



TRANSWESTERN

# HOUSTON INDUSTRIAL MARKET

## Q4 2024



### TRENDLINES

	Q4 2024	Q4 2023	ONE-YEAR TRAILING	FIVE-YEAR AVERAGE	12-MONTH FORECAST
<b>UNEMPLOYMENT RATE</b>	4.5%	4.0%	↑	5.6%	↑
<b>NET ABSORPTION (MSF)</b>	2.8	10.4	↓	7.3	↑
<b>DIRECT VACANCY RATE</b>	5.4%	5.5%	↓	5.8%	↑
<b>TOTAL AVAILABILITY RATE</b>	10.1%	10.2%	↓	10.3%	↑
<b>UNDER CONSTRUCTION (MSF)</b>	16.2	15.4	↑	19.1	↔
<b>ASKING RENT, NNN (PSF)</b>	\$0.71	\$0.73	↓	\$0.64	↑
<b>SALES VOLUME (Millions)</b>	\$561.8	\$193.7	↑	\$513.9	↑

Source: Bureau of Labor Statistics, CoStar, Real Capital Analytics, Transwestern. Arrow color palette indicates property sector agency leasing, management and investor trending assessment(s).

\*Net Absorption calculated as Net Leasing. See definition on page 13.

## CONSTRUCTION BULLISH HEADING INTO 2025; U.S. LONGSHOREMAN REACH TENTATIVE, SIX-YEAR AGREEMENT

### Q4 2024 House View

Houston’s industrial sector closed 2024 with several healthy performance measures transitioning into the new year. Industrial leasing totaled 2.8 million square feet of demand this quarter with all property subtypes hitting net positive gains. Houston’s total direct vacancy weighed 5.4 percent by year-end, remaining unchanged quarter-over-quarter in the final 90 days. Recent construction deliveries gauged 2.4 million square feet with a 55.1 percent pre-lease commitment, while an estimated 3.4 million square feet broke ground during the final quarter. Houston’s entire metro delivered just under 15.2 million square feet throughout CY 2024. As for current construction projects, the citywide development pipeline hit 16.1 million square feet, increasing by 1.7 million square feet, or 12 percent quarter-over-quarter.

Another indicator that Houston’s industrial market will continue its strong performance during 2025: the International Longshoremen’s Association and the U.S. Maritime Alliance announced a tentative six-year union contract extending to 2031. The settlement is seen as a benefit to American consumers and businesses, while maintaining the U.S.’ status as a key economic hub and global marketplace.

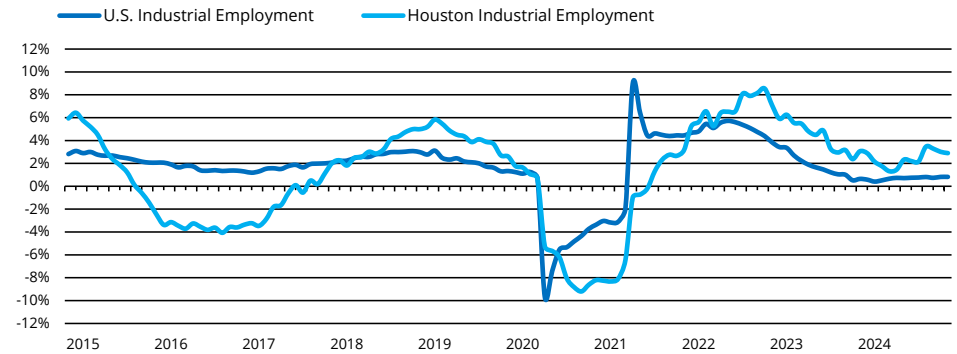


### ECONOMY

#### Coming Off Strong 2024, Outlook for 2025 Equally Upbeat

- Metro Houston is forecast to add 71,200 jobs next year and finish 2025 with over 3.5 million full-time jobs, a total employment count that is a new record, according to the Greater Houston Partnership’s (GHP) annual Houston Region Economic Outlook released in December. Health care and construction industries are expected to advance the farthest, while professional and technical services, government, and restaurant and bars are also expected to realize significant gains.
- Economic growth in Houston improved in November, according to the most recent Houston Purchasing Managers Index (PMI) prepared by the Institute for Supply Management-Houston. The overall PMI rose from 49.2 in October to 53.2 in November. The non-manufacturing PMI improved from 49.5 to 54.0. Manufacturing, at 49.1 was just below the neutral point of 50 but has been improving since September. Overall and non-manufacturing activity expanded after two months of contraction while manufacturing activity improved but remains weak.
- Dodge Data & Analytics reported in November that nearly \$35.9 billion in construction contracts were awarded this year in the Houston area through October. The contract level is up 27.6 percent from the \$28.1 billion awarded over the comparable period in 2023. Residential and non-residential awards rose significantly compared to last year, while non-building contracts (i.e., streets, highways, utilities, etc.) remained largely flat increasing only slightly.
- The Port of Houston Authority plans to significantly increase its landside infrastructure investment spending as the region’s population booms. Port Houston announced in December it plans to spend \$1.7 billion over the next five years, a 35 percent increase from the previous five years. The infrastructure will help prepare the port for further population growth, which grew by approximately 1.2 million over the past decade. The announcement came as Port Houston handled 3.4 million 20-foot equivalent units through October 2023, a 7 percent increase from 2023’s year-to-date volumes.

