

FIGURES | HOUSTON INDUSTRIAL | Q2 2025

# Absorption outpaces new deliveries as industrial occupancy increases at midyear

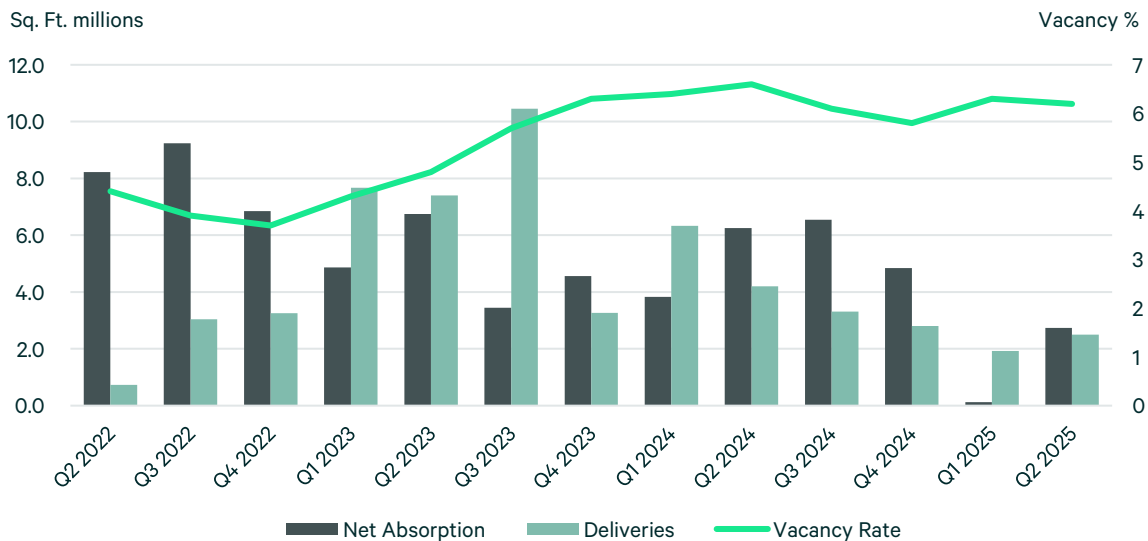


Note: Arrows indicate change from previous quarter.

KEY HIGHLIGHTS

- Houston’s Industrial market recorded 2.9 million SF of positive net absorption through the first half of 2025, the majority of that coming in the second quarter.
- After a slight uptick last quarter, vacancy fell 10 basis points to 6.2% as move-ins outpaced new deliveries; this has happened in five of the previous seven quarters.
- Consistently strong demand for Houston industrial space has kept the construction pipeline active with 17.8 million SF currently underway at 10% pre-leased.
- The Port of Houston remains a key driver for the industrial market. Despite the turmoil surrounding trade policy, the Port has outpaced 2024’s year-to-date total, handling over 1.8 million TEUs, a 4.4% increase from last year (through May).

FIGURE 1: Historical Absorption, Deliveries, and Vacancy



Source: CBRE Research

## Vacancy & Net Absorption

Houston’s industrial vacancy is 6.2% at mid-year, representing a 10 bp decline from Q1. Many leases signed over the last few quarters commenced in Q2. These were balanced somewhat by unoccupied new deliveries, which added to the total vacant inventory.

With these move-ins, net absorption totaled 2.7 million SF in Q2, a significant increase from 125k SF seen in the previous quarter (Q1’s absorption total was revised from the Q1 publication). Despite net absorption being a lagging indicator, this quarter’s volume of new move-ins proves the resilience of the Houston market amidst macro uncertainty, particularly on the trade front. Looking back over the last 12 months, net absorption has totaled just over 14.2 million SF.

