MARKETBEAT
HOUSTON
INDUSTRIAL Q2 2026

CUSHMAN & WAKEFIELD

MARKET FUNDAMENTALS

	YOY Chg	Outlook
6.3% Vacancy Rate	—	▲
11.9M YTD Net Absorption, SF	▲	—
$7.87 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

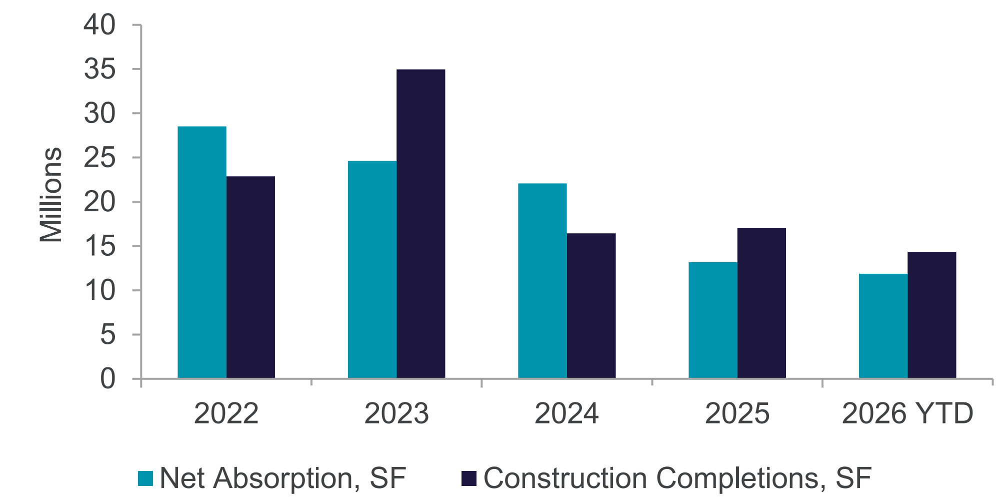
Houston's industrial leasing activity totaled nearly 8.3 million square feet (msf) in Q2 2026, in line with the market's 8.3 msf quarterly average since 2023. The Northwest (2.0 msf), South (1.6 msf), and North (1.4 msf) submarkets led all leasing activity, together accounting for more than 60.0% of the overall leasing volume during the quarter. YTD leasing reached 17.4 msf, up 17.2% from the same period in 2025, highlighting sustained occupier demand across Houston's primary distribution corridors and supporting continued leasing momentum through the remainder of 2026.

The North, South, and Southwest submarkets each recorded a notable increase in leasing volume quarter-over-quarter (QOQ). Much of the North's demand stemmed from a large number of midsize and smaller deals rather than a single large transaction, while gains in the South and Southwest were driven largely by two multi-building deals: TAS Energy's three-building lease at Carson 288 in the South and Applied Optoelectronics' expansion across three buildings at Hightower Business Park in the Southwest.

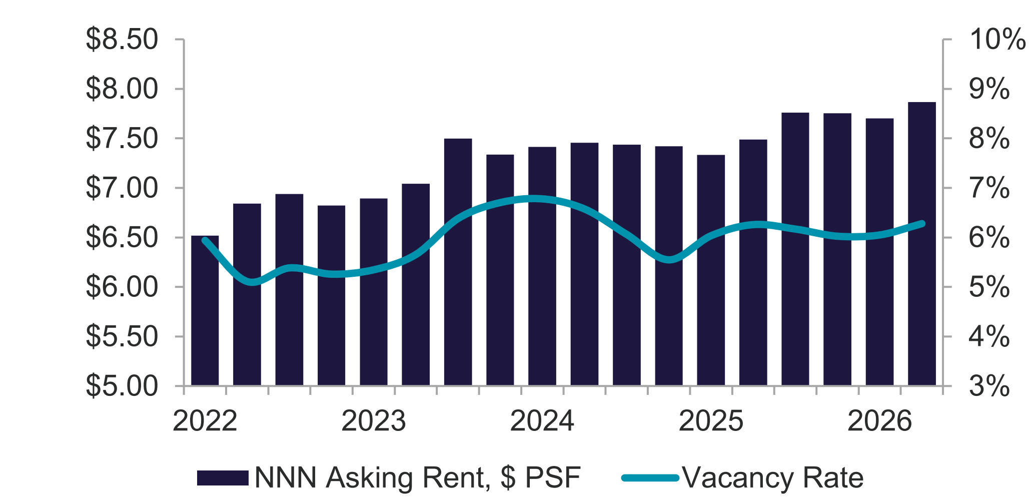
Net absorption totaled 6.7 msf in Q2 2026, bringing the YTD total to 11.9 msf, more than triple the 3.7 msf recorded through the first half of 2025 and Houston's strongest first-half performance in three years. The pace of net occupancy gains has accelerated, reinforcing market fundamentals and helping mitigate upward pressure on vacancy despite robust construction completions.

