

FIGURES | MCALLEN INDUSTRIAL | Q1 2025

Net absorption takes a hit, but other market fundamentals remain steady.



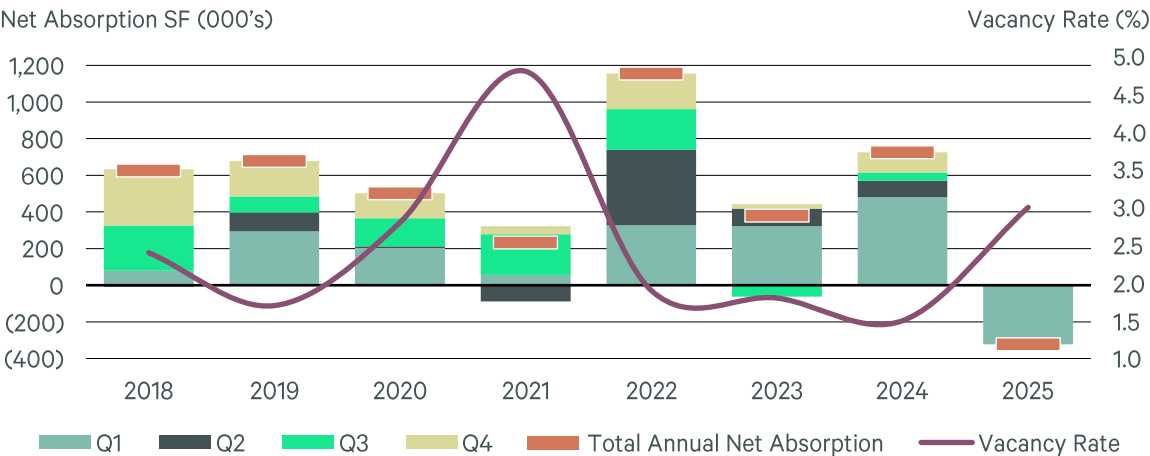
Note: Arrows indicate change from previous quarter.

MARKET OVERVIEW

- The McAllen Industrial Market closed Q1 2025 with negative net absorption of 322,231 sq. ft.
- The market-wide vacancy rate of 3.0% was up by 150 basis points (bps) compared to Q4 2024 and 170 bps compared to Q1 2024.
- With an asking rent of \$8.43 per sq. ft., market-wide rents hit a new high.

The McAllen Industrial Market closed the quarter with the largest quarter of negative net absorption recorded for the market due to a single, and anticipated, Class A vacancy. Due to this vacancy, the market-wide and Class A vacancy rates increased significantly compared to recent record lows. However, the market remained stable in terms of leasing and renewals with healthy activity across submarkets and product classes. Higher-priced product that became available during the quarter put upward pressure on average asking rates. Although demand remained flat compared to the previous quarter and vacancy increased, demand for industrial space continues to outpace total availability in the market.

FIGURE 1: Net Absorption and Vacancy



Source: CBRE Research, Q1 2025.

Activity and Vacancy

The McAllen Industrial Market closed Q1 2025 with negative net absorption of 322,231 sq. ft. the largest quarter of negative net absorption recorded since CBRE began tracking the market. This substantial and record setting negative net absorption was due to a single, and anticipated, Class A vacancy of 353,600 sq. ft. in the McAllen submarket. Q1 2025 registered eight new leases, two renewals, and the delivery of a build-to-suit (BTS) project, a total of 548,000 sq. ft. of activity and 139,000 sq. ft. of gross absorption.

The market-wide vacancy rate of 3.0% was up by 150 basis points (bps) compared to Q4 2024 and 170 bps compared to Q1 2024. The Class A vacancy rate saw the only substantial increase, 350 bps quarter-over-quarter and 540 bps year-over-year.

Warehouse / Distribution Asking Rents

The warehouse / distribution asking rent spiked and recorded new record highs as higher-priced Class A product became available. Quarter-over-quarter the market-wide average asking rent increased by \$0.35 per sq. ft. and the Class A asking rent increased by \$0.41 per sq. ft. Compared to a year ago, the market-wide average asking rent increased by \$1.60 per sq. ft. and the Class A asking rent increased by \$1.40 per sq. ft.