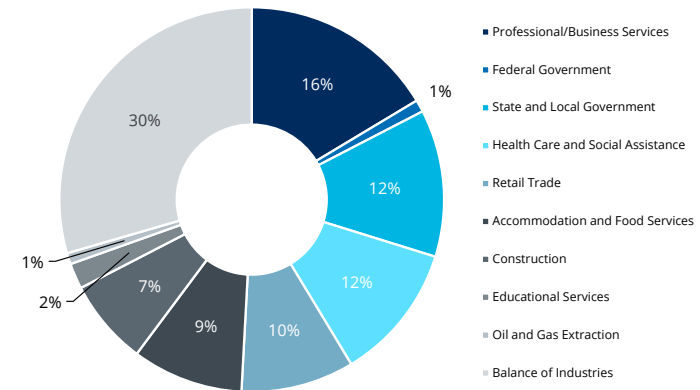
### Y-O-Y CHANGE IN INDUSTRIAL JOBS



Source: Bureau of Labor Statistics, Transwestern

### SHARE OF EMPLOYEES BY INDUSTRY

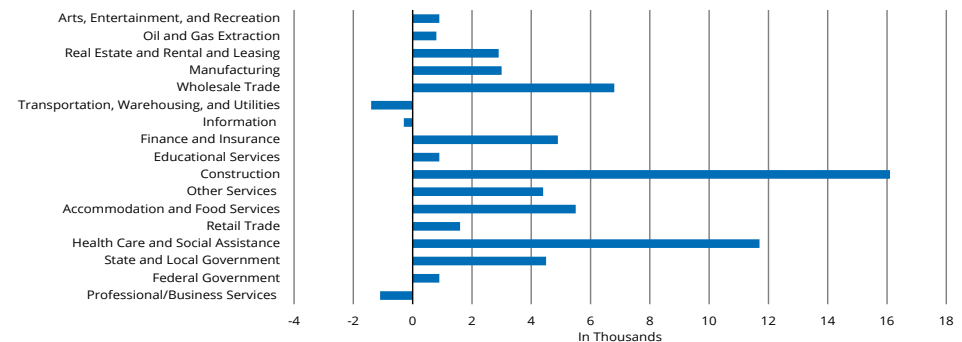
Houston | November 2024



Source: Bureau of Labor Statistics, Transwestern

### Y-O-Y CHANGE IN JOBS BY INDUSTRY

Houston | November 2024



Source: Bureau of Labor Statistics, Transwestern

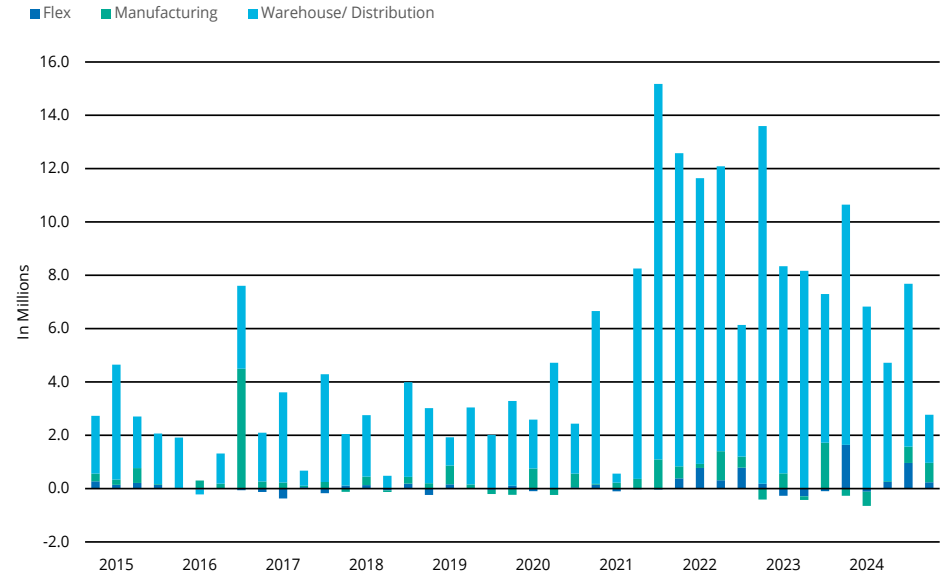


### NET ABSORPTION

#### Annual Leasing Velocity Tops 21M Square Feet

- Houston’s industrial leasing finished the fourth quarter at just under 2.8 million square feet of net absorption, down 4.9 million square feet quarter-over-quarter, while the final CY 2024 net absorption figure finished at 21.4 million square feet. Warehouse/distribution accounted for the most net absorption during and CY 2024 with 1.8 million square feet and 19.2 million square feet, respectively. This substantial transaction volume was followed by manufacturing with 729,000 square feet of quarterly net absorption and 844,000 square feet of annual net absorption, and Flex/R&D with 236,000 square feet of net demand during the final 90 days and 1.3 million square feet of total net leasing for the year.
- Three submarkets surpassed more than four million square feet of net demand: Northwest Far (4.8M SF), South Far (4.1M SF), and North Far (4.0M SF). These three submarkets accounted for 60.5 percent of all net demand during CY 2024. Additionally, Northwest Far is home to the most construction throughout metro Houston with a total of 3.4 million square feet currently being developed in the submarket, the majority of which is warehouse/distribution space which accounts for 98.2 percent of all new development projects.
- A notable lease transaction announced during the quarter was from New Jersey-based US Elogistics Service, a warehouse and fulfillment-based company, which signed a full-building lease for 302,825 square feet at Constellation Post Oak – Building 1, a warehouse/distribution facility in the Southwest Far submarket. While a second substantial lease announcement was Pennsylvania-based Keen Transport, a logistics and transportation company, signing a 160,720 square foot lease at Beltway 35 Business Park – Building 3, a front load, warehouse/distribution facility in the South Far submarket.

