



NEWMARK

*Market Overview*

# Houston Industrial

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1Q26



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# Market Observations



## Economy

- The Houston market's unemployment rate rose 12 basis points year over year to 4.5% and remains below the five-year average of 5.5%.
- Job growth fell by 96 basis points year over year to 0.4%, significantly below the five-year average of 1.8%.
- All sectors except information, business and professional services, and manufacturing, reported employment growth, with education and health leading job gains at 2.8% over the past 12 months.
- Most industrial-using job sectors in the market reflected yearly growth, with trade/transportation/utilities and mining/construction, reflecting growth of 0.8% and 1.3% respectively, while manufacturing contracted 1.1% annually.



## Leasing Market Fundamentals

- The market realized 3.7 MSF of positive absorption in the first quarter of 2026, a quarterly decrease of 1.1%, continuing a trend observed since 2024.
- Overall rental rates rose 9.1% year over year to \$10.39/SF but fell from the previous quarter's all-time high of \$10.65/SF.
- Construction deliveries slowed to 4.7 MSF in the first quarter of 2026, while the pipeline grew by 9.6% to 27.9 MSF under construction. Currently, 25.3% of the pipeline is preleased, signaling that future supply could pressure occupancy and rents.
- The vacancy rate rose by 10 basis points quarter over quarter and by 80 basis points year over year to 7.5%, as new supply outpaced demand for a fifth consecutive quarter.



## Major Transactions

- Crane Worldwide Logistics signed the quarter's largest deal, taking 767,520 SF at Twinwood Distribution Center III in the Northwest submarket.
- Four of the quarter's five largest deals were new commitments, highlighting tenant interest and confidence in the Houston market.
- Each of the five transactions occurring in buildings built since 2023, underscoring tenant preference for modern space.
- The quarter's five largest deals were concentrated in the Northwest, Southeast, and Southwest submarkets, highlighting occupier need for connectivity along the Hwy-290 and Hwy-59 corridors as well as proximity to Port Houston.



## Outlook

- Overall, the Houston industrial market remains fundamentally healthy but is transitioning toward equilibrium as supply growth, rising vacancies, and moderating absorption shift conditions in favor of occupiers.
- The continued expansion of the construction pipeline, which is mainly comprised of speculative projects, suggests sustained developer confidence in long-term fundamentals, although elevated vacancy levels may pressure lease-up timelines for new projects.
- Tenant demand remains active despite a slightly softer year-over-year comparison, while robust Class A leasing activity reflects ongoing tenant preference for modern, high-efficiency product.
- Asking rents on new speculative product are expected to remain elevated throughout 2026, even as overall vacancy stabilizes once the current construction wave is absorbed.

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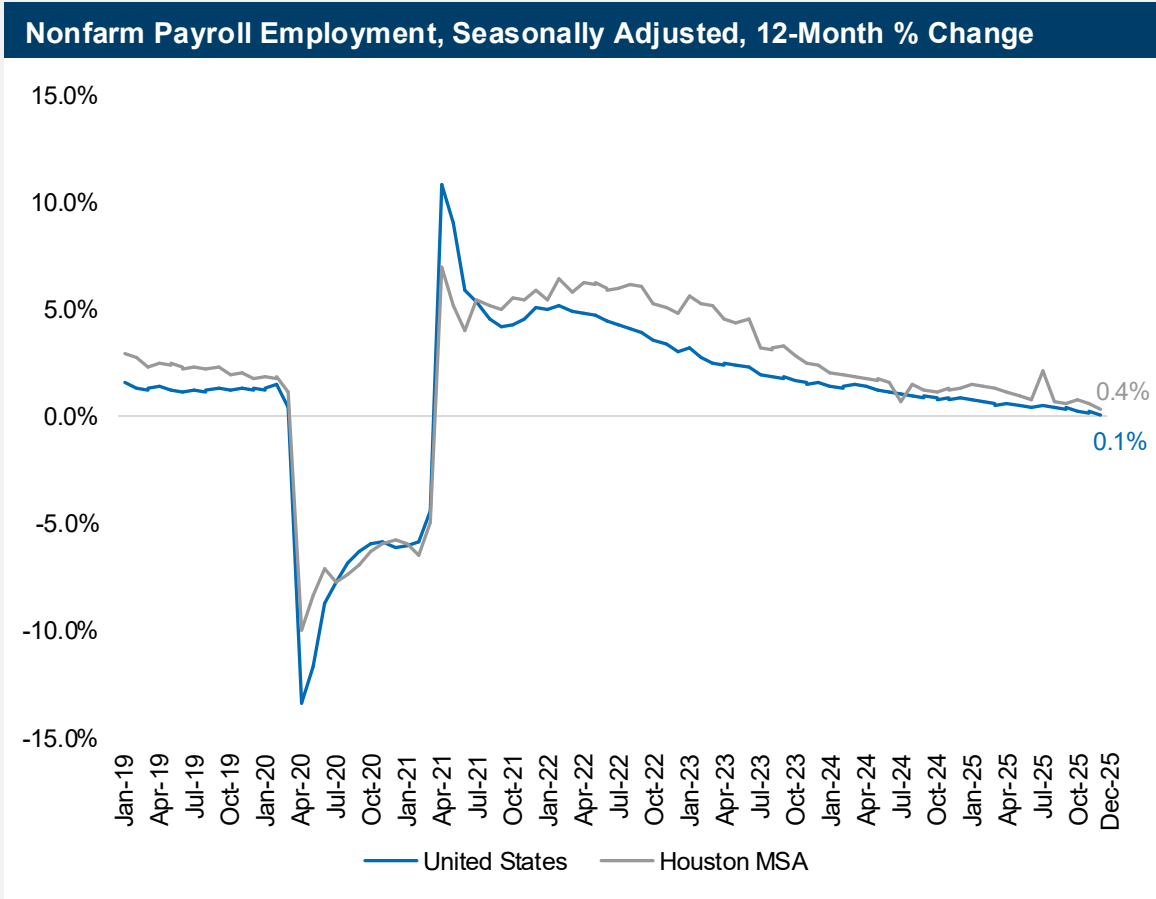
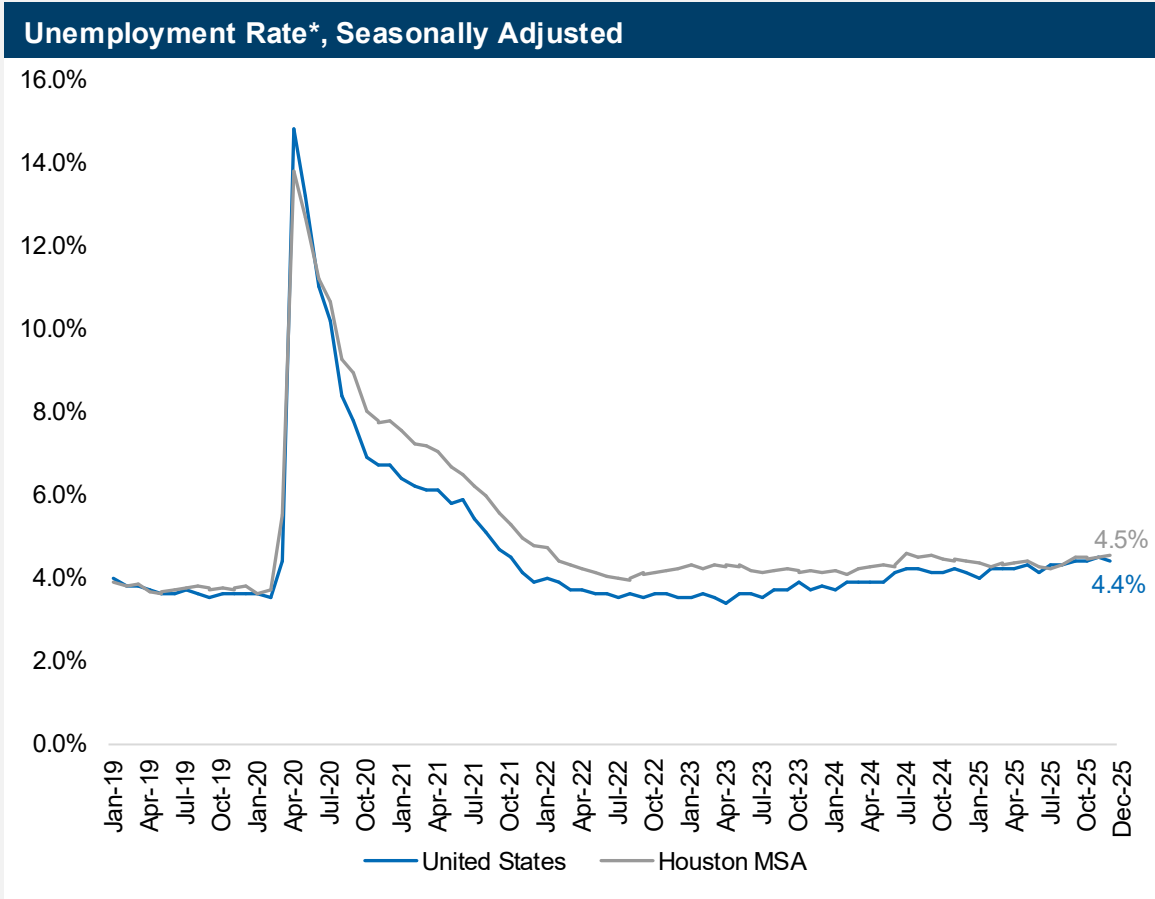
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## Economy