The Northwest submarket led the market with roughly 2.5 msf of net absorption during the quarter, bringing the YTD total to just over 3.6 msf. The Southwest and North submarkets also posted solid occupancy gains, each recording 1.8 msf through the first half of 2026. Together, the Northwest, Southwest, and North submarkets accounted for more than half of Houston's first-half absorption, underscoring their role as primary drivers of market expansion.

SPACE DEMAND / DELIVERIES

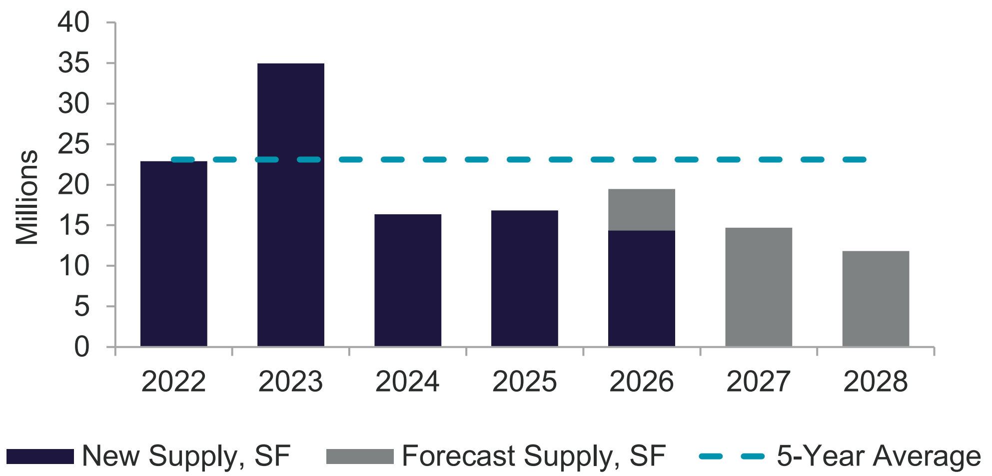


OVERALL VACANCY & ASKING RENT

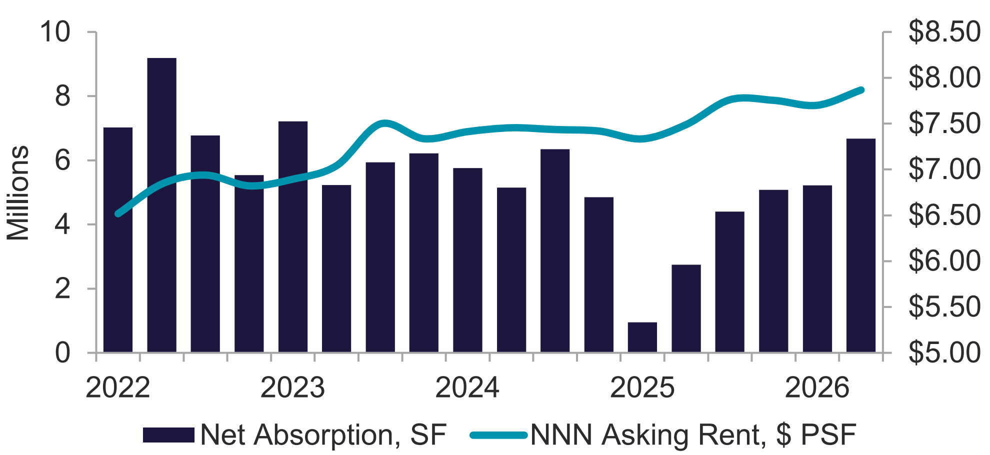


HOUSTON
INDUSTRIAL Q2 2026

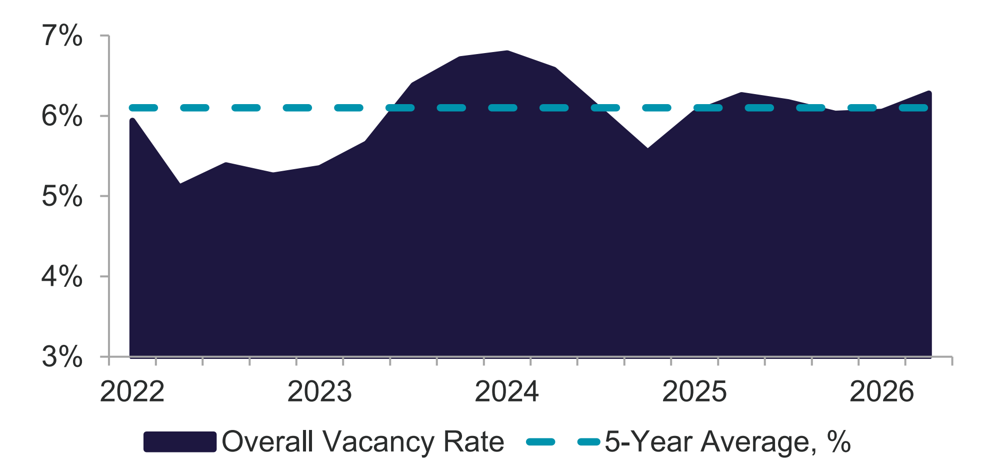
NEW SUPPLY / 5-YEAR HISTORICAL AVERAGE



OVERALL NET ABSORPTION AND ASKING RENT



OVERALL VACANCY



SUPPLY

Houston's industrial pipeline remained elevated in Q2 2026 at 23.0 msf under construction. While activity moderated from the prior quarter, it remained substantially above the 13.3 msf quarterly average recorded in 2024 and 2025. Construction activity was concentrated in the North (6.2 msf) and Northwest (5.9 msf) submarkets, which together accounted for more than half of all space underway. Speculative development continued to dominate the pipeline, comprising more than 93.0% of construction activity and reflecting developer confidence in the market's ability to absorb future deliveries.

Delivery volume was similarly active, with 8.6 msf completed in Q2 2026, marking Houston's strongest quarter for new supply since 2023 and lifting YTD completions to 14.3 msf. Notable completions included Prologis Legacy Point Building 1 (1.0 msf) and Innerbelt Northwest Logistics Building 5 (955,460 square feet (sf)), both located in the Northwest-Far submarket.

Overall vacancy increased to 6.3% in Q2 2026, up 30 basis points QOQ but unchanged year-over-year (YOY). While new deliveries outpaced absorption in several submarkets during the quarter, vacancy held within its recent range, reflecting Houston's capacity to absorb a sizable volume of newly delivered space.

