MARKETBEAT
HOUSTON
INDUSTRIAL Q3 2025

CUSHMAN & WAKEFIELD

MARKET FUNDAMENTALS

	YOY Chg	Outlook
6.3% Vacancy Rate	▲	▼
7.7M YTD Net Absorption, SF	▼	▬
$7.76 Asking Rent, PSF	▲	▬

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

ECONOMIC INDICATORS

	YOY Chg	Outlook
3.5M Houston Employment	▲	▲
4.3% Houston Unemployment Rate	▼	▲
4.3% U.S. Unemployment Rate	▲	▲

Source:BLS

ECONOMY

Total employment stood at 3.5 million in Houston's metro area (MSA) at the end of Q3 2025, representing a 1.1% year-over-year (YOY) increase. Houston's YOY job growth was slightly better than the 0.9% YOY rise experienced nationwide and among the 10 U.S. markets with the largest labor forces, Houston's annual growth ranked third, behind Manhattan (1.8%) and Phoenix (1.3%).

The Houston MSA private employment sectors with the largest YOY growth included mining and logging (4.3%), other services (3.3%), education and healthcare (2.8%), leisure and hospitality (1.9%), financial activities (1.0%), and construction (1.0%). Three sectors declined during that time – information (-2.4%), professional and business services (-2.4%), and manufacturing (-1.2%). Houston's unemployment rate stood at 4.3% in Q3 2025, 20 basis points (bps) lower than Q3 2024, and in line with the national rate of 4.3%.

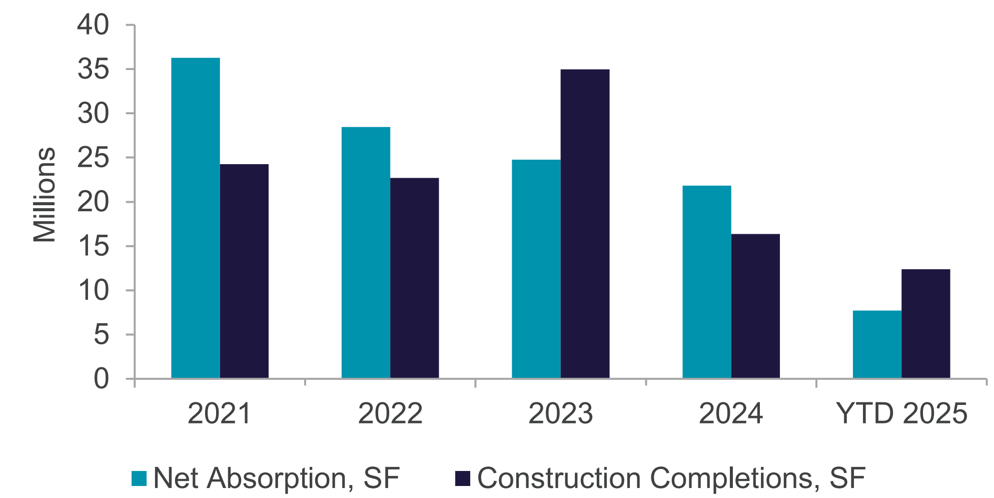
SUPPLY

Houston's development pipeline continued to expand in Q3 2025, reaching 15.0 million square feet (msf) under construction by quarter-end. Over 3.4 msf of new projects broke ground during the quarter, positioning Houston's industrial pipeline as the fourth largest in the country. Over half of the new construction starts occurred in the Northwest submarket, bringing the submarket's total pipeline to 5.7 msf—more than one-third of all active development in Houston. While speculative projects still dominate the landscape, build-to-suit (BTS) activity increased for the third consecutive quarter. BTS projects now total 4.0 msf, representing 26.9% of all construction underway.

