

2022 Texas Commercial Real Estate Update



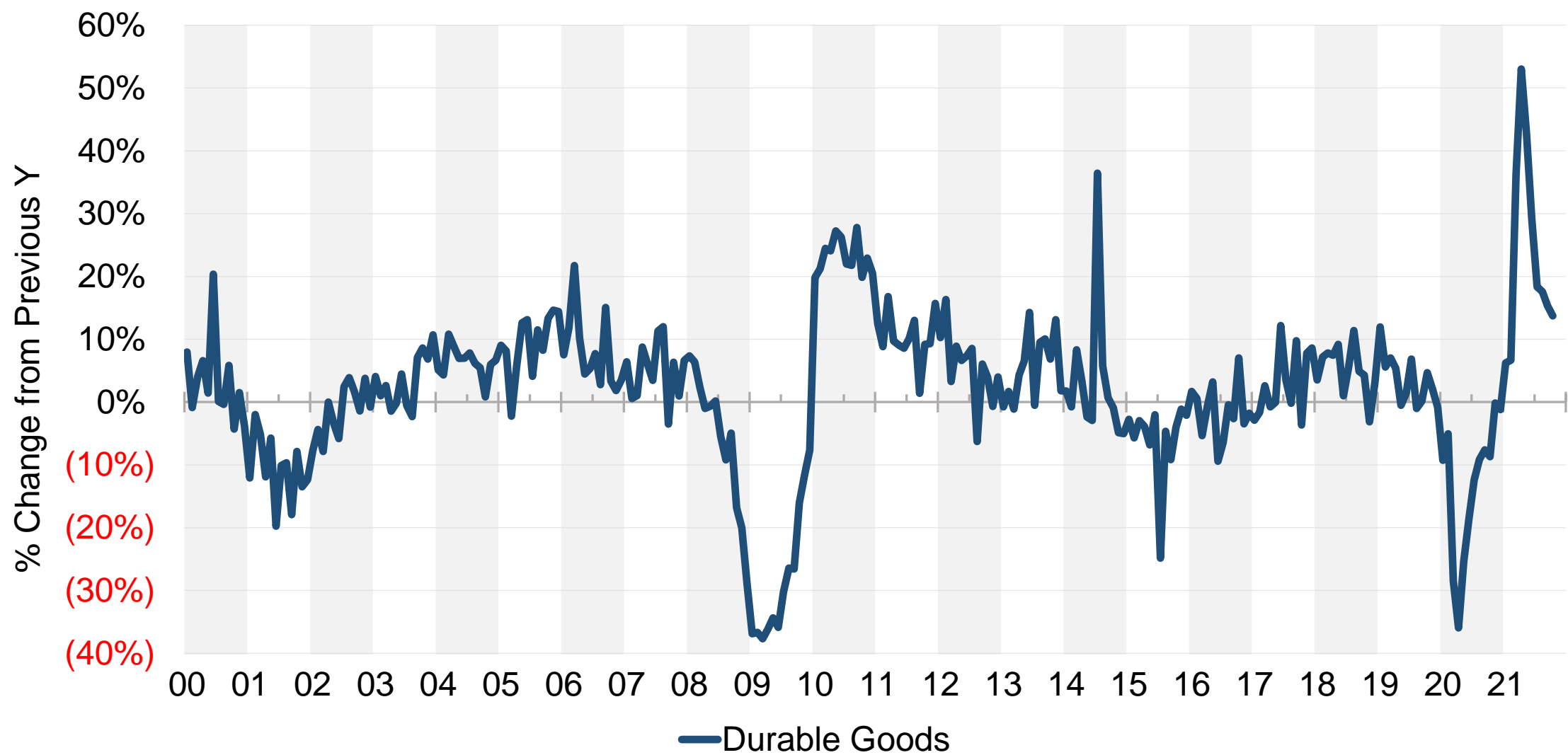
Presented By:
Sam Tenenbaum
Director of Analytics