While the Northwest submarket maintained its position as absorption leader this quarter, the Southwest and West submarkets also emerged as significant contributors, collectively accounting for the majority of Houston’s absorption gains. Key transactions driving the shift include Stafford Logistics Building 1 (530,400 SF) in the Southwest and Uplands Twinwood 1 (353,022 SF) in the West, as JD Logistics and JW Fulfillment moved in, respectively.

Given increasing leasing activity and a robust pipeline of tenants in the market, Houston is forecasted to demonstrate further occupancy growth through year-end. Houston’s rapidly growing population and continued expansion in the manufacturing and distribution sectors will continue to attract major tenants demanding quality industrial space.



Source: CBRE Research

FIGURE 3: Net Absorption by Building Size

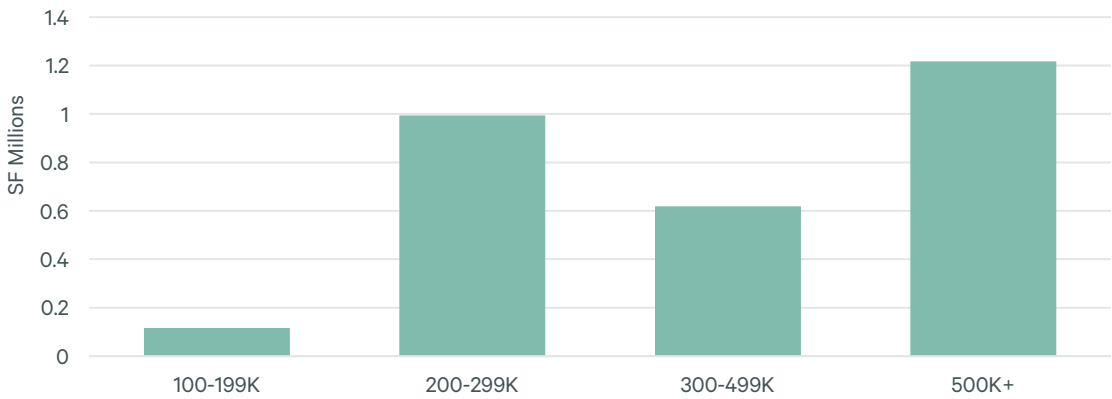


FIGURE 4: Net Absorption by Submarket



## Construction

There are 66 projects currently under construction in the Houston market, totaling over 17.8 million SF. 10% of these projects are pre-leased, totaling 1.8 million SF. Sizable developments coming to market include East Bay Logistics Park (858,600 SF), Weiser Business Park (628,012 SF), and the 5-building Blue Ridge Commerce Center (1.35 million SF). Multiple developments coming to market are already 100% pre-leased, such as 111 Empire Blvd Building 10 (616,463 SF) pre-leased by Tesla and 3115 Pawnee St (251,444 SF), which is pre-leased by MD Anderson.

## Deliveries

New deliveries in the Houston industrial market continue to remain muted compared to recent years, with the delivery of 9 projects totaling 1.6 million SF in the second quarter, bringing the 2025 total to 4.4 million SF. Constellation Eldridge (537,375 SF) and WestPoint 45 (728,080 SF) are the two biggest developments opening for business this quarter. With 2023 and 2024 being extremely robust in terms of new deliveries, 2025 has shown to be a cool-down year.

