

A Slow Start for 2025 Yet a Robust Pipeline for Future Growth

▲ 6.2%

Vacancy Rate

▲ 7.6%

Availability Rate

▼ 791,664

SF Positive Net Absorption

▼ 11.0M

SF Under Construction

▼ 1.9M

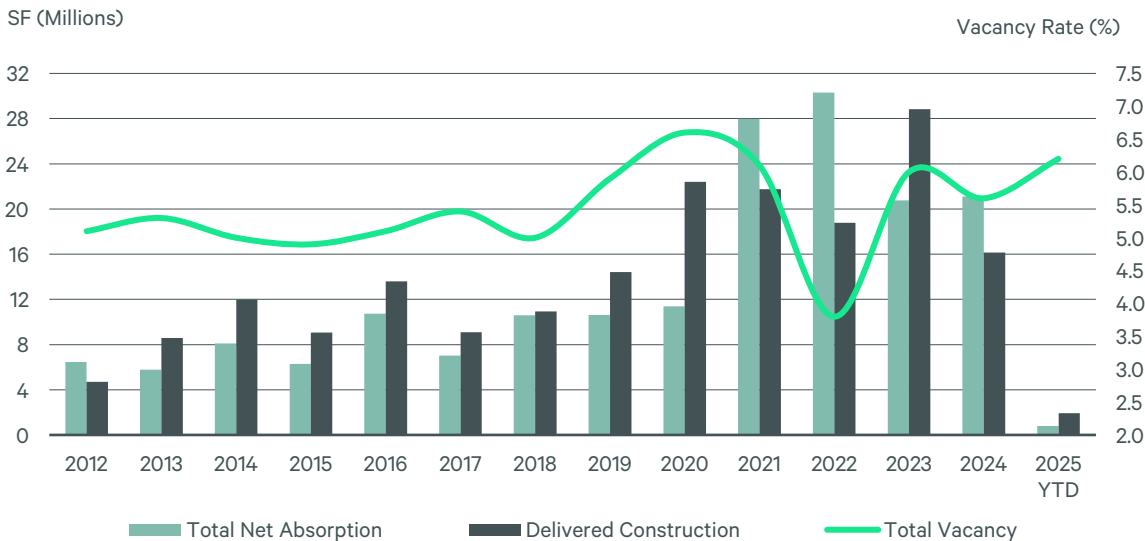
SF Delivered Construction

Note: Arrows indicate change from previous quarter.

Key Highlights

- Houston’s industrial market recorded 791,664 sq. ft. of positive net absorption in Q1 2025, reflecting steady tenant demand despite broader economic uncertainty. Move ins from larger tenants were absent this quarter, with positive absorption driven by smaller deals.
- Vacancy ticked up to 6.2%, marking a 60-basis point (bps) increase from the previous quarter. As the market digests new deliveries and in the face of a diminishing construction pipeline, rental rates are expected to trend upwards
- The construction pipeline remains active with 11 million sq. ft. currently underway at 9.8% preleased. Developers are proceeding cautiously as financing challenges persist.
- The Port of Houston started the year strong, moving 356,407 twenty-foot equivalent units (TEUs) in January, marking a 7% increase compared to the last year. This was the busiest January on record for cargo activity at the Port. To support this growth, continuous investments include ongoing construction at Bayport Container Terminal, with Wharf 7 completing in 2026 and Wharf 1 in 2027, along with the arrival of 8 ship-to-shore cranes and 16 rubber tire gantry cranes in 2026.

Figure 1: Houston Industrial Market (Annual)



Source: CBRE Research, Q1 2025.

Vacancy & Net Absorption

Houston saw a slight increase in vacancy, rising from 5.6% at the end of 2024 to 6.2%, reflecting a 60-bps increase. This shift can be attributed to several tenant move outs that took place early in the year and delays in occupancy for newly signed leases. While a significant number of leases were signed in prior months by diverse industries that are continuing to expand into the market, deal structures and lease commitments have led to a delayed occupancy, pushing many move ins to later in the year

Despite a slight uptick in vacancy the market remains solid, closing the quarter with 791,664 sq. ft. of positive net absorption. Key contributors include Gulf Coast Crating and Borusan Pipe fully leasing out a combined total of 258,249 sq. ft. at Portside Logistics Center and Midstream occupying 180,998 sq. ft. at Interchange 249.

