



MARKET FUNDAMENTALS

	YOY Chg	Outlook
6.3% Vacancy Rate	▼	▼
4.0M YTD Net Absorption, SF	▼	▬
\$7.47 Asking Rent, PSF	▼	▬

*(Overall, All Property Classes)
Rental rates reflect net asking \$psf/year

ECONOMIC INDICATORS

	YOY Chg	Outlook
3.5M Houston Employment	▲	▲
4.4% Houston Unemployment Rate	▲	▲
4.2% U.S. Unemployment Rate	▲	▲

Source: BLS

ECONOMY

Total employment stood at 3.5 million in Houston's metro area (MSA) at the end of Q2 2025, representing a 0.9% year-over-year (YOY) increase. Houston's YOY job growth was slightly less than the 1.1% YOY rise experienced nationwide and among the 10 U.S. markets with the largest labor forces, Houston's annual growth ranked fourth, behind Miami (1.5%), Dallas/Fort Worth (1.3%), and Manhattan (1.2%).

The Houston MSA private employment sectors with the largest YOY growth included mining and logging (4.6%), other services (2.4%), education and healthcare (2.1%), leisure and hospitality (1.7%), and trade, transportation, and utilities (1.5%). Three sectors declined during that time – information (-1.7%), professional and business services (-1.3%), and construction (-0.6%). Houston's unemployment rate remained elevated at 4.4% in Q2 2025, 20 basis points (bps) above the national rate of 4.2%.

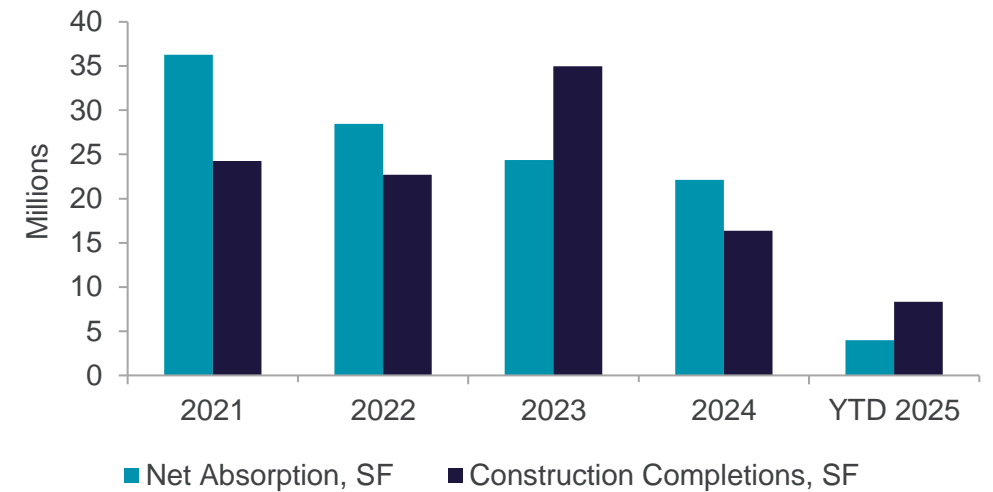
SUPPLY

Houston's development pipeline grew for the third consecutive quarter, reaching 14.5 million square feet (msf) under construction by the end of Q2 2025—trailing only Dallas/Fort Worth and Phoenix in active construction nationwide. New construction starts totaled 4.8 msf during the quarter, outpacing the 4.3 msf of new deliveries. Development activity remained concentrated in the Southeast (4.6 msf) and Northwest (3.9 msf), together comprising 58.6% of the construction activity at quarter-end. While the majority of projects are speculative developments, build-to-suit (BTS) activity also rebounded, with 3.5 msf of BTS projects currently underway—up 115.4% YOY.

Although deliveries trailed construction starts, the 4.3 msf completed in Q2 2025 marked the highest quarterly total for Houston in over a year. The Southwest (1.4 msf) and Northwest (1.2 msf) submarkets led in deliveries, together accounting for 59.1% of the quarterly total. Although development will remain more disciplined than in recent years, Houston's pipeline is expected to remain resilient as developers target submarkets with strong tenant demand and tighter availability.