# Unemployment Remains Above National Average As Employment Growth Slows

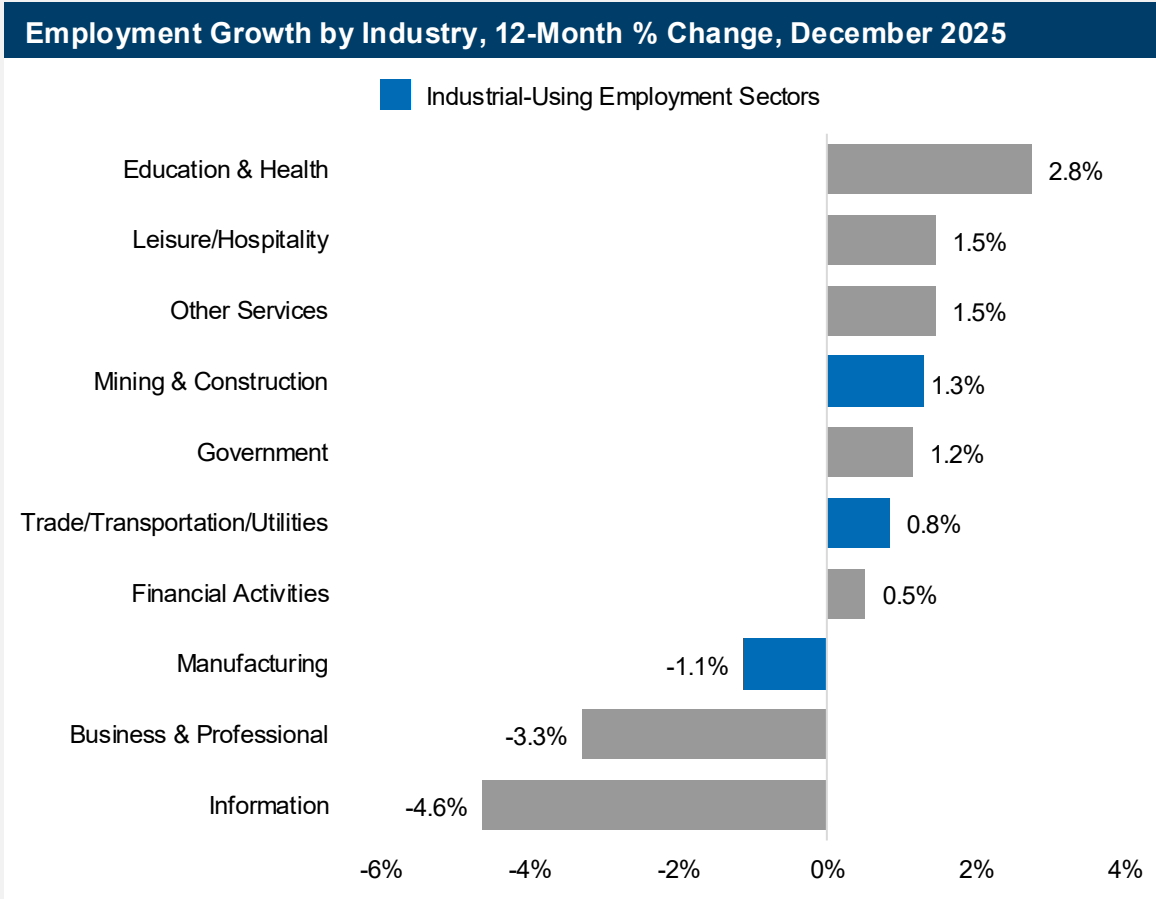
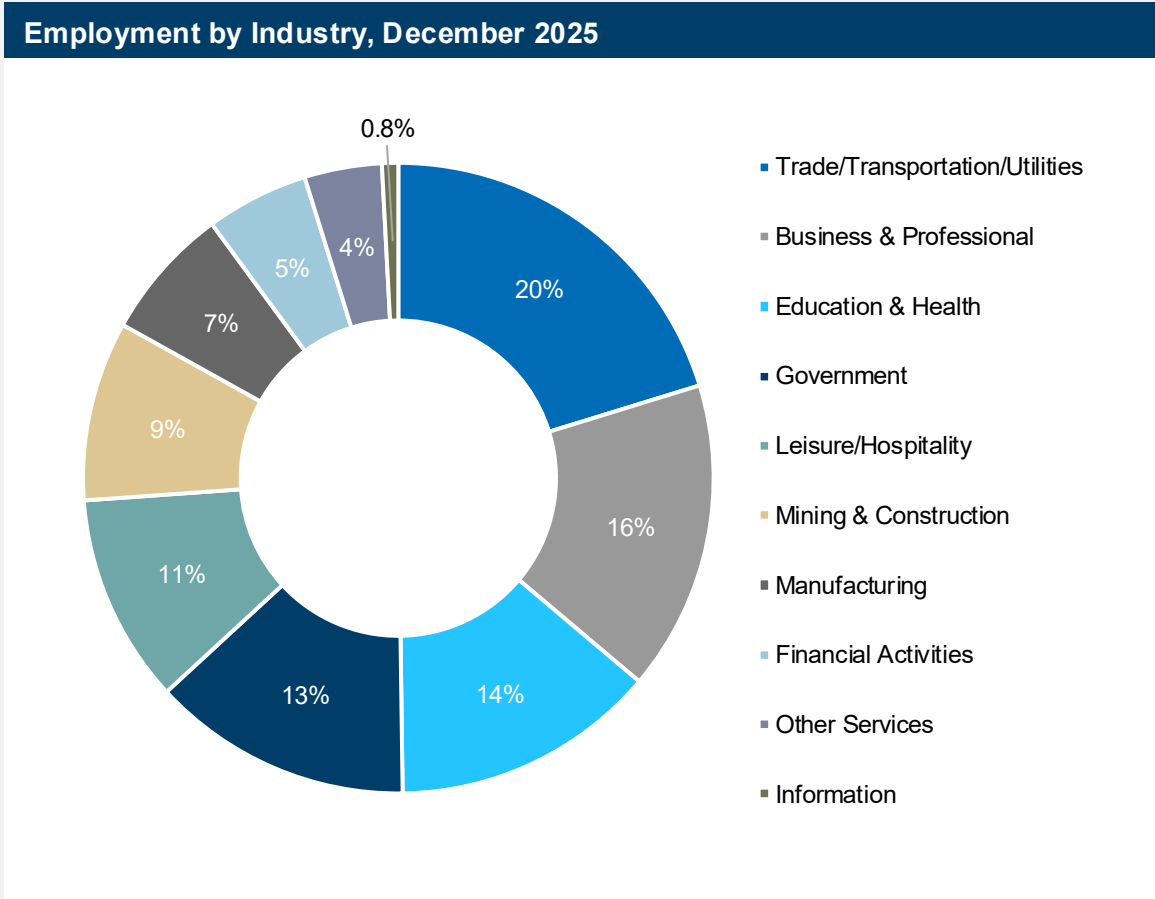
Houston has historically posted slightly higher unemployment than the national average while outpacing it in job growth. As of December 2025, Houston’s unemployment rate was 4.5%, hovering just above the national average of 4.4%. After lagging the national average for most of the past year, the gap in unemployment narrowed to 13 basis points in December 2025. However, employment growth in Houston slowed more sharply, down 96 basis points from the prior year to 0.4%, reflecting a broader labor market cooldown following years of strong gains. While job growth in Houston has recently slowed more sharply than in the U.S. overall, the metro has generally outpaced the nation in employment gains over the past several years.



Source: U.S. Bureau of Labor Statistics, Houston MSA  
 \*October 2025 government shutdown missing data addressed with duplicating September 2025's data