From a submarket perspective, Northwest region led in absorption, contributing approximately 721,513 sq. ft. of positive absorption. This was largely driven by major tenants such as Midstream and Goodwill that took occupancy of their respective industrial spaces.

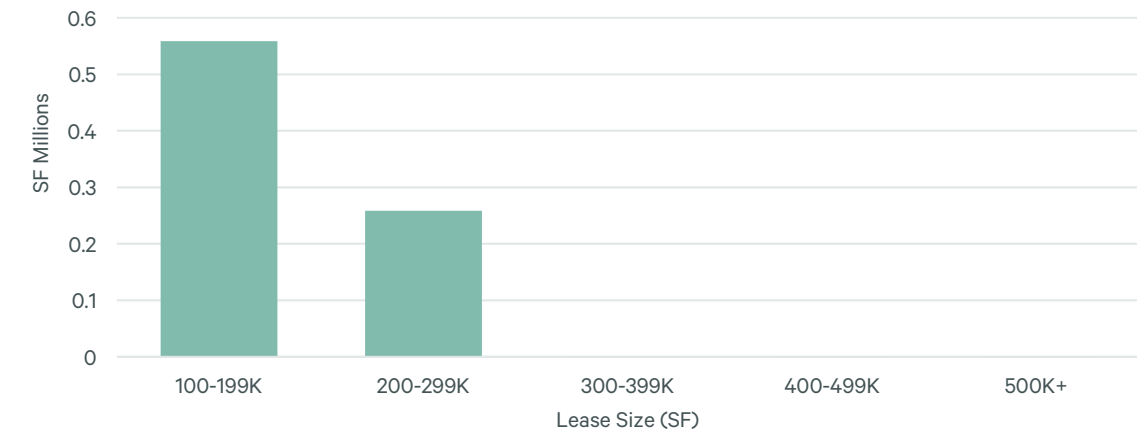
The first quarter of the year ended on a strong note, with healthy market fundamentals and sustained momentum. Tenant foot traffic remains high, with steady demand as new buildings and spaces continue to enter the market.. Supported by the Port and ongoing infrastructure improvements, Houston continues to attract major businesses. With a growing population and a strengthening housing market, the city is well-positioned for another strong year.

FIGURE 3: Port of Houston TEU's



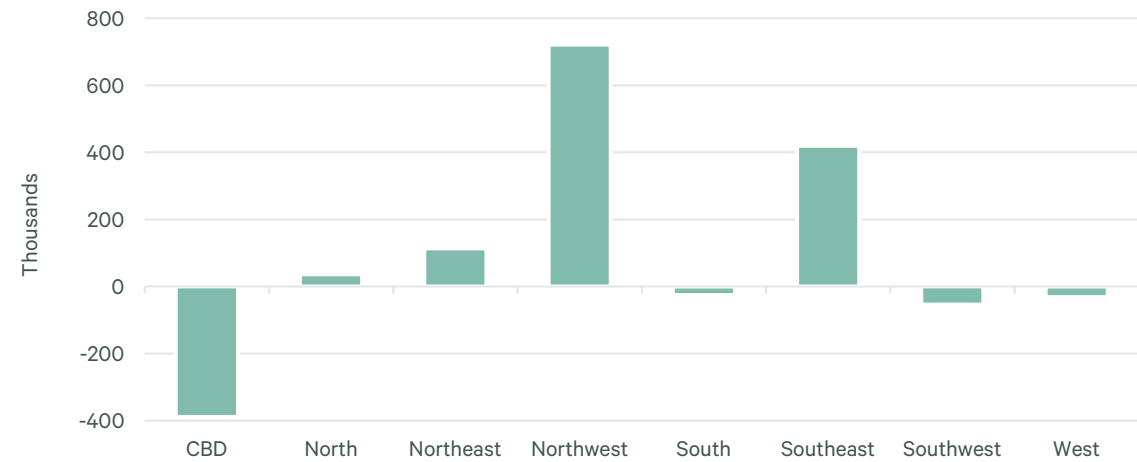
Source: PortHouston.com, CBRE Research, Q1 2025

