Houston

INDUSTRIAL MARKET | Q4 2025

677.2 MSF
Inventory

3.7 MSF
Net Absorption

5.6%
Direct Vacancy

10.5%
Total Availability

25.1 MSF
Under Construction

$0.81 NNN
Monthly Asking Rent

Construction Pipeline Tops 25.1M SF at YE 2025, Driven by New Starts for W/D Parks Across Metro Houston

Market Observations

- Metro Houston's construction pipeline across all product types surged by more than 25%, or 6.4M SF, in the final quarter to 25.1M SF. The largest project starts include Innerbelt Northwest Logistics in the Northwest Far for 1.4M SF across four buildings and two buildings at Cedar Port Industrial Park in East-Southeast Far for 841,000 SF.

- Net demand came in at 3.7M SF during the quarter, which was just short of the CY 2025's three-quarter average of 3.9M SF. Rolling four-quarter, or annualized, net absorption hit 15.5M SF with the strongest being in 3Q2025 at just over 5.0M SF of new demand.

- Direct vacancy fell 10 bps quarter-over-quarter to 5.6%, though the rate still experienced a 20 bps increase for the year. Total availability in all product types remained unchanged over the 90-day period while increasing 40 bps from this time last year. Overall monthly industrial asking rents decreased slightly with the metro concluding the year with $0.81 NNN PSF asking rate.

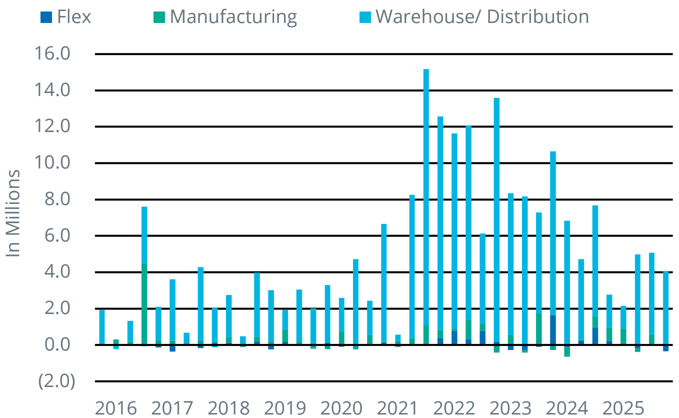
- Notable leasing activity during the quarter includes Sherman, TX-based Modular Power Solutions, signing a 435,680 SF lease at Maverick Distribution, a 102-cross-dock warehouse/ distribution facility in the North Far submarket. A second significant warehouse/distribution lease was also announced by Houston-based SEG Solar, an electric solar panel manufacturer, for 425,360 SF at 20003 Old Mueschke Rd, in the Northwest Far submarket.

- Empire West Business Park – Building 10, a 616,463 SF, cross-dock facility in the Katy/Far West submarket was fully completed this quarter. The site had garnered headlines during construction when Tesla announced plans to lease the entire building. A second project fully finished was South Belt Central Business Park - Building 11, an 84-dock, 373,709 SF, cross-dock distribution center in the South Far submarket. Consequently, deliveries totaled 3.3M SF, mostly in the Northwest Far and Katy/Far West submarkets.

- New construction is taking place in every submarket throughout Houston, except Houston's CBD, and now totals more than 25.1M SF spread across flex/R&D, manufacturing, and warehouse/distribution buildings. Warehouse/distribution dominates the pipeline at nearly 95% of all current projects underway.

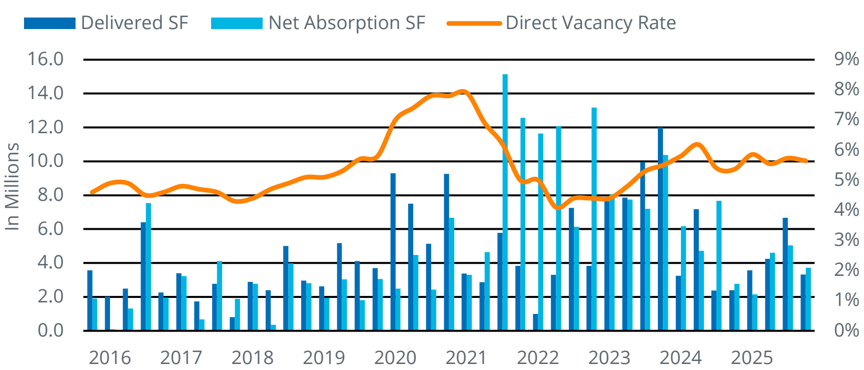
- Three submarkets experienced new demand exceeding one million square feet each during the quarter: Katy/Far West (1.6M SF), Northwest Far (1.6M SF), and North Far (1.3M SF). Additionally, these submarkets hold just over 10.8M SF, or 43.1%, of all new industrial development in metro Houston. Build-to-suit projects total 4.7M SF at year-end, mainly condensed in the expanding Northwest Far, North Far or East-Southeast Far submarkets.

