



MARKET EDGE

BY partners

TEXAS FIRST

PART 5

Space, urban sophistication, live music, and cultural diversity—there’s something for everyone deep in the heart of Texas

Texas First is an ongoing series detailing the explosive growth of Texas’ economic landscape.

A quick summary of the major Texas markets and their key economy drivers:

- **Austin:** Austin is a major tech hub and is home to many startups and growing companies. The office market is very strong in Austin, and there is also a growing demand for industrial space.
- **Dallas-Fort Worth:** The Dallas-Fort Worth metroplex is the second-largest in Texas and is home to a diverse economy. The office market is strong in both Dallas and Fort Worth, and there is also a growing demand for industrial and retail space.
- **Houston:** Houston is the largest city in Texas and home to the energy industry. The office market is on the mend as energy prices have increased, and there is also a growing demand for industrial largely due to the port and manufacturing.
- **San Antonio:** San Antonio is a major tourist destination and is home to a number of military bases. The office market is strong in San Antonio, and there is also a growing demand for retail and multifamily space.

HOUSTON: FULL OF ENERGY AND EXPLORATION

Houston, home to NASA's Johnson Space Center, is an international hub for space exploration. The city's museums, like the Houston Museum of Natural Science and the Museum of Fine Arts, attract tourists interested in science, history, and art.

- **Energy:** Houston is known as the "Energy Capital of the World" and is home to the headquarters of many major oil and gas companies, as well as a large number of energy-related businesses. The energy industry accounts for about 16% of Houston's GDP.
- **Healthcare:** Houston is also a major healthcare hub, with the Texas Medical Center being the largest medical complex in the world. The healthcare industry accounts for about 13% of Houston's GDP.
- **Aerospace:** Houston is home to a number of major aerospace companies, including NASA's Johnson Space Center. The aerospace industry accounts for about 8% of Houston's GDP.
- **Manufacturing:** Houston is also a major manufacturing hub, with a variety of industries represented, including petrochemicals, plastics, and transportation equipment. The manufacturing industry accounts for about 12% of Houston's GDP.
- **Logistics:** Houston is a major transportation hub, with the Port of Houston being the second-busiest port in the United States. The logistics industry accounts for about 10% of Houston's GDP.

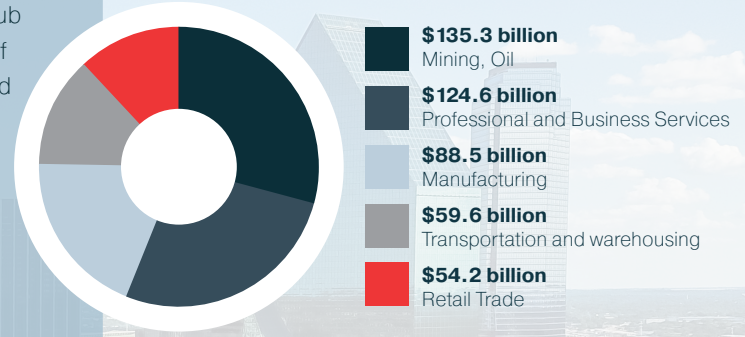
AUSTIN: THE LIVE MUSIC CAPITAL

Austin, renowned as the "Live Music Capital of the World," attracts tourists and music enthusiasts from all corners. The city's vibrant music scene, arts, and culture communities make it a hub for creative exploration.

- **Technology:** Austin is known as the "Silicon Hills" and is home to a large number of technology companies, including Dell, Samsung, and Indeed. The technology industry accounts for about 25% of Austin's GDP.
- **Government:** Austin is the capital of Texas and is home to a number of state government agencies. The government sector accounts for about 15% of Austin's GDP.
- **Education:** Austin is home to the University of Texas at Austin, which is one of the largest universities in the United States. The education sector accounts for about 12% of Austin's GDP.
- **Healthcare:** Austin is a major healthcare hub, with a number of hospitals and medical centers. The healthcare industry accounts for about 10% of Austin's GDP.
- **Biotech:** Austin is also a major biotech hub, with a number of companies developing new drugs and therapies. The biotech industry accounts for about 5% of Austin's GDP.