FIGURE 2: Q1 2025 Absorption Activity by Size



Source: CBRE Research, Q1 2025

FIGURE 4: Net Absorption by Submarket



Source: CBRE Research, Q1 2025

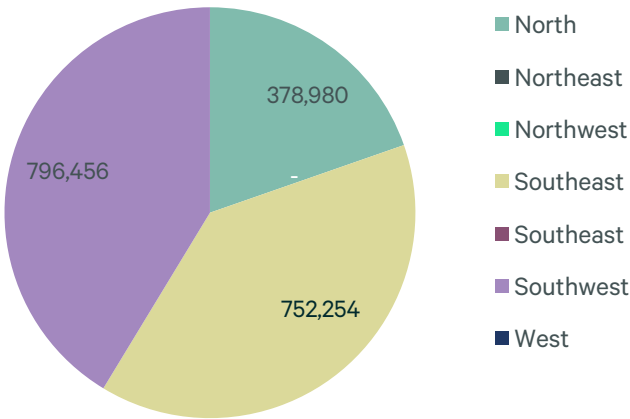
Construction

The Houston development pipeline currently has 38 projects underway, totaling approximately 11 million sq. ft., with 9.8% preleased, about 1.1 million sq. ft. The Southeast region has the largest concentration of construction activity with 12 projects in progress accounting for a total of 3 million sq. ft. Notable projects include Baytown 146, building 1 & 2 (749,520 sq. ft.), East Bay Logistics Park, buildings 1 & 2 (557,334 sq. ft.), and the built-to-suit Packwell building (725,000 sq. ft.) which is expected to come online later this year. While construction has been slower on some projects, work is still progressing with the expectancy that many will come to the market later this year.

Deliveries

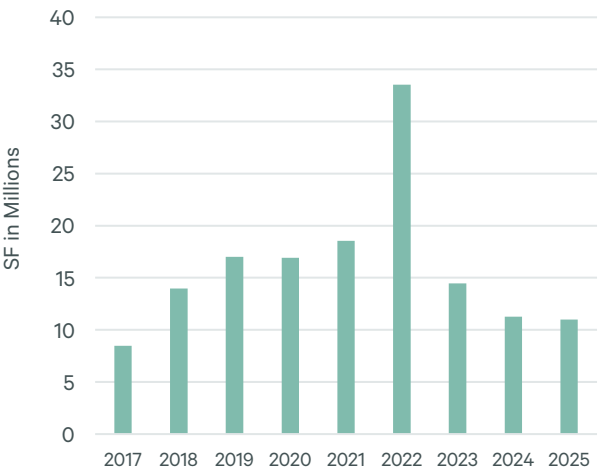
In Q1 2025, four projects were delivered totaling 1.9 million sq. ft. at 0% pre-leased. While near-term deliveries have been lighter than usual, the development pipeline remains active, with a sizeable number of new Class A facilities projected to come online later in the year. Tenant demand remains strong, but longer construction timelines and extended permitting processes have pushed many project completions further out, delaying the introduction of new supply.

