

FIGURES | MCALLEN INDUSTRIAL | Q2 2025

# Net absorption back in positive territory. Asking rents are flat and demand see growth.



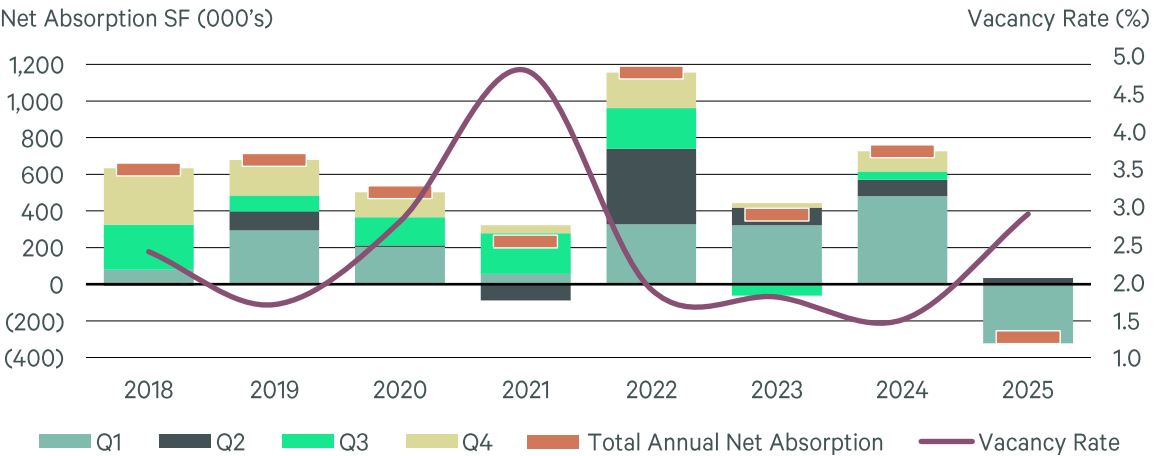
Note: Arrows indicate change from previous quarter.

## MARKET OVERVIEW

- The McAllen Industrial Market closed Q2 2025 with net absorption of 33,545 sq. ft.
- Both the market-wide and Class A vacancy rates had small quarter-over-quarter decreases of 10 basis points.
- The market-wide asking rent of \$8.43 per sq. ft. was unchanged compared to the previous quarter while the Class A asking rent fell by \$0.07 per sq. ft.
- Q2 2025 closed with six projects and over 1.3 million sq. ft. of industrial space under construction.

Following the largest quarter of negative net absorption recorded for the market, the McAllen Industrial Market was back in positive territory. The market remained stable in terms of activity with new leases across submarkets and product classes. A mix of 2<sup>nd</sup> generation Class A space and higher-priced Class B and C spaces becoming available flattened the market-wide rent growth. After two quarters of below average demand, demand for industrial space saw strong improvement through a broad range of industries and several users with large space requirements. Demand for industrial space continues to outpace total availability in the market.

FIGURE 1: Net Absorption and Vacancy



Source: CBRE Research, Q2 2025.

## Activity and Vacancy

After falling into negative territory in Q1 2025, the McAllen Industrial Market closed Q2 2025 with positive net absorption of 33,545 sq. ft. Q2 2025 registered eight new leases totaling 144,000 sq. ft. of activity. The McAllen submarket had the largest share of deals and activity, four leases totaling 54,000 sq. ft. The largest transaction was a 52,500 sq. ft. cold-storage lease in the Edinburg submarket. The remaining leases were in the Weslaco and Pharr submarkets.

The market-wide vacancy rate of 2.9% had a small quarter-over-quarter decline of 10 basis points (bps) but was up 110 bps compared to Q2 2024. The Class A vacancy also had a quarter-over-quarter decline of 10 bps but had a year-over-year increase of 380 bps.

## Warehouse / Distribution Asking Rents

The market-wide warehouse / distribution asking rent was unchanged from the Q1 2025 record-high of \$8.43 per sq. ft. per year and had a year-over-year increased of \$0.78 per sq. ft. per year. Class A asking rent fell by \$0.07 per sq. ft. per year as more 2<sup>nd</sup> generation Class A product became available. The Class A asking rent decreased by \$0.13 per sq. ft. per year compared to Q2 2024. Not only was availability lower compared to Q2 2025, but newly delivered, higher-priced speculative (spec) space accounted for 60% of Class A availability in Q2 2024. this same product accounted for only 16% of Class A availability in Q2 2025.