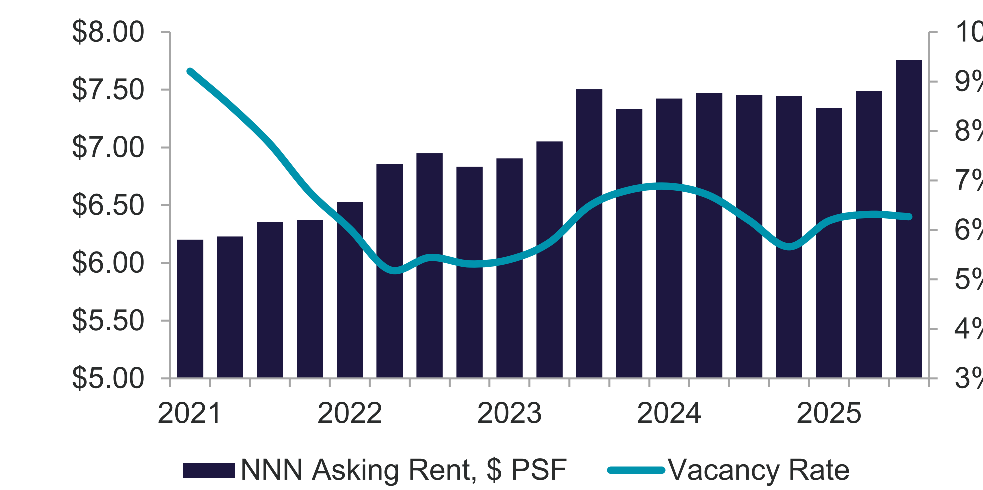
For the first time this year, quarterly deliveries surpassed new starts, with 4.1 msf of product completed during Q3 2025. Over half of this new space (56.9%) was located in the Southeast submarket. Although development is expected to remain more disciplined than in previous cycles, the pipeline should stay resilient as developers focus on areas with strong tenant demand and limited availability.

Sublease availability rose slightly to 4.5 msf in Q3 2025, representing 0.8% of the market. This was slightly above the market's five-year average of 0.7%, indicating continued stabilization in the sector.

