

MARKET FUNDAMENTALS

	YOY Chg	Outlook
5.6% Overall Vacancy	▲	▬
\$20.28 Avg. Direct NNN Rent	▼	▲
\$83,000 Median HH Income	▲	▲
1.8% Population Growth (YOY)	▼	▲
4.4% Unemployment Rate	▲	▲

ECONOMIC INDICATORS

	YOY Chg	Outlook
1.4% GDP Growth	▼	▲
3.1% Consumer Price Index Growth	▼	▲
2.4% Consumer Spending Growth	▼	▲
2.0% Retail Sales Growth	▼	▬

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 AND DEMAND

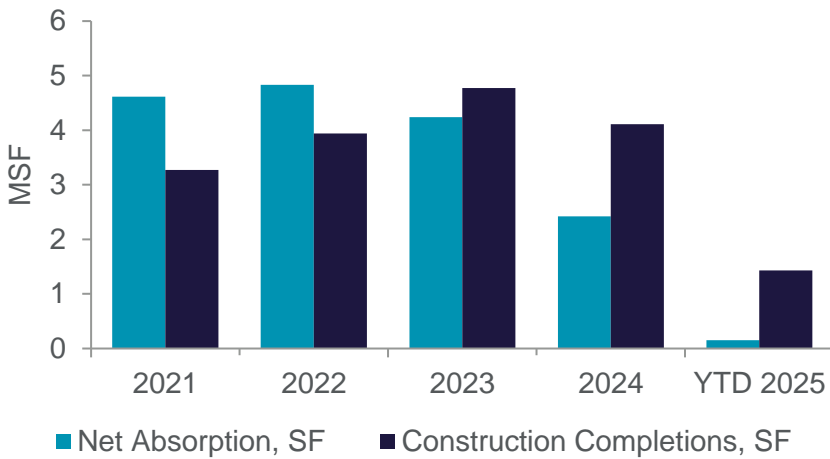
Houston's vacancy rate increased slightly to 5.6% in Q2 2025, 20 bps higher than the previous quarter, and 40 bps higher than this time last year. With vacancy averaging just 5.2% over the past three years, the overall market remains tight, making it challenging for tenants to find suitable space. Retail deliveries totaled 836,921 square feet (sf) in Q2 2025, 41.1% higher than 593,183 sf delivered in the previous quarter. Over half of the new supply was concentrated in three submarkets – Far Northwest (336,015 sf), Far North (167,381 sf), and Katy Area (157,663 sf). Meanwhile, 166 developments totaling 3.9 million square feet (msf) are currently underway, with the bulk of activity concentrated in three submarkets – South (1.1 msf), East (627,928 sf), and Far Southwest (608,085 sf).

Houston's retail market recorded -61,325 sf of net absorption in Q2 2025. This marks the first time absorption has turned negative since 2012. With just 215,625 sf of net absorption in Q1 2025 – well below the 2024 average – tight retail supply and weakening demand continue to hinder market activity. Leasing activity experienced a 1.3% QOQ increase, totaling 2.1 msf in Q2 2025, just below the 2024 quarterly average. During Q2 2025, Far Northwest led all submarkets with 417,344 sf of new leasing activity, followed by West/Northwest (316,468 sf) and Far Southwest (286,568 sf). These three submarkets closed just under half (49.1%) of the total leasing activity recorded in Houston during the quarter.

PRICING

Average direct net asking rents closed Q2 2025 at \$20.28 per square foot (psf), down 1.8% from the previous quarter and 1.3% below the \$20.55 psf recorded this time last year. The Far Northwest submarket recorded the highest YOY growth, increasing 6.1% to \$22.40 psf, followed by Far Southwest, where rents rose 4.1% YOY to \$21.70 psf, and Southwest, where rents rose 4.0% YOY to \$19.77 psf. Uptown/Galleria continues to command the highest rental rates in the city at \$40.00 psf, driven by its concentration of high-end retail, followed by the Central/Inner Loop submarket at \$29.45 psf.