INDUSTRIAL MARKET



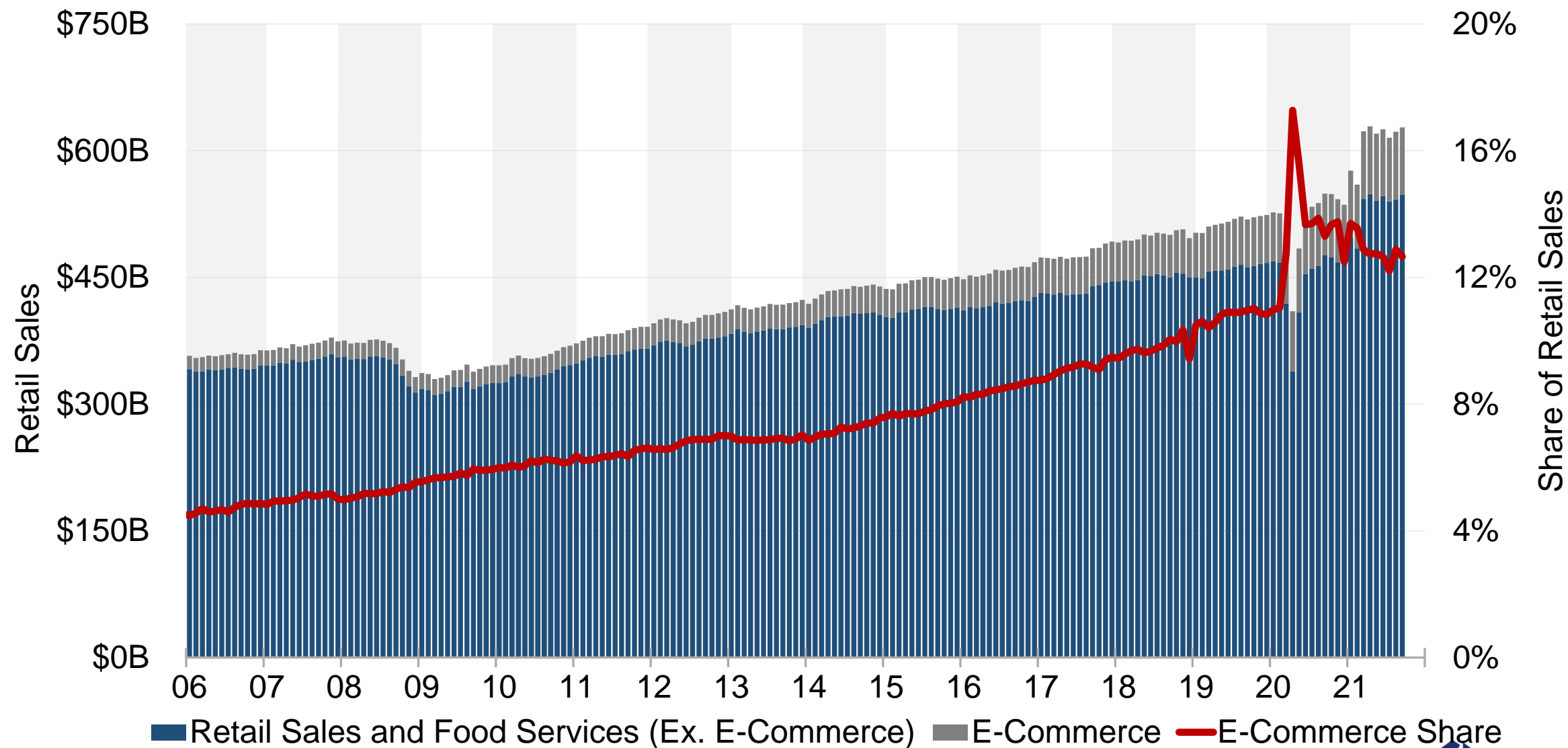
CoStar™

Manufacturers' New Orders



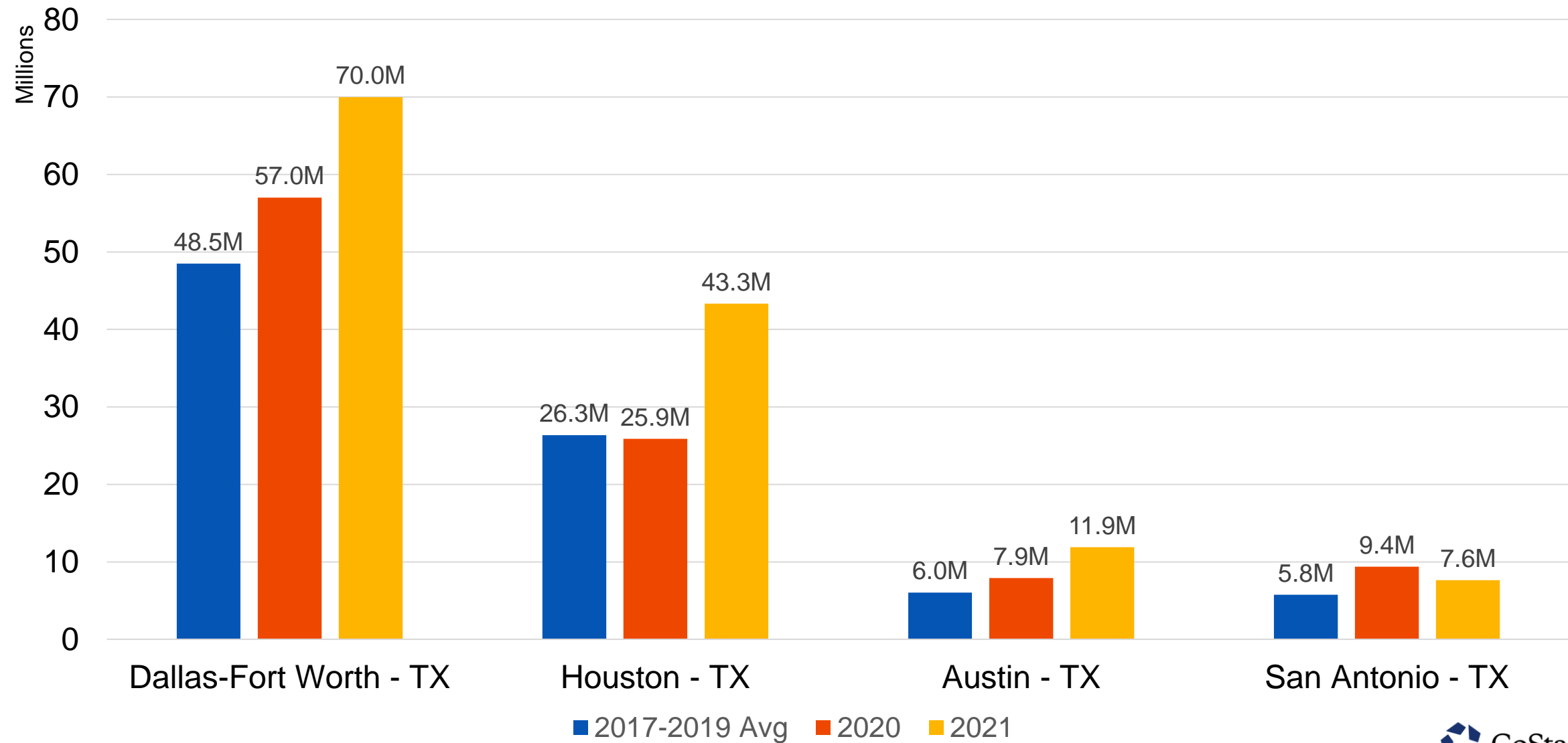
Source: Census Bureau

E-Commerce and Retail Sales

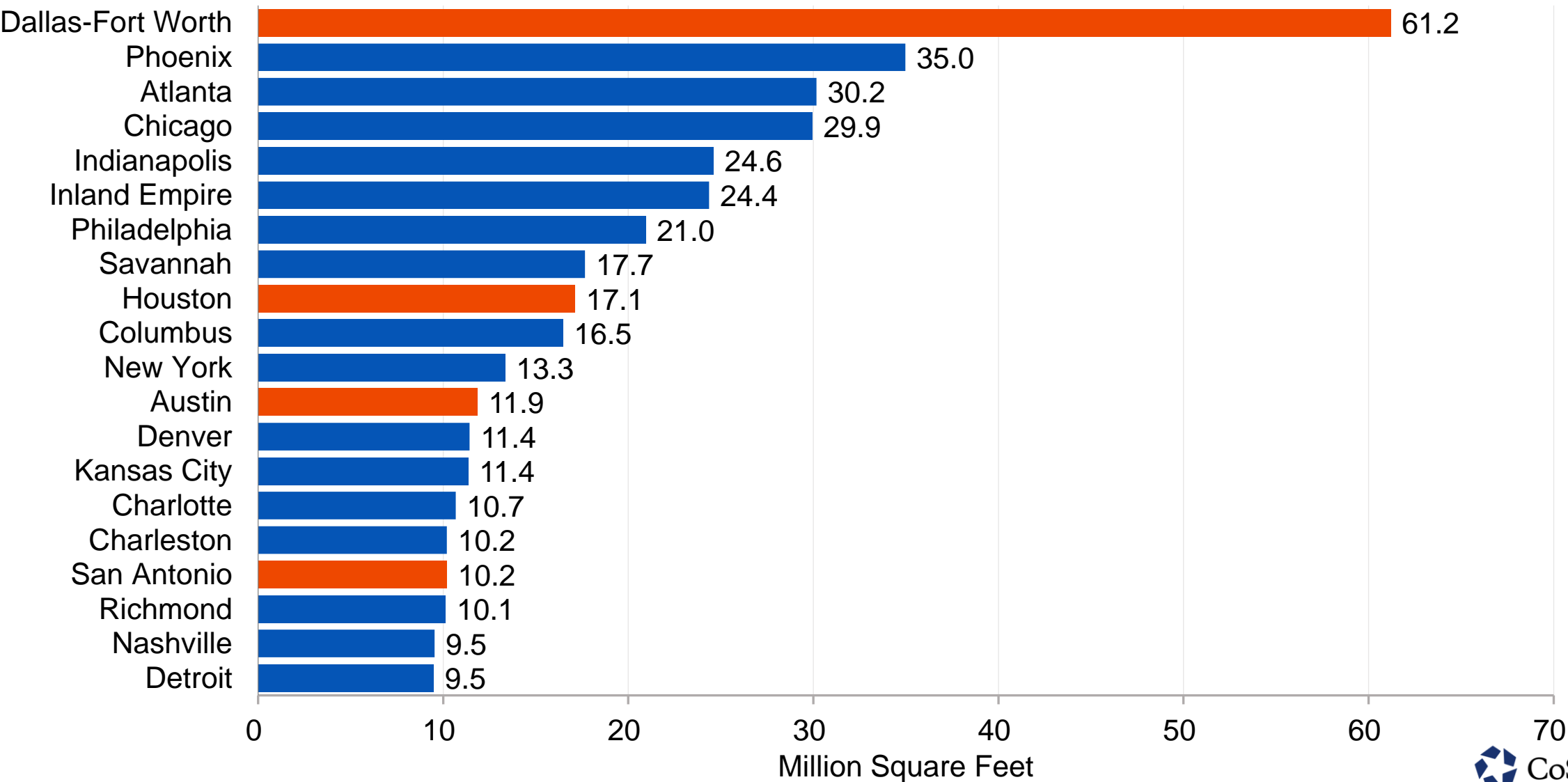


Source: Census Bureau Monthly Retail Sales Report