NET ABSORPTION BY PRODUCT TYPE



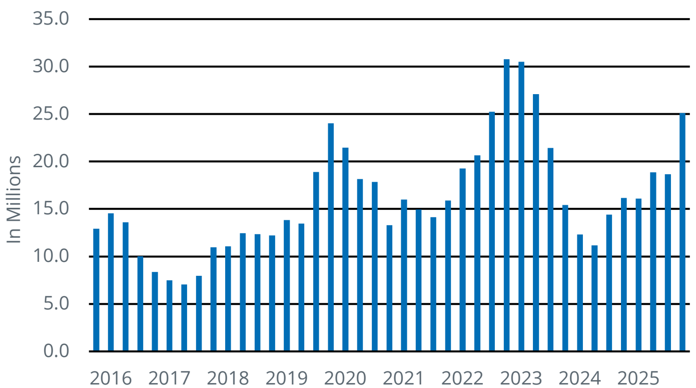
Source: CoStar, Transwestern

DELIVERY IMPACT ON KEY INDICATORS



Source: CoStar, Transwestern

UNDER CONSTRUCTION



Source: CoStar, Transwestern

MARKET INDICATORS TABLE

All Classes of Space | Q4 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	13,100	2.5%	3.0%	-	(6,000)	26,000	$1.50
MANUFACTURING	4,878,662	29,890	0.6%	11.3%	-	-	91,000	$0.55
WAREHOUSE/DISTRIBUTION	19,342,584	1,356,476	7.0%	11.0%	-	(68,000)	(278,000)	$0.69
TOTAL - CENTRAL BUSINESS DISTRICT	24,745,914	1,399,466	5.7%	10.9%	-	(74,000)	(160,000)	$0.67
EAST-SOUTHEAST FAR								
FLEX/R&D	2,574,292	132,226	5.1%	7.5%	-	6,000	43,000	$0.86
MANUFACTURING	7,891,983	105,780	1.3%	1.8%	33,000	(104,000)	276,000	-
WAREHOUSE/DISTRIBUTION	90,007,397	8,202,272	9.1%	15.2%	4,806,860	236,000	2,836,000	$0.74
TOTAL - EAST-SOUTHEAST FAR	100,473,672	8,440,278	8.4%	14.0%	4,839,860	138,000	3,154,000	$0.74
EAST-SOUTHEAST NEAR								
FLEX/R&D	361,108	37,000	10.2%	9.5%	-	-	(34,000)	$0.80
MANUFACTURING	9,452,043	64,300	0.7%	1.1%	-	60,000	39,000	$0.50
WAREHOUSE/DISTRIBUTION	23,750,390	2,242,886	9.4%	12.6%	294,850	(605,000)	(364,000)	$0.51
TOTAL - EAST-SOUTHEAST NEAR	33,563,541	2,344,186	7.0%	9.3%	294,850	(545,000)	(359,000)	$0.51
KATY/FAR WEST								
FLEX/R&D	1,561,660	131,330	8.4%	10.7%	28,800	(29,000)	61,000	$1.61
MANUFACTURING	1,300,912	61,532	4.7%	4.7%	247,674	10,000	-	$1.32
WAREHOUSE/DISTRIBUTION	36,246,183	2,147,436	5.9%	11.5%	1,316,690	1,589,000	3,314,000	$0.98
TOTAL - KATY/FAR WEST	39,108,755	2,340,298	6.0%	11.2%	1,593,164	1,569,000	3,375,000	$1.01
NORTH FAR								
FLEX/R&D	8,823,665	458,750	5.2%	8.2%	68,000	15,000	(198,000)	$0.74
MANUFACTURING	11,156,292	34,000	0.3%	3.6%	710,144	-	47,000	-
WAREHOUSE/DISTRIBUTION	81,301,312	3,558,575	4.4%	10.7%	3,148,448	1,119,000	2,760,000	$0.83
TOTAL - NORTH FAR	101,281,269	4,051,325	4.0%	9.7%	3,926,592	1,134,000	2,609,000	$0.82

