

2024 ends with one of the highest annual absorption figures for the market; Rents grow as vacancy remains low.



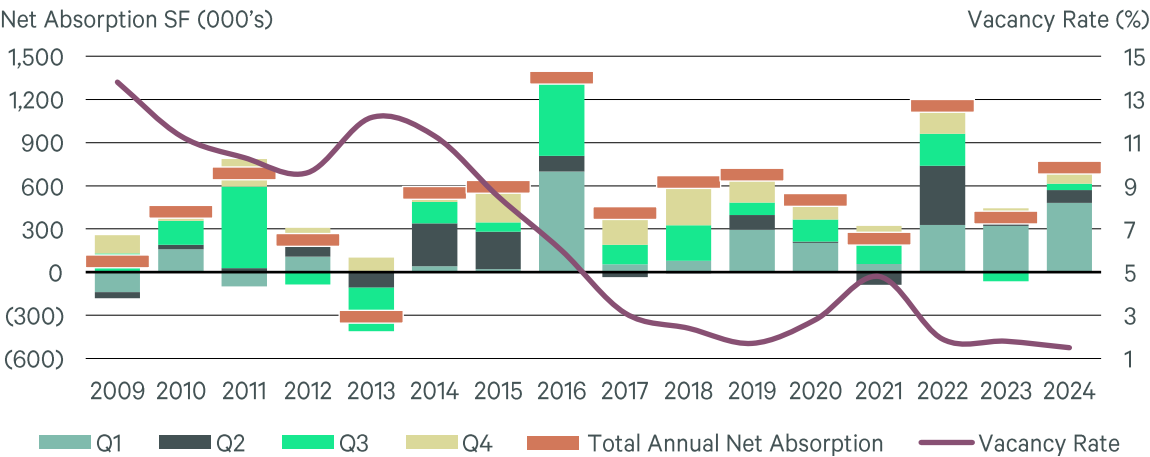
Note: Arrows indicate change from previous quarter.

MARKET OVERVIEW

- The McAllen Industrial Market closed Q4 2024 with net absorption of 110,088 sq. ft. and total annual absorption of 724,718 sq. ft.
- The market-wide vacancy rate of 1.5% fell by 30 basis points compared to both Q3 2024 and Q4 2023.
- With an asking rent of \$8.17 per sq. ft., market-wide rents hit a new high and passed the \$8.00 per sq. ft. mark for the first time.

The McAllen Industrial Market closed the quarter with positive absorption and the 3rd largest annual net absorption recorded for the market. The market-wide vacancy rate fell slightly with the lease up of Class B and C product while the Class A vacancy saw an uptick due to the delivery of vacant speculative space. Q4 2024 activity remained steady with new leases spread across each product class and several submarkets. With continued demand for industrial space, limited available supply, and a construction pipeline comprised entirely of build-to-suit projects, the McAllen Industrial Market is likely to see strong net absorption in the coming year.

FIGURE 1: Net Absorption and Vacancy



Source: CBRE Research, Q4 2024.

Activity and Vacancy

The McAllen Industrial Market closed Q4 2024 with net absorption of 110,088 sq. ft. and total annual absorption of 724,718 sq. ft. This is the 3rd largest annual net absorption recorded since CBRE began tracking the market. The market registered six new leases and a user sale, a total of about 240,000 sq. ft. of activity.

The market-wide vacancy rate of 1.5% fell by 30 basis points (bps) compared to both Q3 2024 and Q4 2023. Class A vacancy rates saw a quarter-over-quarter increase of 50 bps following the delivery of vacant speculative (spec) space. Despite this increase, Class A remained tight. Only a handful of Class A properties were vacant and available for lease at the end of the quarter.

Warehouse / Distribution Asking Rents

The warehouse / distribution market-wide average asking rent continued on an upward trend, increasing by \$0.63 per sq. ft. quarter-over-quarter and by \$1.96 per sq. ft. year-over-year. With an asking rent of \$8.17 per sq. ft., market-wide rents hit a new high and passed the \$8.00 per sq. ft. mark for the first time since CBRE began tracking the market. Class A rents increased by \$0.26 per sq. ft. quarter-over-quarter and by \$1.45 per sq. ft. year-over-year.