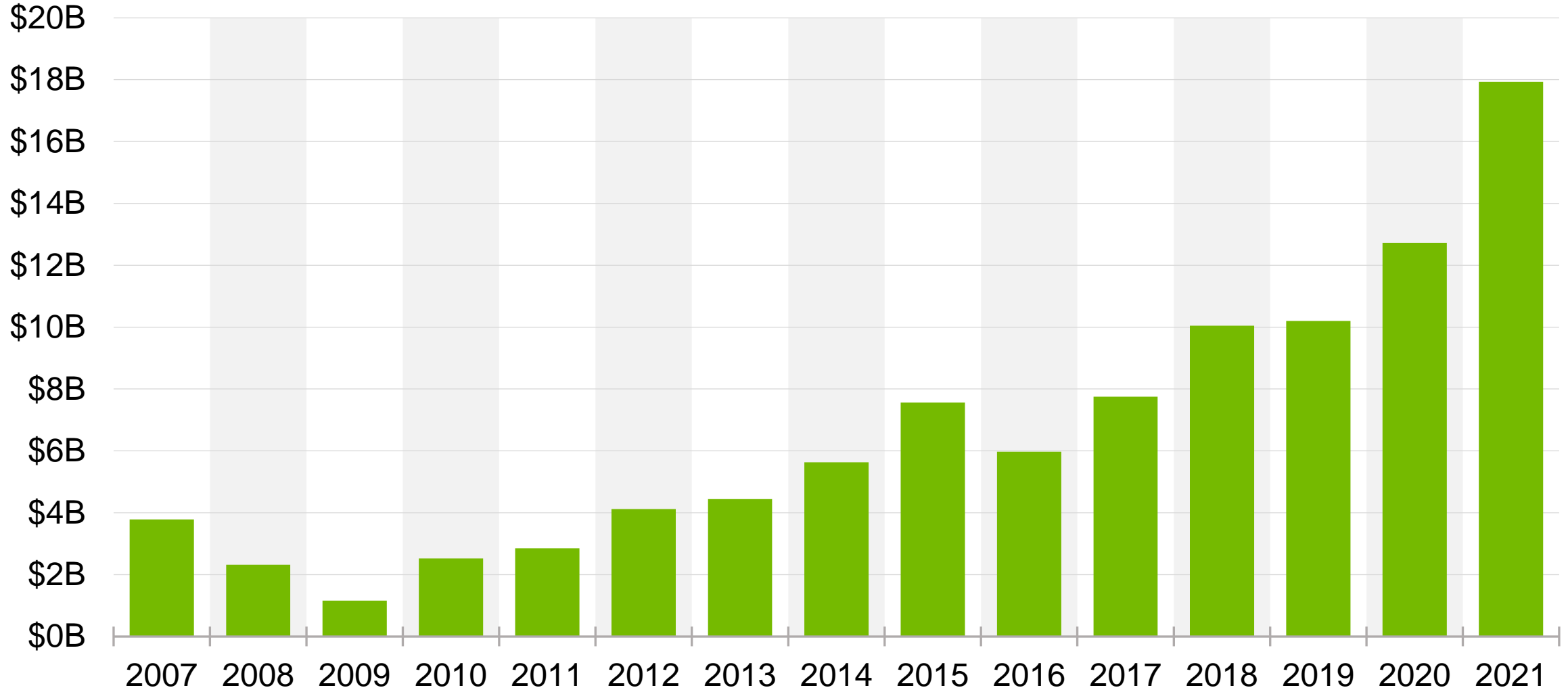
2021 Industrial Leasing



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

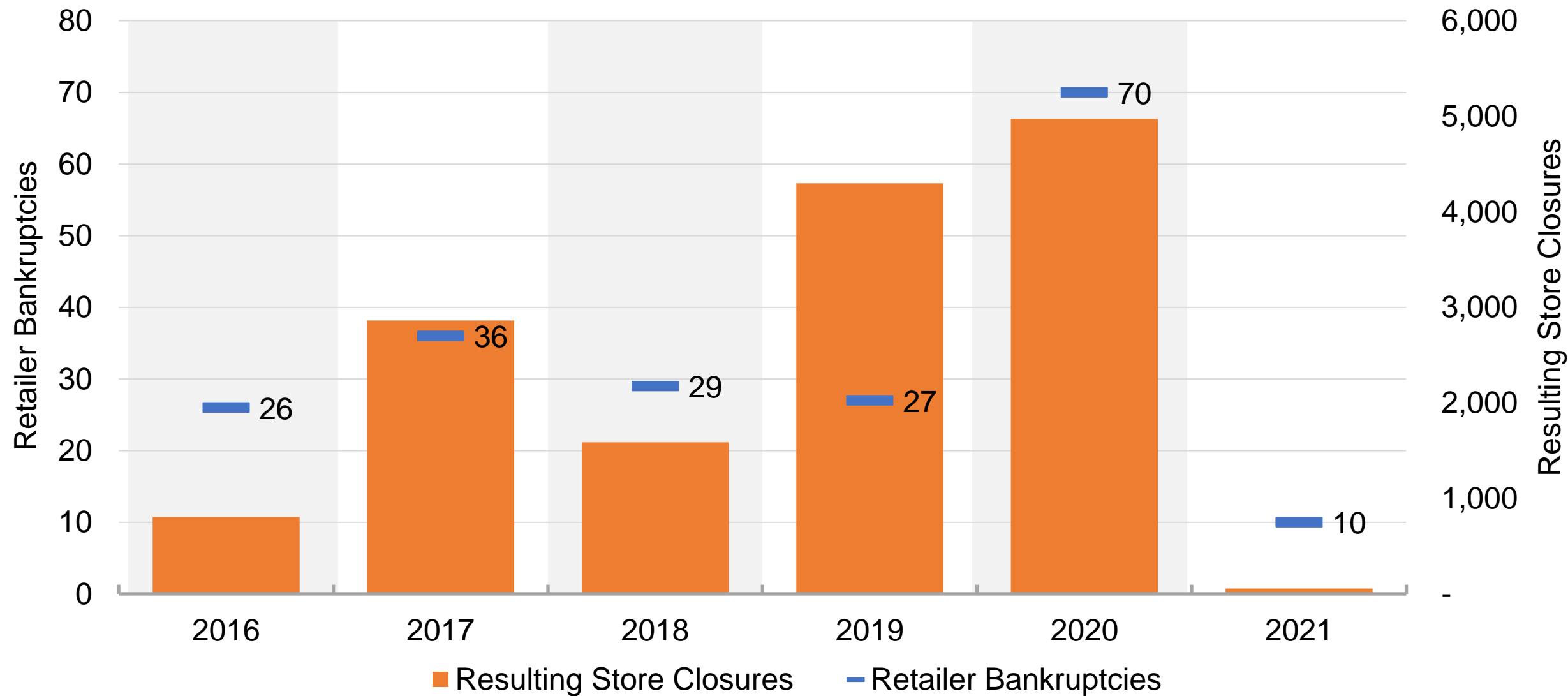
Vacancy	Texas	National
2019	6.6%	5.1%
2020	7.5%	5.5%
2021	5.7%	4.2%
2022 (f)	5.6%	4.3%