### NET ABSORPTION BY PRODUCT TYPE



Source: CoStar, Transwestern

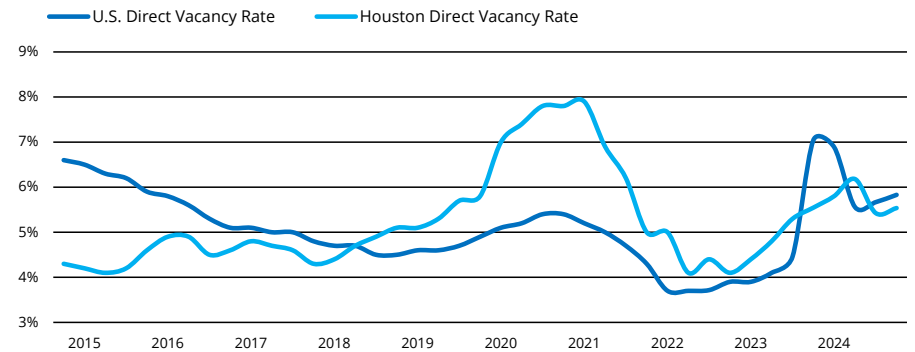


### VACANCY & AVAILABILITY

#### Metro Vacancy Falls During 2024 Remains Elevated in Submarkets With Robust Construction

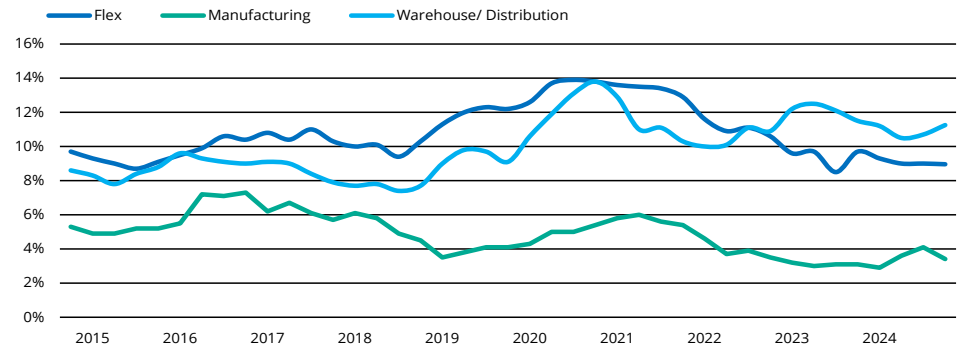
- Houston’s industrial sector finished CY 2024 with overall direct vacancy at 5.4 percent, remaining flat quarter-over-quarter and decreasing 10 basis points from the same period last year. Looking at each specific property sectors: Manufacturing finished the quarter with direct vacancy at 1.1 percent, a 70 basis points decrease quarter-over-quarter and 10 basis points year-over-year; Flex/R&D space finished the year with direct vacancy at 5.9, a 30 basis points decrease quarter-over-quarter and 50 basis point year-over-year; and warehouse/distribution vacancy totaled 5.4 percent, remaining flat over the 90-day period and decreasing 40 basis points from Q4 2023.
- Houston’s total availability came in at 9.7 percent market wide between the industrial subtypes with manufacturing marketing the least amount of space with 3.3 percent of its respective inventory being marketed, an 80 basis points decrease quarter-over-quarter and 20 basis points increase year-over-year. Flex/R&D follows in second with 8.8 percent of its inventory being marketed as available, a 20 basis point decrease quarter-over-quarter and 90 basis points decrease year-over-year. Warehouse/distribution brings up the rear with 10.9 percent for total availability, a 20 basis point increase quarter-over-quarter and 60 basis points decrease year-over-year.

