HOUSTON

Industrial | Q2 2026 Market Report

SNAPSHOT

↓ Vacancy
7.4%

↑ Net Absorption YTD
11.3 MSF

↑ New Deliveries
6.1 MSF

↑ Leasing Activity
11.1 MSF

OCCUPIER'S PERSPECTIVE

Leverage Still Available for Big-Box Tenants
Speculative product outside the tightest submarkets still carries real concessions. Expanded free rent and improved TI packages remain on the table for requirements above 100,000 SF that aren't competing directly with AI-infrastructure or manufacturing demand.

Manufacturing & Specialized Users Need to Plan Ahead
Crane-served, heavy-power buildings remain scarce, with manufacturing vacancy running near a third of the broader market rate. Occupiers with specialized requirements should expect long search timelines and high rent - or plan for a build-to-suit.

AI Infrastructure Tenants Engage Early
Requirements above 200,000 SF are drawing multiple tenants to the same buildings as data-center-support and manufacturing users compete for a shrinking pool of large blocks.

Houston's industrial market tightened in the second quarter after two straight quarters of rising vacancy. Total inventory across all industrial product types reached 726 million square feet at quarter's end, a gain of 6.1 million square feet as deliveries picked up following a slower first quarter. Net absorption came in at a very strong 7.0 million square feet for the quarter, pushing year-to-date absorption to 11.3 million square feet and pulling total vacancy down to 7.4% from 7.6% in Q1. Leasing activity reached 11.1 million square feet, while the under-construction pipeline held roughly flat at 26 million square feet.

Demand stayed concentrated in logistics space tied to the Port of Houston, manufacturing, and data-center/AI-infrastructure-adjacent space. This was supported by over $9 billion in recently announced capital investment, including large pharmaceutical, defense, and advanced-manufacturing projects moving through the broader Houston MSA.

This quarter's largest deal was a 1.03 million-square-foot user purchase at 12515 Lockwood Rd in the Northeast, signed in late April by a data center-related tenant. In the Southwest, Applied Optoelectronics expanded footprint by nearly 800,000 square feet across three separate leases, adding to its previously announced purchase of Kirby District. TAS Energy also had a busy quarter, with three new leases totaling 750,000 square feet at Carson 288.

Asking rents moved up across nearly every submarket this quarter. Free rent and TI packages, which had been widening as concessions to fill new speculative supply, are starting to hold flat or tighten on the most in-demand buildings, even as they continue to loosen on slower-moving product elsewhere. Large users tied to AI infrastructure, power generation, and reshored manufacturing are moving quickly and competing directly for space above 200,000 square feet. Economic and interest-rate uncertainty continues to weigh more on mid-size and speculative decisions than on the large-format, mission-critical requirements driving this cycle.

RECENT TRANSACTIONS

Tenant	Size (SF)	Submarket	Type
Applied Optoelectronics Inc	796,216	Southwest	New
TAS Energy Inc.	750,663	South	New
Tesla	504,370	Southwest	New
Titanium Plus Autoparts, Inc	342,667	South	New
AIT Worldwide Logistics	289,200	North	New

SUBMARKET MOVEMENT

Vacancy Rate	QOQ Change	Submarket
10.4%	▲	Southeast
8.5%	▲	CBD
7.3%	▲	South
7.1%	▼	Northeast
6.7%	▲	Northwest
6.6%	▼	North
5.5%	▼	Southwest

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SUBMARKET COMPARISON

Submarket/Type	Total Inventory SF	Total Vacancy Rate	Total Availability Rate	Total Available SF	Available Sublease SF	YTD Net Absorption SF	Under Construction SF	YTD Deliveries SF
CBD	**42,714,386**	**8.50%**	**10.70%**	**4,571,159**	**572,942**	**-598,515**	**100,000**	**0**
Warehouse	40,470,675	8.10%	10.20%	4,129,167	557,439	-473,076	0	0
Flex	2,243,711	17.00%	18.90%	441,992	15,503	-125,439	100,000	0
Northeast	**52,772,744**	**7.10%**	**12.90%**	**7,097,607**	**918,150**	**1,126,434**	**2,231,155**	**197,133**
Warehouse	52,148,423	7.10%	13.00%	7,068,962	918,150	1,123,130	2,231,155	197,133
Flex	624,321	4.60%	4.60%	28,645	0	3,304	0	0
North	**132,328,846**	**6.60%**	**12.50%**	**17,320,801**	**1,808,013**	**2,321,301**	**5,837,137**	**1,482,868**
Warehouse	121,906,116	6.10%	12.80%	16,385,551	1,778,503	2,435,098	5,694,537	1,482,868
Flex	10,422,730	12.20%	8.90%	935,250	29,510	-113,797	142,600	0
Northwest	**197,172,626**	**6.70%**	**9.40%**	**19,096,312**	**1,191,438**	**3,496,023**	**5,648,687**	**4,277,815**
Warehouse	184,484,946	6.30%	9.20%	17,496,728	1,081,091	3,317,857	5,598,687	4,257,815
Flex	12,687,680	11.50%	12.60%	1,599,584	110,347	178,166	50,000	20,000
Southeast	**142,273,722**	**10.40%**	**12.70%**	**18,567,323**	**1,788,492**	**707,268**	**4,300,626**	**1,690,032**
Warehouse	139,142,990	10.40%	12.80%	18,318,677	1,778,388	690,804	4,300,626	1,690,032
Flex	3,101,904	6.20%	8.00%	248,646	10,104	16,464	0	0
South	**57,065,120**	**7.30%**	**12.10%**	**7,392,456**	**318,354**	**684,260**	**3,780,985**	**1,953,543**
Warehouse	54,430,475	7.00%	12.10%	7,027,435	312,494	691,059	3,780,985	1,953,543
Flex	2,634,645	14.00%	13.90%	365,021	5,860	-6,799	0	0
Southwest	**101,536,994**	**5.50%**	**7.10%**	**7,543,788**	**651,490**	**3,580,102**	**4,011,216**	**1,843,206**
Warehouse	90,618,676	4.90%	6.80%	6,383,713	596,733	3,660,506	3,799,944	1,762,058
Flex	10,918,318	10.30%	10.40%	1,160,075	54,757	-80,404	211,272	81,148
Houston	**725,864,438**	**7.40%**	**10.90%**	**81,589,446**	**7,248,879**	**11,316,873**	**25,909,806**	**11,444,597**
Warehouse	683,202,301	7.10%	10.80%	76,810,233	7,022,798	11,445,378	25,405,934	11,343,449
Flex	42,662,137	11.30%	11.10%	4,779,213	226,081	-128,505	503,872	101,148

Report reflects recorded data for industrial properties 20,000 SF and larger. Average asking rents are excluded from the submarket table due to high quarter-to-quarter variability; most Houston industrial availabilities marketed do not consistently report asking rates. Historical vacancy, construction, deliveries, and absorption figures are subject to revision as tracked inventory is refined.