

FIGURES | TEXAS INDUSTRIAL | Q2 2025

Absorption sees improvement despite below average activity, construction pipeline rises.



Note: Arrows indicate change from previous quarter.

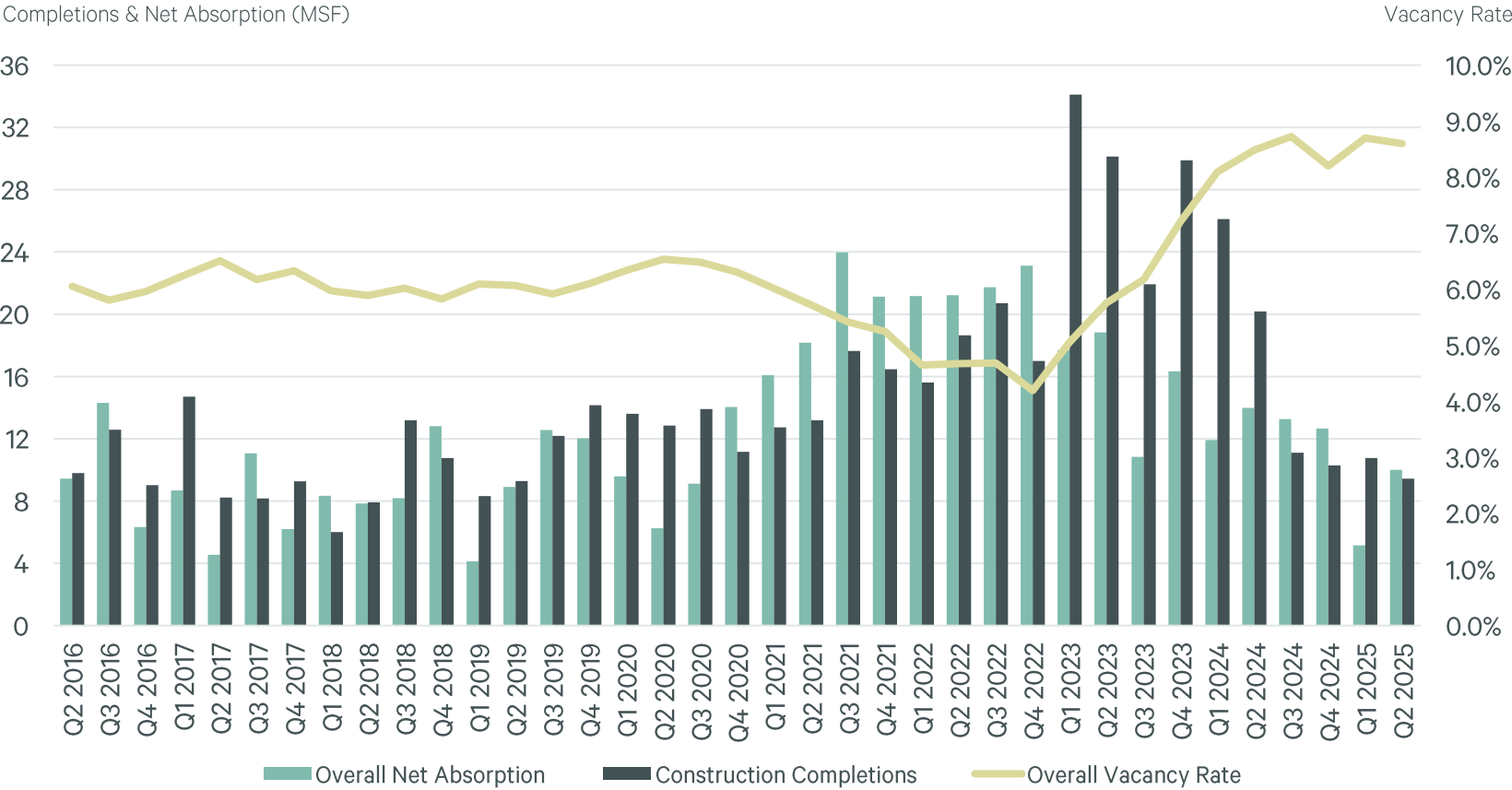
Market Summary

- Industrial markets across the state saw positive net absorption and a slowing of new supply. However, overall leasing and renewal activity was sluggish compared to Q2 year-to-date activity of the previous two years.
- Net absorption slightly outpaced deliveries in nearly every market during Q2 2025. Texas markets recorded 10 million sq. ft. of net absorption and 9.4 million sq. ft. in deliveries. The state-wide vacancy rate was down 10 basis points quarter-over-quarter. Individual markets ranged from a 30 basis point decline to an increase of 180 basis points.
- Sublease space has fluctuated over the past few years and a significant amount of space was added during 2023. Although sublet space began to steady in early 2024, it remains elevated. Available sublet space now stands at 20.9 million sq. ft., a total that stood at 11.1 million sq. ft. in Q1 2023 and at 8.0 million sq. ft. at its low point in Q4 2021.
- New construction starts and space under construction have been on a downward trend but saw a spike in Q2 2025. The quarter closed with 47.8 million sq. ft. of industrial space under way, up 10.3 million sq. ft. from the previous quarter. New construction starts totaled 19.8 million sq. ft., 10.3 million sq. ft. higher than Q1 2025 starts. Q1 2025 and Q4 2024 marked the lowest under construction figures seen since Q1 2019 when construction stood at 39.4 million sq. ft. Space under construction peaked in Q4 2022 with 134.2 million sq. ft. and a record setting 116.0 million sq. ft was subsequently delivered during 2023..
- Overall rent and rents for four size categories saw year-over-year growth in year-1 taking rents. Overall year-1 taking rents were up 9.1% year-over-year. Spaces of 100,000 to 200,000 sq. ft. and 400,000 to 800,000 sq. ft. had the largest year-over-year growths of 14.2% and 20.1%, respectfully. Decreases were modest, ranging in size from 0.7% to 1.6%.

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Absorption slightly above deliveries

Net absorption nearly doubled, going from 5.4 million sq. ft. in Q1 2025 to 10.0 million sq. ft. in Q2 2025. Compared to the previous quarter, Texas markets saw a 1.3 million sq. ft. decline in deliveries. Given these movements, the vacancy rate was up able to tick down by 10 basis points quarter-over-quarter and stood just 10 basis-points above the Q2 224 vacancy rate.

