NEWMARK

Market Overview

Houston Industrial

4Q25

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Market Observations

Economy

- The Houston market's unemployment rate was unchanged year over year at 4.5% and remains below the five-year average of 5.5%.
- Job growth fell by 63 basis points year over year to 0.7%, significantly below the five-year average of 1.8%.
- All sectors, except manufacturing, information, and business and professional services, reported employment growth, with education and health leading job gains at 3.0% over the past 12 months.
- Most industrial-using job sectors in the market reflected yearly growth, with mining/construction and trade/transportation/utilities, reflecting growth of 0.6% and 0.5%, respectively, while manufacturing contracted 1.0% annually.

Leasing Market Fundamentals

- The market realized 3.6 MSF of positive absorption in the fourth quarter of 2025, a quarterly increase of 19.9%.
- Overall rental rates rose 13.4% year over year to $10.67/SF, reaching a new all-time high for the seventh consecutive quarter.
- Construction deliveries slowed to 4.2 MSF in the fourth quarter of 2025, while the pipeline grew to 24.6 MSF under construction.
- The vacancy rate rose by 10 basis points quarter over quarter and by 90 basis points year over year to 7.4%, as new supply outpaced demand for a fourth consecutive quarter.

Major Transactions

- Emser Tile's renewal for 601,426 SF in Pinto Business Park in the North submarket was the largest deal of the quarter,
- Four of the top five deals of the quarter were composed of new commitments, highlighting tenant interest and confidence in the Houston market.
- Two of the five largest transactions were pre-leases in buildings currently under construction, underscoring tenant preference for modern space.
- The quarter's five largest deals were contained to the North and Northwest submarkets, highlighting occupier need for connectivity along the Hwy-290, Hwy-249, and I-45 corridors.

Outlook

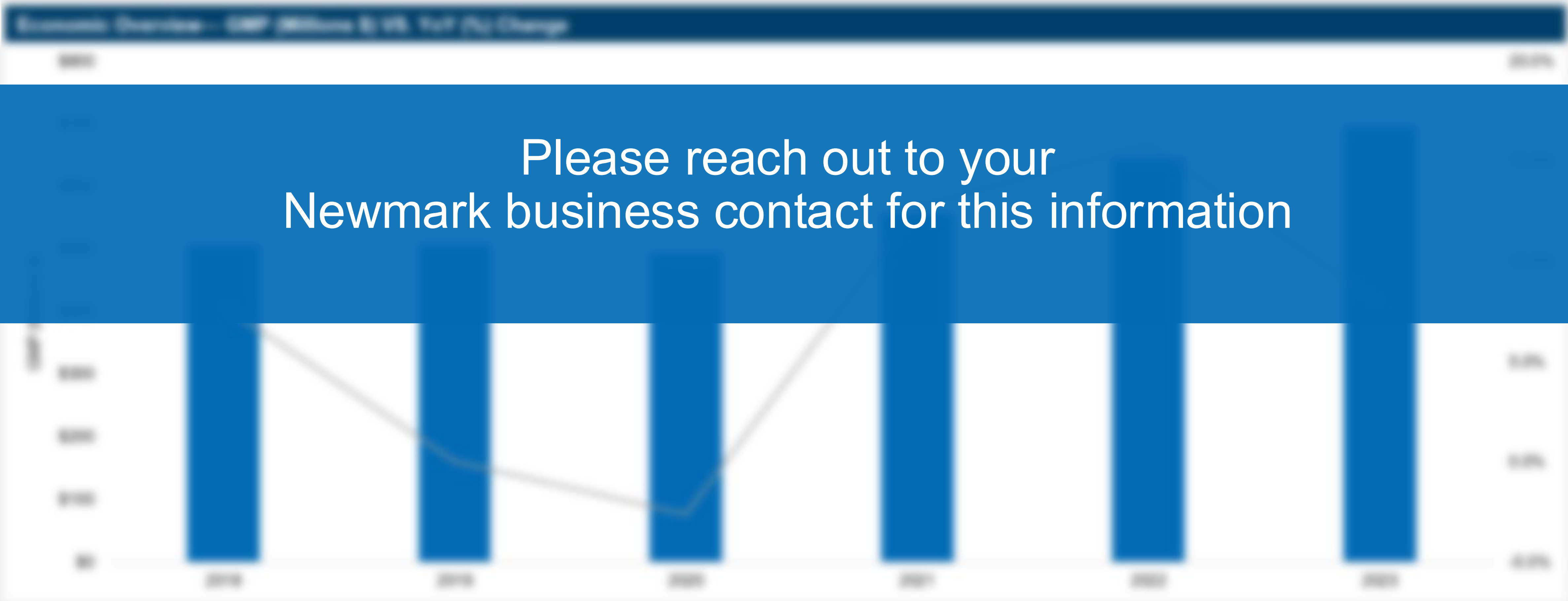
- Overall, the Houston industrial market remains fundamentally healthy but is transitioning toward equilibrium as supply growth, rising vacancies, and moderating absorption recalibrate the balance between landlords and occupiers.
- The continued expansion of the construction pipeline suggests sustained 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.
- Speculative new supply continues to drive up asking rents, which are expected to remain elevated through 2026, while vacancy stabilizes once the current construction wave is absorbed.

Table of Contents

01

Economy

Houston Gross Metropolitan Product



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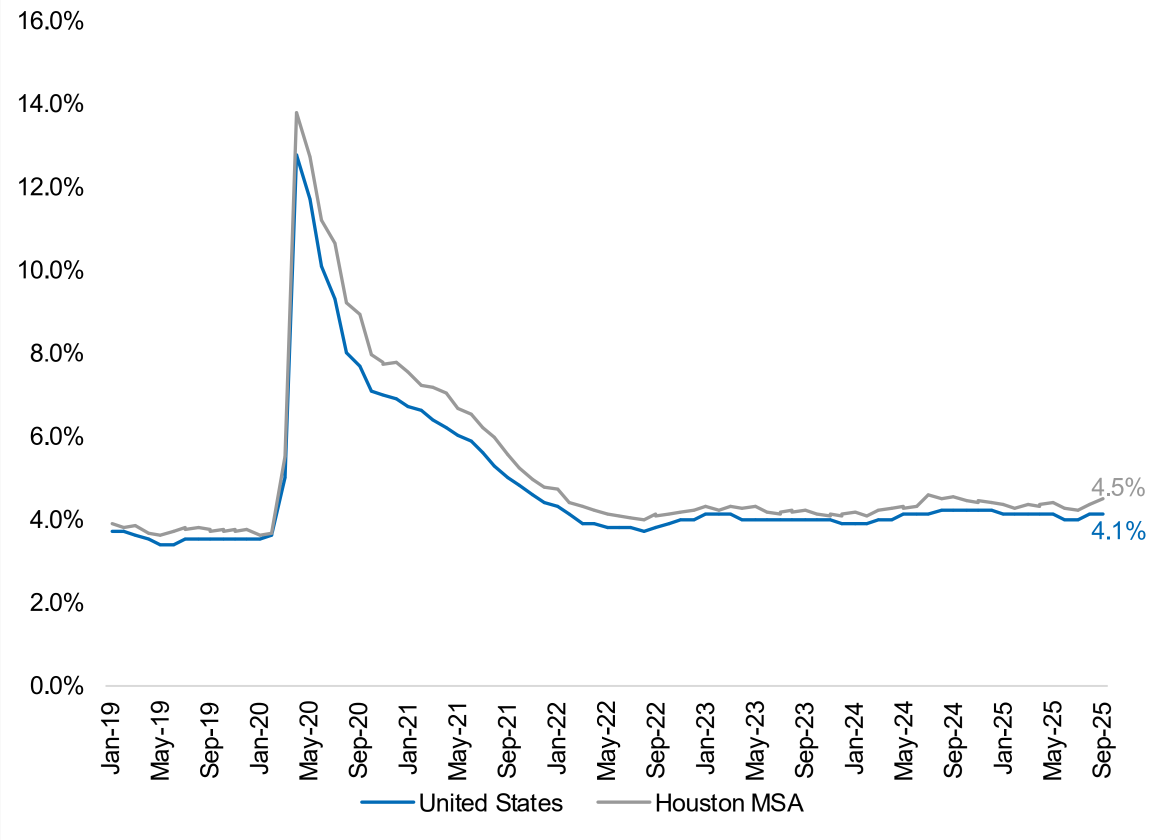
Source: Moody's Analytics

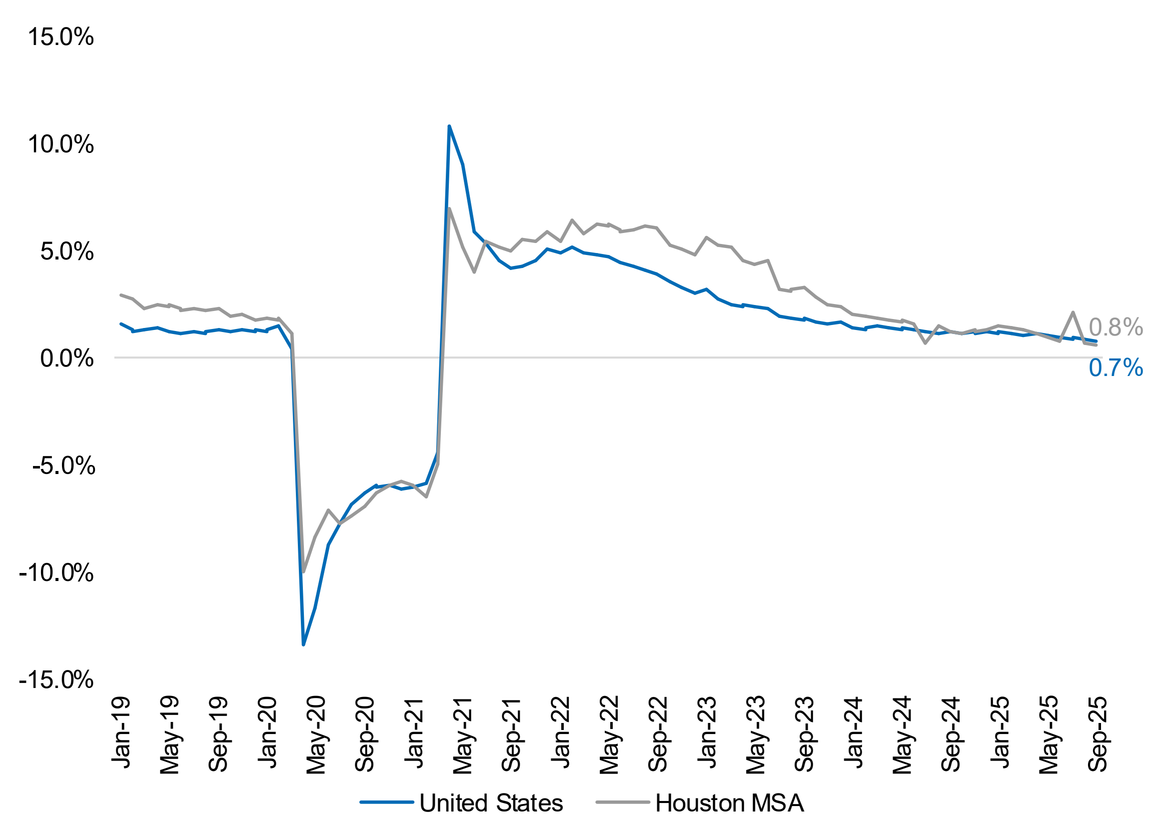
Unemployment Remains Above National Average As Employment Growth Slows