### DIRECT VACANCY RATE



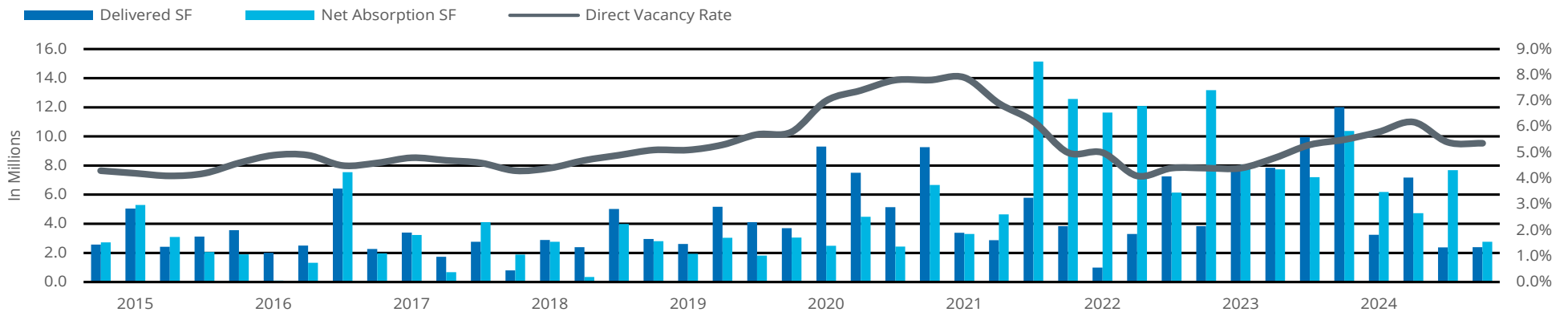
Source: CoStar, Transwestern

### OVERALL AVAILABILITY RATE BY PRODUCT TYPE



Source: CoStar, Transwestern

### DELIVERY IMPACT ON KEY INDICATORS



Source: CoStar, Transwestern

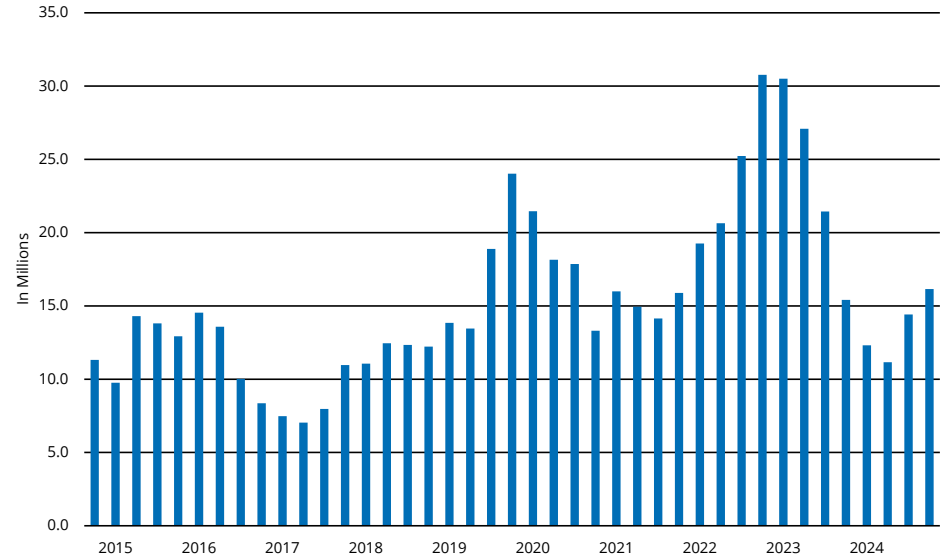


### UNDER CONSTRUCTION

#### Northwest Far Hits Top Spot With 3.4M SF Under Development

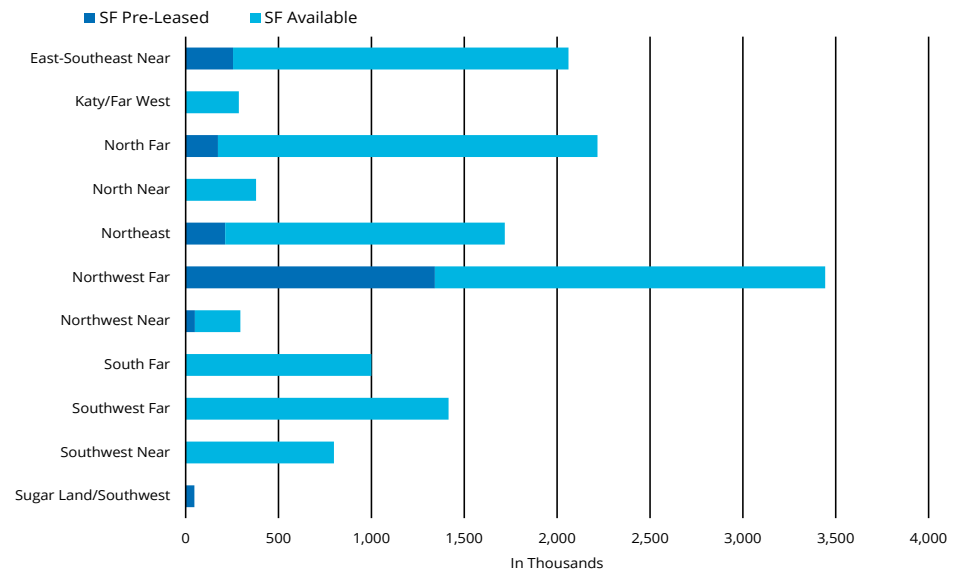
- Houston’s industrial construction pipeline totaled 16.2 million square feet during Q4 2024, increasing by 1.7 million square feet quarter-over-quarter. Four submarkets reported construction levels above two million square feet: Northwest Far (3.4M SF), East-Southeast Far (2.5M SF), North Far (2.2M SF), and East-Southeast Near (2.1M SF). The combined four submarkets account for 63.2 percent of metro Houston’s active construction pipeline.
- Ground breakings announced during the quarter totaled just under 3.4 million square feet, outpacing new deliveries by approximately one million square feet. Pivoting towards recently completed projects, 2.4 million square feet of new product cut-the-ribbon during Q4, with 75 percent of those projects being warehouse/distribution.
- Two warehouse/distribution projects each containing more than 400,000 square feet of space were delivered during the quarter. New York-based GTIS Partners, a real estate investment and development firm, completed Port 225 Commerce Center, a 484,056 square foot, speculative, two-building park, located in the East-Southeast Far submarket. The second notable project was Dallas-based Lincoln Property Company, a real estate development firm, completed Maverick Distribution, a 435,680 square foot, cross-dock, speculative project, located in the North Far submarket.

### UNDER CONSTRUCTION



Source: CoStar, Transwestern

### UNDER CONSTRUCTION BY SUBMARKET



Source: CoStar, Transwestern

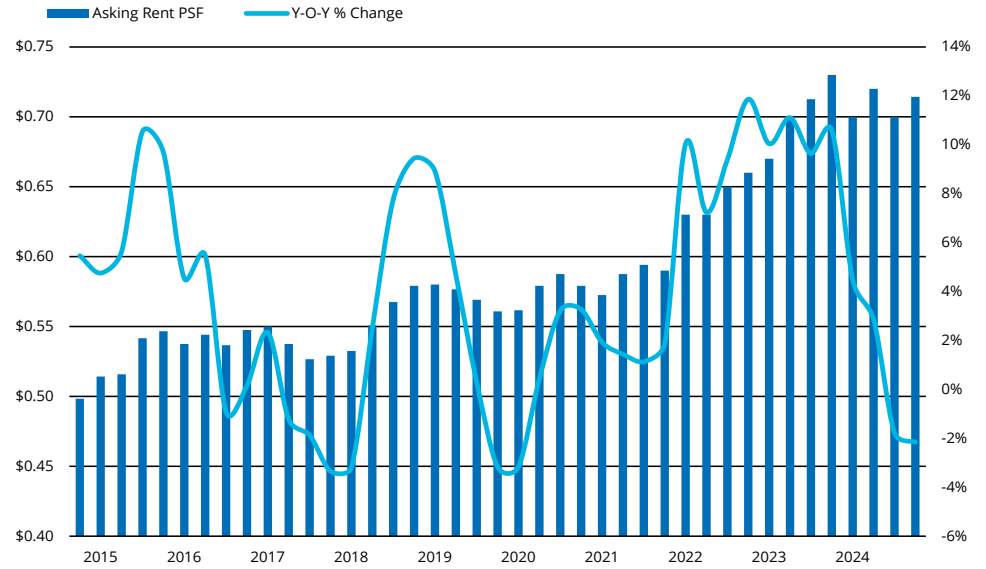


### RENTAL RATES

#### Overall Asking Rates Decline for Second Consecutive Quarter

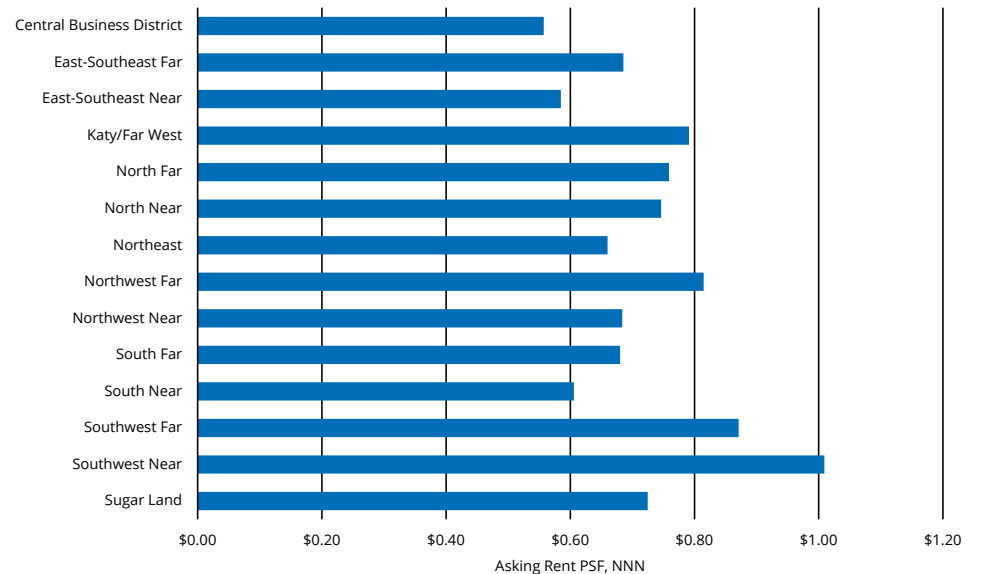
- Houston’s overall triple-net rates increased during the quarter with two out of the three property subtypes experiencing quarterly rent growth. Warehouse/distribution space experience a positive 3.1 percent bump, Flex/R&D inventory increased 2.4 percent, while manufacturing was the only subtype that recorded negative gains which reached a 6.3 percent hit to asking rates.
- Warehouse/distribution asking rents came in at \$0.72/MO NNN. The industrial subtype finished exactly on par with the same period last year in Q4 2023.
- Flex/R&D asking rents finished the quarter at \$0.87/MO NNN. This average quarterly asking rent recorded both a positive quarter-over-quarter and year-over-year increase with the latter hitting 1.2 percent in growth.
- Manufacturing asking rents finished the 90-day period at \$0.64/MO NNN. The industrial subtype recorded both a quarter-over-quarter and year-over-year decline with subtype’s asking rent declining just over \$0.10/MO NNN throughout CY 2024.
- Six out of the 14 submarkets achieved a net positive gain in overall asking rents during the fourth quarter, a net increase of two submarkets quarter-over-quarter. This is now the fourth quarter in a row when the total number of submarkets with overall increasing asking rents is below 50 percent.