FIGURE 5: 2025 Deliveries by Submarket



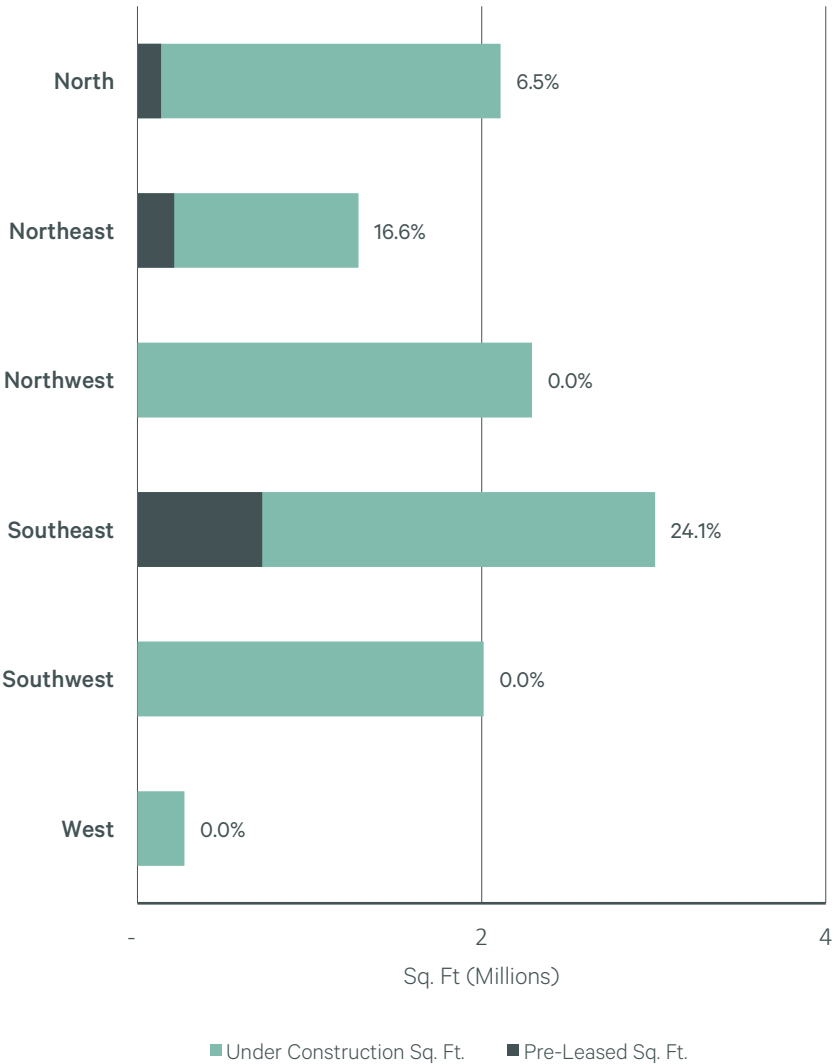
Source: CBRE Research, Q1 2025

FIGURE 6: Under Construction



Source: CBRE Research, Q1 2025

FIGURE 7: Houston Industrial Market Under Construction and Pre-Leased



Source: CBRE Research, Q1 2025

FIGURE 8: Houston Market Snapshot

Submarket	Net Rentable Area (SF)	Q1 2025 Net Absorption (SF)	Q1 2025 Vacancy (%)	Q1 2025 Starts (SF)	Q1 2025 Under Construction (SF)	Class A Warehouse/Dist. Asking Rate, NNN (\$/SF/Mo)
CBD	45,782,150	(388,947)	4.4%	0	0	\$0.61
North	110,494,288	36,388	5.8%	429,698	2,110,475	\$0.61
Northeast	42,883,742	113,717	8.9%	0	1,283,864	\$0.58
Northwest	139,795,721	721,513	4.8%	628,012	2,292,527	\$0.61
Southeast	115,127,388	419,634	6.8%	557,334	3,007,669	\$0.65
South	34,508,396	(25,341)	3.7%	0	0	\$0.60
Southwest	83,766,309	(53,659)	5.8%	0	2,012,239	\$0.62
West	31,933,232	(31,641)	14.0%	0	272,529	\$0.57
HOUSTON TOTAL	604,291,226	791,664	6.2%	1,615,044	10,979,303	\$0.61