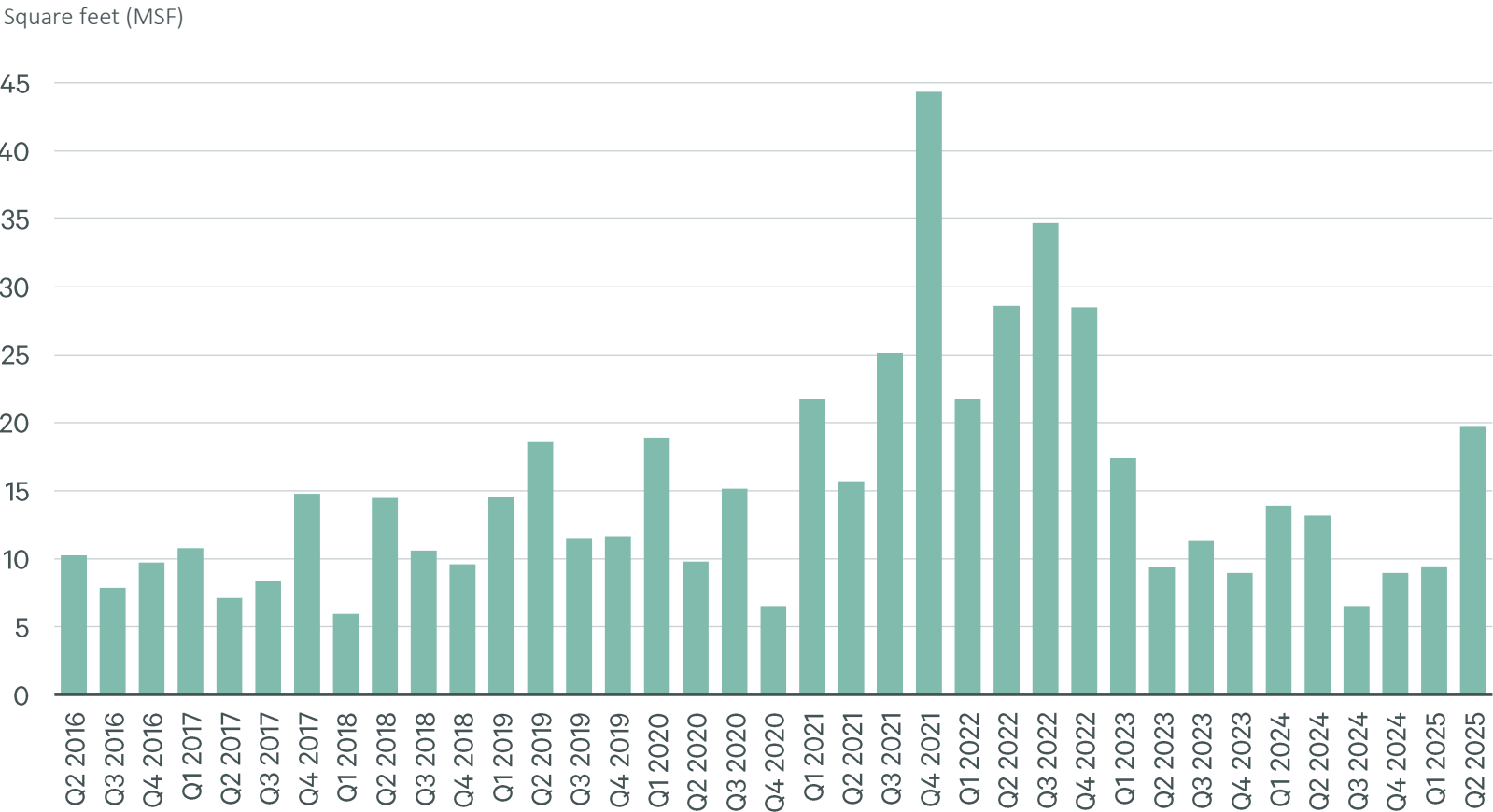


Source: CBRE Research, Q2 2025

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New construction starts increase

New construction starts and the amount of space underway each increased by about 10.3 million sq. ft. compared to the previous quarter. However, both these figures remained well below the record setting numbers seen between Q4 2021 and Q4 2023.



