

## Quarterly Snapshot

↑	Average Rent \$8.78/SF
↓	Vacancy 7.0%
↓	Net Absorption YTD 888,534 SF

## Occupier's Perspective

Asking rents remain steadily mid-pack among major US metros as an active supply pipeline has kept rent growth well below the national average.

While large-scale logistics space is more widely available, tenants in need of newer, high-quality small-bay space face stiffer competition with minimal new inventory added in recent years.

A business friendly climate, modest cost of living and strong employment growth have led to a population boom, making the Houston metro area one of the fastest growing in the nation.

Houston's industrial market remains strong, underpinned by its strategic location, expanding population, and significant port activity. The vacancy rate has decreased to 7.2%, dipping below the national average for the first time in nearly a decade. Net absorption continues to surpass pre-pandemic levels, indicating sustained demand for industrial space.

While activity has cooled from the peaks seen in 2021-2023, leasing volume remains nearly 30% above pre-pandemic levels. In all, Houston ranks third for trailing 12-month net absorption among major US metros as the local tenant base continues to grow amid softened demand nationally.

The recent record wave of speculative supply has tempered overall rent growth, however, tenants are still facing significant rent increases upon renewal. Market rents have jumped 10.5% over the past 3 years and nearly 35% over the past decade.

As the development pipeline continues to unwind with construction starts at their lowest levels since 2017, demand-side pressure is expected to intensify. This tightening supply, coupled with sustained tenant demand, suggests that vacancy rates may decline further, potentially leading to a reacceleration in rent growth.

## Recent Transactions

Tenant	Size (SF)	Submarket	Type
Tesla	1,039,060 SF	Northwest Corridor	Renewal
Tesla	616,463 SF	Northwest Corridor	New
Daikin	494,800 SF	Northwest Corridor	Renewal
EDA International	373,860 SF	Northwest Corridor	New
Undisclosed	298,200 SF	Southeast Corridor	New
Francesca's	217,869 SF	Northwest Corridor	Renewal
W-Industries	215,474 SF	North Corridor	Renewal
Richardson Sports	193,440 SF	Northwest Corridor	New
Midstream Valve Partners	173,544 SF	Northwest Corridor	New

## Submarket Movement

Vacancy Rate	QOQ Change	Direct Asking Rent (\$/SF)	Submarket
7.0%	▼	\$7.96	Northeast Corridor
8.7%	▼	\$8.14	Southeast Corridor
5.5%	▲	\$8.19	South Corridor
5.5%	▼	\$9.22	Northwest Corridor
6.6%	▲	\$9.36	North Corridor
5.9%	▲	\$9.47	CBD
8.8%	▼	\$9.52	Southwest Corridor

## Market Comparison

Submarket/Class	Inventory SF	Total Vacancy Rate	Total Availability Rate	Total Available SF	Sublease SF	YTD Net Absorption SF	Under Construction SF	YTD Deliveries	Market Asking Rate (FSG)
<b>CBD</b>	<b>9,440,689</b>	<b>5.9%</b>	<b>8.9%</b>	<b>843,294</b>	<b>23,893</b>	<b>(69,444)</b>	<b>0</b>	<b>0</b>	<b>\$9.47</b>
Warehouse	7,791,232	4.7%	8.0%	624,875	0	(72,994)	0	0	\$8.39
Flex	1,649,457	11.8%	13.2%	218,419	23,893	3,550	0	0	\$14.84
<b>Northeast Corridor</b>	<b>51,723,063</b>	<b>7.0%</b>	<b>11.1%</b>	<b>5,954,290</b>	<b>0</b>	<b>346,471</b>	<b>1,739,413</b>	<b>0</b>	<b>\$7.96</b>
Warehouse	50,898,800	7.1%	11.0%	5,816,499	0	340,276	1,739,413	0	\$7.88
Flex	824,263	2.8%	16.7%	137,791	0	6,195	0	0	\$13.35
<b>North Corridor</b>	<b>130,330,673</b>	<b>6.6%</b>	<b>8.5%</b>	<b>11,228,699</b>	<b>815,487</b>	<b>(121,898)</b>	<b>1,504,142</b>	<b>951,074</b>	<b>\$9.36</b>
Warehouse	119,305,693	6.3%	8.6%	10,406,370	758,763	(61,562)	1,483,667	951,074	\$9.07
Flex	11,024,980	9.9%	7.4%	822,329	56,724	(60,336)	20,475	0	\$12.55
<b>Northwest Corridor</b>	<b>189,798,152</b>	<b>5.5%</b>	<b>8.6%</b>	<b>16,741,406</b>	<b>852,011</b>	<b>367,717</b>	<b>4,859,357</b>	<b>117,309</b>	<b>\$9.22</b>
Warehouse	175,366,788	5.1%	8.4%	15,056,188	710,426	301,753	4,789,357	56,784	\$8.98
Flex	14,431,364	10.5%	11.6%	1,685,218	141,585	65,964	70,000	60,525	\$12.24
<b>Southeast Corridor</b>	<b>135,009,126</b>	<b>8.7%</b>	<b>11.3%</b>	<b>15,684,482</b>	<b>783,642</b>	<b>262,881</b>	<b>3,944,198</b>	<b>752,134</b>	<b>\$8.14</b>
Warehouse	131,680,769	8.7%	11.4%	15,398,834	773,538	259,930	3,919,698	752,134	\$8.01
Flex	3,328,357	7.4%	8.5%	285,648	10,104	2,951	24,500	0	\$13.19
<b>South Corridor</b>	<b>53,141,139</b>	<b>5.5%</b>	<b>7.9%</b>	<b>4,279,763</b>	<b>363,504</b>	<b>(40,940)</b>	<b>1,324,717</b>	<b>661,680</b>	<b>\$8.19</b>
Warehouse	50,620,771	5.2%	7.5%	3,887,955	357,644	68,245	1,284,717	661,680	\$7.99
Flex	2,520,368	11.1%	15.3%	391,808	5,860	(109,185)	40,000	0	\$12.15
<b>Southwest Corridor</b>	<b>97,403,356</b>	<b>8.8%</b>	<b>12.1%</b>	<b>12,076,288</b>	<b>1,402,731</b>	<b>102,908</b>	<b>2,255,182</b>	<b>871,808</b>	<b>\$9.52</b>
Warehouse	86,402,525	9.2%	12.6%	11,189,124	1,366,457	96,877	2,168,153	842,408	\$9.00
Flex	11,000,831	6.0%	8.0%	887,164	36,274	6,031	87,029	29,400	\$13.61
<b>Houston</b>	<b>706,442,679</b>	<b>7.0%</b>	<b>9.8%</b>	<b>70,483,787</b>	<b>4,766,334</b>	<b>888,534</b>	<b>15,627,009</b>	<b>3,354,005</b>	<b>\$8.78</b>
Warehouse	660,517,241	6.8%	9.8%	65,959,217	4,491,894	946,271	15,385,005	3,264,080	\$8.50
Flex	45,925,438	8.9%	9.8%	4,524,570	274,440	(57,737)	242,004	89,925	\$12.93