Houston has historically posted slightly higher unemployment than the national average while outpacing it in job growth. As of September 2025, Houston's unemployment rate was 4.5%, higher than the national average of 4.1%. Houston's unemployment rate has trailed the national average for most of the last year, widening to a 40-basis point gap in September 2025. However, employment growth in Houston slowed more sharply, down 63 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

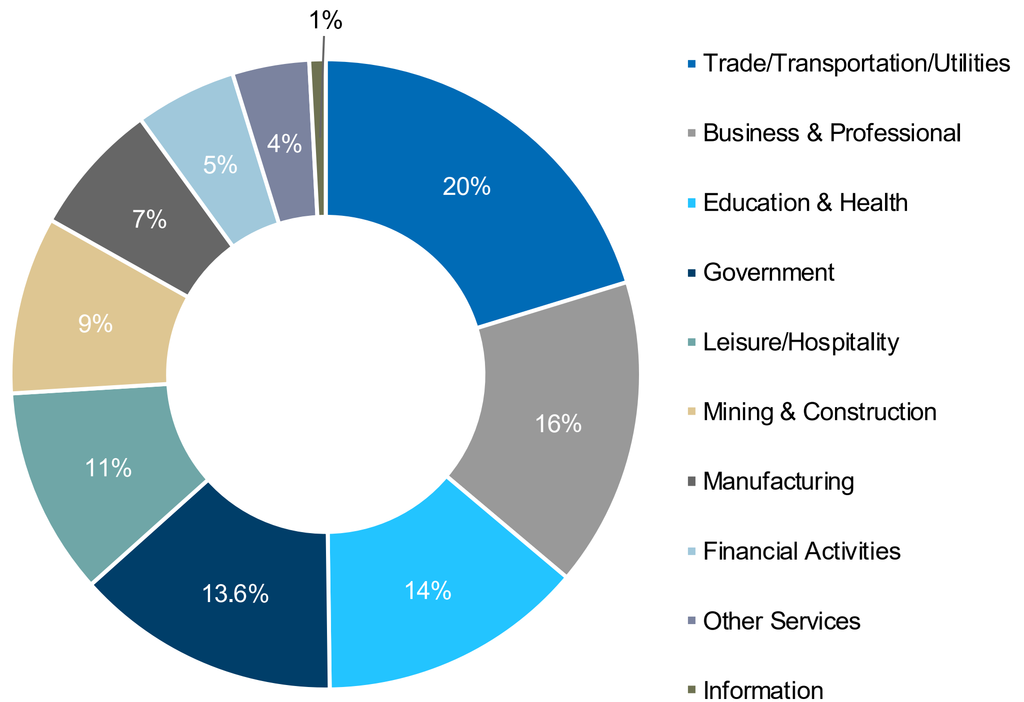


Source: U.S. Bureau of Labor Statistics, Houston MSA

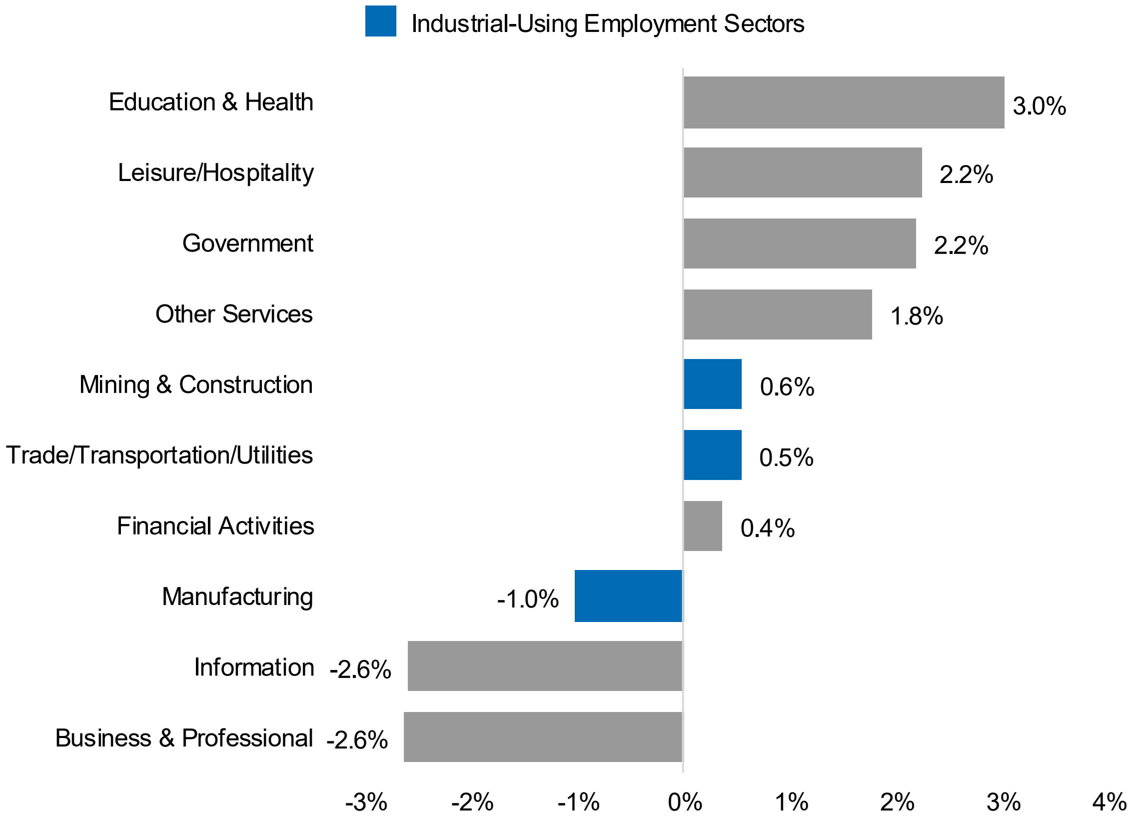
Growth in Most Industrial-Using Employment Sectors Continues

Known for its energy sector, the Houston market's top two employment industries account for 36.1% 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 slight growth of 0.6% and 0.5%, respectively, while manufacturing contracted 1.0% annually.

Employment by Industry, September 2025



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

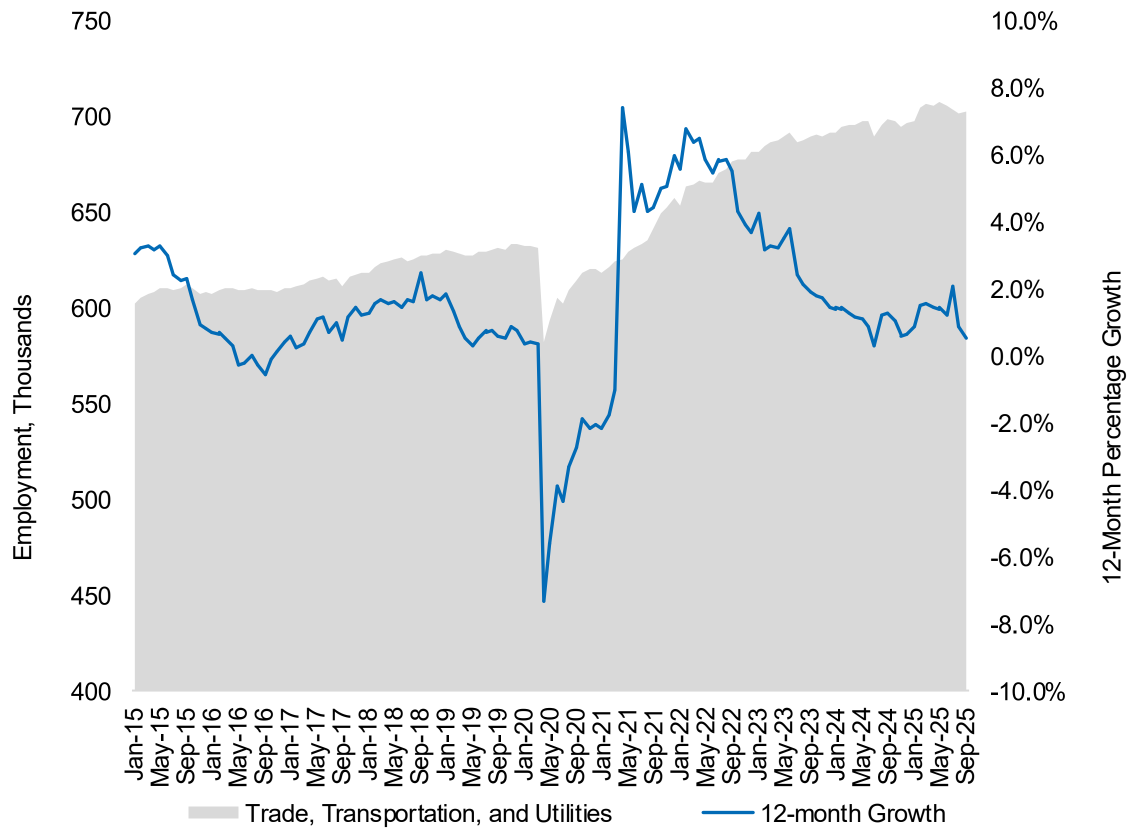


Source: U.S. Bureau of Labor Statistics, Houston MSA

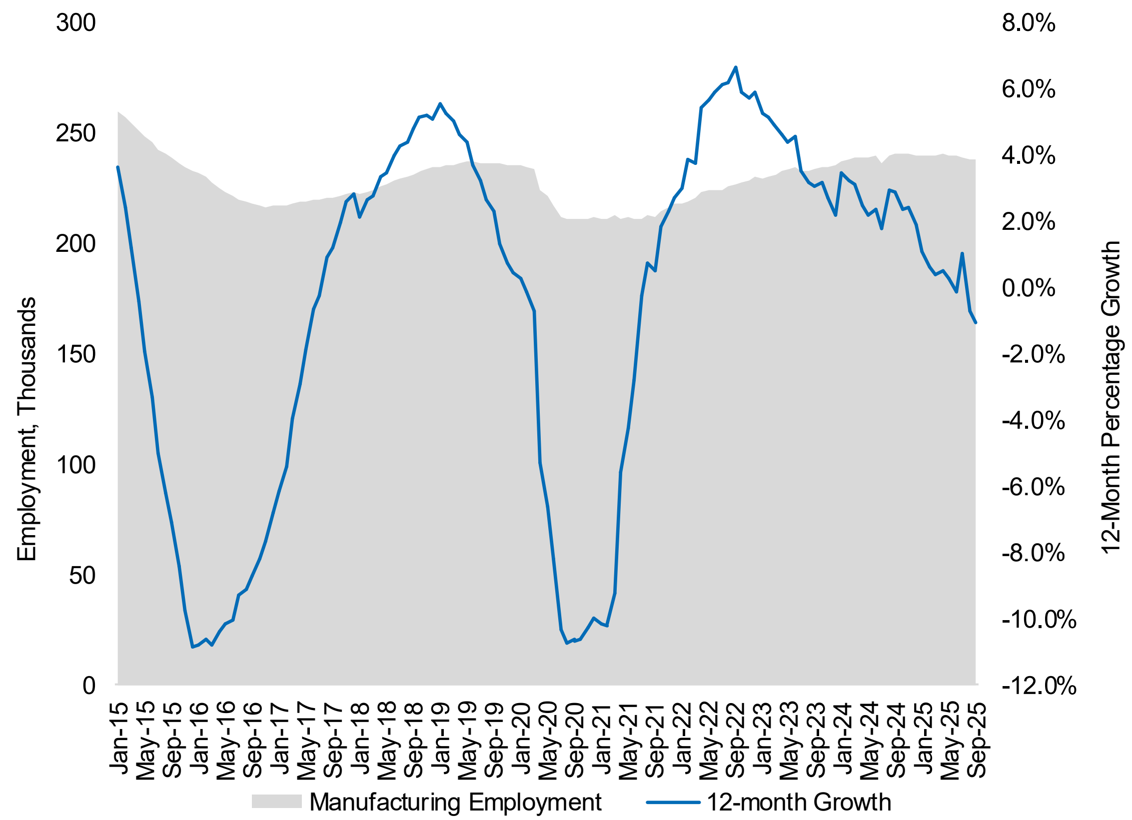
Industrial Employment Slows Further as Manufacturing Jobs Contract

