Houston

INDUSTRIAL MARKET | Q1 2025

662.8 MSF
Inventory

2.2 MSF
Net Absorption

5.9%
Direct Vacancy

10.3%
Total Availability

16.1 MSF
Under Construction

$0.74 NNN
Monthly Asking Rent

Major Projects Announced As Construction Maintains Even Pace

Market Observations

- Metro Houston’s total under construction pipeline across all product types holds steady quarter-over-quarter with total construction hitting 16.1 million square feet, a marginal 45,218 square foot decrease from Q4 2024. Delivered square feet registered just over 3.5 million square feet during the quarter.

- Net absorption across the metro totaled 2.2 million square feet during the first quarter of 2025 with the rolling four quarter net absorption hitting 17.3 million square feet. Compared to Q4 2024, net absorption is down roughly 600,000 square feet with warehouse/distribution space continuing to be the major driving force for the metro’s momentum.

- Direct vacancy ticked up 50 basis points quarter-over-quarter, while total availability bumped up 60 basis points during the quarter. Total available space saw the largest precent increases in Flex/R&D and Manufacturing buildings, which increased 90 basis points and 1.9 percent, respectively.

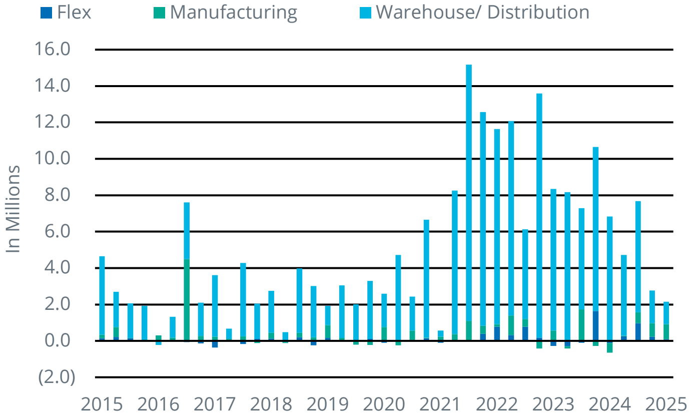
- Notable leasing activity announced during the quarter came from Osaka, Japan-based Daikin, a global manufacturer of heavy machinery systems, which signed a full-building renewal for 494,800 square feet at Sam Houston Distribution Center, a warehouse/distribution facility in the Northwest Far submarket. A second substantial lease announcement was from Houston-based Francesca’s, a premium merchandise boutique, signing a 217,869 square foot renewal at Claypoint Industrial Park, a cross-dock warehouse/distribution facility in the Northwest Near submarket.

- Metro Houston's industrial sector saw several new projects grab headlines in the first quarter. Most notably was the announcement from February when Apple announced spending $500B on U.S.-based manufacturing with specific funds being allocated to build a 250,000 square foot facility in metro Houston that will be directly responsible for manufacturing servers and datacenter infrastructure. The exact location of the new facility has not been disclosed.

- Currently, 12 submarkets out of the 14 submarkets have new construction projects underway. The total pipeline sits just over 16.1 million square feet with two submarkets, Northwest Far and East-Southeast Far, accounting for nearly half of all new construction with individual submarket share hitting 28.2 percent and 18.9 percent, respectively.

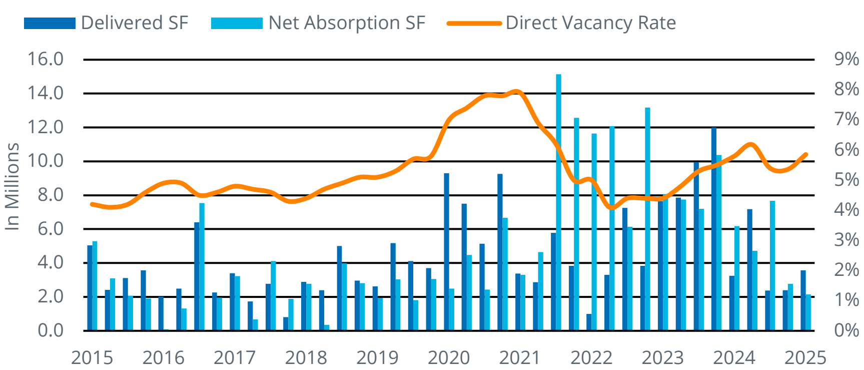
- The South Far submarket experienced the highest level of new demand across metro Houston with the submarket booking positive movement with Flex/R&D and warehouse/distribution product types which had 130,000 square feet and 623,000 square feet worth of net absorption, respectively. The submarket is also home to 1.4 million square feet of new construction between the three product types, but the majority of new development is taking place in warehouse/distribution space which commands just over 90 percent of the submarket's new construction pipeline.

