3Q25

Houston Industrial Market Overview

NEWMARK

Market Observations

Economy

- The Houston market's unemployment rate dropped 17 basis points year over year to 4.3% and remains below the five-year average of 5.5%.
- Job growth fell by 82 basis points year over year to 0.7%, significantly below the five-year average of 1.8%.
- All sectors, except manufacturing, business and professional services, and information reported employment growth, with other services leading job gains at 3.3% 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 0.9% and 1.9%, respectively, while manufacturing contracted 1.2% annually.

Leasing Market Fundamentals

- The market realized 1.6 MSF of positive absorption in the third quarter of 2025, a quarterly decrease of 37.0%.
- Overall rental rates rose 13.0% year over year to $10.52/SF, reaching a new all-time high for the sixth consecutive quarter.
- Construction deliveries declined to 4.7 MSF in the third quarter of 2025, while the pipeline grew to 20.8 MSF under construction.
- The vacancy rate rose by 30 basis points quarter over quarter and by 60 basis points year over year to 7.4%, driven up by new deliveries and lower demand.

Major Transactions

- PepsiCo Beverages signed the quarter's largest lease, taking 1.1 MSF at 31270 Kingsland Blvd in the Southwest submarket.
- Panelmatic secured the second largest deal of the quarter, leasing 728,080 SF at WestPoint 45 in the North submarket.
- The top five largest deals of the quarter were composed of new commitments, highlighting robust tenant interest and confidence in the Houston market.
- Occupiers signed the quarter's largest deals in multiple submarkets, indicating a competitive environment among submarkets to attract high-quality tenant and reduced concentration risk.

Outlook

- Overall, the Houston industrial market remains fundamentally healthy but is transitioning toward equilibrium as supply growth, rising vacancies, and moderating absorption recalibrate the balance between landlords and occupiers.
- The continued expansion of the construction pipeline 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.
- Rental rate growth is expected to decelerate through 2026, while vacancy stabilizes once the current construction wave is absorbed.

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Economy

Houston Gross Metropolitan Product

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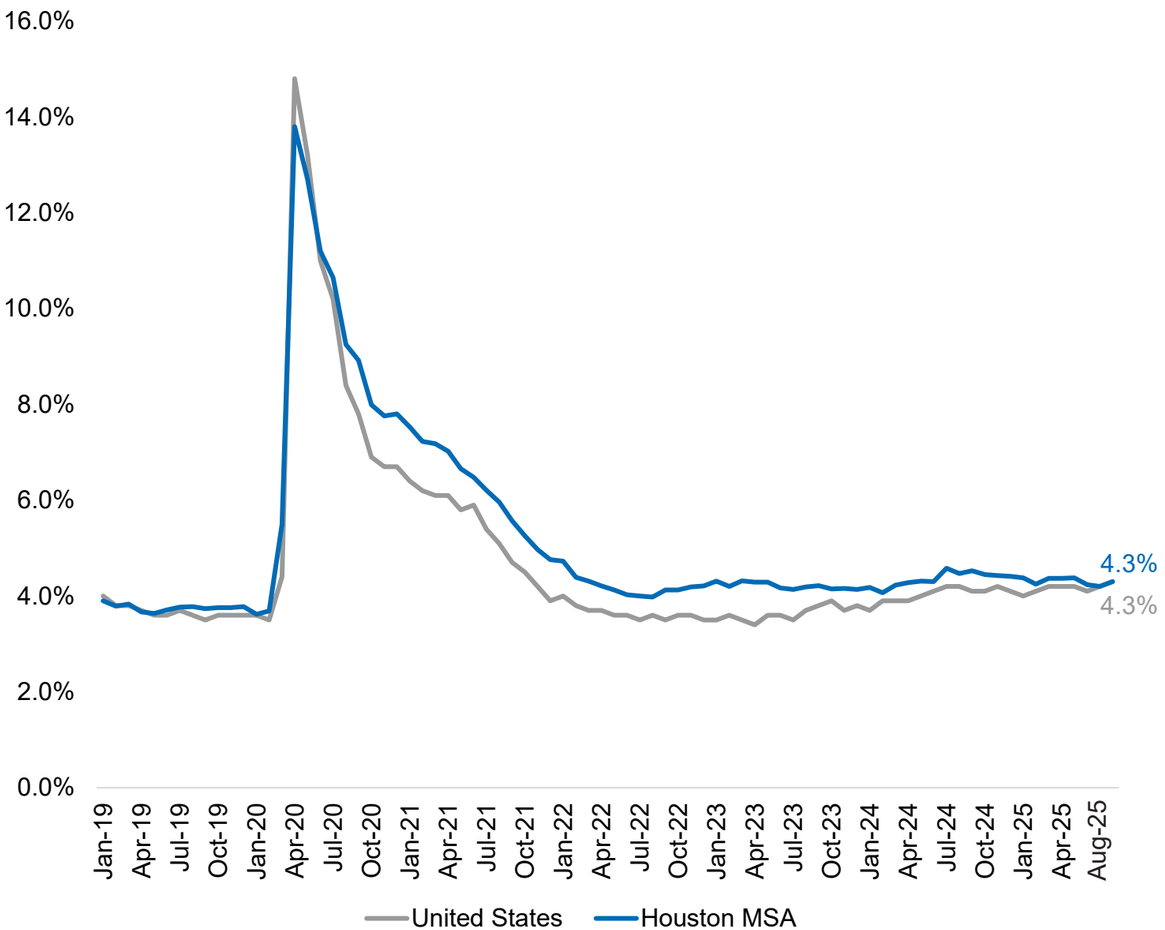
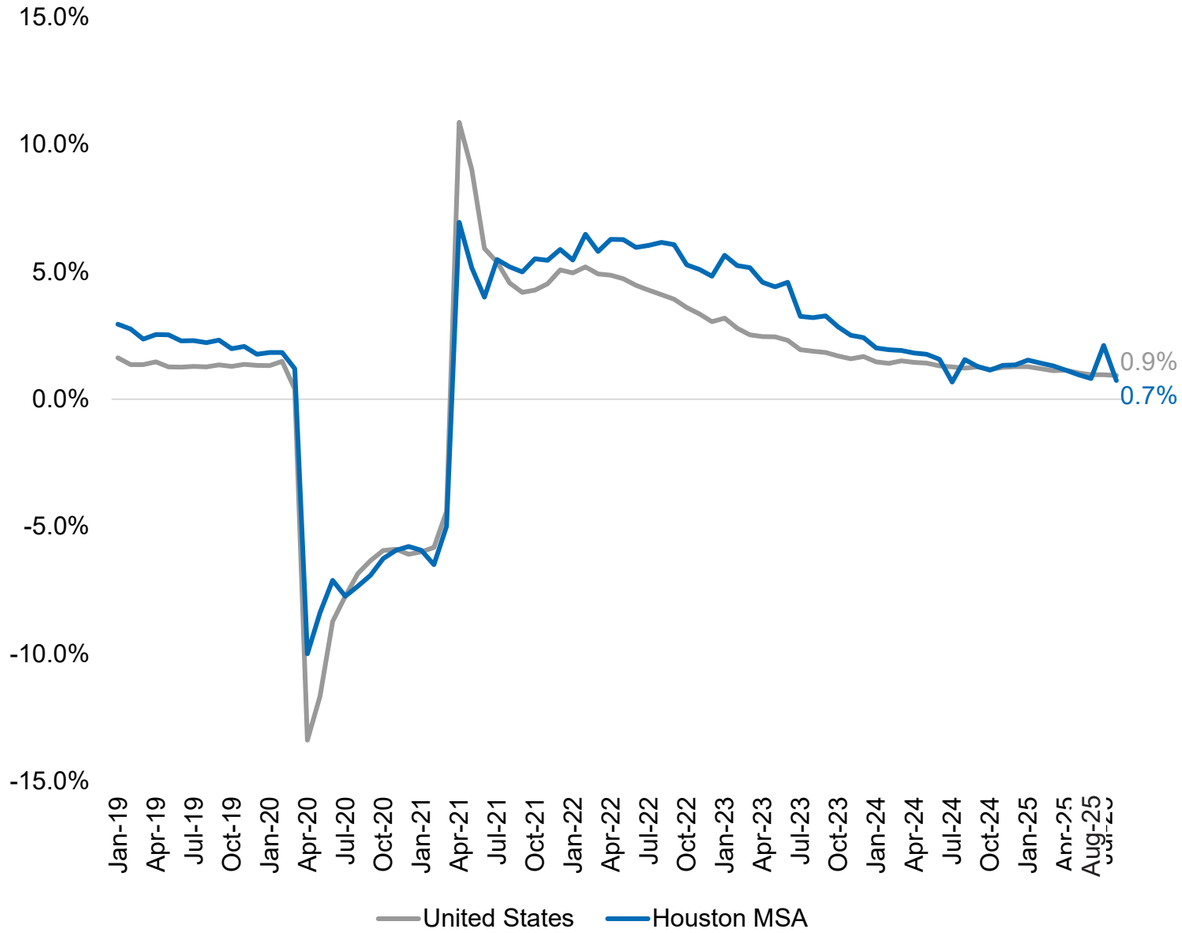
Unemployment Converges with National Average