In September 2025, trade/transportation/utilities employment rose by 0.5% annually to 702,710 employees, but remains below the industry peak of 707,740 jobs reported in May 2025. Meanwhile, manufacturing employment contracted annually by 1.0% to 237,920 employees, falling 8.5% 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, 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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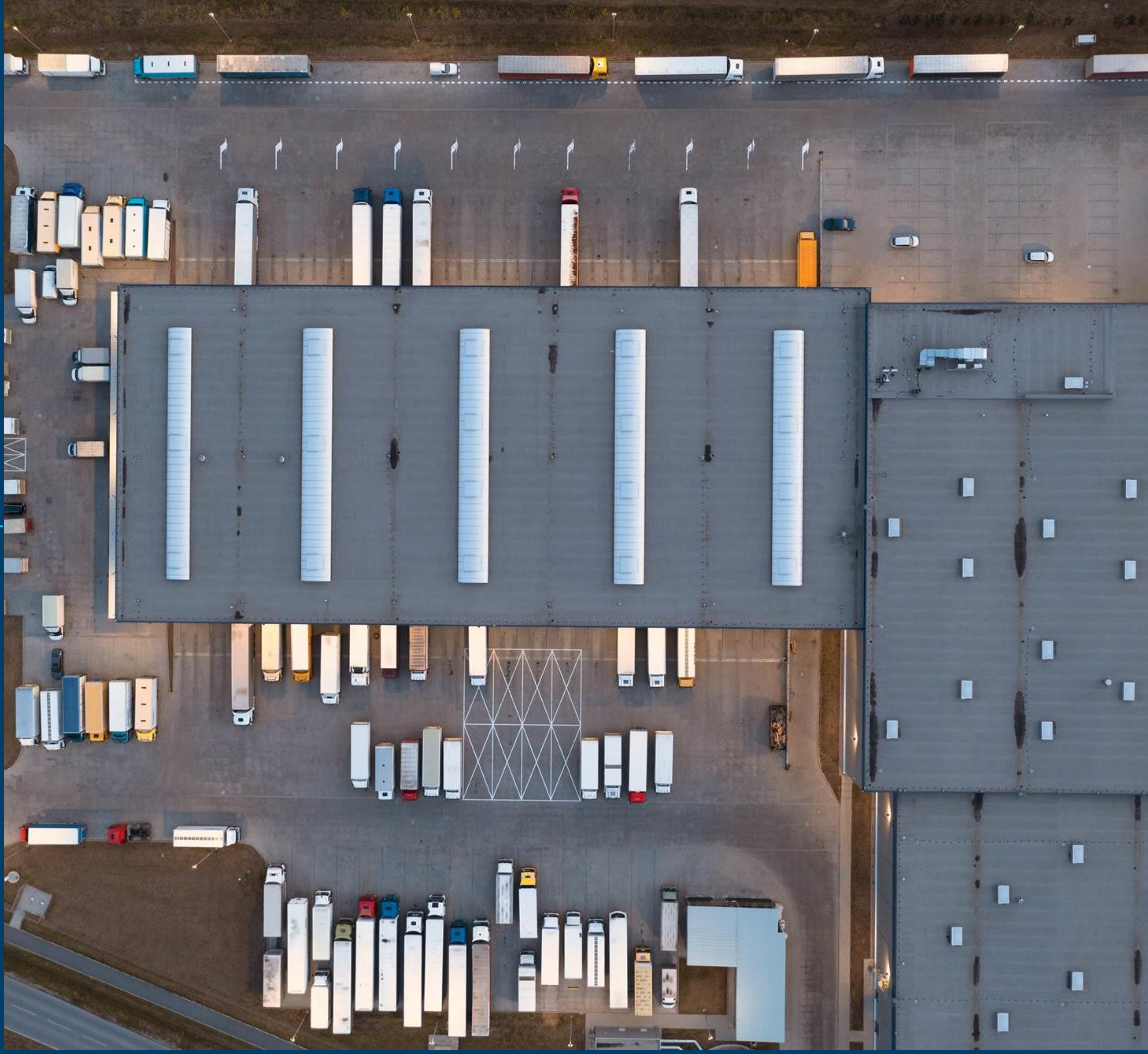
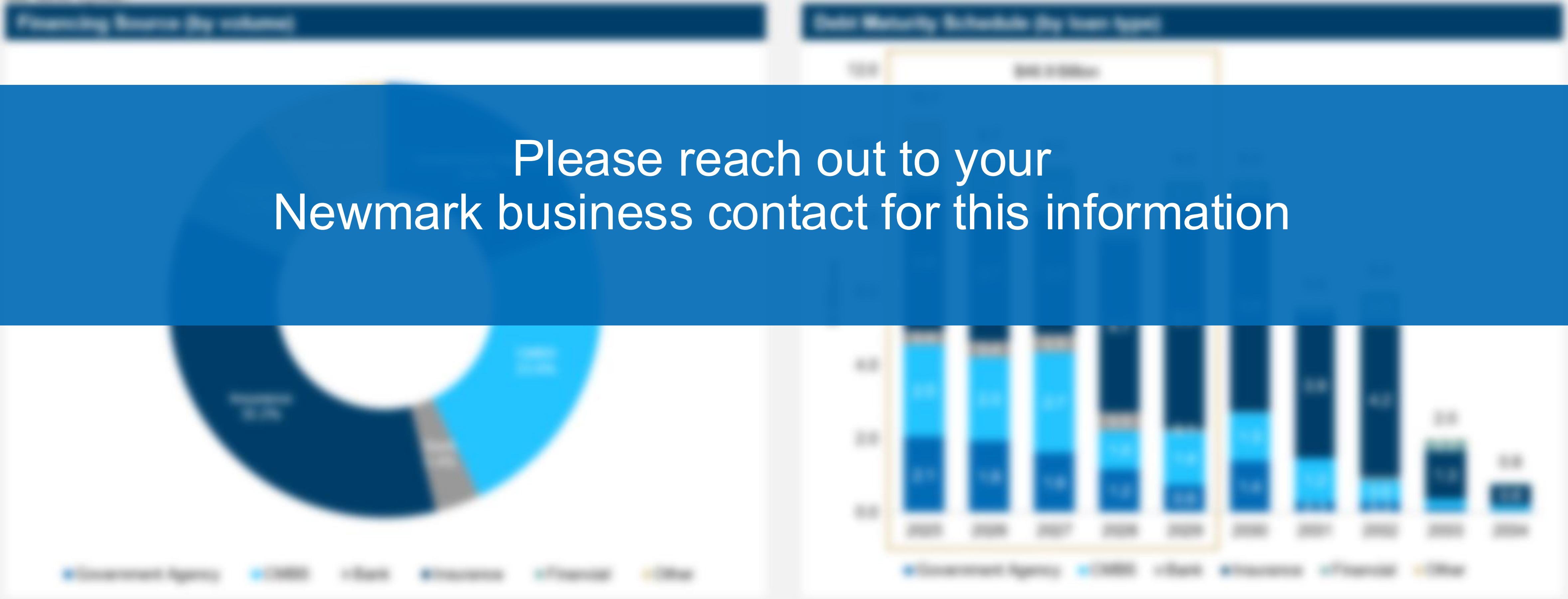
Debt/Capital Markets

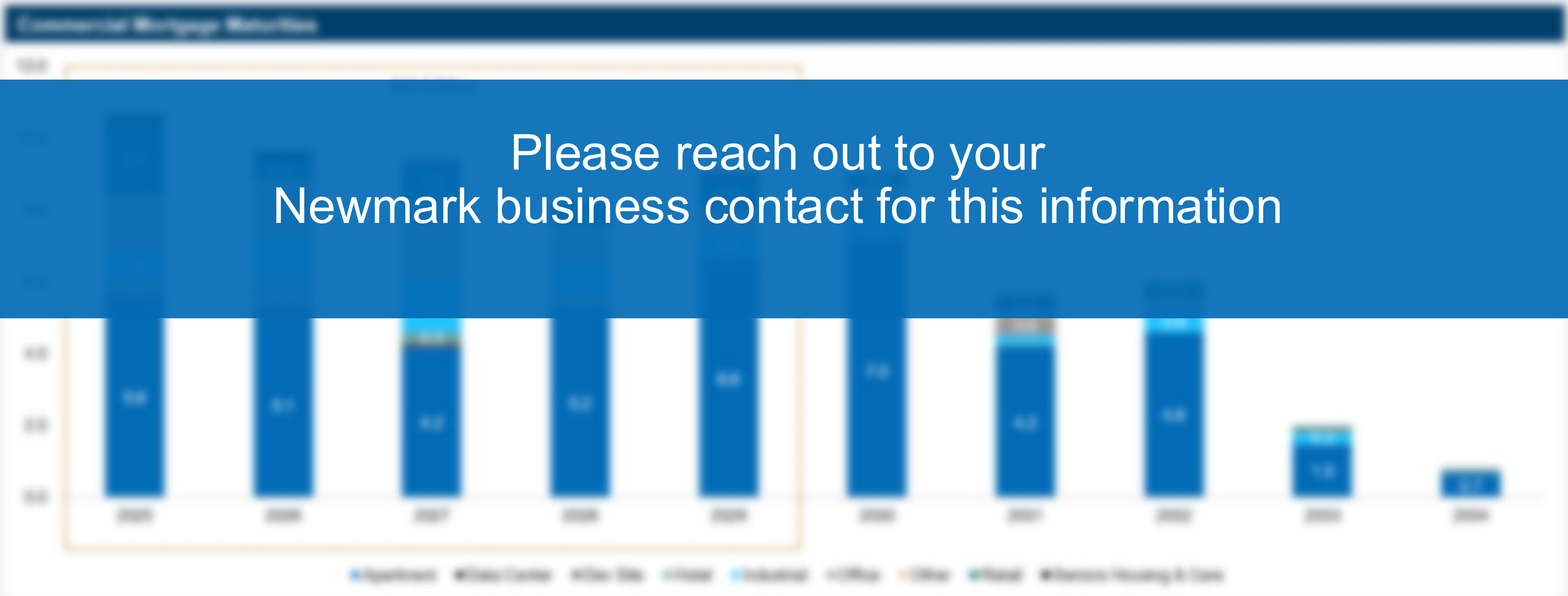


Highest Loan Volume Due in 2025



Source: RCA, Newmark Research

Multifamily Maturities Particularly Elevated Through 2030, Industrial Not So Much



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Source: RCA, Newmark Research

