



MARKET FUNDAMENTALS

	YOY Chg	Outlook
6.0% Vacancy Rate	▲	▲
13.2M 2025 Net Absorption, SF	▼	▲
\$7.78 Asking Rent, PSF <small>(Overall, All Property Classes) *Rental rates reflect net asking \$psf/year</small>	▲	▲

ECONOMIC INDICATORS

	YOY Chg	Outlook
3.5M Houston Employment*	▲	▲
4.3% Houston Unemployment Rate*	▼	▲
4.6% U.S. Unemployment Rate <small>Source: BLS *Q3 2025</small>	▲	▲

ECONOMY

Employment data for Q4 2025 was disrupted by the government shutdown. As of Q3 2025, total employment stood at 3.5 million in Houston's metro area (MSA), representing a 1.2% year-over-year (YOY) increase. Houston's YOY job growth was markedly higher than the 0.6% YOY rise experienced nationwide and among the 10 U.S. markets with the largest labor forces. Houston's annual growth ranked third, behind Manhattan (1.6%) and Phoenix (1.3%).

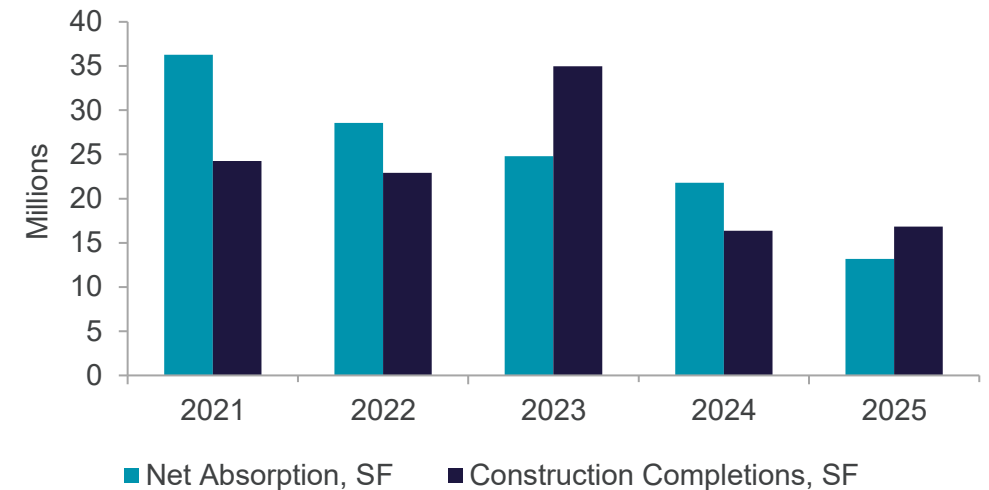
The Houston MSA private employment sectors with the largest YOY growth included mining and logging (4.3%), other services (3.3%), education and healthcare (2.8%), leisure and hospitality (1.9%), financial activities (1.0%), and construction (1.0%). Three sectors declined during that time: information (-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 30 bps lower than the national rate of 4.6%.

SUPPLY

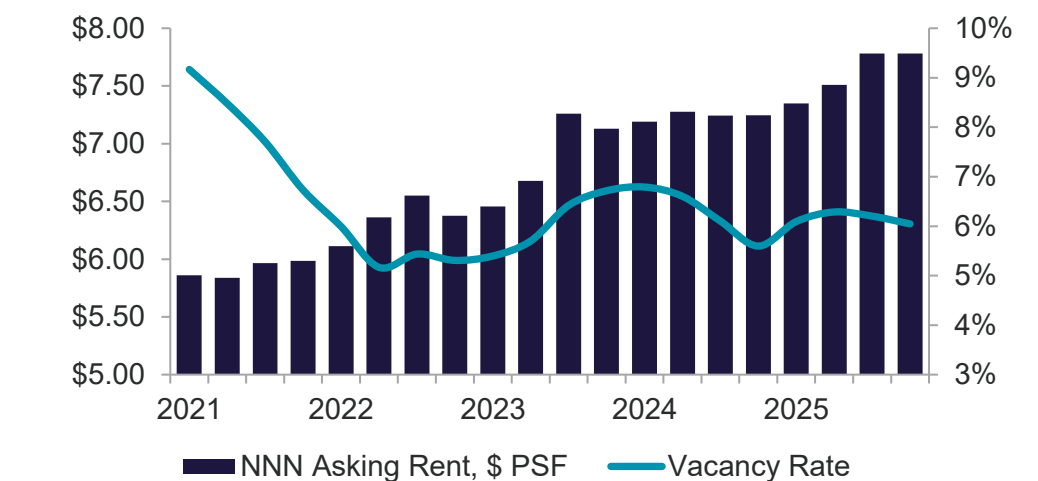
Houston's industrial development pipeline surged in Q4 2025, climbing to 20.3 million square feet (msf) under construction by year-end, a 35.2% increase from the prior quarter and the highest level since Q3 2023. This sharp rise reflects renewed confidence among developers, particularly in the North, Northeast, and Southeast submarkets, which collectively account for the majority of active construction amid sustained tenant demand. Of the 83 U.S. industrial markets tracked by Cushman & Wakefield, Houston currently has the second-largest construction pipeline, surpassed only by Dallas/Fort Worth. Approximately 4.4 msf was delivered during the quarter, bringing total 2025 deliveries to 16.8 msf, closely aligned with the 16.4 msf delivered in 2024.