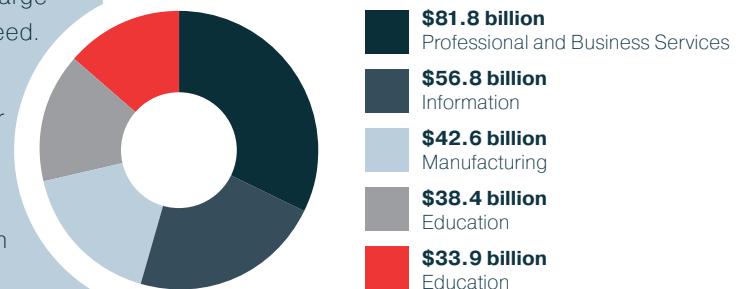
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HOUSTON'S GDP BY INDUSTRY



Texas Medical Center

AUSTIN'S GDP BY INDUSTRY



Dell Technologies Office

DALLAS-FORT WORTH: URBAN SOPHISTICATION

The Dallas-Fort Worth metroplex is a bustling urban center with a diverse range of attractions, including world-class museums, sports venues, and shopping districts. It is also the headquarters of headquarters locations. There are 35 Fortune 500 companies headquartered in the Dallas-Fort Worth metroplex.

- **Technology:** Dallas-Fort Worth is a major technology hub, with a number of Fortune 500 companies headquartered in the area, including AT&T, Texas Instruments, and ExxonMobil. The technology industry accounts for about 15% of the DFW GDP.
- **Financial services:** Dallas-Fort Worth is also a major financial services hub, with a range of banks, insurance companies, and investment firms located in the area. The financial services industry accounts for about 12% of the DFW GDP.
- **Healthcare:** Dallas-Fort Worth is a major healthcare hub, with many hospitals and medical centers. The healthcare industry accounts for about 11% of the DFW GDP.
- **Logistics:** Dallas-Fort Worth is a major transportation hub, with the Dallas/Fort Worth International Airport being the fourth-busiest airport in the world. The logistics industry accounts for about 10% of the DFW GDP.
- **Defense:** Dallas-Fort Worth is home to several defense contractors, including Lockheed Martin and Raytheon. The defense industry accounts for about 5% of the DFW GDP.

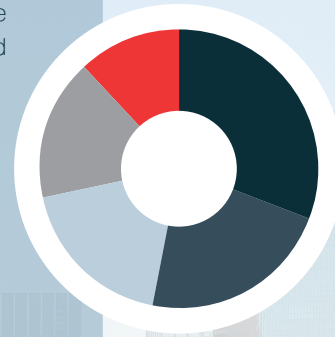
SAN ANTONIO: A CULTURAL GEM

San Antonio, with its rich history and cultural heritage, stands out as a major tourist destination in Texas. The city's iconic attractions, such as The Alamo, the River Walk, and historic missions, draw millions of visitors each year.

- **Healthcare:** San Antonio is home to a number of hospitals and medical centers, including the University of Texas Health Science Center at San Antonio and the San Antonio Military Medical Center. The healthcare industry accounts for about 20% of San Antonio's GDP.
- **Technology:** San Antonio is also a growing technology hub, with a number of companies developing software, cybersecurity, and medical devices. The technology industry accounts for about 10% of San Antonio's GDP.
- **Aerospace:** San Antonio is home to numerous aerospace companies, including Boeing and Lockheed Martin. The aerospace industry accounts for about 7% of San Antonio's GDP.
- **Tourism:** San Antonio is a popular tourist destination, with a number of historical landmarks and attractions, including the Alamo and the San Antonio River Walk. The tourism industry accounts for about 10% of San Antonio's GDP.
- **Manufacturing:** San Antonio is also a major manufacturing hub, with a variety of industries represented, including food processing, metalworking, and transportation equipment. The manufacturing industry accounts for about 12% of San Antonio's GDP.

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DALLAS-FORT WORTH'S GDP BY INDUSTRY

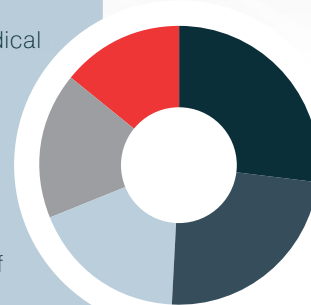


Professional and Business Services	\$130.3 billion
Manufacturing	\$94.6 billion
Healthcare	\$77.7 billion
Retail Trade	\$69.7 billion
Information	\$49.6 billion



Dallas/Fort Worth International Airport

SAN ANTONIO'S GDP BY INDUSTRY



Healthcare	\$76.3 billion
Professional and Business Services	\$66.7 billion
Manufacturing	\$50.9 billion
Retail Trade	\$47.7 billion
Leisure and Hospitality	\$39.3 billion



