

MARKET FUNDAMENTALS

	YOY Chg	Outlook
5.4% Overall Vacancy	▼	▬
\$20.85 Avg. Direct NNN Rent	▲	▲
\$82,500 Median HH Income	▲	▲
1.9% Population Growth (YOY)	▼	▲
4.4% Unemployment Rate	▲	▼

ECONOMIC INDICATORS

	YOY Chg	Outlook
2.4% GDP Growth	▼	▲
2.7% Consumer Price Index Growth	▼	▲
3.0% Consumer Spending Growth	▲	▲
3.2% Retail Sales Growth	▲	▬

ECONOMY

Total employment stood at 3.5 million in Houston's metro area (MSA) at the end of Q1 2025, representing a 1.3% year-over-year (YOY) increase. Houston's YOY job growth is slightly higher than the 1.2% YOY rise experienced nationwide and among the 10 U.S. markets with the largest labor forces, Houston's annual growth ranked second, just behind Manhattan (1.7%).

The Houston MSA private employment sectors with the largest YOY growth included other services (5.8%), manufacturing (2.2%), leisure and hospitality (1.8%), and construction (1.6%). Three sectors declined during that time – information (-4.4%), financial activities (-1.2%), and mining and logging (-0.2%). Houston's unemployment rate remained elevated at 4.4% in Q1 2025, 30 basis points (bps) above the national rate of 4.1%.

SUPPLY AND DEMAND

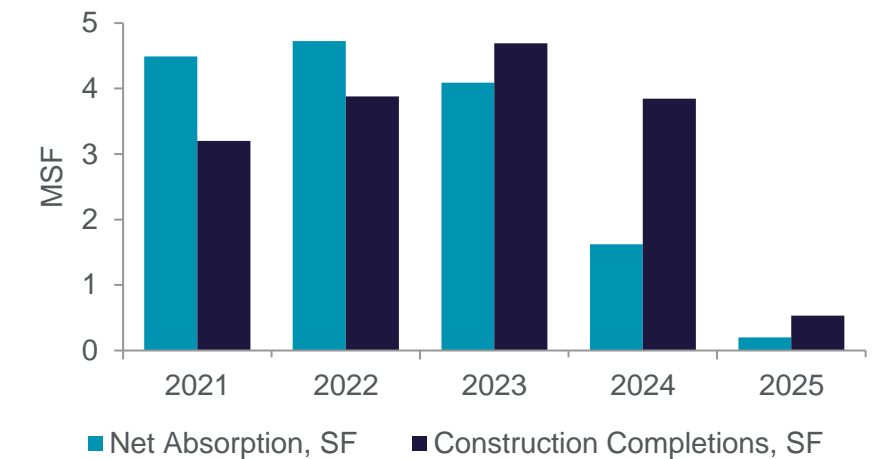
The Houston retail market closed Q1 2025 at 5.4% vacant, reflecting a 10 bps decrease quarter-over-quarter (QOQ), but up 20 bps YOY. The tightest submarkets were Southwest (3.3% vacant) and Far North (4.1% vacant). Over the past three years, vacancy rates have averaged just 5.2%, reflecting these tight market conditions and making it increasingly challenging for tenants to find adequate retail space. Retail deliveries totaled 534,172 square feet (sf) in Q1 2025, marking a 33.1% decline from 798,767 sf delivered in Q4 2024. Nearly half of this new supply was concentrated in two submarkets – Far North (150,072 sf) and Katy Area (94,123 sf). Meanwhile, 160 developments totaling 3.5 million square feet (msf) are currently underway, with the bulk of activity concentrated in three submarkets – South (1.0 msf), Katy Area (561,328 sf), and Far Southwest (535,877 sf).

Houston's retail market recorded 200,057 sf of positive net absorption in Q1 2025, less than half of last year's quarterly average, as limited retail space availability continued to constrain absorption. Leasing activity experienced a 12.6% QOQ decrease, totaling 2.0 msf in Q1 2025, just under the 2024 quarterly average. During Q1 2025, West/Northwest led all submarkets with 385,781 sf of new leasing activity, followed by East (263,826 sf) and South (236,823 sf). These three Houston submarkets dominated leasing activity, closing just under half (45.1%) of the total leasing activity recorded during the quarter.