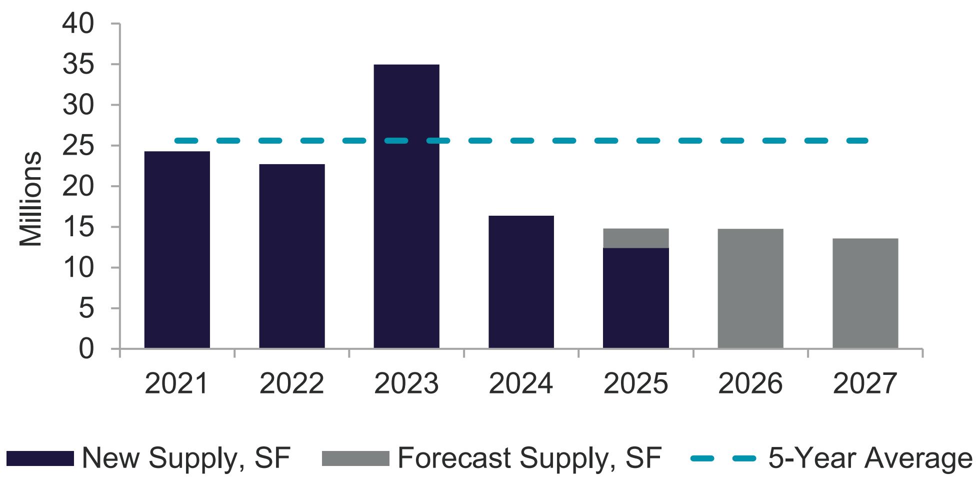
SPACE DEMAND / DELIVERIES



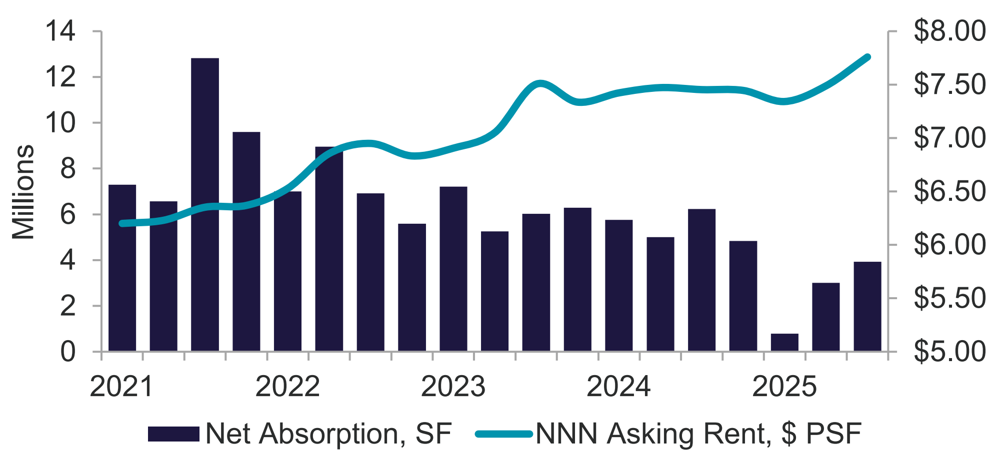
OVERALL VACANCY & ASKING RENT



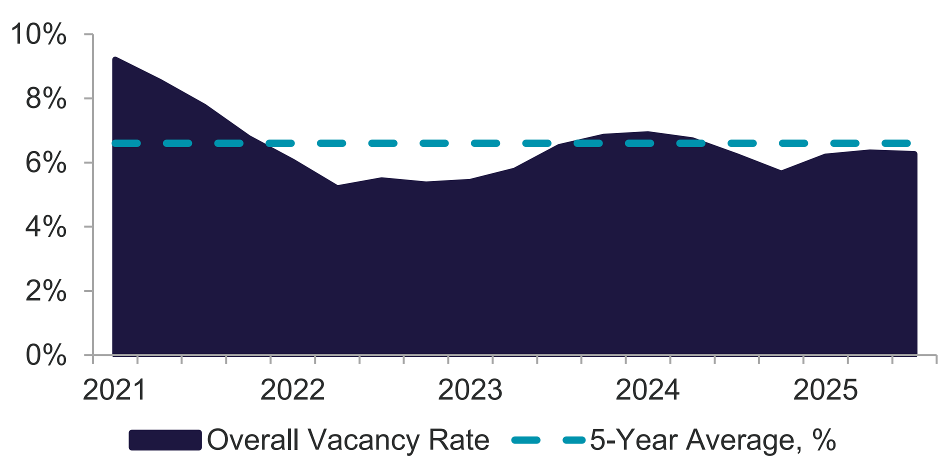
NEW SUPPLY / 5-YEAR HISTORICAL AVERAGE



OVERALL NET ABSORPTION AND ASKING RENT



OVERALL VACANCY



DEMAND

After several quarters of muted leasing activity, Houston posted 9.6 msf of new leases during Q3 2025, its strongest quarter since Q4 2022. This total was 20.7% higher than the previous quarter and 16.6% above the quarterly average for the same period last year. Deal volume also increased quarter-over-quarter (QOQ) but remained below last year's quarterly average, reflecting a higher proportion of larger deals. This quarter alone reported twelve new deals over 200,000 square feet, compared to nineteen during the first half of 2025. The Southwest and Southeast markets led the way in leasing activity, with each recording 1.7 msf of new leases during the quarter.

Net absorption improved as well, with 3.9 msf of positive net absorption during the quarter. Despite a weak outlier quarter in Q1 2025, Houston still ranked sixth nationally in year-to-date absorption with 7.7 msf at the end of this quarter. Houston's positive absorption reflected a more measured pace of growth consistent with Houston's post-pandemic demand normalization. Absorption is also closely aligned with deliveries (4.1 msf), indicating a balanced market. Even as overall demand remains more moderate than in previous years, strong leasing activity will support continued positive absorption throughout the remainder of 2025 and into next year.

Vacancy remained largely unchanged for the second straight quarter at 6.3%, reflecting the balance between supply and demand. Vacancy is expected to remain stable throughout the rest of the year.

PRICING

Average asking rents rose substantially during the quarter, reaching $7.76 per square foot (psf) at the close of Q3 2025. This represented a 3.6% increase QOQ and a 4.1% increase YOY. The Southwest and South submarkets posted the highest asking rates, closing the quarter at $9.08 psf and $8.61 psf, respectively. In the warehouse/distribution sector—the largest segment of the industrial market—asking rents rose 3.6% QOQ to $7.63 psf, 5.2% higher YOY.

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 this year has far exceeded last year's growth, rent growth is likely to slow. However, 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 has experienced accelerated rent growth thus far in 2025, particularly in the warehouse/distribution sector, further rent growth will moderate as demand remains balanced.