### ASKING RENT



Source: CoStar, Transwestern

### ASKING RENTS BY SUBMARKET



Source: CoStar, Transwestern

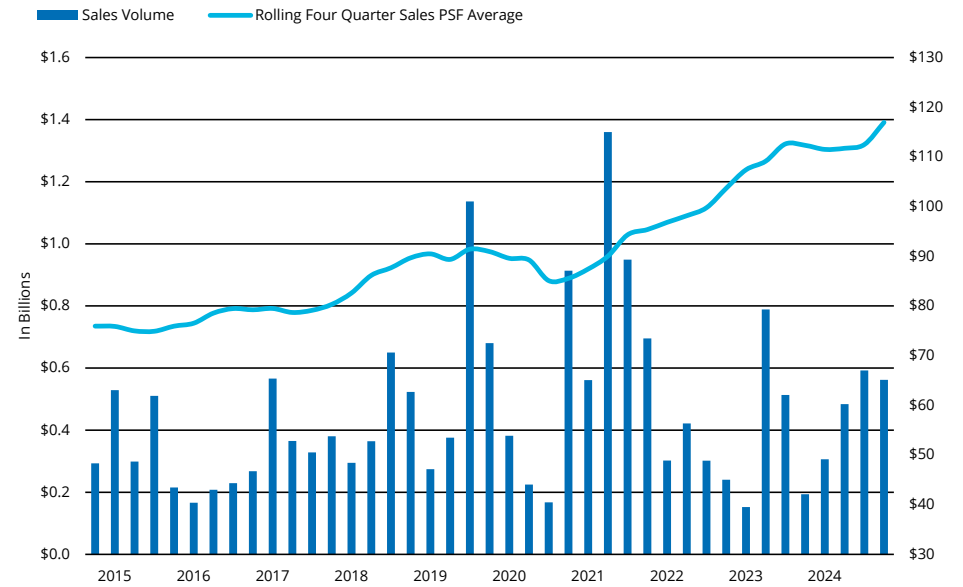


### SALES

#### Institutions Dominate Net Acquisitions While REITs Make First Buys in Final Quarter

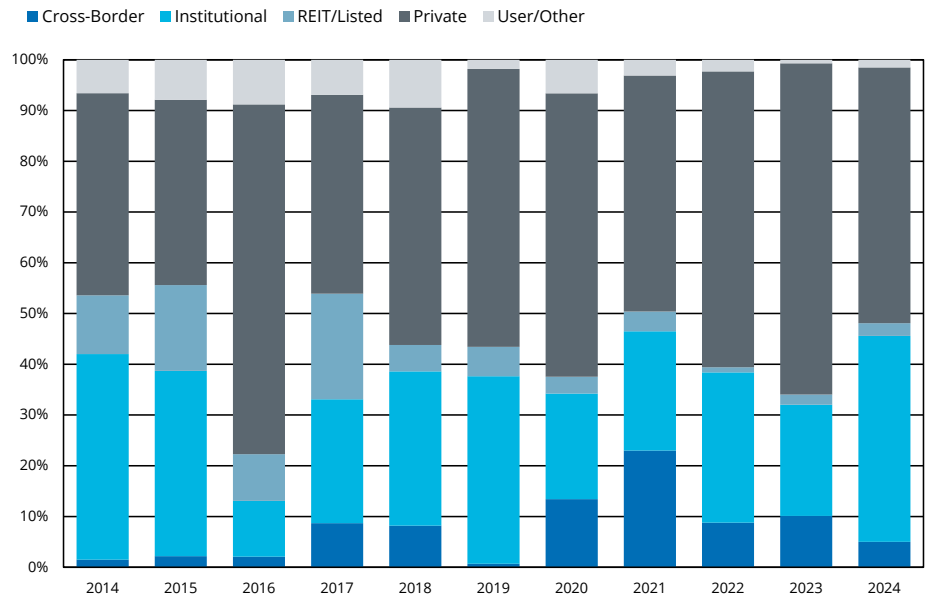
- Investors completed 29 Houston are property trades during the quarter, increasing the total number of sales by three in past 90 days. Meanwhile, sales process averaged \$127 per square, an increase of \$7 quarter-over-quarter and a \$17 increase from the same period last year.
- Institutional investors and REITs clocked in as Houston’s positive move makers for the year, recording \$540 million of positive net acquisitions, led by \$224.8 million this quarter and marks four consecutive quarters net property gains. REITs, for the first time during 2024, recorded \$64.4 million in net expansions with this being the only quarter they were active during the year.
- Investors in the private and international sector made up the other side of the balance sheet this quarter and calendar year. Private investors disposed a net total of \$227.6 million in assets during the quarter, which dropped their 2024 portfolio to a net negative \$211.5 million for investment sales activity. International investors sold off a net total of \$58.4 million during this quarter, settling annual dispositions to a net \$348.7 million.
- A noteworthy property trade announced during the quarter was by New York-based Stonepeak, an investment firm specialized in infrastructure and real assets, acquiring Independence Logistics Park from Miami-based Starwood Real Estate Income Trust. The 2.3 million square foot warehouse/ distribution building park, is in the East-Southeast Far submarket at the corner of Hwy 255 – Texas Independence Hwy and Old Underwood Rd.