Houston has historically posted slightly higher unemployment than the national average while outpacing it in job growth—until September 2024, when local employment gains slowed to match national trends. As of August 2025, unemployment rates have converged, with both Houston and the U.S. at 4.3%. Houston's unemployment rate fell by 15 basis points year over year. However, employment growth slowed more sharply, down 82 basis points from the prior year to 0.7%, reflecting a broader labor market cooldown following years of strong gains.

Unemployment Rate, Seasonally Adjusted



Nonfarm Payroll Employment, Seasonally Adjusted, 12-Month % Change

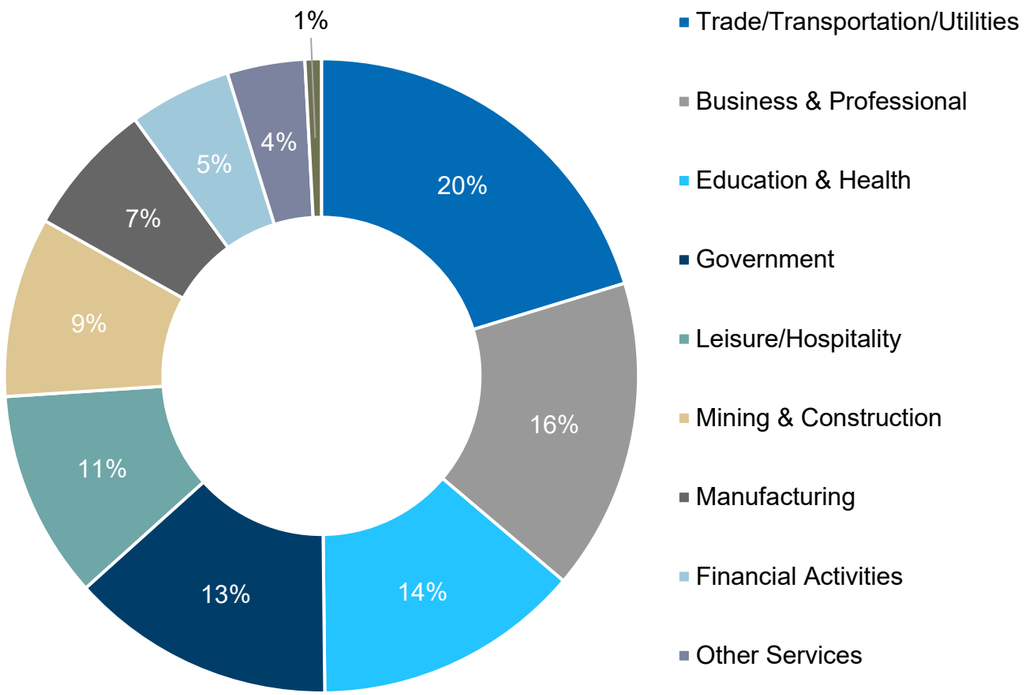


Source: U.S. Bureau of Labor Statistics, Houston MSA

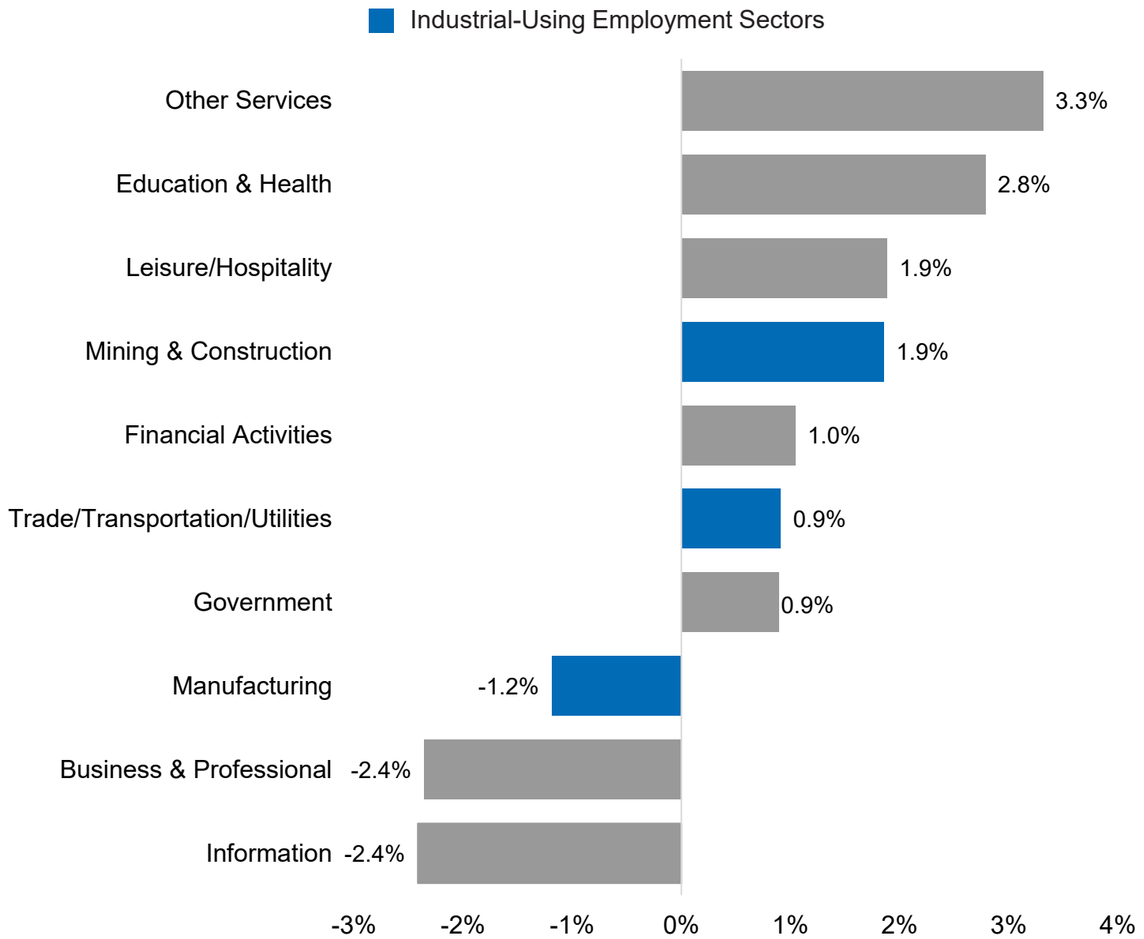
Most Industrial-Using Employment Sectors Record Annual Growth

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 metroplex at 20.3%. Most industrial-using job sectors in the market reflected yearly growth, with mining and construction, and trade/transportation/utilities, reflecting growth of 1.0% and 1.9%, respectively, while manufacturing contracted 1.2% annually.