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**	**40,000**	**0**	**N/A**	**N/A**	**N/A**
North-Near	6,221,511	142,079	2.3%	17,295	-30,924	79,635	0	N/A	N/A	$6.50
North-Mid	17,137,172	1,083,650	6.3%	-67,238	-74,869	462,351	797,324	$8.83	N/A	$9.30
North-Far	61,047,276	5,119,393	8.4%	-342,848	18,447	1,054,886	1,216,734	$6.64	$7.98	$7.39
North-Montgomery County	15,919,814	307,987	1.9%	-189,297	24,880	654,000	0	$9.00	$19.97	$9.89
NORTH	**100,325,773**	**6,653,109**	**6.6%**	**-582,088**	**-62,466**	**2,250,872**	**2,014,058**	**$8.19**	**$9.37**	**$7.44**
Northeast-Near	23,476,236	1,735,682	7.4%	59,744	158,995	425,264	493,107	$6.18	$9.04	$8.02
Northeast-Far	15,711,224	2,424,894	15.4%	485,992	496,347	49,132	858,600	$4.70	N/A	$6.69
NORTHEAST	**39,187,460**	**4,160,576**	**10.6%**	**545,736**	**655,342**	**474,396**	**1,351,707**	**$5.34**	**$9.04**	**$7.11**
Northwest-Near	25,094,462	1,281,814	5.1%	-160,689	-426,664	0	0	$9.96	$11.23	$6.59
Northwest-Far	119,361,028	5,060,766	4.2%	659,500	2,593,797	5,675,889	2,117,600	$8.73	$11.26	$8.12
NORTHWEST	**144,455,490**	**6,342,580**	**4.4%**	**498,811**	**2,167,133**	**5,675,889**	**2,117,600**	**$9.05**	**$11.25**	**$7.92**
South-Near	22,711,773	784,077	3.5%	46,840	-126,181	788,576	184,805	$10.80	$9.15	$8.06
South-Far	21,425,037	788,129	3.7%	740,429	1,066,563	1,149,334	968,838	N/A	$10.81	$8.68
SOUTH	**44,136,810**	**1,572,206**	**3.6%**	**787,269**	**940,382**	**1,937,910**	**1,153,643**	**$10.80**	**$9.78**	**$8.40**
Southeast-Near	35,318,605	1,970,947	5.6%	17,084	-471,022	0	0	$5.51	N/A	$5.92
Southeast-Mid	17,691,936	1,203,670	6.8%	-27,136	-51,436	225,674	888,853	N/A	N/A	$8.65
Southeast-Far	84,820,341	7,447,702	8.8%	1,418,800	2,175,991	2,506,213	2,355,215	$10.20	$10.04	$7.31
SOUTHEAST	**137,830,882**	**10,622,319**	**7.7%**	**1,408,748**	**1,653,533**	**2,731,887**	**3,244,068**	**$6.86**	**$10.04**	**$7.21**
Southwest-Near	4,389,775	132,561	3.0%	-112,561	-66,556	0	0	N/A	$5.95	$7.94
Southwest-Far	64,293,810	3,215,282	5.0%	1,232,109	1,847,166	392,150	2,137,441	$8.00	$12.18	$9.03
SOUTHWEST	**68,683,585**	**3,347,843**	**4.9%**	**1,119,548**	**1,780,610**	**392,150**	**2,137,441**	**$8.00**	**$10.89**	**$8.99**
West-Far	33,656,848	1,611,707	4.8%	29,921	125,057	0	50,000	$10.54	$11.05	$8.82
West-Waller County	23,862,090	2,811,639	11.8%	118,056	466,659	1,481,793	319,329	N/A	N/A	$7.97
WEST	**57,518,938**	**4,423,346**	**7.7%**	**147,977**	**591,716**	**1,481,793**	**369,329**	**$10.54**	**$11.05**	**$8.17**
HOUSTON TOTALS	**592,318,047**	**37,121,979**	**6.3%**	**3,926,001**	**7,726,250**	**14,984,897**	**12,387,846**	**$7.61**	**$10.51**	**$7.63**