MARKET INDICATORS TABLE

All Classes of Space | Q4 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	59,749	6.1%	9.4%	-	5,000	27,000	$0.67
MANUFACTURING	3,415,341	260,323	7.6%	7.7%	-	45,000	(92,000)	$0.75
WAREHOUSE/DISTRIBUTION	17,268,578	713,823	4.1%	5.3%	79,635	87,000	(145,000)	$0.60
TOTAL - NORTH NEAR	21,667,115	1,033,895	4.8%	5.9%	79,635	137,000	(210,000)	$0.64
NORTHEAST								
FLEX/R&D	707,373	23,338	3.3%	3.9%	-	-	51,000	$0.66
MANUFACTURING	10,751,527	90,150	0.8%	1.2%	72,000	139,000	338,000	$0.78
WAREHOUSE/DISTRIBUTION	39,179,253	3,769,969	9.6%	15.4%	2,642,321	(174,000)	605,000	$0.68
TOTAL - NORTHEAST	50,638,153	3,883,457	7.7%	12.2%	2,714,321	(35,000)	994,000	$0.68
NORTHWEST FAR								
FLEX/R&D	3,979,021	483,538	12.2%	15.0%	-	(33,000)	32,000	$0.74
MANUFACTURING	16,650,446	40,000	0.2%	1.3%	117,800	61,000	506,000	$0.82
WAREHOUSE/DISTRIBUTION	68,813,670	3,848,470	5.6%	13.2%	5,181,142	1,534,000	1,419,000	$0.98
TOTAL - NORTHWEST FAR	89,443,137	4,372,008	4.9%	11.1%	5,298,942	1,561,000	1,956,000	$0.97
NORTHWEST NEAR								
FLEX/R&D	9,175,587	832,943	9.1%	14.1%	-	(144,000)	(232,000)	$0.88
MANUFACTURING	8,698,494	172,538	2.0%	5.3%	-	(33,000)	3,000	$0.72
WAREHOUSE/DISTRIBUTION	60,839,222	2,786,881	4.6%	8.3%	726,152	(376,000)	94,000	$0.72
TOTAL - NORTHWEST NEAR	78,713,303	3,792,362	4.8%	8.6%	726,152	(553,000)	(136,000)	$0.74
SOUTH FAR								
FLEX/R&D	1,429,755	37,799	2.6%	2.5%	-	8,000	165,000	$0.81
MANUFACTURING	7,239,522	225,133	3.1%	3.6%	41,440	(123,000)	(11,000)	$0.56
WAREHOUSE/DISTRIBUTION	32,781,146	1,612,427	4.9%	14.9%	3,103,545	(41,000)	2,501,000	$0.76
TOTAL - SOUTH FAR	41,450,423	1,875,359	4.5%	12.5%	3,144,985	(156,000)	2,656,000	$0.75

MARKET INDICATORS TABLE

All Classes of Space | Q4 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
SOUTH NEAR								
FLEX/R&D	997,053	301,370	30.2%	34.0%	-	(15,000)	(182,000)	$0.81
MANUFACTURING	1,582,298	22,000	1.4%	1.5%	-	-	(22,000)	$0.90
WAREHOUSE/DISTRIBUTION	7,875,373	461,387	5.9%	7.1%	251,444	(4,000)	(172,000)	$0.52
TOTAL - SOUTH NEAR	10,454,724	784,757	7.5%	8.8%	251,444	(19,000)	(376,000)	$0.63
SOUTHWEST FAR								
FLEX/R&D	2,080,402	268,251	12.9%	18.1%	52,348	(13,000)	(77,000)	$2.05
MANUFACTURING	1,607,576	-	-	8.0%	-	-	88,000	-
WAREHOUSE/DISTRIBUTION	19,195,515	1,800,129	9.4%	14.0%	1,053,989	223,000	830,000	$0.64
TOTAL - SOUTHWEST FAR	22,883,493	2,068,380	9.0%	14.0%	1,106,337	210,000	840,000	$0.81
SOUTHWEST NEAR								
FLEX/R&D	5,560,332	507,093	9.1%	10.5%	-	(132,000)	(225,000)	$0.98
MANUFACTURING	3,160,822	-	-	-	-	-	23,000	-
WAREHOUSE/DISTRIBUTION	30,286,422	816,818	2.7%	6.7%	850,776	323,000	960,000	$1.07
TOTAL - SOUTHWEST NEAR	39,007,576	1,323,911	3.4%	6.7%	850,776	191,000	758,000	$1.05
SUGAR LAND								
FLEX/R&D	2,583,768	90,761	3.5%	7.4%	-	(3,000)	76,000	$0.94
MANUFACTURING	2,144,623	-	-	-	-	-	5,000	-
WAREHOUSE/DISTRIBUTION	19,030,190	412,576	2.2%	5.5%	278,224	163,000	338,000	$1.23
TOTAL - SUGAR LAND	23,758,581	503,337	2.1%	5.2%	278,224	160,000	420,000	$1.18
HOUSTON								
FLEX/R&D	41,341,880	3,377,248	8.2%	11.3%	149,148	(341,000)	(467,000)	$0.93
MANUFACTURING	89,930,541	1,105,646	1.2%	3.0%	1,222,058	55,000	1,291,000	$0.91
WAREHOUSE/DISTRIBUTION	545,917,235	33,730,125	6.2%	11.7%	23,734,076	4,006,000	14,698,000	$0.80
TOTAL - HOUSTON	**677,189,656**	**38,213,019**	**5.6%**	**10.5%**	**25,105,282**	**3,720,000**	**15,522,000**	**$0.81**

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. Transwestern calculates Net Absorption as “Net Leasing,” or change in immediately 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.

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