



MARKET FUNDAMENTALS

	YOY Chg	Outlook
6.3% Vacancy Rate	▲	▬
18.6M YTD Net Absorption, SF	▲	▬
\$8.16 Asking Rent, PSF (Overall, All Property Classes) *Rental rates reflect net asking \$psf/year	▲	▲

ECONOMIC INDICATORS

	YOY Chg	Outlook
3.5M Houston Employment*	▲	▲
4.8% Houston Unemployment Rate	▲	▼
4.2% U.S. Unemployment Rate	▲	▲

Source: BLS, Moody's Analytics

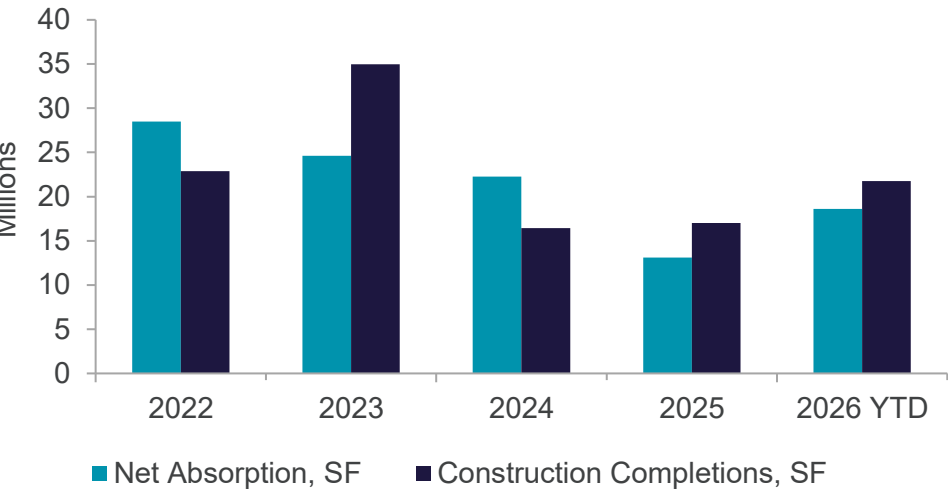
DEMAND

Houston's industrial leasing activity surged to 14.6 million square feet (msf) in Q3 2026, up 66.3% quarter-over-quarter (QOQ) and 31.3% year-over-year (YOY). The quarter marked the highest volume since Q1 2022 and far exceeded the 8.8 msf quarterly average recorded since 2023. Year-to-date (YTD) leasing reached 32.7 msf, nearly matching the 33.8 msf leased in all of 2025, putting 2026 on pace to post the market's strongest annual total since 2022.

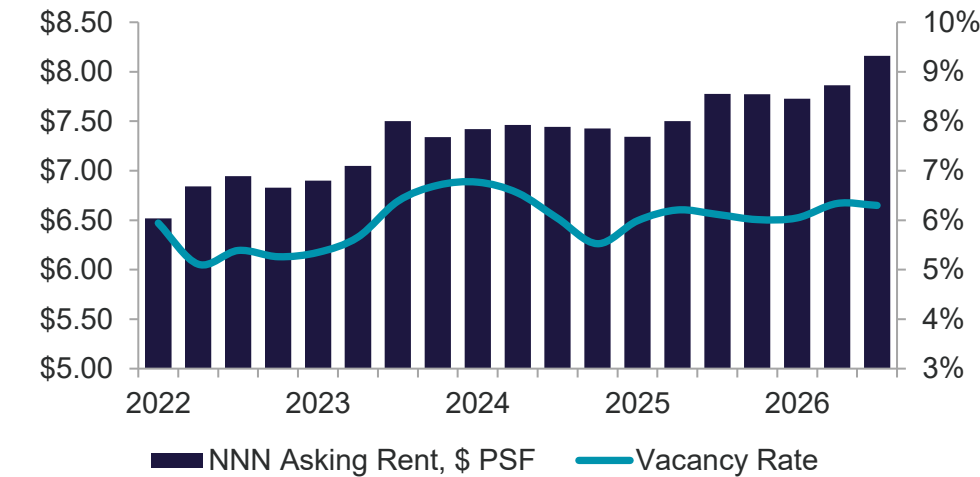
While lease count slipped to 133 from 137 in Q2 2026, the decline reflected a higher proportion of larger deals rather than a pullback in demand. Twenty leases of 250,000 square feet (sf) or more were signed during Q3, compared with ten in Q2, together accounting for nearly 65.9% of total volume. Tesla's 1.2 msf lease at Cedar Port Industrial Park, Enchanted Rock's 648,720 sf at Generation Park and Spike Electric & Controls' 642,994 sf at Bayport South Business Park headlined the quarter, reflecting a wave of manufacturing, energy and electronics users committing to large footprints. The Southeast (4.1 msf), Northwest (3.8 msf) and North (2.7 msf) submarkets led all leasing activity, the same three corridors that have absorbed the bulk of this year's new completions.