FIGURE 2: McAllen Industrial Market Statistics

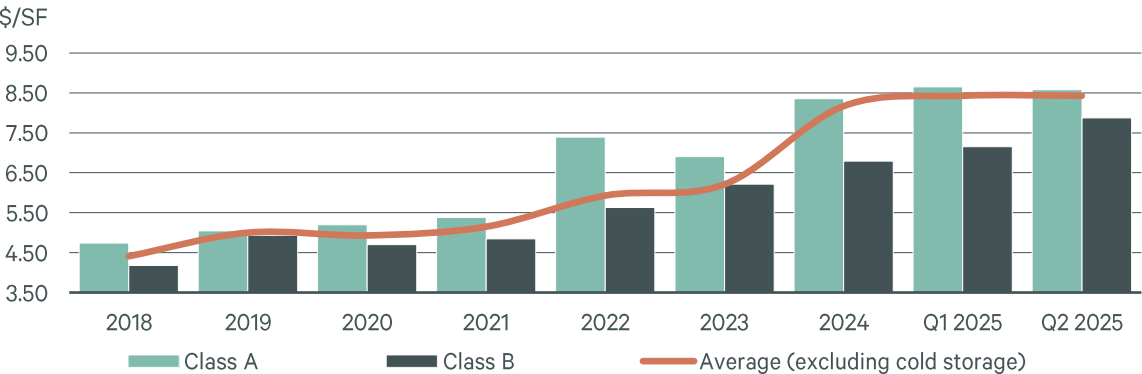
Submarket	Vacancy (%)	Availability (%)	Asking Rent (NNN/\$/SF/YR)		Construction (SF)		Net Absorption (SF)	
			Whs. & Dist.		Active	Delivered	Q2 2025	YTD 2025
McAllen	3.9	5.5	8.22		-	-	6,162	(341,336)
Pharr	4.2	9.5	9.21		1,340,867	-	9,439	20,000
Edinburg	0.5	0.5	N/A		-	-	-	-
Hidalgo	3.2	3.2	N/A		-	-	-	-
Mission	-	1.3	N/A		-	-	-	-
Weslaco	-	7.2	7.18		-	-	17,944	32,650
<b>McAllen Total</b>	<b>3.0</b>	<b>5.8</b>	<b>8.43</b>		<b>1,340,867</b>	<b>-</b>	<b>33,545</b>	<b>(288,686)</b>
<b>Class A</b>	<b>6.1</b>	<b>10.5</b>	<b>8.58</b>		<b>1,340,867</b>	<b>-</b>	<b>20,689</b>	<b>(317,352)</b>
<b>Class B</b>	<b>0.6</b>	<b>2.8</b>	<b>7.87</b>		<b>-</b>	<b>-</b>	<b>(4,556)</b>	<b>11,254</b>

Source: CBRE Research, Q2 2025.

## Construction

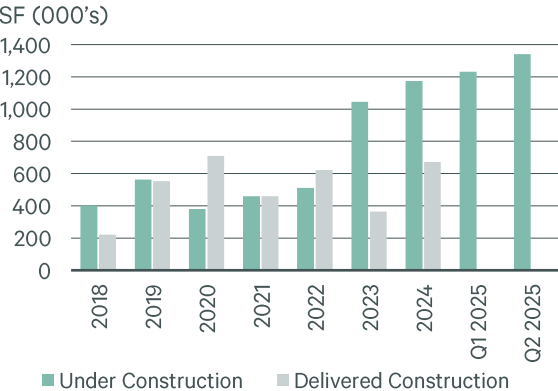
Q2 2025 closed with six projects and over 1.3 million sq. ft. of industrial space under construction. Space under construction consisted of four build-to-suit (BTS) projects and two spec project, all of which are in the Pharr submarket. The largest development underway is a BTS-lease of just over 1.0 million sq. ft. No construction projects were completed and delivered to the market during Q2 2025.

