

2022 Texas Commercial Real Estate Update



Presented By:
Sam Tenenbaum
Director of Analytics

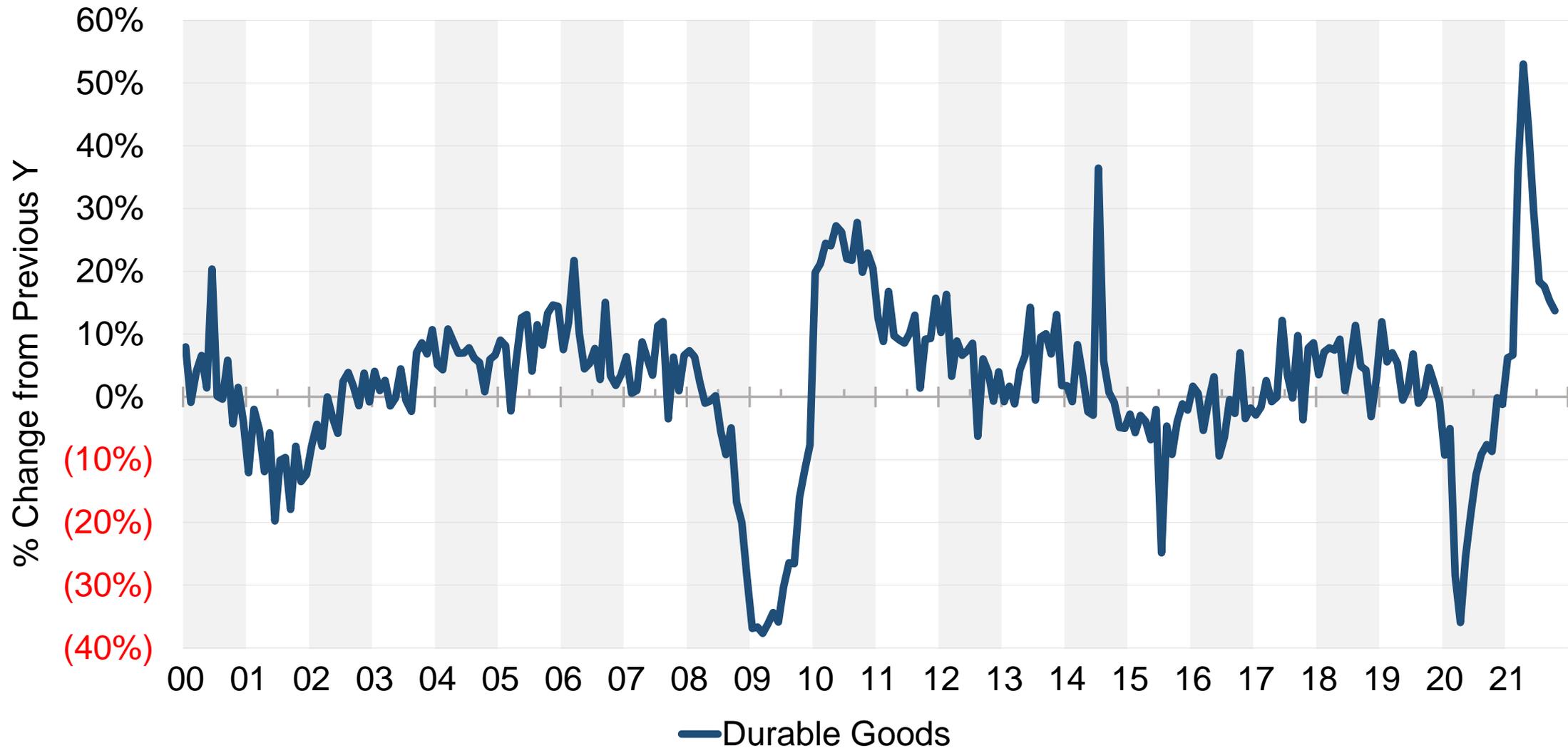
INDUSTRIAL MARKET



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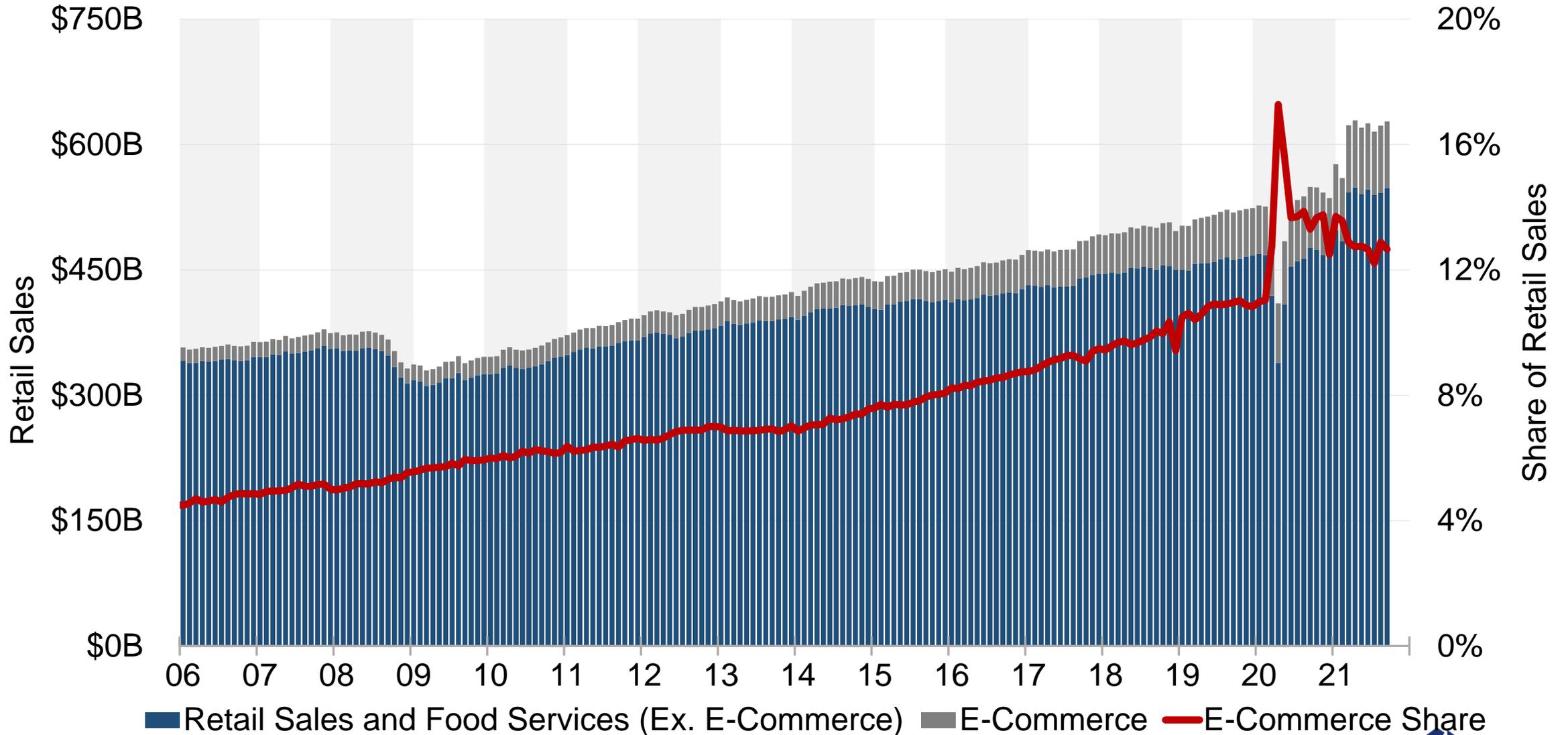