### SALES VOLUME



Source: Real Capital Analytics, Transwestern

### BUYER CAPITAL COMPOSITION



Source: Real Capital Analytics, Transwestern



## NOTABLE REPORTED LEASES

TENANT	ADDRESS	SUBMARKET	TYPE	SF LEASED
ELOGISTICS	14942 S Post Oak Rd	Sugar Land/Southwest	New	302,825
KEEN TRANSPORT	7551 S Sam Houston Pky E	South Far	New	160,720
DELUXE HOME OF USA	300 Airtex Dr	North Far	New	136,809
LSI INDUSTRIES, INC.	15420 Market St	Southeast Near	New	129,745
PRO PARTS CENTER	7810 Fairbanks N Houston Rd	Northwest Far	New	120,252
WESTERN POST GROUP	14415 Fallbrook Dr	Northwest Far	New	107,460
HORIZON TIRE	4033 Malone Dr	East-Southeast Far	New	107,000
ACTION STAINLESS & ALLOYS, INC.	10111 Houston Oaks Dr	Northwest Far	New	105,300
HOUSTON FOOD BANK	146 Knobcrest Dr	North Far	Renewal	96,011
A-1 DELIVERY SERVICES, INC.	16333 State Highway 249	Northwest Far	New	94,604

SOURCE: Transwestern Research.

## NOTABLE SALES

PROPERTY	SUBMARKET	BUILDING SF	BUYER	SELLER
INDEPENDENCE LOGISTICS PARK	East-Southeast Far	2,332,957	Stonepeak	Starwood Real Estate Income Trust
FAIRWAY NORTH LOGISTICS PARK	North Far	741,416	KKR	Nuveen
POST OAK LOGISTICS PARK	Southwest Far	536,992	Goldman Sachs	Jackson Shaw
10575 RED BLUFF ROAD	East-Southeast Far	248,240	LXP	Scout Capital Partners
10051 PORTER ROAD	East-Southeast Far	225,000	Stonepeak	Clay Development; BlackRock
16730 JACINTOPORT BOULEVARD	East-Southeast Near	218,856	Industrial Realty Group	Oil States Industries

SOURCE: Transwestern Research.

## WHY OUR METHODOLOGY IS THE BEST INDICATOR OF CURRENT MARKET CONDITIONS

We include owner occupied and single-tenant buildings in our inventory, vacancy and absorption statistics to capture more market activity than many of our competitors. This allows us to better correlate changes in the market with changes in employment. As single-tenant space does compete with multi-tenant space, we believe it is critical to understand all components of the market. The inclusion of single-tenant and owner-occupied space tends to yield lower vacancy rates and higher absorption totals than some of our competitors' results, but our coverage of the market is more comprehensive.



HOUSTON INDUSTRIAL MARKET INDICATORS

SUBMARKET	INVENTORY SF	DIRECT VACANT SF	DIRECT VACANCY RATE	TOTAL AVAILABILITY RATE	UNDER CONSTRUCTION SF	NET ABSORPTION* SF	ROLLING 4-QTR ABSORPTION SF	ASKING RENT NNN, MONTHLY
<b>CENTRAL BUSINESS DISTRICT</b>								
<b>FLEX/R&amp;D</b>	524,668	39,493	7.5%	7.5%	-	(2,000)	109,000	\$1.50
<b>MANUFACTURING</b>	4,830,662	72,714	1.5%	9.9%	-	(11,000)	(87,000)	\$0.55
<b>WAREHOUSE/DISTRIBUTION</b>	19,825,841	1,562,142	7.9%	10.8%	-	(386,000)	(126,000)	\$0.53
<b>TOTAL - CENTRAL BUSINESS DISTRICT</b>	25,181,171	1,674,349	6.6%	10.6%	-	(399,000)	(104,000)	\$0.56
<b>EAST-SOUTHEAST FAR</b>								
<b>FLEX/R&amp;D</b>	2,549,092	149,879	5.9%	7.1%	-	29,000	160,000	\$0.87
<b>MANUFACTURING</b>	7,511,837	1,500	0.0%	-	-	8,000	(12,000)	-
<b>WAREHOUSE/DISTRIBUTION</b>	88,114,721	9,145,420	10.4%	13.3%	2,489,661	373,000	3,394,000	\$0.68
<b>TOTAL - EAST-SOUTHEAST FAR</b>	98,175,650	9,296,799	9.5%	12.1%	2,489,661	410,000	3,542,000	\$0.69
<b>EAST-SOUTHEAST NEAR</b>								
<b>FLEX/R&amp;D</b>	361,108	3,000	0.8%	0.8%	-	3,000	-	-
<b>MANUFACTURING</b>	9,411,043	62,800	0.7%	5.2%	-	-	(41,000)	\$0.50
<b>WAREHOUSE/DISTRIBUTION</b>	22,197,818	325,827	1.5%	11.1%	2,060,837	(62,000)	30,000	\$0.62
<b>TOTAL - EAST-SOUTHEAST NEAR</b>	31,969,969	391,627	1.2%	9.2%	2,060,837	(59,000)	(11,000)	\$0.58
<b>KATY/FAR WEST</b>								
<b>FLEX/R&amp;D</b>	1,486,265	117,761	7.9%	13.2%	-	5,000	(49,000)	\$1.23
<b>MANUFACTURING</b>	1,250,380	11,000	0.9%	0.9%	-	-	69,000	\$0.72
<b>WAREHOUSE/DISTRIBUTION</b>	35,008,390	4,222,935	12.1%	17.5%	286,480	13,000	(255,000)	\$0.78
<b>TOTAL - KATY/FAR WEST</b>	37,745,035	4,351,696	11.5%	16.8%	286,480	18,000	(235,000)	\$0.79