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%

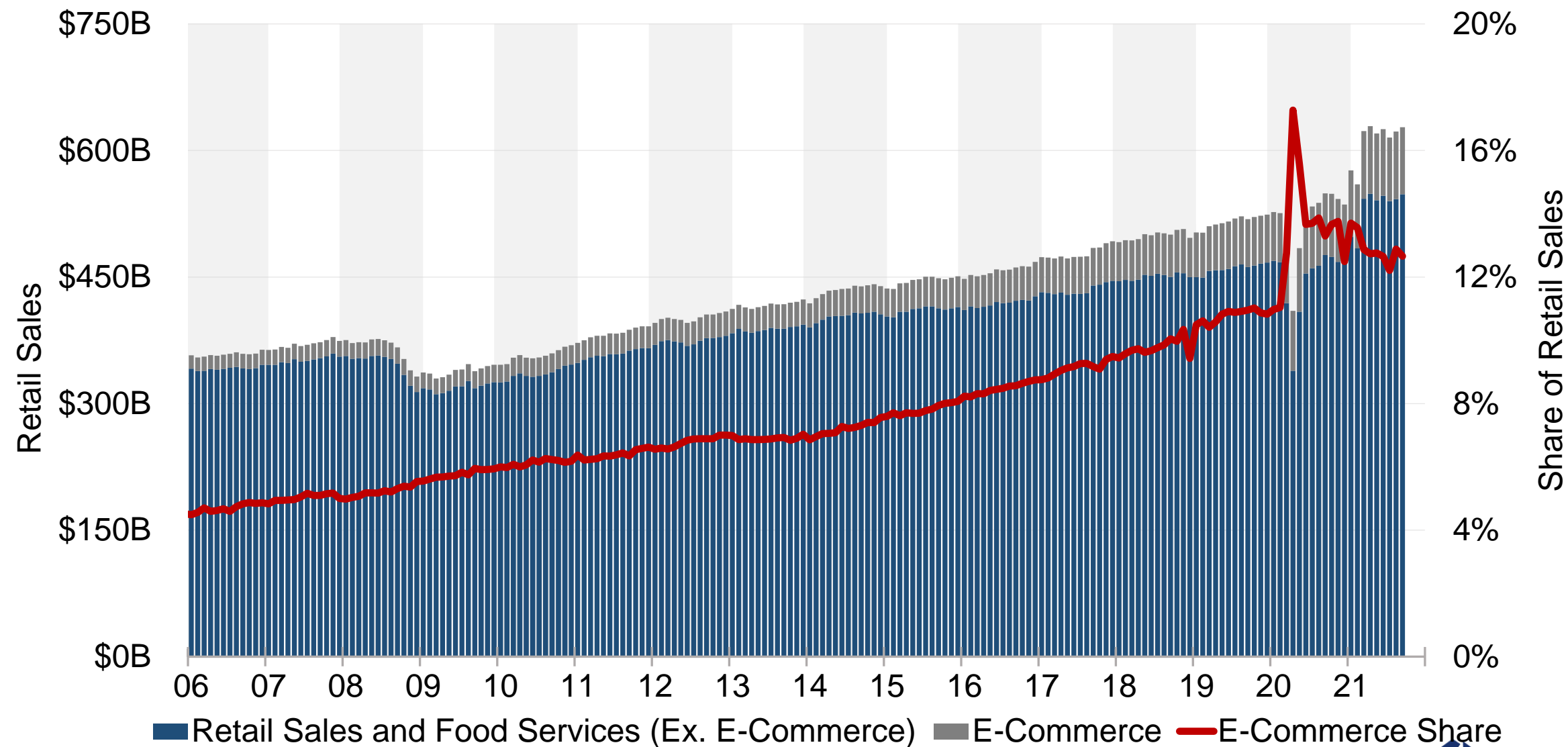
RETAIL MARKET



Retail Bankruptcies and Resulting Store Closures

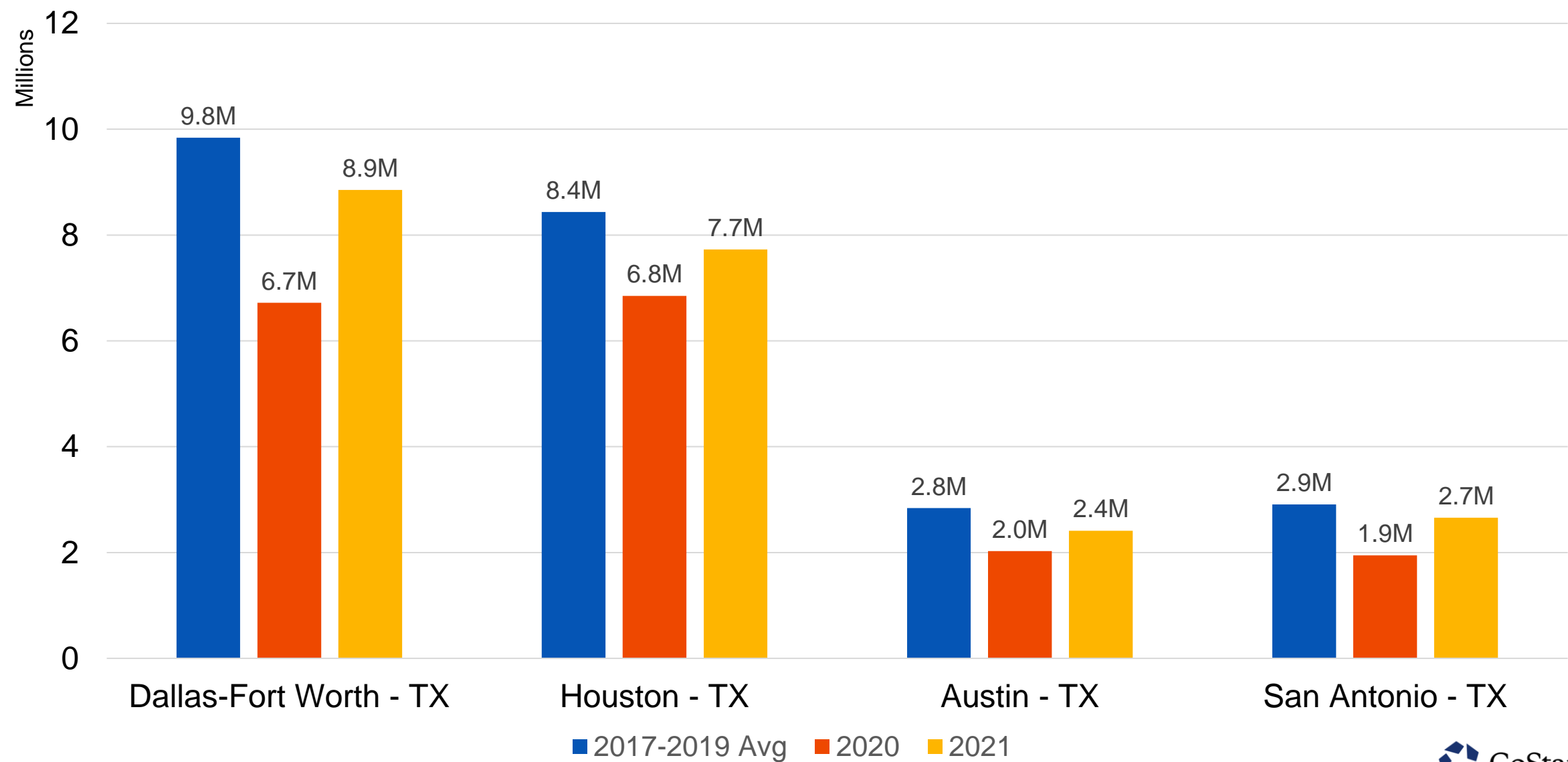


E-Commerce and Retail Sales

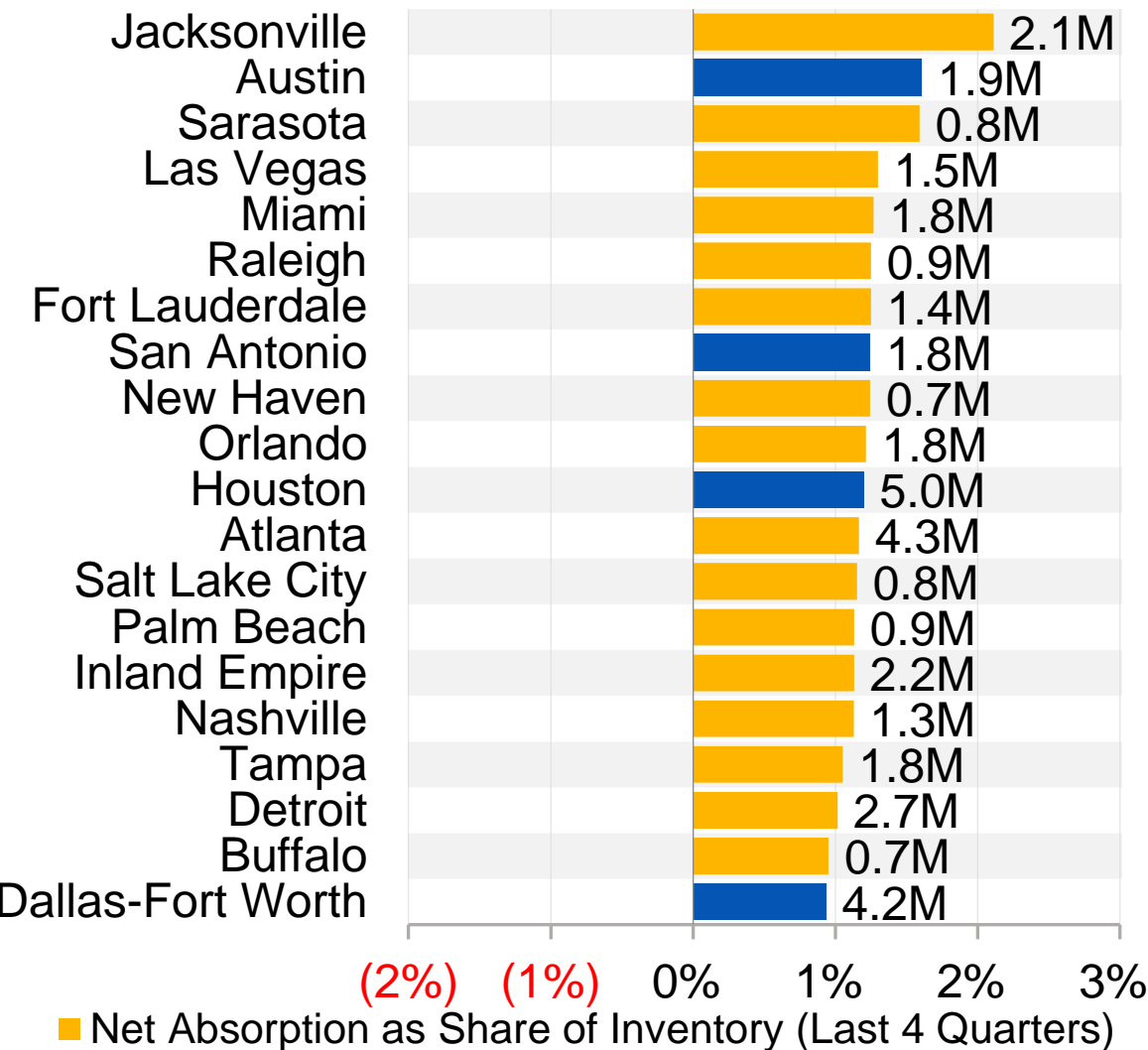