Sublease availability held steady at 4.5 msf, or 0.7% of the total inventory, in line with the market's five-year average. The largest blocks currently available included Palmer Logistics (312,000 sf) in the Northeast and Marsden Services (307,000 sf) in the North. Limited sublease availability suggests occupiers remain committed to their existing footprints.

PRICING

Average asking rents closed Q2 2026 at $7.87 per square foot (psf), up 2.2% QOQ and 5.0% YOY. The South ($9.24 psf), West ($8.99 psf), and Southwest ($8.57 psf) submarkets continued to command the highest asking rents in the market. The South (16.7%), West (15.7%), and North (12.0%) posted the strongest annual rent growth, helping sustain citywide rent gains despite a steady flow of new supply.

In the warehouse/distribution sector, the largest segment of Houston's industrial market, asking rents closed Q2 2026 at $7.67 psf, up 2.5% QOQ and 3.9% YOY. Despite a steady stream of new deliveries, rent growth remained positive, underscoring the resilience of tenant demand across Houston.

OUTLOOK

- Leasing activity is expected to remain healthy through the remainder of 2026 and into 2027, as Houston's core distribution corridors continue attracting large-format occupiers and absorption keeps pace with, or outpaces, new deliveries.
- Vacancy is likely to see continued upward pressure into 2027 as new deliveries reach the market. Sustained leasing and absorption momentum will be the key factor in determining whether the market avoids a more meaningful supply overhang.
- Rent growth in the market's top-performing submarkets is likely to moderate in 2027 as new supply delivers and vacancy rises, though landlords with modern, well-located product should retain pricing power.