Available sublease space peaked at 6.0 msf in Q1 2024 and has steadily declined in each subsequent quarter, reflecting improved space utilization and reduced giveback activity among tenants. By year-end, available sublease space had declined to 4.1 msf, accounting for just 0.7% of total market inventory.

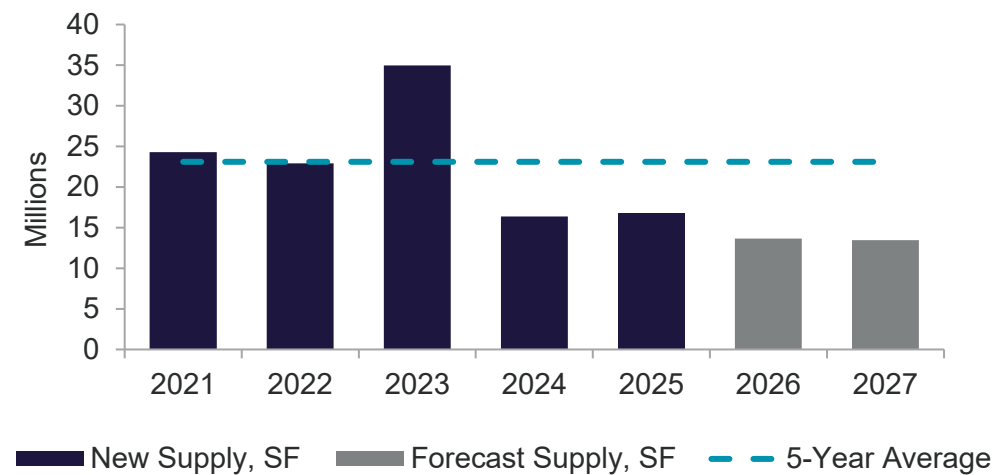
SPACE DEMAND / DELIVERIES



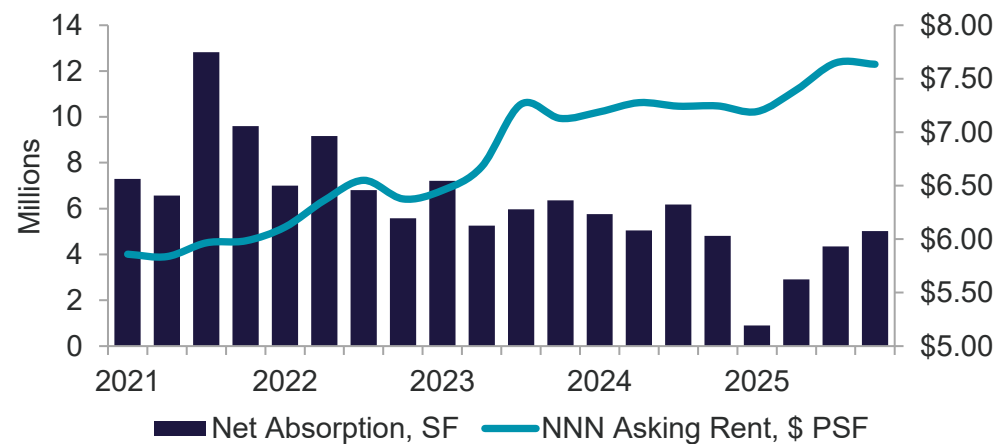
OVERALL VACANCY & ASKING RENT



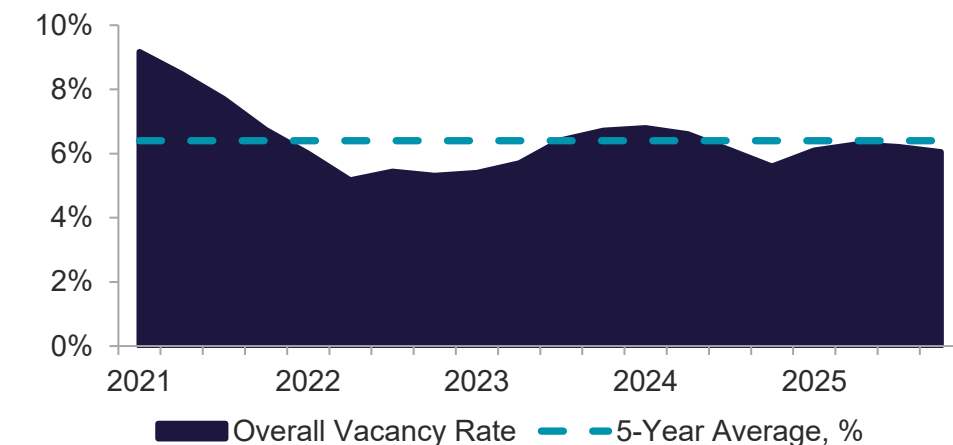
NEW SUPPLY / 5-YEAR HISTORICAL AVERAGE



OVERALL NET ABSORPTION AND ASKING RENT



OVERALL VACANCY



DEMAND

Leasing activity cooled in Q4 2025 after a robust third quarter, with volume easing to 7.4 msf from 11.1 msf in Q3 2025. Despite the quarterly slowdown, annual leasing momentum held steady, with 2025 volume reaching 33.1 msf, up 2.1% YOY and consistent with recent historical norms. While transaction counts fell 26.2% YOY to 533 deals, overall volume remained resilient, highlighting a market increasingly driven by larger, strategic leases rather than high-frequency deal activity.

Net absorption strengthened in Q4 2025, totaling 5.0 msf, up 15.4% from the previous quarter’s 4.4 msf. This uptick reinforces Houston’s market resilience, with absorption closely aligned to new deliveries, sustaining healthy market dynamics. For the full year, absorption reached 13.2 msf, securing Houston’s position among the nation’s top-performing industrial markets and signaling continued stability despite a more measured demand environment.