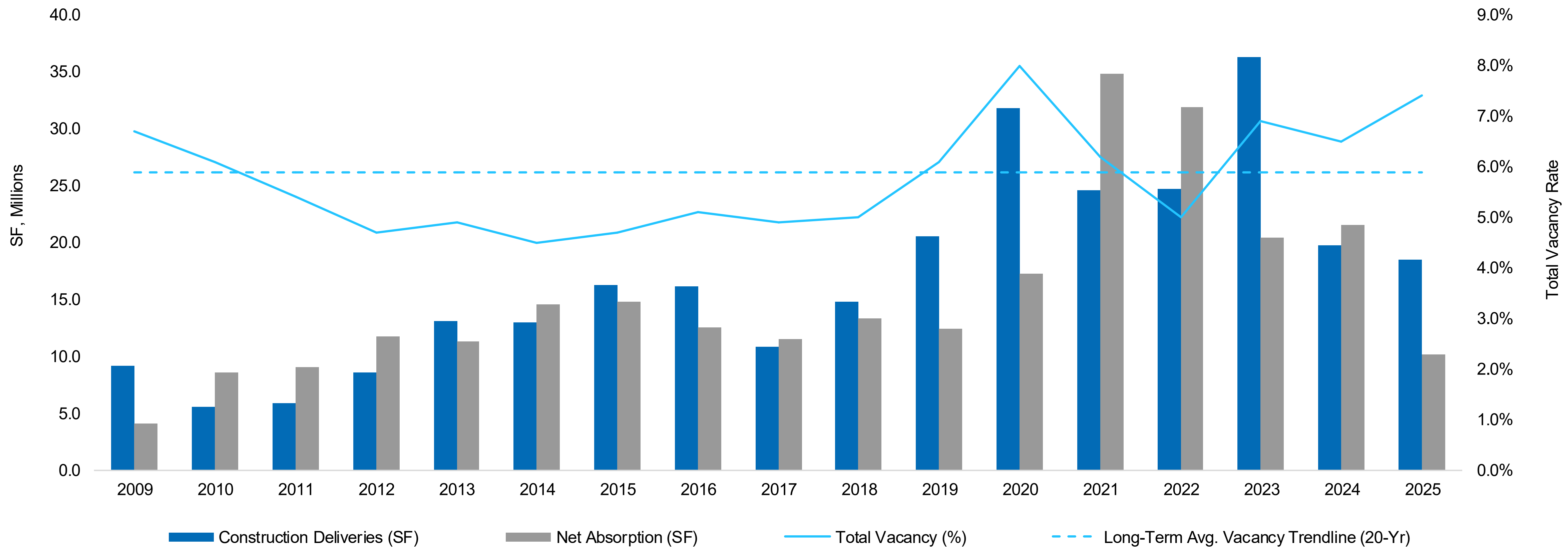
03

Leasing Market Fundamentals

Supply and Demand Imbalance Continues Through Year-End 2025

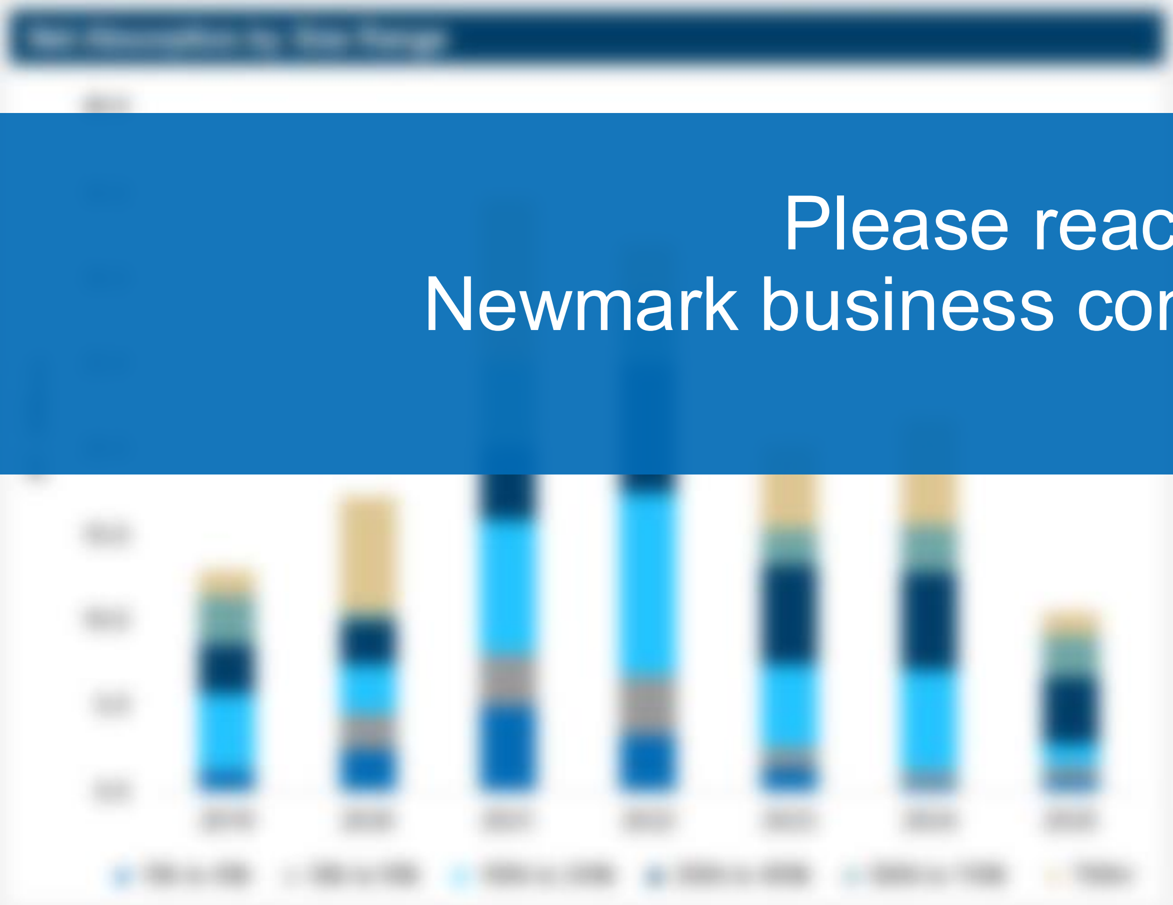
Houston's industrial vacancy rate rose slightly in the fourth quarter of 2025 to 7.4%, an increase of 10 basis points from the previous quarter. Following the surge of new supply in 2023, construction activity has tapered, and net absorption began to surpass deliveries in the second half of 2024, driving vacancy rates lower that year. Throughout 2025, supply has again exceeded demand, with absorption trailing deliveries each quarter. In the fourth quarter of 2025, the market recorded 4.3 MSF feet of deliveries against positive net absorption of 3.6 MSF, resulting in a rise in vacancy. In the near term, vacancy will remain elevated, due to the market's expanding construction pipeline and slower demand.

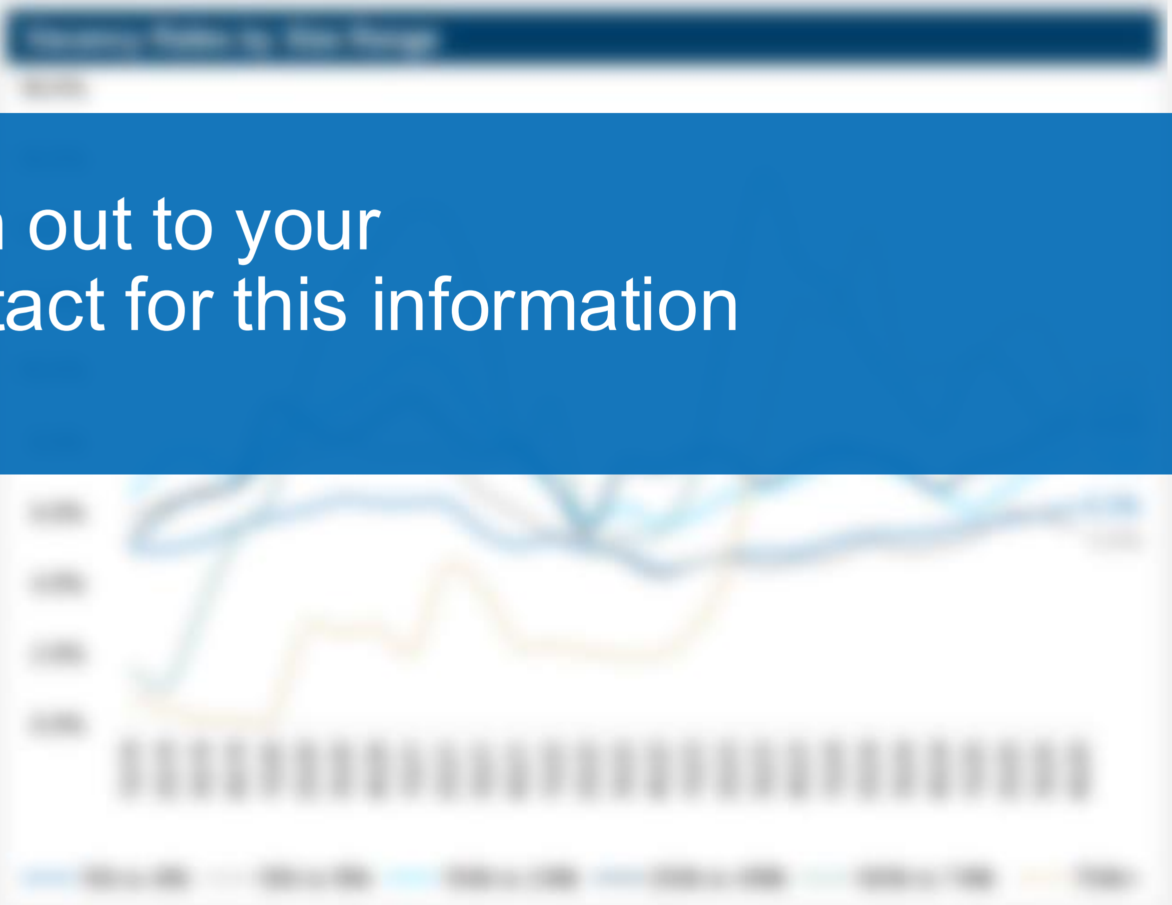
Historical Construction Deliveries, Net Absorption, and Vacancy