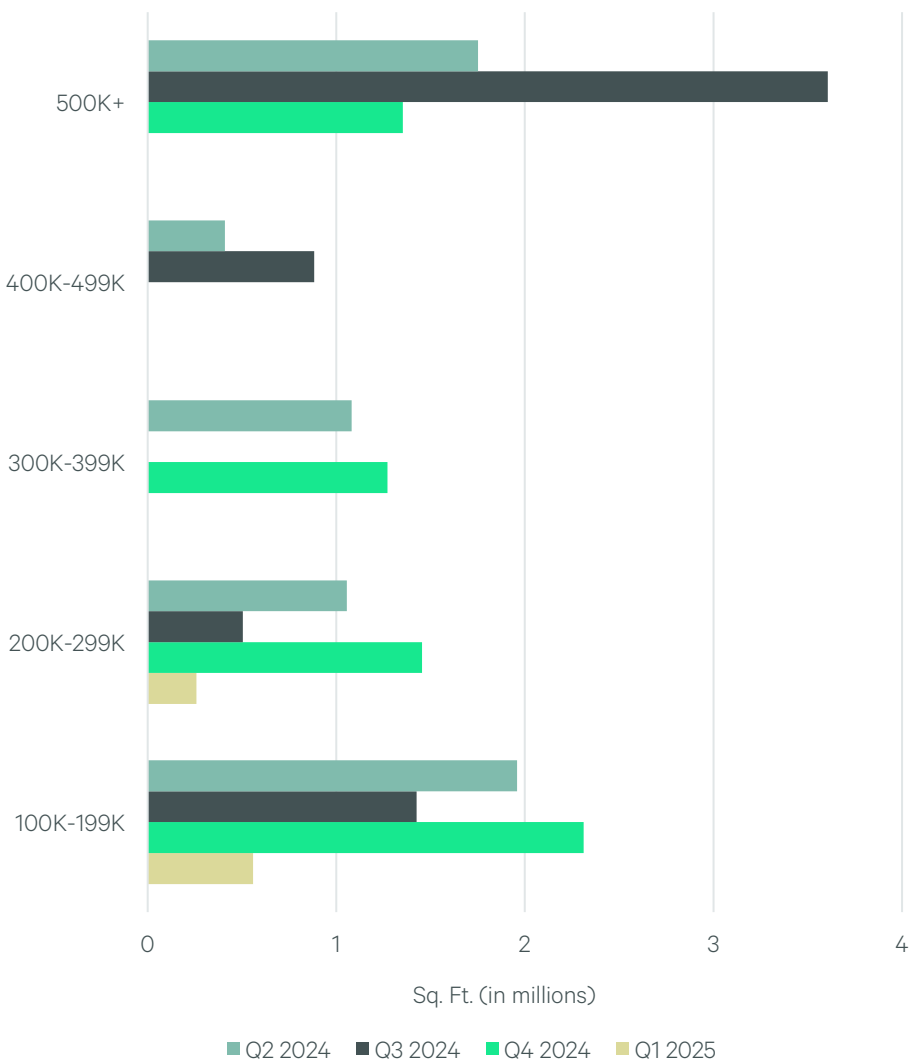
Source: CBRE Research, Q1 2025.

FIGURE 9: Houston Market Size Tranches

Tranches	Net Rentable Area (SF)	Q1 2025 Vacancy	Q1 2025 Vacancy Rate (%)	Q1 2025 Availability	Q1 2025 Availability Rate (%)
0-49,999	121,109,464	6,232,709	5.1%	7,550,519	6.2%
50,000-149,999	181,368,596	9,129,060	5.0%	11,499,922	6.3%
150,000-249,999	92,133,999	5,691,677	6.2%	7,142,516	7.8%
250,000-499,999	105,132,493	5,361,011	5.1%	6,861,107	6.5%
500,000+	104,546,674	11,007,750	10.5%	12,582,808	12.0%
HOUSTON TOTAL	604,291,226	37,422,207	6.2%	45,636,872	7.6%

Source: CBRE Research, Q1 2025.

Figure 10: Houston Absorption Activity by Size



Source: CBRE Research, Q1 2025.