Manufacturers' New Orders



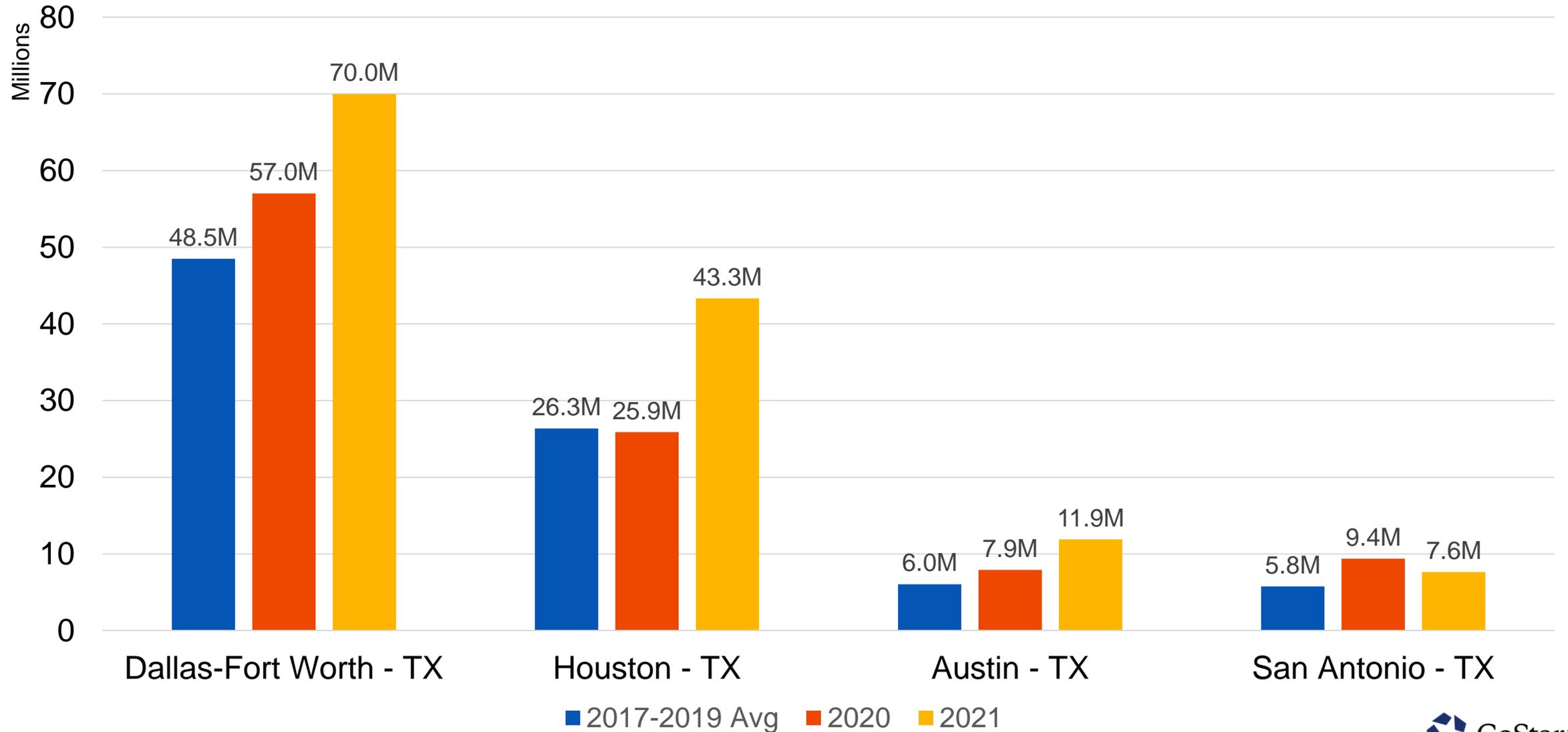
Source: Census Bureau

E-Commerce and Retail Sales

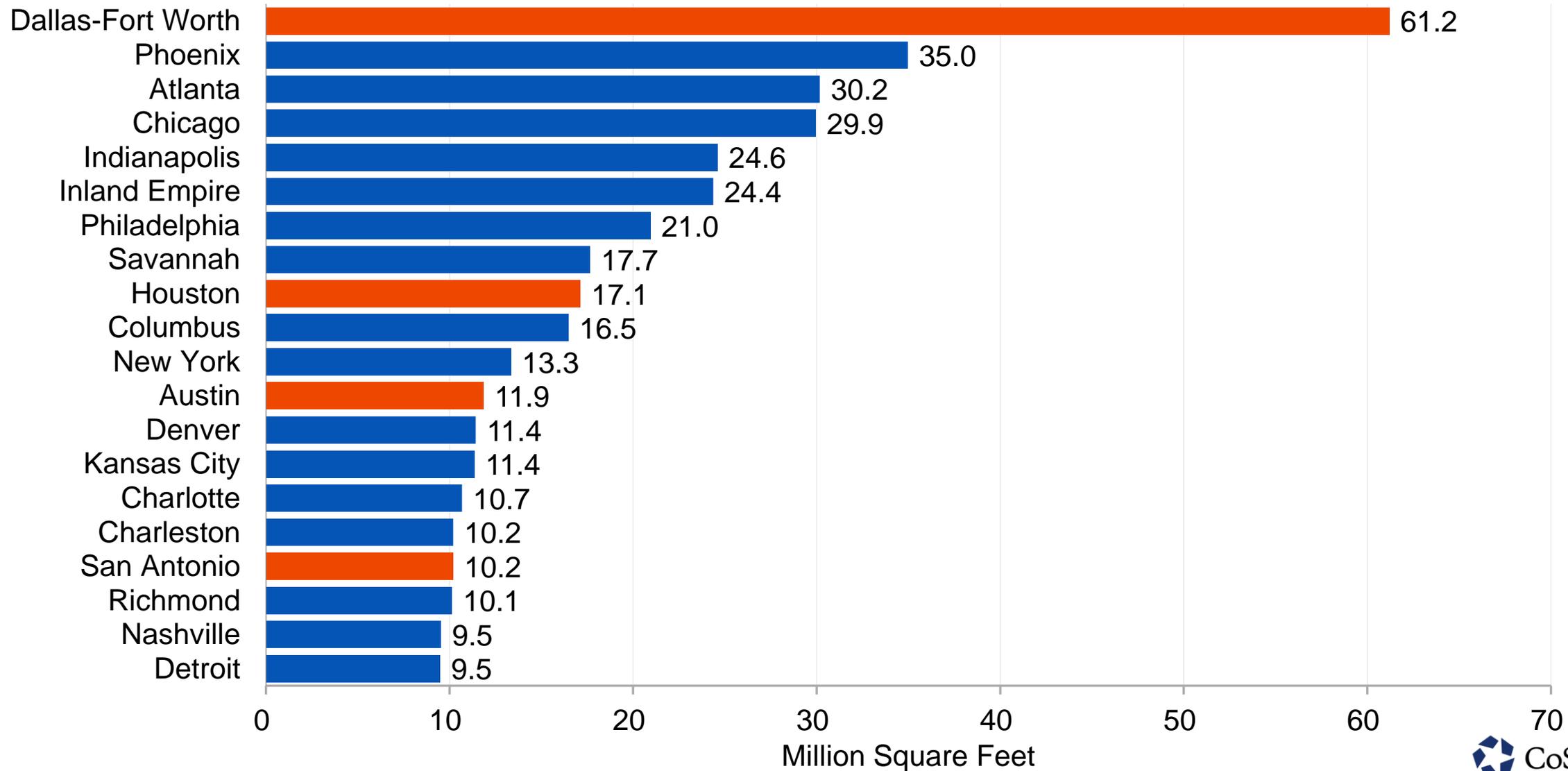


Source: Census Bureau Monthly Retail Sales Report

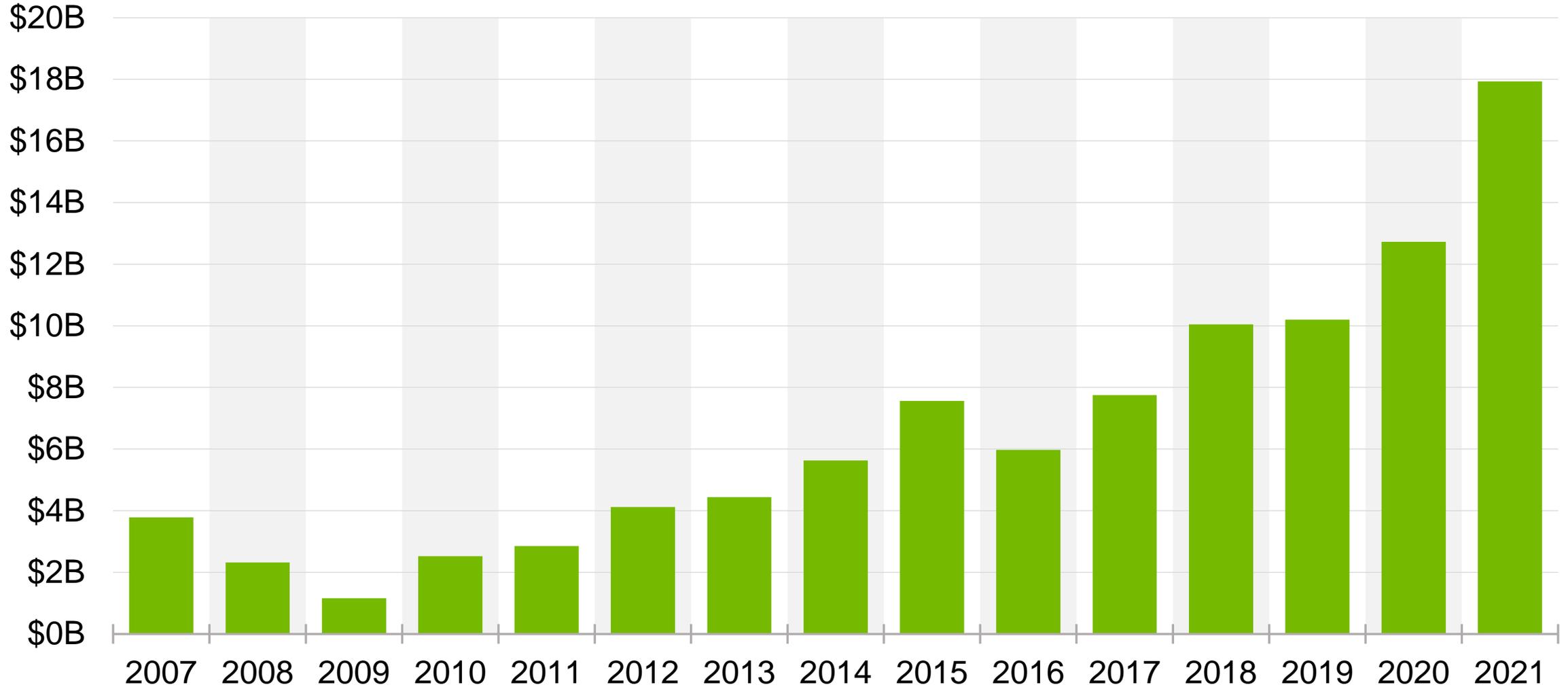
2021 Industrial Leasing



Most Space Under Construction



Annual Industrial Transaction Volume, Texas



Macro Themes – Industrial Market

- Drivers for the industrial market nationally are positive
- International trade, manufacturing, e-commerce, on-shoring, and local housing dynamics generate demand for industrial across Texas and the nation.
- Net Absorption and leasing activity have responded, and rank among the best years ever
- Developers have responded, bringing record level new supply to the market