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	259,279	4.2%	-117,200	-117,200	0	0	$3.00	$7.20	$6.50
North-Mid	18,051,919	610,281	3.4%	21,885	883,341	389,526	578,706	N/A	N/A	$11.27
North-Far	62,971,354	4,521,011	7.2%	1,208,467	998,169	5,226,068	1,090,418	$7.74	$9.85	$8.19
North-Montgomery County	16,167,290	305,705	1.9%	10,547	15,361	566,000	0	N/A	$21.40	$8.92
NORTH	**103,412,074**	**5,696,276**	**5.5%**	**1,123,699**	**1,779,671**	**6,181,594**	**1,669,124**	**$6.27**	**$10.34**	**$8.20**
Northeast-Near	24,051,768	1,698,689	7.1%	-267,221	151,285	0	150,416	$5.88	$8.25	$7.31
Northeast-Far	16,115,866	1,453,273	9.0%	967,526	886,621	678,616	0	$4.06	N/A	$6.23
NORTHEAST	**40,167,634**	**3,151,962**	**7.8%**	**700,305**	**1,037,906**	**678,616**	**150,416**	**$4.89**	**$8.25**	**$6.76**
Northwest-Near	25,052,387	1,513,432	6.0%	-298,953	-135,000	0	0	$9.31	$11.26	$7.20
Northwest-Far	126,882,737	7,252,337	5.7%	2,771,440	3,813,768	5,933,392	4,635,726	$9.82	$10.87	$8.39
NORTHWEST	**151,935,124**	**8,765,769**	**5.8%**	**2,472,487**	**3,678,768**	**5,933,392**	**4,635,726**	**$9.68**	**$10.96**	**$8.17**
South-Near	23,459,281	1,589,308	6.8%	253,060	160,862	0	788,576	$9.00	$16.16	$8.10
South-Far	23,763,205	1,567,311	6.6%	1,165,213	1,268,518	4,287,746	1,610,955	$6.00	$10.50	$9.58
SOUTH	**47,222,486**	**3,156,619**	**6.7%**	**1,418,273**	**1,429,380**	**4,287,746**	**2,399,531**	**$7.89**	**$14.47**	**$8.80**
Southeast-Near	35,029,114	2,072,652	5.9%	-16,919	-427,863	0	0	$6.86	$4.44	$5.83
Southeast-Mid	18,367,542	903,210	4.9%	29,785	478,436	0	157,336	N/A	N/A	$10.08
Southeast-Far	88,336,827	10,243,514	11.6%	337,611	909,663	3,657,747	3,397,228	$10.99	$9.95	$7.37
SOUTHEAST	**141,733,483**	**13,219,376**	**9.3%**	**350,477**	**960,236**	**3,657,747**	**3,554,564**	**$8.97**	**$9.19**	**$7.24**
Southwest-Near	4,389,775	34,000	0.8%	6,000	-14,000	0	0	N/A	N/A	$8.40
Southwest-Far	64,917,184	1,788,076	2.8%	112,585	1,837,186	2,244,967	576,374	N/A	$12.32	$8.21
SOUTHWEST	**69,306,959**	**1,822,076**	**2.6%**	**118,585**	**1,823,186**	**2,244,967**	**576,374**	**N/A**	**$12.32**	**$8.21**
West-Far	33,967,529	1,342,094	4.0%	98,396	167,192	0	332,800	N/A	$12.86	$7.56
West-Waller County	25,636,070	1,368,299	5.3%	395,266	1,015,144	0	1,024,590	N/A	N/A	$10.42
WEST	**59,603,599**	**2,710,393**	**4.5%**	**493,662**	**1,182,336**	**0**	**1,357,390**	**N/A**	**$12.86**	**$8.21**
HOUSTON TOTALS	**613,602,608**	**38,522,471**	**6.3%**	**6,677,488**	**11,891,483**	**22,984,062**	**14,343,125**	**$8.06**	**$11.49**	**$7.67**

KEY NEW LEASE TRANSACTIONS Q2 2026

BUILDING	ADDRESS	SUBMARKET	TENANT	SF
Kingsland Ranch Logistics Park – Building 5	4014 Kingsland Ranch Drive	West	Tesla	504,370
Hightower Business Park – Building 2	6100 McHard Road	Southwest	Applied Optoelectronics	343,332
Beltway 35 Business Park – Building 5	South Sam Houston Parkway East	South	Titanium Plus Autoparts	342,667
Carson 288 – Building H	2920 Airport Boulevard	South	TAS Energy	321,172