\*See page 13 for definition of Net Absorption under the Research Methodology



## HOUSTON INDUSTRIAL MARKET INDICATORS

SUBMARKET	INVENTORY SF	DIRECT VACANT SF	DIRECT VACANCY RATE	TOTAL AVAILABILITY RATE	UNDER CONSTRUCTION SF	NET ABSORPTION* SF	ROLLING 4-QTR ABSORPTION SF	ASKING RENT NNN, MONTHLY
<b>NORTH FAR</b>								
<b>FLEX/R&amp;D</b>	8,868,766	305,987	3.5%	5.6%	-	67,000	653,000	\$0.83
<b>MANUFACTURING</b>	11,121,676	47,000	0.4%	3.2%	-	46,000	(77,000)	\$1.00
<b>WAREHOUSE/DISTRIBUTION</b>	79,017,115	4,034,358	5.1%	10.1%	2,217,492	(471,000)	3,455,000	\$0.72
<b>TOTAL - NORTH FAR</b>	99,007,557	4,387,345	4.4%	8.9%	2,217,492	(358,000)	4,031,000	\$0.76
<b>NORTH NEAR</b>								
<b>FLEX/R&amp;D</b>	970,410	74,994	7.7%	10.7%	-	13,000	43,000	\$0.72
<b>MANUFACTURING</b>	3,415,341	168,250	4.9%	4.9%	-	255,000	360,000	-
<b>WAREHOUSE/DISTRIBUTION</b>	17,280,473	579,699	3.4%	6.6%	378,980	107,000	623,000	\$0.75
<b>TOTAL - NORTH NEAR</b>	21,666,224	822,943	3.8%	6.5%	378,980	375,000	1,026,000	\$0.75
<b>NORTHEAST</b>								
<b>FLEX/R&amp;D</b>	652,373	18,712	2.9%	2.9%	-	(23,000)	(21,000)	\$0.65
<b>MANUFACTURING</b>	10,595,732	271,407	2.6%	3.9%	-	34,000	288,000	\$0.45
<b>WAREHOUSE/DISTRIBUTION</b>	38,128,676	3,324,520	8.7%	13.6%	1,718,217	30,000	3,006,000	\$0.72
<b>TOTAL - NORTHEAST</b>	49,376,781	3,614,639	7.3%	11.4%	1,718,217	41,000	3,273,000	\$0.66
<b>NORTHWEST FAR</b>								
<b>FLEX/R&amp;D</b>	3,893,496	430,138	11.0%	15.9%	60,525	63,000	137,000	\$0.75
<b>MANUFACTURING</b>	16,158,541	53,500	0.3%	2.6%	-	30,000	246,000	\$0.82
<b>WAREHOUSE/DISTRIBUTION</b>	66,909,812	3,362,904	5.0%	13.2%	3,382,685	1,546,000	4,419,000	\$0.82
<b>TOTAL - NORTHWEST FAR</b>	86,961,849	3,846,542	4.4%	11.3%	3,443,210	1,639,000	4,802,000	\$0.81

\*See page 13 for definition of Net Absorption under the Research Methodology



## HOUSTON INDUSTRIAL MARKET INDICATORS

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<b>NORTHWEST NEAR</b>								
<b>FLEX/R&amp;D</b>	9,267,817	692,951	7.5%	10.5%	50,000	(42,000)	52,000	\$0.86
<b>MANUFACTURING</b>	8,686,041	163,029	1.9%	3.2%	-	66,000	(168,000)	\$0.68
<b>WAREHOUSE/DISTRIBUTION</b>	60,142,384	2,183,608	3.6%	6.8%	244,500	(285,000)	(192,000)	\$0.66
<b>TOTAL - NORTHWEST NEAR</b>	78,096,242	3,039,588	3.9%	6.8%	294,500	(261,000)	(308,000)	\$0.68
<b>SOUTH FAR</b>								
<b>FLEX/R&amp;D</b>	1,266,170	39,744	3.1%	6.6%	-	133,000	72,000	\$0.63
<b>MANUFACTURING</b>	7,110,552	84,250	1.2%	2.0%	-	301,000	293,000	\$0.52
<b>WAREHOUSE/DISTRIBUTION</b>	30,085,042	1,417,880	4.7%	10.0%	999,918	530,000	3,738,000	\$0.72
<b>TOTAL - SOUTH FAR</b>	38,461,764	1,541,874	4.0%	8.4%	999,918	964,000	4,103,000	\$0.68
<b>SOUTH NEAR</b>								
<b>FLEX/R&amp;D</b>	997,053	119,922	12.0%	17.0%	-	(41,000)	94,000	\$1.13
<b>MANUFACTURING</b>	1,582,298	-	-	-	-	-	-	-
<b>WAREHOUSE/DISTRIBUTION</b>	7,703,643	117,852	1.5%	6.1%	-	40,000	(199,000)	\$0.54
<b>TOTAL - SOUTH NEAR</b>	10,282,994	237,774	2.3%	6.2%	-	(1,000)	(105,000)	\$0.61
<b>SOUTHWEST FAR</b>								
<b>FLEX/R&amp;D</b>	1,985,768	95,869	4.8%	9.9%	-	15,000	194,000	\$1.82
<b>MANUFACTURING</b>	1,536,426	16,500	1.1%	12.0%	-	-	(381,000)	-
<b>WAREHOUSE/DISTRIBUTION</b>	17,797,212	1,232,002	6.9%	16.8%	1,415,566	576,000	2,078,000	\$0.77
<b>TOTAL - SOUTHWEST FAR</b>	21,319,406	1,344,371	6.3%	15.8%	1,415,566	591,000	1,891,000	\$0.87

\*See page 13 for definition of Net Absorption under the Research Methodology



## HOUSTON INDUSTRIAL MARKET INDICATORS

SUBMARKET	INVENTORY SF	DIRECT VACANT SF	DIRECT VACANCY RATE	TOTAL AVAILABILITY RATE	UNDER CONSTRUCTION SF	NET ABSORPTION* SF	ROLLING 4-QTR ABSORPTION SF	ASKING RENT NNN, MONTHLY
<b>SOUTHWEST NEAR</b>								
<b>FLEX/R&amp;D</b>	5,532,617	255,291	4.6%	7.0%	-	(18,000)	35,000	\$0.85
<b>MANUFACTURING</b>	3,160,822	23,000	0.7%	2.7%	-	-	183,000	-
<b>WAREHOUSE/DISTRIBUTION</b>	29,416,824	906,983	3.1%	8.4%	798,200	(48,000)	669,000	\$1.04
<b>TOTAL - SOUTHWEST NEAR</b>	<b>38,110,263</b>	<b>1,185,274</b>	<b>3.1%</b>	<b>7.7%</b>	<b>798,200</b>	<b>(66,000)</b>	<b>887,000</b>	<b>\$1.01</b>
<b>SUGAR LAND</b>								
<b>FLEX/R&amp;D</b>	2,539,494	122,873	4.8%	7.7%	-	34,000	(152,000)	\$0.98
<b>MANUFACTURING</b>	2,139,450	-	-	-	-	-	171,000	-
<b>WAREHOUSE/DISTRIBUTION</b>	18,964,644	684,636	3.6%	5.8%	47,000	(160,000)	(1,462,000)	\$0.69
<b>TOTAL - SUGAR LAND</b>	<b>23,643,588</b>	<b>807,509</b>	<b>3.4%</b>	<b>5.5%</b>	<b>47,000</b>	<b>(126,000)</b>	<b>(1,443,000)</b>	<b>\$0.72</b>
<b>HOUSTON</b>								
<b>FLEX/R&amp;D</b>	41,865,507	2,466,614	5.9%	8.8%	110,525	236,000	1,327,000	\$0.87
<b>MANUFACTURING</b>	91,926,142	974,950	1.1%	3.3%	-	729,000	844,000	\$0.64
<b>WAREHOUSE/DISTRIBUTION</b>	547,873,068	33,100,766	6.0%	10.9%	16,039,536	1,803,000	19,178,000	\$0.72
<b>TOTAL - HOUSTON</b>	<b>681,664,717</b>	<b>36,542,330</b>	<b>5.4%</b>	<b>9.7%</b>	<b>16,150,061</b>	<b>2,768,000</b>	<b>21,349,000</b>	<b>\$0.71</b>

