



HOUSTON

INDUSTRIAL MARKET REPORT

Q1 2017



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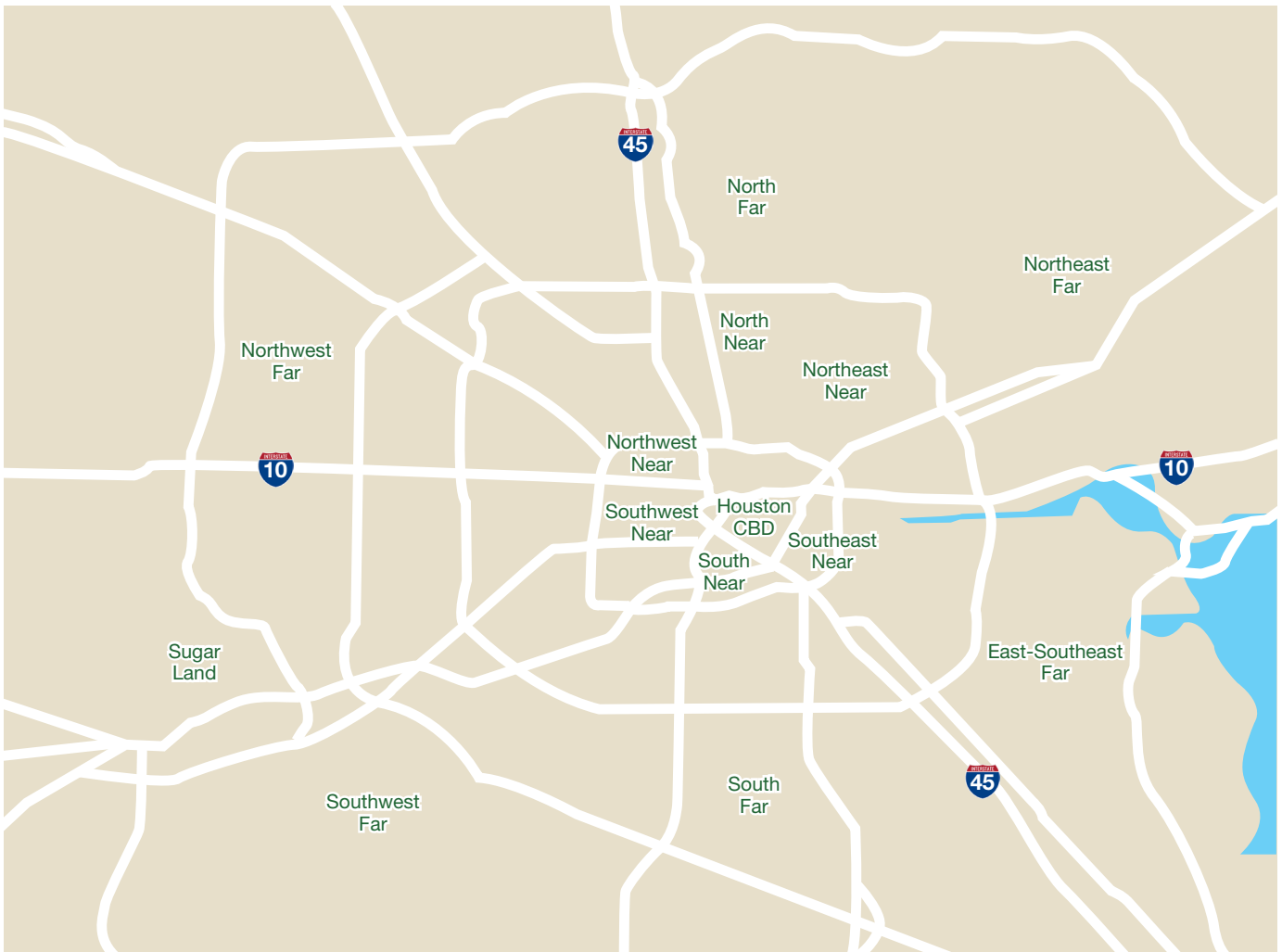
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EXECUTIVE SUMMARY

ABSORPTION

Net absorption for the overall Houston Industrial market was positive 1,102,322 square feet in the first quarter 2017. That compares to positive 1,709,218 square feet in the fourth quarter 2016, positive 6,825,226 square feet in the third quarter 2016, and positive 926,959 square feet in the second quarter 2016.

Tenants moving out of large blocks of space in 2017 include: Foxconn Technology Group moving out of (245,094) square feet at Centre At Cypress Creek C-4, National Oilwell Varco moving out of (124,500) square feet at Cedar Crossing Business Park, and CEVA Logistics moving out of (107,000) square feet at World Houston Business Center Building 10.