Figure 11: Houston Historical Market Statistics

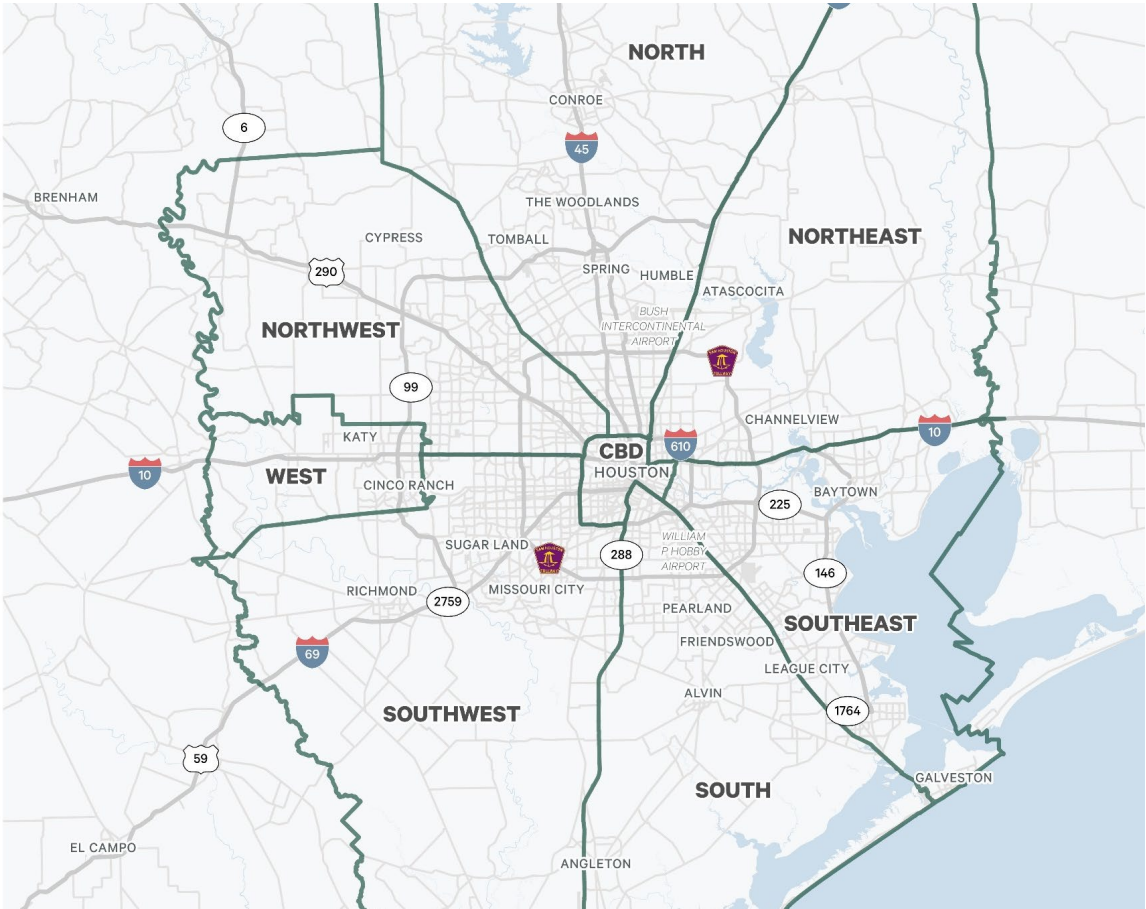
	2018	2019	2020	2021	2022	2023	2024	2025 YTD
CBD								
Absorption (Net, SF)	(189,765)	440,564	(273,802)	533,448	(129,273)	194,424	(406,720)	(388,947)
Overall Asking Rent (NNN Avg. Mthly \$/SF)	0.31	0.38	0.4	0.38	0.50	0.49	0.49	.49
Delivered Construction (SF)	0	0	0	0	0	0	0	0
Vacancy Rate (%)	4.6	4.3	4.5	3.6	3.1	2.1	3.1	4.4
NORTH								
Absorption (Net, SF)	1,436,375	2,413,089	2,341,390	6,393,260	4,814,780	2,747,813	4,332,951	36,388
Overall Asking Rent (NNN Avg. Mthly \$/SF)	0.42	0.48	0.44	0.48	0.63	0.58	0.59	.62
Delivered Construction (SF)	1,103,471	4,593,607	5,351,157	4,027,984	2,835,442	5,824,909	1,039,296	378,980
Vacancy Rate (%)	7.3	8.6	8.3	6.3	4.8	7.5	5.6	5.8
NORTHEAST								
Absorption (Net, SF)	(105,967)	749,781	725,411	1,193,561	3,463,858	803,868	3,260,418	113,717
Overall Asking Rent (NNN Avg. Mthly \$/SF)	0.33	0.31	0.27	0.31	0.41	0.52	0.52	.52
Delivered Construction (SF)	164,500	1,005,400	429,500	649,600	2,425,032	1,660,079	3,659,048	0
Vacancy Rate (%)	2.8	3.9	3.1	4.3	3.1	7.6	8.5	8.9
NORTHWEST								
Absorption (Net, SF)	5,423,532	4,339,764	2,808,774	5,531,570	8,557,339	4,041,473	3,875,030	721,513
Overall Asking Rent (NNN Avg. Mthly \$/SF)	0.42	0.38	0.34	0.49	0.63	0.61	0.62	.62
Delivered Construction (SF)	4,141,124	2,754,334	7,012,821	2,389,980	6,475,649	3,782,705	1,700,189	0
Vacancy Rate (%)	6.1	6.1	7.8	6.3	4.4	5.3	4.7	4.8