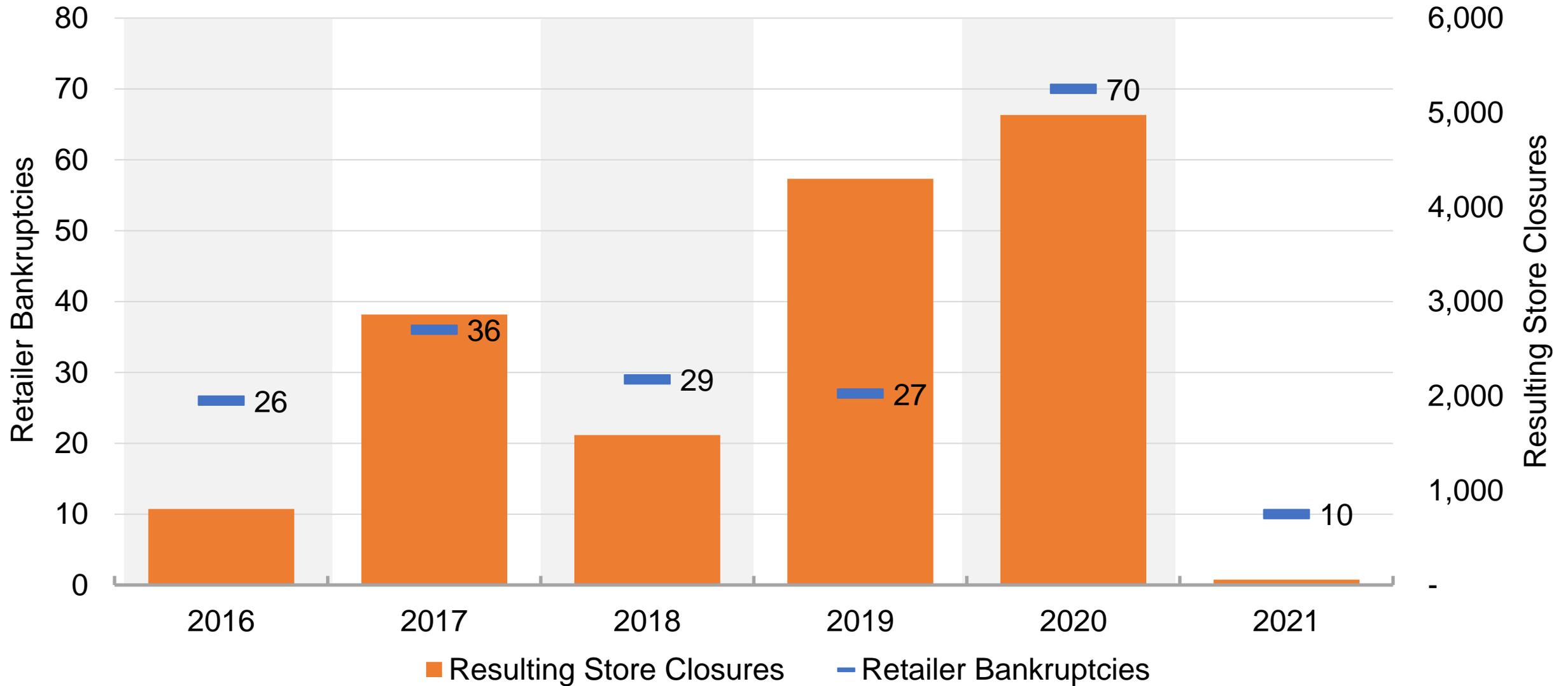
Vacancy	Texas	National
2019	6.6%	5.1%
2020	7.5%	5.5%
2021	5.7%	4.2%
2022 (f)	5.6%	4.3%

Rent Growth	Texas	National
2019	4.5%	5.3%
2020	3.5%	4.8%
2021	7.9%	8.7%
2022 (f)	8.9%	8.2%

