



O'Connor & Associates Land Forecast Luncheon-Speaker: Clint Hankla - Director, Lee & Associates



CLINT HANKLA

Takeaway: The land market in the Houston Metro area is on a "sugar high", and it is a good time to be a seller while the market is booming. Interest rates will probably rise ongoing. Inventories of usable land are shrinking and prices are rising.

- Lots of activity on the west side of town as distributors seek warehouses to support the 'last mile' of delivery to consumers.
- Lots of ongoing activity on southeast side to support increased activity at the Port of Houston, where rail-served sites are in demand and selling at a price premium.
- There is no industrial 'spec' development at the moment (without pre-leasing).
- There is some vacancy in scattered industrial sub-markets.
- All-cash investors are seeking yield and are paying high prices for established industrial parks and individual properties, so it is a good time to be a seller.
- Quality infill sites such as the Coca Cola plant on Bissonnet are in high demand and generate high interest as soon as they become available.
- We have had three "500 year floods" in the past two years.
- There is new construction of warehouses with up to 40' heights, but facilities with lower ceiling heights that cannot be re-purposed may be razed and replaced with facilities more in favor with today's users. Needs change in the warehouse world...many of the 'state of the art' warehouses built just east of downtown many decades ago are now being re-purposed to residential lofts.
- We are coming up on the one year anniversary of Harvey, which has pointed out weak points in the development process; new regulations will be more costly to builders; new regs will require 18"-24" above what has been thought in the past in some areas to be the 500 flood plain...in addition, increased detention requirements will tie up more land and increase developer costs.
- Longer and more detailed permitting processes are causing developer heartburn by adding to uncertainty...and higher costs.
- Some counties contiguous to Harris - which do not have the same flooding problems-are vying for developers to come out to them.



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