

Quarterly Snapshot

↑	Average Rent \$9.12/SF
↑	Vacancy 7.3%
↓	Net Absorption YTD 8,155,902 SF

Occupier's Perspective

Rising vacancy and slower absorption are giving tenants more negotiating power, particularly in the big-box segment where concessions are increasing.

Infill and small-bay spaces remain scarce, lease quickly, and see limited concessions, making early action critical for occupiers seeking these locations.

Even with rent growth slowing, many renewals are being marked to market at higher rates, reflecting the steep gains achieved during the record active leasing market post-pandemic.

Houston's industrial market is showing signs of cooling after several years of record expansion. Vacancy has climbed for three consecutive quarters, reaching 7.3% as net absorption slows and new supply continues to deliver. Bulk distribution properties, which have grown by nearly 40% since 2020, face the most pressure, with larger boxes now sitting on the market longer.

Even so, tenant demand remains healthy. Logistics and manufacturing users continue to expand, highlighted by Eli Lilly's announcement of a \$6.5 billion manufacturing facility in Generation Park. Over the past year, net absorption has trailed new deliveries, keeping supply/demand out of balance. Newer facilities with taller clear heights and robust power continue to capture the bulk of leasing.

Rent growth is decelerating and concessions have expanded on big-box deals, while small-bay spaces under 25,000 SF remain tight. With 22 MSF under construction—much of which is unleased—supply will continue to weigh on rent growth through 2026.

Despite near-term headwinds, Houston's long-term industrial fundamentals remain solid. Port Houston container volumes are up 5% year-to-date, population growth remains among the strongest in the country, and manufacturers are committing to large-scale investments. While vacancy may drift higher in the coming quarters, strong demand drivers, limited small-bay construction, and Houston's strategic location should underpin stability over the longer horizon.

Recent Transactions

Tenant	Size (SF)	Submarket	Type
Panelmatic	728,080	North Corridor	New
Inventec	540,000	Northwest Corridor	New
Creative Innovation	496,560	Southern Corridor	New
Supply Chain Management	420,510	Southeast Corridor	New
East Coast Warehouse	321,440	Southeast Corridor	New
Discovery SCM	293,280	Northwest Corridor	New
De Well Group	248,262	Southeast Corridor	New
Mill Steel Company	218,856	Southeast Corridor	New
Applied Optoelectronics	209,665	Southwest Corridor	New

Submarket Movement

Vacancy Rate	QOQ Change	Direct Asking Rent (\$/SF)	Submarket
6.5%	▼	\$7.67	CBD
8.9%	▲	\$8.06	Northeast Corridor
4.8%	▼	\$8.21	South Corridor
9.1%	▲	\$8.46	Southeast Corridor
5.9%	▼	\$9.46	Northwest Corridor
8.8%	▼	\$9.93	Southwest Corridor
7.2%	▲	\$9.97	North 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
CBD	48,730,674	6.5%	8.6%	4,178,023	680,831	(50,999)	0	0	\$7.67
Warehouse	45,845,082	6.2%	8.4%	3,863,824	665,328	(64,755)	0	0	\$7.10
Flex	2,885,592	10.0%	10.9%	314,199	15,503	13,756	0	0	\$16.81
Northeast Corridor	55,372,544	8.9%	11.1%	6,292,751	725,229	415,247	1,235,244	1,534,416	\$8.06
Warehouse	54,375,071	8.9%	11.2%	6,208,382	725,229	406,529	1,235,244	1,494,416	\$7.99
Flex	997,473	8.5%	8.5%	84,369	0	1,494,416	0	40,000	\$12.26
North Corridor	149,289,521	7.2%	9.7%	14,882,485	1,116,911	993,530	3,853,676	2,980,914	\$9.97
Warehouse	136,017,540	6.9%	9.9%	13,790,976	1,096,128	959,226	3,655,054	2,868,533	\$9.68
Flex	13,271,981	10.0%	8.1%	1,091,509	20,783	34,304	198,622	112,381	\$12.93
Northwest Corridor	216,383,645	5.9%	8.7%	19,447,325	896,988	2,560,775	6,660,028	3,677,561	\$9.46
Warehouse	199,795,879	5.5%	8.4%	17,418,673	746,376	2,562,754	6,590,028	3,589,036	\$9.19
Flex	16,587,766	10.9%	12.2%	2,028,652	150,612	(1,979)	70,000	88,525	\$12.77
Southeast Corridor	148,531,022	9.1%	11.1%	16,982,816	987,505	1,253,794	4,928,179	4,031,142	\$8.46
Warehouse	144,392,291	9.2%	11.1%	16,607,194	977,401	1,245,905	4,850,134	4,001,142	\$8.32
Flex	4,138,731	6.8%	8.9%	375,622	10,104	7,889	59,545	30,000	\$13.64
South Corridor	62,599,999	4.8%	9.8%	6,520,463	143,891	890,522	3,599,796	1,157,471	\$8.21
Warehouse	59,425,473	4.4%	9.5%	5,995,751	138,031	1,015,752	3,507,892	1,157,471	\$7.97
Flex	3,174,526	12.2%	16.1%	524,712	5,860	(121,480)	91,904	0	\$12.83
Southwest Corridor	110,980,596	8.8%	11.1%	12,559,847	1,622,684	2,063,082	1,719,122	2,838,913	\$9.93
Warehouse	97,142,446	8.9%	11.2%	11,079,725	1,578,539	2,353,248	1,616,752	2,653,226	\$9.43
Flex	13,838,150	8.4%	10.6%	1,480,122	44,145	(290,166)	102,370	185,687	\$13.92
Houston	796,591,277	7.3%	9.9%	81,071,441	6,174,039	8,155,902	21,996,045	16,220,417	\$9.12
Warehouse	741,577,614	7.1%	9.9%	75,172,256	5,927,032	8,504,860	21,455,104	15,763,824	\$8.81
Flex	55,013,663	9.7%	10.6%	5,899,185	247,007	(348,958)	540,941	456,593	\$13.39