Employment by Industry, August 2025



Employment Growth by Industry, 12-Month % Change, August 2025

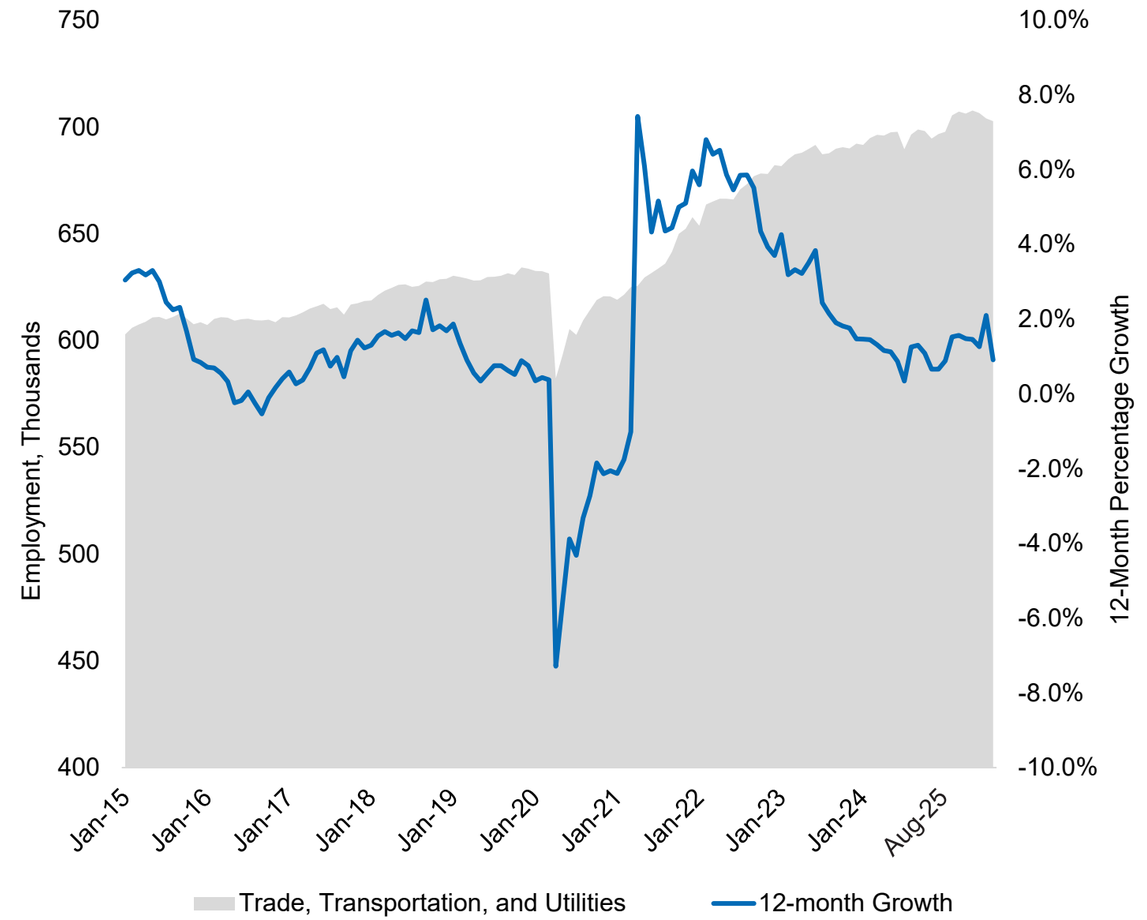


Source: U.S. Bureau of Labor Statistics, Houston MSA

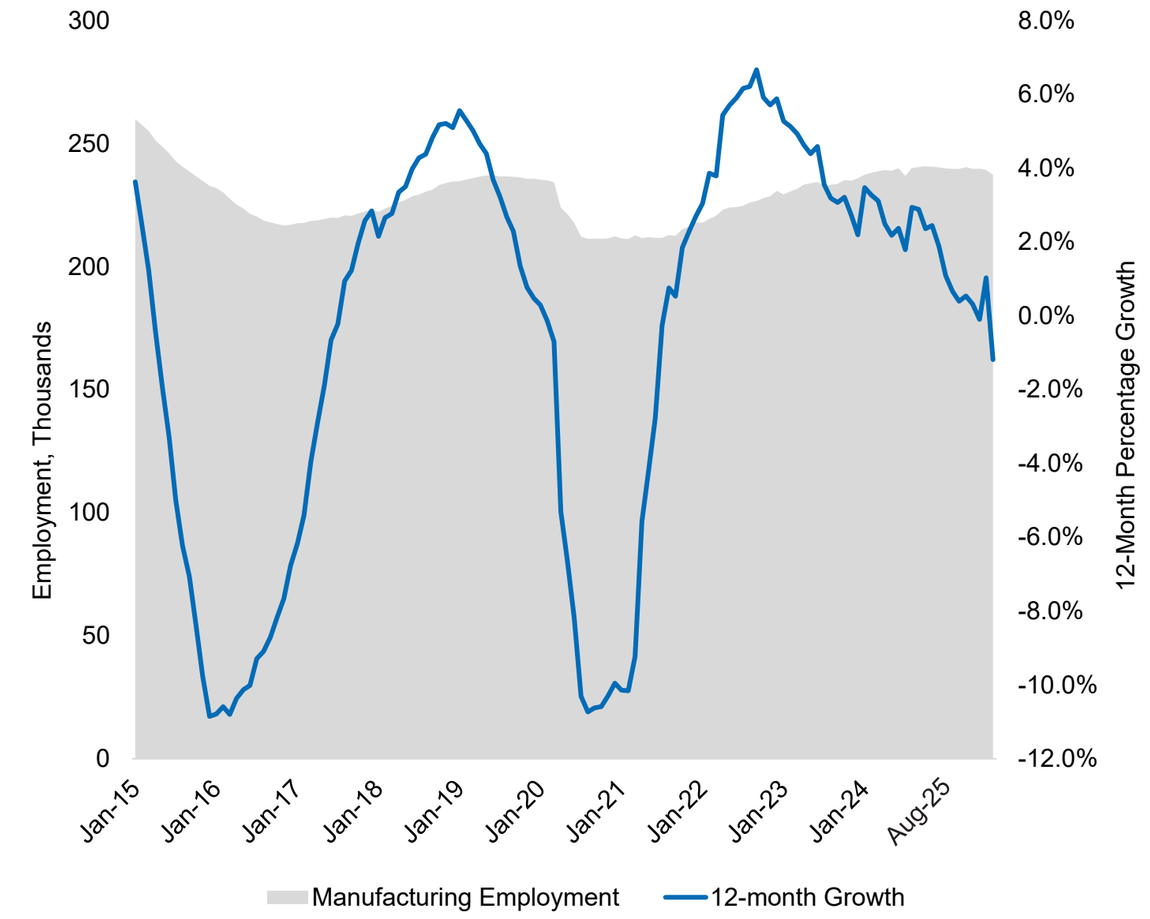
Industrial Employment Maintains Slow, but Positive Growth

In August 2025, trade/transportation/utilities employment declined to 702,751 employees, an annual growth rate of 0.9%. Manufacturing employment contracted annually by 1.2% to 237,253 employees, falling 8.7% below the peak reported in January 2015. Overall industrial-using employment continues to show yearly growth, albeit at a slower pace than before, reflecting broader economic conditions.