Tenants moving into large blocks of space in 2017 include: Homelegance, Inc. moving into 175,000 square feet at Homelegance, Inc., VEE Express & Valles Transportation moving into 140,000 square feet at Portwall Distribution Ctr - Phase I, and TSC moving into 139,600 square feet at Westland 13788.

The Flex building market recorded net absorption of negative (682,422) square feet in the first quarter

2017, compared to negative (259,991) square feet in the fourth quarter 2016, positive 199,113 in the third quarter 2016, and positive 117,490 in the second quarter 2016.

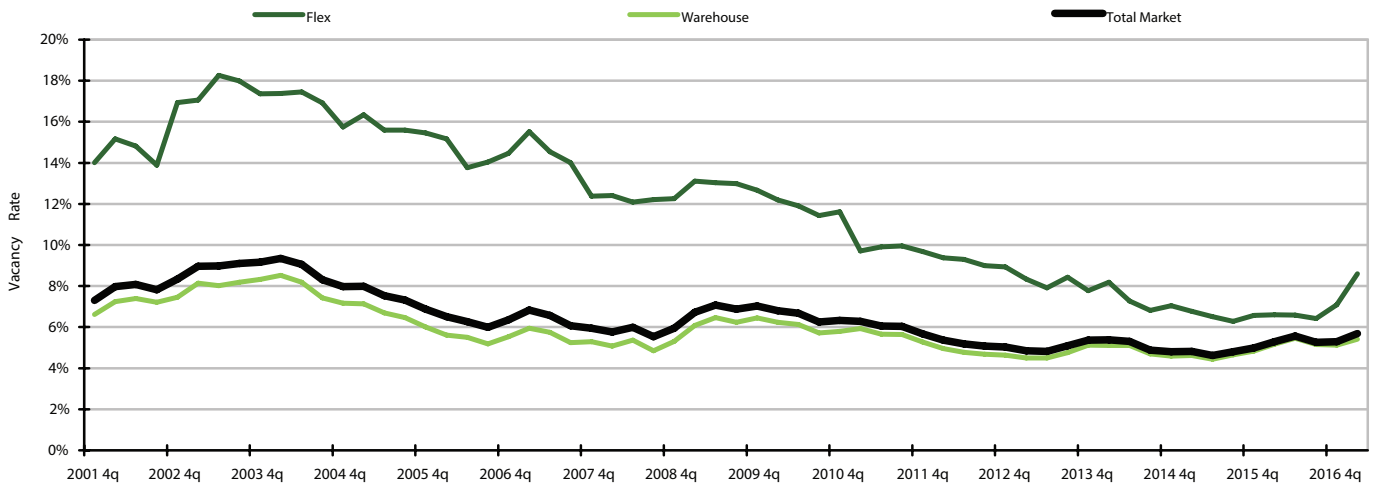
VACANCY

The Industrial vacancy rate in the Houston market area increased to 5.7% at the end of the first quarter 2017. The vacancy rate was 5.3% at the end of the fourth quarter 2016, 5.2% at the end of the third quarter 2016, and 5.6% at the end of the second quarter 2016.

Flex projects reported a vacancy rate of 8.6% at the end of the first quarter 2017, 7.1% at the end of the fourth quarter 2016, 6.4% at the end of the third quarter 2016, and 6.6% at the end of the second quarter 2016.

Warehouse projects reported a vacancy rate of 5.4% at the end of the first quarter 2017, 5.1% at the end of fourth quarter 2016, 5.1% at the end of the third quarter 2016, and 5.5% at the end of the second quarter 2016.

VACANCY RATES BY BUILDING TYPE 1999-2017



Source: CoStar Property*

HOUSTON INDUSTRIAL MARKET

FLEX MARKET STATISTICS

First Quarter 2017

Market	Existing Inventory		Vacancy			YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Blds	Total RBA	Direct SF	Total SF	Vac %				
Austin County Ind	1	1,200	1,200	1,200	100.0%	0	0	0	\$0.00
CBD Ind	172	3,709,973	212,859	275,216	7.4%	(43,797)	0	0	\$12.50
North Corridor Ind	400	10,702,608	940,644	970,235	9.1%	(131,753)	0	127,639	\$9.45
Northeast Corridor Ind	64	674,317	75,828	75,828	11.2%	(11,796)	0	0	\$8.56
Northwest Corridor Ind	566	17,329,627	1,223,453	1,311,324	7.6%	(21,209)	0	18,250	\$8.26
San Jacinto County Ind	0	0	0	0	0.0%	0	0	0	\$0.00
Southeast Corridor Ind	216	3,125,580	300,087	300,087	9.6%	(53,680)	0	42,800	\$11.39
Southern Corridor Ind	122	2,484,036	284,590	284,590	11.5%	(183,595)	0	0	\$8.37
Southwest Corridor Ind	477	12,994,318	1,150,203	1,171,366	9.0%	(236,592)	100,000	2,000	\$11.51
Totals	2,018	51,021,659	4,188,864	4,389,846	8.6%	(682,422)	100,000	190,689	\$9.70