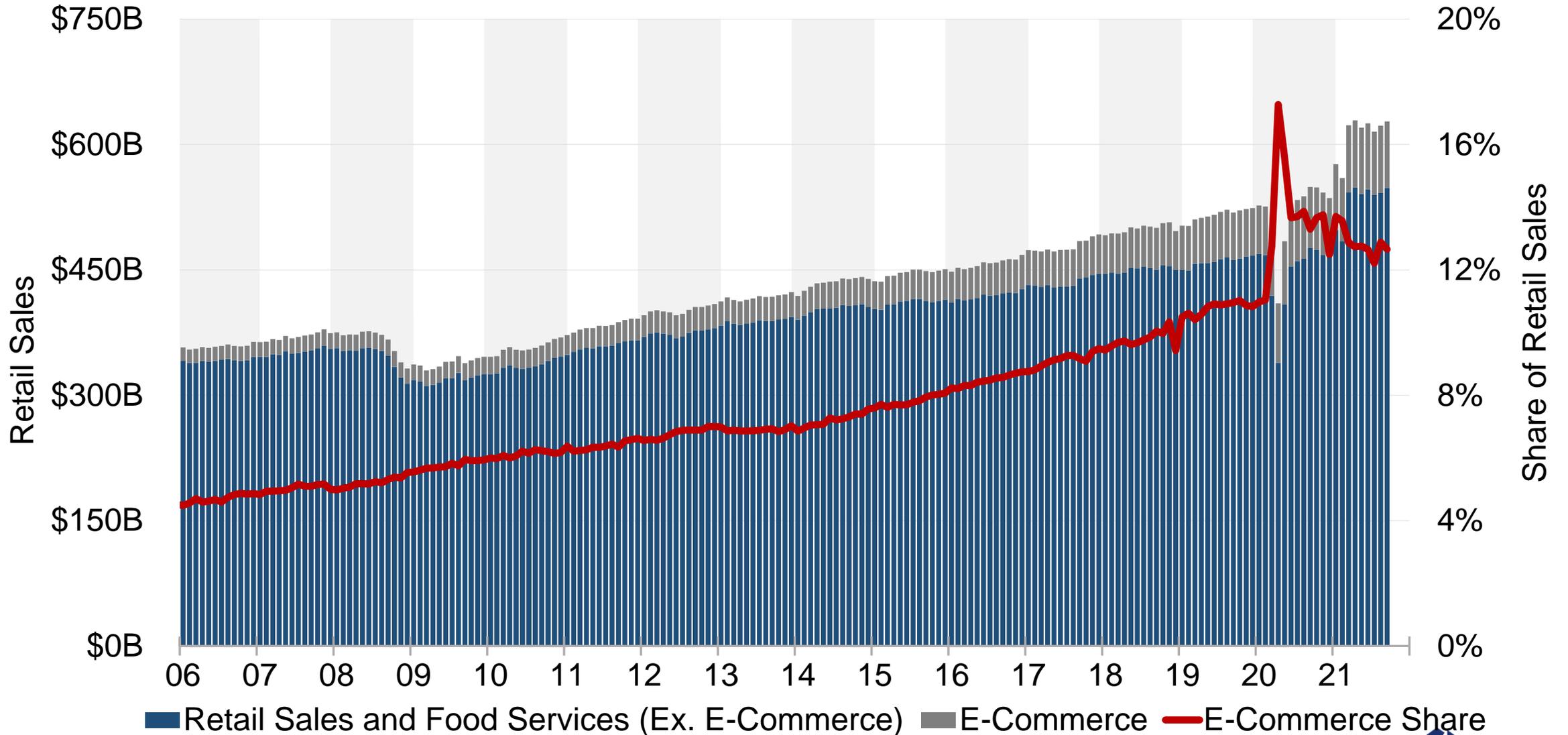
RETAIL MARKET



Retail Bankruptcies and Resulting Store Closures

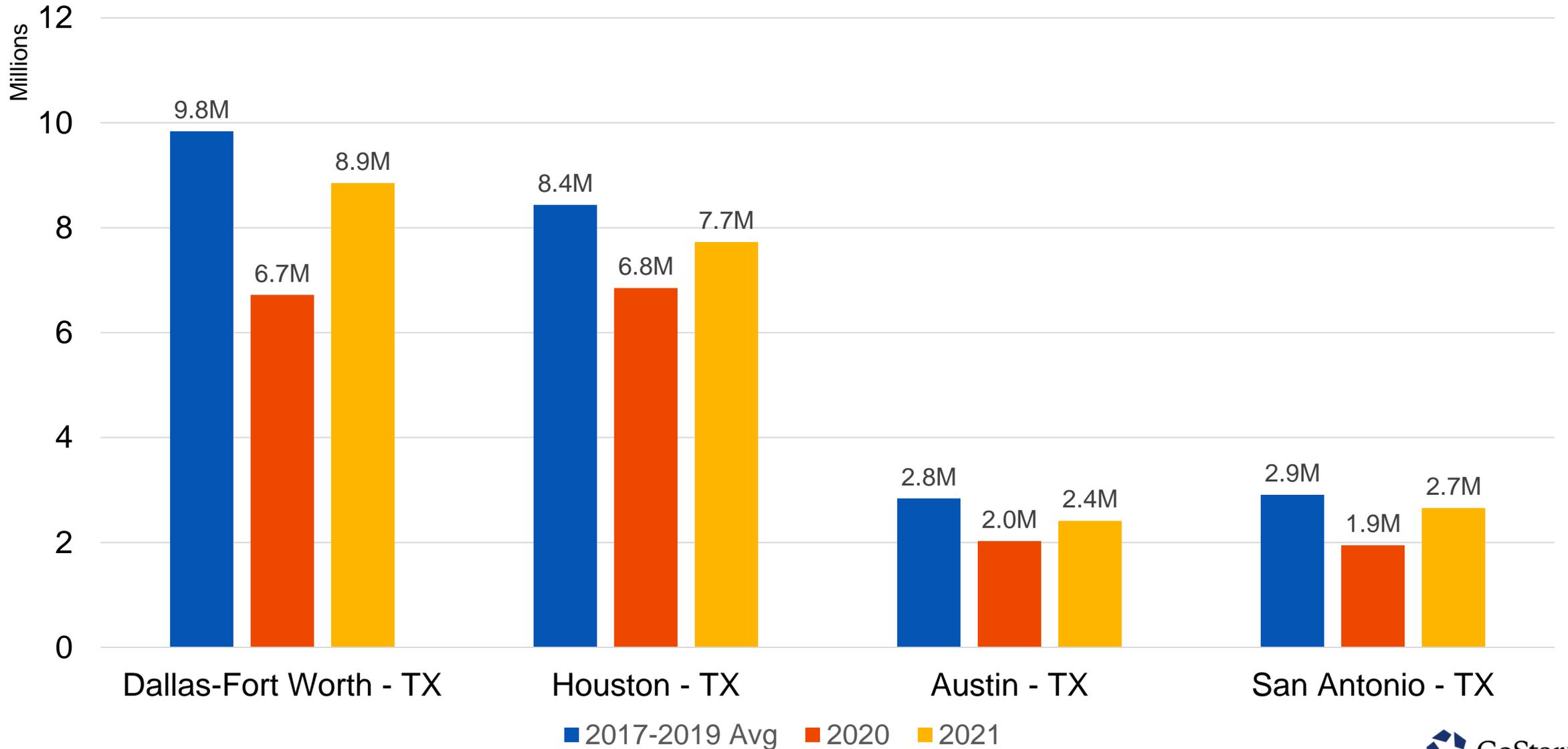


E-Commerce and Retail Sales

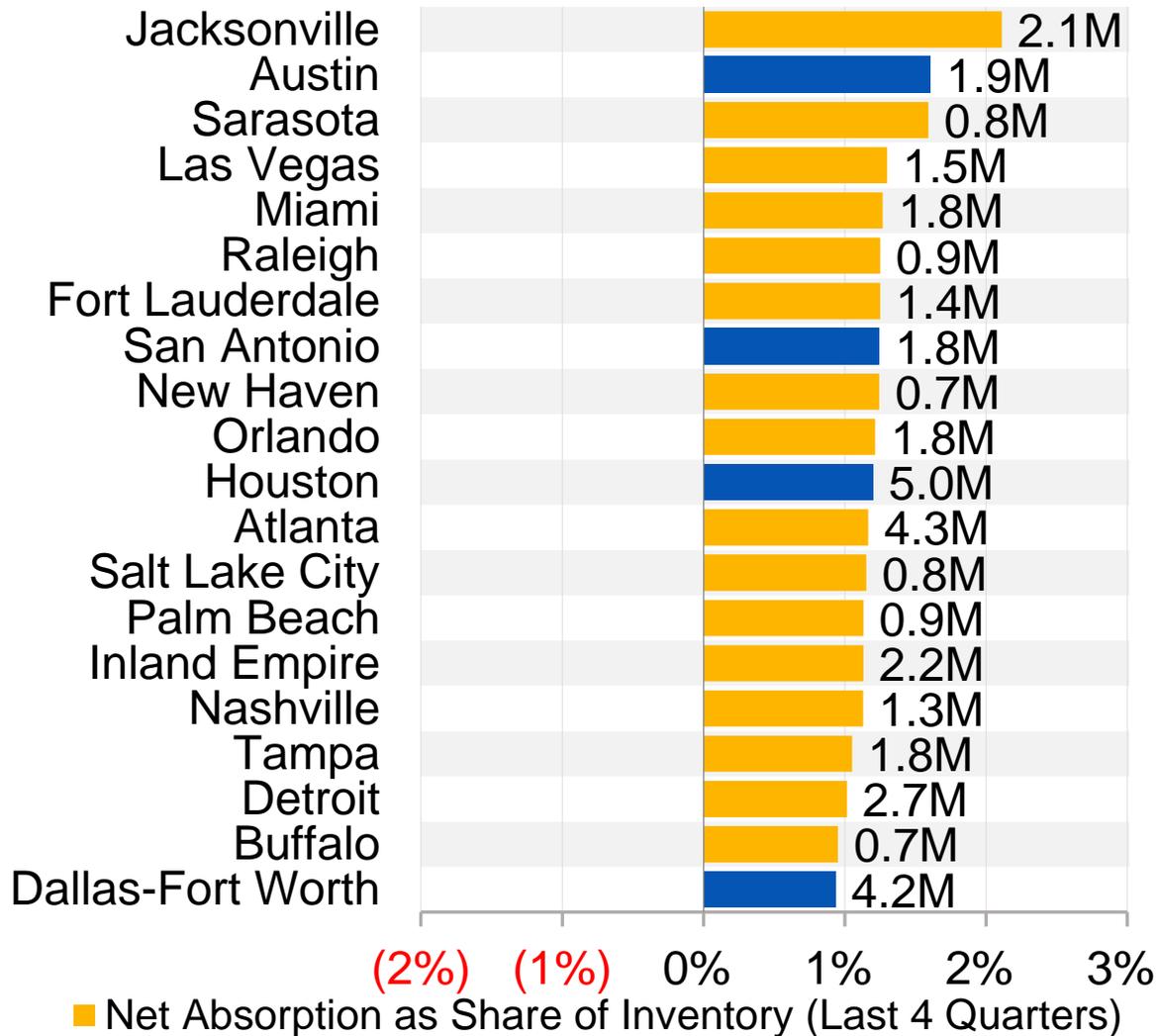


Source: Census Bureau Monthly Retail Sales Report