Source: Census Bureau Monthly Retail Sales Report

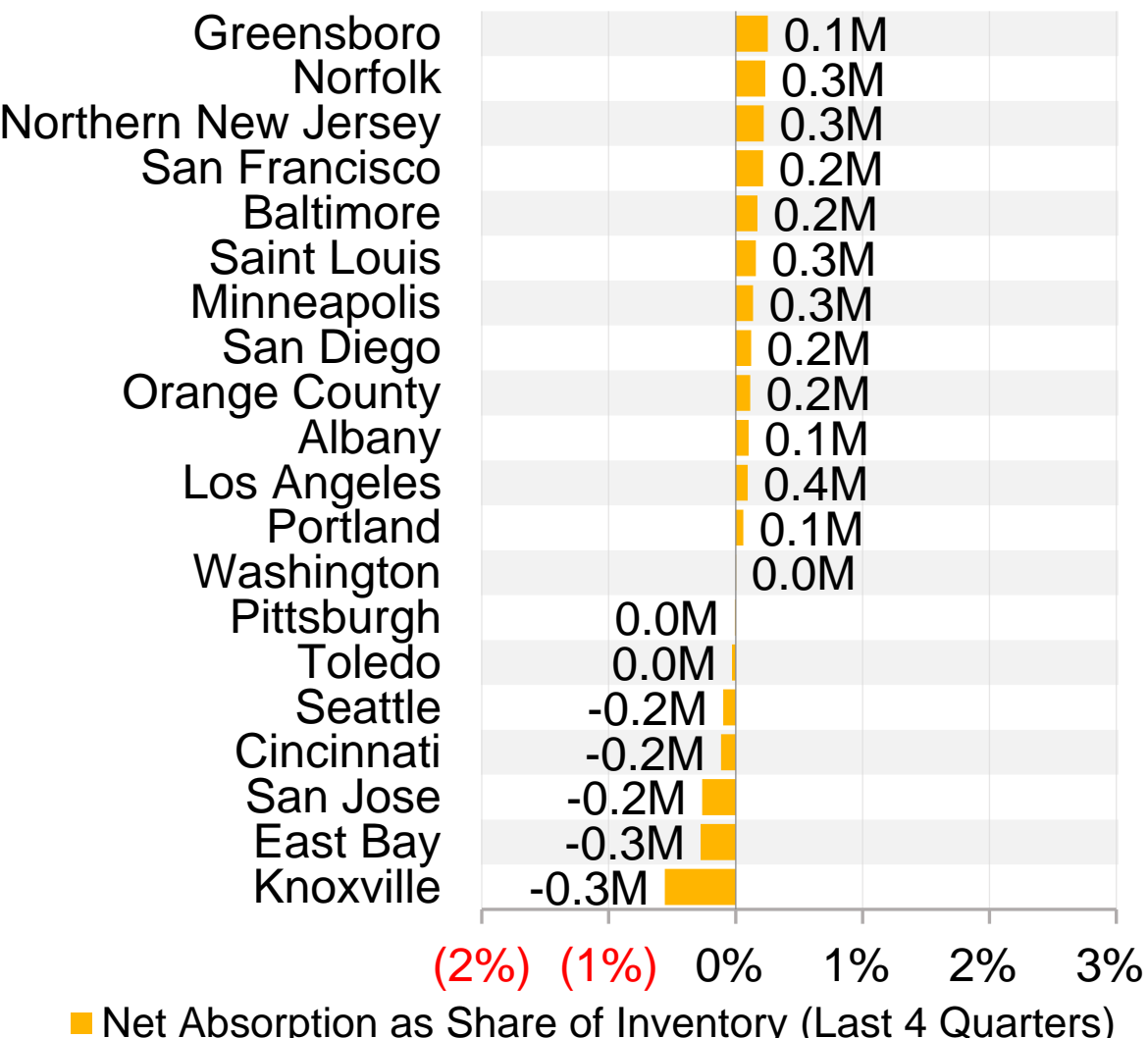
2021 Retail Leasing



Net Absorption As Share of Inventory

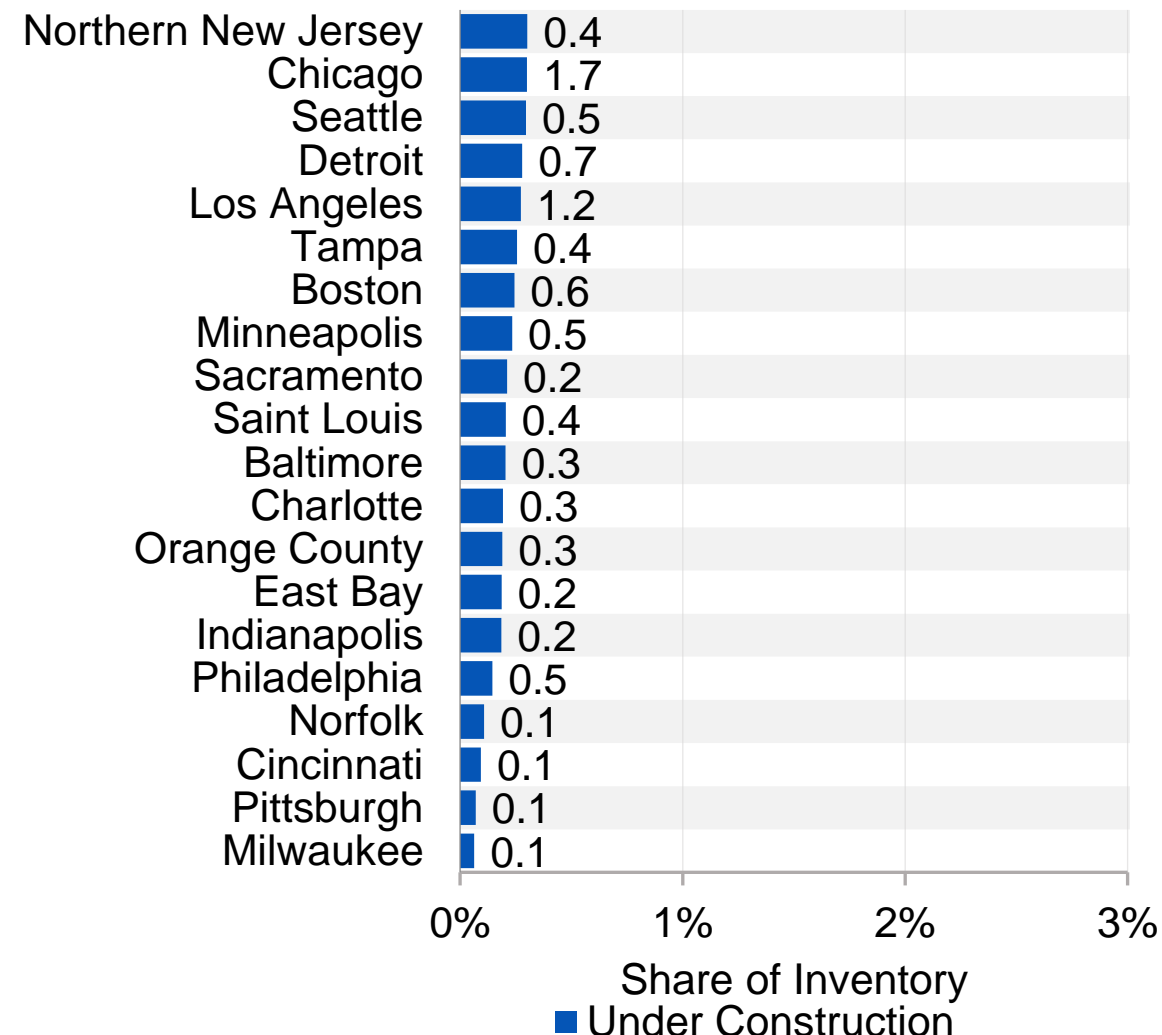
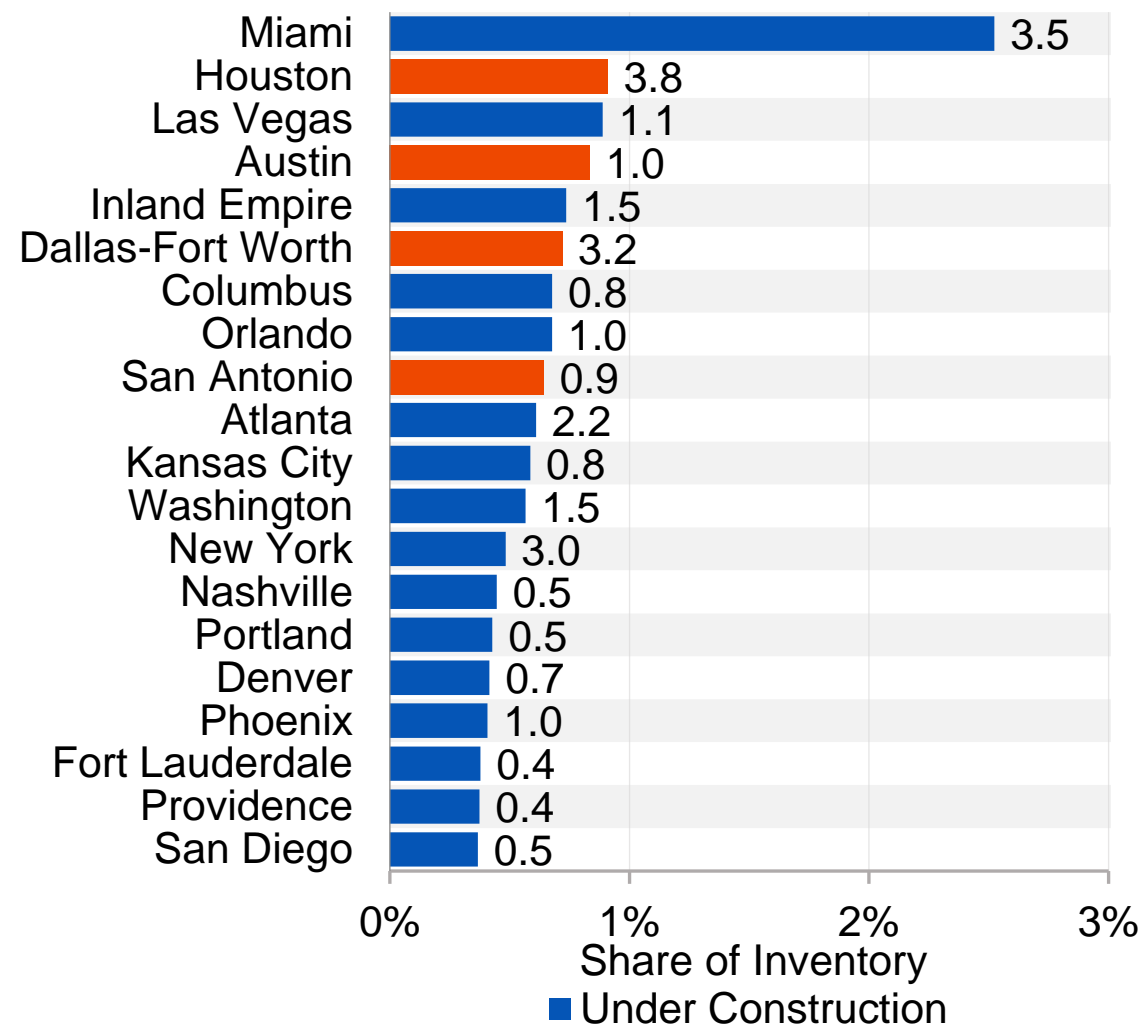


Note: Includes markets with 55M+ SF inventory.