Sublease availability rose slightly to 4.3 msf in Q2 2025 but remained in line with the market's five-year average of 0.7%, indicating continued stabilization in the sector.

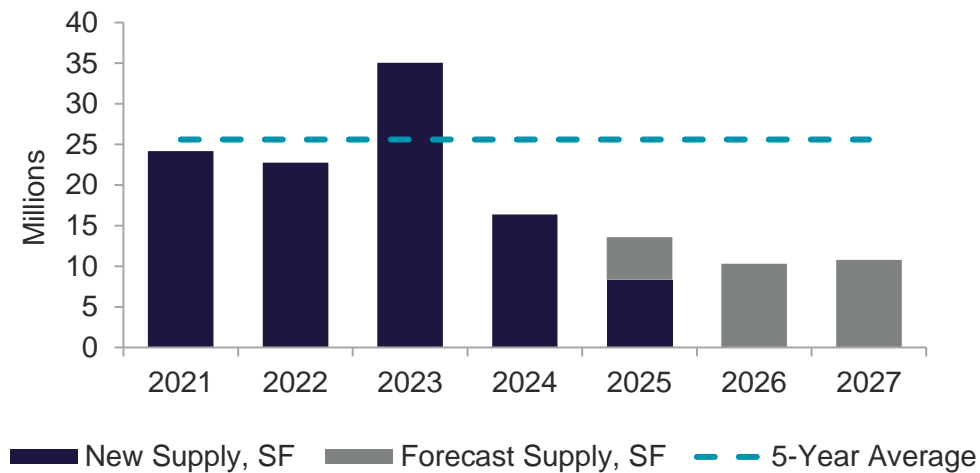
SPACE DEMAND / DELIVERIES



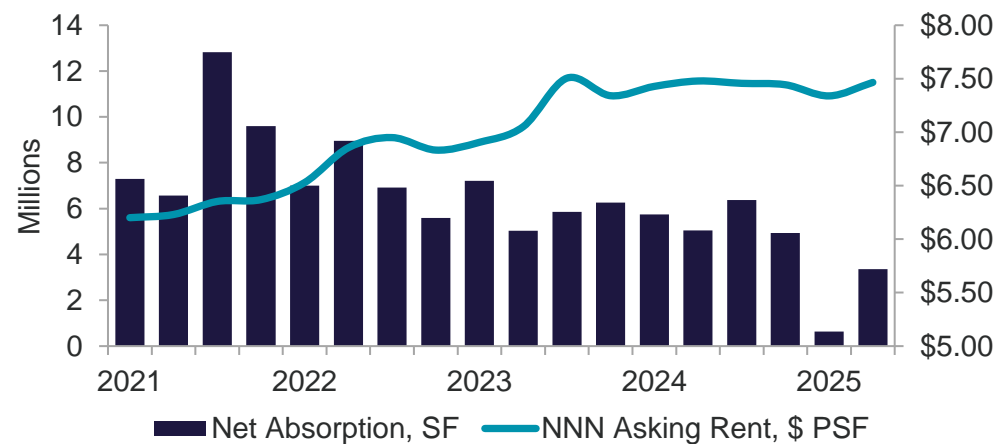
OVERALL VACANCY & ASKING RENT



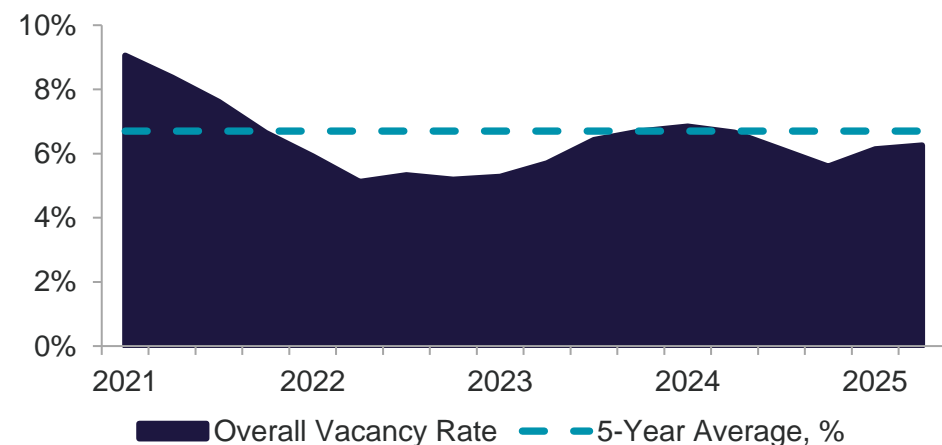
NEW SUPPLY / 5-YEAR HISTORICAL AVERAGE



OVERALL NET ABSORPTION AND ASKING RENT



OVERALL VACANCY



DEMAND

Following a period of relatively muted activity, Houston’s industrial demand rebounded in Q2 2025 with 7.9 msf of new leasing—up 17.4% from the previous quarter and matching the quarterly average from 2024. However, deal volume declined, with 33.0% fewer transactions than last year’s quarterly average, reflecting the higher proportion of larger deals. This quarter saw eight new deals over 250,000 square feet, compared to just five last quarter. The Northwest submarket led all submarkets with 2.1 msf leased, followed closely by the West (1.9 msf), driven by several key leases in the big-box sector this quarter.

Net absorption improved to 3.4 msf of positive net absorption in Q2 2025 following an unusually weak quarter in Q1 2025. While still below recent record absorption totals, this quarter’s absorption ranked second amongst industrial markets tracked by Cushman & Wakefield nationwide. This positive absorption reflects a more measured pace of growth consistent with Houston’s post-pandemic demand normalization. Even as overall demand remains more moderate than in previous years, healthy leasing activity will support continued positive absorption throughout the remainder of 2025.