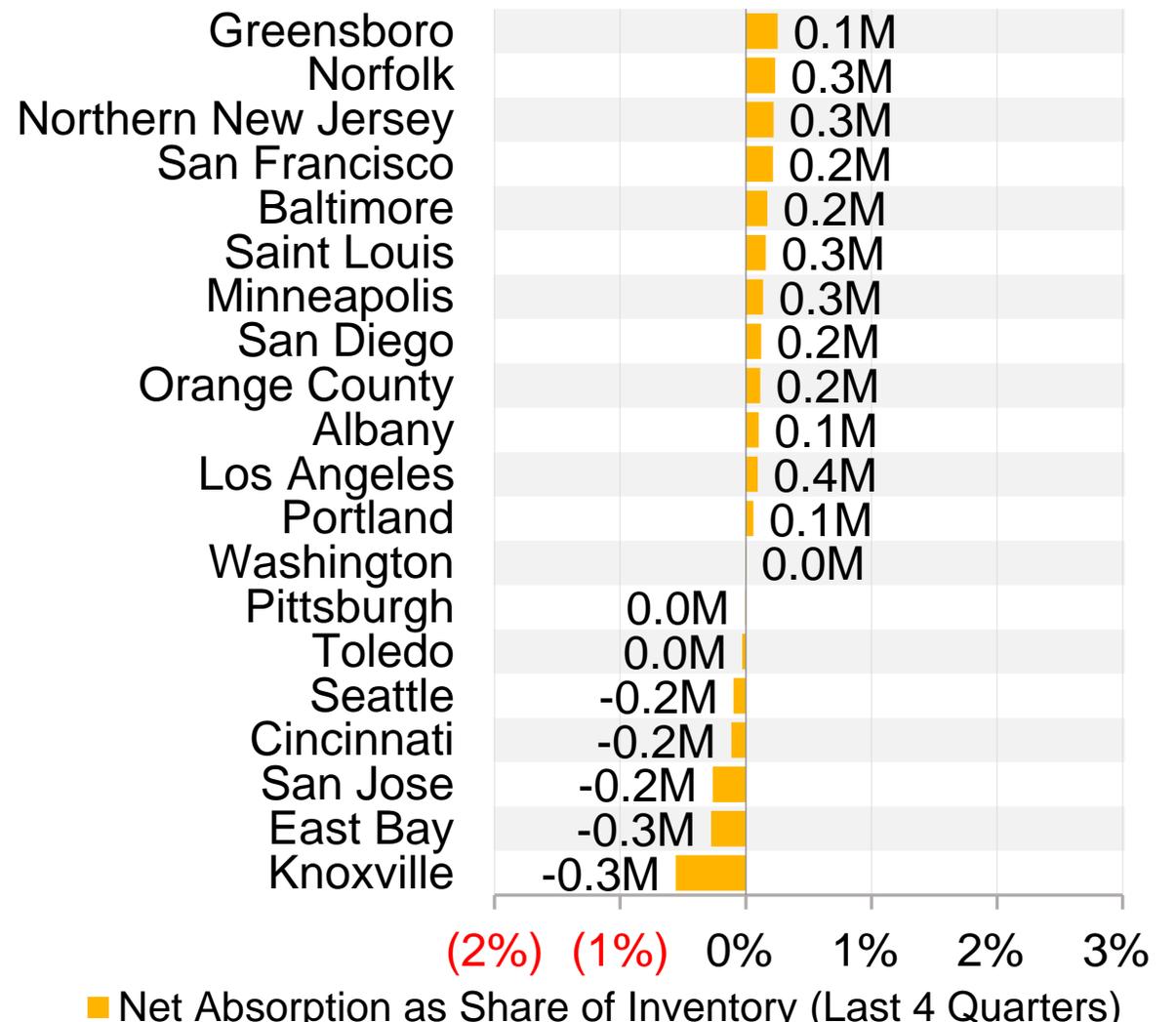
2021 Retail Leasing



Net Absorption As Share of Inventory

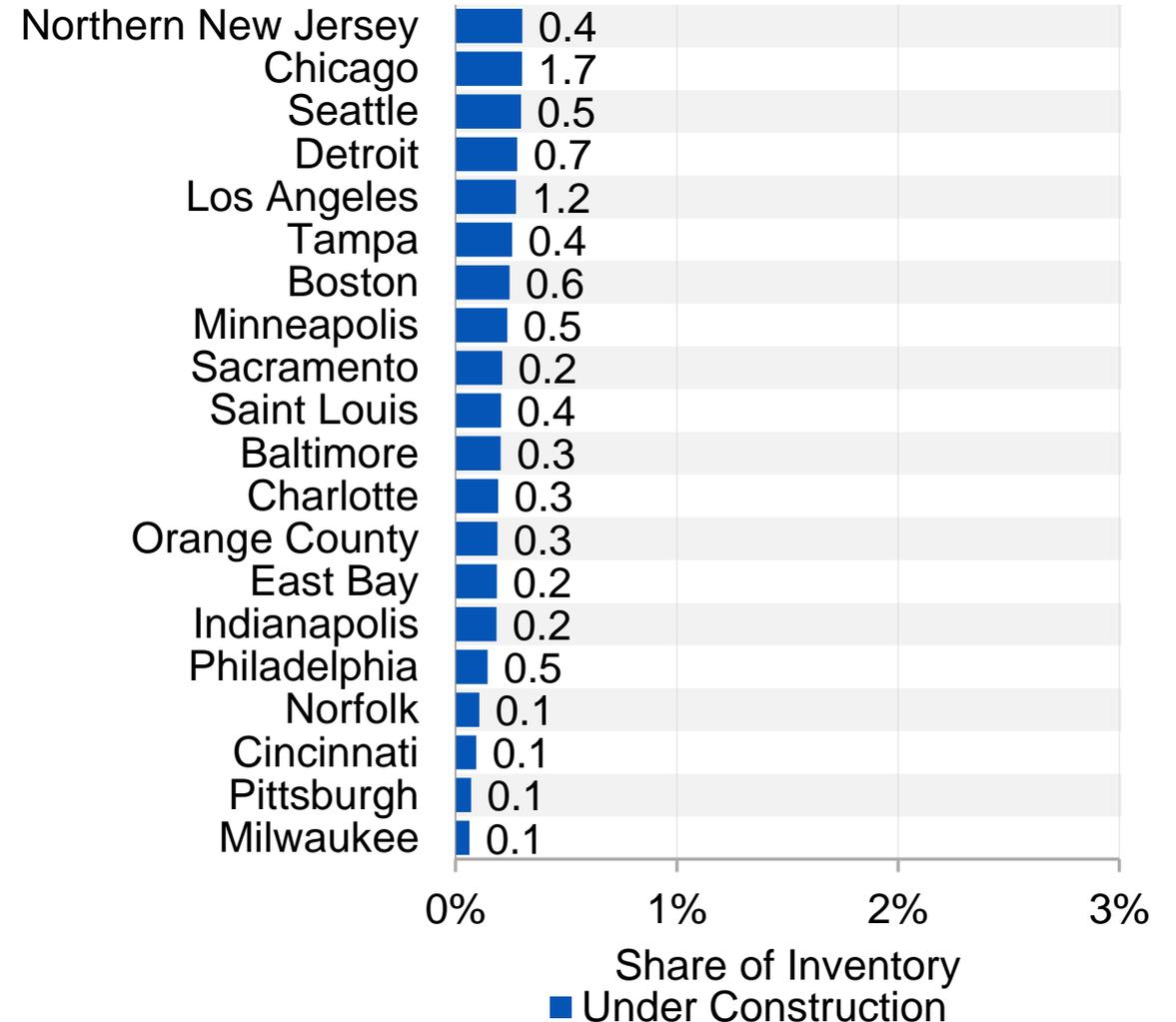
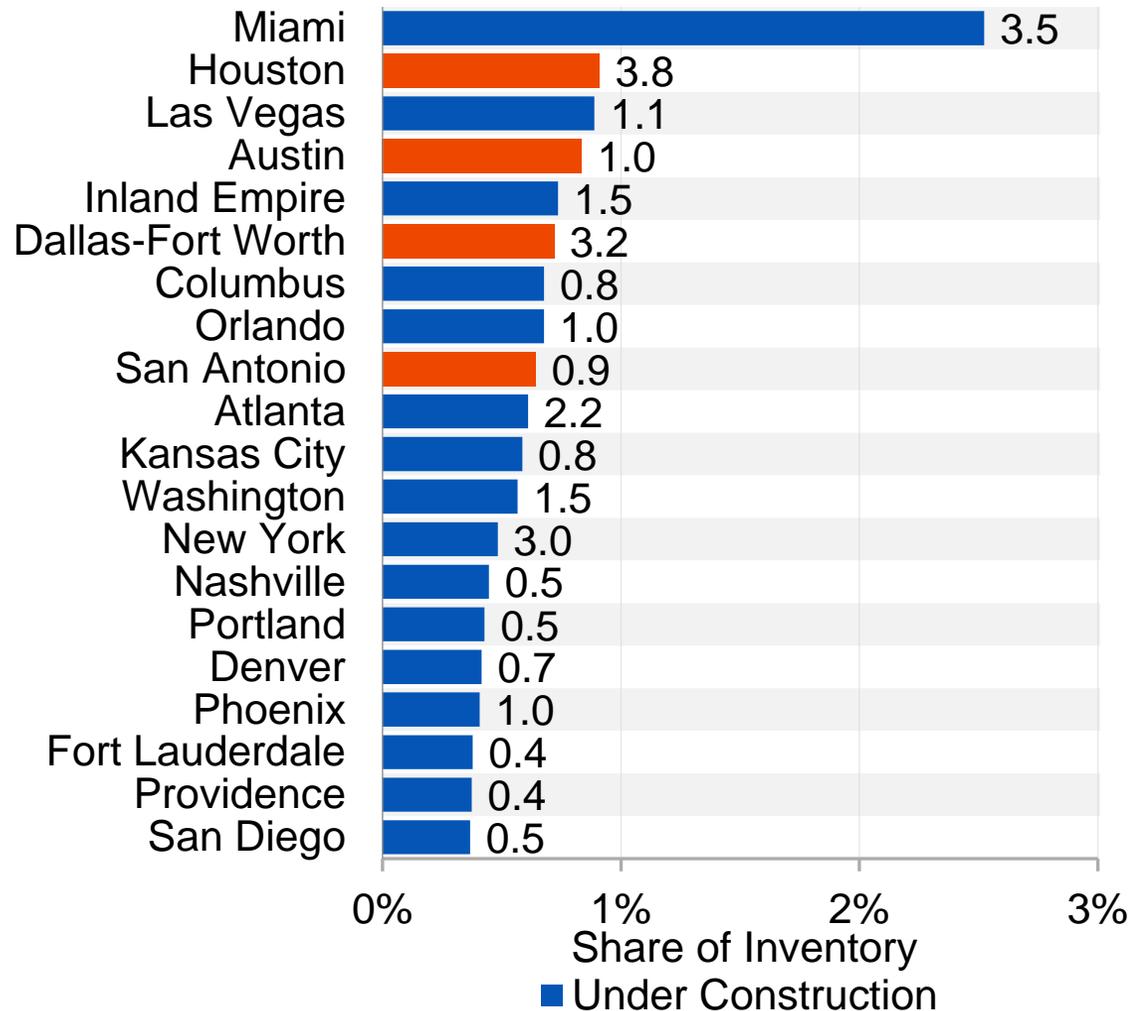


Note: Includes markets with 55M+ SF inventory.