Source: Newmark Research, CoStar

Large Buildings Continue to Drive Absorption Despite Higher Vacancy Rates





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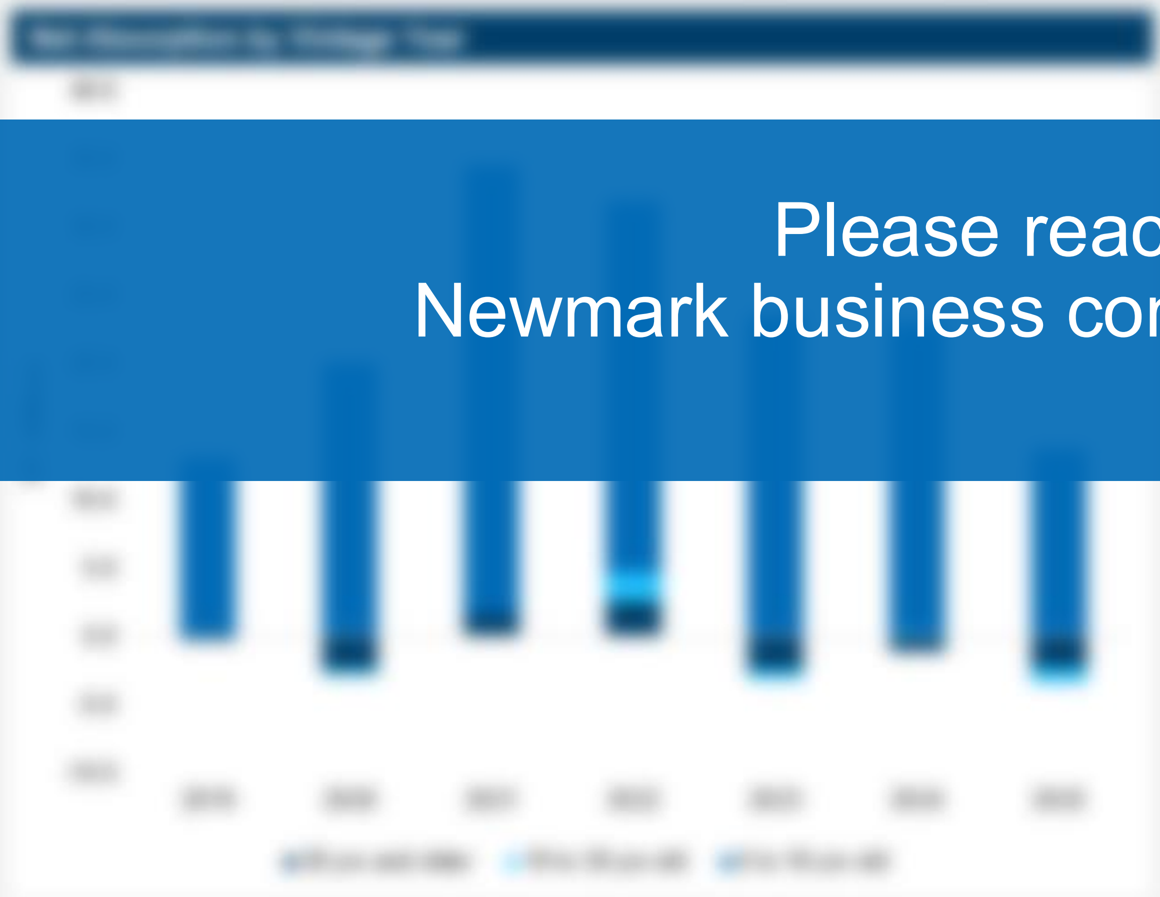
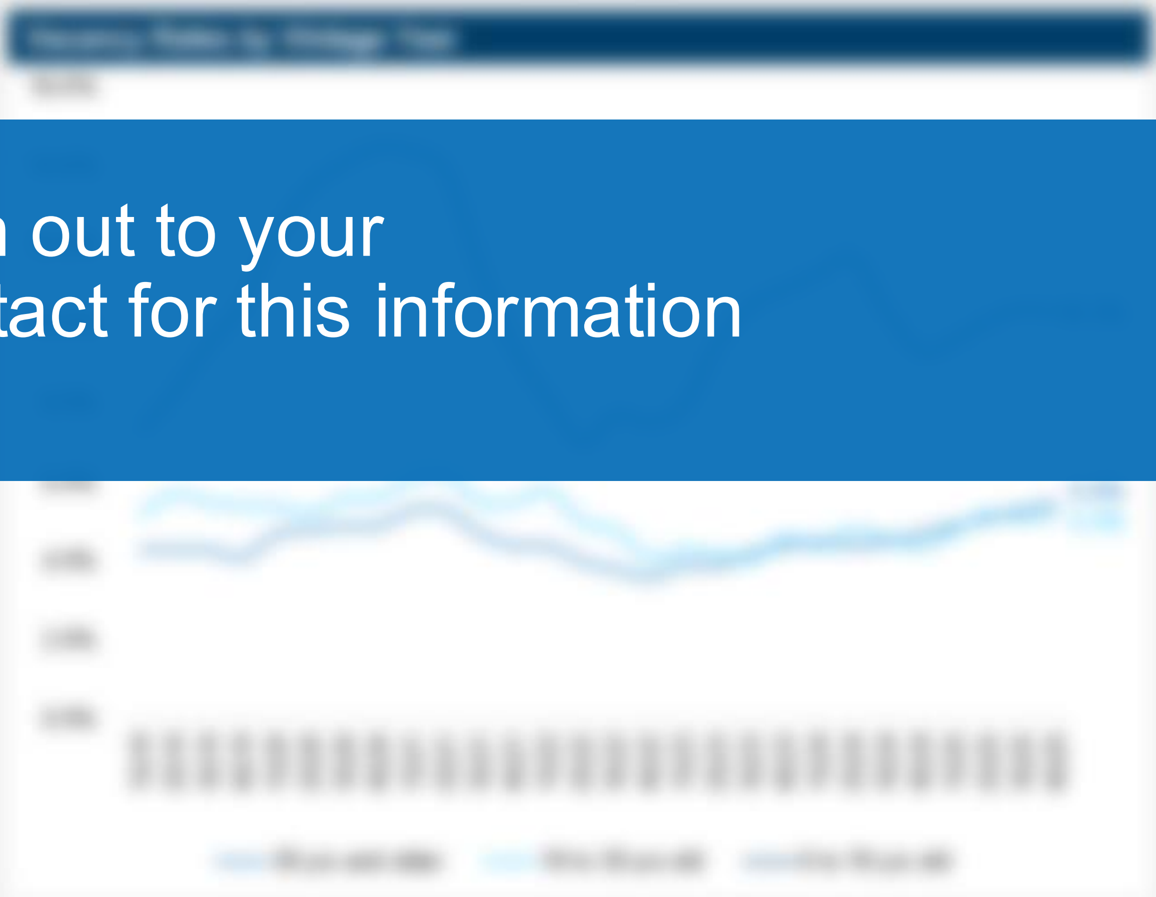
Source: Newmark Research

Preference for Modern Industrial Buildings Continues to Drive Demand





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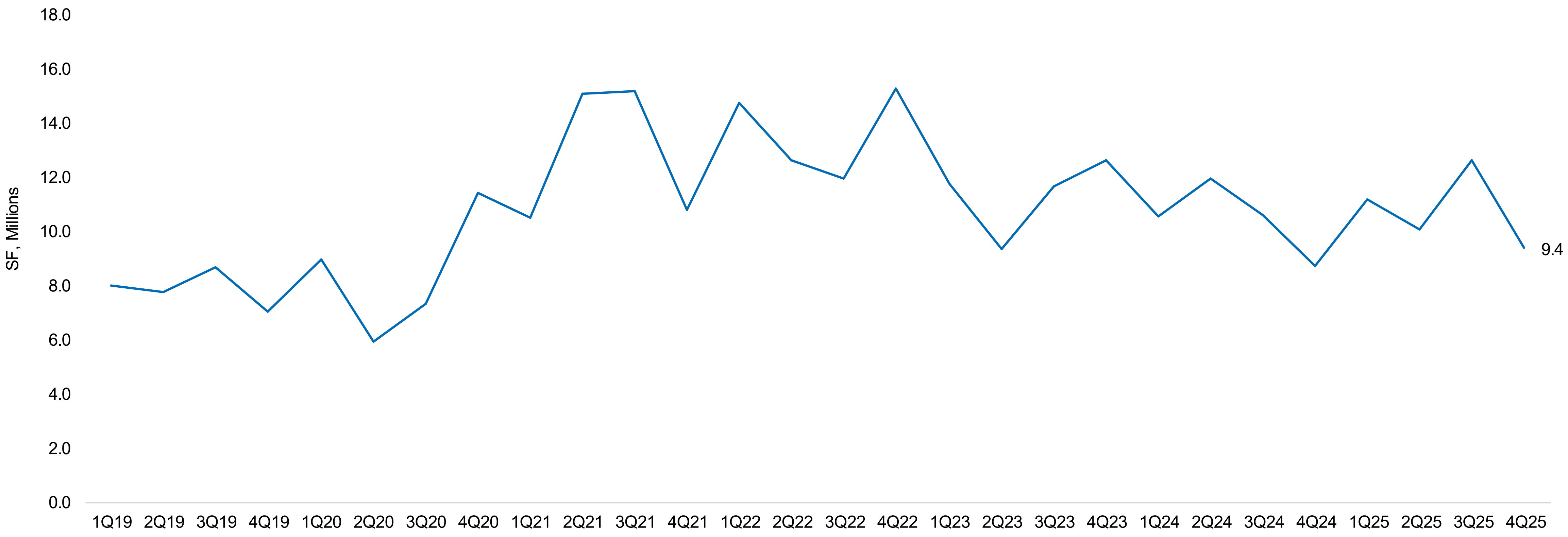
Source: Newmark Research

Average Deal Size Increases as Leasing Volume Drops

In the fourth quarter of 2025, leasing activity totaled 9.4 MSF, reflecting a 25.6% decrease from the previous quarter and a 7.7% increase year over year. Since 2019, fourth quarter deal volume has averaged 11.0 MSF, with the fourth quarter of 2025 falling just 14.5% below the quarterly average. Despite the drop in leasing volume, the market's average deal size increased to 20,702 SF in the fourth quarter of 2025, rising 11.0% from the same period a year ago.

Total Leasing Activity (SF)

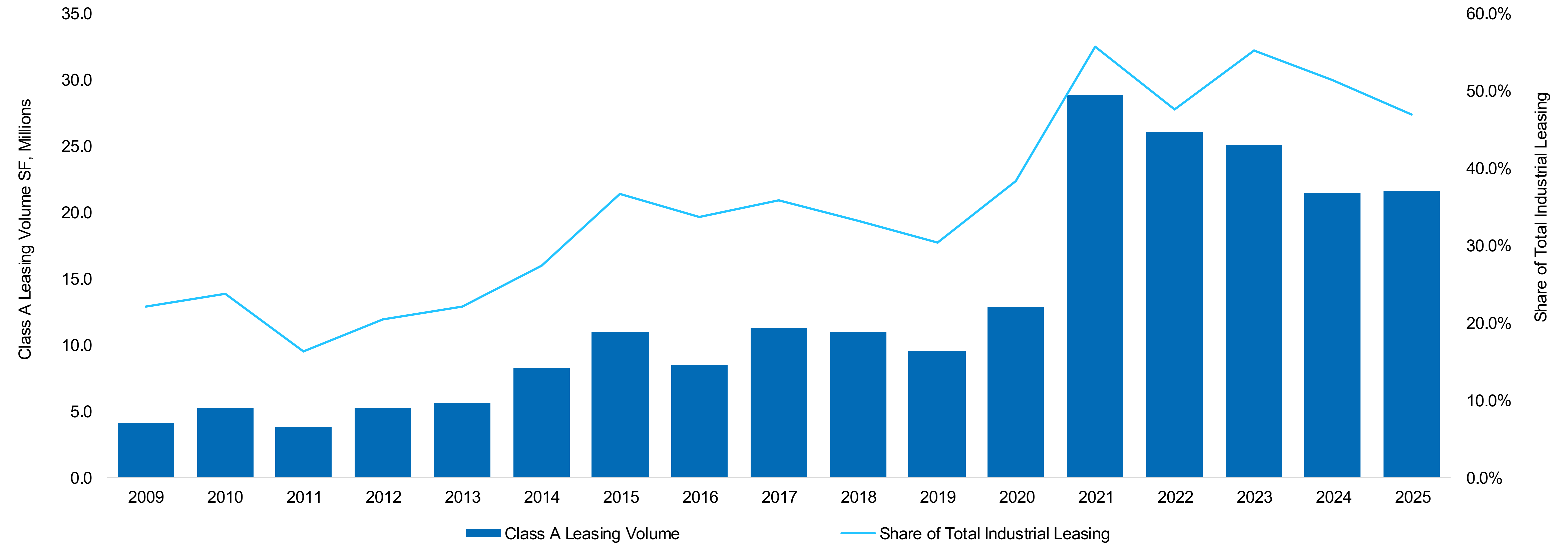


Source: Newmark Research, CoStar

Class A Assets Continue to Command Largest Share of Market Activity

Class A warehouse space leasing activity totaled 4.4 MSF in the fourth quarter of 2025, roughly 51.1% lower than the historic high of 9.1 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 47.0% of the market's activity, a decrease of 80 basis points from one year ago, and well above the quarterly pre-pandemic average of 27.4% 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 deal size averaged 142,469 SF in the fourth quarter of 2025, over seven times larger than the market average deal size of 20,702 SF.