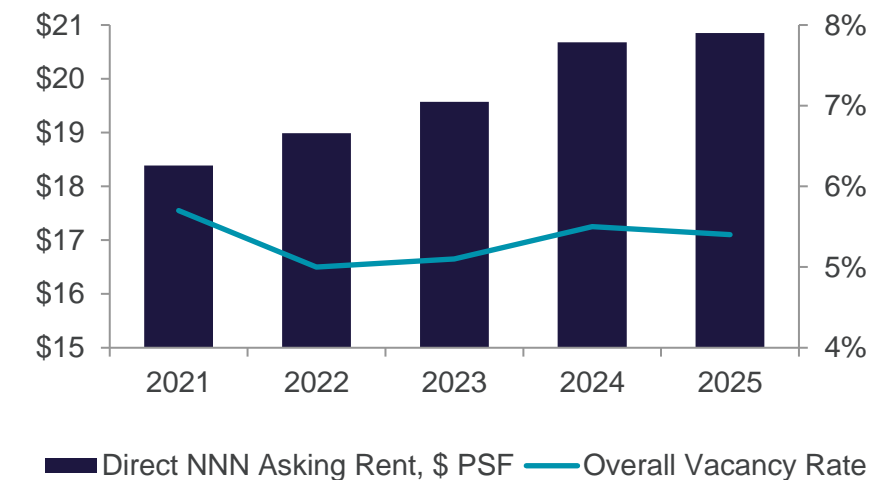
PRICING

Average asking rents closed Q1 2025 at \$20.85 per square foot (psf), up 0.8% YOY but largely unchanged from last quarter. Asking rents in the Katy Area submarket recorded the highest YOY growth, increasing 16.6% to \$28.04 psf, followed by Far Northwest, where rents rose 13.4% YOY to \$22.44 psf, and the Southwest, where rents rose 5.3% YOY to \$19.66 psf. Uptown/Galleria continues to command the highest rental rates in the city at \$46.66 psf, driven by its concentration of high-end retail, followed by the Central/Inner Loop submarket at \$29.57 psf.

SPACE DEMAND / DELIVERIES



ASKING RENT & VACANCY RATE



MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	DIRECT VACANT (SF)	SUBLEASE VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR NET ABSORPTION (SF)	YTD NET ABSORPTION (SF)	UNDER CONSTR (SF)	DELIVERIES (SF)	LEASING ACTIVITY (SF)	DIRECT AVG NNN ASKING RENT	ASKING RENT % CHANGE YOY
Central/Inner Loop	32,824,324	1,762,814	59,197	5.6%	49,758	49,758	235,780	22,000	139,038	\$29.57	-3.8%
Uptown/Galleria	4,587,218	266,411	1,253	5.8%	-26,178	-26,178	0	0	1,971	\$46.66	-15.2%
Memorial/Westchase	15,170,530	660,633	3,934	4.4%	59,771	59,771	12,094	0	67,887	\$23.58	3.0%
Katy Area	31,426,563	1,544,761	4,650	4.9%	1,990	1,990	561,328	94,123	109,558	\$28.04	16.6%
West/Northwest	68,229,440	4,887,272	41,169	7.2%	-152,060	-152,060	32,758	25,000	385,781	\$16.65	-3.7%
Far Northwest	38,557,317	2,088,932	44,900	5.5%	-51,761	-51,761	386,357	65,000	208,075	\$22.44	13.4%
Far North	34,834,592	1,356,896	70,114	4.1%	31,042	31,042	324,167	150,072	128,115	\$21.55	-6.0%
Spring/Kingwood	10,673,962	657,592	0	6.2%	-85,417	-85,417	20,050	0	34,170	\$18.95	5.0%
East	24,459,263	1,069,185	0	4.4%	-25,837	-25,837	261,871	47,100	263,826	\$18.81	1.0%
NASA/Clear Lake/Galveston	27,641,293	1,680,107	25,688	6.2%	128,839	128,839	151,913	0	130,737	\$16.35	-1.4%
South	49,203,389	2,659,609	36,522	5.5%	-62,939	-62,939	1,003,692	72,828	236,823	\$17.99	-12.1%
Southwest	20,647,171	667,447	5,138	3.3%	146,789	146,789	16,368	0	39,688	\$19.66	5.3%
Far Southwest	44,204,380	2,282,803	14,452	5.2%	186,060	186,060	535,877	58,049	219,850	\$21.91	5.0%
HOUSTON TOTAL	402,459,442	21,584,462	307,017	5.4%	200,057	200,057	3,542,255	534,172	1,965,519	\$20.85	0.8%