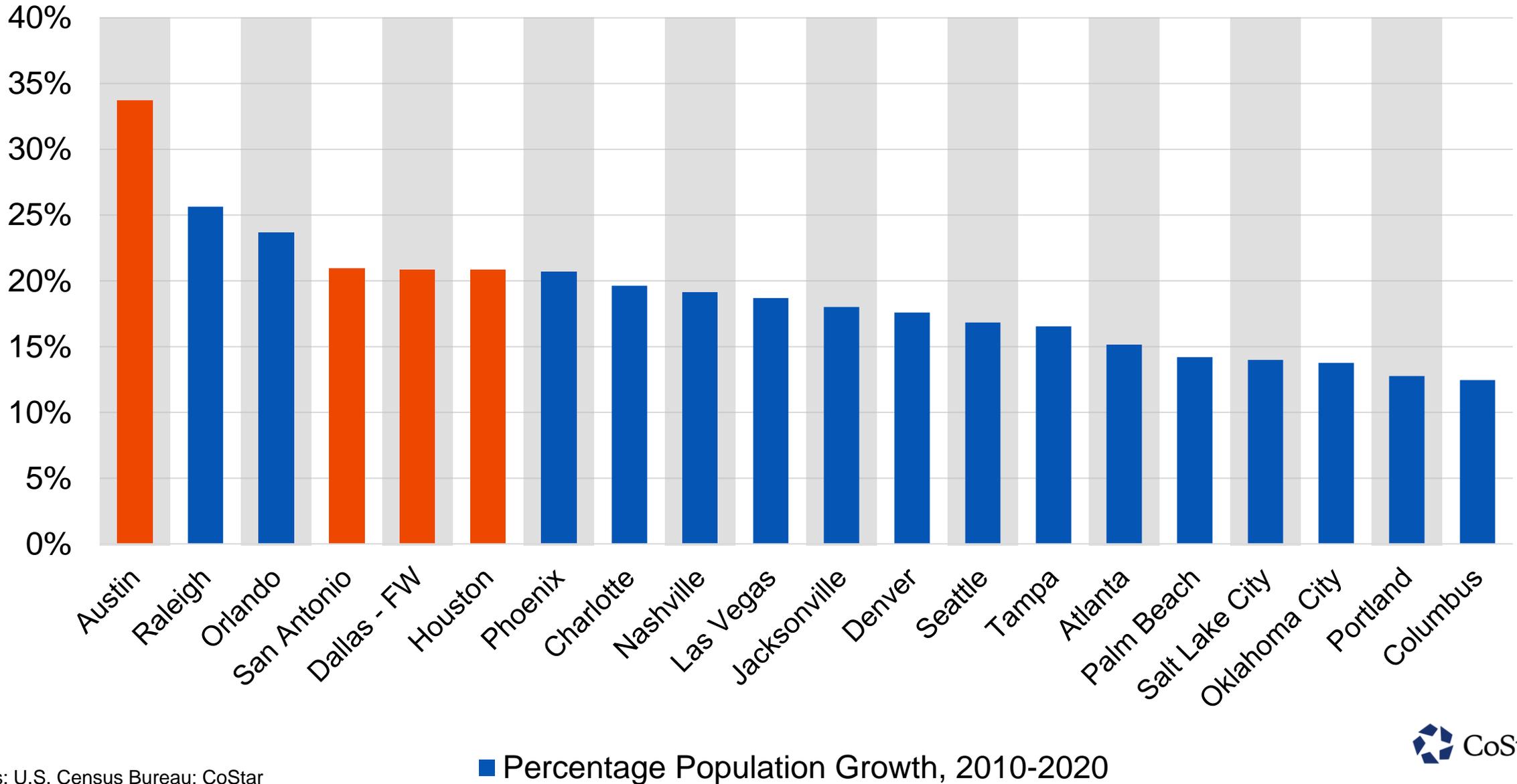
Note: Includes markets with 55M+ SF inventory.

Space Under Construction As Share of Inventory

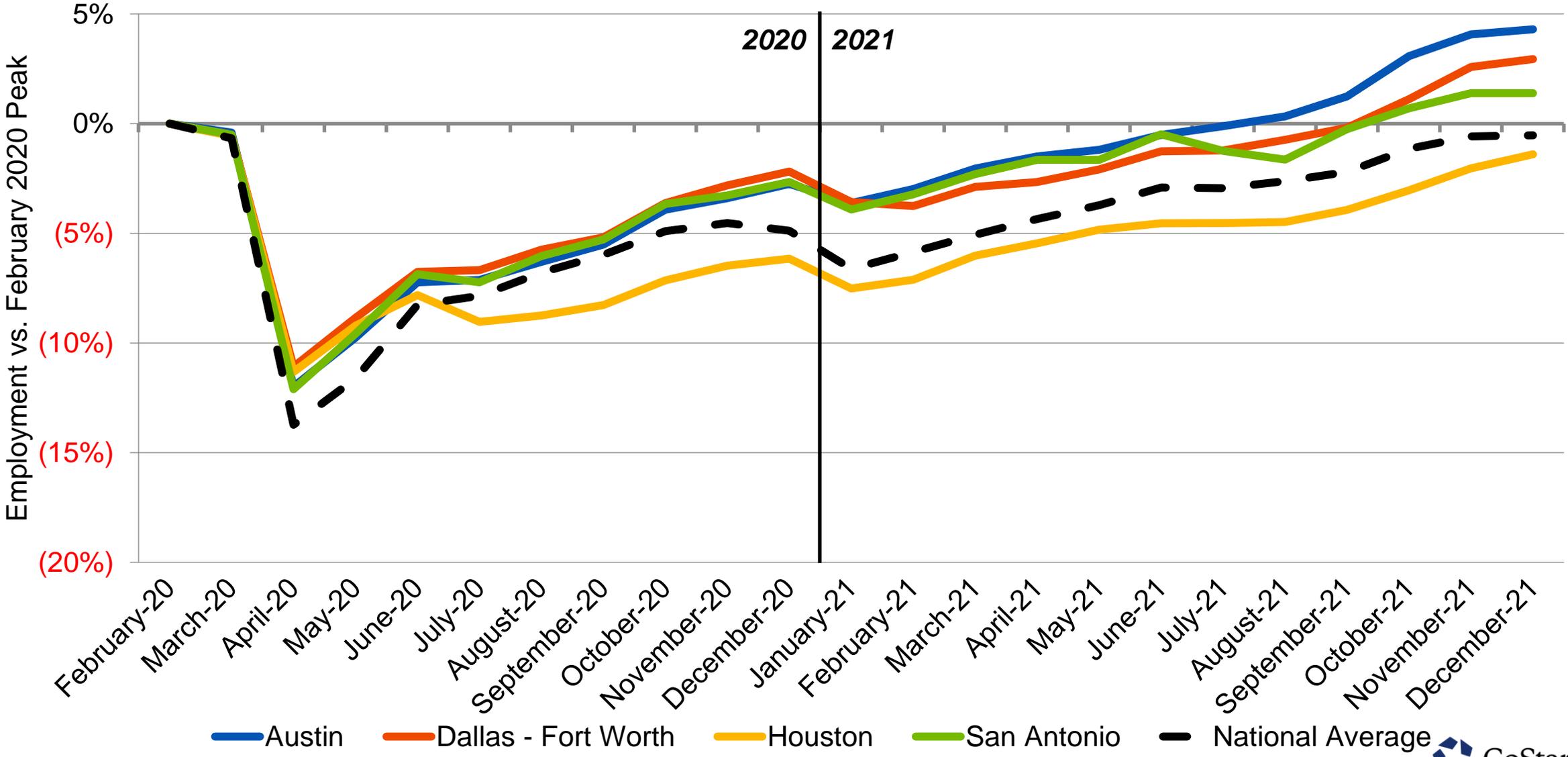


Note: Includes markets with 100 Million+ Square Feet inventory.
Labels show Under Construction in Million Square Feet.

TX Takes Four Of The Top Six Spots For Population Growth



Outside Houston, Major TX Metros Have Recovered All Jobs



Source: Bureau of Labor Statistics, November 2021, Data is NSA



Macro Themes – Retail Market

- Store closures in 2020 weighed on absorption nationally, but the fewest stores on record closed in 2021
- Limited construction contributing to high occupancies
- Bounce back happening across Texas thanks to strong economic and population growth
- Forecast for retail is positive, but COVID-19 variants remain the wild card

