

PARTNERS MARKET EDGE

INSIGHT AND MARKET ANALYSIS BY TEXAS CRE RESEARCH EXPERT STEVE TRIOLET

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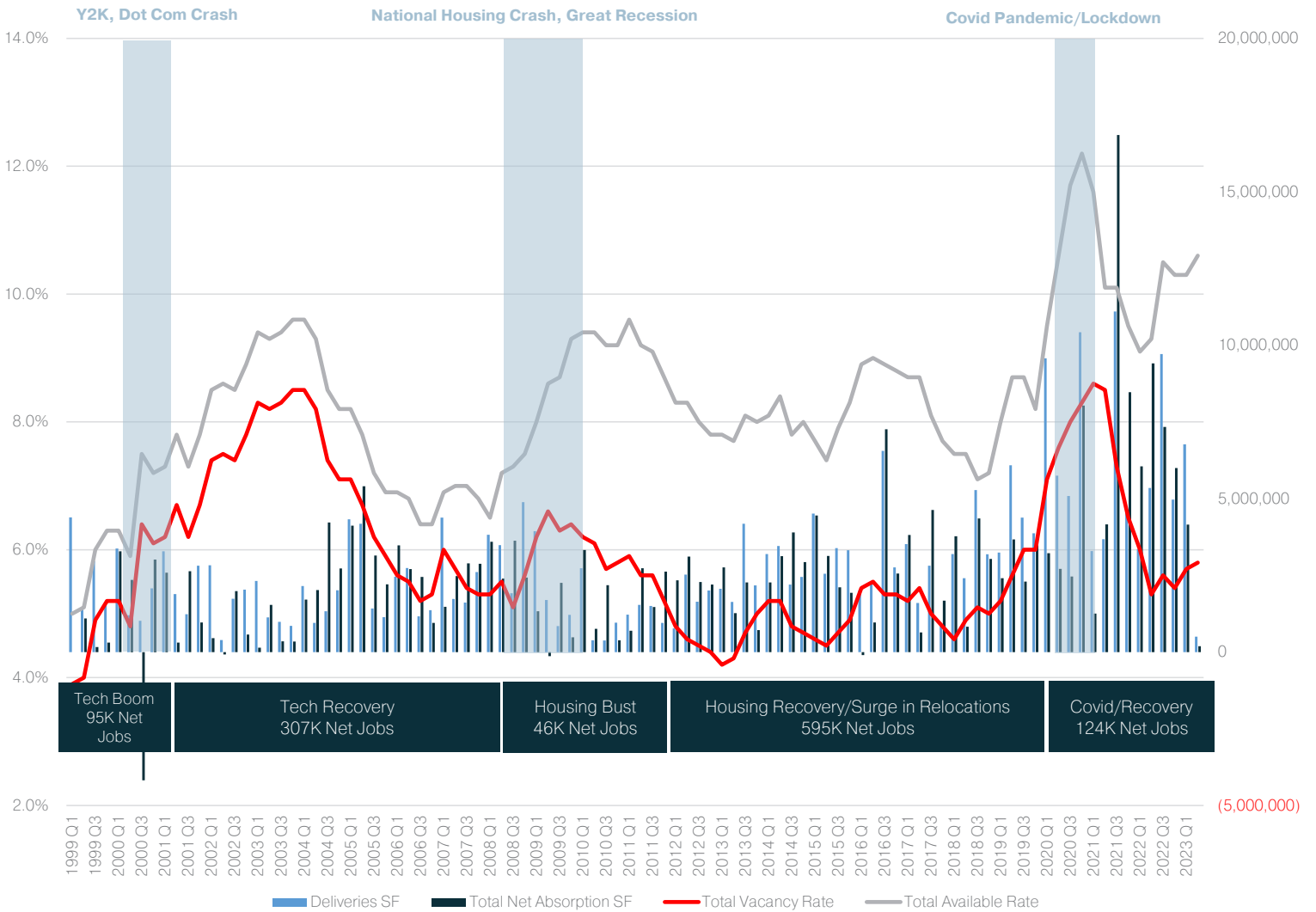


STRENGTH OF HOUSTON'S INDUSTRIAL CONTINUOUSLY UNFAZED BY ECONOMIC FLUCTUATIONS

Vacancy has held below 10% for nearly 25 years

Generally speaking, when the vacancy rate is above 10% the market is considered tenant favorable, while 8% to 10% would be considered neutral conditions. When the vacancy rate is below 8% it is a landlord favorable market. Outside of very short windows of time, usually coming out of recessions, Houston's industrial market has consistently been favorable to landlords. There are some data points (the rise in the availability rate and the high construction pipeline) that indicate that a moderate increase in the total vacancy rate is likely over the next year or more.