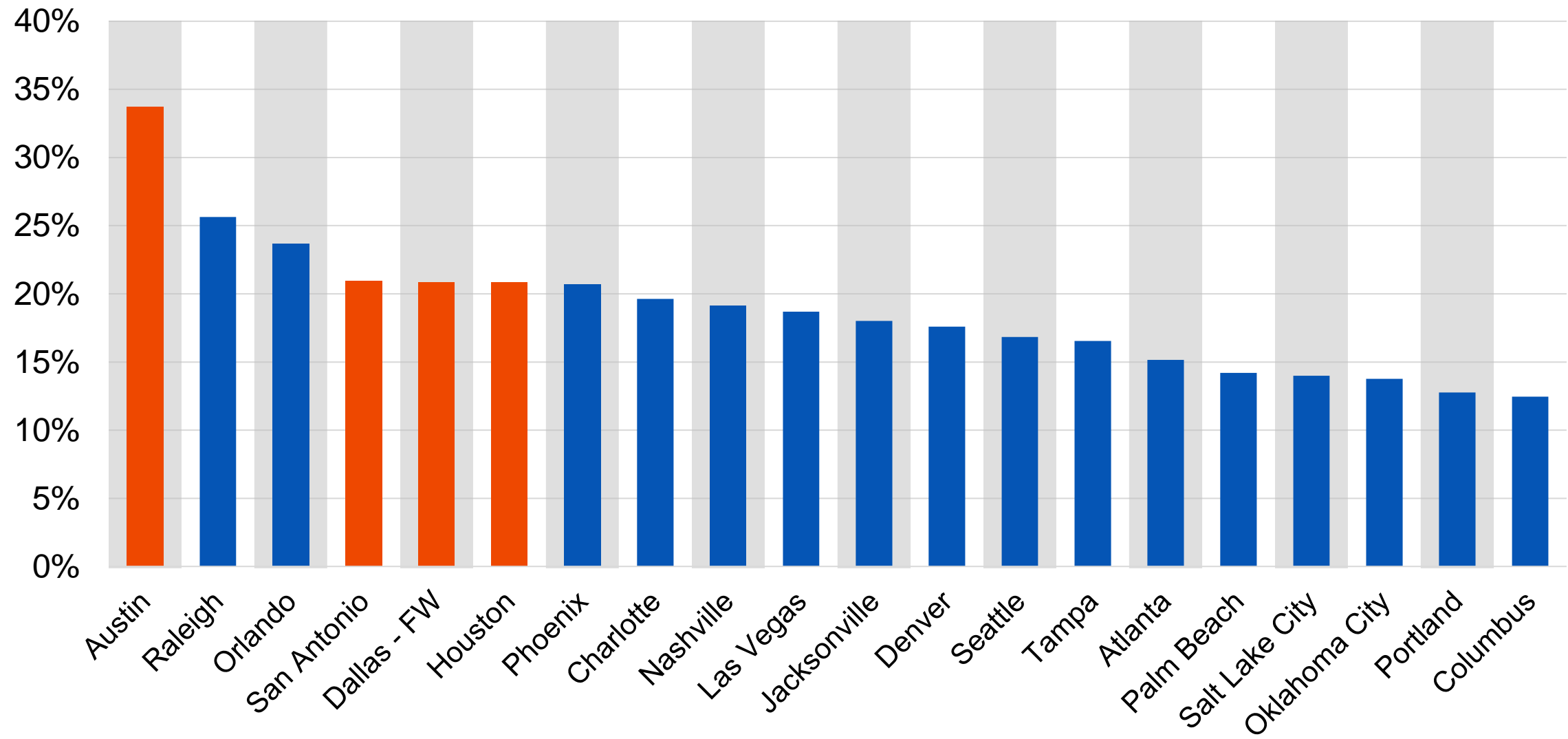
Note: Includes markets with 55M+ SF inventory.