FIGURE 5: Deliveries by Submarket

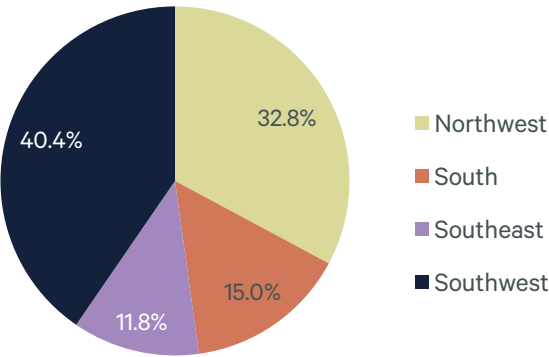


FIGURE 6: Deliveries by Year

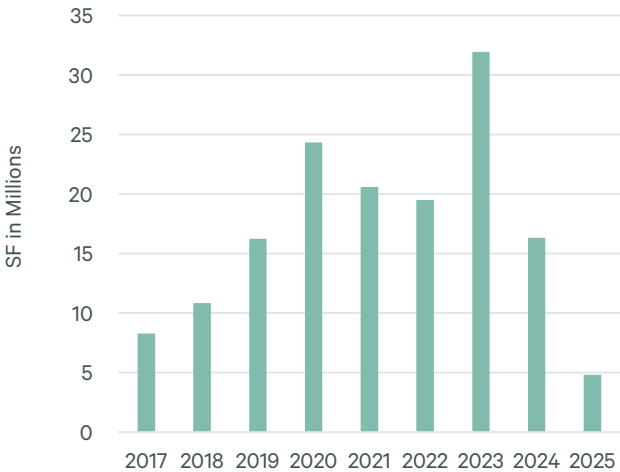
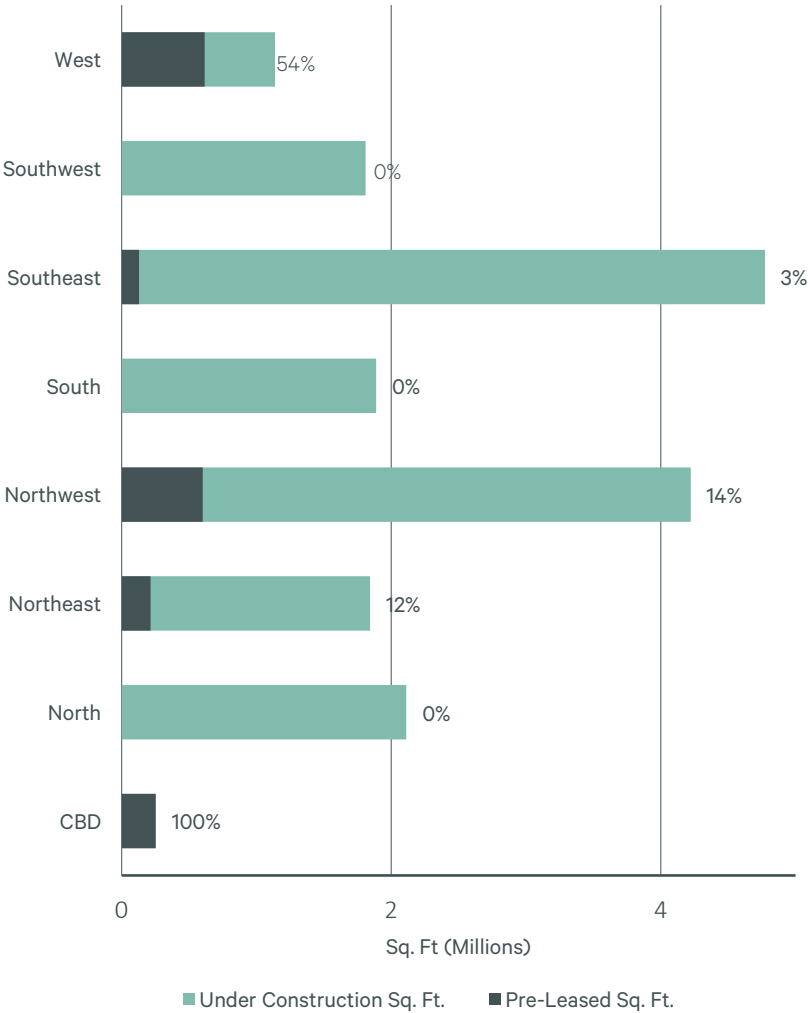


FIGURE 7: % Pre-Leased by Submarket



Source: CBRE Research

## Leasing Activity

Among deals greater than 50,000 SF, Q2 leasing activity in Houston totaled 6.6 million SF across 48 leases. Leasing activity gained momentum quarter-over-quarter rising 757,887 SF leased. The largest transaction this quarter was JD Logistics’ 530k SF lease at Pike Road.

