HOUSTON

Industrial | Q3 2026 Market Report

SNAPSHOT

- ↑ Vacancy 7.5%
- ↑ Net Absorption YTD 17.6 MSF
- ↑ New Deliveries 8.1 MSF
- ↑ Leasing Activity 15.9 MSF

OCCUPIER'S PERSPECTIVE

Big Blocks Are Spoken For

Requirements above 200,000 SF drove a record quarter, and users over 500,000 SF have few alternatives left. Large tenants should start early and be prepared to commit quickly when the right building surfaces.

Mid-Sized Tenants Hold More Leverage

The 100,000 to 200,000 SF band was comparatively soft in Q3, giving tenants in that range more options. The Northwest is the exception, where large new buildings are holding out for full-building users.

Concessions Tightening

Free rent and TI allowances trended down slightly this quarter, and brokers reported rents moving up in executed deals. With most large Q3 leases occupying in 2027, tenants should lock in terms before available supply thins further.

Nearly 16 million square feet of industrial leases were signed in Houston in Q3, making it the strongest quarter the market has ever recorded. For context, and to demonstrate this massive volume, the quarterly post-COVID average has been 10.6 million square feet.

Data centers are a driving factor behind the volume. Companies serving this unprecedented boom are looking for both manufacturing and distribution space in multiple size ranges, with the largest blocks of space in the Houston market largely spoken for.

In the third quarter, tenants looking for more than 200,000 square feet drove the market, while the 100,000 to 200,000 square foot band was comparatively soft. Further, the largest tenants (500,000+ square feet) have limited alternatives and are acting quickly. In the Northwest specifically, the largest new buildings are holding out for full-building users rather than demising the spaces, which has tightened mid-market availability in that corridor. Houston's labor pool is a near-term tailwind, though some tenants and brokers are expressing caution about what happens when the full wave of announced expansions arrives simultaneously.

Despite 5.5 million square feet of net absorption and the upswing in leasing activity, vacancy edged up slightly to 7.5%. This was driven by 8 million square feet of new deliveries rather than any softening in demand. Portending another outstanding year for occupancy growth in Houston, most of the quarter's large leases will occupy in 2027. Though asking rents held steady in Q3, several brokers reported rents moving up in transactions they worked. Overall, concessions like free rent and tenant improvement allowances have trended down slightly, consistent with a market where larger blocks of currently available product are becoming scarcer.

RECENT TRANSACTIONS

Tenant	Size (SF)	Submarket	Type
Tesla, Inc.	1,218,956	Southeast	New
SEG Solar	1,100,000	Northwest	New
Tesla, Inc.	800,405	Southeast	New
Enchanted Rock	648,720	Northeast	New
Spike Electric	643,118	Southeast	New

SUBMARKET MOVEMENT

Vacancy Rate	QOQ Change	Submarket
10.4%	▲	Southeast
9.2%	▲	South
8.9%	▲	CBD
7.3%	▲	North
6.2%	▼	Northwest
6.1%	▼	Northeast
5.4%	■	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	**41,972,653**	**8.90%**	**11.60%**	**4,864,275**	**530,249**	**(726,183)**	**100,000**	**0**
Warehouse	39,641,942	8.40%	11.10%	4,418,180	514,746	(568,329)	0	0
Flex	2,330,711	17.80%	18.40%	446,095	15,503	(157,854)	100,000	0
Northeast	**53,356,651**	**6.10%**	**10.50%**	**5,929,277**	**708,012**	**1,956,153**	**3,293,236**	**527,163**
Warehouse	52,754,830	6.10%	10.70%	5,900,632	708,012	1,952,849	2,593,236	527,163
Flex	601,821	4.80%	2.20%	28,645	0	3,304	700,000	0
North	**133,835,332**	**7.30%**	**11.70%**	**16,354,265**	**1,802,801**	**3,201,153**	**5,783,134**	**3,301,441**
Warehouse	123,996,903	6.80%	11.80%	15,249,972	1,758,259	3,281,365	5,607,042	3,301,441
Flex	9,838,429	13.30%	11.00%	1,104,293	44,542	(80,212)	176,092	0
Northwest	**196,391,759**	**6.20%**	**9.40%**	**19,211,825**	**1,141,206**	**4,690,023**	**7,289,043**	**5,068,915**
Warehouse	183,663,427	5.90%	9.30%	17,741,552	1,030,676	4,391,304	7,239,043	5,068,915
Flex	12,728,332	10.30%	11.50%	1,470,273	110,530	298,719	50,000	0
Southeast	**145,861,214**	**10.40%**	**11.10%**	**16,566,125**	**1,747,169**	**2,311,313**	**3,017,915**	**3,912,014**
Warehouse	142,693,769	10.60%	11.20%	16,321,506	1,747,169	2,246,092	3,017,915	3,884,554
Flex	3,167,445	5.90%	7.70%	244,619	0	65,221	0	27,460
South	**58,529,356**	**9.20%**	**10.80%**	**6,588,497**	**490,744**	**1,004,012**	**2,400,493**	**3,443,935**
Warehouse	55,864,872	9.00%	10.50%	6,144,858	406,434	998,104	2,400,493	3,443,935
Flex	2,664,484	13.30%	16.70%	443,639	84,310	5,908	0	0
Southwest	**102,855,182**	**5.40%**	**7.90%**	**8,404,153**	**781,764**	**5,157,222**	**3,103,951**	**3,414,224**
Warehouse	92,053,386	5.00%	7.70%	7,307,819	726,624	5,055,100	2,923,718	3,301,576
Flex	10,801,796	8.50%	10.00%	1,096,334	55,140	102,122	180,233	112,648
Houston	**732,802,147**	**7.50%**	**10.30%**	**77,918,417**	**7,201,945**	**17,593,693**	**24,987,772**	**19,667,692**
Warehouse	690,669,129	7.30%	10.20%	73,084,519	6,891,920	17,356,485	23,781,447	19,527,584
Flex	42,133,018	10.70%	11.20%	4,833,898	310,025	237,208	1,206,325	140,108

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.

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SUBMARKET MAP