NET ABSORPTION BY PRODUCT TYPE



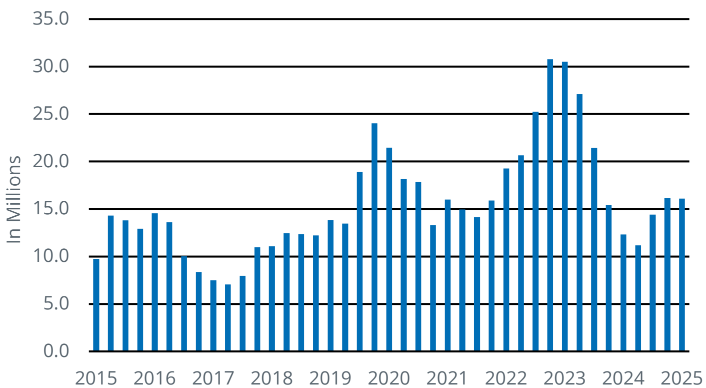
Source: CoStar, Transwestern

DELIVERY IMPACT ON KEY INDICATORS



Source: CoStar, Transwestern

UNDER CONSTRUCTION



Source: CoStar, Transwestern

Houston INDUSTRIAL MARKET | Q1 2025

MARKET INDICATORS TABLE

All Classes of Space | Q1 2025

SUBMARKET	INVENTORY SF	DIRECT VACANT SF	DIRECT VACANCY RATE	OVERALL AVAILABILITY RATE	UNDER CONSTRUCTION SF	NET ABSORPTION SF	Y-O-Y NET ABSORPTION SF	ASKING RENT NNN, MONTHLY
CENTRAL BUSINESS DISTRICT								
FLEX/R&D	524,668	12,400	2.4%	2.4%	-	27,000	137,000	$1.50
MANUFACTURING	4,878,662	66,827	1.4%	11.2%	-	54,000	12,000	$0.55
WAREHOUSE/DISTRIBUTION	19,342,584	1,555,424	8.0%	11.2%	-	(477,000)	(640,000)	$0.57
TOTAL - CENTRAL BUSINESS DISTRICT	24,745,914	1,634,651	6.6%	11.0%	-	(396,000)	(491,000)	$0.57
EAST-SOUTHEAST FAR								
FLEX/R&D	2,574,292	151,719	5.9%	13.0%	-	23,000	169,000	$1.50
MANUFACTURING	7,891,983	91,495	1.2%	-	-	290,000	271,000	-
WAREHOUSE/DISTRIBUTION	86,960,554	7,706,995	8.9%	13.3%	3,046,995	284,000	2,522,000	$0.63
TOTAL - EAST-SOUTHEAST FAR	97,426,829	7,950,209	8.2%	12.2%	3,046,995	597,000	2,962,000	$0.64
EAST-SOUTHEAST NEAR								
FLEX/R&D	361,108	3,000	0.8%	0.8%	-	-	(3,000)	-
MANUFACTURING	9,452,043	62,800	0.7%	5.6%	-	41,000	99,000	$0.50
WAREHOUSE/DISTRIBUTION	22,861,537	1,082,627	4.7%	11.2%	1,183,703	(93,000)	(76,000)	$0.62
TOTAL - EAST-SOUTHEAST NEAR	32,674,688	1,148,427	3.5%	9.5%	1,183,703	(52,000)	20,000	$0.60
KATY/FAR WEST								
FLEX/R&D	1,588,950	117,968	7.4%	13.4%	-	102,000	104,000	$1.40
MANUFACTURING	1,300,912	61,532	4.7%	4.7%	-	-	69,000	$0.72
WAREHOUSE/DISTRIBUTION	35,169,426	4,083,040	11.6%	14.6%	559,009	301,000	(125,000)	$0.88
TOTAL - KATY/FAR WEST	38,059,288	4,262,540	11.2%	14.2%	559,009	403,000	48,000	$0.90
NORTH FAR								
FLEX/R&D	8,823,665	300,545	3.4%	5.8%	40,000	(40,000)	576,000	$0.81
MANUFACTURING	11,087,048	34,000	0.3%	3.1%	69,244	(22,000)	(153,000)	-
WAREHOUSE/DISTRIBUTION	80,218,735	5,580,312	7.0%	9.9%	1,512,952	(344,000)	2,052,000	$0.77
TOTAL - NORTH FAR	100,129,448	5,914,857	5.9%	8.8%	1,622,196	(406,000)	2,475,000	$0.77