Total Employment and 12-Month Growth Rate, Trade/Transportation/Utilities



Total Employment and 12-Month Growth Rate, Manufacturing



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

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Debt/Capital Markets

Highest Loan Volume Due in 2025

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Multifamily Maturities Particularly Elevated Through 2029, Industrial Not So Much

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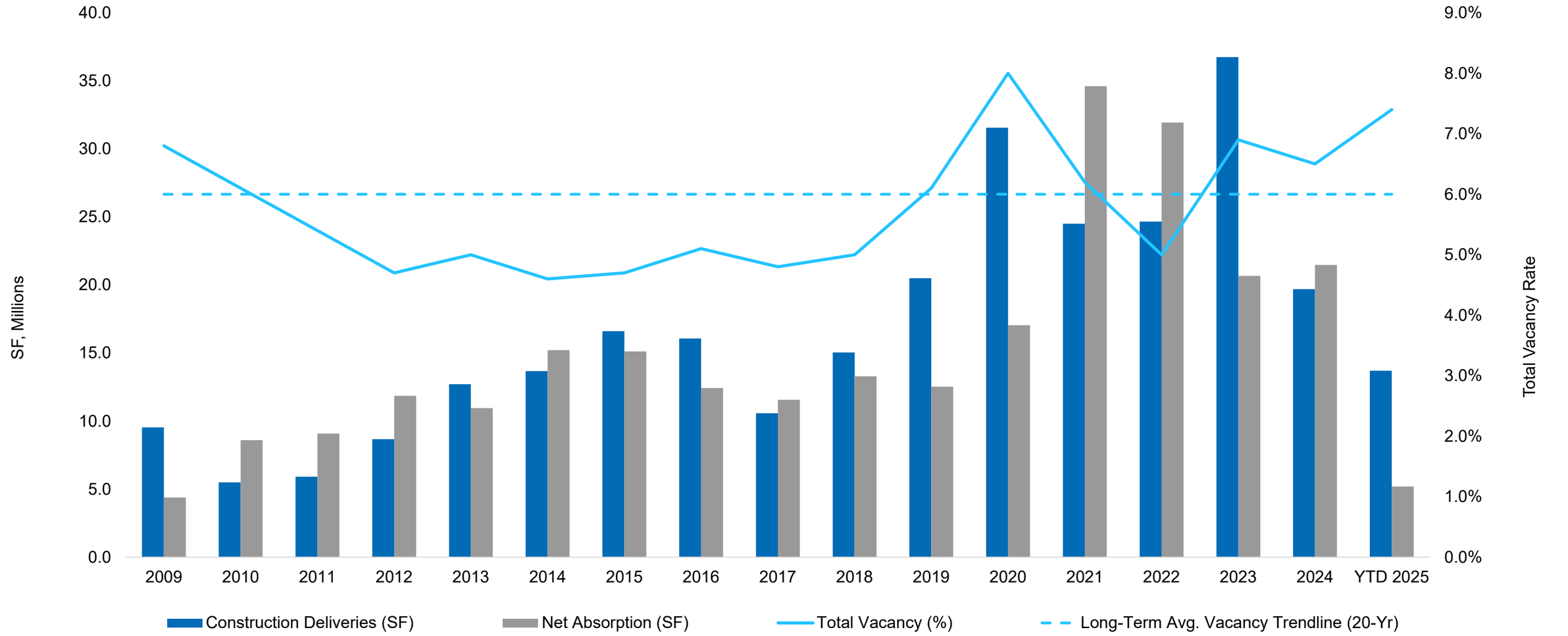
Leasing Market Fundamentals

Supply-Demand Imbalance Pushes Industrial Vacancy Higher

Houston's industrial vacancy rate rose in the third quarter of 2025 to 7.4%, an increase of 30 basis points from the previous quarter. From the beginning of 2023 through the second quarter of 2024, supply consistently outpaced demand, with deliveries exceeding net absorption and vacancy steadily trending upward. In the second half of 2024, however, the trend moderated as construction activity tapered and net absorption surpassed deliveries in both the third and fourth quarters, driving vacancy rates lower. In the third quarter of 2025, supply again exceeded demand as the market recorded 4.7 MSF feet of deliveries against a net absorption of 1.6 MSF, resulting in a rise in vacancy.

Historical Construction Deliveries, Net Absorption, and Vacancy



Source: Newmark Research, CoStar

Large Buildings Continue to Drive Absorption Despite Higher Vacancy Rates

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Preference for Modern Industrial Buildings Drives Demand

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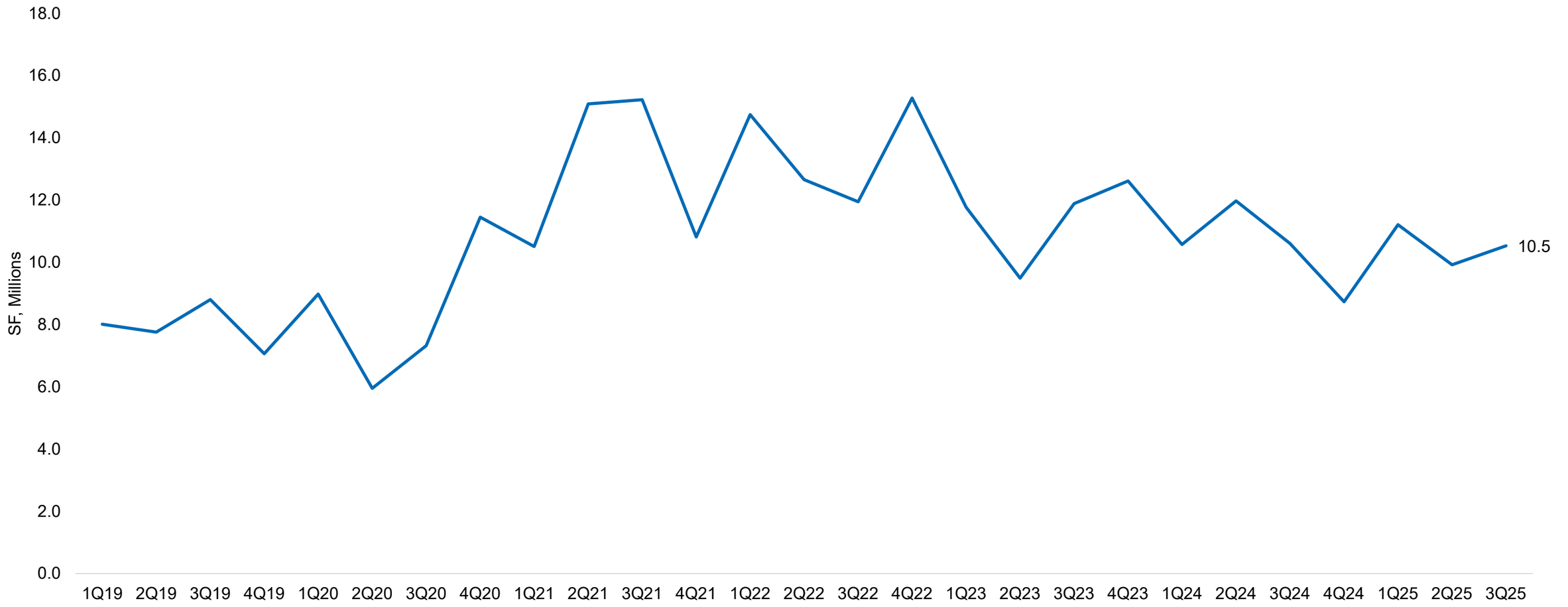
Smaller Deal Size Driving Leasing Activity

In the third quarter of 2025, leasing activity totaled 10.5 MSF, reflecting a 6.1% increase from the previous quarter and a 0.7% decrease year over year. Since 2019, third quarter deal volume has averaged 11.0 MSF, with the third quarter of 2025 falling just 3.9% below the quarterly average. Like leasing activity in the third quarter of 2025, the average deal size also shrunk year over year, down 4.7%, to 20,493 SF, an indication that occupiers are signing smaller deals across the market.