KEY NEW LEASE TRANSACTIONS Q3 2025

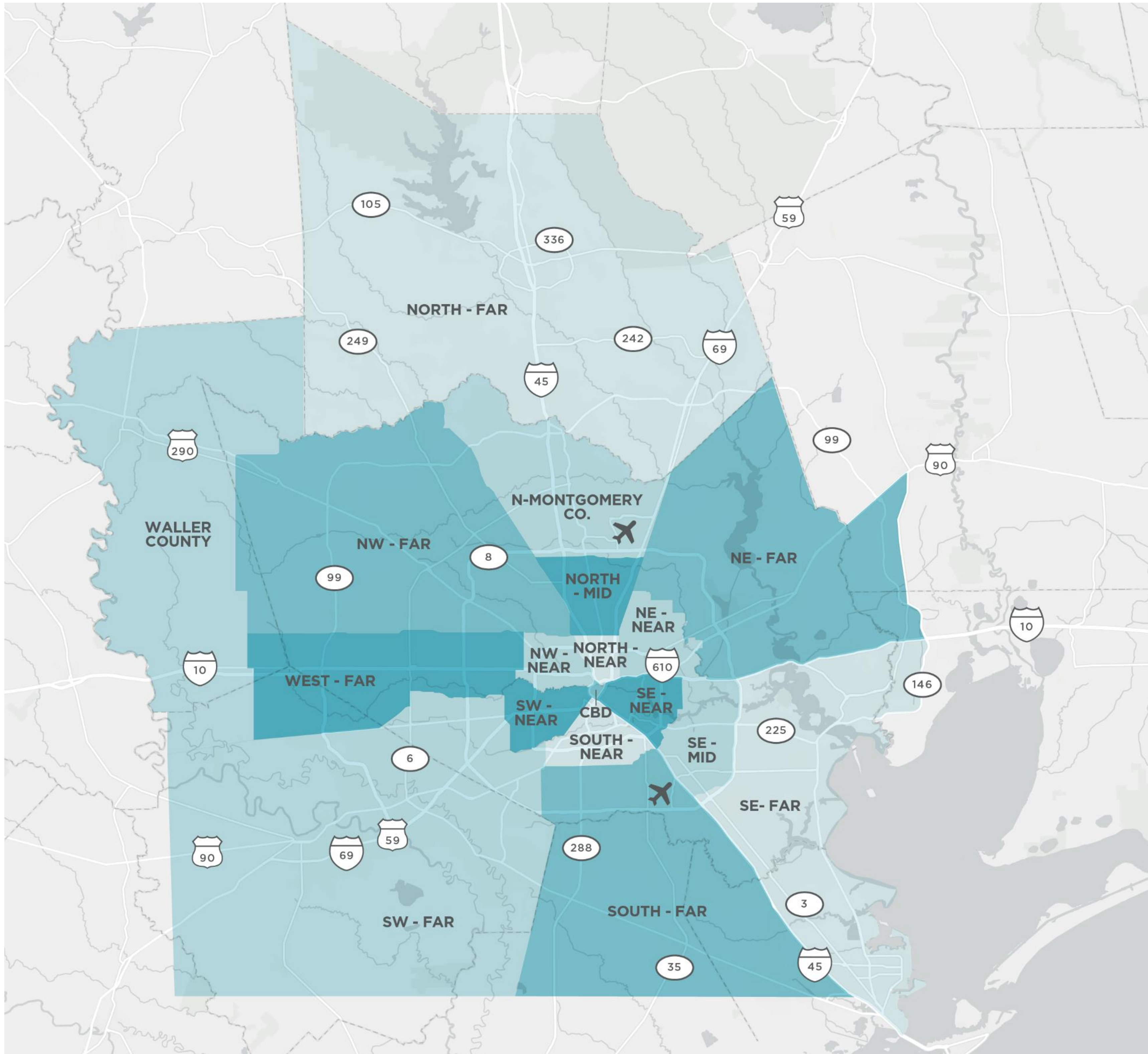
BUILDING	ADDRESS	SUBMARKET	TENANT	SF
I-10 West Trade Center	31270 Kingsland Boulevard	West	PepsiCo	1,051,080
Westpoint 45	410 West Road	North	Panelmatic	728,080
Levey Logistics Park – Building 2	14650 Levey Lane	South	Creative Innovation	496,560
CityPark Logistics Center – Building 5	12500 CityPark Drive	Southwest	Amazon	403,832

KEY NEW SALES TRANSACTIONS Q3 2025

BUILDING	ADDRESS	SUBMARKET	SELLER | BUYER	SF
Kennedy Greens South – Building 1	1330 John F Kennedy Boulevard	North	Janko Group | CapRock Partners	524,160
Clay Campbell Industrial Park – Building 1	8705 CityPark Loop	Northwest	TA Realty | Link Logistics	228,900
Anserra – Building 1	28347 Katy Freeway	West	IDV | American Elite Investment	205,895
Central Park Northwest VI	2200-2500 Central Parkway/4930 Dacoma	Northwest	Rycore Capital | Moody Rambin	175,421

HOUSTON
INDUSTRIAL Q3 2025

INDUSTRIAL SUBMARKETS



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