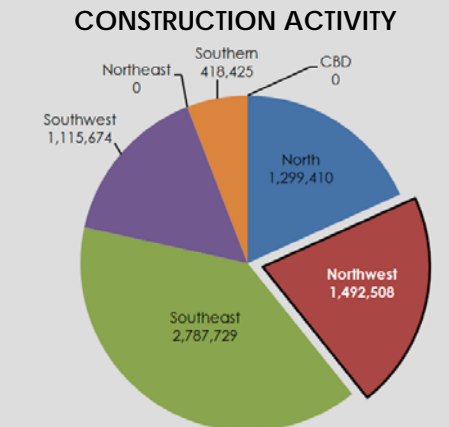
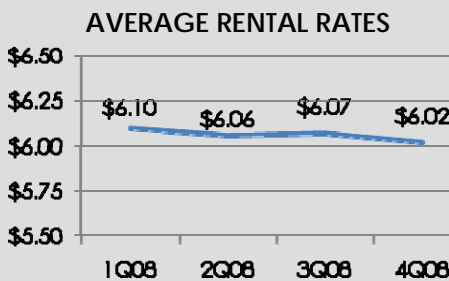
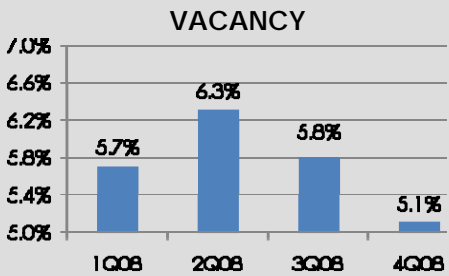




Houston Industrial: Northwest Newsletter

1ST Quarter 2009

STATISTICS



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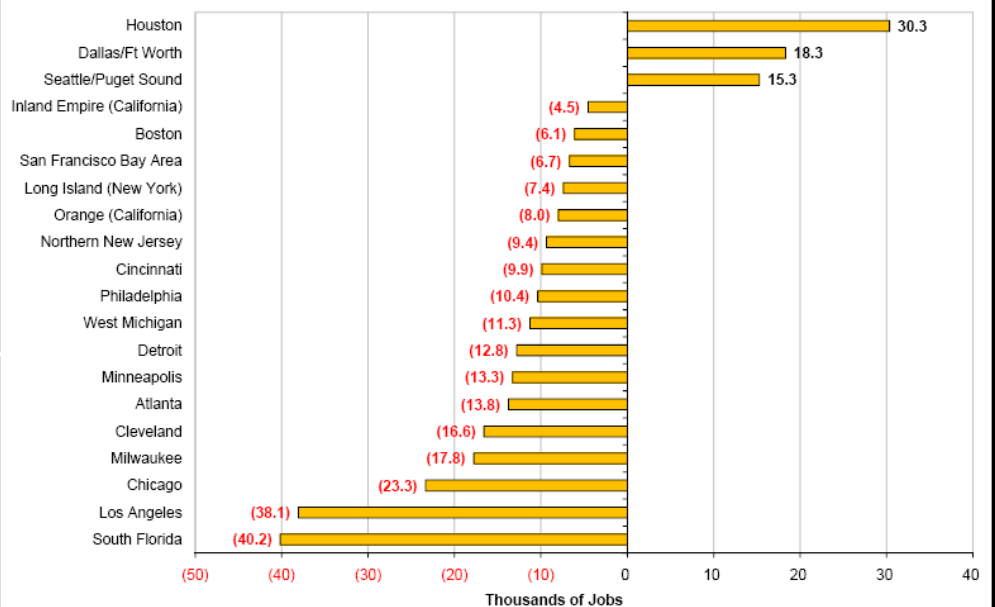
REGIONAL NEWS

What is going on in Northwest Houston?

- Construction activity is down 209,371 square feet from last quarter
- Absorption is down 585,562 square feet from last quarter
- Rental rates are trending down on average
- New development activity is slowing down significantly
- Construction of individual, user-occupied buildings is down immensely
- Tightening capital markets are stalling investment sales and forcing new investors into high equity positions
- Nervous landlords are getting creative with concessions, such as free rent and structured lease rates, to incentivize prospective tenants
- Sub-leases are continuing to splash the market as cost-minded tenants begin to downsize or relocate
- Opportunity buyers are still waiting for the market to hit bottom

TOPIC OF INTEREST: HOUSTON MARKET RANKINGS

Industrial Employment Forecast By Market for 2009



Source: "The State of the U.S. Industrial Property Market: 2008 Review/2009 Outlook"
Costar Group, Inc.

HOUSTON INDUSTRIAL MARKET OUTLOOK

**Reigning In, Locking Down and Accessing Profitability**

As everyone settles in from a long, year-end vacation, many are strapping in for the rollercoaster ride of 2009. The question for the Houston area is will this be merely a kiddy ride or the next Texas Giant? How many times will our stomach's turn before the brakes lock down and we slide back into the station to see a return to profitability?

Overall, the Houston market is holding its own against the rest of the country, but economic indicators are now showing continued softening in store for 2009. Prudent industrial users are strategizing to save money by consolidating locations, eliminating unprofitable business units and carefully negotiating the most favorable lease situations possible. The shift from buying to leasing is underway, with fewer users borrowing to invest in real estate. Sales are still being posted, but at a lower frequency and volume than in years past. A continuing fall in the price of oil is beginning to put pressure on the local economy, while jobs are becoming a growing concern as we head into the year.

Most business owners are locking down spending to focus on pushing through the downturn. Between the challenges of financing and the lack of a typical, robust market growth, new speculative industrial space in Houston will be minimal and industrial build-to-suit starts will continue to decrease as projects started in 2008 are nearing completion. The north and northwest submarkets led Houston in new construction deliveries last quarter with over two million square feet between them. However, new construction deliveries citywide in 2009 will emulate the mid-to-late 1990's when new projects were few and far between. On the bright side, industrial vacancies should remain steady as the supply pipeline eased up mid-year 2008. The largest vacancies still remain in the southeast and north Houston submarkets. This will cause lease rates to remain steady citywide, while forcing landlords to get creative with concessions to solidify deals...

To finish viewing the rest of this article, please visit the Knowledge Base section of our website at www.icotexas.com

SERVICE SPOTLIGHT: DEVELOPMENT SITE SELECTION

Mamá Lycha International Foods

Headquartered in Houston, Texas, Mama Lychá International Foods imports and distributes authentic, Latin American foods to key markets in the United States and Canada. This family-owned company started in 1992 and operates in a key niche that has seen their business grow exponentially year after year.



Challenge	Solution	Results
<ul style="list-style-type: none"> • Locate an affordable and accessible site for development of future headquarters • Accommodate current site plan and future needs • Stay in target market area • Focus on existing needs but also accommodate for future growth 	<ul style="list-style-type: none"> • Review of long-term business plan • Needs analysis planning • Comprehensive market search of vacant land sites in target area • Strategic purchase negotiations that account for loss of land to detention 	<ul style="list-style-type: none"> • Achieved client acreage requirements • Successful negotiation of purchase terms and conditions • New owner has secured a site in deed-restricted business park • Property was purchased well under market rates

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