FIGURE 2: McAllen Industrial Market Statistics

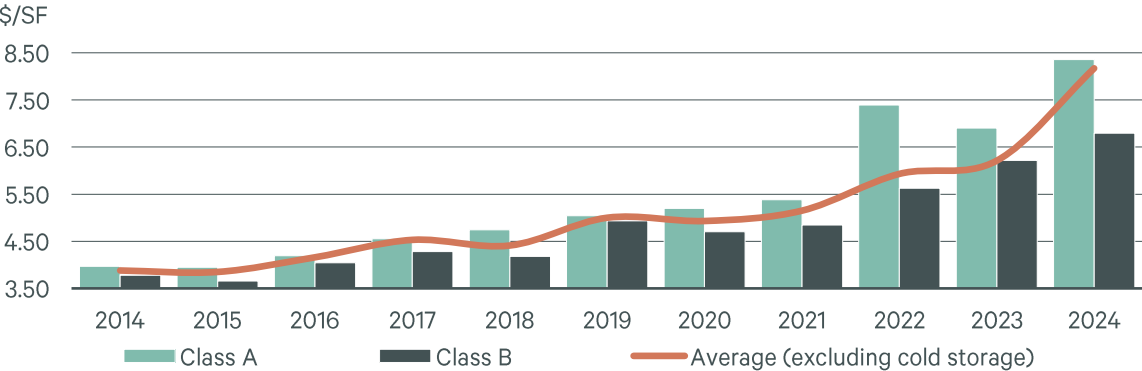
Submarket	Vacancy	Availability	Asking Rent	Construction		Net Absorption	
	(%)	(%)	(NNN\$/SF/YR) Whs. & Dist.	Active	Delivered	Q4 2024	2024
McAllen	0.6	7.9	7.55	-	-	(37,662)	168,242
Pharr	4.3	6.4	9.32	1,149,360	115,000	20,000	88,426
Edinburg	-	-	N/A	-	-	-	-
Hidalgo	3.8	6.4	8.40	-	-	22,000	12,000
Mission	0.3	0.3	12.00	-	-	-	(5,200)
Off Park	0.2	0.6	5.93	25,000	-	105,750	461,250
McAllen Total	1.5	5.5	8.17	1,174,360	115,000	110,088	724,718
Class A	2.7	10.9	8.35	1,174,360	115,000	4,642	516,713
Class B	0.5	1.9	6.79	-	-	105,446	158,611

Source: CBRE Research, Q4 2024.

Construction

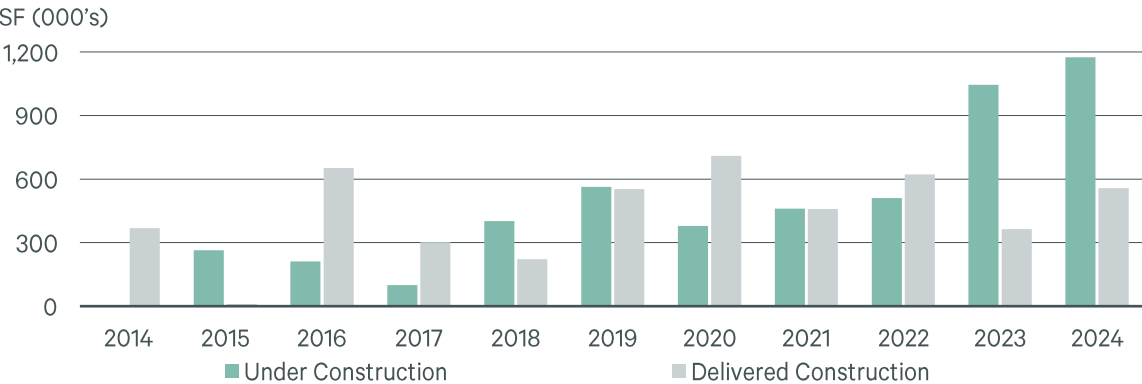
Q4 2024 closed with four projects and over 1.1 million sq. ft. under construction Space under construction consisted of four new Build-to-suit (BTS) projects and a BTS expansion. The largest development underway, a new BTS-lease of just over 1.0 million sq. ft., is in the Pharr submarket. In total, three projects and about 1.1 million sq. ft. of space under construction are in the Pharr submarket.