Vacancy rose for the second straight quarter, increasing 20 bps to 6.3%. This was due in part to increased deliveries, many of which are vacant. Despite this increase, vacancy is expected to hold stable throughout the rest of the year.

PRICING

Average asking rents rose during the quarter, reaching \$7.47 per square foot (psf) at the close of Q2 2025. This represented a 1.7% increase quarter-over-quarter (QOQ) but was still 0.2% lower YOY. The Southwest and Northwest submarkets posted the highest asking rates, closing the quarter at \$8.60 psf and \$8.11 psf, respectively. In the warehouse/distribution sector—the largest segment of the industrial market—asking rents rose 2.3% QOQ to \$7.34 psf.

Despite softer demand, rental rates are expected to remain elevated due to higher construction costs, tight financing conditions, and a more disciplined development pipeline. While rent growth will likely continue slowing throughout 2025, landlords with newer product in high-demand submarkets will retain pricing power.

OUTLOOK

- While lower absorption and leasing activity will persist throughout the year, overall demand is expected to remain positive and will support steady growth as Houston remains one of the nation’s premier industrial markets.
- As a port market with logistics-driven demand, Houston could face near-term headwinds from reduced global trade flows tied to rising tariffs. However, Houston is also well-positioned to benefit from accelerated reshoring, supported by strength in the petrochemical, transportation, and emerging manufacturing sectors.
- Although Houston’s development pipeline rebounded more quickly than in most major industrial markets, tighter lending conditions, elevated construction costs, and softer leasing activity will help sustain a more disciplined pace of development than in recent years.

MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	OVERALL VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CONSTRUCTION (SF)	YTD CONSTRUCTION COMPLETIONS (SF)	OVERALL WEIGHTED AVG NET RENT (MF)	OVERALL WEIGHTED AVG NET RENT (OS)	OVERALL WEIGHTED AVG NET RENT (W/D)
CENTRAL BUSINESS DISTRICT	179,109	0	0.0%	0	0	0	0	N/A	N/A	N/A
North-Near	6,221,511	159,374	2.6%	10,000	-48,219	0	0	N/A	\$7.20	\$4.50
North-Mid	16,144,462	1,016,412	6.3%	43,965	-7,631	462,351	797,324	\$6.55	N/A	\$8.89
North-Far	62,021,683	4,439,210	7.2%	551,115	360,485	786,793	863,751	\$6.64	\$7.34	\$7.41
North-Montgomery County	15,657,733	118,690	0.8%	160,243	214,177	0	0	N/A	\$19.62	\$9.89
NORTH	100,045,389	5,733,686	5.7%	765,323	518,812	1,249,144	1,661,075	\$6.57	\$9.01	\$7.49
Northeast-Near	23,018,757	1,305,857	5.7%	-89,275	95,713	833,504	0	\$6.18	\$9.04	\$6.49
Northeast-Far	15,624,014	2,910,886	18.6%	66,500	10,355	84,867	858,600	\$4.70	N/A	\$6.72
NORTHEAST	38,642,771	4,216,743	10.9%	-22,775	106,068	918,371	858,600	\$5.34	\$9.04	\$6.64
Northwest-Near	24,965,760	1,128,862	4.5%	-170,982	-273,712	0	0	\$9.96	\$11.53	\$6.37
Northwest-Far	117,378,516	5,423,703	4.6%	1,422,491	2,098,417	3,870,323	1,738,945	\$9.25	\$10.93	\$7.88
NORTHWEST	142,344,276	6,552,565	4.6%	1,251,509	1,824,705	3,870,323	1,738,945	\$9.39	\$11.06	\$7.74
South-Near	22,510,777	665,350	3.0%	-90,944	-197,707	908,381	65,000	\$10.80	\$10.51	\$7.89
South-Far	20,967,037	1,438,305	6.9%	109,489	326,387	1,642,906	878,838	N/A	\$10.81	\$7.67
SOUTH	43,477,814	2,103,655	4.8%	18,545	128,680	2,551,287	943,838	\$10.80	\$10.61	\$7.72
Southeast-Near	34,154,063	1,985,593	5.8%	-240,662	-419,862	0	0	\$5.04	N/A	\$5.91
Southeast-Mid	17,972,664	269,086	1.5%	91,105	95,355	1,114,527	139,655	N/A	N/A	\$7.97
Southeast-Far	83,407,879	7,437,039	8.9%	445,690	631,357	3,490,854	792,254	N/A	\$10.04	\$7.19
SOUTHEAST	135,534,606	9,691,718	7.2%	296,133	306,850	4,605,381	931,909	\$5.04	\$10.04	\$6.96
Southwest-Near	4,326,048	20,000	0.5%	0	-20,000	0	0	N/A	N/A	\$8.00
Southwest-Far	64,574,249	4,203,280	6.5%	540,099	667,264	233,368	2,137,441	\$8.00	\$11.83	\$8.43
SOUTHWEST	68,900,297	4,223,280	6.1%	540,099	647,264	233,368	2,137,441	\$8.00	\$11.83	\$8.43
West-Far	31,534,713	1,495,599	4.7%	178,990	134,010	97,285	50,000	N/A	\$11.24	\$6.85
West-Waller County	27,360,156	2,741,521	10.0%	333,024	324,603	935,792	0	\$11.52	N/A	\$7.28
WEST	58,894,869	4,237,120	7.2%	512,014	458,613	1,033,077	50,000	\$11.52	\$11.24	\$7.11
HOUSTON TOTALS	588,019,131	36,758,767	6.3%	3,360,848	3,990,992	14,460,951	8,321,808	\$6.88	\$10.64	\$7.34