SPACE DEMAND / DELIVERIES



ASKING RENT & VACANCY RATE



Source: BLS, BEA, Census Bureau, CoStar, Cushman & Wakefield Research

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	31,768,031	1,871,692	21,679	6.0%	-195,740	-150,015	35,098	0	124,387	\$29.45	-0.9%
Uptown/Galleria	4,421,929	239,126	1,253	5.4%	1,971	-32,007	10,000	0	4,820	\$40.00	0.0%
Memorial/Westchase	15,087,589	723,625	3,934	4.8%	-39,050	-33,017	0	0	64,521	\$23.54	-4.3%
Katy Area	31,412,959	1,678,052	7,496	5.4%	42,141	47,617	559,804	157,663	132,280	\$24.78	3.0%
West/Northwest	67,653,537	4,693,547	71,092	7.0%	70,057	-59,146	109,735	11,000	316,468	\$16.57	-3.6%
Far Northwest	38,959,510	2,332,523	27,021	6.1%	122,376	81,867	372,983	336,015	417,344	\$22.40	6.1%
Far North	35,381,635	1,418,456	67,483	4.2%	79,878	122,989	238,241	167,381	210,317	\$21.56	-4.9%
Spring/Kingwood	10,717,325	750,918	0	7.0%	-97,434	-178,743	21,550	0	177,679	\$18.41	-1.1%
East	24,468,923	1,084,191	0	4.4%	8,765	-14,546	627,928	50,188	52,720	\$17.14	-10.4%
NASA/Clear Lake/Galveston	27,546,966	1,678,162	25,088	6.2%	-6,539	128,788	124,943	43,011	83,079	\$16.57	-0.5%
South	48,786,861	2,567,299	25,521	5.3%	-13,551	-88,088	1,089,386	33,459	179,991	\$17.96	-3.0%
Southwest	20,431,515	756,363	5,138	3.7%	-90,156	59,073	58,868	0	28,771	\$19.77	4.0%
Far Southwest	44,038,035	2,293,441	13,743	5.2%	55,957	269,528	608,085	38,204	286,568	\$21.70	4.1%
HOUSTON TOTAL	400,674,815	22,087,395	269,448	5.6%	-61,325	154,300	3,856,621	836,921	2,078,945	\$20.28	-1.3%

KEY LEASE TRANSACTIONS Q2 2025

BUILDING	ADDRESS	SUBMARKET	TENANT	SF
The Grand at 249	Rocky Road & Turning Willow Drive	Far Northwest	Walmart	167,050
Deerbrook Mall	20131 North US 59 Highway	Spring/Kingwood	Score Entertainment	150,000
Cypresswood Shopping Center	18511-18561 Kuykendahl Road	Far Northwest	Confidential Tenant	47,175
Eldridge Lakes Shopping Center	6386 North Eldridge Parkway	West/Northwest	Confidential Tenant	45,000

