

QUARTERLY SNAPSHOT

↑ Vacancy
7.6%

↓ Net Absorption YTD
4.28 MSF

↓ New Deliveries
4.98 MSF

OCCUPIER'S PERSPECTIVE

Renewing tenants face significant exposure as today's asking rents are nearly ten percent above where they stood only one year ago. Tenants approaching expiration who wait for rents to fall may risk finding that absorption of the current pipeline stabilizes landlord pricing sooner than expected. Early engagement is the best hedge.

Big-box tenants hold a strong negotiating position. With vacancy rising and the pipeline continuing to grow, landlords of large speculative projects are offering concessions including expanded free rent and elevated TI packages that were not on the table 18 months ago. Tenants with requirements above 100,000 SF should be in active conversations now.

Small-bay users should act without delay. Sub-25,000 SF infill space remains chronically undersupplied, leases quickly, and attracts virtually no concessions.

Houston's industrial market has entered 2026 on solid footing. Total inventory across all industrial product types reached 719 million square feet at the close of the quarter, a gain of 4.98 MSF from Q4 2025 as new deliveries continued at an elevated pace.

Demand remains intact as net absorption held firmly positive at 4.3 MSF for the quarter and leasing activity totaled 9.9 MSF. The under-construction pipeline continued to expand to 26 MSF, a 46% surge from the same period in 2025. These figures reflect a market that continues to attract consistent occupier demand even as a historically large speculative pipeline works through the lease-up process.

Given the substantial group of new deliveries with limited pre-leasing, vacancy edged up quarter-over-quarter to 7.6% from 7.5% in the prior quarter. This is an ongoing trend, as vacancy is now 70 basis points above the 6.9% posted one year earlier.

Total availability reached 10.6%, the highest level since the Pandemic. Average asking rents posted a 9.9% gain year-over-year, underscoring that the meaningful gains of the cycle remain largely intact even as some pricing pressure builds in select segments.

RECENT TRANSACTIONS

Tenant	Size (SF)	Submarket	Type
Crane Worldwide Logistics	767,520	Southwest	New
T1 Energy	627,130	Southeast	New
Emser Tile	601,400	North	Renewal
Sanmina	537,375	Northwest	New
Elogistics	430,000	Southwest	New
Port Jersey Logistics	404,359	Southeast	New
Triad Electric & Controls	386,001	Southeast	New

SUBMARKET MOVEMENT

Vacancy Rate	QOQ Change	Submarket
10.1%	▲	Southeast
8.6%	▲	Northeast
7.5%	▲	CBD
7.1%	▼	South
6.9%	▲	North
6.7%	▲	Northwest
6.3%	▲	Southwest

SUBMARKET COMPARISON

Submarket/Class	Inventory SF	Total Vacancy Rate	Total Availability Rate	Total Available SF	Sublease SF	YTD Net Absorption SF	Under Construction SF	YTD Deliveries
CBD	42,599,493	7.6%	9.5%	4,040,647	533,717	(276,521)	0	0
Warehouse	40,344,124	7.3%	9.2%	3,710,922	518,214	(252,424)	0	0
Flex	2,255,369	12.6%	14.6%	329,725	15,503	(24,097)	0	0
Northeast	52,998,256	8.6%	13.3%	7,322,991	566,829	296,372	2,124,905	197,133
Warehouse	52,298,935	8.7%	13.4%	7,291,042	566,829	296,372	2,124,905	197,133
Flex	699,321	4.6%	4.6%	31,949	0	0	0	0
North	133,042,264	6.9%	10.6%	14,618,364	1,256,054	942,160	5,407,465	608,745
Warehouse	122,400,444	6.4%	10.7%	13,626,388	1,226,544	1,040,221	5,190,963	608,745
Flex	10,641,820	11.7%	9.1%	991,976	29,510	(98,061)	216,502	0
Northwest	194,513,607	6.7%	9.2%	18,511,905	1,484,803	1,019,384	6,956,200	1,445,556
Warehouse	181,595,532	6.2%	8.8%	16,645,128	1,314,681	1,017,474	6,886,200	1,445,556
Flex	12,918,075	13.2%	14.4%	1,866,777	170,122	1,910	70,000	0
Southeast	141,066,785	10.1%	12.8%	18,742,344	1,873,110	267,152	5,211,188	765,612
Warehouse	137,925,440	10.2%	12.9%	18,477,890	1,863,006	262,430	5,211,188	765,612
Flex	3,141,345	7.1%	8.4%	264,454	10,104	4,722	0	0
South	56,091,573	7.1%	13.3%	8,000,013	82,280	(160,827)	3,971,690	925,265
Warehouse	53,358,347	6.8%	13.3%	7,618,014	76,420	(163,434)	3,971,690	925,265
Flex	2,733,226	13.1%	14.0%	381,999	5,860	2,607	0	0
Southwest	99,537,757	6.3%	7.3%	7,445,507	679,086	2,175,711	2,425,786	1,034,610
Warehouse	88,405,755	5.8%	6.9%	6,214,179	631,510	2,272,826	2,311,764	953,462
Flex	11,132,002	10.5%	10.9%	1,231,328	47,576	(97,115)	114,022	81,148
Houston	719,799,723	7.6%	10.6%	78,681,771	6,475,879	4,263,431	26,097,234	4,976,921
Warehouse	676,278,565	7.3%	10.5%	73,583,563	6,197,204	4,473,465	25,696,710	4,895,773
Flex	43,521,158	11.6%	11.7%	5,098,208	278,675	(210,034)	400,524	81,148