KEY NEW SALES TRANSACTIONS Q2 2026

BUILDING	ADDRESS	SUBMARKET	SELLER | BUYER	SF
Generation Park Distribution Center – Building 1	12515 Lockwood Road	Northeast	Outrigger Industrial | Quality Group of Companies	1,026,270
Grand Central West Industrial Park	22206 Beckendorff Road	Northwest	PinPoint Commercial | Goldman Sachs	843,360
Twinwood Distribution Center – Building 3	2193 Discovery Hills Parkway	West	Clay Development & Construction | Bridge Investment Group	767,520
Rankin Yards Campus	1310 Rankin Road	North	Wellbore Integrity Solutions | PlaceMKR	620,465

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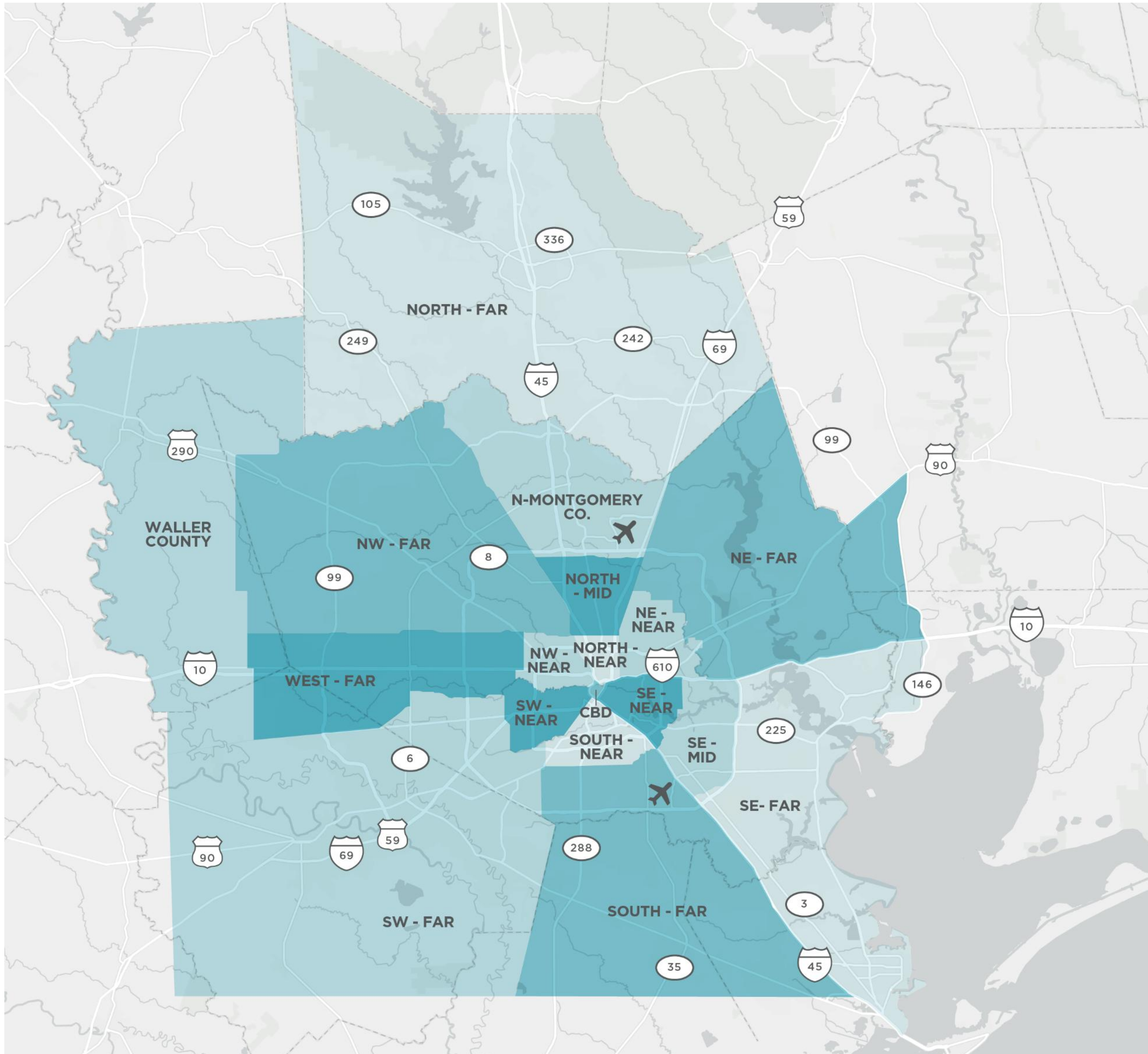
INDUSTRIAL SUBMARKETS



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