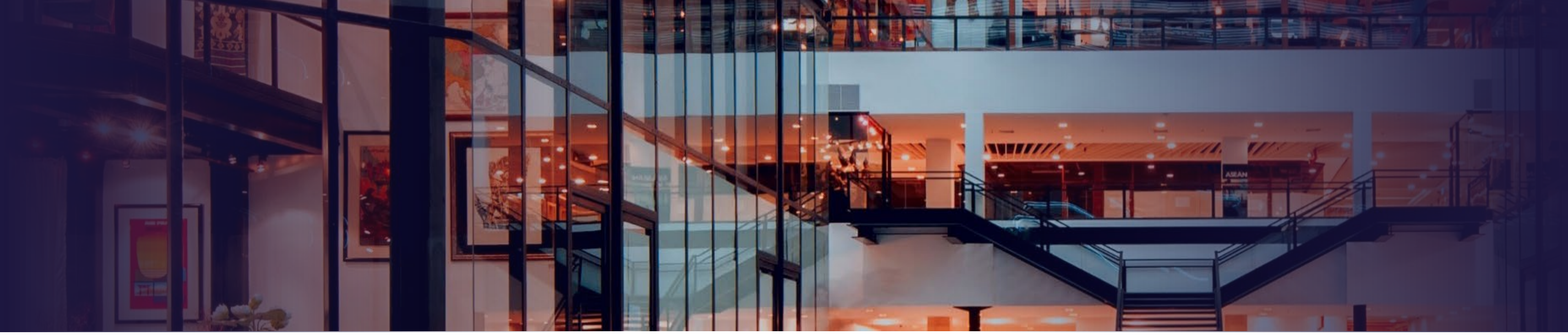
MARKETBEAT
HOUSTON
RETAIL Q2 2026



CUSHMAN & WAKEFIELD

MARKET FUNDAMENTALS

	YOY Chg	Outlook
5.8% Overall Vacancy	▲	▬
$21.52 Avg. Direct NNN Rent	▲	▲
$88,200 Median HH Income	▲	▲
1.3% Population Growth (YOY)	▼	▲
4.8% Unemployment Rate	▲	▼

ECONOMIC INDICATORS

	YOY Chg	Outlook
2.2% GDP Growth	▲	▲
3.7% Consumer Price Index Growth	▲	▲
2.1% Consumer Spending Growth	▼	▲
1.5% Retail Sales Growth	▼	▲

Source: BLS, BEA, Census Bureau, CoStar, Cushman & Wakefield Research

SUPPLY AND DEMAND

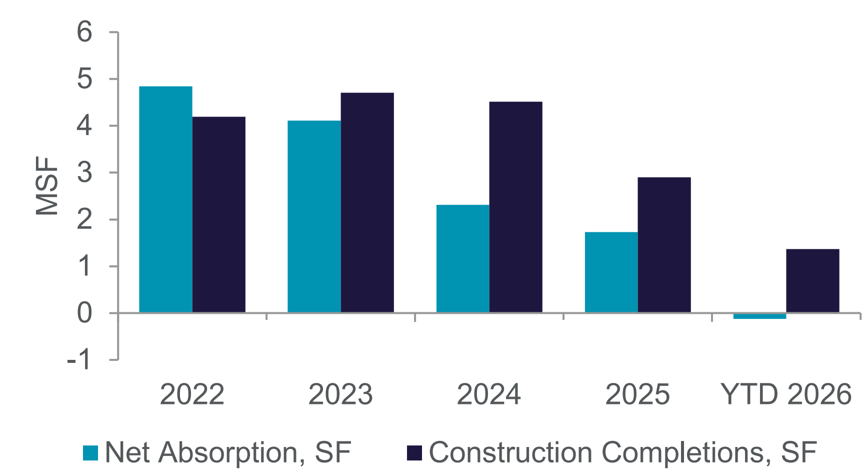
Houston's retail vacancy rate ended Q2 2026 at 5.8%, up 10 basis points both quarter-over-quarter (QOQ) and year-over-year (YOY). Vacancy has remained within a narrow range of 5.0% to 5.8% over the past four years, underscoring the market's stability. Following three consecutive quarters of declining completions, deliveries rebounded to 842,767 square feet (sf), up from 524,272 sf in Q1 2026, bringing year-to-date completions to nearly 1.4 million square feet (msf).