Vacancy dipped slightly quarter-over-quarter (QOQ) to 6.0%, driven by strong absorption that kept pace with new deliveries and sustained tenant demand. However, the rate remains 40 bps higher YOY, reflecting the cumulative impact of elevated construction activity and a larger supply base compared to 2024.

PRICING

Average asking rents ended 2025 at \$7.78 per square foot (psf), unchanged from the previous quarter, but 4.7% higher YOY. The Southwest and West submarkets posted the highest asking rates, closing the quarter at \$9.46 and \$8.85 psf, respectively. In the warehouse/distribution sector—the largest segment of the industrial market—asking rents closed the year at \$7.64 psf, 5.4% higher YOY. Rents are expected to remain elevated as Houston’s industrial market continues to demonstrate strong fundamentals, including positive absorption and sustained tenant demand.

OUTLOOK

- Strong absorption, sustained tenant demand, and Houston’s position as a top-performing industrial market will support continued pricing strength, even as new supply enters the market.
- Despite a construction pipeline of 20.3 msf, vacancy is expected to hold near current levels as deliveries align closely with leasing activity and larger, strategic transactions dominate.
- Developer confidence is expected to remain high with robust construction activity positioning Houston for continued expansion.
- Positive absorption and healthy leasing fundamentals will help maintain equilibrium between supply and demand, mitigating risk of oversupply and supporting long-term market stability.

MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	OVERALL VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	2025 OVERALL NET ABSORPTION (SF)	UNDER CONSTRUCTION (SF)	2025 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	221,249	0	0.0%	42,140	0	40,000	0	N/A	N/A	N/A
North-Near	6,221,511	142,079	2.3%	0	-30,924	79,635	0	\$3.00	N/A	\$6.50
North-Mid	17,572,713	907,963	5.2%	120,750	100,818	578,706	797,324	\$9.00	N/A	\$9.30
North-Far	61,317,170	4,740,015	7.7%	256,277	449,700	2,828,895	1,271,154	\$6.43	\$8.33	\$8.11
North-Montgomery County	16,277,290	307,817	1.9%	-8,775	19,300	676,930	20,000	\$9.00	\$21.57	\$10.04
NORTH	101,388,684	6,097,874	6.0%	368,252	538,894	4,164,166	2,088,478	\$7.85	\$9.62	\$8.17
Northeast-Near	23,901,500	1,630,614	6.8%	535,188	689,327	0	918,371	\$6.18	\$9.04	\$8.03
Northeast-Far	16,083,344	2,424,894	15.1%	372,120	868,467	311,468	1,230,720	\$4.70	N/A	\$6.69
NORTHEAST	39,984,844	4,055,508	10.1%	907,308	1,557,794	311,468	2,149,091	\$5.34	\$9.04	\$7.08
Northwest-Near	25,094,462	1,470,529	5.9%	-170,355	-615,379	0	0	\$9.96	\$10.85	\$7.07
Northwest-Far	121,715,531	6,168,255	5.1%	283,788	2,953,155	4,749,125	3,524,351	\$8.72	\$10.50	\$8.00
NORTHWEST	146,809,993	7,638,784	5.2%	113,433	2,337,776	4,749,125	3,524,351	\$9.02	\$10.55	\$7.86
South-Near	22,670,705	913,608	4.0%	-129,531	-255,712	788,576	184,805	\$10.80	\$9.48	\$7.77
South-Far	22,092,250	1,148,147	5.2%	306,921	1,373,484	2,020,347	1,635,777	\$6.50	\$10.81	\$7.74
SOUTH	44,762,955	2,061,755	4.6%	177,390	1,117,772	2,808,923	1,820,582	\$7.41	\$9.97	\$7.75
Southeast-Near	35,323,605	1,635,829	4.6%	231,468	-209,314	0	0	\$6.50	N/A	\$5.37
Southeast-Mid	18,248,806	1,278,910	7.0%	150,534	98,998	0	1,114,527	N/A	N/A	\$8.48
Southeast-Far	85,556,375	7,703,678	9.0%	239,522	2,537,349	5,682,587	2,912,549	\$10.20	\$10.04	\$7.19
SOUTHEAST	139,128,786	10,618,417	7.6%	621,524	2,427,033	5,682,587	4,027,076	\$7.82	\$10.04	\$7.06
Southwest-Near	4,389,775	132,561	3.0%	0	-66,556	0	0	N/A	\$5.95	\$7.94
Southwest-Far	64,340,810	3,043,872	4.7%	366,478	2,175,507	1,141,366	2,195,759	N/A	\$12.55	\$9.41
SOUTHWEST	68,730,585	3,176,433	4.6%	366,478	2,108,951	1,141,366	2,195,759	N/A	\$10.81	\$9.34
West-Far	33,656,848	1,260,573	3.7%	317,142	476,191	332,800	50,000	\$10.54	\$11.54	\$8.83
West-Waller County	24,525,353	1,323,253	5.4%	2,104,849	2,618,308	1,024,590	982,592	N/A	N/A	\$8.19
WEST	58,182,201	2,583,826	4.4%	2,421,991	3,094,499	1,357,390	1,032,592	\$10.54	\$11.54	\$8.39
HOUSTON TOTALS	599,209,297	36,232,597	6.0%	5,018,516	13,182,719	20,255,025	16,837,929	\$7.42	\$10.47	\$7.64