Total Leasing Activity (SF)

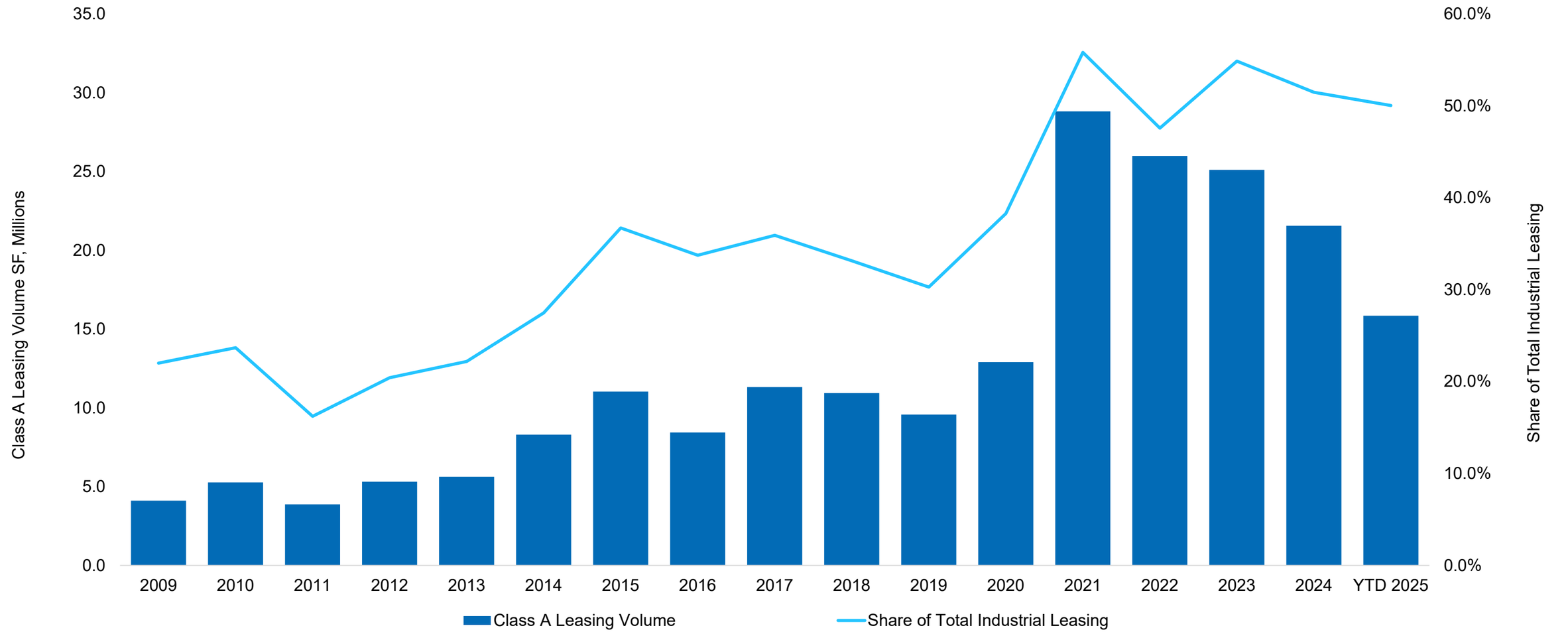


Source: Newmark Research, CoStar

Quarterly Class A Warehouse Leasing Stable; Remains above Long-Term Average

Class A warehouse space leasing activity totaled 5.3 MSF in the third quarter of 2025, roughly 41.9% lower than the historic high of 9.1 MSF reported in the third quarter of 2021. High-quality, Class A spaces continued to command the market, as leasing activity within the asset class accounted for 50.1%, a decrease of 105 basis points from activity one year ago, and well above the quarterly pre-pandemic average of 28.2% 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. Class A deals averaged 154,474 SF in the third quarter of 2025, more than 7.5 times larger than the market average deal size of 20,493 SF.

Industrial Class A Leasing Volume and Percentage of Total Industrial Leasing Volume

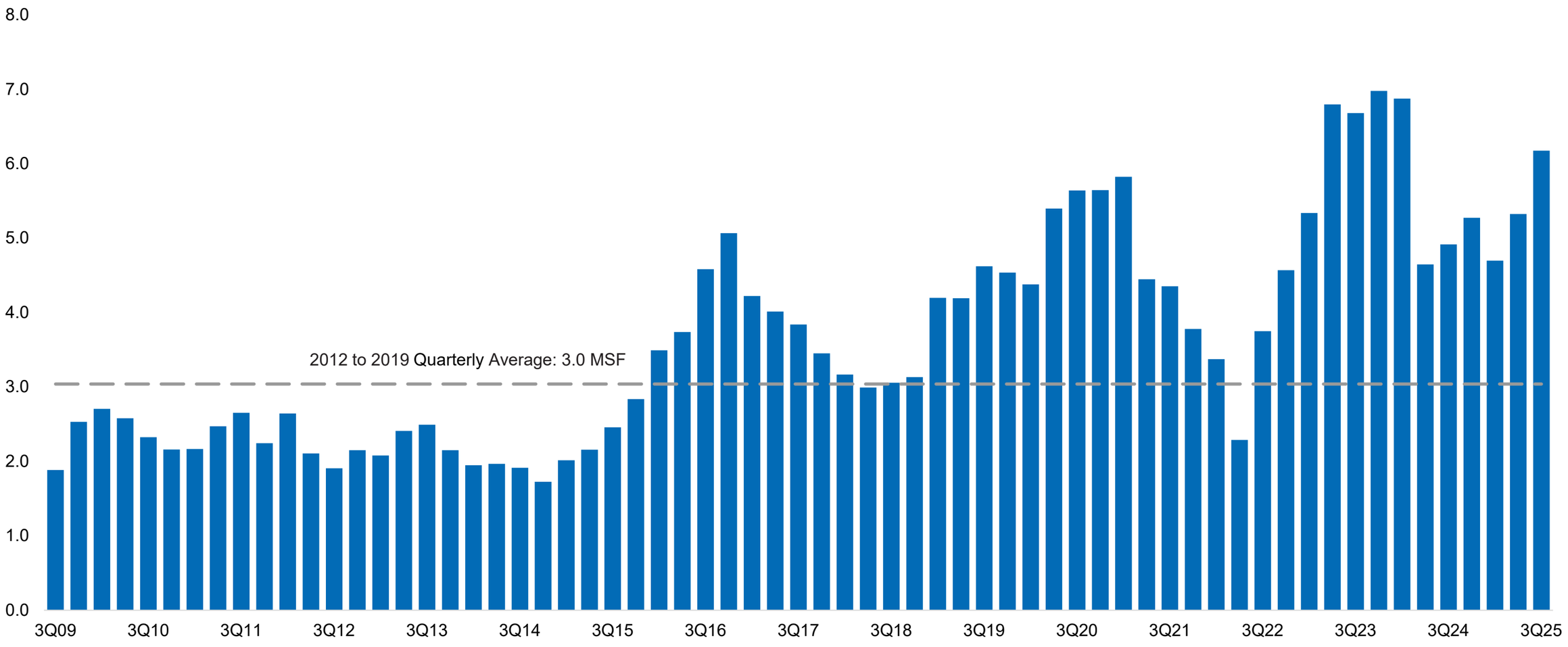


Source: Newmark Research, CoStar

Sublease Availability On the Rise but Remains Below Quarterly High

As of the end of the third quarter of 2025, sublease space available totaled 6.2 MSF, a 16.0% increase from the previous quarter and a 25.6% increase year over year, remaining well above the pre-pandemic quarterly average of 3.0 MSF recorded from 2012 to 2019. Overall, tariff turmoil has led sublease availability to oscillate up and down in recent quarters. Several sublease transactions in early 2024 removed a significant amount of space from the market, bringing current levels below the quarterly high of 7.0 MSF reported in the fourth quarter of 2023.

