

The logo for RifleCRE, featuring the word "Rifle" in a bold, sans-serif font and "CRE" in a smaller, spaced-out font, all in white. The background is a photograph of a large industrial warehouse with a high ceiling, metal beams, and several large roll-up doors. Two people are standing near one of the doors on the left side of the frame.

RifleCRE

HOUSTON INDUSTRIAL MARKET

— Q4 2023 —

INTRODUCTION

In the dynamic landscape of Industrial Real Estate Houston, the Q4 2023 Market Report, meticulously assembled by JLL Research, stands as a beacon of expert analysis in understanding the undercurrents shaping the sector. As the year drew to a close, Houston warehouses and the broader industrial market navigated a mixed terrain of slowed construction and an uptick in leasing transactions, culminating in a significant leap in the fourth quarter.

LEASING ACTIVITY



It is noteworthy that the Houston office space market experienced a **27.9% decrease** in leasing activity, descending to **1.8 million square feet**. While this dip signals caution, it also heralds an evolved market space where businesses are rethinking their strategy on office space for lease.

AVERAGE VACANCY RATE



The marginal reduction in the **overall average vacancy rate to 22.5%** underscored a stabilizing of the market, presenting a nuanced view of the Houston office space landscape and likely impacting future leasing strategies.

SUBLEASE SPACE



The sublease marketplace took a notable turn, retreating by **23.3%** when compared to the previous year's quarter, marking a pivotal aspect of the commercial real estate conditions.

RENT TRENDS



A slight uptick was observed as Houston's office space saw its **average gross rental rates climb to \$30.11 per square foot**, while **Class A spaces noticed a marginal decrease to \$35.90**, reflecting the changing currents of the overall rental trends.

NET ABSORPTION

An encouraging sign amidst the downturn is the positive net absorption recorded at **753,312 square feet**, bringing a year-end total to a net positive absorption of **301,014 square feet** - indicative of a gradual rebound in the Houston office space market.



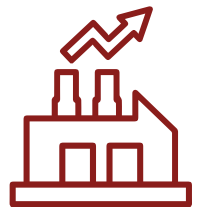
ANNUAL LEASING ACTIVITY BY SUBMARKET

The Katy Freeway submarket commanded the forefront, accounting for an **impressive 29%** of the annual leasing activity - a significant statistic for those scouting prospective office space for lease in the Houston market.



LEADING MARKET LESSEES

Major leases clinched by **LyondellBasell Industries** and **Fluor Corporation** positioned them as the frontrunners in leasing in the Houston area, setting benchmarks for office space commitments during 2023.



INTRODUCTION

Despite a marked decrease in construction starts, a testament to the market's cautious response to shifting demand and financing headwinds, Houston's industrial market accomplished a historical zenith with rental rates surging by 9.0% year-over-year to an unprecedented \$9.39/SF.

MARKET EXPECTATIONS FOR 2024



With a **cautiously optimistic outlook for 2024**, economic and job market fortitude are pitted to invigorate the demand for office spaces. Yet, the market's resilience will be tested as it continues to navigate the post-pandemic paradigms of office use.

REAL ESTATE MARKET PERFORMANCE

In Q4 2023, the equilibrium between new listings and sustained buyer interest was maintained, supporting the growth and investment potential within the Houston office space sector. The expectations for 2024 hang on the city's capacity to adapt to infrastructural enhancements and the continued influx of opportunities, representing a prospect-rich environment for those invested in office space for lease. Industrial Real Estate Houston: An Insightful Q4 2023 Market Report

HOUSTON INDUSTRIAL MARKET ANALYSIS

ROBUST ACTIVITY AMIDST SLOWDOWN

While Q4 2023 experienced tempered construction and leasing activities, the Houston industrial real estate market still accounted for significant transactions suggesting resilient demand.

NET ABSORPTION VERSUS SUPPLY

The market, though positive in net absorption, anticipates a potential surplus as supply promises to outpace absorption rates, given a robust under-construction pipeline, raising cautious attention to the careful balancing act required in the upcoming quarters.

VACANCY RATES

An uptick in vacancy rates furnishes a nuanced perspective; it reflects both a temporary relaxation in an otherwise stringent space competition and highlights an unyielding demand for industrial realty driven by pivotal, capacious transactions.




CONCLUSION


In conclusion, Houston's industrial real estate market has defied economic pressures to mark a year of impressive growth and resilience. The Q4 2023 Market Report clearly demonstrates the sector's sustained dynamism, with key takeaways including robust demand leading to 18.4 million square feet of positive annual absorption and record-breaking rental rates. These trends affirm the strategic foresight of investors who continue to capitalize on the opportunities presented by the region's expanding infrastructure and technological advancements.



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