*In 2022, it was determined that activity in and around the western side of the Houston market merited creation of a new submarket. The West submarket was added in Q1 2023, from portions of the Northwest and Southwest submarkets. Consequently, historical data is unavailable. Market totals remain unchanged.

	2018	2019	2020	2021	2022	2023	2024	2025 YTD
SOUTHEAST								
Absorption (Net, SF)	3,261,976	2,026,786	3,431,143	4,945,311	9,425,658	6,327,027	3,418,453	419,634
Overall Asking Rent (NNN Avg. Mthly \$/SF)	0.40	0.40	0.36	0.46	0.59	0.62	0.62	.62
Delivered Construction (SF)	4,787,722	4,077,336	5,870,586	2,906,486	5,145,423	8,077,423	4,863,261	752,254
Vacancy Rate (%)	3.4	5.1	7.7	6.6	2.4	5.7	6.4	6.8
SOUTH								
Absorption (Net, SF)	(154,244)	91,664	84,756	606,785	275,295	1,212,792	2,846,189	(25,341)
Overall Asking Rent (NNN Avg. Mthly \$/SF)	0.38	0.38	0.36	0.40	0.51	0.53	0.53	.56
Delivered Construction (SF)	97,593	145,765	505,416	436,569	180,000	1,849,855	1,945,069	0
Vacancy Rate (%)	3.3	4.5	3.7	3.0	2.2	5.2	3.4	3.7
SOUTHWEST								
Absorption (Net, SF)	934,227	488,763	2,281,912	8,781,018	3,895,232	1,967,205	1,793,082	(53,659)
Overall Asking Rent (NNN Avg. Mthly \$/SF)	0.43	0.48	0.44	0.49	0.63	0.62	0.62	.62
Delivered Construction (SF)	650,476	1,842,258	3,246,393	11,350,051	1,730,092	1,523,542	2,052,774	796,456
Vacancy Rate (%)	4.7	5.8	5.1	8.0	4.5	4.3	3.9	5.8
WEST*								
Absorption (Net, SF)						3,452,992	1,991,673	(31,641)
Overall Asking Rent (NNN Avg. Mthly \$/SF)						0.53	0.53	.56
Delivered Construction (SF)						6,107,763	892,640	0
Vacancy Rate (%)						14.3	13.0	14.0
HOUSTON TOTAL								
Absorption (Net, SF)	10,606,134	10,550,411	11,399,584	27,984,953	30,302,889	20,747,594	21,111,076	791,664
Overall Asking Rent (NNN Avg. Mthly \$/SF)	0.40	0.40	0.36	0.43	0.55	0.57	0.57	.58
Delivered Construction (SF)	10,944,886	14,418,700	22,415,873	21,760,670	18,791,638	28,826,276	16,152,277	1,927,690
Vacancy Rate (%)	5.0	5.9	6.6	6.1	3.8	6.0	5.6	6.2

Source: CBRE Research, Q1 2025
*Weighted NNN Average

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 that includes net and gross lease rate, 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. Gross Activity: All sale and lease transactions completed within a specified time period. Excludes investment sale transactions. Gross Lease Rate: Rent typically includes real property taxes, building insurance, and major maintenance. Net Absorption: The change in Occupied Sq. Ft. from one period to the next. Net Lease Rate: Rent excludes one or more of 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 within 30 days.

Survey Criteria

Includes all industrial buildings 20,000 sq. ft. and greater in size in Houston. Buildings which have begun construction as evidenced by site excavation or foundation work.

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