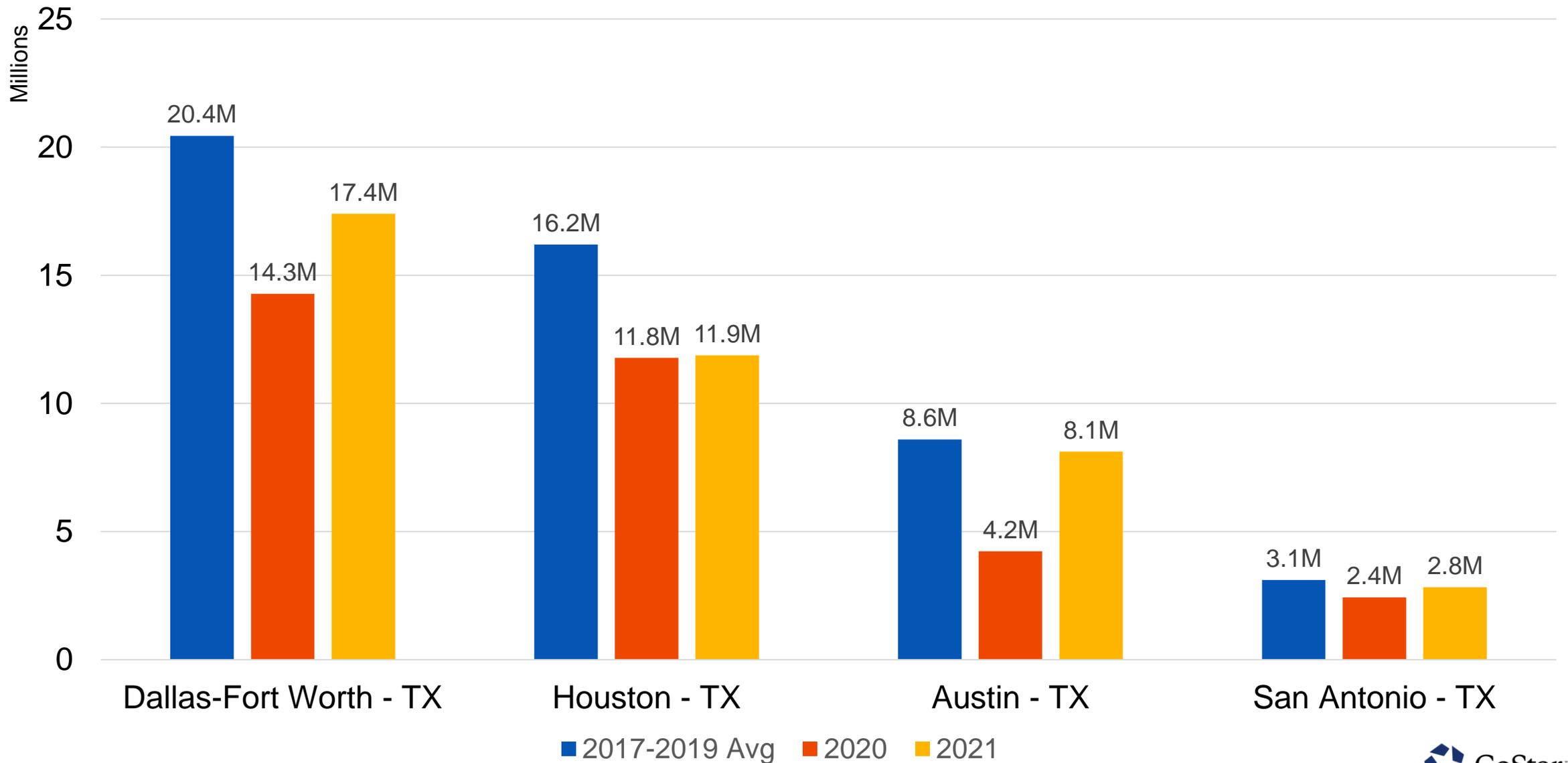
Vacancy	Texas	National
2019	4.8%	4.5%
2020	5.8%	5.1%
2021	5.1%	4.6%
2022 (f)	4.7%	4.3%

Rent Growth	Texas	National
2019	1.9%	2.4%
2020	1.1%	0.9%
2021	3.6%	3.0%
2022 (f)	5.4%	4.3%

