



## The State of Commercial Real Estate – Retail, Land & Warehouse

Andrews Myers was happy to sponsor Houston Business Journal's (HBJ) webinar on October 16, closing out their 2020 series focused on the State of Commercial Real Estate. Panelists for this event discussed the state of retail, land, and industrial real estate sectors.

HBJ's editor-in-chief, Giselle Greenwood, moderated the panel of experts comprised of Matteson Hamilton, Managing Director & Partner of Stream Realty Partners; Simmi Jaggi, Managing Director and National Lead Land Advisory Services at JLL; and Grant Walker, Senior Director of the retail broker division at Lee & Associates – Houston.

Here are the key takeaways from the webinar:

### **E-Commerce “Turbocharged” by the COVID-19 pandemic**

It likely does not come as a surprise that e-commerce has boomed during the COVID-19 pandemic. The panelists concurred that their clients across the board – including retailers, restaurants, and industrial – have had to adapt due to the pandemic. While e-commerce has been an area of growth in the recent years, the COVID-19 pandemic has required companies to speed up the adoption process to sustain business. Specifically, panelist Simmi Jaggi with JLL contends that there is a “marriage between industrial and retail that we did not have before.” Panelist Matteson Hamilton of Stream further provided that “E-commerce is not going anywhere and is only going to grow exponentially in the future.”

### **Other Areas of Growth**

The panelists highlighted other areas of growth, which include home improvement, master-planned communities, single family homes, multi-family, and industrial market (including e-commerce). While gas stations and fast food chains continue to remain active, other retail sectors are not performing in the same way as they were pre-pandemic.

In contrast, the industrial market is thriving. According to Hamilton, industrial growth is attributed to (1) the relative ease to capitalize on deals due to reallocation of capital from office and big-box retail centers to industrial; (2) the late 2019 update in floodplain regulations that accelerated development; and (3) overall CAP rates continuing to decrease.

Meanwhile, on the land side, Jaggi says master-planned communities have had record setting growth, with single-family home developers/builders continuing to stay active due to the low interest rates. The multifamily sector is continuing to sustain, but more so in the suburban market rather than the urban market.

### **Promising Submarkets Particular to Houston, Texas**

When asked about specific submarkets in the greater Houston area that were promising, the panelists shared the following insights:

With specific regard to restaurants and retailers, panelist Grant Walker of Lee & Associates expressed that more generally, suburban areas have done better than urban areas, though it likely depends on the type of retailer or restaurant. Some specific hotspots for the restaurant/retail markets are The Woodlands, Baybrook, Katy, Sugar Land, Memorial, Kingwood and more recently, Cypress and Pearland due to their growing residential density and planned commercial development.

For the industrial market, Hamilton provided that two specific areas are seeing growth: Southwest Houston and West Houston. With specific regard to West Houston, the growth is due to availability of labor in Harris, Waller, and Fort Bend counties. The strategic location also allows West Houston to serve as a quasi-local, or regional hub, with short travel times to other Texas cities like Austin and San Antonio.

Jaggi mentioned that land sales are growing substantially in areas such as Aliana in Richmond, Texas, Manvel, and Conroe. The construction and extension of Grand Parkway has facilitated growth in these areas by enabling ease of transportation to the City of Houston.

### **Looking Forward**

Though all the panelists seemed optimistic about their specific sectors, none predicted that there would be exponential growth in the near future. Jaggi stated that “flat is the new up,” indicating that there will likely remain overall flat growth, with some industries flourishing more than others. On the retail side of things, she contended that Houston remains “under-demolished” with too many commercial strip centers, but the trends indicate that we will continue to see a partnership between retail and industrial realms and urban and suburban areas (with urban pockets in suburban areas and more vertical growth).

Walker has seen that major big-box retailers are still signing leases, but overall deals are taking much longer to consummate compared to pre-pandemic timelines.

On the industrial side of things, Hamilton shared that while the construction timelines for industrial projects are much shorter, there is a supply side issue with many vacant industrial spaces (with clients preferring build-to-suit spaces). Ultimately, he believes that there will be a slowdown due to land constraints and diminishing capital.

We appreciate Houston Business Journal's continued efforts to keep Andrews Myers, P.C., and other industry professionals, informed about the State of Commercial Real Estate and beyond. The full webinar is expected to be released this week at [bizjournals.com](http://bizjournals.com).

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