MARKET INDICATORS TABLE

All Classes of Space | Q1 2025 – Cont.

SUBMARKET	INVENTORY SF	DIRECT VACANT SF	DIRECT VACANCY RATE	OVERALL AVAILABILITY RATE	UNDER CONSTRUCTION SF	NET ABSORPTION SF	Y-O-Y NET ABSORPTION SF	ASKING RENT NNN, MONTHLY
NORTH NEAR								
FLEX/R&D	983,196	92,789	9.4%	11.2%	-	(5,000)	29,000	$0.66
MANUFACTURING	3,415,341	190,250	5.6%	5.6%	-	(22,000)	248,000	-
WAREHOUSE/DISTRIBUTION	17,268,578	365,967	2.1%	7.2%	-	202,000	579,000	$0.73
TOTAL - NORTH NEAR	21,667,115	649,006	3.0%	7.1%	-	175,000	856,000	$0.72
NORTHEAST								
FLEX/R&D	707,373	19,753	2.8%	19.0%	-	54,000	34,000	$0.65
MANUFACTURING	10,751,527	299,552	2.8%	3.3%	-	128,000	414,000	$0.58
WAREHOUSE/DISTRIBUTION	38,349,988	3,127,214	8.2%	13.5%	1,718,217	419,000	979,000	$0.73
TOTAL - NORTHEAST	49,808,888	3,446,519	6.9%	11.4%	1,718,217	601,000	1,427,000	$0.71
NORTHWEST FAR								
FLEX/R&D	3,979,021	485,978	12.2%	13.7%	76,800	30,000	424,000	$0.76
MANUFACTURING	16,558,446	177,678	1.1%	10.3%	215,000	276,000	350,000	$0.92
WAREHOUSE/DISTRIBUTION	66,839,512	3,494,955	5.2%	13.2%	4,255,817	(202,000)	2,672,000	$0.86
TOTAL - NORTHWEST FAR	87,376,979	4,158,611	4.8%	12.7%	4,547,617	104,000	3,446,000	$0.86
NORTHWEST NEAR								
FLEX/R&D	9,125,587	684,055	7.5%	10.4%	50,000	(133,000)	(115,000)	$0.89
MANUFACTURING	8,698,494	133,552	1.5%	5.7%	-	42,000	148,000	$1.23
WAREHOUSE/DISTRIBUTION	60,594,722	2,441,171	4.0%	7.3%	244,500	195,000	275,000	$0.72
TOTAL - NORTHWEST NEAR	78,418,803	3,258,778	4.2%	7.5%	294,500	104,000	308,000	$0.79
SOUTH FAR								
FLEX/R&D	1,389,755	33,619	2.4%	6.1%	40,000	130,000	244,000	$0.73
MANUFACTURING	7,150,552	139,561	2.0%	2.4%	88,970	(15,000)	314,000	$0.52
WAREHOUSE/DISTRIBUTION	31,282,339	1,992,163	6.4%	9.3%	1,245,148	623,000	3,310,000	$0.69
TOTAL - SOUTH FAR	39,822,646	2,165,343	5.4%	7.9%	1,374,118	738,000	3,868,000	$0.68

MARKET INDICATORS TABLE

All Classes of Space | Q1 2025 – Cont.