Source: CoStar Property*

WAREHOUSE MARKET STATISTICS

First Quarter 2017

Market	Existing Inventory		Vacancy			YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Blds	Total RBA	Direct SF	Total SF	Vac %				
Austin County Ind	28	1,623,511	582,616	582,616	35.9%	7,404	0	0	\$9.65
CBD Ind	1,905	55,536,805	2,996,871	3,038,185	5.5%	(683,184)	0	0	\$5.44
North Corridor Ind	3,205	90,072,292	7,707,496	8,011,733	8.9%	(66,590)	194,554	1,089,550	\$7.32
Northeast Corridor Ind	965	35,924,648	712,330	810,361	2.3%	204,825	20,088	0	\$5.05
Northwest Corridor Ind	4,196	143,908,119	6,839,607	7,328,480	5.1%	(7,328)	294,222	1,330,740	\$6.85
San Jacinto County Ind	4	34,464	0	0	0.0%	0	0	0	\$0.00
Southeast Corridor Ind	2,379	92,780,691	4,238,438	4,404,478	4.7%	1,707,334	2,756,985	1,453,066	\$5.92
Southern Corridor Ind	1,935	48,553,568	1,484,460	1,511,960	3.1%	261,558	64,800	257,290	\$5.99
Southwest Corridor Ind	2,250	61,757,635	2,867,727	2,975,193	4.8%	360,725	138,200	339,122	\$6.86
Totals	16,867	530,191,733	27,429,545	28,663,006	5.4%	1,784,744	3,468,849	4,469,768	\$6.49

Source: CoStar Property*

TOTAL INDUSTRIAL MARKET STATISTICS

First Quarter 2017

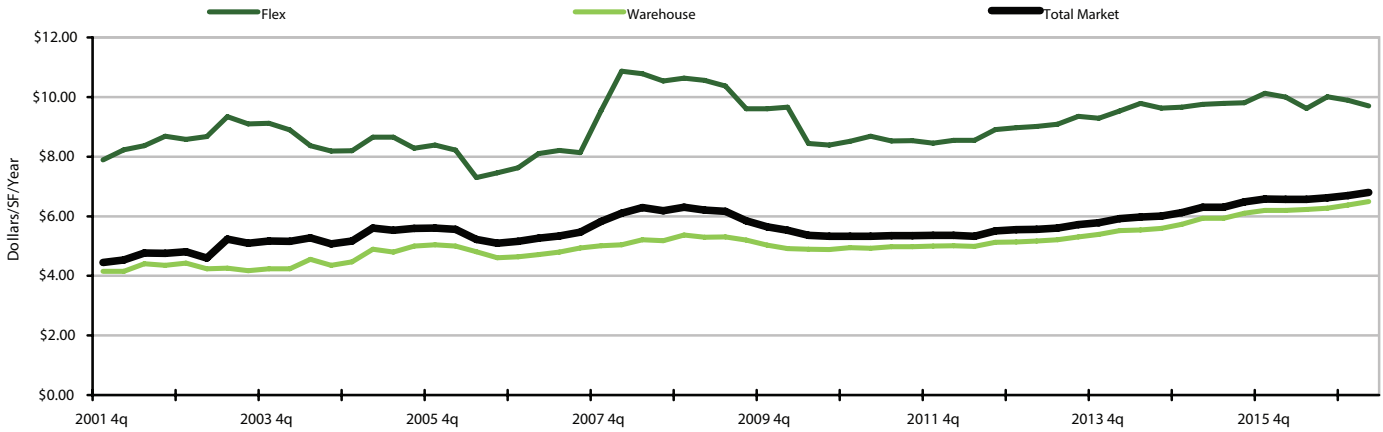
Market	Existing Inventory		Vacancy			YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Blds	Total RBA	Direct SF	Total SF	Vac %				
Austin County Ind	29	1,624,711	583,816	583,816	35.9%	7,404	0	0	\$9.65
CBD Ind	2,077	59,246,778	3,209,730	3,313,401	5.6%	(726,981)	0	0	\$5.75
North Corridor Ind	3,605	100,774,900	8,648,140	8,981,968	8.9%	(198,343)	194,554	1,217,189	\$7.55
Northeast Corridor Ind	1,029	36,598,965	788,158	886,189	2.4%	193,029	20,088	0	\$5.10
Northwest Corridor Ind	4,762	161,237,746	8,063,060	8,639,804	5.4%	(28,537)	294,222	1,348,990	\$7.04
San Jacinto County Ind	4	34,464	0	0	0.0%	0	0	0	\$0.00
Southeast Corridor Ind	2,595	95,906,271	4,538,525	4,704,565	4.9%	1,653,654	2,756,985	1,495,866	\$6.26
Southern Corridor Ind	2,057	51,037,604	1,769,050	1,796,550	3.5%	77,963	64,800	257,290	\$6.11
Southwest Corridor Ind	2,727	74,751,953	4,017,930	4,146,559	5.5%	124,133	238,200	341,122	\$7.60
Totals	18,885	581,213,392	31,618,409	33,052,852	5.7%	1,102,322	3,568,849	4,660,457	\$6.80