The Northwest submarket saw the most leasing, with 2.1 million SF signed in Q2, driven mainly by H.E.B. taking down 562,400 SF across two leases and Foxconn, which leased over 600,000 SF. This expands Foxconn’s presence in the market. This quarter, they also moved into 647k SF at the 4-building, 1.01 million SF Fairbanks Logistics Park, which they purchased.

While leasing this quarter is in line with that seen at the end of 2024, it remains muted compared to the robust activity seen immediately following the pandemic. However, the leasing volume experienced over the last year is still higher than pre-pandemic volumes.

## Economic Outlook

Policy announcements and the news cycle—not economic fundamentals— are driving sentiment today. Q2 2025 began with the “Liberation Day” tariffs and subsequent escalation that caused growth expectations to plummet. But by the top of Q3 2025, both the trade war rhetoric and effective tariff rate have softened.

While consumer and business sentiment surveys remain weak, hard economic data (e.g., jobless claims, CPI, orders) points to a steadier economy. To be sure, it could take time for the costs associated with higher tariffs and global uncertainty to filter through, but in the meantime CBRE has increased its 2025 GDP growth outlook to 1.3% for 2025.

Commercial real estate markets are taking these changes in stride. On the occupier side, continued growth translates into positive absorption for many sectors and markets, including the industrial sector. Regarding capital markets, investment volume is on track to exceed 2023 and 2024 levels. This is supported by credit issuance making a turnaround and credit spreads falling back to pre-April 2 levels.

FIGURE 6: Leasing Activity Trend – Leases 50,000 sq. ft. and up

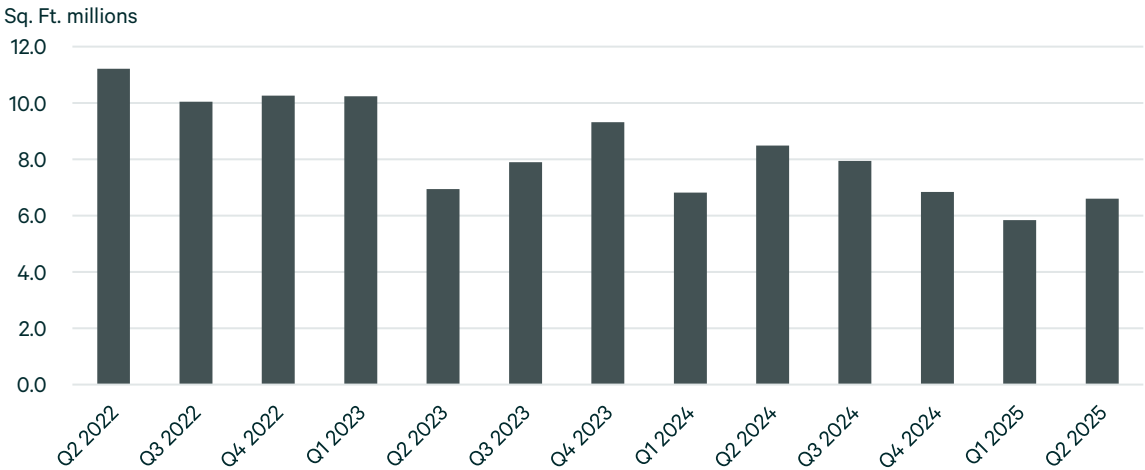
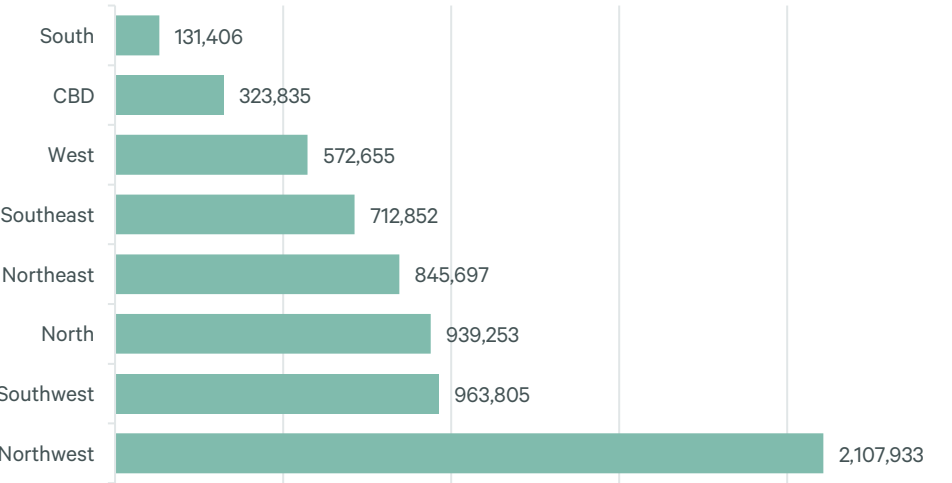