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

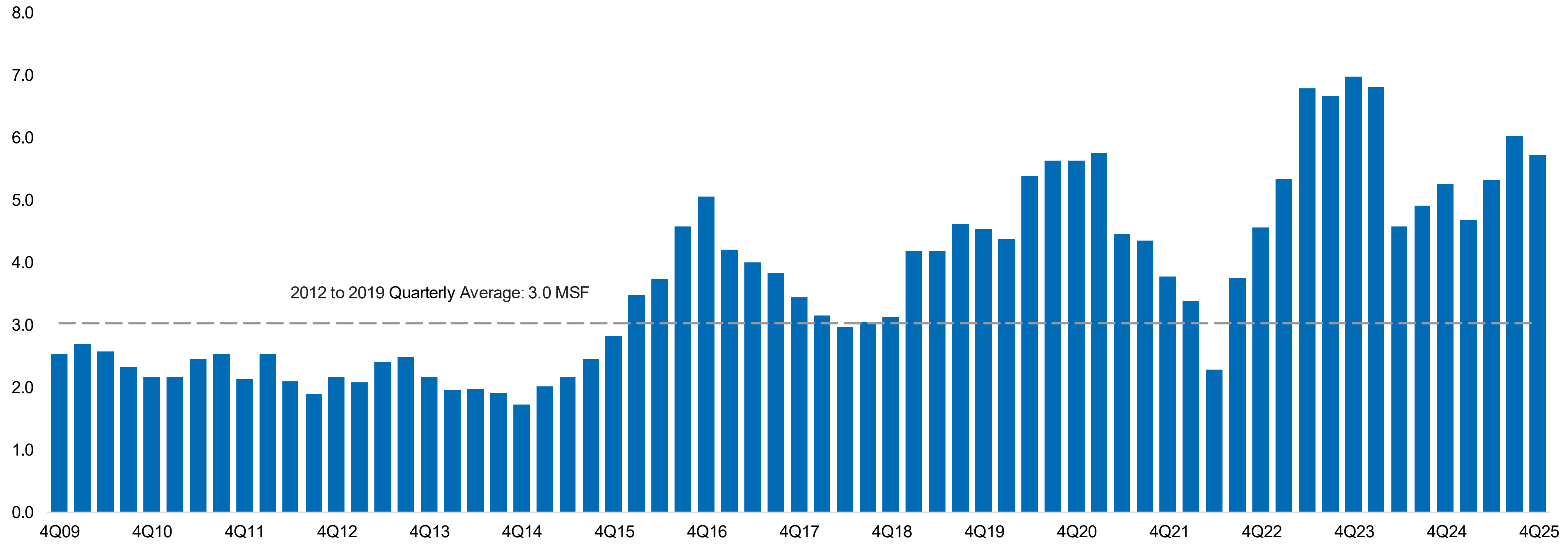


Source: Newmark Research, CoStar

Sublease Availability Still Elevated but Remains Below Record High

As of the end of the fourth quarter of 2025, available sublease space totaled 5.7 MSF, down 5.1% quarter over quarter and up 8.7% 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 record high of 7.0 MSF reported in the fourth quarter of 2023.

Available Industrial Sublease Volume (msf)

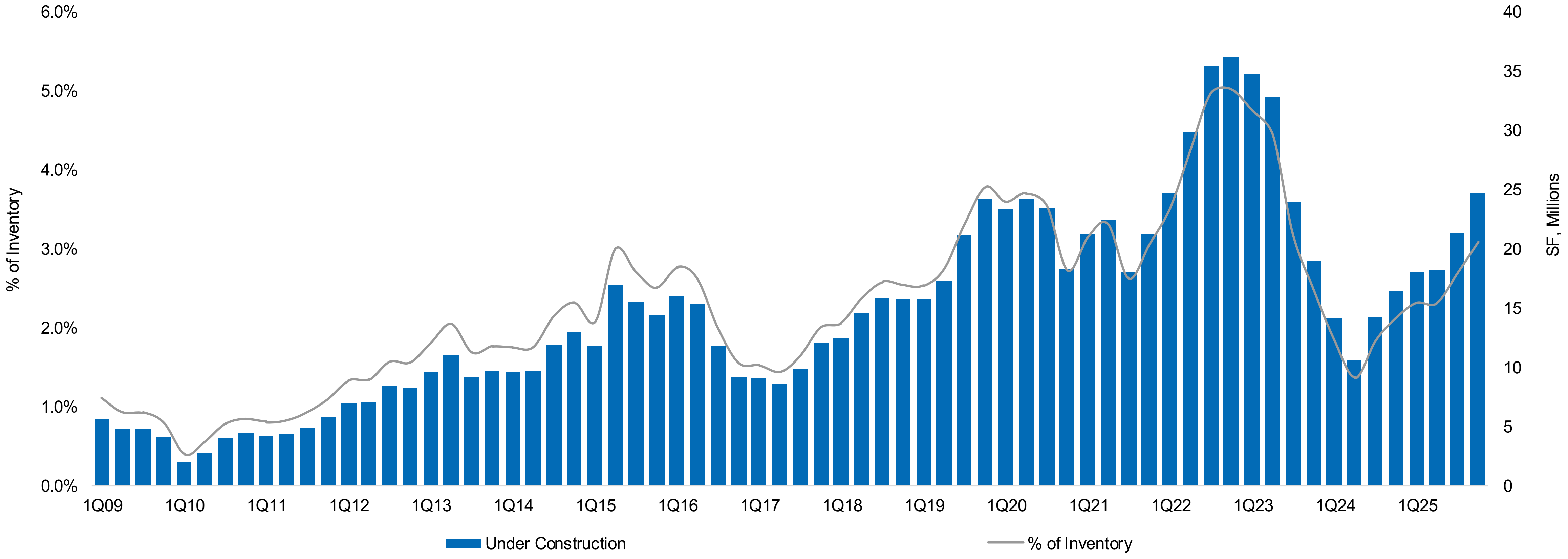


Source: Newmark Research, CoStar

Industrial Supply Pipeline Sees Uptick in New Projects

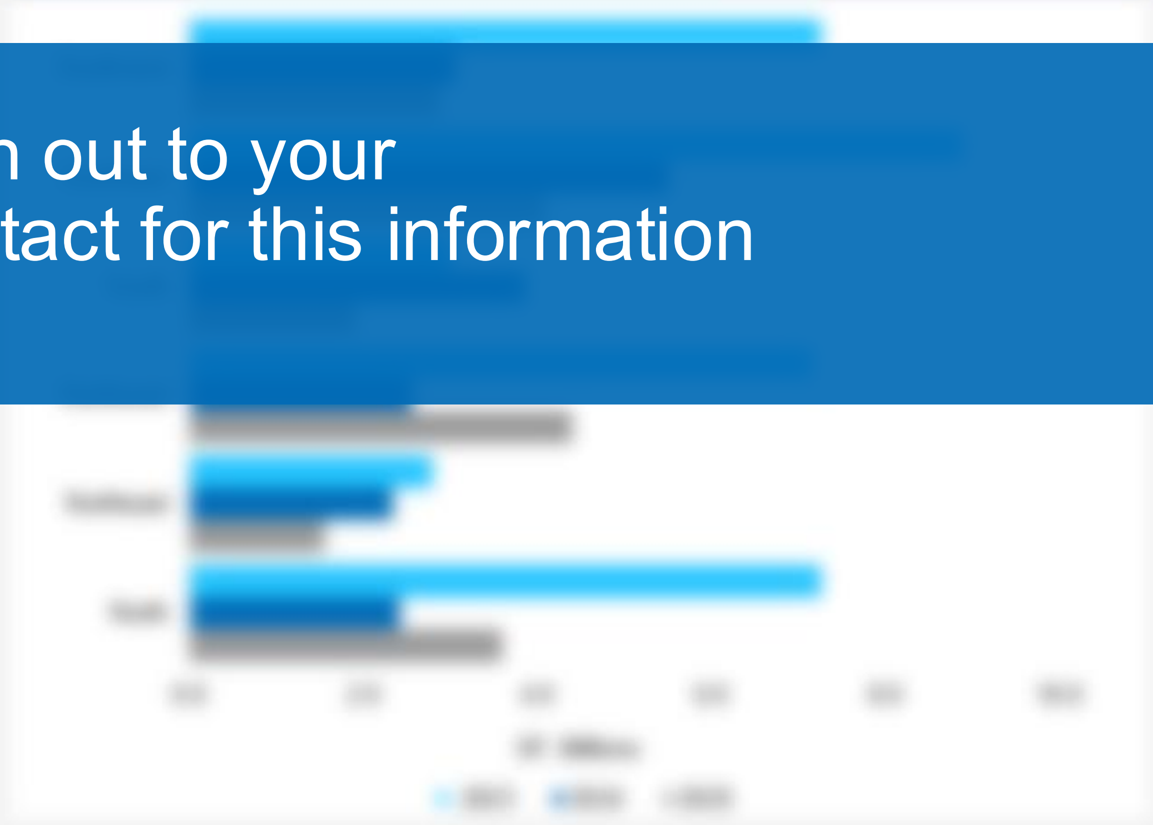
The fourth quarter of 2025 recorded a 15.4% increase in the construction pipeline, with 24.6 MSF under development and 7.5 MSF in construction starts. By the end of the quarter, 4.3 MSF had been delivered, with projects under construction representing 3.1% of total inventory. Roughly 26.4%, or 6.6 MSF, of the pipeline is currently preleased, including Grainger's
1.3 MSF distribution center, as well as the entire 566,000 SF building at 19865 Emerald Ln., which is fully leased to GCP Paper USA. In the near term, rising construction levels will result in elevated vacancies as the pipeline delivers new, mostly speculative, supply to the market.