FIGURE 3: Warehouse and Distribution Asking Rents, NNN Avg. Annual



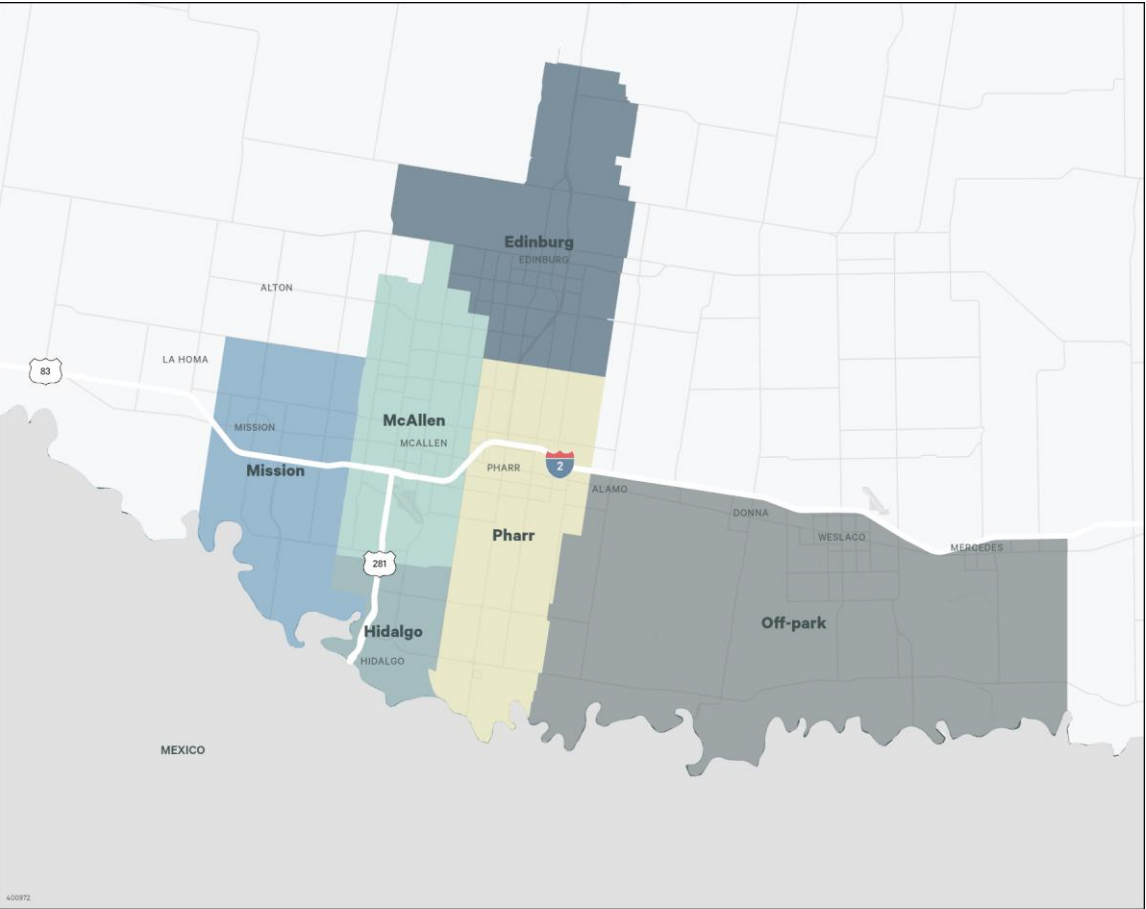
Source: CBRE Research, Q4 2024.

FIGURE 4: Construction



Source: CBRE Research, Q4 2024.

Market Area Overview



Definitions

Available Sq. Ft.: Space in a building, ready for occupancy within six months; can be occupied or vacant. Availability Rate: Total Available Sq. Ft. divided by the total building Area. Average Asking Lease Rate: A calculated average weighted by their corresponding available square footage. Building Area: The total floor area sq. ft. of the building, typically taken at the “drip line” of the building. Net Absorption: The change in Occupied Sq. Ft. from one period to the next. Triple Net Lease Rate: Rent excludes the “net” costs (real property taxes, building insurance, and major maintenance) typically included in a Gross Lease Rate. Occupied Sq. Ft.: Building Area not considered vacant. Vacancy Rate: Total Vacant Sq. Ft. divided by the total Building Area. Vacant Sq. Ft.: Space that can be occupied immediately.

Survey Criteria

Includes all industrial buildings 30,000 sq. ft. and greater in size in greater metropolitan area of McAllen, TX. Buildings which have begun construction as evidenced by site excavation or foundation work.

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