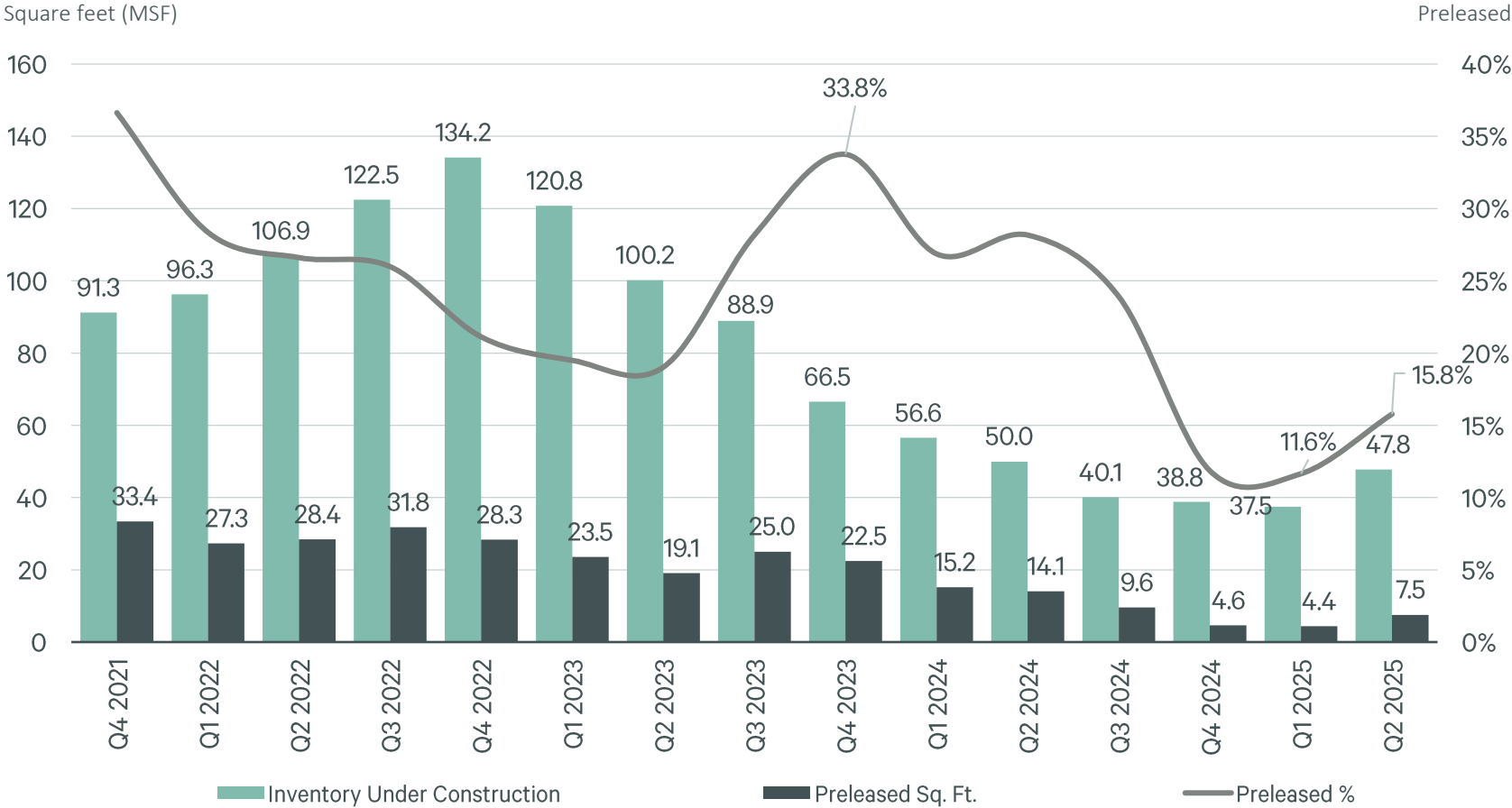
Source: CBRE Research, Q2 2025

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Under construction sees an uptick

The Dallas/Fort Worth and Houston markets saw a quarter-over-quarter increase in space under construction while the San Antonio and El Paso markets remained flat. For the 4th quarter in a row, the Austin market saw a quarter-over-quarter decline in total space under construction.