# Growth in Most Industrial-Using Employment Sectors Continues

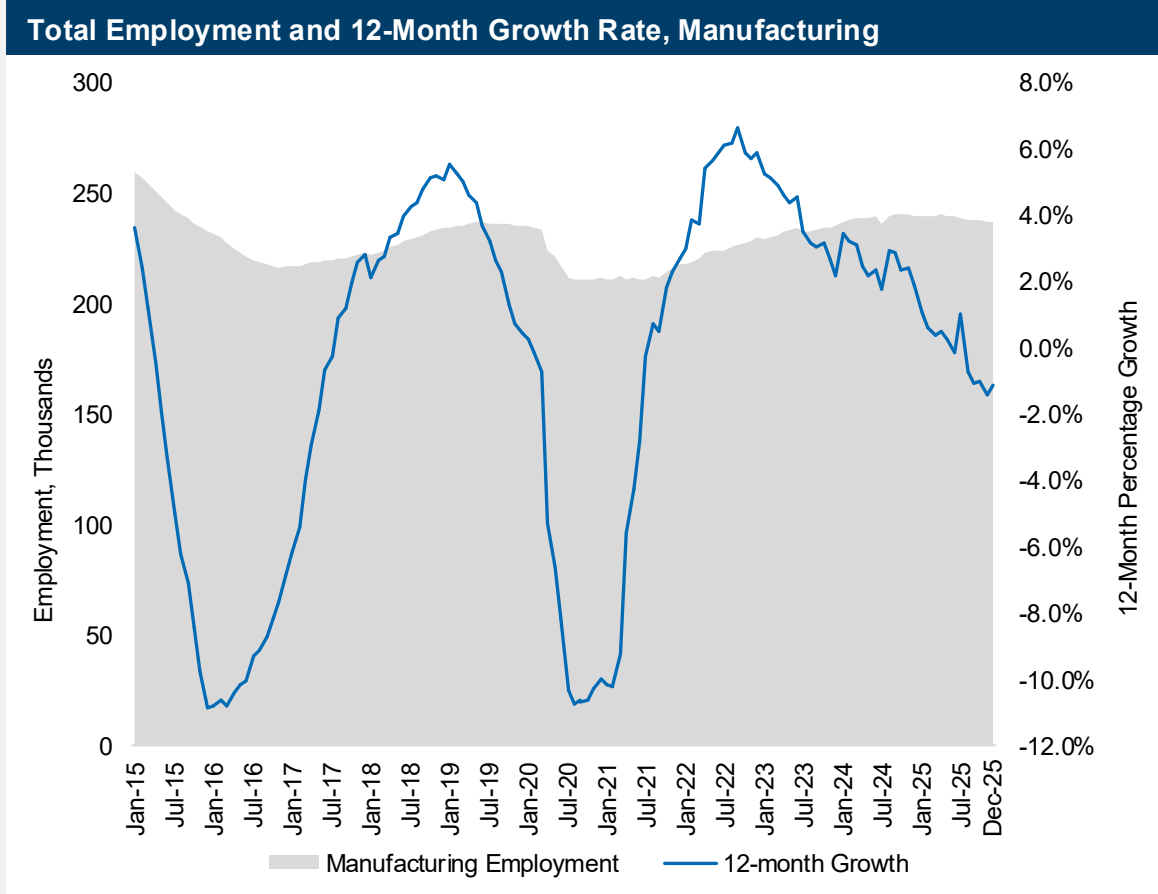
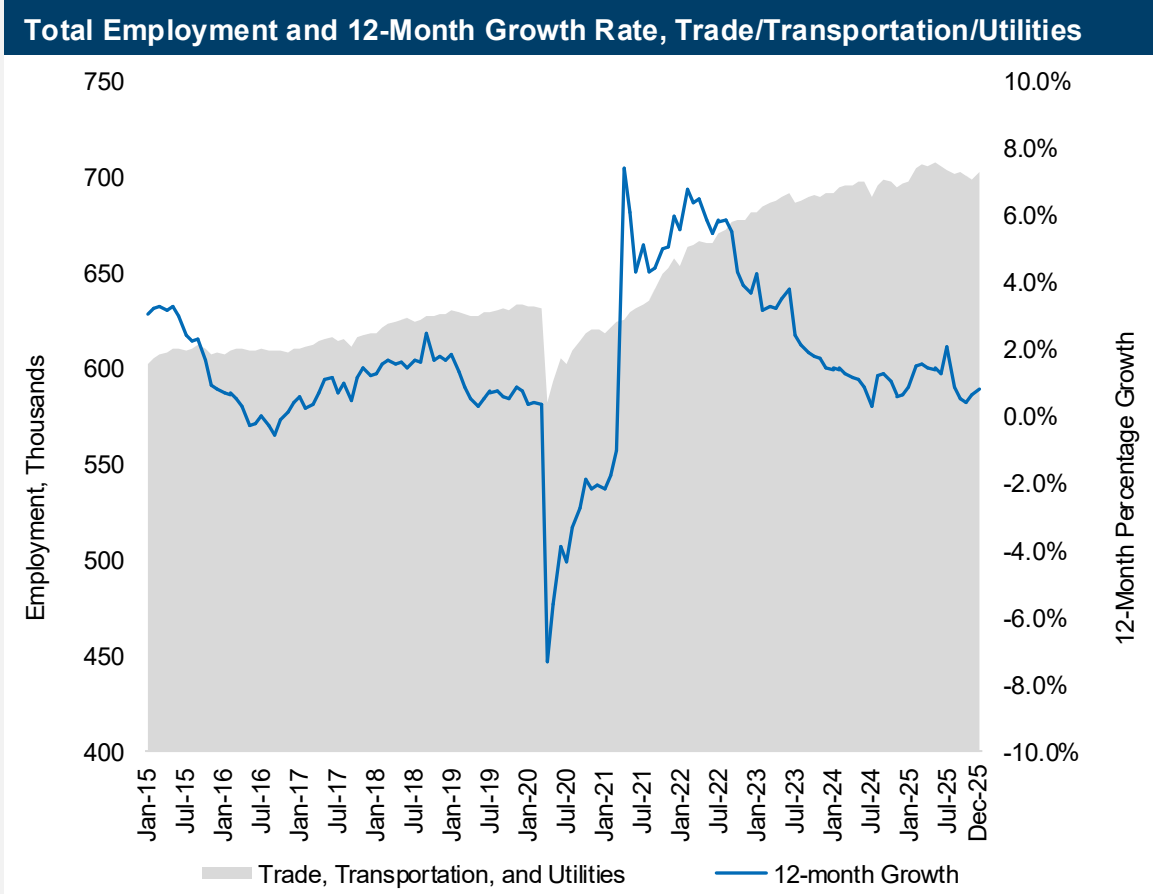
Known for its energy sector, the Houston market's top two employment industries account for 36.2% of market share. The industrial-using employment's trade/transportation/utilities sector is the largest industry sector in the metro at 20.3%. Most industrial-using job sectors in the market reflected yearly growth, with trade/transportation/utilities and mining and construction, reporting slight growth of 0.8% and 1.3%, respectively, while manufacturing contracted 1.1% annually.



Source: U.S. Bureau of Labor Statistics, Houston MSA

# Annual Industrial Employment Grows, Despite Manufacturing Job Contraction

In December 2025, trade/transportation/utilities employment rose by 0.8% annually to 702,654 employees and remains just 0.7% below the industry peak reported in May 2025. Meanwhile, manufacturing employment contracted annually by 1.1% to 237,616 employees, falling 8.6% below the peak reported in January 2015. The decline in manufacturing jobs was offset by growth in the other two industrial sectors, resulting in annual overall industrial-using employment growth of 7,350 jobs, albeit at a slower pace than before, reflecting broader economic conditions.



Source: U.S. Bureau of Labor Statistics, Houston MSA

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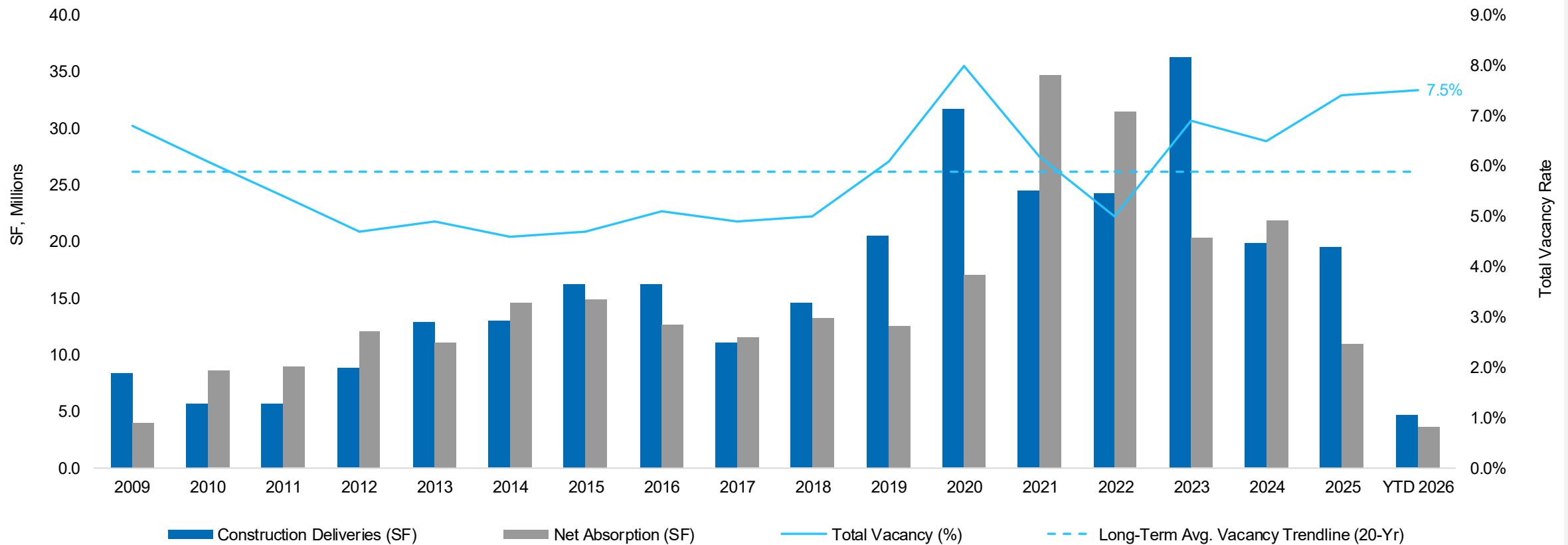
## Leasing Market Fundamentals



# Supply and Demand Imbalance Pushes Vacancy to Recent High

In the first quarter of 2026, supply outpaced demand by 1.0 MSF, with deliveries totaling 4.7 MSF and positive net absorption of 3.7 MSF. Coming off historic absorption observed in 2021 and 2022, the market has been slower to absorb the elevated new supply delivered since 2023. Since the start of 2023, annual demand has consistently lagged new supply, except for 2024. During this period, deliveries surged in 2023 before easing in 2024 and 2025, while net absorption halved from 2024 to 2025. As a result, vacancy has risen to a recent peak of 7.5% in the first quarter of 2026, roughly 160 basis points above the long-term average of 5.9% and is likely to stay elevated as long as deliveries continue to outpace demand.