FIGURE 7: Leasing Activity by Submarket – Leases 50,000 sq. ft. and up



Source: CBRE Research

FIGURE 8: Market Statistics by Snapshot

	Net Rentable Area	Total Vacancy %	Total Availability %	Direct Availability %	Sublease Availability %	Avg. Direct Asking Rate (NNN/Month)	Current Quarter Net Absorption	YTD Net Absorption	Deliveries	Under Construction
CBD	45,230,542	3.7	5.9	4.8	1.1	\$0.65	225,007	27,917	0	251,444
North	111,437,866	6.8	8.0	7.3	0.7	\$0.79	377,370	188,257	0	2,112,170
Northeast	42,934,080	9.3	10.0	8.6	1.4	\$0.81	(190,404)	(63,637)	0	1,842,520
Northwest	139,975,658	4.5	5.7	5.2	0.5	\$0.84	915,379	1,423,102	537,375	3,993,482
South	34,715,301	4.2	5.0	4.8	0.2	\$1.18	74,892	49,551	245,230	1,887,416
Southeast	115,477,826	7.3	7.7	7.4	0.3	\$0.65	289,184	474,185	192,660	4,711,992
Southwest	84,564,510	5.4	6.5	5.6	0.9	\$1.04	558,475	178,626	661,680	1,810,324
West	31,964,582	11.3	16.4	11.6	4.9	\$1.21	489,775	586,686	0	1,136,666
Total	606,300,365	6.2	7.5	6.6	0.9	\$0.85	2,739,678	2,864,687	1,636,945	17,806,041

FIGURE 9: Market Statistics by Size

	Net Rentable Area	Total Vacancy %	Total Availability %	Direct Availability %	Sublease Availability %	Avg. Direct Asking Rate (NNN/Month)	Current Quarter Net Absorption	YTD Net Absorption	Deliveries	Under Construction
Under 100,000 sq. ft.	224,014,887	5.1	6.3	5.8	0.5	\$0.90	(207,117)	(810,804)	192,660	241,525
100,000-199,999 sq. ft.	130,269,948	5.9	6.9	6.3	0.6	\$0.84	117,044	551,798	302,291	3,090,091
200,000-299,999 sq. ft.	74,200,543	5.1	7.2	5.7	1.5	\$0.72	994,541	1,302,981	245,230	2,780,940
300,000-499,999 sq. ft.	72,002,858	5.5	5.7	4.6	1.1	\$0.58	618,091	572,595	496,560	5,271,842
500,000-749,999 sq. ft.	46,645,956	8.9	8.7	8.7	0.0	N/Avl	1,217,119	1,398,117	1,265,455	1,933,023
750,000 sq. ft.	59,166,173	11.5	14.6	12.1	2.6	N/Avl	0	(150,000)	0	0
Total	606,300,365	6.2	7.5	6.6	0.9	\$0.85	2,739,678	2,864,687	1,636,945	17,806,041