Although space under construction increased, the pre-lease rate increased as well. Pre-leasing increased from 11.6% in Q1 2025 to 15.8% in Q2 2025.

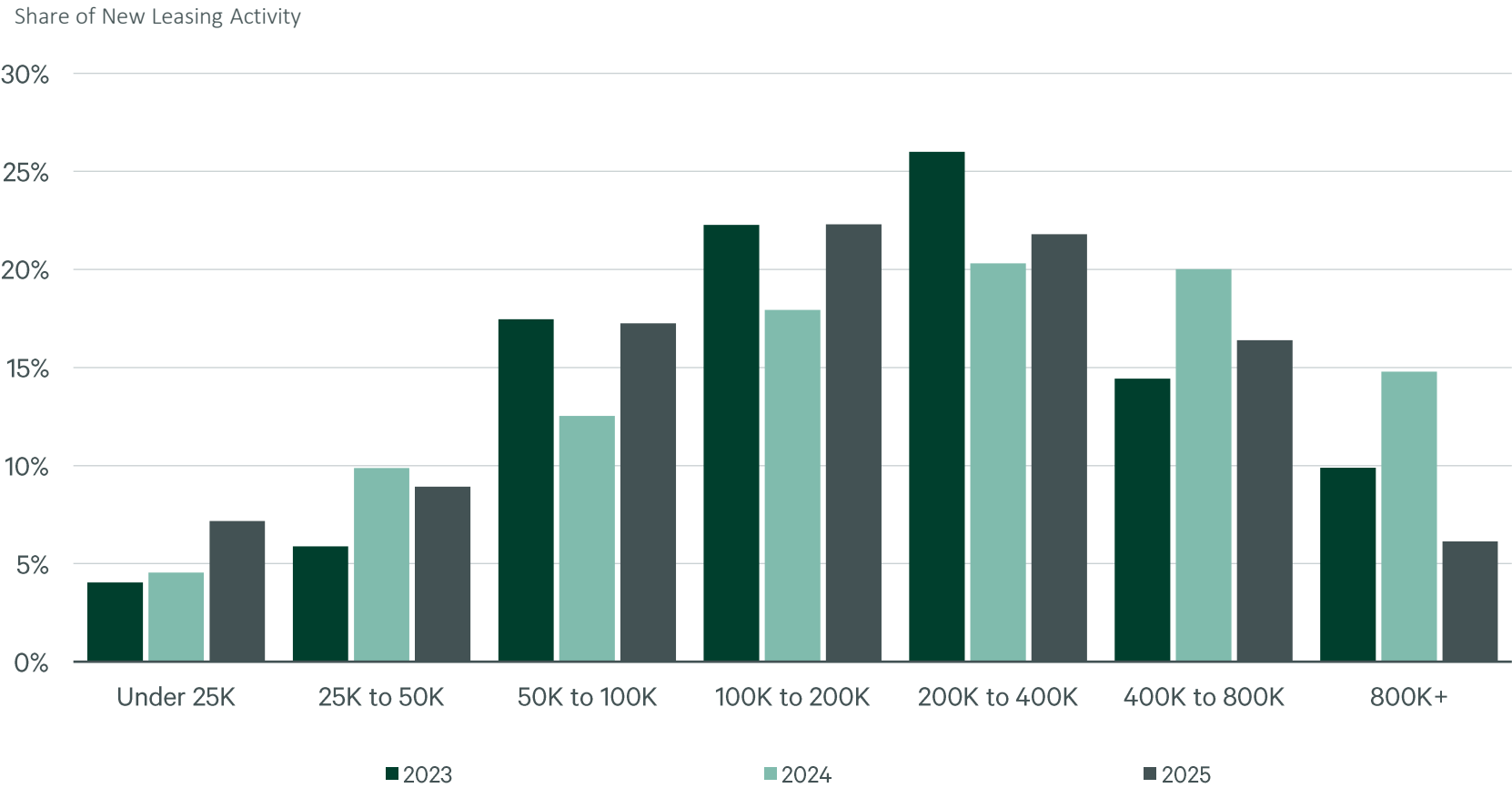


Source: CBRE Research, Q2 2025

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New Leasing

Leases between 100,000 to 200,000 sq. ft. accounted for the largest share of Q2 2025 year-to-date activity, 22.3%. Leases between 200K to 400K sq. ft. accounted for 21.8% of year-to-date activity. The largest number of deals, 135 Q2 2025 year-to-date, were under 25,000 sq. ft.