Historical Construction Deliveries, Net Absorption, and Vacancy



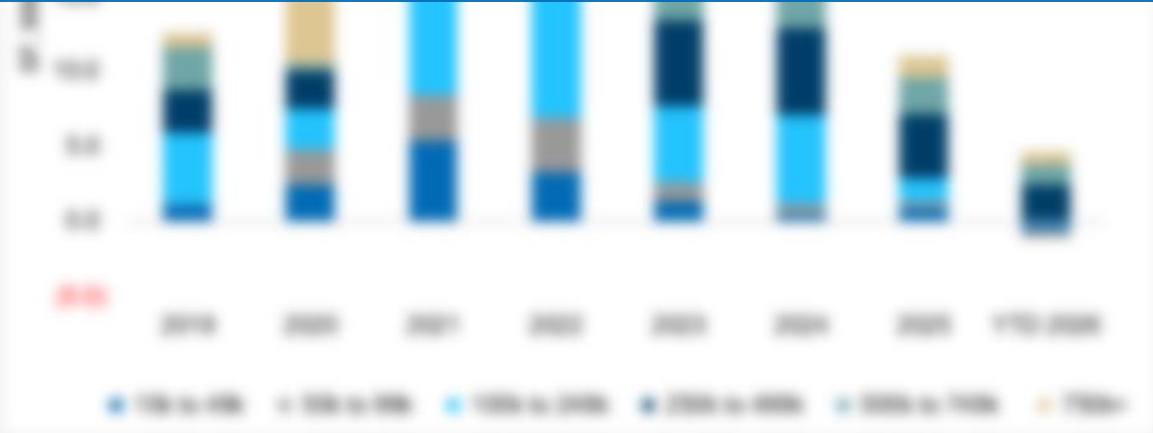
# Large Buildings Continue to Drive Absorption Despite Elevated Vacancy Rates

Since 2016, demand in the Houston market has been concentrated in larger buildings, with properties 250,000 SF and above accounting for 76.7% of total net absorption. Most recently, buildings 250,000 SF and above realized more than 4.4 million SF of net absorption during the first quarter of 2024. The 250,000 to 499,999 SF subset was the top performing segment, with 2.4 million SF of positive absorption in the first quarter of 2024. Mid-size buildings in the 100,000 to 249,999 SF range recorded the highest vacancy in the market at 6.7%, up 270 basis points year-over-year. The 100,000 to 249,999 SF and 750,000 SF and above segments saw the largest annual vacancy declines in the first quarter of 2024, dropping by 130 and 270 basis points to 7.7% and 6.0%, respectively. Even with vacancy elevated, large format buildings will capture most of the market's demand as the market works through its pipeline.

Net Absorption by Size Range

Vacancy Rates by Size Range

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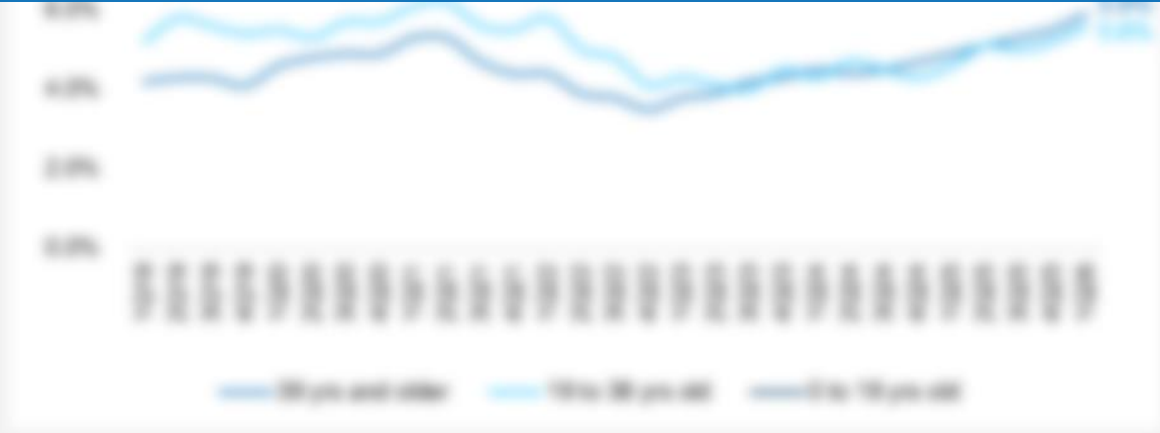
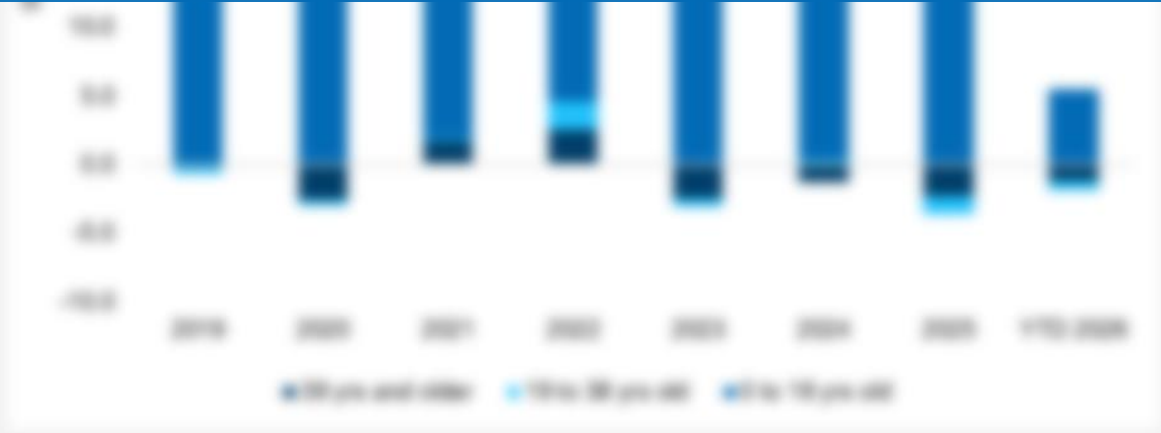


# Preference for Modern Industrial Buildings Continues to Drive Demand

As of the first quarter of 2024, modern industrial buildings have delivered in the last 18 years, cumulatively account for 76.7% of the total vacant space in the market and the largest share of the market's current inventory at 47.6%. Moreover, modern industrial buildings have contributed to nearly all positive net absorptions since 2021. Despite having the highest vacancy rate in the market at 14.0% as of the first quarter of 2024, there is still strong net demand for modern facilities. The higher vacancy rate for modern warehouses is largely supply-driven, whereas the continued rise in vacancies among older legacy industrial properties is a result of sustained negative net absorptions over the past two years, reflecting a potential weakening of demand.