Net absorption totaled 7.3 msf in Q3 2026, the strongest quarterly figure since Q2 2022, lifting the YTD total to 18.6 msf. With one quarter remaining, 2026 net absorption has already surpassed the 13.1 msf recorded in all of 2025 by more than 41.8%. The Southeast led the market with 2.8 msf of net occupancy gains, followed by the Northwest and Southwest, which recorded 1.5 msf and 912,000 sf, respectively. Net absorption has now increased for three consecutive quarters, with tenants occupying space nearly as quickly as developers complete it and vacancy holding steady despite elevated completions.

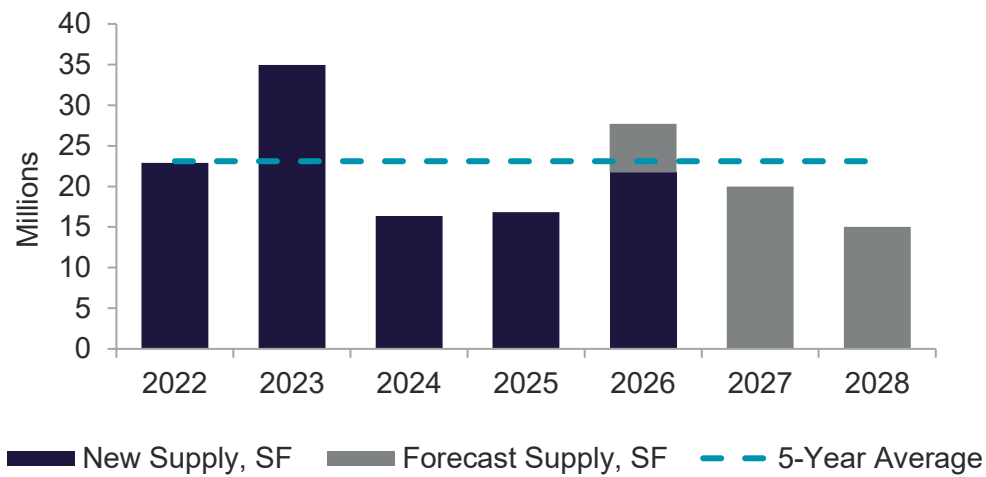
SPACE DEMAND / DELIVERIES



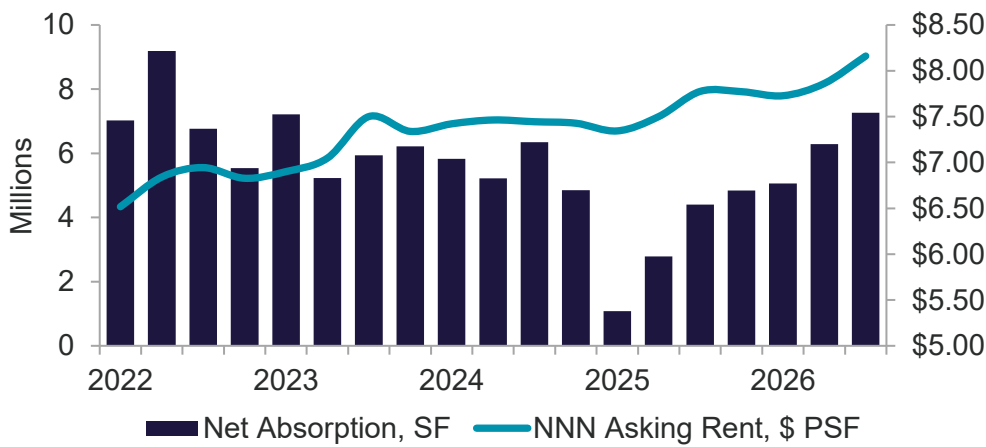
OVERALL VACANCY & ASKING RENT



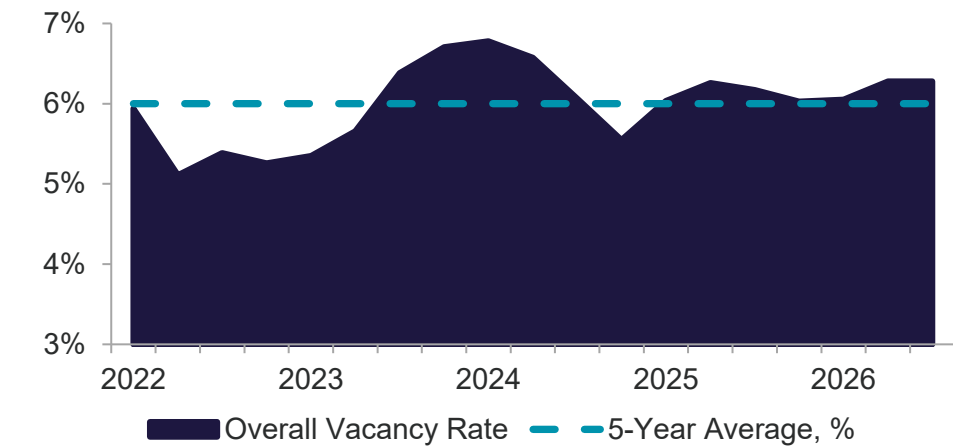
NEW SUPPLY / 5-YEAR HISTORICAL AVERAGE



OVERALL NET ABSORPTION AND ASKING RENT



OVERALL VACANCY



SUPPLY

Houston's construction pipeline eased to 19.6 msf under construction in Q3 2026, down from 23.0 msf in Q2 but still well above the 13.3 msf quarterly average recorded in 2024 and 2025. Development remained concentrated in the Northwest (6.3 msf) and North (4.7 msf) markets, which together accounted for 56.2% of space underway. Speculative product comprised 93.9% of the pipeline, though preleasing gained momentum, led by Foxconn's 1.4 msf commitment across three Innerbelt Northwest Logistics buildings.

Construction completions totaled 7.6 msf in Q3 2026, following 8.6 msf in Q2, the first time Houston has posted two consecutive quarters above 7.5 msf since late 2023. YTD completions reached 21.8 msf, already above the 17.0 msf completed in all of 2025. The North (2.2 msf) and Southeast (1.6 msf) markets led in completions, together accounting for 49.4% of the quarterly total. Notable projects underway include Prologis Legacy Point - Building 1 (1.0 msf) in the Northwest and Core5 Logistics Center at Airtex - Building 2 (612,208 sf) in the North.

Overall vacancy held at 6.3% in Q3 2026, unchanged QOQ and up 20 basis points (bps) YOY. Record-pace net absorption kept vacancy in check despite the heaviest YTD completions since 2023, underscoring Houston's capacity to absorb an elevated wave of new supply.