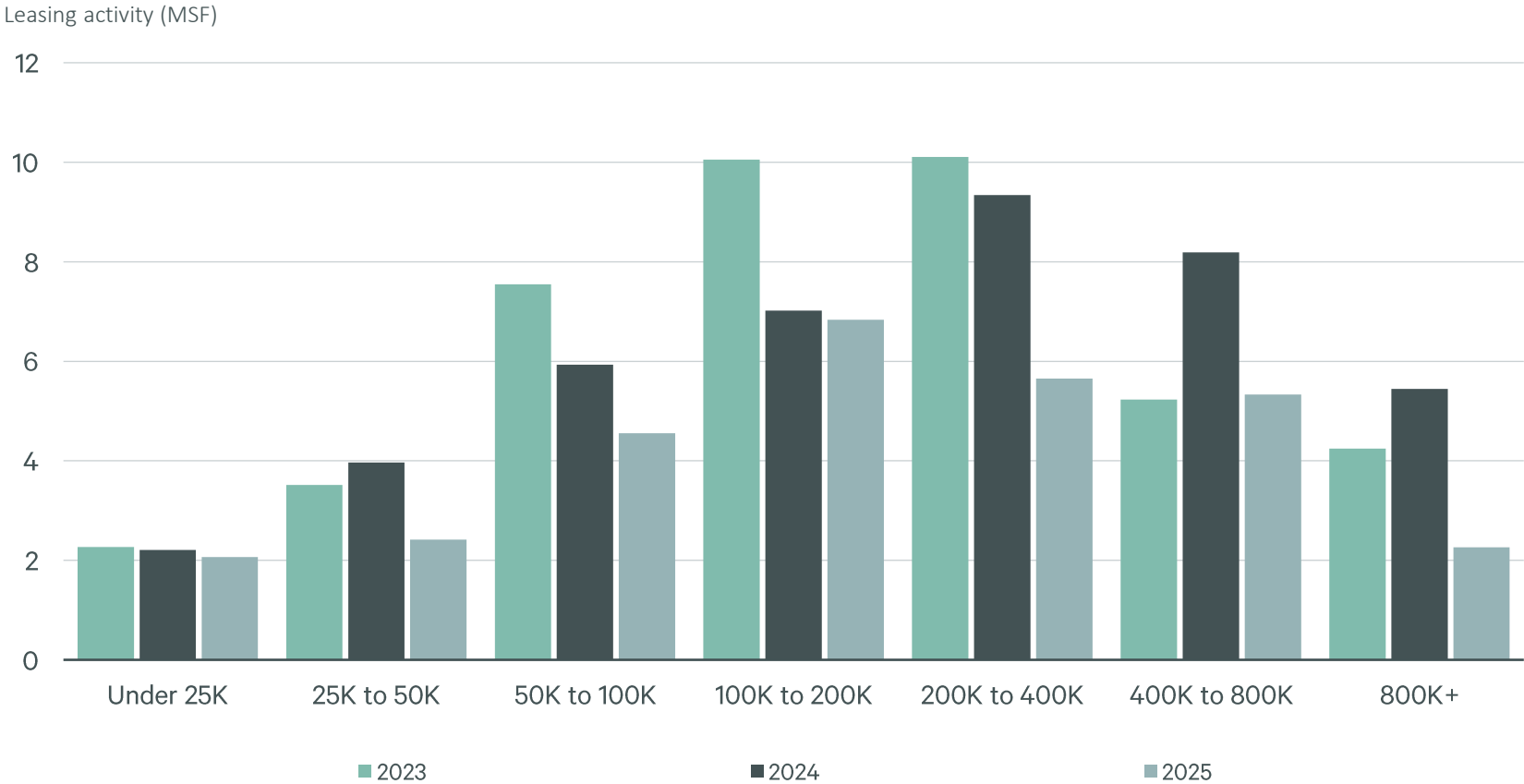


Transaction volume includes new leases signed from 1/1 to 6/30 with a lease term of 24 months and longer
Source: CBRE Research, Q2 2025.

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Activity down but consistent with recent trends

Q2 2025 year-to-date activity was slow compared to the previous two years. Activity was down 13.0 million sq. ft. compared to Q2 2024 year-to-date and by 13.9 million sq. ft. compared to Q2 2023 year-to-date. Q2 2025 year-to-date activity declined year-over-year for all size categories with decreases ranging in size from 2.6% to 58.5%.



Transaction volume includes new leases and renewals signed from 1/1 to 6/30 with a lease term of 24 months and longer

Source: CBRE Research, Q2 2025.