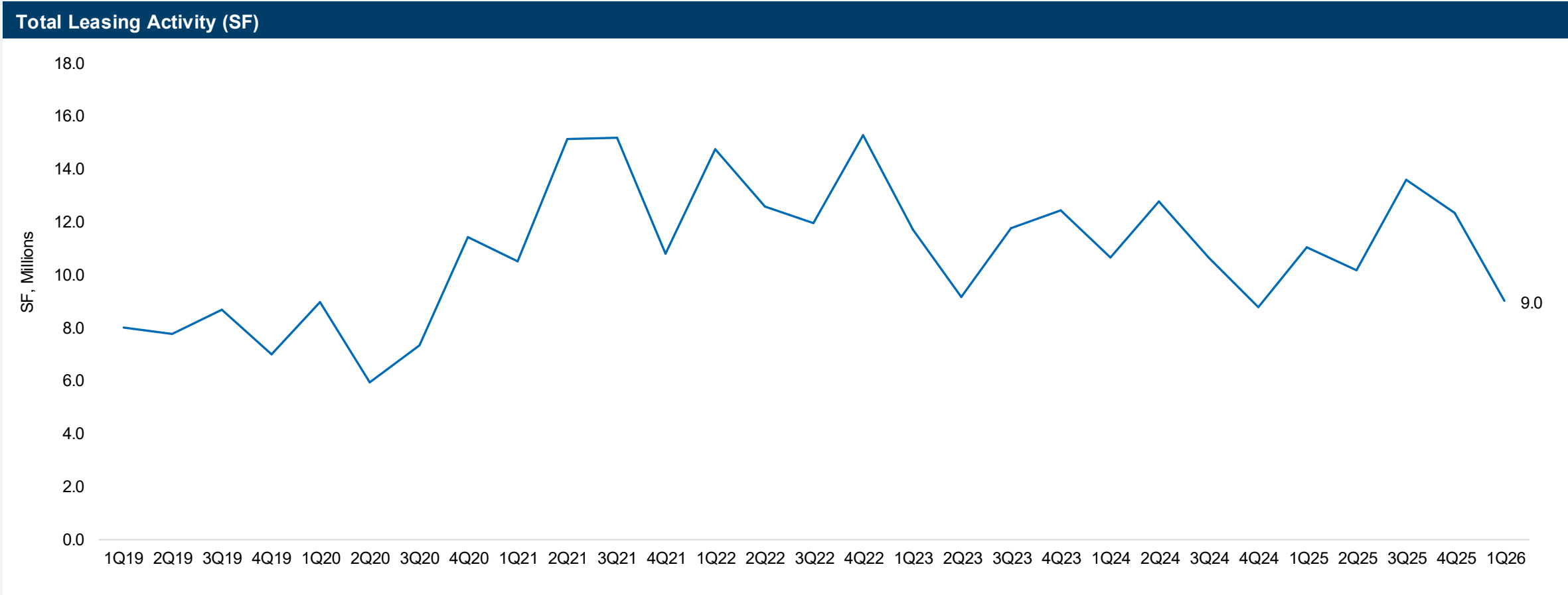


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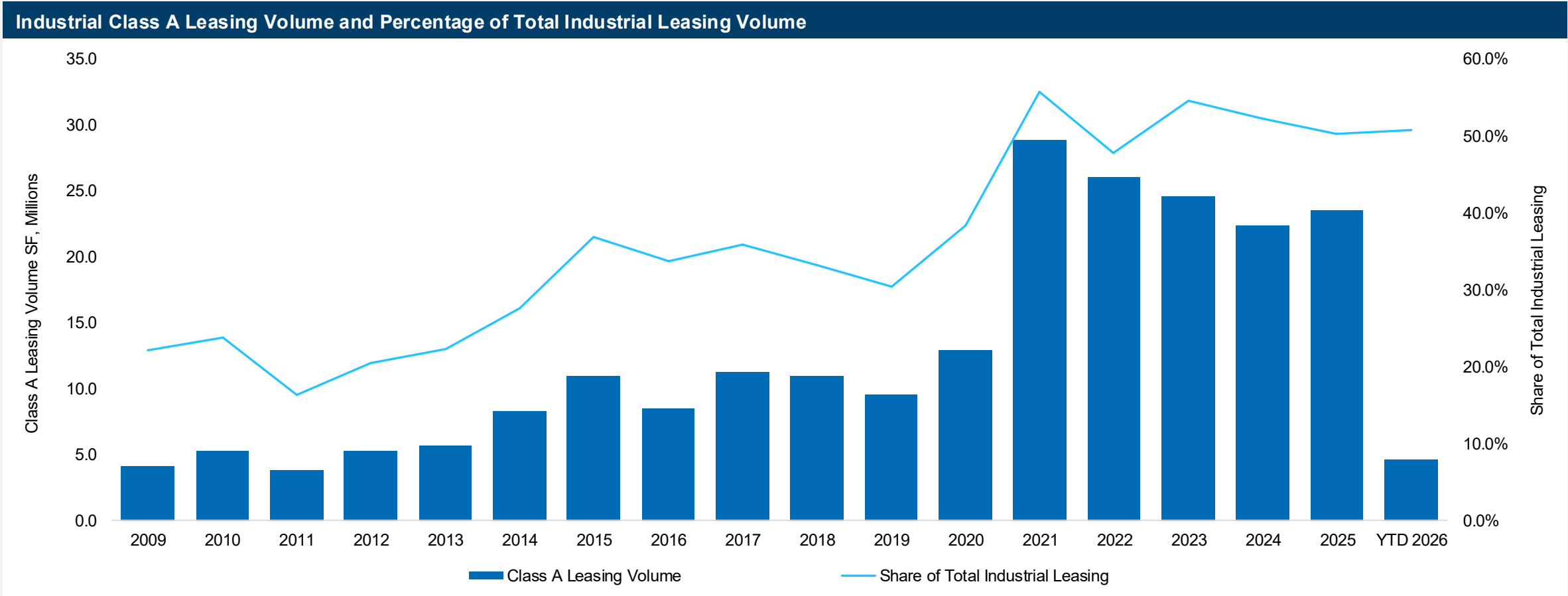
# Leasing Activity Falls, Resulting in Smaller Average Deal Size

In the first quarter of 2026, leasing activity totaled 9.0 MSF, falling 27.0% from the previous quarter and decreasing 18.6% year over year. Since 2019, first quarter leasing activity has averaged 10.8 MSF, with the first quarter of 2026 falling 16.7% below the quarterly average. Alongside the drop in leasing volume, the market's average deal size decreased to 20,598 SF in the first quarter of 2026, falling 2.0% from the same period a year ago. Meanwhile, deal volume dropped by 16.9% year over year to 437 transactions. Together, these trends suggest that leasing activity is likely to remain subdued in the near term unless tenant demand strengthens.



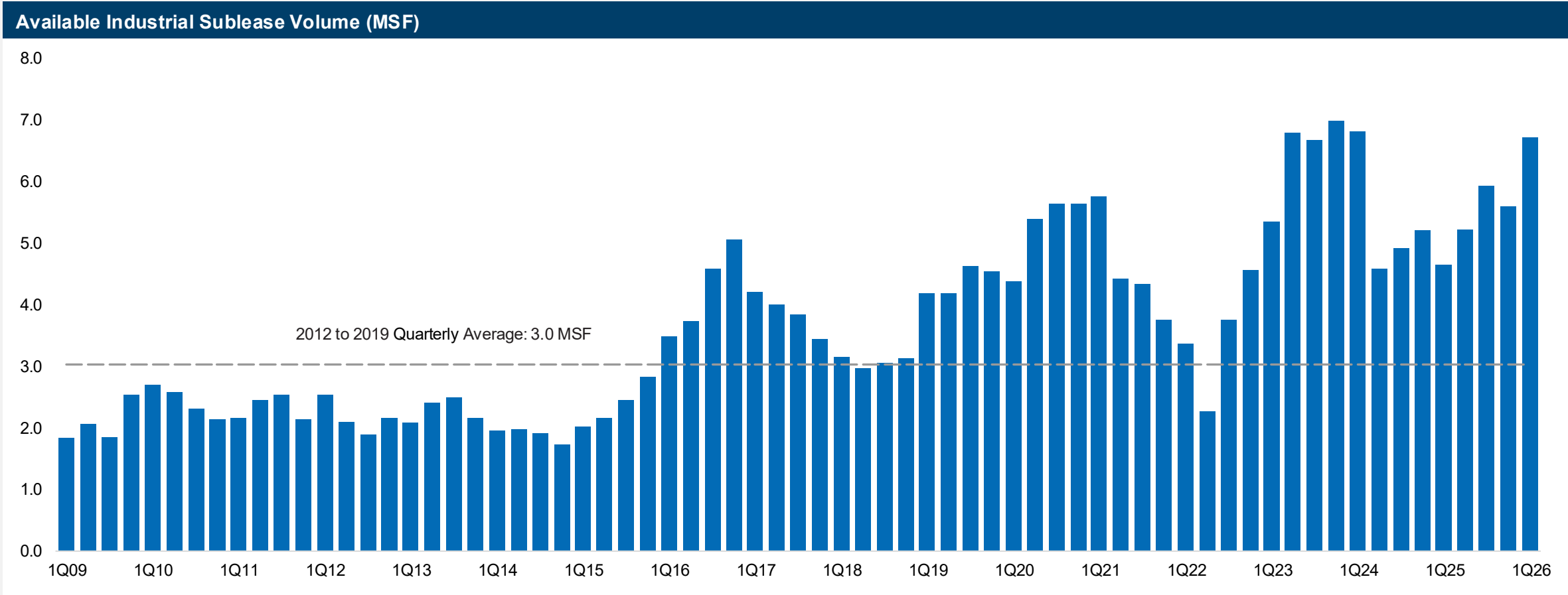
# Class A Assets Continue to Command Largest Share of Market Activity

Class A warehouse space leasing activity totaled 4.6 MSF in the first quarter of 2026, roughly 49.3% lower than the historic high of 9.0 MSF reported in the third quarter of 2021. High-quality, Class A spaces continued to lead the market, as quarterly leasing activity within the asset class accounted for 50.8% of the market’s activity, an increase of 640 basis points from one year ago, and well above the quarterly pre-pandemic average of 27.5% from 2009 to 2019. The proportion of Class A leasing compared with total leasing continues to remain elevated, indicating that there is still appetite for quality assets in the market.