Source: CBRE Research

FIGURE 11: Houston Historical Market Statistics

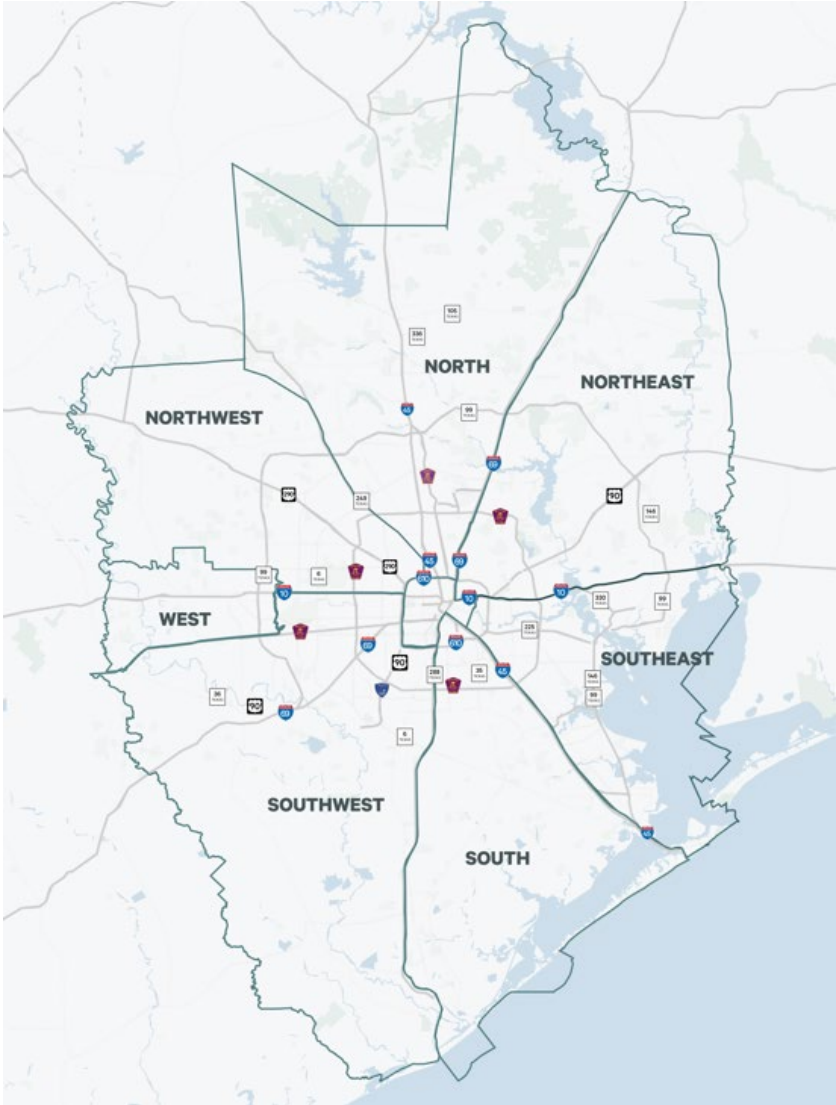
	2021	2022	2023	2024	2025 YTD
<b>CBD</b>					
Inventory (SF)	46,442,198	45,707,440	45,639,637	45,547,167	45,230,542
Absorption (Net, SF)	424,663	301,383	44,672	(351,760)	27,917
NNN Asking Rent PSF	0.45	0.59	0.59	0.65	0.65
Delivered Construction (SF)	0	0	0	0	0
Vacancy Rate (%)	4.3	2.4	2.1	3.1	3.7
<b>North</b>					
Inventory (SF)	97,834,449	102,244,296	108,549,170	110,196,622	111,437,866
Absorption (Net, SF)	6,700,904	4,988,352	2,501,295	4,633,969	188,257
NNN Asking Rent PSF	0.58	0.60	0.70	0.78	0.79
Delivered Construction (SF)	2,894,732	1,750,236	5,939,325	1,537,989	1,224,231
Vacancy Rate (%)	7.8	5.5	6.9	6.1	6.8
<b>Northeast</b>					
Inventory (SF)	33,931,521	37,207,806	39,143,086	42,933,931	42,934,080
Absorption (Net, SF)	495,924	3,821,178	544,144	3,294,197	(63,637)
NNN Asking Rent PSF	0.39	0.48	0.45	0.45	0.81
Delivered Construction (SF)	649,600	1,756,292	1,660,079	3,659,048	0
Vacancy Rate (%)	4.4	2.8	4.4	9.1	9.3
<b>Northwest</b>					
Inventory (SF)	129,057,009	132,324,645	138,535,141	139,567,170	139,975,658
Absorption (Net, SF)	4,569,741	5,863,776	3,645,368	3,523,749	1,423,102
NNN Asking Rent PSF	0.72	0.81	0.82	0.83	0.84
Delivered Construction (SF)	1,132,815	312,959	3,622,548	1,700,189	537,375
Vacancy Rate (%)	6.7	3.9	4.8	5.5	4.5