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

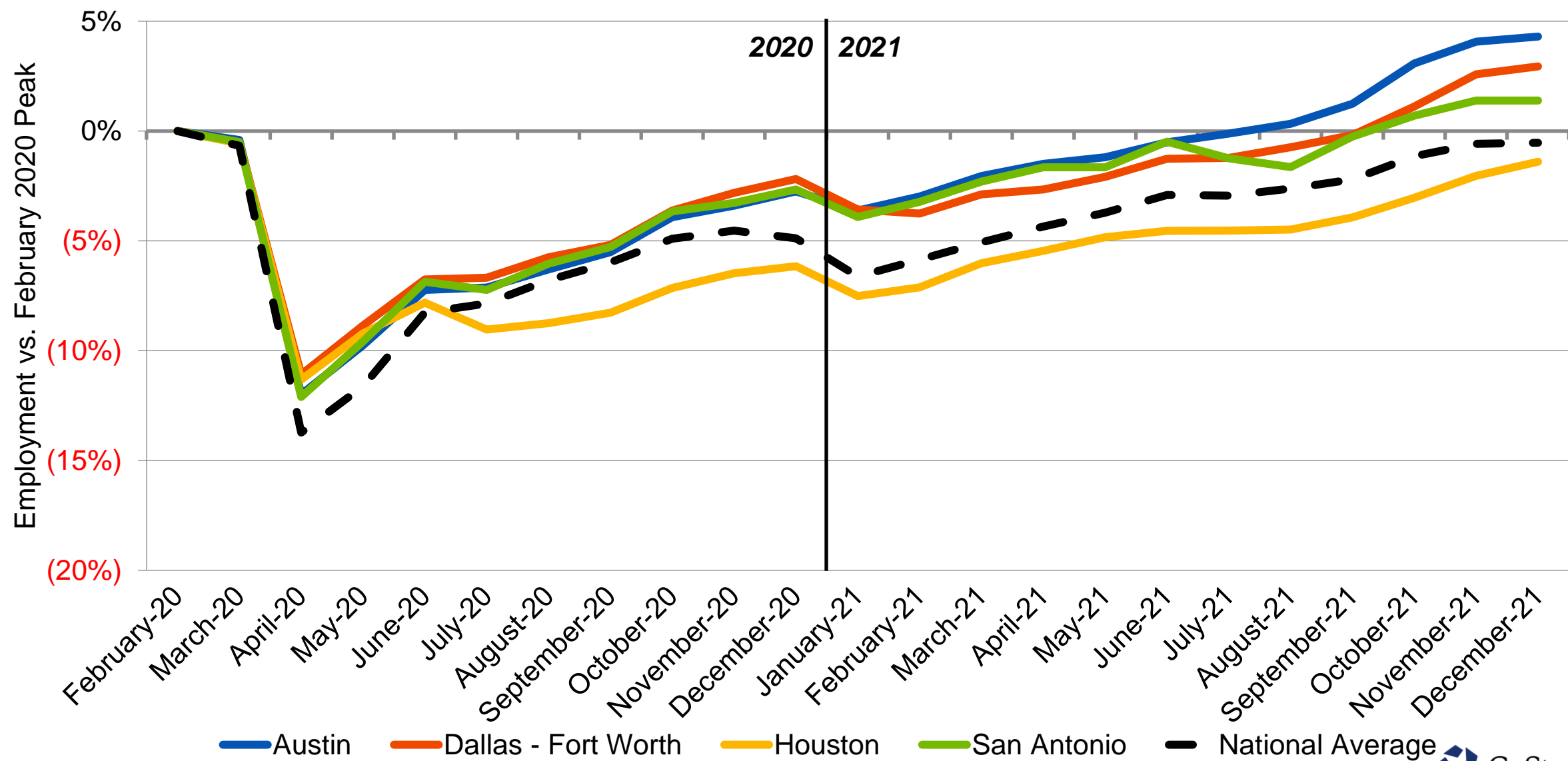


■ Percentage Population Growth, 2010-2020



Sources: U.S. Census Bureau; CoStar

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

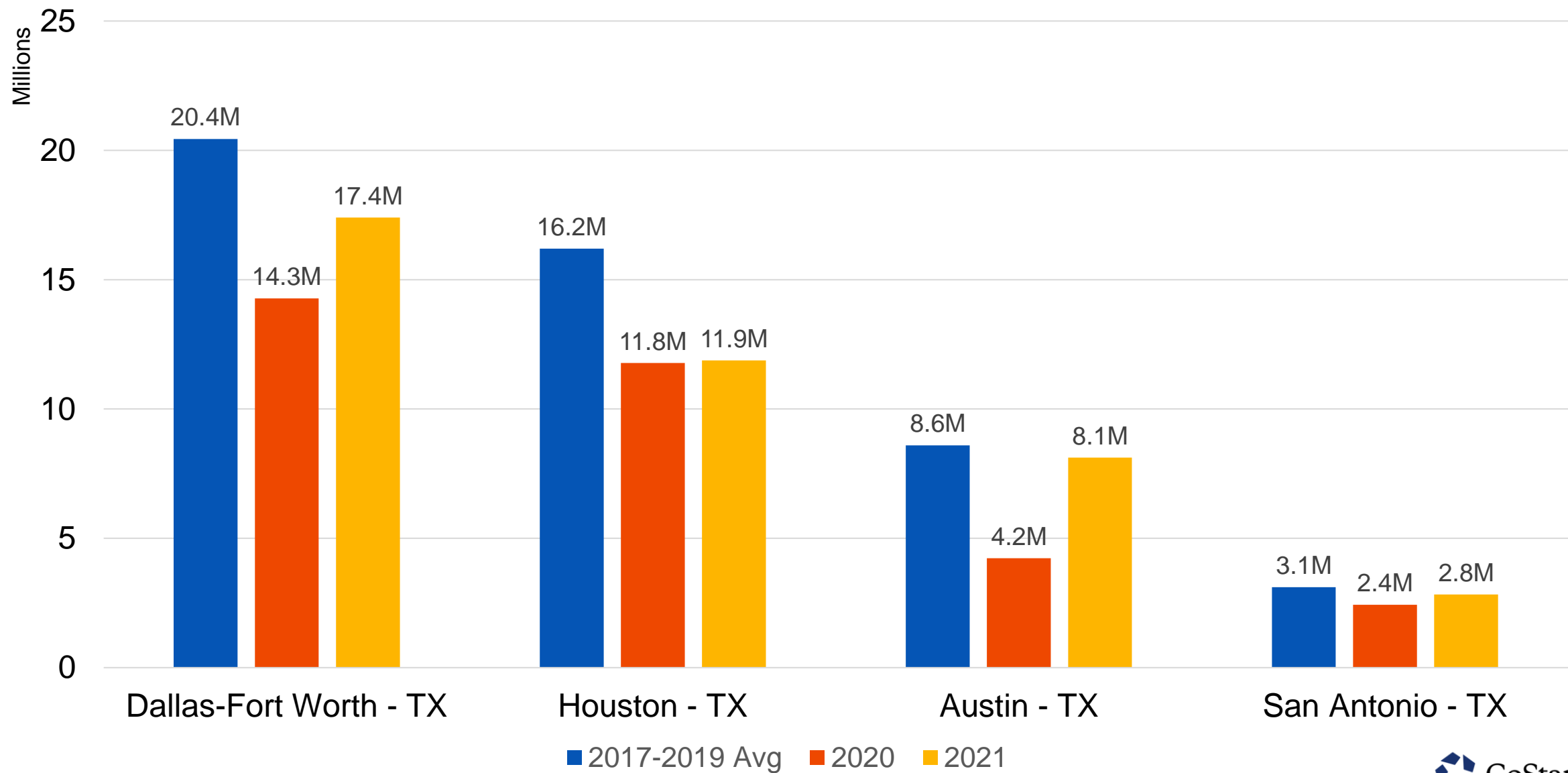
Vacancy	Texas	National
2019	4.8%	4.5%
2020	5.8%	5.1%
2021	5.1%	4.6%
2022 (f)	4.7%	4.3%