FIGURE 2: McAllen Industrial Market Statistics

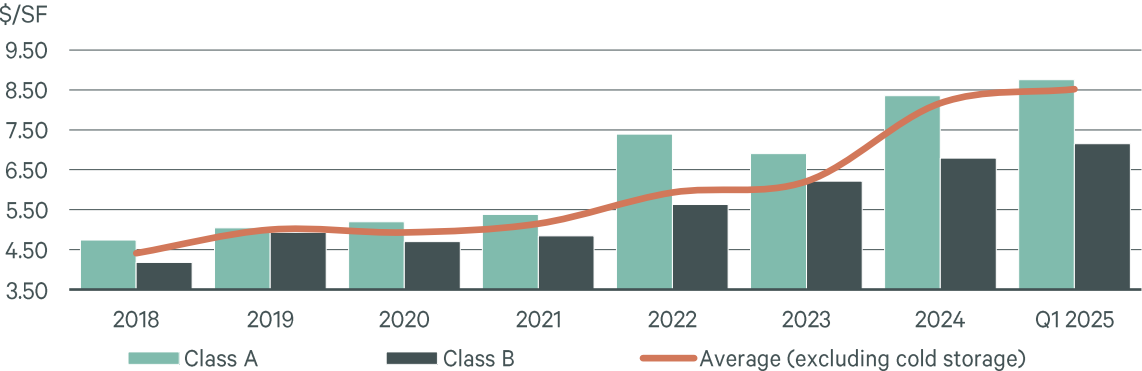
Submarket	Vacancy	Availability	Asking Rent	Construction		Net Absorption
	(%)	(%)	(NNN\$/SF/YR) Whs. & Dist.	Active	Delivered	(SF) Q1 2025
McAllen	3.8	5.4	8.33	-	-	(347,498)
Pharr	4.1	7.5	8.81	1,231,960	-	10,561
Edinburg	0.5	3.7	7.00	-	-	-
Hidalgo	3.8	6.4	8.40	-	-	-
Mission	-	0.4	N/A	-	-	-
Weslaco	0.6	0.6	N/A	-	-	14,706
McAllen Total	3.0	4.9	8.43	1,231,960	-	(322,231)
Class A	6.2	9.1	8.65	1,231,960	-	(338,041)
Class B	0.3	2.5	7.15	-	-	15,810

Source: CBRE Research, Q1 2025.

Construction

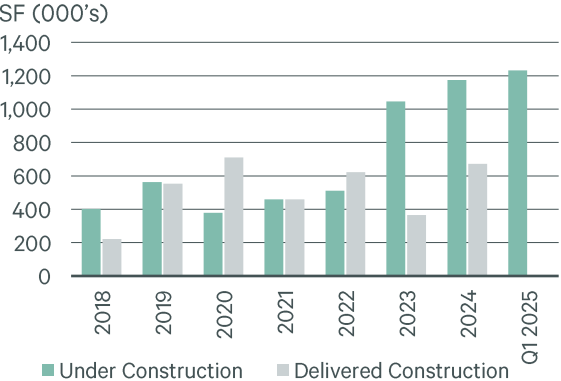
Q1 2025 closed with four projects and over 1.2 million sq. ft. of industrial space under construction. Space under construction consisted of three BTS projects and a speculative project, all of which are in the Pharr submarket. The largest development underway is a BTS-lease of just over 1.0 million sq. ft.