Source: CoStar Property*

HOUSTON INDUSTRIAL MARKET

HISTORICAL RENTAL RATES

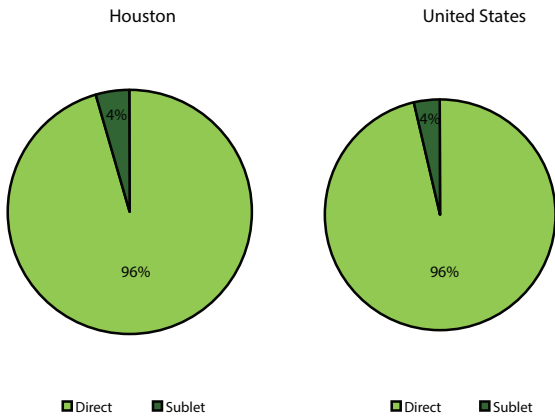
Based on Quoted Rental Rates



Source: CoStar Property*

VACANCY BY AVAILABLE SPACE TYPE

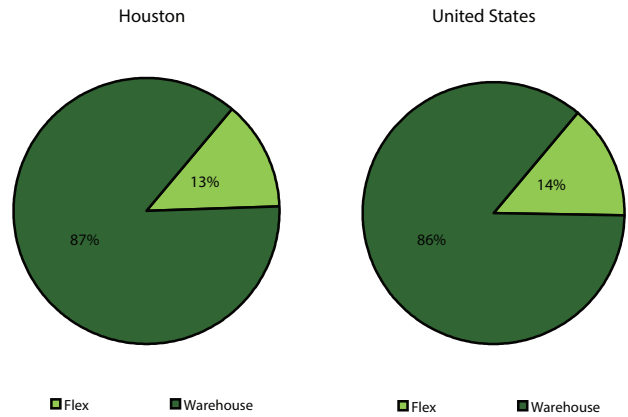
Percent of All Vacant Space in Direct vs. Sublet



Source: CoStar Property*

VACANCY BY BUILDING TYPE

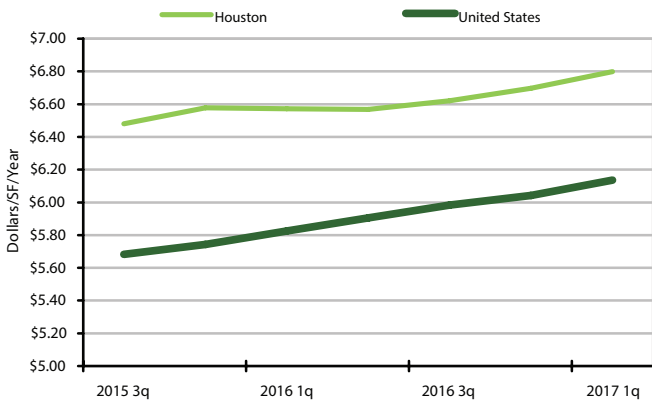
Percent of All Vacant Space by Building Type



Source: CoStar Property*

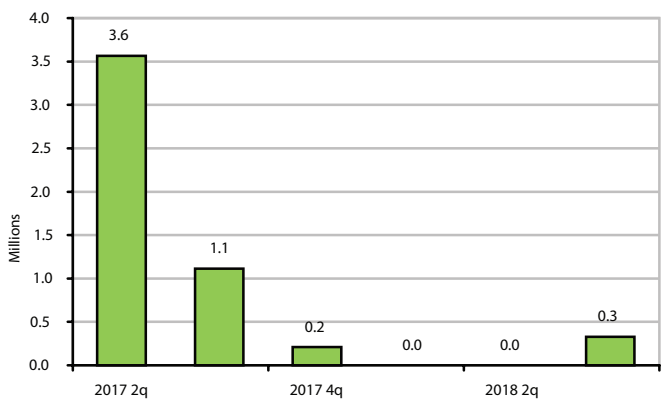
U.S. RENTAL RATE COMPARISON

Based on Average Quoted Rental Rates



FUTURE SPACE AVAILABLE

Space Scheduled to be Available for Occupancy*



Source: CoStar Property*

* Includes Under Construction Space