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%

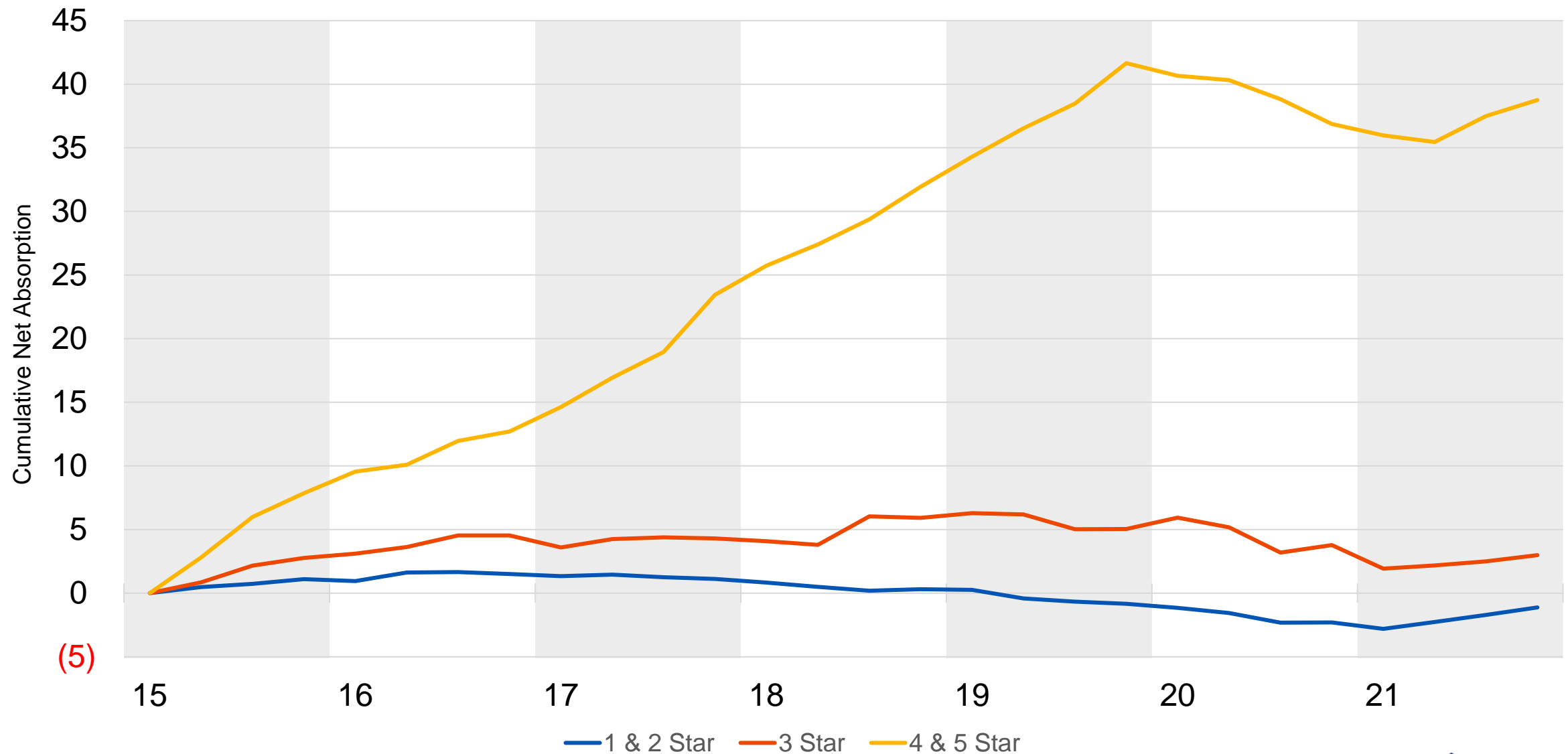
OFFICE MARKET



2021 Office Leasing

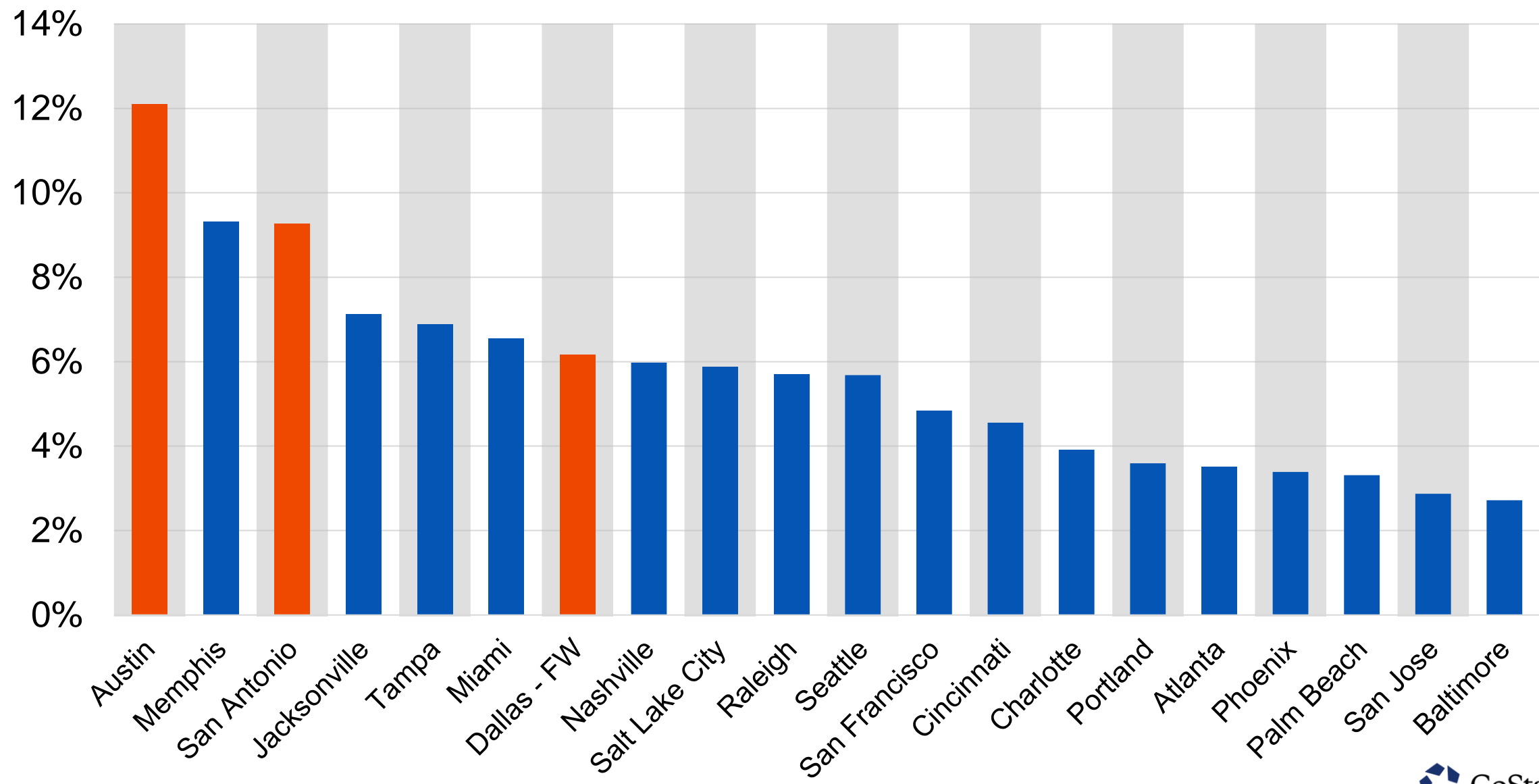


4 & 5 Star Absorption Vastly Outperforming Older Assets



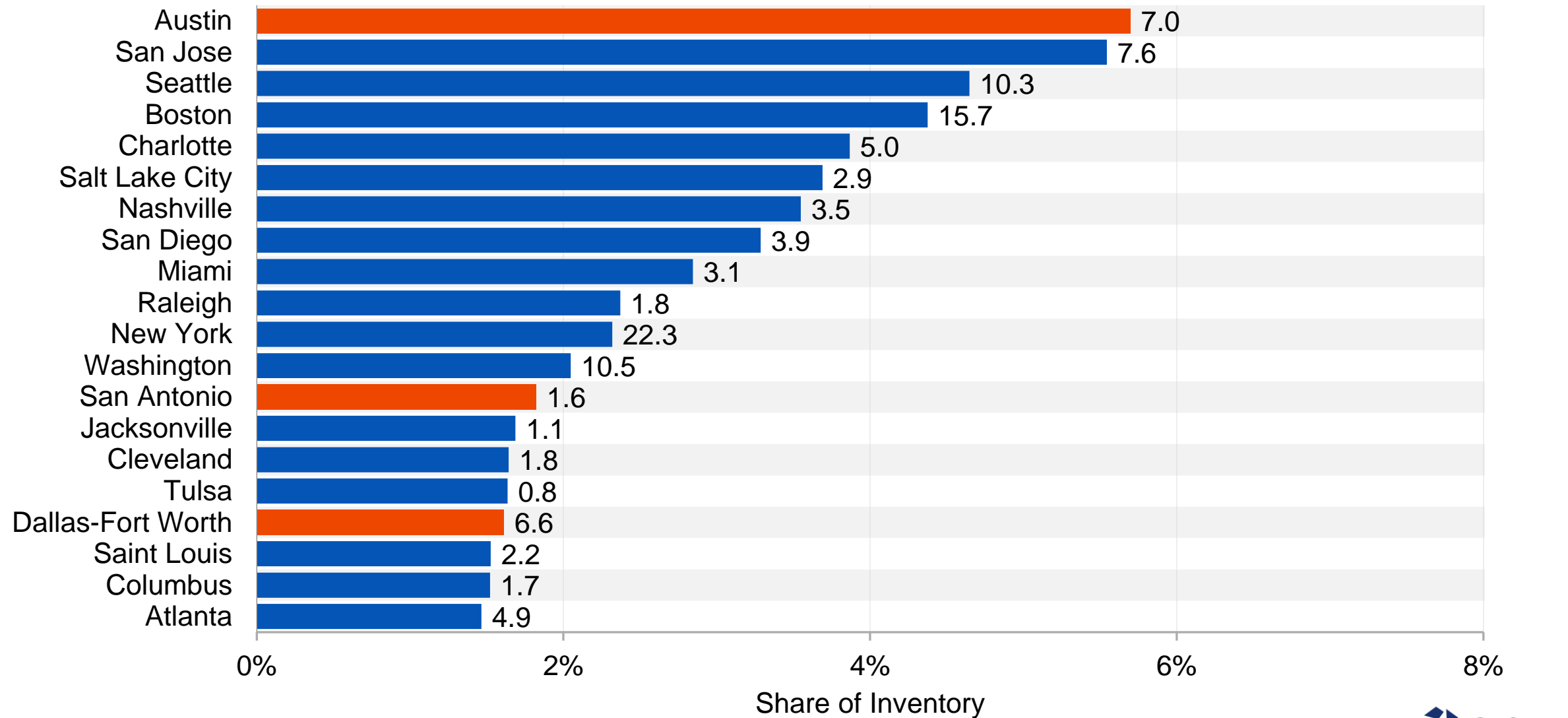
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Office Using Employment Up Considerably In TX



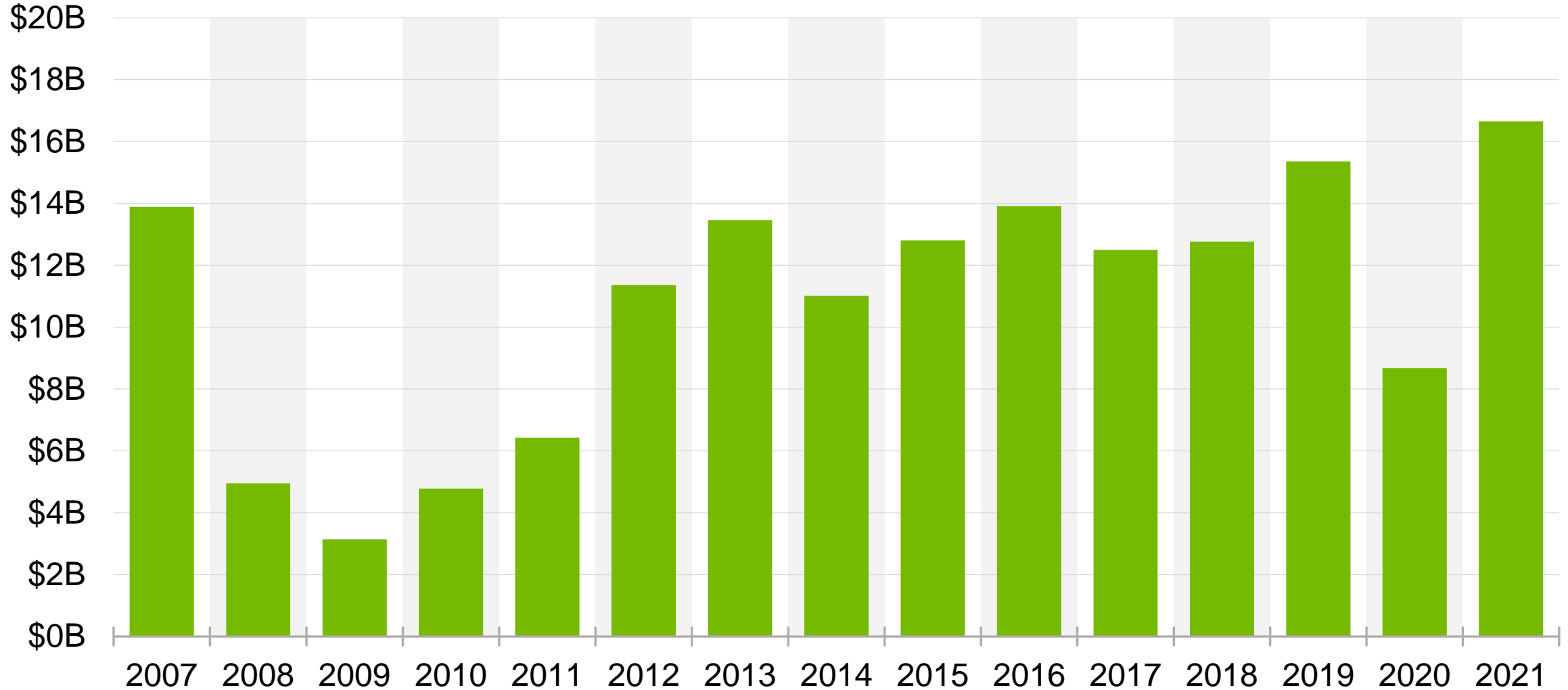
Source: BLS – Relative to Feb-2020

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%

Thank You!

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