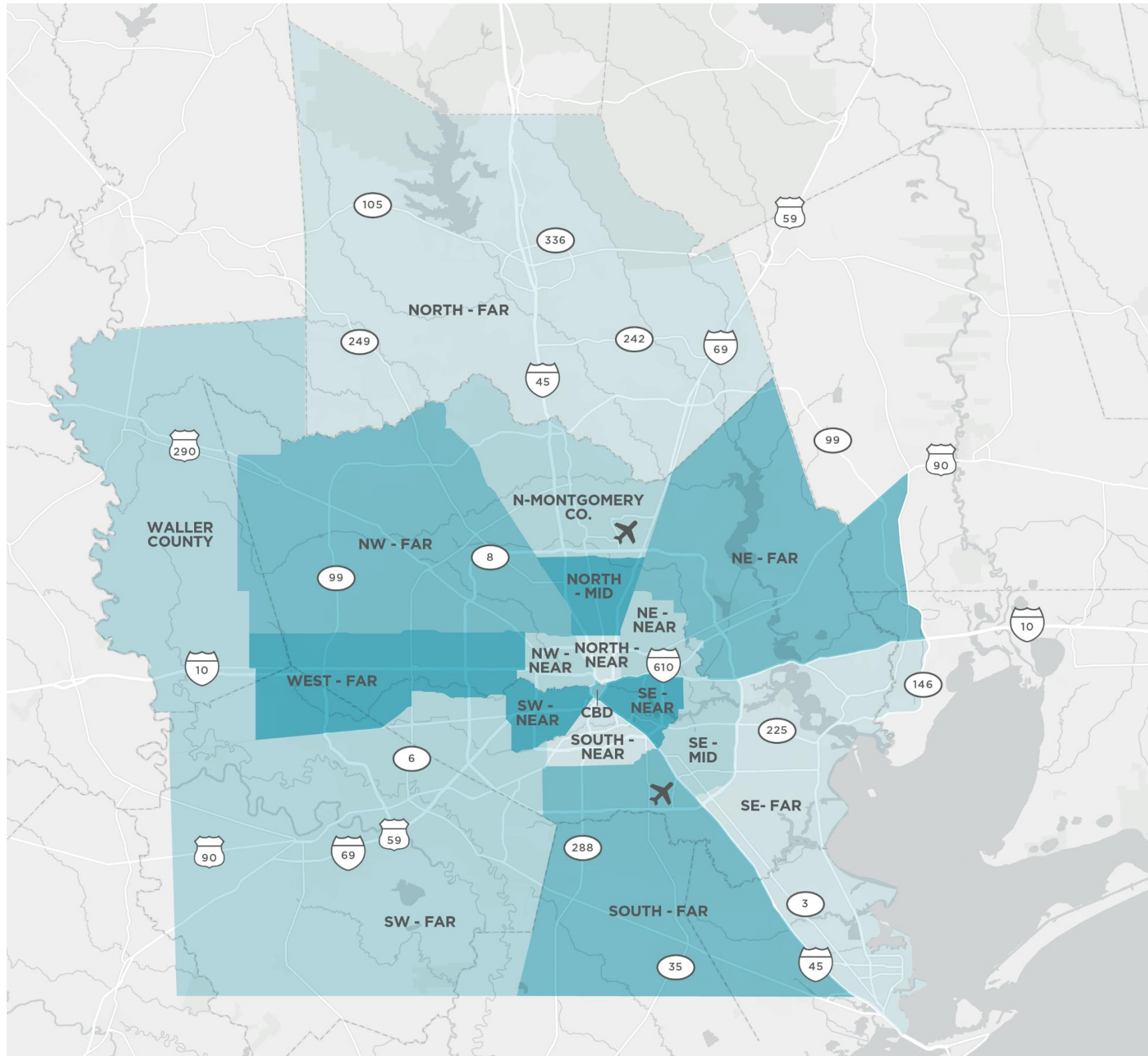
KEY NEW LEASE TRANSACTIONS Q4 2025

BUILDING	ADDRESS	SUBMARKET	TENANT	SF
NW Reservoir District	6401 North Eldridge Parkway	Northwest	ProEnergy Services	458,019
Maverick Distribution	18239 Aldine Westfield Road	North	Modular Power	435,680
Northwest 99 Business Park - Building 1	Mueschke Road & Grand Parkway	Northwest	SEG Manufacturing	425,360
Cedar Port Industrial Park - Building DC9	5300 East McKinney Road	Southeast	Supply Chain Management	420,510

KEY NEW SALES TRANSACTIONS Q4 2025

BUILDING	ADDRESS	SUBMARKET	SELLER BUYER	SF
Empire West Business Park - Building 3	100 Empire Boulevard	Northwest	Northpoint Development Stream Realty	750,775
Stafford Logistics Park - Building 1	13650 Pike Road	Southwest	StarPipe Lovett Industrial	519,082
North Houston Logistics Center - Building G	30 Esplanade Boulevard	North	ARES Management Blackstone Inc.	351,400
Stafford Logistics Park - Building 2	13650 Pike Road	Southwest	StarPipe Lovett Industrial	267,800

INDUSTRIAL SUBMARKETS



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