At the close of the quarter, 161 retail developments totaling 3.8 msf were under construction, slightly below the five-year quarterly average of 3.9 msf. Development remained concentrated in a handful of submarkets, with the Far Northwest, East and Far Southwest accounting for 2.0 msf, or 54.7% of all space underway. The Far Northwest led with 734,342 sf, followed by the East (715,204 sf) and Far Southwest (631,472 sf). Notable projects underway included San Jacinto Marketplace, Fidelis Realty Partners' redevelopment of the former San Jacinto Mall in Baytown, and NewQuest Properties' Texas Heritage Marketplace in Katy.

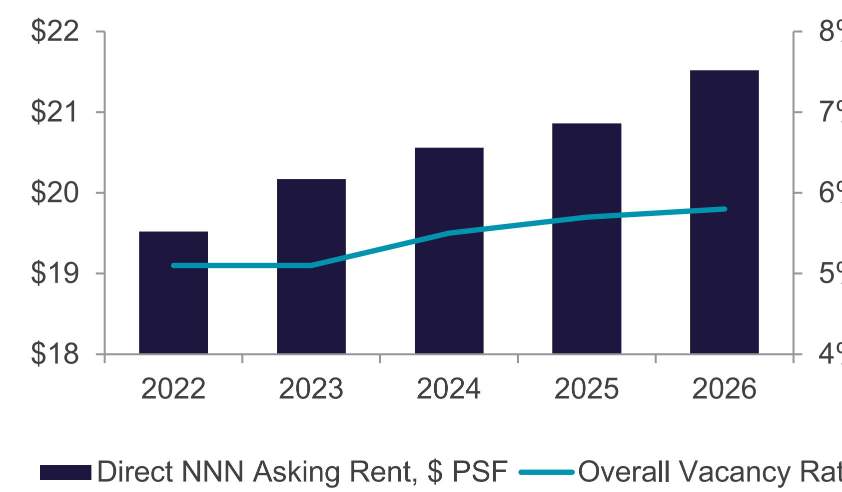
Occupancy losses totaled 517,946 sf, marking the first quarter of negative absorption since Q4 2006. Given Houston's 398.4 msf inventory base, the decline had minimal impact on overall market fundamentals and effectively resulted in a flat quarter. Occupancy losses in the Central/Inner Loop, Far North, East and NASA/Clear Lake/Galveston submarkets drove the decline, with each recording more than 100,000 sf of negative absorption.

Leasing activity totaled 1.5 msf, down 26.2% QOQ and 38.2% YOY. This marked the lowest level since Q2 2020 and reflected tenant demand normalizing from the elevated levels of recent years as retailers adopt a more cautious approach to expansion and site selection. Leasing volume was accompanied by a decline in deal count, with 474 leases signed in Q2 2026, down nearly 11.0% QOQ, as tenants favored smaller footprints and became more selective. The West/Northwest submarket led leasing with 242,139 sf, followed by South (202,878 sf) and the Katy Area (189,722 sf).

SPACE DEMAND / DELIVERIES



ASKING RENT & VACANCY RATE



PRICING

Rental rates ended Q2 2026 at $21.52 per square foot (psf), up 1.2% from the previous quarter and 6.2% higher than the $20.26 psf recorded YOY. Continued rent growth despite softer leasing activity and a disciplined pace of new supply underscores the market's resilient fundamentals and landlords' pricing power. The South submarket recorded the strongest YOY growth, rising 9.0% to $19.03 psf, followed by NASA/Clear Lake/Galveston, up 8.5% to $18.08 psf, and the Katy Area, up 6.9% to $26.38 psf.

MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	DIRECT VACANT (SF)	SUBLEASE VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR NET ABSORPTION (SF)	YTD NET ABSORPTION (SF)	UNDER CONSTR (SF)	DELIVERIES (SF)	LEASING ACTIVITY (SF)	DIRECT AVG NNN ASKING RENT	ASKING RENT % CHANGE YOY
Central/Inner Loop	31,898,884	2,107,600	36,560	6.7%	-122,312	-56,441	53,524	14,927	116,055	$32.17	7.3%
Uptown/Galleria	4,524,928	224,087	3,863	5.0%	-12,390	8,226	10,000	0	13,499	$29.94	-25.2%
Memorial/Westchase	14,906,653	896,803	26,126	6.2%	-9,114	-129,587	30,000	0	39,232	$24.25	3.0%
Katy Area	31,697,826	1,403,757	20,301	4.5%	7,164	231,914	599,401	61,851	189,722	$26.38	6.9%
West/Northwest	65,138,059	4,030,321	96,417	6.3%	-59,920	-432,242	122,212	20,537	242,139	$17.06	3.0%
Far Northwest	38,551,133	2,174,033	26,369	5.7%	92,922	46,451	734,342	145,550	129,323	$23.00	5.7%
Far North	35,500,907	1,475,330	40,852	4.3%	-124,504	39,375	469,659	74,394	169,903	$22.38	5.3%
Spring/Kingwood	10,807,187	730,173	6,180	6.8%	-31,473	-48,711	0	12,400	46,754	$20.25	6.5%
East	24,686,094	1,279,191	54,940	5.4%	-100,744	-106,848	715,204	0	70,418	$17.87	2.1%
NASA/Clear Lake/Galveston	27,672,616	1,675,502	14,004	6.1%	-151,997	101,502	122,503	8,900	123,994	$18.08	8.5%
South	49,693,082	3,387,923	19,632	6.9%	-63,289	77,742	272,916	386,889	202,878	$19.03	9.0%
Southwest	20,315,201	758,965	17,623	3.8%	27,132	20,640	42,500	10,000	54,716	$19.74	0.5%
Far Southwest	43,026,822	2,438,342	46,824	5.8%	30,579	123,353	631,472	107,319	143,611	$23.02	6.8%
HOUSTON TOTAL	398,419,392	22,582,027	409,691	5.8%	-517,946	-124,626	3,803,733	842,767	1,542,244	$21.52	6.2%

KEY LEASE TRANSACTIONS Q2 2026

BUILDING	ADDRESS	SUBMARKET	TENANT	SF
Point Nasa Shopping Center	1020 West Nasa Parkway	NASA/Clear Lake/Galveston	Crazy Hot Buys	48,223
North Oaks Shopping Center	4501-4765 FM 1960 Road West	West/Northwest	Confidential	43,880
Panther Creek Village Center	4775 West Panther Creek Drive	Far North	Lava Island	38,400
Almeda Crossing	10025-10055 Almeda Genoa Road	South	Confidential	30,000

KEY SALES TRANSACTIONS Q2 2026

BUILDING	ADDRESS	SUBMARKET	SELLER | BUYER	% LEASED	SF
Deerbrook Marketplace	20408-20520 Highway 59 North	Spring/Kingwood	Equity Street Capital | Big V Property Group	100%	358,024
9000 Six Pines Drive	9000 Six Pines Drive	Far North	Life Time Group Holdings | Realty Income Corp	100%	278,000
Greenway Plaza (Retail)	1 City Club Drive	Central/Inner Loop	Parkway/Nuveen/CPPIB | Interra Properties	100%	250,227
Willowbrook Court	17776 State Highway 249	West/Northwest	Mark Zeidman | Confidential	67.1%	137,650

LEADING RESTAURANT/BAR SALES MONTHLY AVERAGE (REPORTED ALCOHOL TOTAL RECEIPTS TRAILING 6 MONTHS)