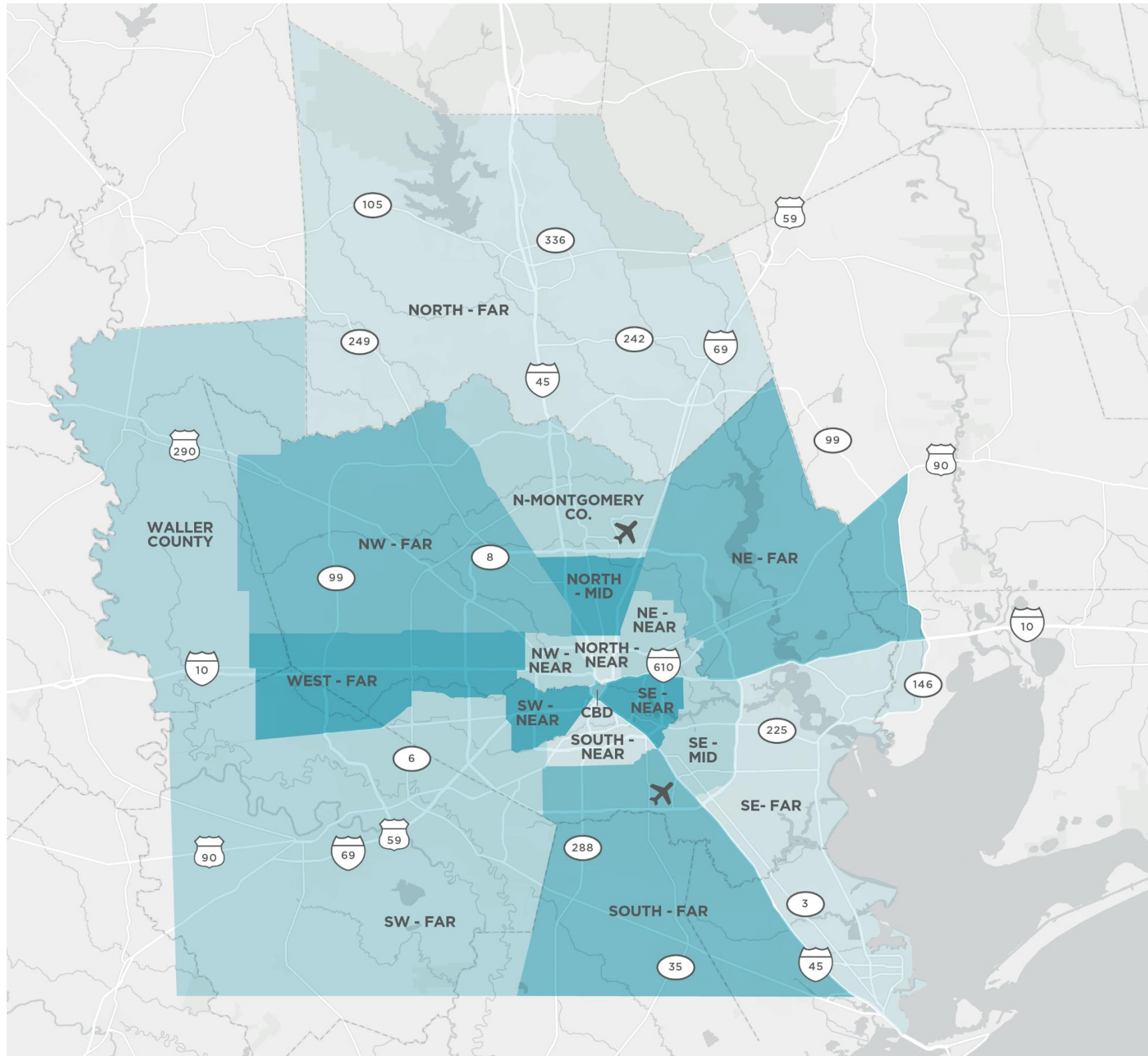
KEY NEW LEASE TRANSACTIONS Q2 2025

BUILDING	ADDRESS	SUBMARKET	TENANT	SF
Park 1099	23623 Colonial Parkway	West	Inventec	540,000
Cedar Port Industrial Park – Building DC2	4407 East Grand Parkway South	Southeast	Constellation Beverage	496,421
Innerbelt Northwest Logistics – Building 3	8228 Houston Avenue	Northwest	Foxconn	417,360
The Uplands Twinwood Distribution Center	2062 Woods Road	West	JW Fulfillment	353,024

KEY NEW SALES TRANSACTIONS Q2 2025

BUILDING	ADDRESS	SUBMARKET	SELLER BUYER	SF
Fairbanks Logistics Park – 4 Buildings	8702 Fairbanks North Houston Road	Northwest	Dalfen Industrial Foxconn	1,011,521
TruePort Distribution Center	2830 East Pasadena Boulevard	Southeast	Phelan Development CenterPoint	254,705
City Park East Business Park	8705 CityPark Loop	Northeast	CenterPoint Private Buyer	191,569
500 Northbelt	500 North Sam Houston Parkway West	North	Brennan Investment Group Seojin Global	157,300

INDUSTRIAL SUBMARKETS



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