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Renewals share of total leasing slightly above average

Nearly 60 renewals totaling 5.3 million sq. ft. were signed in Q2 2025. Just under 90 renewals, 6.9 million sq. ft., were signed in Q2 2024.



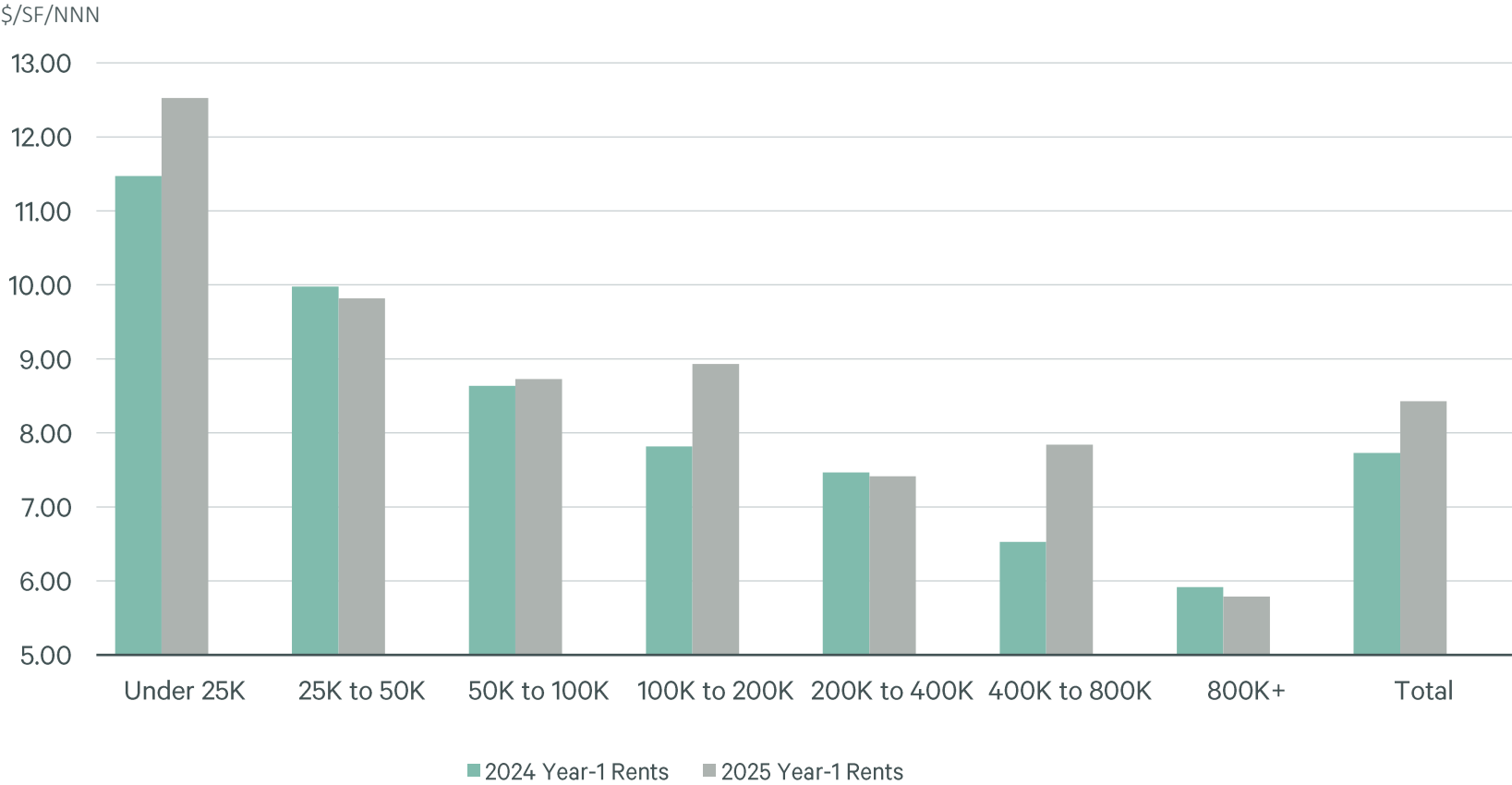
Transaction volume includes renewals with a lease term of 24 months and longer.

Source: CBRE Research, Q2 2025

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Positive year-1 taking rent growth

Taking rents saw positive year-over-year growth of 9.1% as well as growth among most of the deal size ranges. Spaces of 100,000 to 200,000 sq. ft. and 400,000 to 800,000 sq. ft. had the largest year-over-year growths of 14.2% and 20.1%, respectively.