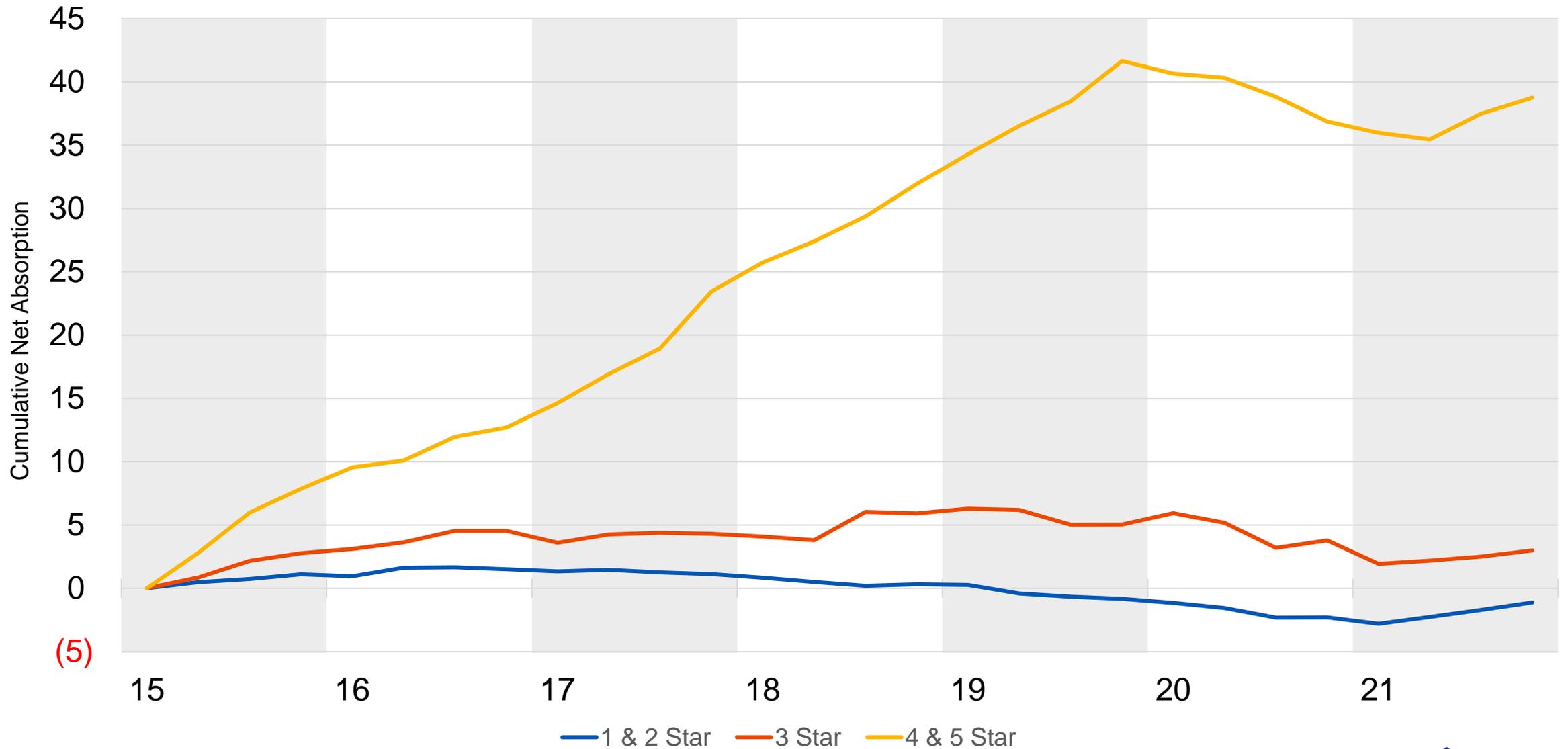
OFFICE MARKET



2021 Office Leasing

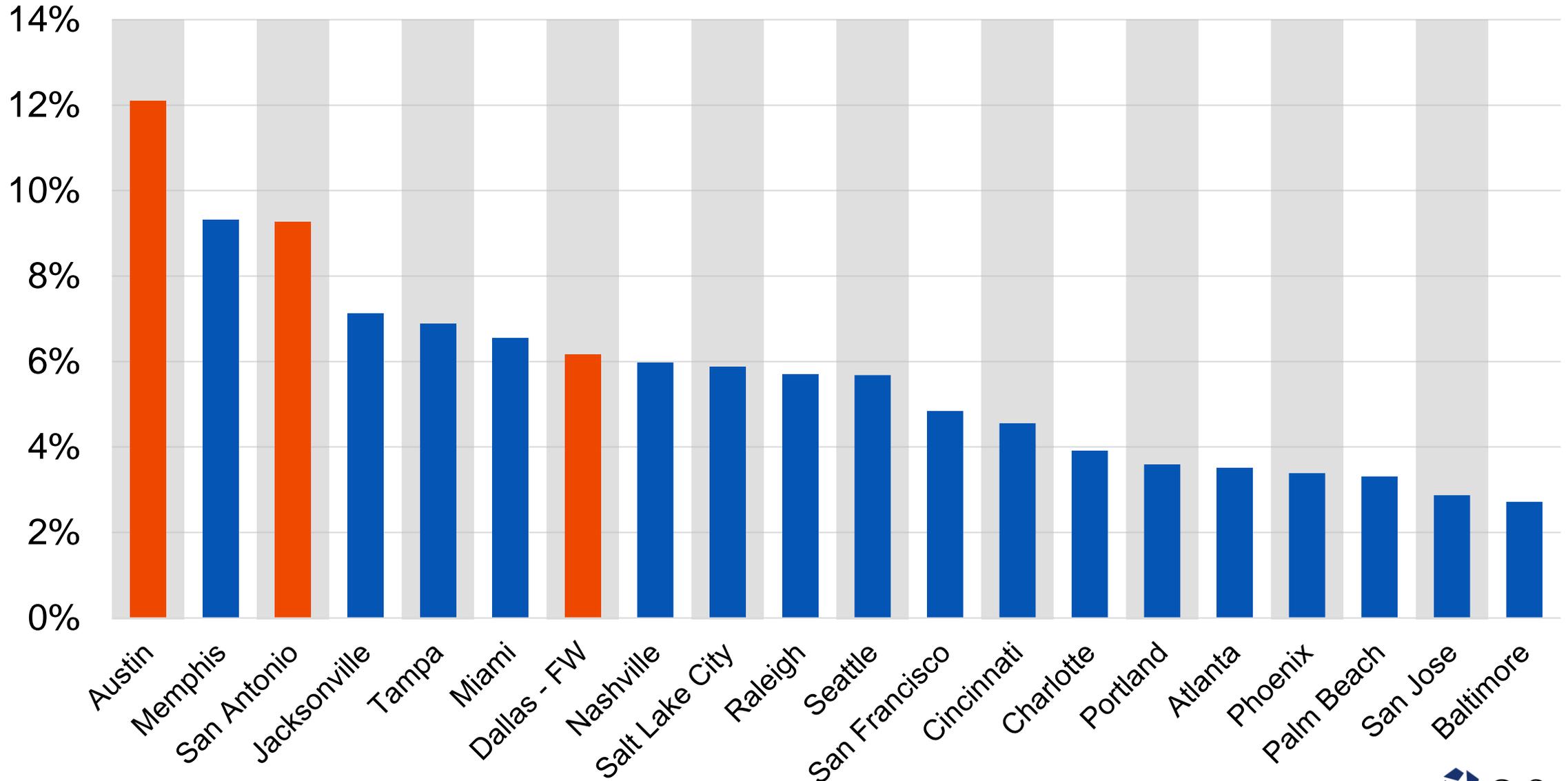


4 & 5 Star Absorption Vastly Outperforming Older Assets



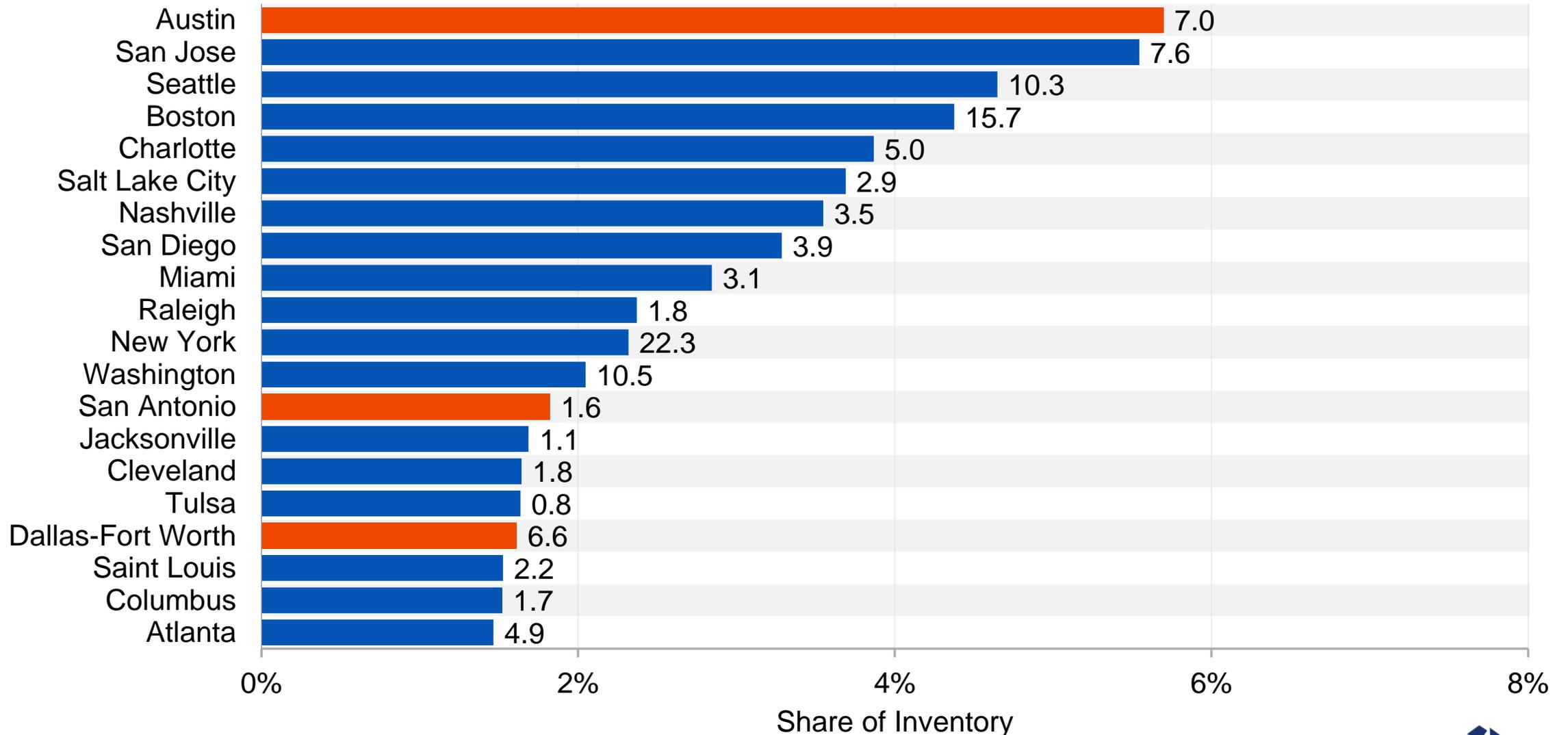
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Office Using Employment Up Considerably In TX



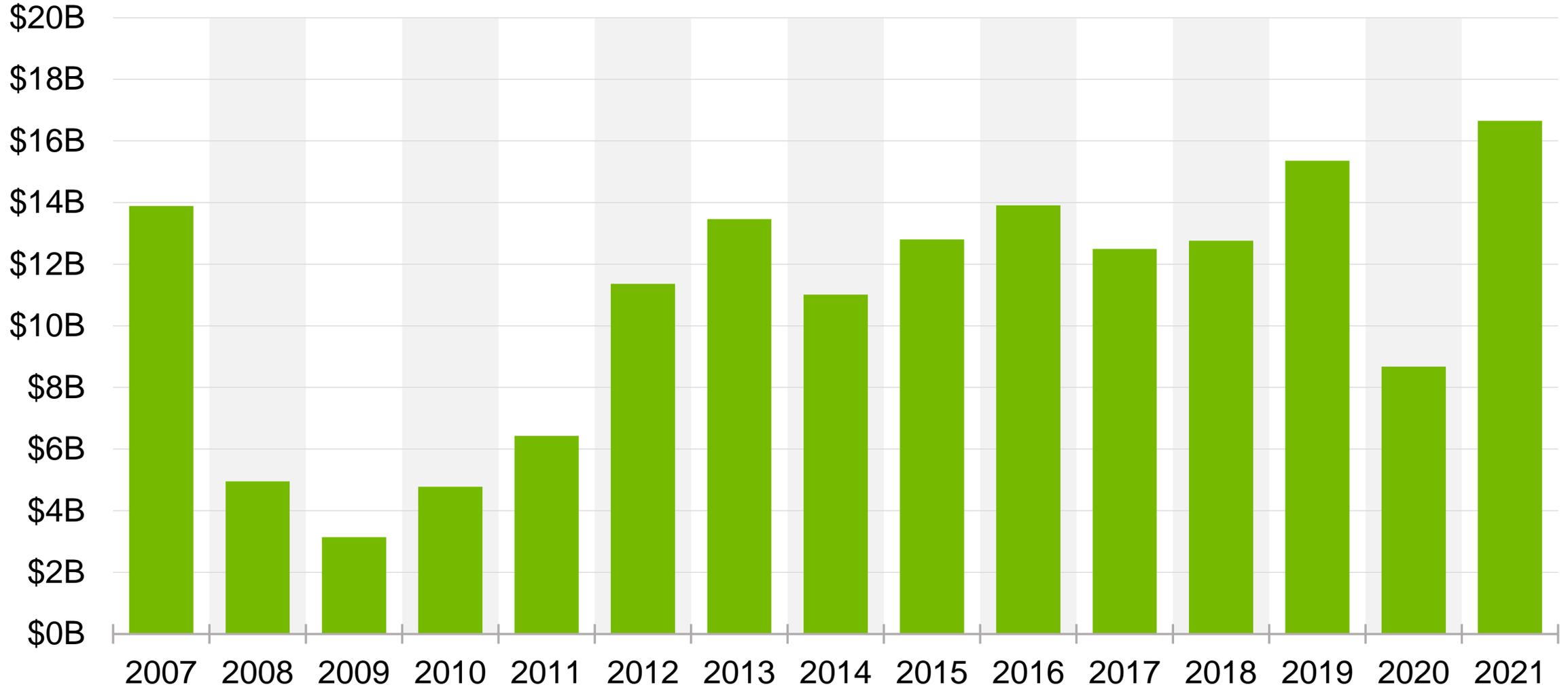
Source: BLS – Relative to Feb-2020

Space Under Construction As Share of Inventory



Note: Includes markets with 50 Million+ Square Feet inventory. Labels show Under Construction in Million Square Feet.

Annual Office Transaction Volume, Texas



Macro Themes – Office Market

- The ‘Great Rebound’ is afoot in Texas and across the national office market.
- Limited construction in most markets will help recovery continue.
- Flight to quality continues to be the dominant trend.
- Forecast for office is positive, but there is nuance in the recovery.

Vacancy	Texas	National
2019	14.1%	9.6%
2020	15.9%	11.1%
2021	17.0%	12.2%
2022 (f)	16.7%	12.3%

Rent Growth	Texas	National
2019	3.0%	3.8%
2020	-0.8%	-1.6%
2021	0.7%	0.2%
2022 (f)	3.1%	3.4%



CoStar MARKET ANALYTICS™

Thank You!

Sam Tenenbaum; stenenbaum@costar.com
Director of Analytics, Central Texas

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