Available Industrial Sublease Volume (msf)

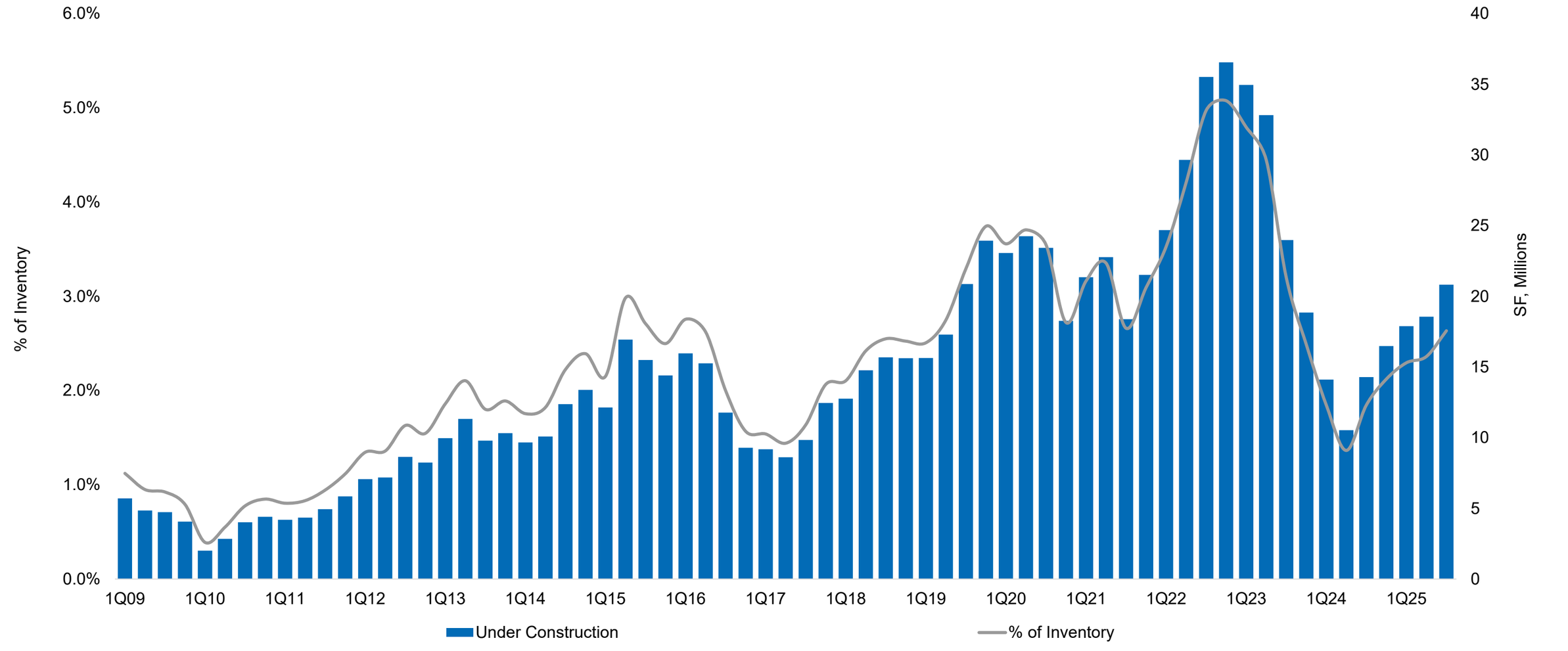


Source: Newmark Research, CoStar

Industrial Supply Pipeline Sees Uptick in New Projects

The third quarter of 2025 saw a 12.2% increase in the construction pipeline, with 20.8 MSF under development and 7.0 MSF in construction starts. By the end of the quarter, 4.7 MSF had been delivered, with projects under construction representing 2.6% of total inventory. Roughly 28.5%, or 5.9 MSF, of the pipeline is currently preleased, including Grainger's 1.3 MSF distribution center, as well as the entire 616,463 SF Building 10 at 111 Empire Rd.

Industrial Under Construction and % of Inventory



Source: Newmark Research, CoStar

Southeast Submarket Leads With Recent Construction Deliveries

As of the end of the third quarter of 2025, the Northeast submarket had 6.9 MSF of projects underway, representing the largest share of the market's under construction pipeline at 32.9%. The Southeast industrial submarket continues to lead industrial inventory growth with 17.7 MSF delivered over the last two years. The submarket currently makes up 22.4% of all under construction inventory, or 4.7 MSF.

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Key Submarkets For Industrial Growth

