

MARKET FUNDAMENTALS

	YOY Chg	Outlook
5.7% Overall Vacancy	▲	▬
\$20.46 Avg. Direct NNN Rent	▼	▲
\$83,900 Median HH Income	▲	▲
1.7% Population Growth (YOY)	▼	▲
4.3% Unemployment Rate	▲	▲

ECONOMIC INDICATORS

	YOY Chg	Outlook
0.7% GDP Growth	▼	▲
3.6% Consumer Price Index Growth	▲	▲
1.6% Consumer Spending Growth	▼	▲
-0.4% Retail Sales Growth	▼	▬

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 AND DEMAND

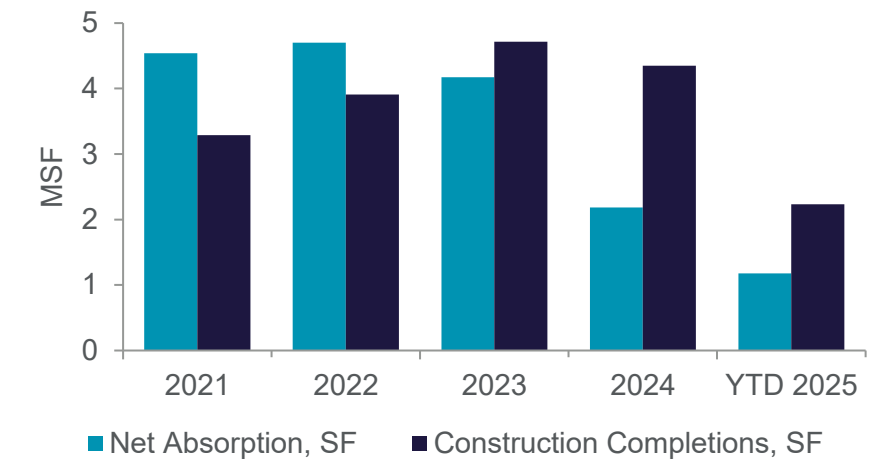
Houston's vacancy rate remained unchanged at 5.7% in Q3 2025, 20 bps above the level recorded a year ago. With vacancy holding between 5.0% and 5.8% over the past four years, the market continues to demonstrate stability despite demand fluctuations. Retail deliveries slowed to 711,768 square feet (sf) in Q3 2025, a 22.7% decline from the previous quarter and 37.6% below Q3 2024. Year-to-date (YTD) completions total 2.2 million square feet (msf), 36.3% less than the same period in 2024. Over half of this quarter's new supply was concentrated in the Katy Area (271,233 sf), Far Northwest (122,627 sf), and Far Southwest (100,829 sf) submarkets. As of Q3 2025, 150 developments totaling 2.5 msf remain under construction, well below the 5-year quarterly average of 3.6 msf. The Far Southwest, South, and Katy Area submarkets account for nearly 60% of ongoing developments, led by a 602,516-sf pipeline in Far Southwest.

Houston recorded 813,953 sf of positive net absorption in Q3 2025, slightly below the 5-year quarterly average. YTD absorption now totals 1.2 msf, well below the same period in 2024, yet still signaling steady tenant demand despite tighter space options. Moderate absorption, combined with declining deliveries, points to a tightening supply environment that could place upward pressure on rents. Leasing activity slowed to 1.9 msf in Q3 2025, down 5.8% quarter-over-quarter and 17.4% YOY. West/Northwest led all submarkets with 336,534 sf, followed by South (287,017 sf) and Far Northwest (225,542 sf).