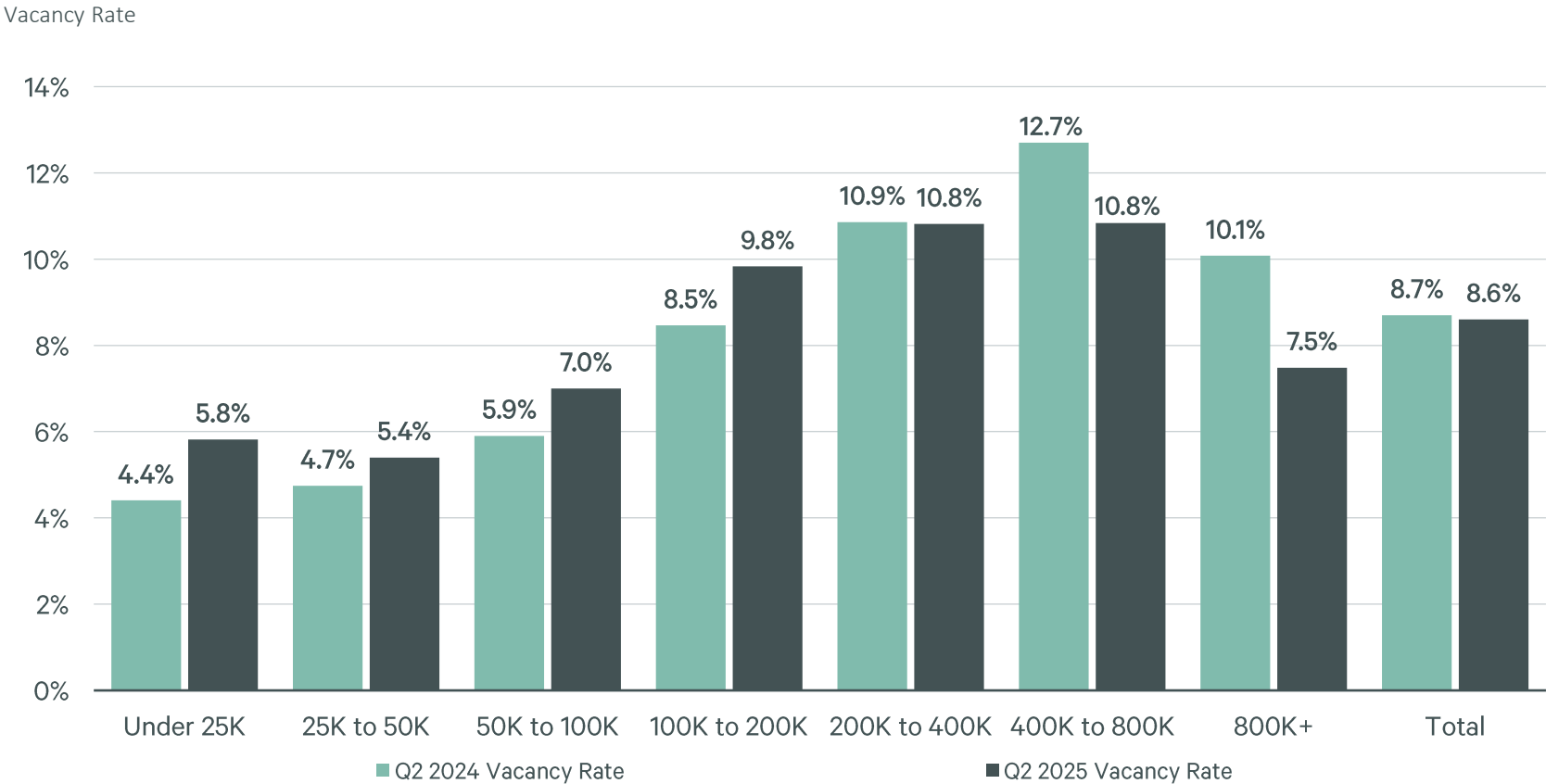


Compares first year base rents for new leases signed from 1/1 to 6/30 with a lease term of 24 months and longer.
Source: CBRE Research, Q2 2025

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Vacancy increases across smaller building tranches

Vacancy rates for all big-box size categories, 200,000 sq. ft. and above, decreased compared to a year ago. The overall vacancy rate also decreased and was down by 10 basis points year-over-year. Properties of 800,000 sq. ft. and above saw the vacancy rate decrease by 260 basis points, falling from 10.1% in Q2 2024 to 7.5% in Q2 2025.