KEY SALES TRANSACTIONS Q2 2025

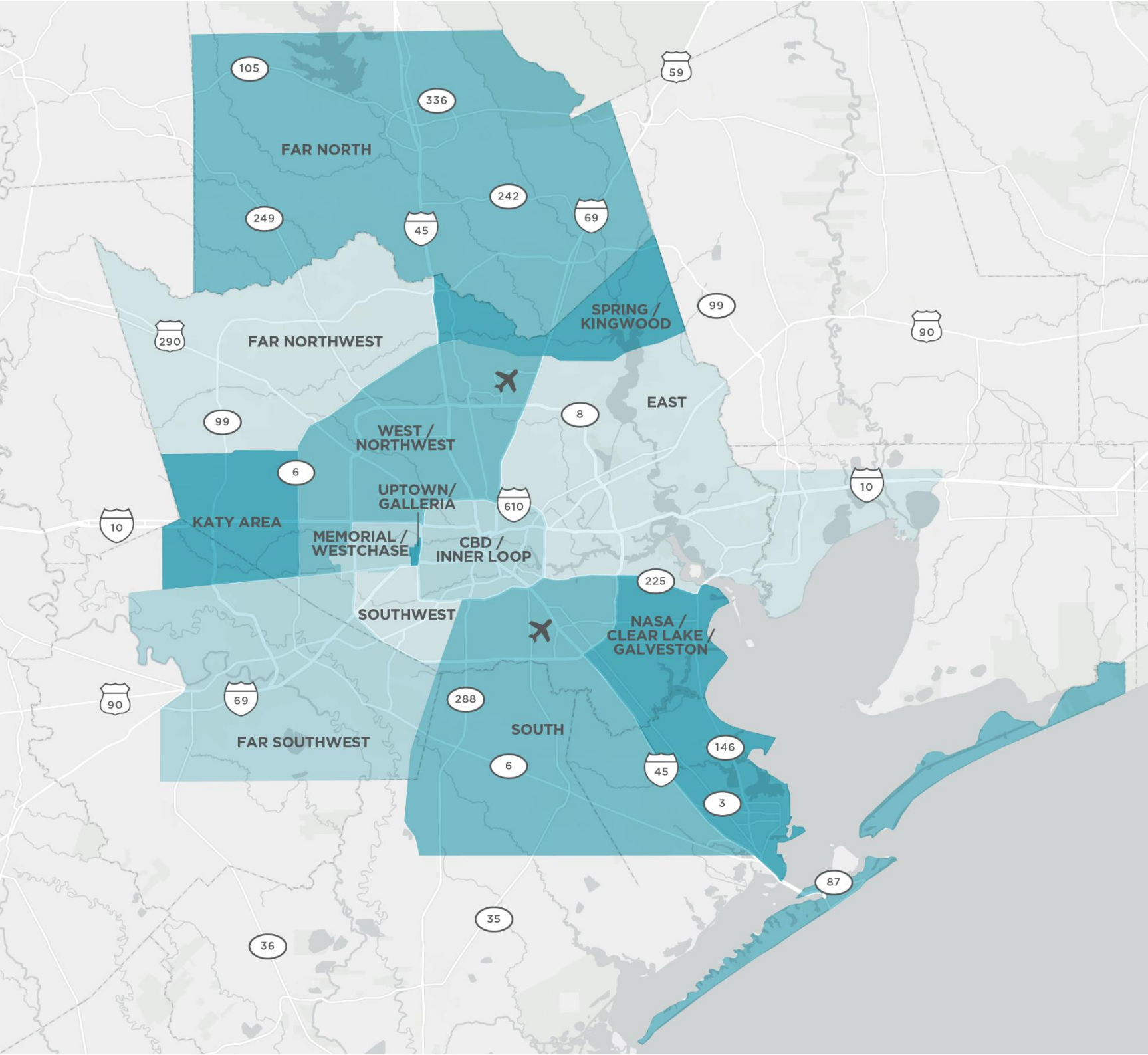
BUILDING	ADDRESS	SUBMARKET	SELLER BUYER	% LEASED	SF
Southway Shopping Center	8000-8230 South Gessner Road	Southwest	Global Net Lease RCG Ventures	100%	181,530
HEB	5885 San Felipe Street	Memorial/Westchase	American Realty Advisors Stockbridge Capital Group	100%	92,327
Hollister Pointe Center	13147-13167 Northwest Freeway	West/Northwest	MJT Investments Level X Group	87%	56,415
6010 Richmond Avenue	6010 Richmond Avenue	Memorial/Westchase	Confidential Confidential	100%	53,111

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

ESTABLISHMENT	MONTHLY AVERAGE	ESTABLISHMENT	MONTHLY AVERAGE	ESTABLISHMENT	MONTHLY AVERAGE
The Post Oak	\$1,531,469.17	Toca Madera	\$521,422.00	Lombardi Cucina Italiana	\$401,802.83
Kirby Ice House	\$1,066,503.33	The Rustic	\$500,034.50	Vic & Anthony’s Steakhouse	\$379,551.83
Vida Garden	\$925,342.50	Melrose	\$441,109.50	Carrabba’s	\$370,284.50
Steak 48	\$614,309.00	Joey Uptown	411,413.50	BLVD	\$340,997.17

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.