Sublease availability rose to 5.0 msf, or 0.8% of inventory, up from 4.1 msf in Q2 and slightly above the five-year average of 0.7%. ExxonMobil's 525,200-sf block at Houston Tradeport in the Southeast and Marsden Services' 307,400 sf at Port North 59 in the North were the largest offerings. Nearly 62.8% of the total is not yet available for occupancy, limiting near-term pressure on vacancy.

PRICING

Average asking rents closed Q3 2026 at \$8.16 per square foot (psf), a record high for the Houston industrial market. The rate marked an increase of 3.8% QOQ and 5.0% YOY, the largest quarterly gain since Q3 2023. The Southwest (\$9.28 psf), South (\$8.89 psf) and Northwest (\$8.72 psf) submarkets commanded the highest rents, while the North (8.2%), Northwest (7.1%) and Northeast (5.7%) posted the strongest annual growth.

In the warehouse/distribution sector, the largest segment of Houston's industrial market, asking rents reached \$7.93 psf, up 3.8% QOQ and 4.2% YOY. Rent growth remained firm despite the active delivery pipeline, underscoring sustained tenant demand across Houston.

OUTLOOK

- Strong leasing activity and net absorption are expected to keep industrial fundamentals on solid footing as development activity moderates. Continued tenant expansion across logistics, manufacturing and energy-related industries should support occupancy gains and sustain demand for newly delivered space.
- With absorption keeping pace with an easing construction pipeline, overall vacancy is more likely to hold steady in the near term than climb meaningfully, provided leasing momentum carries into the next few quarters.
- Asking rents are expected to remain supported by steady tenant demand and a construction pipeline that continues to ease. As supply and demand conditions become more balanced, the market should continue to record modest rent growth, particularly in newer warehouse and distribution properties.

MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	OVERALL VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CONSTRUCTION (SF)	YTD CONSTRUCTION COMPLETIONS (SF)	OVERALL WEIGHTED AVG NET RENT (MF)	OVERALL WEIGHTED AVG NET RENT (OS)	OVERALL WEIGHTED AVG NET RENT (W/D)
CENTRAL BUSINESS DISTRICT	221,249	0	0.0%	0	0	0	0	N/A	N/A	N/A
North-Near	6,221,511	184,453	3.0%	-12,174	-42,374	0	0	\$3.84	N/A	\$6.19
North-Mid	18,378,005	1,098,220	6.0%	23,173	740,388	63,440	904,792	\$10.40	N/A	\$7.85
North-Far	64,749,457	5,532,617	8.5%	601,324	1,815,835	4,035,151	2,949,535	\$12.83	\$9.27	\$8.10
North-Montgomery County	16,167,290	130,668	0.8%	165,061	190,398	566,000	0	\$9.12	\$16.72	\$9.35
NORTH	105,516,263	6,945,958	6.6%	777,384	2,704,247	4,664,591	3,854,327	\$9.06	\$10.03	\$8.04
Northeast-Near	24,051,768	1,670,963	6.9%	53,827	205,111	371,361	150,416	\$5.88	\$8.25	\$7.31
Northeast-Far	16,708,232	2,513,001	15.0%	181,358	419,259	477,250	592,366	\$6.00	N/A	\$7.60
NORTHEAST	40,760,000	4,183,964	10.3%	235,185	624,370	848,611	742,782	\$5.93	\$8.25	\$7.47
Northwest-Near	25,052,387	1,608,263	6.4%	-87,174	-229,831	114,003	0	\$9.31	\$11.20	\$7.91
Northwest-Far	127,400,413	6,680,902	5.2%	1,611,464	5,229,799	6,232,434	5,399,352	\$7.71	\$11.94	\$8.64
NORTHWEST	152,452,800	8,289,165	5.4%	1,524,290	4,999,968	6,346,437	5,399,352	\$8.46	\$11.72	\$8.48
South-Near	23,459,281	1,512,177	6.4%	61,252	237,993	0	788,576	\$9.29	\$15.88	\$8.23
South-Far	24,790,792	1,945,479	7.8%	588,419	1,877,037	3,542,431	2,638,542	\$6.50	\$14.21	\$8.42
SOUTH	48,250,073	3,457,656	7.2%	649,671	2,115,030	3,542,431	3,427,118	\$8.49	\$14.77	\$8.34
Southeast-Near	35,029,114	2,090,660	6.0%	-216,403	-500,871	0	0	\$8.71	\$4.44	\$5.74
Southeast-Mid	18,367,542	869,000	4.7%	124,409	512,646	0	157,336	N/A	N/A	\$9.38
Southeast-Far	89,978,245	8,723,592	9.7%	2,917,174	3,857,456	2,891,766	4,948,646	\$12.56	\$10.18	\$7.75
SOUTHEAST	143,374,901	11,683,252	8.1%	2,825,180	3,869,231	2,891,766	5,105,982	\$11.41	\$9.14	\$7.49
Southwest-Near	4,389,775	34,000	0.8%	10,000	-14,000	0	0	N/A	N/A	\$8.40
Southwest-Far	66,311,439	2,022,141	3.0%	902,259	2,943,497	1,297,844	1,877,439	\$12.50	\$12.68	\$8.80
SOUTHWEST	70,701,214	2,056,141	2.9%	912,259	2,929,497	1,297,844	1,877,439	\$12.50	\$12.68	\$8.79
West-Far	33,827,653	1,794,822	5.3%	-511,199	-329,927	0	332,800	N/A	\$13.53	\$7.68
West-Waller County	25,636,070	687,569	2.7%	847,850	1,695,874	0	1,024,590	N/A	N/A	\$10.41
WEST	59,463,723	2,482,391	4.2%	336,651	1,365,947	0	1,357,390	N/A	\$13.53	\$8.10
HOUSTON TOTALS	620,740,223	39,098,527	6.3%	7,260,620	18,608,290	19,591,680	21,764,390	\$9.33	\$12.02	\$7.93