San Antonio River Walk

TEXAS BY THE NUMBERS, KEY INDUSTRIES AND COMPANIES THAT SHAPE THE DIVERSE TEXAS ECONOMY:

Company	Business Type	Recent Purchases in Texas
Blackstone	Private equity	In 2022, Blackstone acquired over \$10 billion in commercial real estate in Texas, including the Galleria office complex in Dallas and the Houston Center office complex in Houston.
Prologis	Industrial REIT	Prologis is one of the largest industrial REITs in the world and a significant buyer of industrial properties in Texas. In 2022, Prologis acquired over 5 million square feet of industrial space in Texas, including a 1 million square foot distribution center in Dallas and a 1.5 million square foot distribution center in Houston.
Brookfield Properties	Real estate development and investment company	Brookfield Properties is a major owner and operator of commercial real estate in Texas. Over the past two years they have acquired 11 commercial properties across Texas, totaling almost 2.5 million square feet.
Harrison Street	Real estate investment firm	Harrison Street specializes in healthcare real estate investments. In 2022, they acquired the Texas Medical Center in Houston, the world's largest medical center.
NorthStar Realty Finance	Real estate investment trust	NorthStar Realty Finance is a REIT investing in office, retail, and industrial properties. In 2022, they acquired the Galleria Tower office building in Dallas and the Willowbrook Mall shopping mall in Houston.
Capital Commercial	Real estate investment firm	A real estate investment firm based in Austin, Texas, specializing in locating and purchasing value-add office properties Dallas-Fort Worth and some other areas of the country.

These are the prominent investors in the Texas commercial real estate market. Beyond these large companies, there are various other active buyers, including local real estate developers, private equity firms, and family offices, each with their unique investment strategies. The diversity of property types being acquired in Texas reflects the dynamic nature of the commercial real estate market, driven by the state's robust economy and growing population.

Texas Commercial Sales

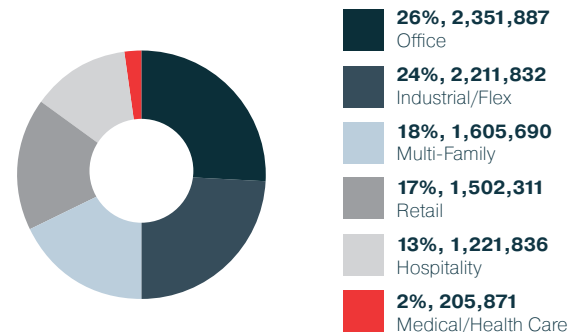
Since 1/1/2022



Investment volumes are down significantly over the past year, mainly due to higher debt costs, still Texas remains one of the most desirable locations for commercial real estate investors because of its economic advantages.

For the first six months of 2023, \$181.77 billion of commercial real estate sales occurred, a sharp drop from the \$424.51 billion in transactions a year prior, according to MSCI Real Assets data.

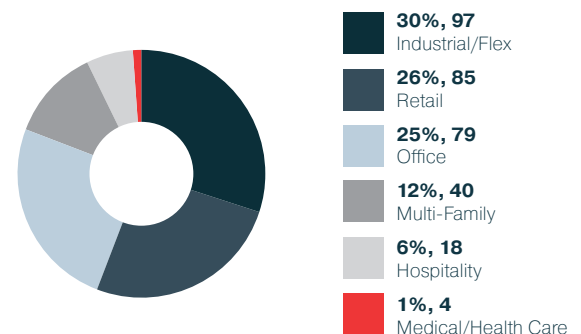
Texas Commercial Properties Currently Under Contract (\$F)



Commercial properties currently under contract give some indication of investor appetite and where the market is headed over the shorter term.

Currently, office properties outpace industrial properties by a small margin (26% and 24%, respectively).