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SOUTH NEAR								
FLEX/R&D	997,053	241,472	24.2%	30.5%	-	(122,000)	(33,000)	$1.00
MANUFACTURING	1,582,298	-	-	-	-	-	-	-
WAREHOUSE/DISTRIBUTION	7,755,568	276,483	3.6%	8.1%	119,805	(107,000)	(205,000)	$0.52
TOTAL - SOUTH NEAR	10,334,919	517,955	5.0%	9.0%	119,805	(229,000)	(238,000)	$0.68
SOUTHWEST FAR								
FLEX/R&D	2,015,395	96,579	4.8%	8.9%	-	29,000	61,000	$1.82
MANUFACTURING	1,607,576	-	-	8.5%	-	88,000	110,000	-
WAREHOUSE/DISTRIBUTION	17,779,949	1,009,530	5.7%	16.5%	1,448,666	205,000	2,062,000	$0.81
TOTAL - SOUTHWEST FAR	21,402,920	1,106,109	5.2%	15.2%	1,448,666	322,000	2,233,000	$0.88
SOUTHWEST NEAR								
FLEX/R&D	5,560,332	315,615	5.7%	7.3%	-	(33,000)	2,000	$0.86
MANUFACTURING	3,160,822	52,100	1.6%	3.6%	-	(29,000)	119,000	-
WAREHOUSE/DISTRIBUTION	30,242,322	1,657,537	5.5%	8.9%	101,017	75,000	349,000	$1.12
TOTAL - SOUTHWEST NEAR	38,963,476	2,025,252	5.2%	8.3%	101,017	13,000	470,000	$1.09
SUGAR LAND								
FLEX/R&D	2,541,768	97,399	3.8%	7.5%	42,000	28,000	(94,000)	$0.97
MANUFACTURING	2,144,623	-	-	-	-	5,000	208,000	-
WAREHOUSE/DISTRIBUTION	18,983,190	560,639	3.0%	6.8%	47,000	143,000	(177,000)	$0.84
TOTAL - SUGAR LAND	23,669,581	658,038	2.8%	6.3%	89,000	176,000	(63,000)	$0.88
HOUSTON								
FLEX/R&D	41,172,163	2,652,891	6.4%	9.7%	248,800	90,000	1,535,000	$0.90
MANUFACTURING	89,680,327	1,309,347	1.5%	5.2%	373,214	836,000	2,209,000	$0.59
WAREHOUSE/DISTRIBUTION	533,649,004	34,934,057	6.5%	11.1%	15,482,829	1,224,000	13,577,000	$0.74
TOTAL - HOUSTON	**664,501,494**	**38,896,295**	**5.9%**	**10.3%**	**16,104,843**	**2,150,000**	**17,321,000**	**$0.74**

Research Methodology

The information in this report is the result of a compilation of information on Flex, Manufacturing, and Warehouse/Distribution properties located in the Houston metro area. This report includes single tenant, multi-tenant and owner-user properties 25,000 SF and larger, excluding data centers, biotech, and properties owned by a government agency.

About Transwestern

Four dynamic, integrated companies make up the Transwestern enterprise, giving us the perspective to think broadly, deeply and creatively about commercial real estate. Clients and investors rely on us for expertise that spans institutional and opportunistic investment, development, hospitality, and brokerage and asset services. Our award winning, collaborative culture empowers team members with resources and independence to work across boundaries in pursuit of innovative solutions, reinforcing a reputation for service excellence that translates to measurable results. Through offices nationwide and alliance partners around the globe, we positively impact the built environment and our communities while fostering a work climate that champions career vitality for all. Learn more at transwestern.com and @Transwestern

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