KEY NEW LEASE TRANSACTIONS Q3 2026

BUILDING	ADDRESS	SUBMARKET	TENANT	SF
Cedar Port Industrial Park – Building DC4	7505 Fisher Road	Southeast	Tesla	1,218,956
Generation Park	10100 West Lake Houston Parkway	Northeast	Enchanted Rock	648,720
Bayport South Business Park	10591 Red Bluff Road	Southeast	Spike Electric & Controls	642,994
South Belt Central Business Park – Building 5	4897 South Belt Central Drive	South	Hyve/TD Synnex	620,728

KEY NEW SALES TRANSACTIONS Q3 2026

BUILDING	ADDRESS	SUBMARKET	SELLER BUYER	SF
Park 1099	23623 Colonial Parkway	West	Memorial Herman Hospital Systems Inventec Corporation	745,948
Beltway 35 Business Park	11022 Telephone Road	South	Greystar Real Estate Partners EQT Real Estate	589,280
Constellation Rosslyn	11892 North Houston Rosslyn Road	Northwest	Constellation Partners E&D Holding	284,960
NoHo Logistics Center	13600 John F Kennedy Boulevard	North	BentallGreenOak / Greenlaw Partners LBA Logistics	280,814

This map illustrates the planning regions of Montgomery County, Texas, which are categorized into three levels: Far, Mid, and Near. The regions are color-coded in shades of blue and green. Major highways, including Interstates 10, 45, 69, and 90, as well as State Routes 290, 249, 336, 242, 99, 8, 6, 146, 225, 3, 35, 288, 59, and 69, are shown. The map also identifies neighboring areas like Waller County and N-Montgomery Co. Key locations marked include the CBD (Central Business District) and two airports (indicated by airplane icons). The regions are labeled as follows:

- NORTH - FAR**
- WEST - FAR**
- SW - FAR**
- SE - FAR**
- NE - FAR**
- NORTH - MID**
- SW - NEAR**
- SOUTH - NEAR**
- SE - NEAR**
- SE - MID**
- NW - NEAR**
- NORTH - NEAR**
- NE - NEAR**
- CBD**

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