submarket	Net Rentable Area (SF)	Net Absorption (SF)	Vacancy (%)	Ground Broken (SF in Q4 2019)	Under Construction (SF)	Asking Rate, Gross ($/SF/Mo)
CBD	50,124,988	158,212	4.3	-	-	0.60
North	91,269,200	559,855	8.6	356,975	4,480,822	0.70
Northeast	34,095,139	259,014	3.9	1,021,820	1,171,820	0.53
Northwest	151,759,956	2,009,999	6.1	1,739,360	4,281,795	0.60
Southeast	88,926,486	149,403	5.1	1,070,025	4,495,522	0.62
South	43,724,431	(19,966)	4.5	-	-	0.60
Southwest	67,434,172	155,999	5.8	-	2,650,754	0.70
HOUSTON TOTAL	527,334,372	3,272,516	5.9	4,188,180	17,008,713	0.62

Source: CBRE Research, Q4 2019
Note: Ground Broken amounts are for Q4 2019 only.

Figure 3: Recent Signed Leases

	SF	Tenant	Address	City	Submarket
1	345,100	Eugene B Smith	411 Brisbane St	Houston	South
2	180,000	Gerber Plumbing Fixtures	300 S Sheldon Rd	Channelview	Southeast
3	148,921	Scope Services	1403 Gillingham Ln	Sugar Land	Southwest
4	125,697	Aztec Events & Tents	601 W 6Th St	Houston	CBD
5	75,540	Adams Warehouse & Delivery Inc	279-309 McCarty St	Houston	Northeast

Source: CBRE Research, Q4 2019.

Figure 4: Recent Sale Transactions

	SF	Address	Buyer	Seller	Submarket
1	185,850	15120 Northwest Fwy	Blue Ridge Industrial	The Nat'l Realty Group	Northwest
2	161,240	1010 Lockwood Dr	CDAB IV LP	Flint CPS Inks North America LLC	CBD
3	145,832	12614 Hempstead Hwy	NIT Industrial	STAG Industrial	Northwest
4	119,212	7250 W 43rd St	Stonelake Cap Prtnrs	Beext Holdings LLC	Northwest
5	90,000	10207 W Sam Houston Pkwy S	STAG Industrial	Tingchun Huang	Southwest

Source: Real Capital Analytics, Q4 2019.

Figure 5: Historical Market Statistics

Submarket	2012	2013	2014	2015	2016	2017	2018	2019
CBD								
Absorption (Net, SF)	358,259	574,580	404,611	98,914	(340,497)	(437,817)	(189,765)	440,564
Asking Rent (Gross Avg. Mthly $/SF)	0.34	0.52	0.53	0.55	0.47*	0.51*	0.53*	0.60*
Delivered Construction (SF)	0	38,232	22,000	22,800	0	0	0	0
Vacancy Rate (%)	5.3	5.5	4.8	4.7	5.1	4.7	4.6	4.3
NORTH								
Absorption (Net, SF)	1,153,943	1,122,661	1,907,599	2,549,106	105,225	2,356,887	1,436,375	2,413,089
Asking Rent (Gross Avg. Mthly $/SF)	0.61	0.71	0.71	0.72	0.62*	0.63*	0.64*	0.70*
Delivered Construction (SF)	1,410,111	3,105,405	5,254,279	2,252,603	1,966,546	1,536,106	1,103,471	4,593,607
Vacancy Rate (%)	4.9	6.7	8.5	7.6	8.8	8.1	7.3	8.6
NORTHEAST								
Absorption (Net, SF)	541,559	545,670	702,720	(4,371)	329,543	(365,859)	(105,967)	749,781
Asking Rent (Gross Avg. Mthly $/SF)	0.43	0.48	0.59	0.61	0.53*	0.53*	0.55*	0.53*
Delivered Construction (SF)	40,000	0	40,000	100,560	408,825	20,088	164,500	1,005,400
Vacancy Rate (%)	4.5	3.0	2.0	1.5	2.1	2.9	2.8	3.9
NORTHWEST								
Absorption (Net, SF)	2,409,112	1,804,764	1,880,729	1,084,232	5,690,058	102,485	5,423,532	4,339,764
Asking Rent (Gross Avg. Mthly $/SF)	0.65	0.77	0.78	0.79	0.63*	0.62*	0.64*	0.60*
Delivered Construction (SF)	1,156,506	3,465,051	3,413,865	3,728,028	5,245,749	1,559,726	4,141,124	2,754,334
Vacancy Rate (%)	4.1	4.1	3.9	5.4	4.9	5.8	6.1	6.1
SOUTHEAST								
Absorption (Net, SF)	964,981	645,697	1,766,981	1,819,134	3,101,164	4,845,236	3,261,976	2,026,786
Asking Rent (Gross Avg. Mthly $/SF)	0.55	0.62	0.68	0.71	0.62*	0.61*	0.62*	0.62*
Delivered Construction (SF)	1,054,320	754,086	833,289	1,996,822	3,422,066	4,554,179	4,787,722	4,077,336
Vacancy Rate (%)	6.3	7.1	5.0	3.4	3.9	3.7	3.4	5.1
SOUTH								
Absorption (Net, SF)	448,295	352,078	797,680	183,597	(165,635)	191,813	(154,244)	91,664
Asking Rent (Gross Avg. Mthly $/SF)	0.54	0.62	0.63	0.65	0.60*	0.60*	0.60*	0.60*
Delivered Construction (SF)	600,036	178,013	1,037,721	465,516	166,520	358,790	97,593	145,765
Vacancy Rate (%)	4.2	4.2	3.2	2.9	3.5	3.2	3.3	4.5
SOUTHWEST								
Absorption (Net, SF)	570,091	734,065	653,856	564,396	2,027,111	321,578	934,227	488,763
Asking Rent (Gross Avg. Mthly $/SF)	0.62	0.70	0.78	0.79	0.65*	0.65*	0.65*	0.70*
Delivered Construction (SF)	432,982	1,046,225	1,388,935	492,176	2,390,192	1,073,500	650,476	1,842,258
Vacancy Rate (%)	7.0	5.7	5.6	5.1	5.2	6.1	4.7	5.8
HOUSTON TOTAL								
Absorption (Net, SF)	**6,446,240**	**5,779,515**	**8,114,176**	**6,295,008**	**10,746,969**	**7,014,323**	**10,606,134**	**10,550,411**
Asking Rent (Gross Avg. Mthly $/SF)	**0.53**	**0.63**	**0.67**	**0.69**	**0.60***	**0.61***	**0.62***	**0.62***
Delivered Construction (SF)	**4,693,955**	**8,587,012**	**11,990,089**	**9,058,505**	**13,599,898**	**9,102,389**	**10,944,886**	**14,418,700**
Vacancy Rate (%)	**5.1**	**5.3**	**5.0**	**4.9**	**5.1**	**5.4**	**5.0**	**5.9**

Source: CBRE Research, Q4 2019.
*Weighted Gross Avg.

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