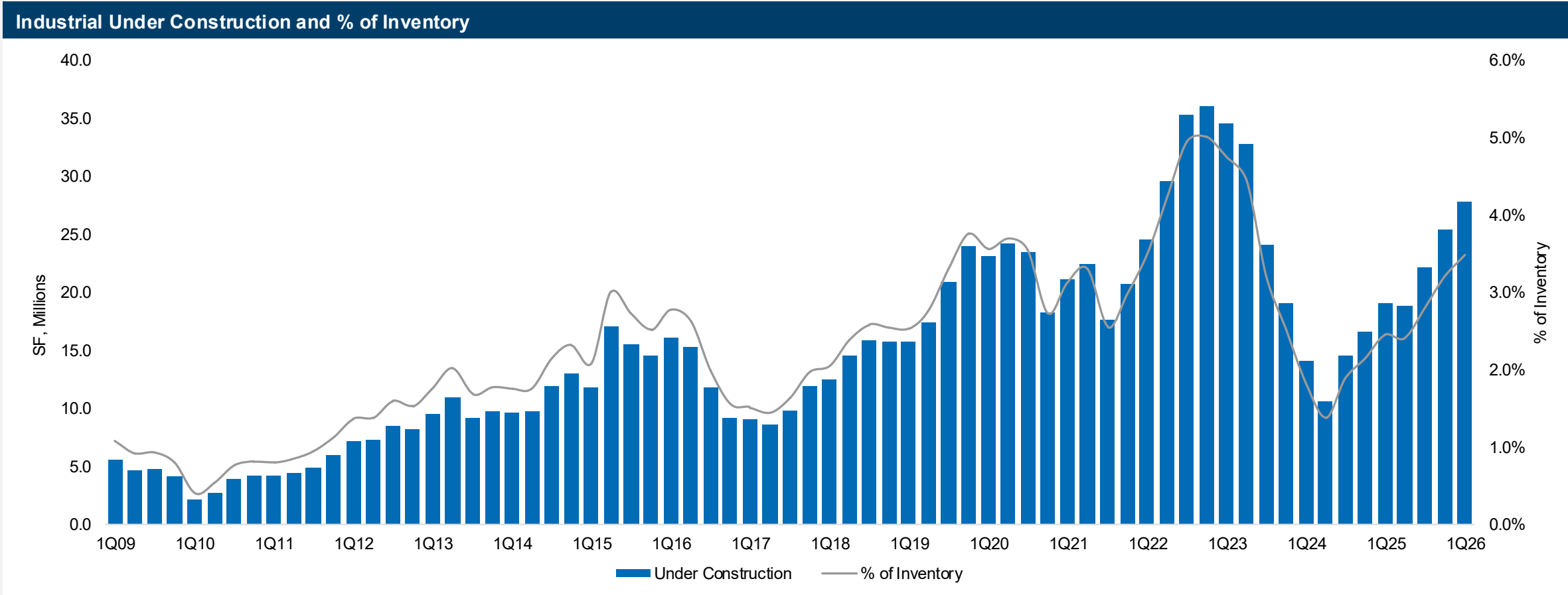
# Sublease Availability Picks Up, Nearing Record High

As of the end of the first quarter of 2026, available sublease space totaled 6.7 MSF, up 20.2% quarter over quarter and 44.9% year over year. Sublease inventory remains well above the pre-pandemic quarterly average of 3.0 MSF recorded from 2012 to 2019. Several large transactions in early 2024 briefly reduced the amount of sublease space on the market, but a new wave of listings in the first quarter of 2026 has reversed that trend. These recent additions, including 227,300 SF from Proactive Supply Chain Group, have pushed sublease availability back toward the record 7.0 MSF reported in the fourth quarter of 2023.



# Construction Pipeline Grows as Speculative Builds Continue to Break Ground

The first quarter of 2026 recorded a 9.6% increase in the construction pipeline, with 27.9 MSF under development and 7.1 MSF in construction starts. By the end of the quarter, 4.7 MSF had been delivered, with projects under construction representing 3.5% of total inventory. Roughly 25.3%, or 7.1 MSF, of the pipeline is currently preleased, including 425,360 SF at Northwest 99 Business Park I, which is fully leased to SEG Manufacturing, Inc., as well as the entire 129,745-SF Building 2 at 15420 Market St., which was leased by LSI Industries. In the near term, rising construction levels will result in elevated vacancies as the pipeline delivers new, mostly speculative, supply to the market.



# Northwest Submarket Leads Construction Activity

Industrial development remains heavily concentrated in the Northwest and Southeast submarkets, which together account for nearly half of the market's active construction pipeline. The Northwest submarket continues to lead long-term inventory expansion, posting the highest delivery volume since 2019 at 10.4 MDD. Increased activity in both corridors reflects new projects in port infrastructure, major transportation routes, and large-scale distribution centers. As of the end of the first quarter of 2024, the Northwest submarket led 7.3 MDD of projects underway, representing the largest share of the market's active construction pipeline at 26.7%. As these submarkets absorb a significant share of new supply, near-term performance is expected to diverge across the market based on leasing velocity and tenant demand.

Current Under Construction Industrial Activity by Submarket

Historical Submarket Deliveries, Past Two Years

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## Southwest Submarket Leads 5-Year Inventory Growth Rate

Since 2015, Newmark's national market has experienced significant inventory expansion, driven by strong logistics demand and post-pandemic activity. The Southwest submarket led inventory growth, recording the market's highest increase from the first quarter of 2015 to the first quarter of 2020 at 36.7%, as space constraints and competition in the Southwest submarket pushed most demand outward. The Southwest followed with a 21.8% inventory increase as demand near the Port of America intensified, while the Northeast – still the largest submarket by total space footage – expanded by 16.7 MMSF, or 13.8%, over the same period. Overall, development trends point to continued outward expansion into submarkets offering greater land availability and stability.

Submarkets by Inventory Growth, 1Q15 to 1Q20

20%

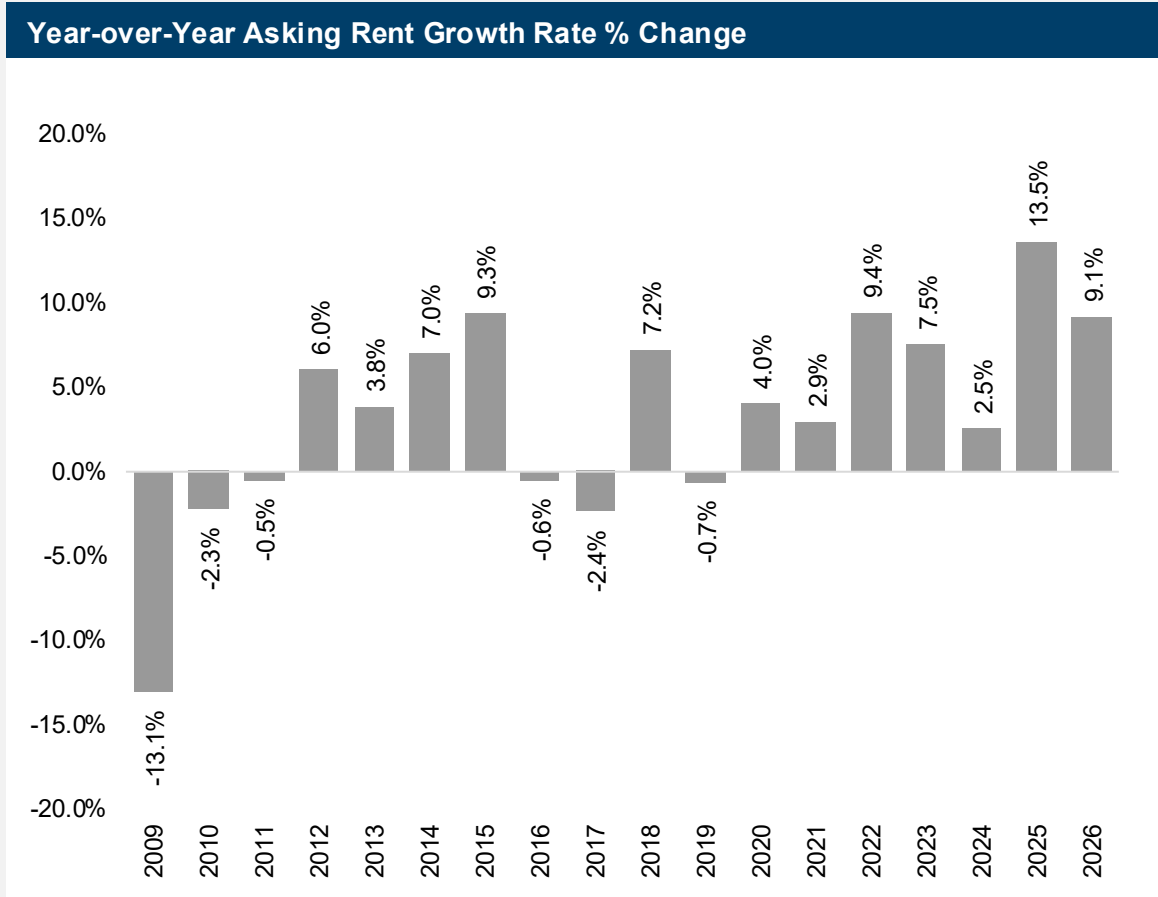
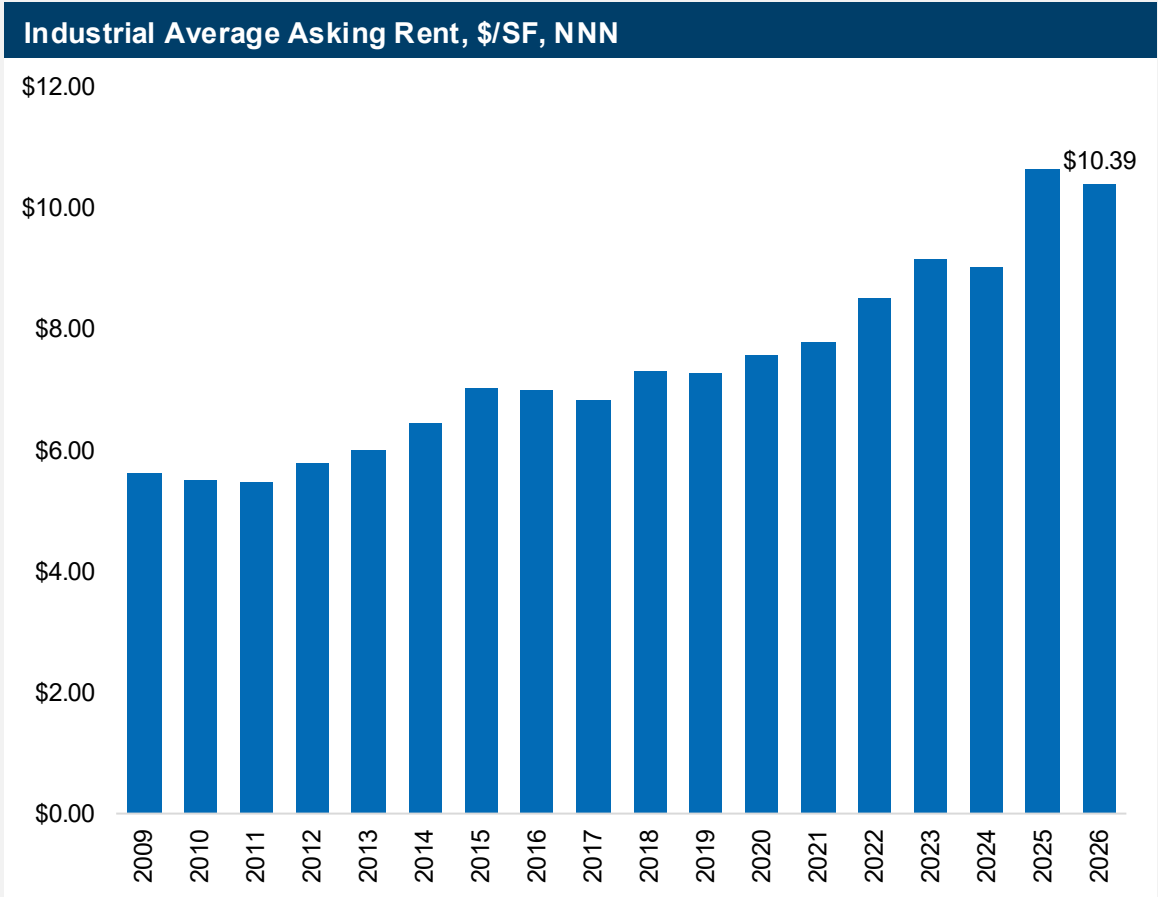
30%