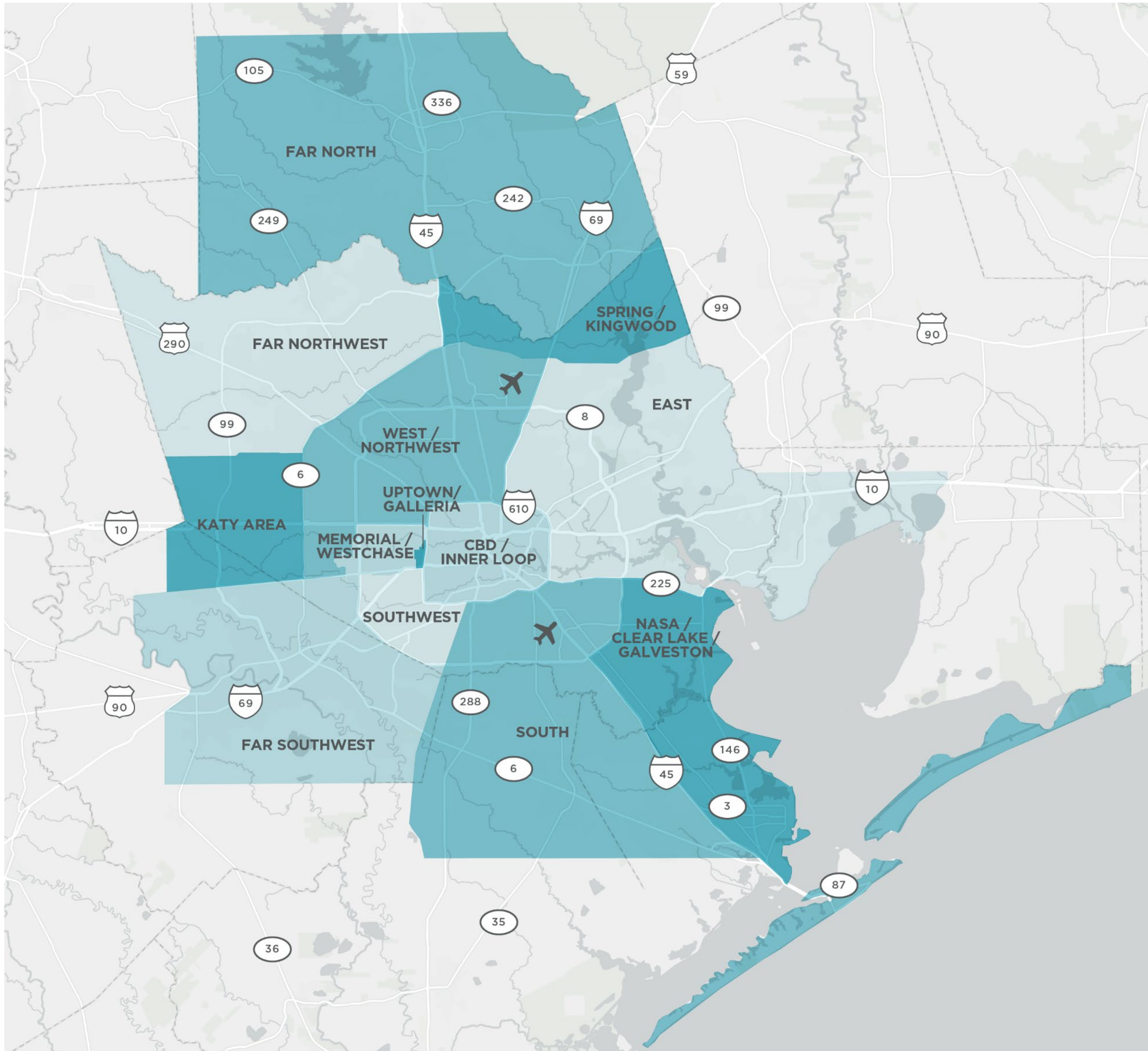
ESTABLISHMENT	MONTHLY AVERAGE
Steak 48	$635,773.67
Melrose	$423,679.50
Toca Madera	$403,074.83
Vic & Anthony's Steakhouse	$348,791.00

ESTABLISHMENT	MONTHLY AVERAGE
Café Toulouse	$310,781.83
Haywire	$307,927.00
McIntyre's	$296,850.33
Carrabba's Restaurant	$287,752.83

ESTABLISHMENT	MONTHLY AVERAGE
Dona Leti's Restaurant and Bar	$284,600.50
Credence & Sidebar	$279,003.17
Iron Cowboy Lounge & Eatery	$271,513.00
Postino Wine Café	$269,232.00

Source: Texas Alcohol Beverage Commission (TABSREPORT)

RETAIL SUBMARKETS



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