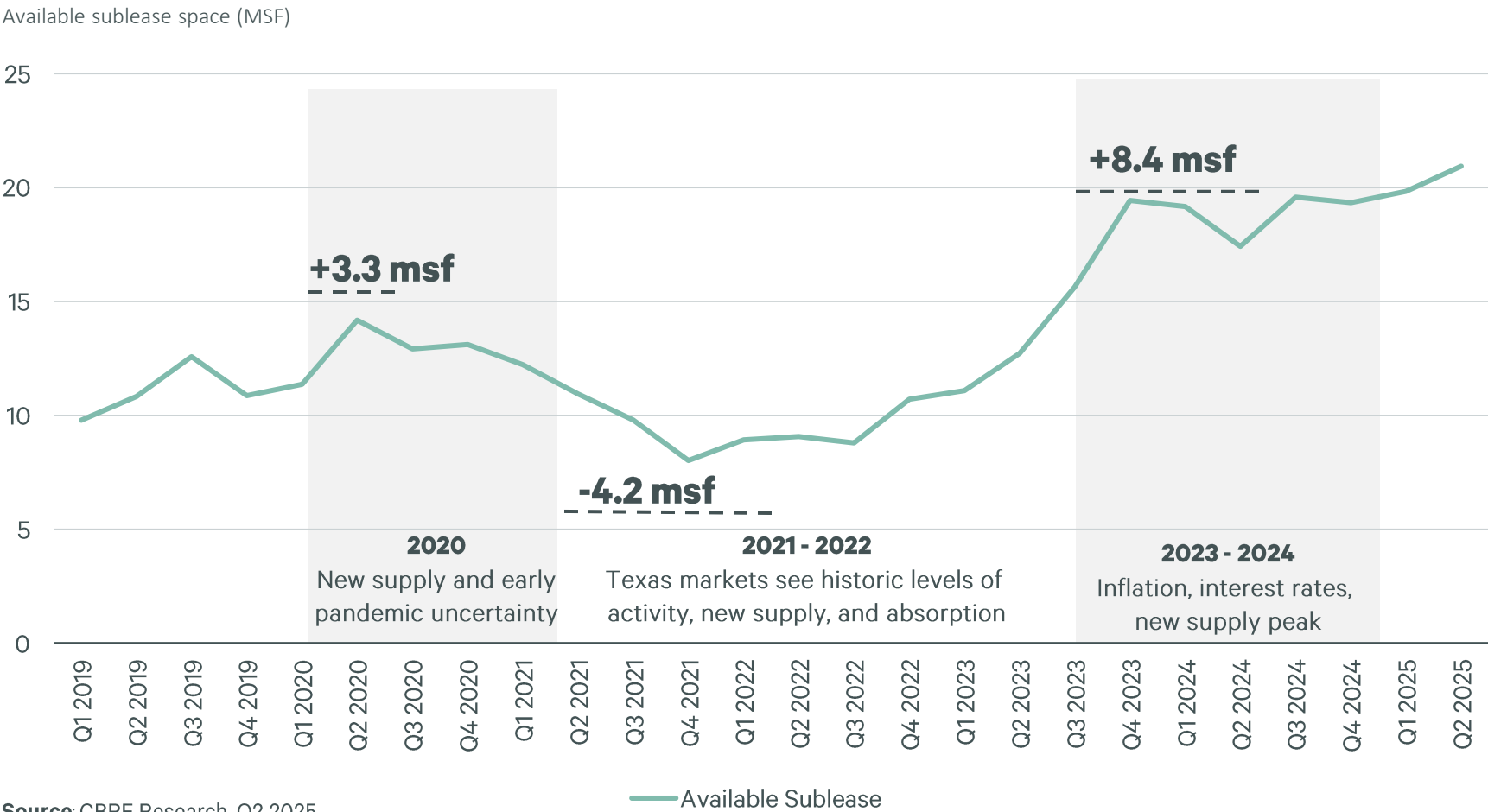
Source: CBRE Research, Q2 2025

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Available sublease space steadies

Available sublet space often grows amid difficult economic times, can be brought on by tenants reassessing space needs following rapid expansionary periods, or can be the result of tenants relocating to newer or more modern facilities.

Sublease activity represented only about 7.1% of Q2 2025 leasing activity and accounted for about 10.8% of available space at the end of the quarter. This includes a sublease property of over 1.0 million sq. ft. However, the majority of sublease space, about 29%, is in properties of 200,000 to 400,000 sq. ft. Compared to the previous quarter, available sublease space increased by about 1.1 million sq. ft.



Statistical snapshot Q2 2025

Market	Total Vacancy Rate (%)	Q2 2025 Net Absorption (SF)	Under Construction (SF)	Q2 2025 Deliveries (SF)
Dallas / Fort Worth	8.8%	5,597,813	15,413,164	3,825,626
Houston	6.2%	2,739,678	17,806,041	1,636,945
San Antonio	10.5%	498,402	2,964,606	-
Austin	17.2%	52,772	6,595,415	2,248,602
El Paso	10.7%	1,122,653	5,010,998	1,722,581
Texas Total	8.7%	10,011,318	47,790,224	9,433,754

Source: CBRE Research, Q2 2025

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