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# Asking Rents Fall from All-Time High but Remain Elevated

Industrial asking rents fell to \$10.39/SF, in the first quarter of 2026, decreasing by 2.4% from the peak of \$10.65/SF recorded in the previous quarter. Annually, the pace of growth for asking rates has slowed but remains elevated at 9.1%. Asking rents in the market are being driven up by a recent increase in demand for small-bay flex product, and by newly delivered product. Looking ahead, rent growth is expected to normalize as elevated construction activity leads to increased vacancy and competition among landlords. Historical trends suggest this period of outsized growth will give way to rental rate moderation, rather than contraction, as the market absorbs new supply.



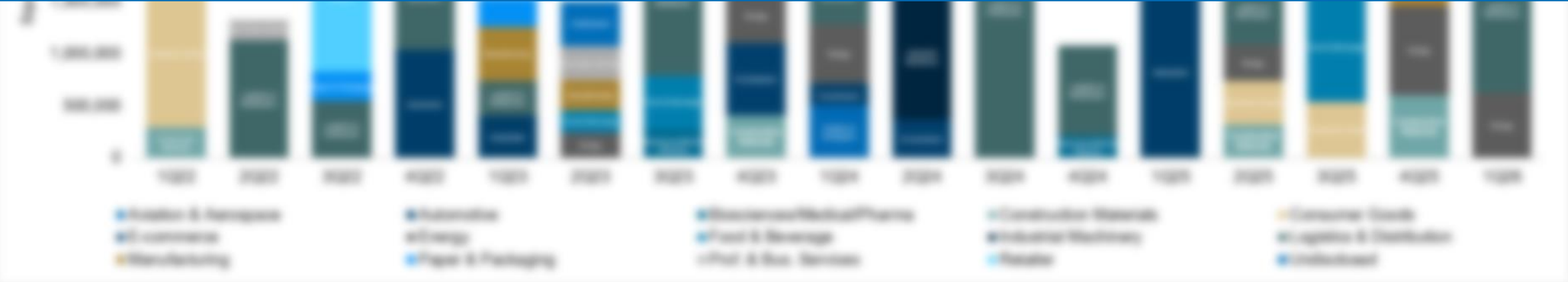
# Five Largest Deals Done by Industry Type

Since 2022, Logistics and Distribution has dominated the five largest deals in the market, accounting for 100% of the top five deals in the first quarter of 2024 and appearing in 17 of the top 25 quarters. Cross-Worldwide Logistics' 167,326 SF lease propelled Logistics and Distribution to the top market industry in the first quarter of 2024. Manufacturing returned as a top market industry in the fourth quarter of 2023, after having been a frequently contributing industry from 2022 to 2023, with further activity in the first quarter of 2024 due to Trane's 477,000 SF lease in the Northwest submarket.

Five Largest Deals Done by Industry Type

\$100,000

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# New Deals Drive Largest Transaction Activity

The top five transactions signed in the first quarter of 2026 were new deals, with each of the five transactions occurring in buildings built since 2023, underscoring tenant preference for modern space. The five deals were limited to the Northwest, Southeast, and Southwest submarkets, which continue to dominate leasing activity in the market. Crane Worldwide Logistics signed a new lease for 767,520 SF in the Northwest submarket, inking the largest deal of the quarter, followed by T1 Energy’s lease for 627,130 SF in Building 1 at Port 99 Logistics in the Southeast submarket.

Select 1Q26 Lease Transactions				
Tenant	Building	Submarket	Type	Square Feet
Crane Worldwide Logistics	Twinwood Distribution Center III	Southwest	Direct New	767,520
<i>Houston-based third-party logistics company, Crane Worldwide Logistics, leased the entirety of Twinwood Distribution Center III, expanding its footprint in the market. The company is currently headquartered in the North submarket near IAH.</i>				
T1 Energy	Port 99 Logistics Park- Building 1	Southeast	Direct New	627,637
<i>Solar manufacturer, T1 Energy, entered the Houston market with its recent lease for 627,637 SF in Building 1 at Port 99 Logistics park. Newmark represented T1 Energy in the deal.</i>				
Sanmina	6411 N Eldridge Pky	Northwest	Direct New	435,680
<i>Sanmina, a global electronics manufacturer, will relocate from its current location at 2958 Rogerdale Rd to 6411 N Eldridge Parkway, a move that represents a significant expansion and will provide the company with a state-of-the-art facility.</i>				
Elogistics	Kingsland Ranch Logistics Park- Building 3	Southwest	Sublease	425,360
<i>E-commerce fulfillment company Elogistics sublet 425,360 SF from Distribution Alternatives in Building 3 of Kingsland Ranch Logistics Park. Distribution Alternatives began listing the space for sublease in early 2025.</i>				
Port Jersey Logistics	Port 99 Logistics Park- Building 1	Southeast	Direct New	404,359
<i>Third-party logistics firm Port Jersey Logistics will join T1 Energy in Building 1 of Port 99 Logistics park after signing for the remainder of the building.</i>				

# 03

## Submarket Map & Statistics



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# Houston Industrial Submarket Map



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# Houston Industrial Submarket Overview

Submarket Statistics - All Classes							
	Total Inventory (SQ FT)	2018 Inventory (SQ FT)	Total Inventory (M)	2018 Inventory (M)	2018 Inventory (M)	2018 Inventory (M)	2018 Inventory (M)
Q1	4,000,000	0	1.0%	-0.0%	-0.0%	0.0%	0.0%

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Submarket	10,000,000	1,100,000	0.0%	-0.0%	-0.0%	0.0%	-	0.0%
Submarket	10,000,000	1,100,000	0.0%	-0.0%	-0.0%	0.0%	0.0%	0.0%
Submarket	11,000,000	1,100,000	0.0%	1,100,000	1,100,000	0.0%	0.0%	0.0%
<b>Market Total</b>	<b>30,000,000</b>	<b>2,200,000</b>	<b>1.0%</b>	<b>1,000,000</b>	<b>1,000,000</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>