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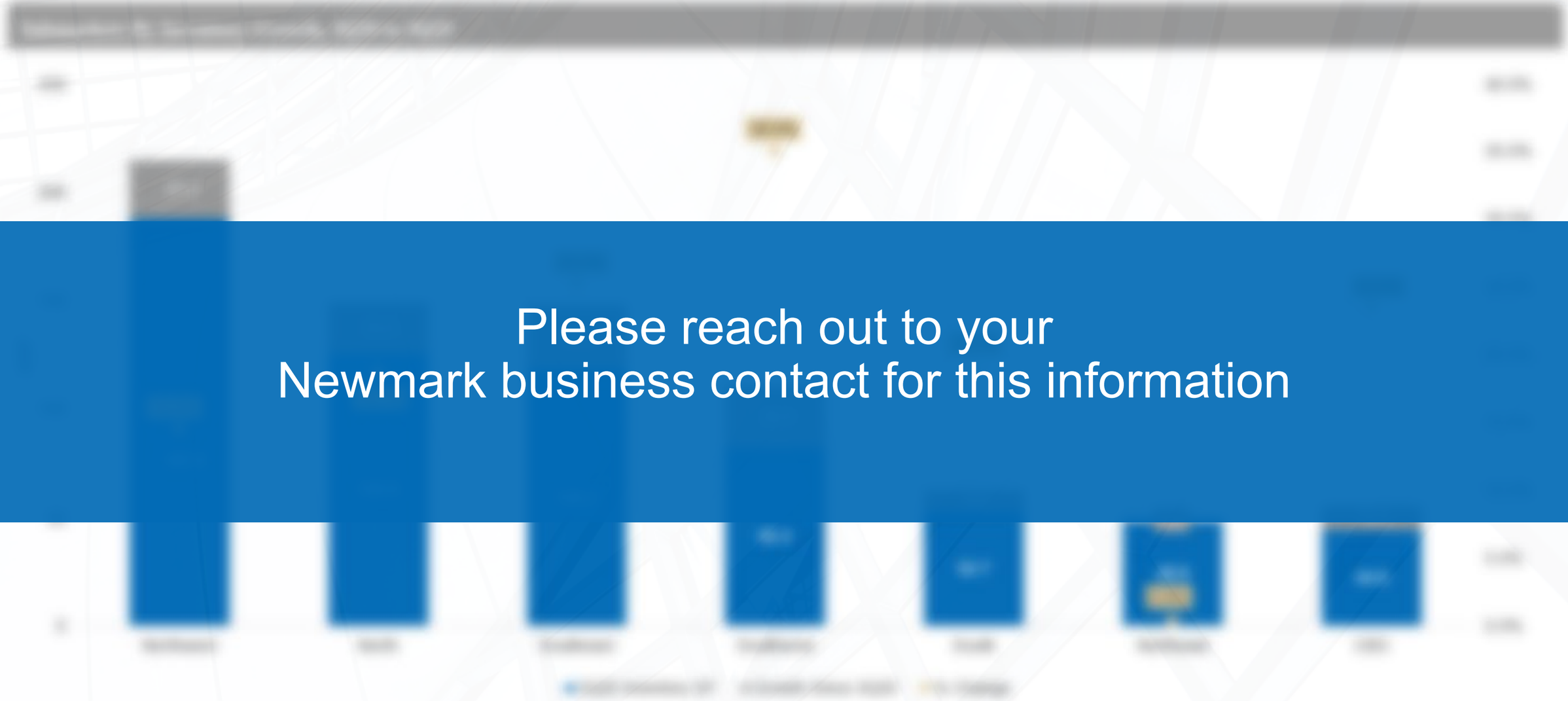
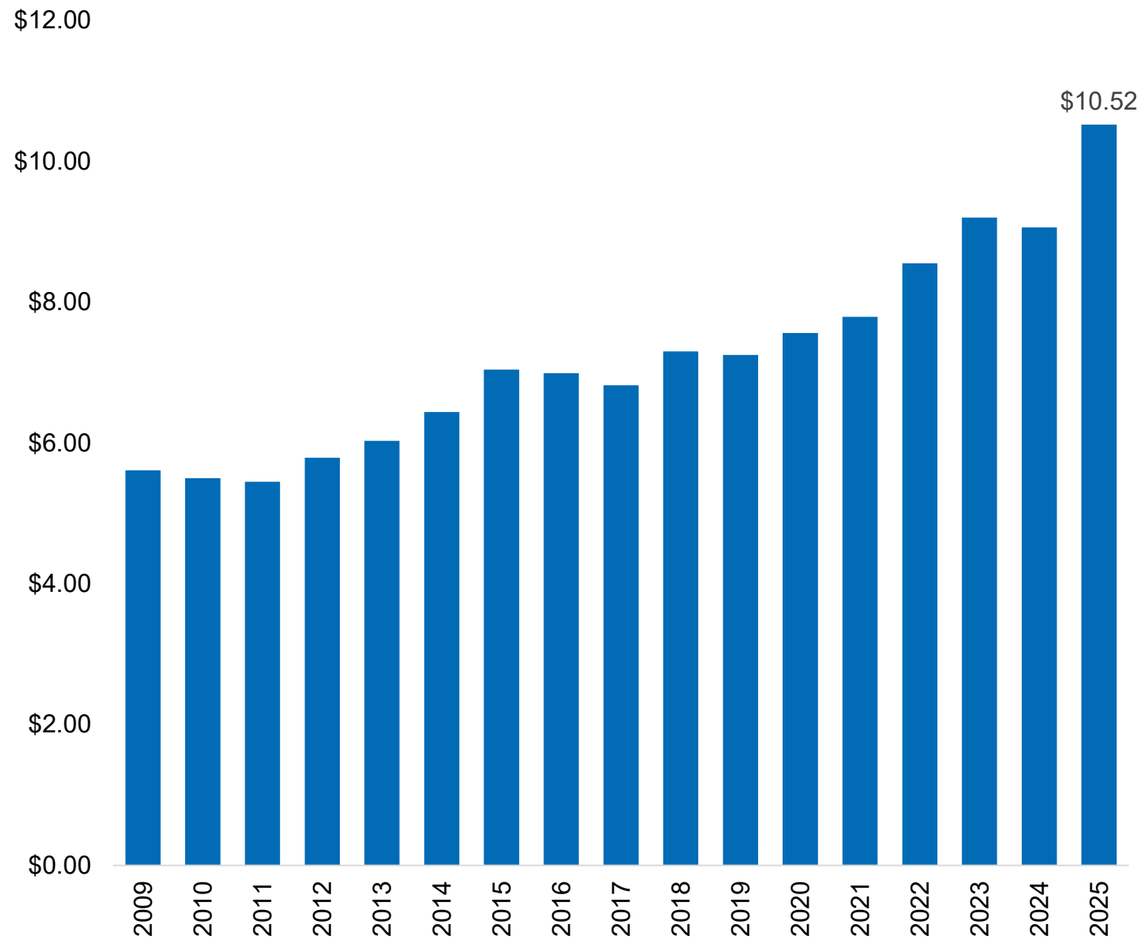


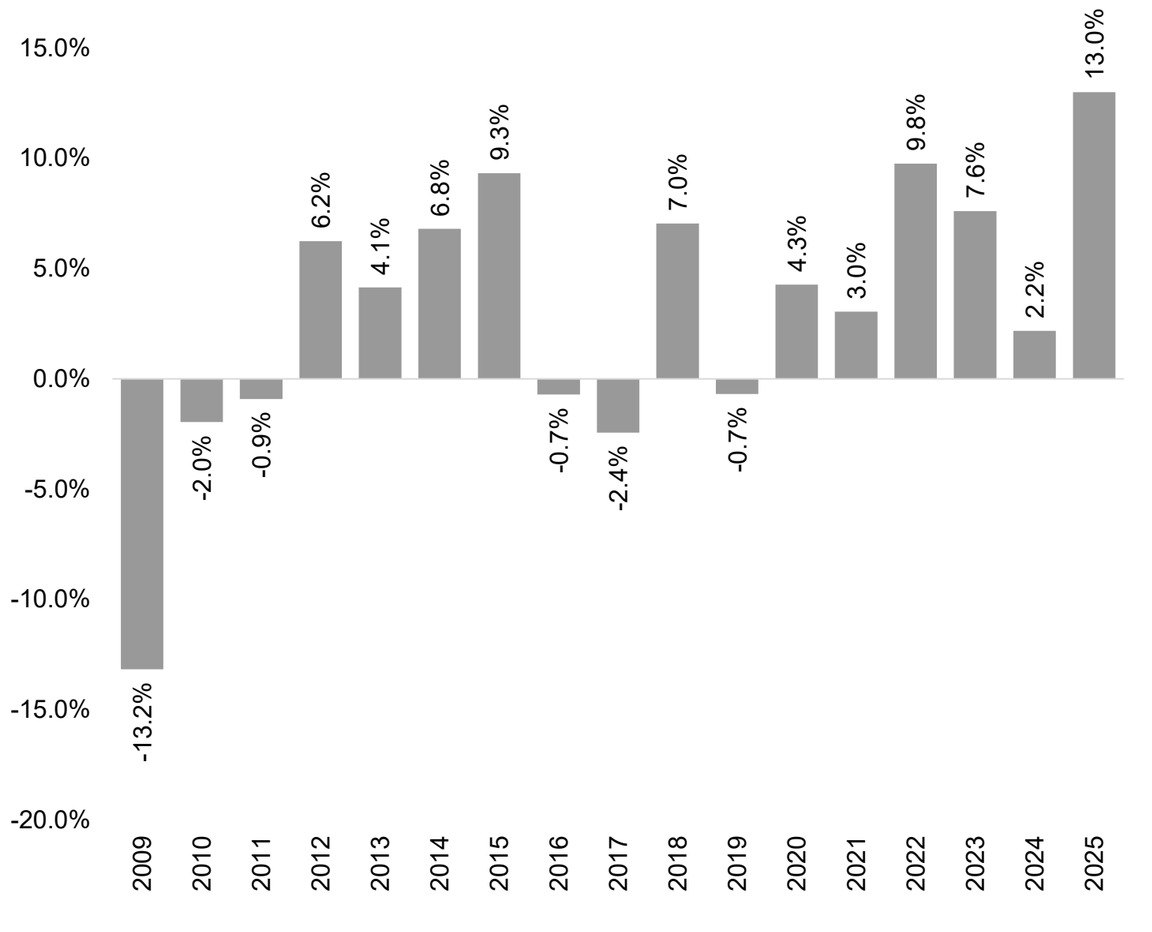
Asking Rents Continue To Rise, Reaching New All-Time High

Industrial average asking rents reached a new peak in the third quarter of 2025 at $10.52/SF, increasing by 13.0% year over year. Asking rents in the market are being driven up by small-bay flex product, which has seen an uptick in demand in recent quarters, as well as by newly delivered product. In the near-term, asking rents will likely continue to rise at a moderate pace before decelerating once the current construction wave is absorbed.