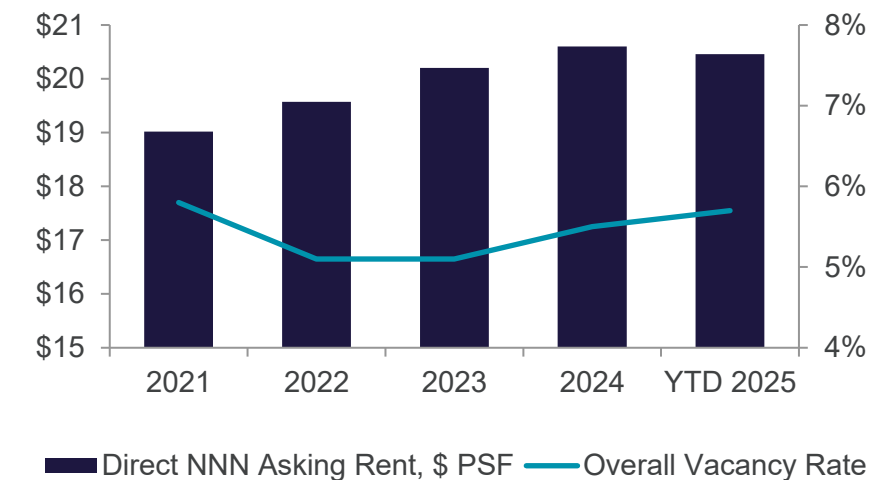
PRICING

Average direct net asking rents ended Q3 2025 at \$20.46 per square foot (psf), relatively unchanged from the previous quarter and down 1.2% YOY. Spring/Kingwood led with a 6.9% YOY increase to \$19.95 psf, followed by South, up 4.5% to \$17.95 psf, and Katy Area, up 4.0% to \$25.06 psf. Conversely, the Uptown/Galleria submarket recorded the steepest decline, with average asking rents down 17.5% YOY to \$33.02 psf. Despite fluctuations across submarkets, overall rental rates remain stable, with suburban markets driving the strongest growth.

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	31,819,145	2,051,591	35,921	6.6%	68,521	-92,069	43,556	0	145,522	\$28.16	-4.5%
Uptown/Galleria	4,436,130	229,760	1,253	5.2%	9,280	-22,727	10,000	0	1,253	\$33.02	-17.5%
Memorial/Westchase	15,017,922	723,253	19,113	4.9%	5,458	-27,574	0	21,517	53,714	\$24.55	2.5%
Katy Area	31,347,597	1,652,627	11,096	5.3%	220,345	346,828	398,820	271,233	166,534	\$25.06	4.0%
West/Northwest	66,992,216	4,528,788	50,910	6.8%	189,340	141,709	114,272	17,893	336,534	\$16.41	-6.8%
Far Northwest	38,963,824	2,072,733	21,957	5.4%	386,167	491,001	320,113	122,627	225,542	\$21.87	-2.4%
Far North	35,292,283	1,355,738	32,583	3.9%	113,904	242,850	213,341	23,470	118,602	\$21.57	-5.3%
Spring/Kingwood	10,693,345	661,621	0	6.2%	87,047	-88,460	33,950	0	68,296	\$19.95	6.9%
East	24,412,116	1,099,799	29,834	4.6%	16,167	21,318	132,975	45,195	83,987	\$17.91	-7.7%
NASA/Clear Lake/Galveston	27,143,091	1,818,785	26,338	6.8%	-163,571	1,564	90,683	51,260	177,578	\$17.09	1.3%
South	48,438,687	2,963,532	28,021	6.2%	-69,908	-135,692	434,719	57,744	287,017	\$17.95	4.5%
Southwest	20,268,125	692,895	6,633	3.5%	57,895	119,657	58,868	0	32,380	\$20.59	3.6%
Far Southwest	43,704,329	2,489,997	20,557	5.7%	(106,692)	177,804	602,516	100,829	219,532	\$21.22	2.1%
HOUSTON TOTAL	398,528,810	22,341,119	284,216	5.7%	813,953	1,176,209	2,453,813	711,768	1,916,491	\$20.46	-1.2%

KEY LEASE TRANSACTIONS Q3 2025

BUILDING	ADDRESS	SUBMARKET	TENANT	SF
4000 North Shepherd Drive	4000 North Shepherd Drive	West/Northwest	Target	129,490
Baybrook Shopping Center	NEC I-45 & Medical Center Boulevard	NASA/Clear Lake/Galveston	Confidential Tenant	93,441
Dickinson Village	3410-3436 Gulf Freeway	South	Crunch Fitness	55,525
14111 Southwest Freeway	14111 Southwest Freeway	Far Southwest	Confidential Tenant	52,184