Industrial Under Construction and % of Inventory



Source: Newmark Research, CoStar

Southeast Submarket Leads Construction Activity and Recent Deliveries



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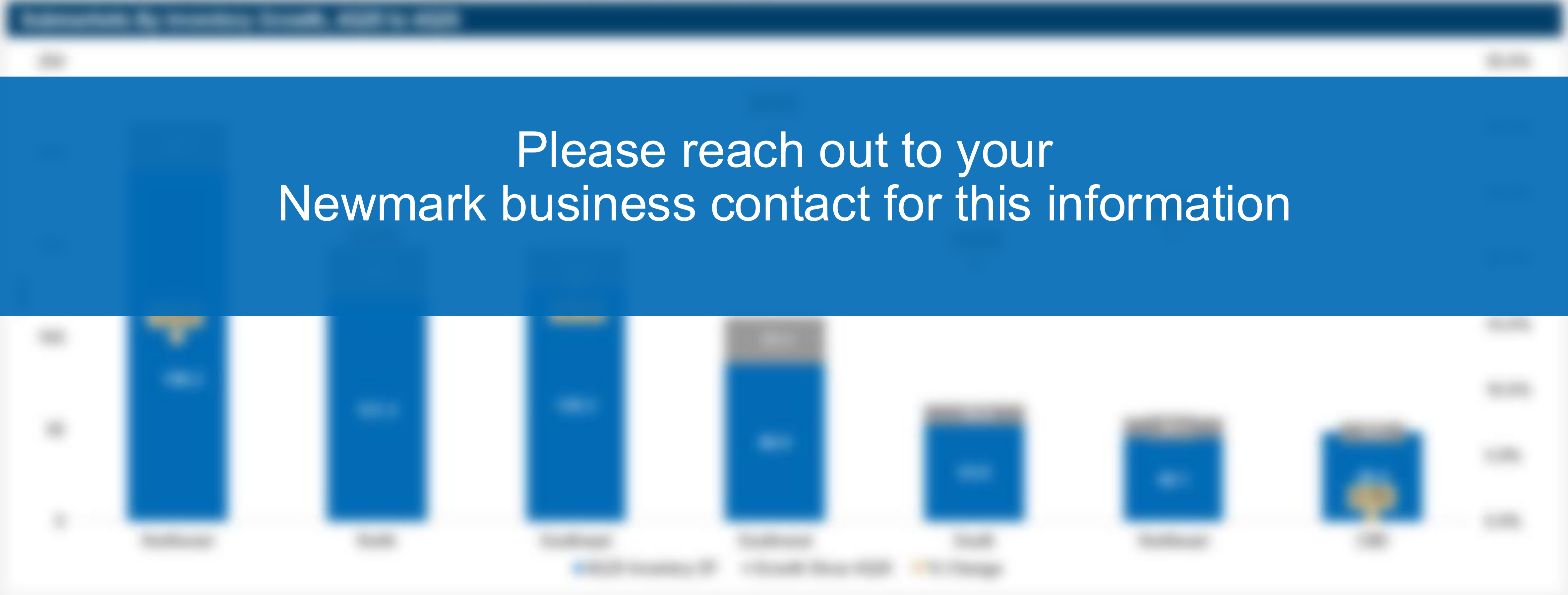
Source: Newmark Research, CoStar

Southwest Submarket Leads With 5-Year Inventory Growth Rate



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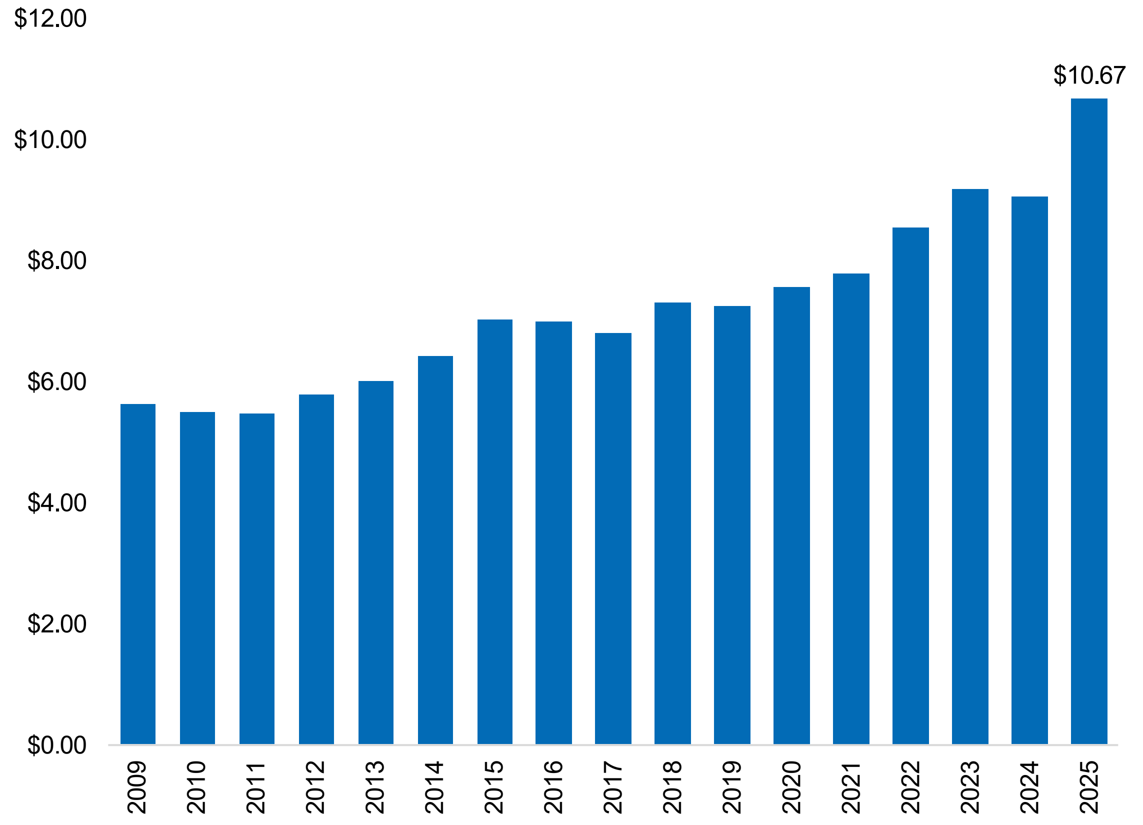
Source: Newmark Research, CoStar

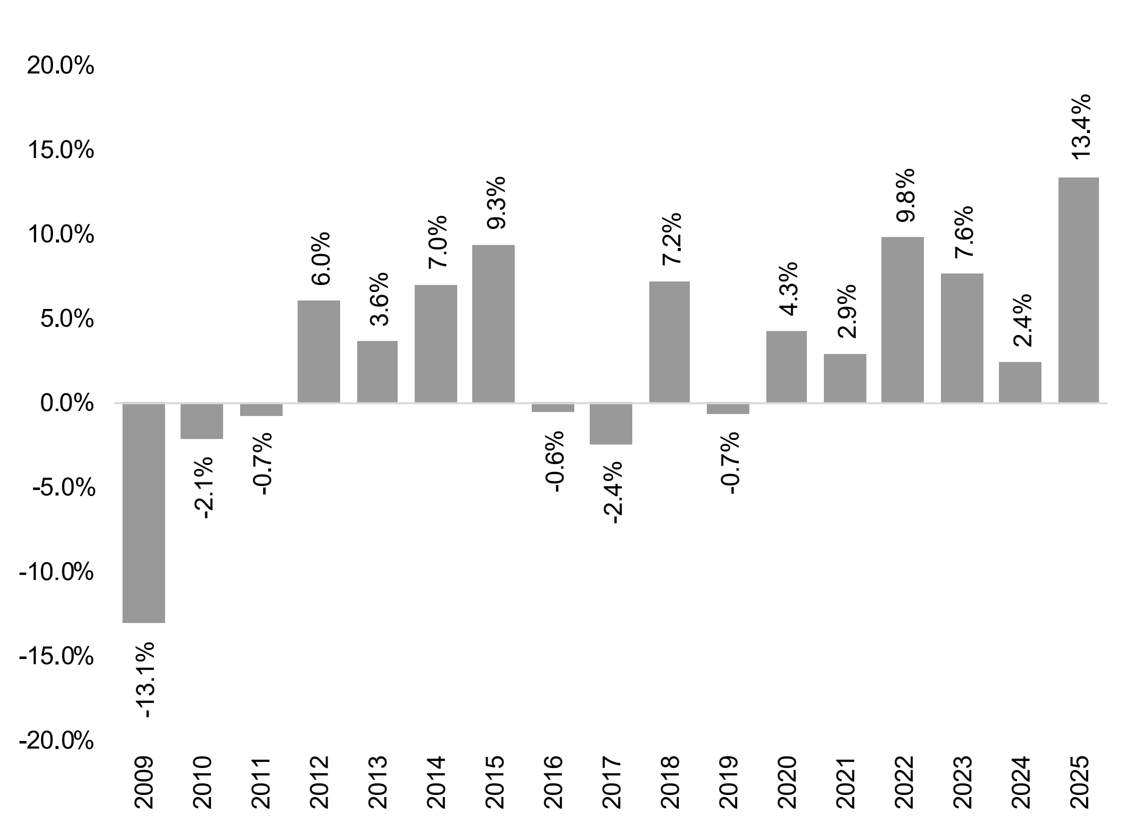
Asking Rents Continue To Rise, Reaching New All-Time High

In the fourth quarter of 2025, industrial asking rents rose to $10.67/SF, increasing by 13.4% year over year and reaching a new peak. 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. Looking ahead, rent growth is expected to normalize as elevated construction activity increases vacancy and competition among landlords. Historical trends suggest this period of outsized growth will give way to moderation rather than contraction as the market absorbs new supply.

Industrial Average Asking Rent, $/SF, NNN

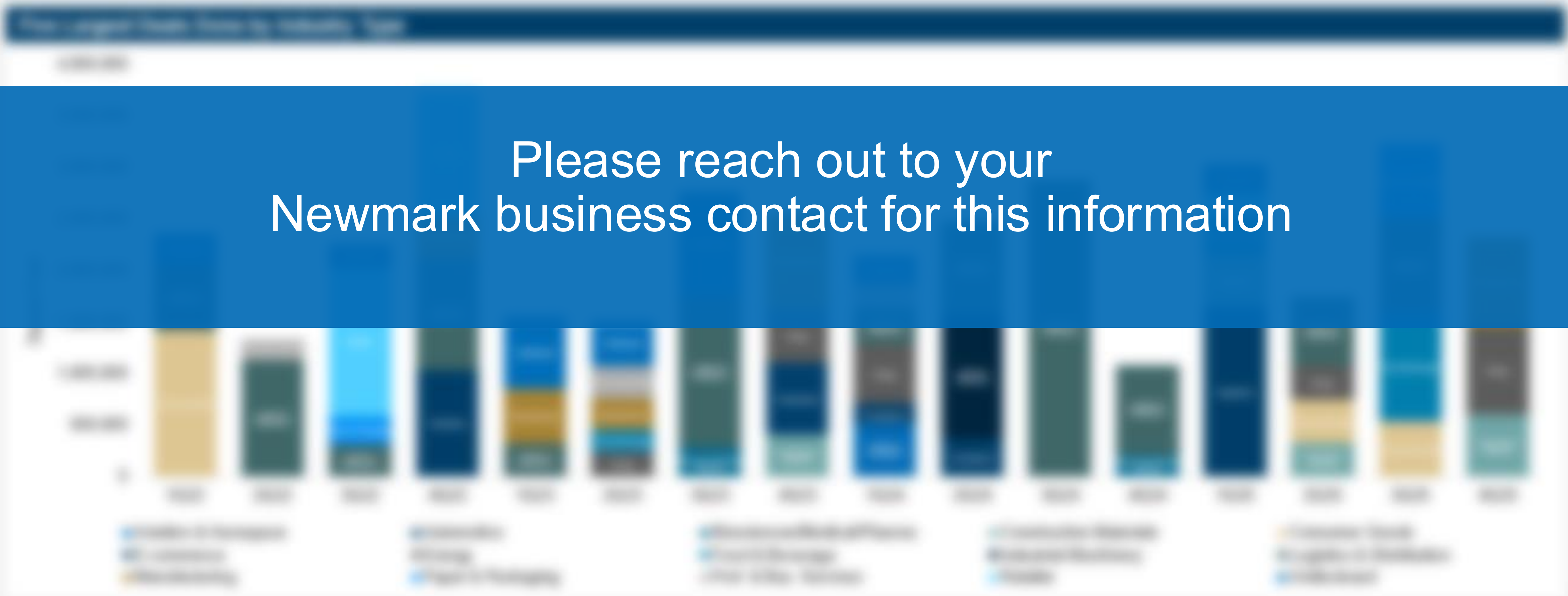


Year-over-Year Asking Rent Growth Rate % Change



Source: Newmark Research, CoStar

Five Largest Deals Done by Industry Type



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Source: Newmark Research, CoStar

New Deals Drive Large Transaction Activity

The top five transactions signed in the fourth quarter of 2025 were new deals, with two of the five occurring in buildings currently under construction, underscoring tenant preference for modern space. The five deals were limited to the North and Northwest submarkets, which continue to dominate leasing activity in the market. Emser Tile's renewal for 601,426 SF in Pinto Business Park in the North submarket was the largest deal of the quarter, followed by ProEnergy's lease for 458,019 SF in Building G at 6401 N. Eldridge Pky in the Northwest submarket.