# 1Q26 Texas Industrial Market Overview

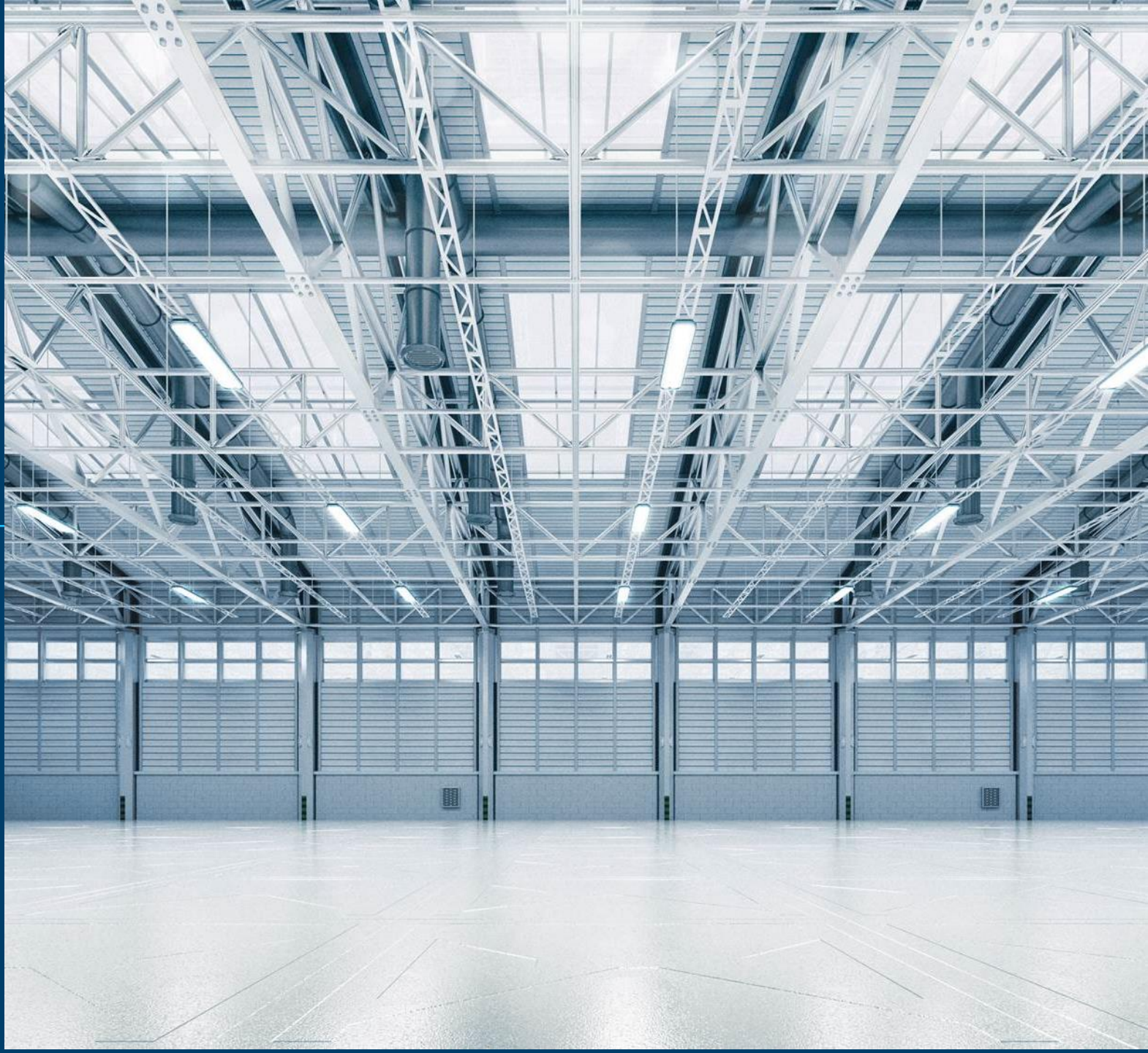


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YTD Absorption	196,325	15,428,580	1,287,271	1,287,288	452,140
Quarter Deliveries	1,218,275	3,274,170	861,158	4,000,000	684,275
YTD Deliveries	1,218,275	3,274,170	861,158	4,000,000	684,275
Direct Selling Rate (SRP)	\$75.47	\$75.98	\$7.98	\$75.47	\$8.98
Builder Selling Rate (SRP)	\$75.25	\$7.97	\$7.98	\$8.98	\$8.11
Total Selling Rate (SRP)	\$75.48	\$75.12	\$7.98	\$75.98	\$8.97

# 04

## Supplemental Analysis



# Houston Industrial Market

**Strengths**

- Strategic location with access to the Port of Houston, major highways, rail, and pipeline trade routes
- One of the largest and most diverse industrial markets in the U.S. by inventory, catering to a wide variety of occupiers and tenant industries

**Weaknesses**

- Recent supply chain has disrupted occupancy and lengthened lease-up periods in certain submarkets and tenant segments
- New entrant and growth pressured by increased competition among landlords
- Older inventory in some submarkets lacks modern clear heights and loading configurations

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- Continued expansion of port-related logistics and container yards
- Refueling and warehousing needs supporting manufacturing and distribution demand
- Growing demand for Class A bulk warehouses and high-rise facilities
- A broad favorable market with generous lease incentives for occupiers

- Prolonged occupancy risk if leasing activity fails to keep pace with deliveries
- Economic downturn or trade disruption impacting logistics and manufacturing users
- Rising insurance, tax, and operating costs affecting occupancy decisions
- Increased competition from other top-tier markets attracting national tenants

# Houston Gross Metropolitan Product

Despite economic headwinds, gross metropolitan product continues to recover, albeit at a slower pace. Most recently, gross metropolitan product rose 1.2% year over year to reach a new all-time high of \$718.1 billion.

Economic Overview - GDP: \$718.1 Billion, 1.2% YoY Change

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# Highest Loan Volume Due in 2026

In the first quarter of 2026, government agency was the greatest source of debt financing, accounting for 36.4% of the total volume. Treasury, government agency and CMBB loans represent a significant share of new issue maturities, with a combined first loaded debt schedule of \$112.9 billion over the next five years as of the end of the first quarter. The highest debt volume due occurs in 2026 at \$18.1 billion, reflecting the importance of evaluating upcoming maturities as a gauge of future market economic health. The concentration of new issue maturities, particularly among government agency and CMBB debt, highlights refinancing risk in a higher rate environment, reflecting the importance of credit quality and capital planning over the next debt maturity cycle.

Financing Source by volume

Debt Maturity Schedule by year type

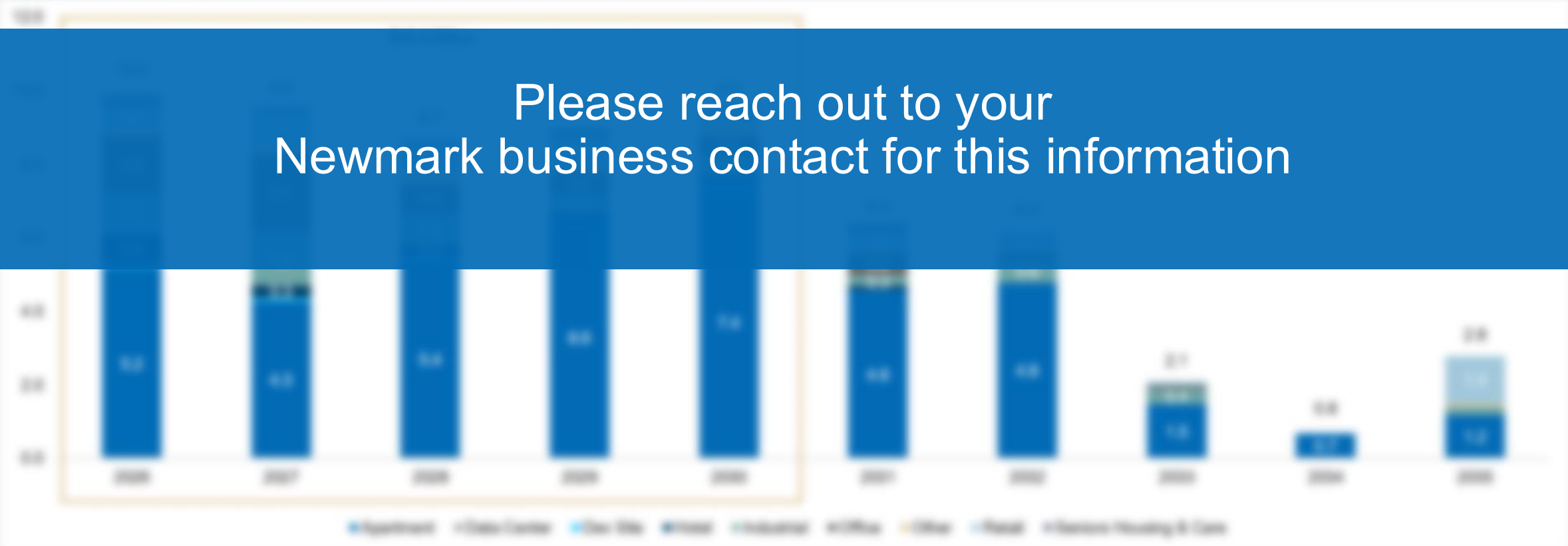
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# Industrial Exposure Limited Amid Elevated Multifamily Maturities

In the first quarter of 2024, industrial loans represent just 4.0% of the \$48.8 billion in maturities coming due between 2024 and 2026, reflecting a limited but growing exposure for a sector with relatively stable fundamentals. In contrast, multifamily represents a much larger 41.0% of maturities, making it the primary driver of refinancing risk and capital allocation in the near term. Overall, these trends underscore a capital market that is increasingly becoming – driving asset classes with greater resilience and access flexibility.

## Commercial Mortgage Maturities



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