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



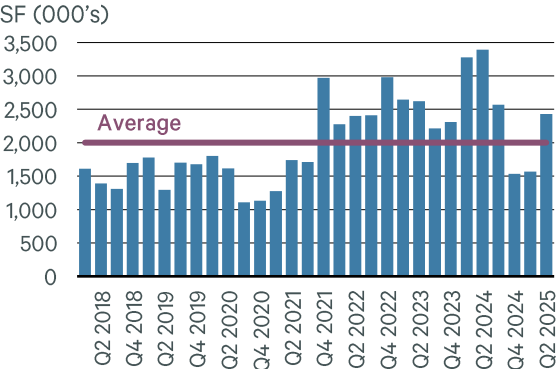
Source: CBRE Research, Q2 2025.

FIGURE 4: Construction



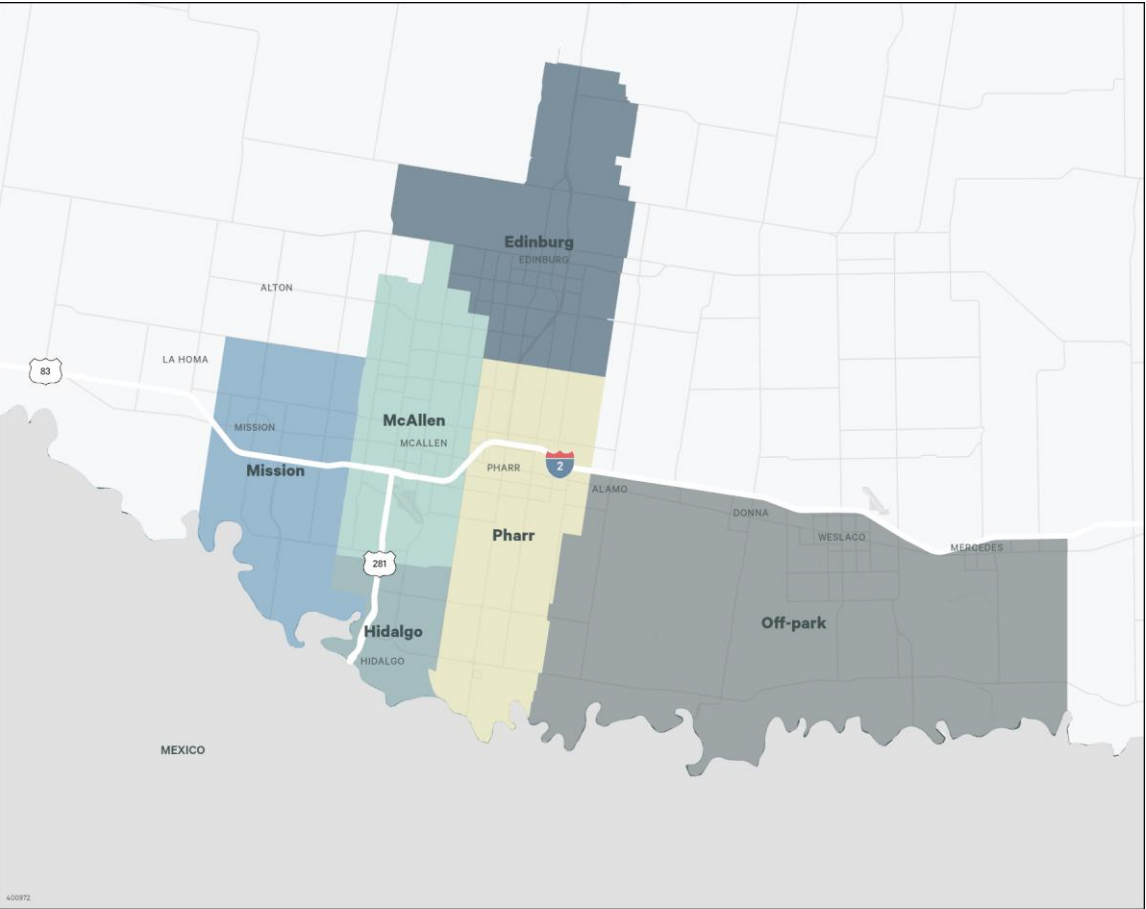
Source: CBRE Research, Q2 2025.

FIGURE 5: Active Tenants in the Market



Source: CBRE Research, Q2 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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