\*See page 13 for definition of Net Absorption under the Research Methodology

SOURCE Inventory and vacancy from analysis of CoStar data, net absorption computed by Transwestern

NOTE Includes buildings 25,000 SF RBA and greater, does not include buildings under construction or owned by the government



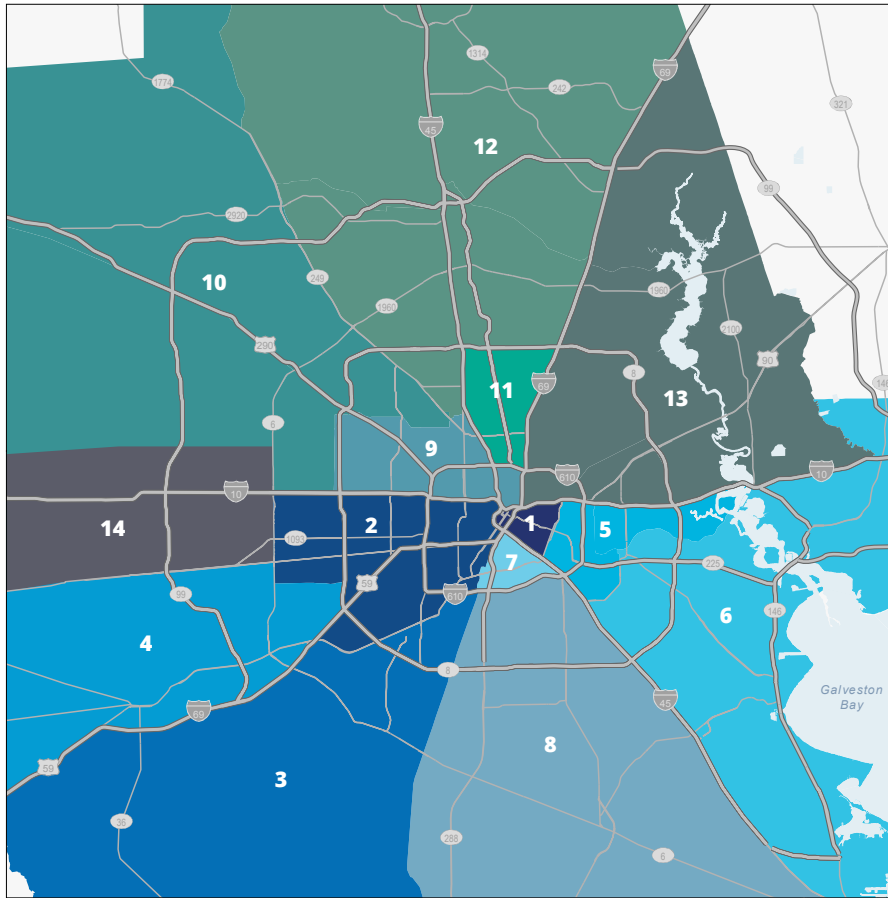
### RESEARCH METHODOLOGY

The information in this report is the result of a compilation of information on office properties located in the Houston metropolitan area. This report includes Warehouse/distribution, Flex and Manufacturing properties 25,000 SF and larger and analyzes leasing, renewal, representative investment sales activity. In Houston, Transwestern calculates Net Absorption as "Net Leasing," or change in Total Available space. Space returned to market registers as negative absorption; Space leased or reoccupied registers as positive absorption. Transwestern's methodology provides a real-time indicator of supply and demand in the space market that eliminates time lags and incomplete information inherent to tracking physical move-ins & move-outs.

### ABOUT TRANSWESTERN

The privately held Transwestern companies have been delivering a higher level of personalized service and innovative real estate solutions since 1978. Through an integrated, customized approach that begins with good ideas, the firm drives value for clients across commercial real estate services, development, investment management, and opportunistic endeavors for high-net-worth investors. Operating from 33 U.S. offices, Transwestern extends its platform capabilities globally through strategic alliance partners whose unique geographic, cultural, and business expertise fuels creative solutions. Learn more at [transwestern.com](https://transwestern.com) and @Transwestern.

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### Houston Industrial Submarkets

- 1** Houston CBD
- Southwest**
- 2** Southwest Near
- 3** Southwest Far
- 4** Sugar Land/Southwest
- Southeast**
- 5** East-Southeast Near
- 6** East-Southeast Far
- South**
- 7** South Near
- 8** South Far
- Northwest**
- 9** Northwest Near
- 10** Northwest Far
- North**
- 11** North Near
- 12** North Far
- Northeast**
- 13** Northeast
- West**
- 14** Katy/Far West

### FOR MORE INFORMATION

#### Robert Kramp

Vice President  
Research & Investment Analytics

[Robert.Kramp@transwestern.com](mailto:Robert.Kramp@transwestern.com)  
713.270.3346

#### Harrison Owens

Senior Analyst  
Research & Investment Analytics

[Harrison.Owens@transwestern.com](mailto:Harrison.Owens@transwestern.com)  
713.270.3338

#### Kelsey Meck

Analyst  
Research & Investment Analytics

[Kelsey.Meck@transwestern.com](mailto:Kelsey.Meck@transwestern.com)  
713.272.1286