HOUSTON INDUSTRIAL HISTORICAL CHART



Even with the various business cycles, the Houston industrial market has remained healthy with the total vacancy rate staying well below 10%. This coupled with the surge in relocations to Texas over the past few years has resulted in unprecedented rental rate growth.

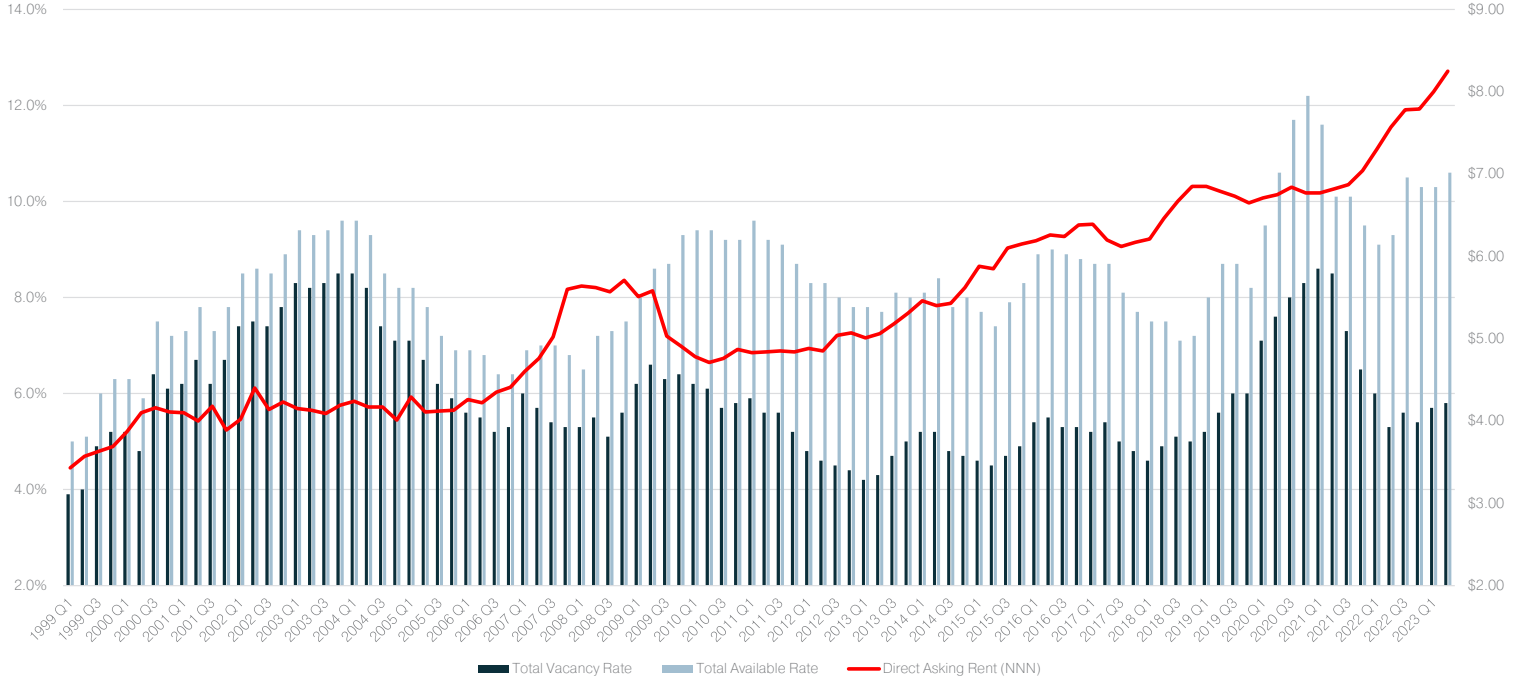
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YOUR MONTHLY INSIGHT AND MARKET ANALYSIS BY TEXAS CRE RESEARCH EXPERT STEVE TRIOLET

Even with the anticipated increase in the vacancy rate, at sub 6% currently, the market is not likely to shift out of landlord favorable conditions for the foreseeable future. These tight market fundamentals have resulted in record high rate increases over the past few years.

HOUSTON INDUSTRIAL HISTORICAL CHART



The record high surge in asking rates is not just reflected in the base rate, but also in annual escalations.

*Data includes all industrial properties over 20,000 SF (excluding flex) for the Houston market.

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