Percentage of Commercial Properties Under Contract by Number of Properties

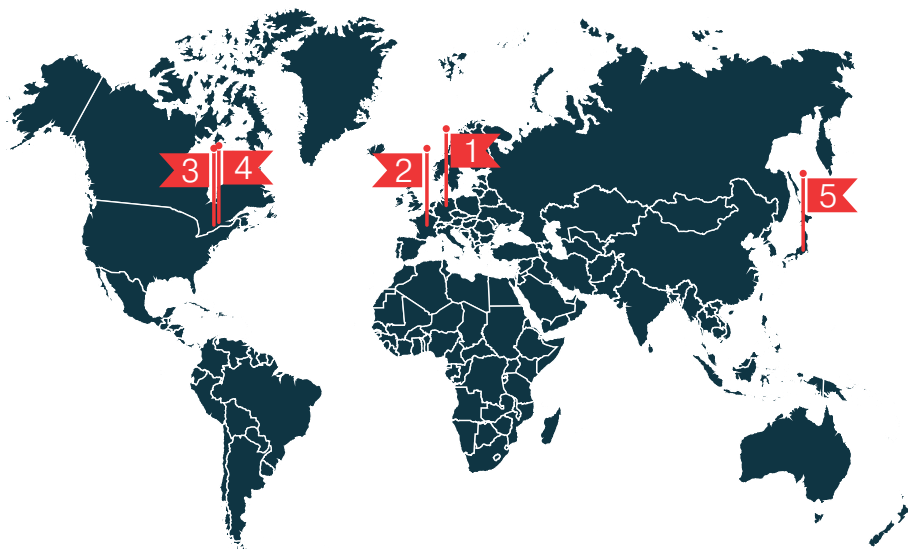


The numbers can also be evaluated by the number of deals currently under contract, which shows, though while generally smaller in size (by square feet), Industrial/Flex outpaces Retail and Office as far as investor preference at the moment.

Texas has emerged as a preferred destination for foreign commercial real estate investment. Some recent examples of foreign players in the major Texas markets include:

Company	Country	Recent Purchases in Texas
1 Allianz Real Estate	Germany	In 2022, Allianz Real Estate acquired a 1 million square foot office building in Dallas and a 500,000 square foot industrial facility in Houston.
2 AXA Investment Managers	France	In 2022, AXA Investment Managers acquired a 200,000 square foot office building in Austin and a 100,000 square foot retail center in San Antonio.
3 Canada Pension Plan Investment Board (CPPIB)	Canada	In 2022, CPPIB acquired a 500,000 square foot industrial facility in Dallas and a 250,000 square foot multifamily apartment complex in Houston.
4 Ivanhoé Cambridge	Canada	In 2022, Ivanhoé Cambridge acquired a 1 million square foot office building in Houston and a 500,000 square foot retail center in San Antonio.
5 Mitsui Fudosan America	Japan	In 2022, Mitsui Fudosan America acquired a 200,000 square foot office building in Austin and a 100,000 square foot industrial facility in San Antonio.

These foreign investors have been actively participating in the Texas commercial real estate market, adding to the diversity and vitality of the industry in the state.



Texas Commercial Sales

Since 2022 by square feet and percentage of total sales volume

	Foreign % of SF	Local % of SF	National % of SF
Austin	2.8%	16.9%	80.4%
Flex	1.7%	5.7%	92.6%
Health Care	11.1%	6.0%	82.9%
Hospitality	10.5%	5.4%	84.1%
Industrial	9.1%	18.9%	72.0%
Multi-Family	1.3%	15.0%	83.7%
Office	0.5%	32.9%	66.6%
Retail	2.1%	18.3%	79.6%
Dallas-Fort Worth	11.7%	25.7%	62.5%
Flex	9.5%	21.3%	69.2%
Health Care	1.7%	23.6%	74.7%
Hospitality	28.7%	32.9%	38.4%
Industrial	14.9%	11.9%	73.2%
Office	8.6%	30.2%	61.3%
Retail	2.3%	59.4%	38.4%
Houston	5.7%	28.5%	65.9%
Flex	1.2%	21.8%	77.0%
Health Care	0.0%	1.4%	98.6%
Hospitality	2.5%	8.4%	89.2%
Industrial	9.5%	27.4%	63.1%
Multi-Family	5.1%	23.7%	71.3%
Office	4.5%	45.2%	50.3%
Retail	4.6%	44.5%	50.9%
San Antonio	6.6%	10.7%	82.7%
Flex	0.0%	8.3%	91.7%
Health Care	0.0%	3.7%	96.3%
Hospitality	4.2%	12.1%	83.7%
Industrial	21.6%	6.9%	71.6%
Multi-Family	3.9%	8.7%	87.4%
Office	5.3%	27.5%	67.2%
Retail	6.0%	12.8%	81.2%
Grand Total	7.6%	24.0%	68.4%

partners

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