Note: Historical data has been revised due to refinement in the inventory as well as the addition of a new submarket. The West submarket was added in Q1 2023 from portions of the Northwest and Southwest submarkets.

Source: CBRE Research

	2021	2022	2023	2024	2025 YTD
<b>Southeast</b>					
Inventory (SF)	94,361,397	100,781,530	110,194,320	114,472,107	115,477,826
Absorption (Net, SF)	6,168,452	9,564,222	6,124,175	3,801,220	474,185
NNN Asking Rent PSF	0.51	0.78	0.78	0.66	0.65
Delivered Construction (SF)	2,521,440	2,855,366	8,081,556	4,863,126	944,914
Vacancy Rate (%)	7.9	3.4	4.3	6.2	7.3
<b>South</b>					
Inventory (SF)	29,064,448	29,473,110	31,999,843	34,492,871	34,715,301
Absorption (Net, SF)	342,916	500,054	1,131,220	2,773,936	49,551
NNN Asking Rent PSF	0.45	0.64	0.62	1.15	1.18
Delivered Construction (SF)	436,569	0	1,849,855	1,945,069	245,230
Vacancy Rate (%)	3.5	2.2	4.2	5.5	4.2
<b>Southwest</b>					
Inventory (SF)	77,342,891	78,889,272	80,802,642	82,996,487	84,564,510
Absorption (Net, SF)	7,152,988	3,911,376	2,367,358	1,942,639	178,626
NNN Asking Rent PSF	0.61	0.81	0.76	0.96	1.04
Delivered Construction (SF)	1,336,256	824,772	1,523,542	2,052,774	1,458,136
Vacancy Rate (%)	5.8	5.4	4.1	4.7	5.4
<b>West</b>					
Inventory (SF)	21,840,486	24,965,829	31,071,842	31,964,482	31,964,582
Absorption (Net, SF)	3,816,919	3,691,523	3,283,646	1,847,339	586,686
NNN Asking Rent PSF	0.58	1.46	0.72	1.23	1.21
Delivered Construction (SF)	1,283,947	610,322	6,107,763	892,640	0
Vacancy Rate (%)	7.9	8.9	16	15.5	11.3
<b>Houston Total</b>					
Inventory (SF)	529,874,399	551,593,928	585,935,681	602,170,837	606,288,785
Absorption (Net, SF)	29,672,507	32,641,864	19,641,878	21,465,289	2,864,687
NNN Asking Rent PSF	0.58	0.69	0.71	0.81	0.85
Delivered Construction (SF)	10,255,359	8,109,947	28,784,668	16,650,835	4,429,886
Vacancy Rate (%)	6.5	4.3	5.3	6.2	6.2

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. 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. 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.

Survey Criteria

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

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