Industrial Average Asking Rent, $/SF, NNN



Year-over-Year Asking Rent Growth Rate % Change



Source: Newmark Research, CoStar

Top Five Largest Deals Done by Industry Type

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New Deals Drive Large Transaction Activity

The top five transactions signed in the third quarter of 2025 were new deals, with four of the five occurring in recently delivered buildings, underscoring tenant preference for modern space. Each of the five largest deals occurred in different submarkets, an indication of the Houston market's overall appeal and ability to meet diverse occupier needs. PepsiCo Beverages' lease for 1.1 MSF in the Southwest submarket was the largest deal of the quarter, while Panelmatic secured the second largest lease of the quarter with 728,080 SF taken at WestPoint 45.

Select 3Q25 Lease Transactions

Tenant	Building	Submarket	Type	Square Feet
PepsiCo Beverages	I-10 West Trade Center 31270 Kingsland Blvd	Southwest	Direct New	1,051,549
Bottling company PepsiCo Beverages signed the largest lease of the quarter, taking 1.1 MSF at 31270 Kingsland Blvd in the Southwest submarket. The building has been vacant since its completion in early 2023.				
Foxconn	Innerbelt Northwest Logistics Park- 5 & 6	Northwest	Direct New	761,000
Taiwanese semiconductor manufacturer Foxconn pre-leased a build-to-suit project at Building 5 & 6 of Innerbelt Logistics Center in the North submarket. Foxconn will occupy 380,800 SF at each of the two buildings. The deal is an expansion to Foxconn's presence within the park, where it leased Building 3 & 4 in June 2025.				
Panelmatic	WestPoint 45 410 West Rd	North	Direct New	728,080
Control panel manufacturer, Panelmatic, signed a new lease for 728,080 SF at 410 West Road in the North submarket. Panelmatic is the first tenant to lease space in the building since it delivered in the first quarter of 2025.				
Foxconn	Central Distribution Center 1401 N. Rankin Rd.	North	Direct New	656,000
Foxconn further expanded its Houston presence, signing a new deal for 656,000 SF at 1401 N. Rankin Road in the North submarket. The building had previously been occupied by Conn's.				
Inventec	Park 1099 23623 Colonial Pky	Northwest	Direct New	540,000
Taiwanese electronics manufacturer Inventec leased 540,000 SF at 23623 Colonial Parkway in the Northwest submarket to renovate for a new electronics manufacturing plant. The lease is the first phase of a $55 million investment strategy to onshore the company's manufacturing and avoid U.S. import tariffs.				

Source: Newmark Research

Houston Industrial Submarket Overview

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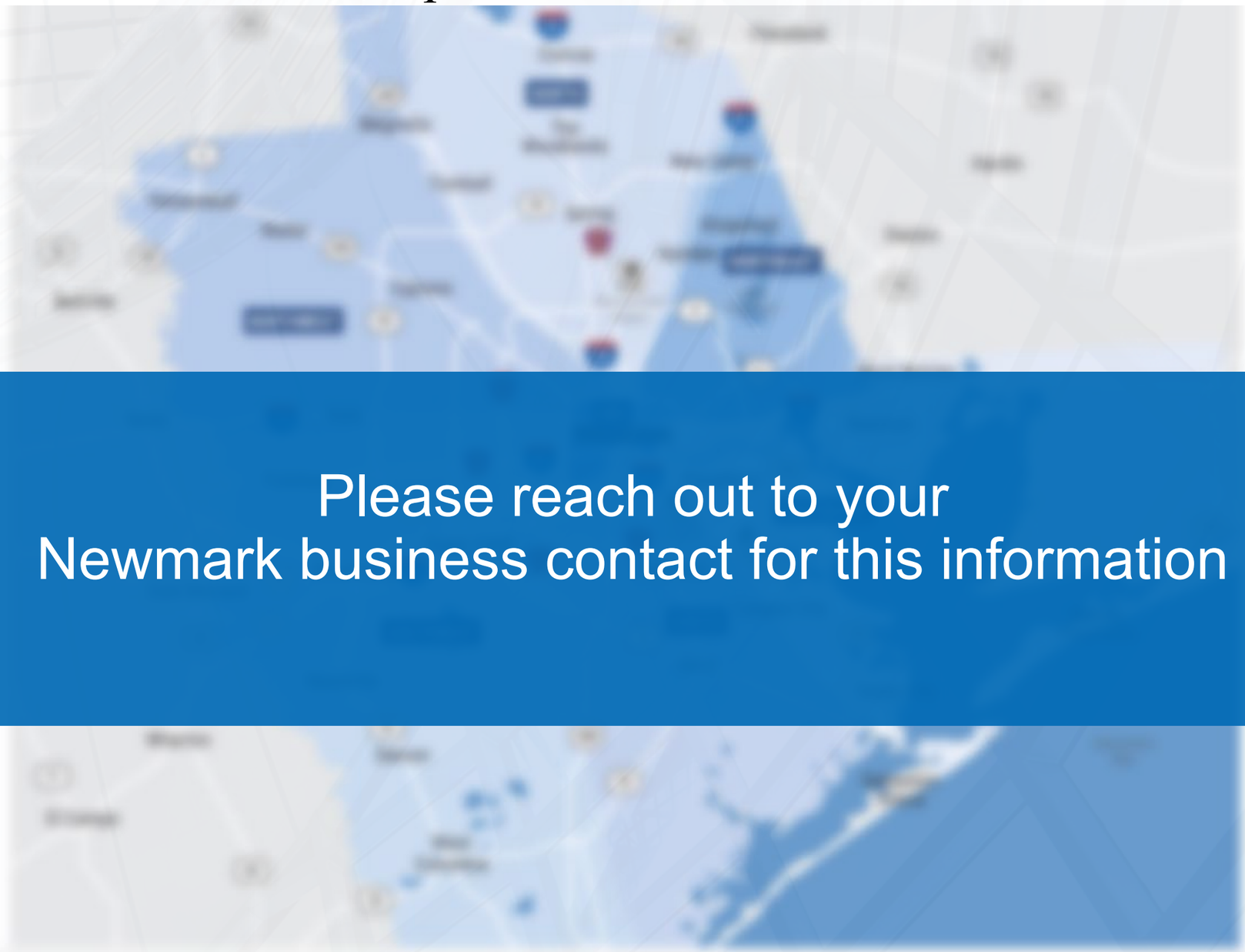
Houston Industrial Submarket Map



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3Q25

Appendix

Houston Industrial Market

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3Q25 Texas Industrial Market Overview

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Newmark has implemented a proprietary database and our tracking methodology has been revised. With this expansion and refinement in our data, there may be adjustments in historical statistics including availability, asking rents, absorption and effective rents. Newmark Research Reports are available at .

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