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



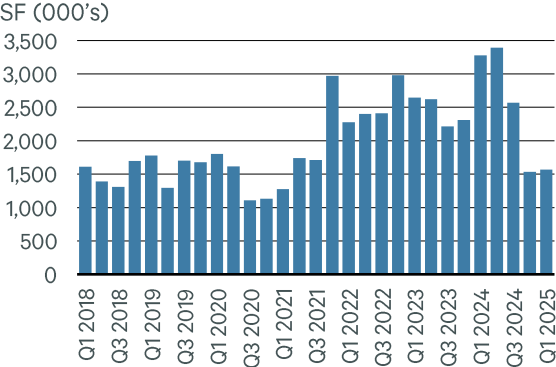
Source: CBRE Research, Q1 2025.

FIGURE 4: Construction



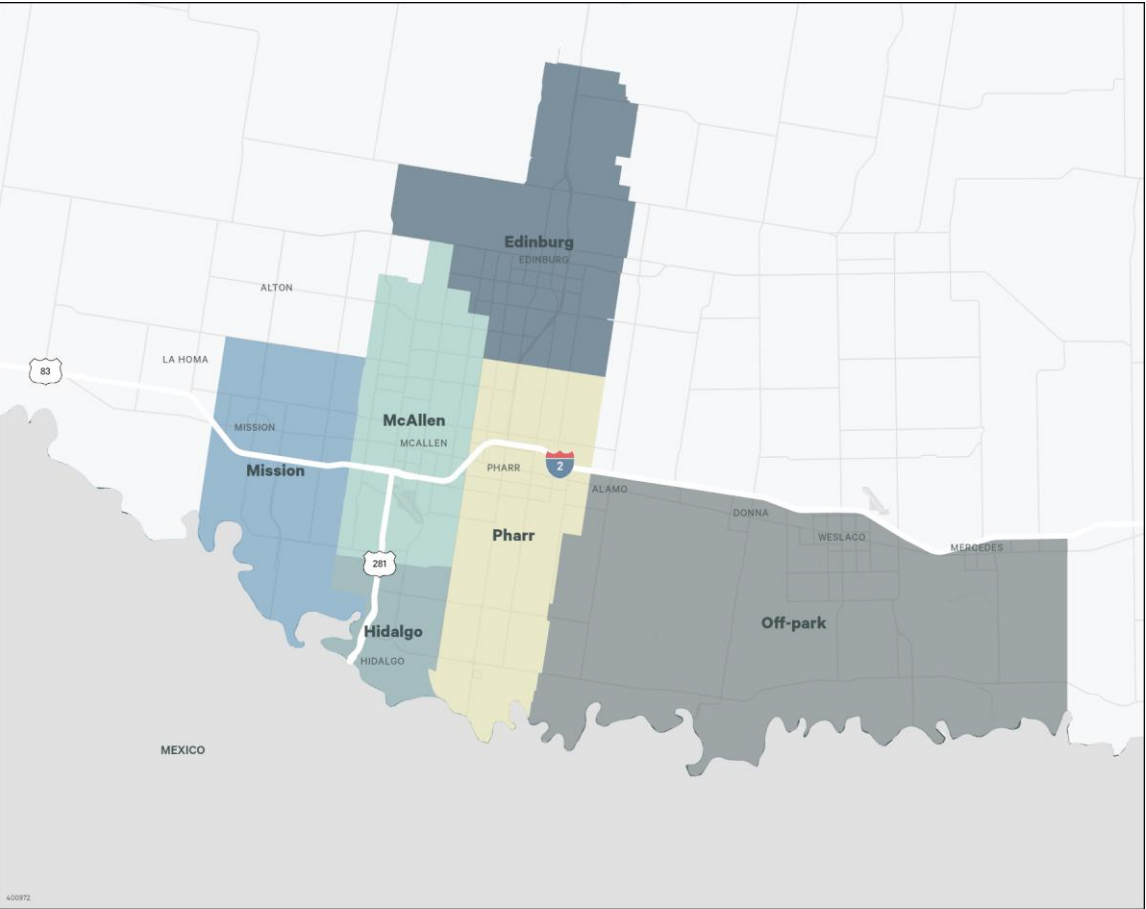
Source: CBRE Research, Q1 2025.

FIGURE 5: Active Tenants in the Market



Source: CBRE Research, Q1 2025.

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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