KEY SALES TRANSACTIONS Q3 2025

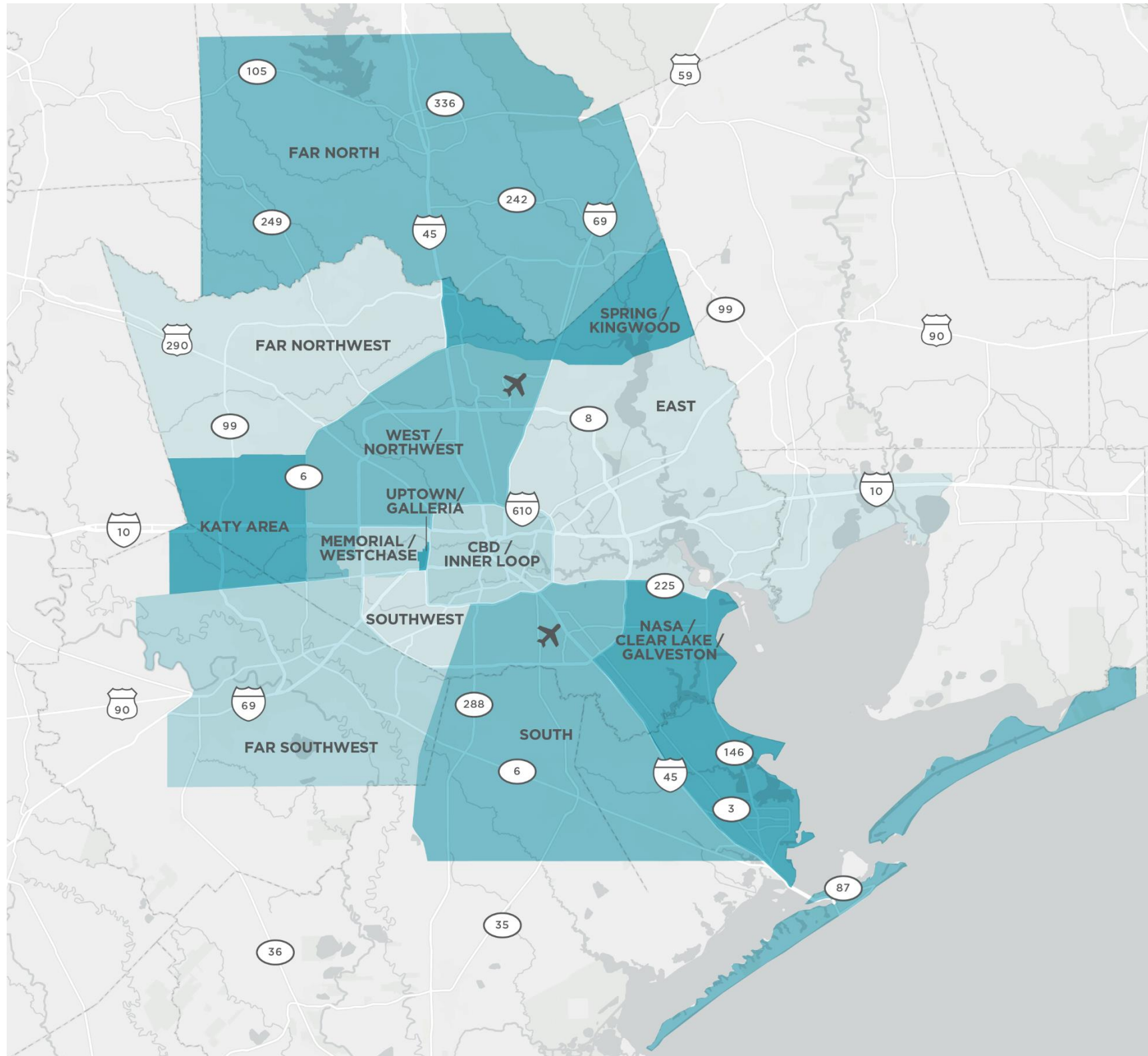
BUILDING	ADDRESS	SUBMARKET	SELLER BUYER	% LEASED	SF
LaCenterra at Cinco Ranch	23501 Cinco Ranch Boulevard	Katy Area	PGIM Brixmor Property Group	99.4%	241,713
Deerbrook Shopping Center	9715-9809 Farm to Market1960 Bypass Road	West/Northwest	UNIMAT Commercial HSC Realty	100%	216,538
Fondrenwood Shopping Center	9700-9950 Fondren Road	Southwest	Kourosh Malekan Blue Sky Commercial	100%	167,641
First Colony Marketplace	4550-4680 Highway 6	Far Southwest	Fidelis Realty Partners Dhanani Private Equity Group	100%	111,865

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	\$1,094,170.00	Pappas Bros Steakhouse	\$454,556.17	5015 Backyard Patio & Bar	\$388,768.17
Vida Garden	\$1,035,091.67	Medellin	\$402,591.67	Chapamn & Kirby	\$373,818.33
El Tiempop Cantina	\$571,516.50	El Centro	\$394,037.67	Moxie's Grill & Bar	\$372,104.17
Whiskey River	\$481,371.33	McIntyre's	\$393,624.83	Fabian's Latin Flavors	\$355,250.83

Source: Texas Alcohol Beverage Commission (TABSREPORT)

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