KEY LEASE TRANSACTIONS Q1 2025

BUILDING	ADDRESS	SUBMARKET	TENANT	SF
Sam's Club	6611 Garth Road	East	Sam's Club	134,000
Andretti Indoor Karting & Games	1307 Jasmine Avenue	NASA/Clear Lake/Galveston	Andretti Indoor Karting & Games	50,000
EoS Fitness	17990 West Lake Houston Parkway	East	EoS Fitness	42,000
Texas City Bay Shopping Center	3405 Palmer Highway	NASA/Clear Lake/Galveston	Confidential Tenant	41,927

KEY SALES TRANSACTIONS Q1 2025

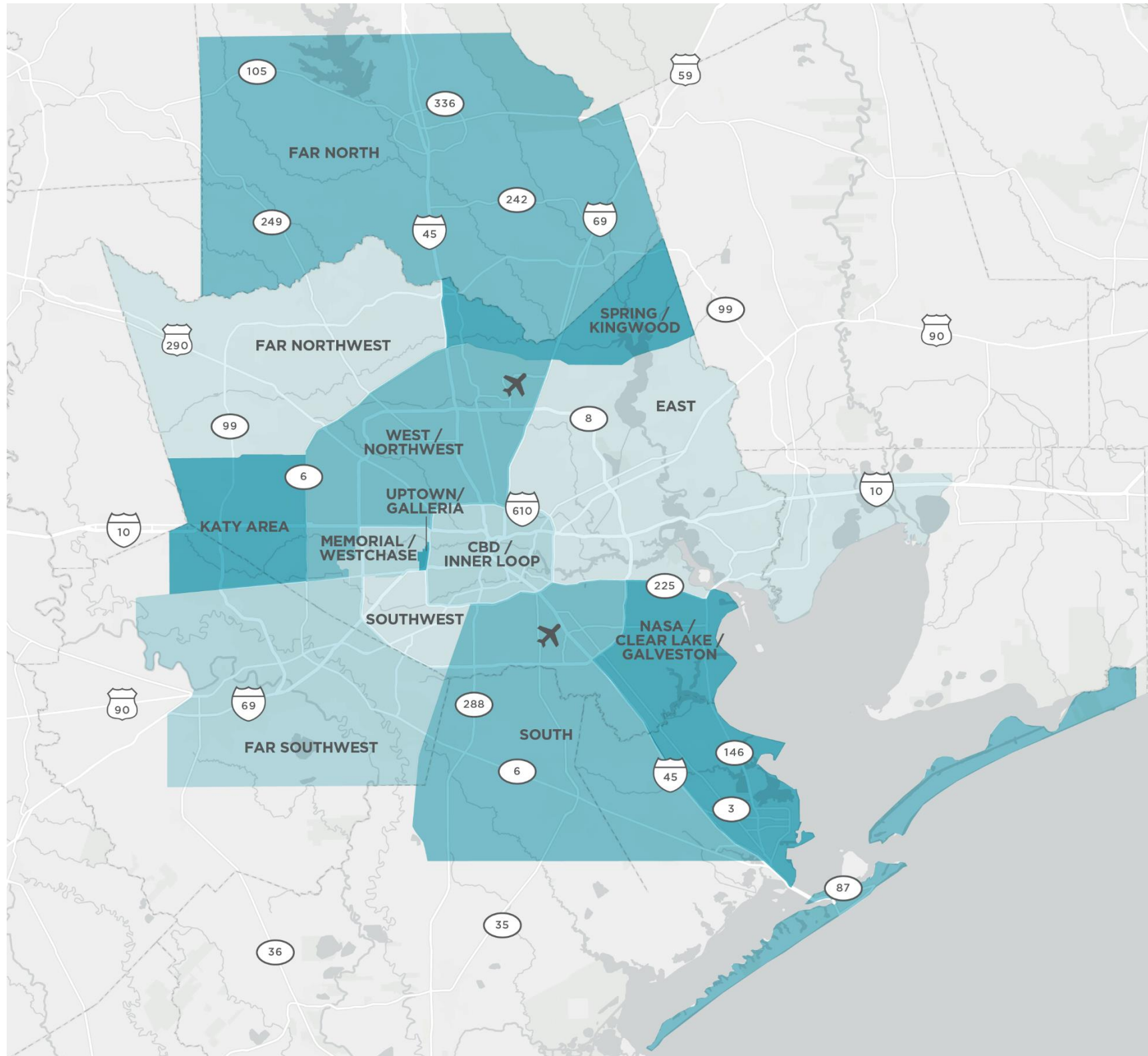
BUILDING	ADDRESS	SUBMARKET	SELLER BUYER	% LEASED	SF
Regal Grand Parkway ScreenX & RPX	7301 West Grand Parkway South	Far Southwest	Confidential EPR Properties	100%	177,000
Greenspoint Mall	100 Greenspoint Mall	West/Northwest	UP Commercial Real Estate ZG Companies	100%	165,000
The Edison Center	7103-7213 West Fuqua Drive	Far Southwest	Vinod Yasa Heena Dauva	95%	118,880
At Home	3000 Kirby Drive	South	DBB Holdings Realty Income Corporation	100%	108,403