Select 4Q25 Lease Transactions

Tenant	Building	Submarket	Type	Square Feet
Emser Tile & Natural Stone	10433 Ella Blvd	North	Renewal	601,426
Emser Tile & Natural Stone renewed its least for 601,426 SF at Pinto Business Park in the North submarket, marking the largest deal of the quarter. Emser Tile has occupied the building since its delivery in 2018.				
ProEnergy	6401 N Eldridge Pky- Building G	Northwest	Direct New	458,019
Missouri-based third-party energy services company, ProEnergy, signed the quarter's second largest lease for 458,019 SF in Building G at 6401 N Eldridge Parkway in the Northwest submarket. The 16-building industrial park was recently sold to Brennan Investment Group in September 2025.				
Modular Power Solutions	18239 Aldine Westfield Rd	North	Direct New	435,680
Modular power system manufacturer, Modular Power Solutions, signed a new lease for 435,680 SF at 18239 Aldine Westfield Rd in the North submarket. This is the company's first location in Houston, with existing locations in North Texas and Tennessee.				
SEG Manufacturing Inc.	20003 Old Mueschke Rd	Northwest	Direct New	425,360
SEG Manufacturing Inc., which produces solar panels, pre-leased the 425,360 SF under-construction building at 20003 Old Mueschke Rd in the Northwest submarket. The property is scheduled to deliver in the first quarter of 2026. SEG Manufacturing moved its HQ from California to the Houston area in 2023.				
Enchanted Rock	18501 Mound Rd- Building 5	Northwest	Direct New	407,302
Energy supplier Enchanted Rock pre-leased 407,302 SF in Building 5 at 18501 Mound Rd in Houston's Northwest submarket. The property is under construction with an expected delivery in the first quarter of 2026.				

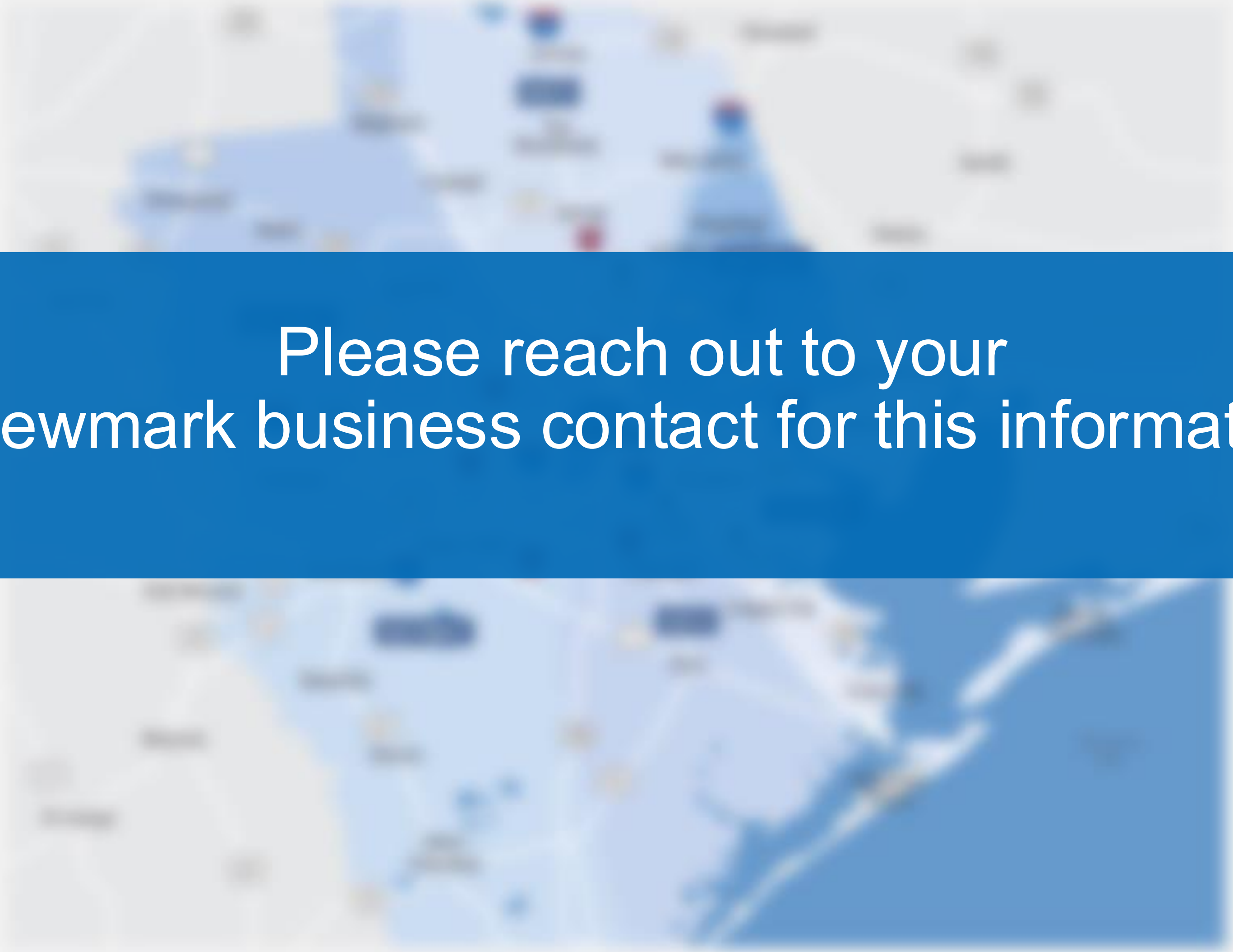
Source: Newmark Research, CoStar

Houston Industrial Submarket Overview

Submarket Statistics – All Classes	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Absorption (SF)	YTD Absorption (SF)	Direct Asking Rent (Price/SF)	Sublet Asking Rent (Price/SF)	Total Asking Rent (Price/SF)
CBD	48,607,488	0	6.4%	68,241	133,323	$8.58	$8.11	$8.54
North	149,224,461	4,268,948	7.3%	416,579	1,238,083	$11.12	$7.15	$10.94
Northeast	[illegible]	[illegible]	8.7%	226,854	[illegible]	[illegible]	$9.09	$10.46
Northwest	216,964,379	6,039,387	6.4%	980,779	2,184,386	$11.13	$10.23	$11.10
South	63,337,545	4,092,006	5.4%	56,291	1,105,285	$9.27	-	$9.27
Southeast	149,583,916	6,049,773	9.4%	203,959	1,685,111	$9.16	$6.24	$9.01
Southwest	111,279,984	2,601,627	7.4%	1,687,222	2,877,014	$12.79	$8.37	$12.55
Market Total	**795,145,531**	**24,619,071**	**7.4%**	**3,639,925**	**10,138,728**	**$10.77**	**$8.37**	**$10.67**

Source: Newmark Research

Houston Industrial Submarket Map



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Source: Newmark Research

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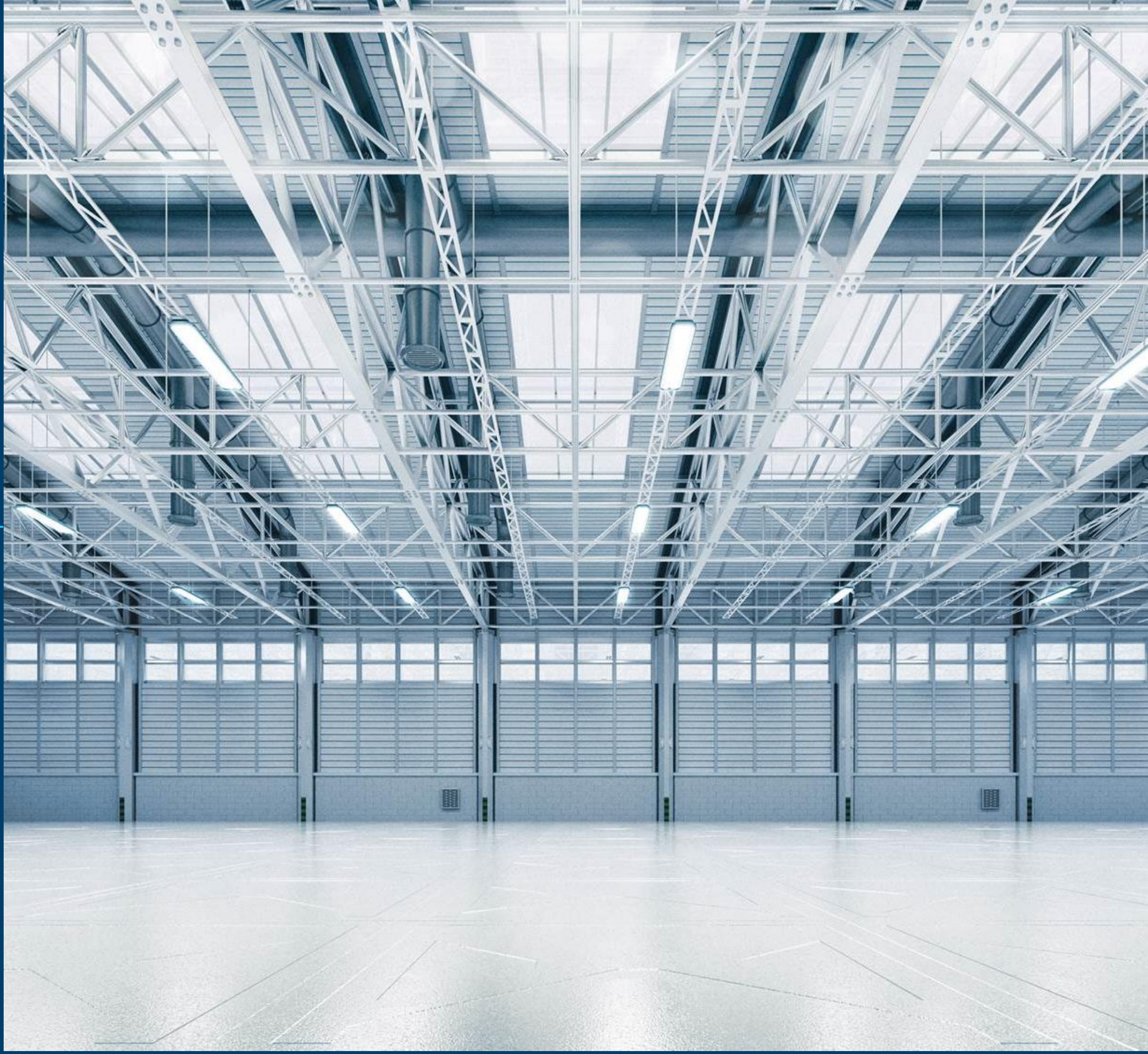
Appendix



Houston Industrial Market

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4Q25 Texas Industrial Market Overview





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Source: Newmark Research; CoStar

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