LEADING RESTAURANT BAR SALES MONTHLY AVERAGE (REPORTED ALCOHOL TOTAL RECEIPTS TRAILING 6 MONTHS)

ESTABLISHMENT	MONTHLY AVERAGE	ESTABLISHMENT	MONTHLY AVERAGE	ESTABLISHMENT	MONTHLY AVERAGE
Kirby Ice House	\$919,241.50	Pappasito's Cantina	\$602,251.33	Bldv	\$380,006.67
Pappadeaux Seafood Kitchen	\$737,931.00	Twin Peaks	\$585,805.33	The Address	\$357,806.83
Little Woodrow's	\$735,664.50	Steak 48	\$498,441.83	Mexican Sugar	\$291,011.17
Vida Garden	\$690,743.50	Toca Madera	\$440,310.17	Haywire	\$287,842.17

Source: Texas Alcohol Beverage Commission (TABSREPORT)

RETAIL SUBMARKETS



ANDREA JOHNSON
Research Analyst
Tel: +1 713 260 0222
Andrea.E.Johnson@cushwake.com

TAYLOR THIESSEN
Senior Research Analyst
Tel: +1 281 688 9499
Taylor.Thiessen@cushwake.com

CORY KRAUSE
Research Analyst
Tel: +1 713 260 0260
Cory.Krause@cushwake.com

SHERRA GILBERT
Senior Research Manager
Tel: +1 713 260 0282
Sherra.Gilbert@cushwake.com

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

Cushman & Wakefield (NYSE: CWK) is a leading global commercial real estate services firm for property owners and occupiers with approximately 52,000 employees in nearly 400 offices and 60 countries. In 2024, the firm reported revenue of \$9.4 billion across its core service lines of Services, Leasing, Capital Markets, and Valuation and other. Built around the belief that *Better never settles*, the firm receives numerous industry and business accolades for its award-winning culture. For additional information, visit www.cushmanwakefield.com.

©2025 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable, including reports commissioned by Cushman & Wakefield (“CWK”). This report is for informational purposes only and may contain errors or omissions; the report is presented without any warranty or representations as to its accuracy.

Nothing in this report should be construed as an indicator of the future performance of CWK’s securities. You should not purchase or sell securities—of CWK or any other company—based on the views herein. CWK disclaims all liability for securities purchased or sold based on information herein, and by viewing this report, you waive all claims against CWK as well as against CWK’s affiliates, officers, directors, employees, agents, advisers and representatives arising out of the accuracy, completeness, adequacy or your use of the information herein.