



MARKET FUNDAMENTALS

	YOY Chg	Outlook
5.5% Vacancy Rate	▼	▲
4.9M Net Absorption, SF	▼	▼
\$7.47 Asking Rent, PSF	▲	▲

*(Overall, All Property Classes)
Rental rates reflect net asking \$psf/year

ECONOMIC INDICATORS

	YOY Chg	Outlook
3.5M Houston Employment	▲	▲
4.5% Houston Unemployment Rate	▲	▼
4.2% U.S. Unemployment Rate	▲	▲

Source: BLS

ECONOMY

Total employment stood at 3.5 million in Houston's metro area (MSA) at the end of 2024, representing a 1.8% year-over-year (YOY) increase. Houston's YOY job growth is higher than the 1.4% YOY climb experienced nation-wide and among the 10 U.S. markets with the largest labor forces, Houston's annual growth ranked first.

The Houston MSA private employment sectors with the largest YOY growth included Construction (6.2%), Other Services (6.0%), Education & Health Services (3.8%), Financial Activities (2.4%), Manufacturing (1.8%), and Mining & Logging (1.4%). Just one sector declined during that time – Information (-2.6%). Houston's unemployment rate swelled by 40 basis points (bps) YOY, ending 2024 at 4.5%, just above the national rate of 4.2%.

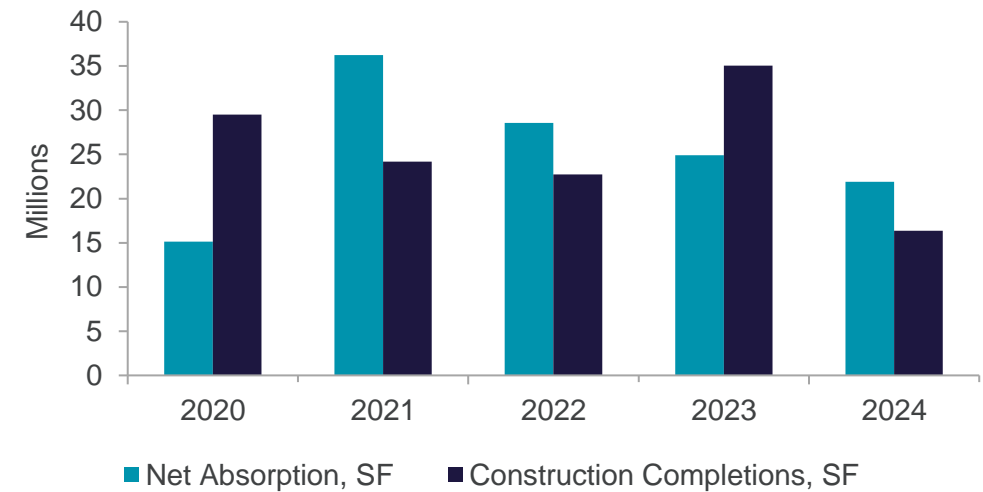
SUPPLY

Houston's industrial development pipeline remained subdued in Q4 2024, delivering just 2.0 million square feet (msf). Total deliveries for the year amounted to 16.4 msf, less than half of 2023's 35.0 msf. The Southeast (5.8 msf) and South (2.9 msf) markets led in construction completions, together contributing more than half of the year's new supply.

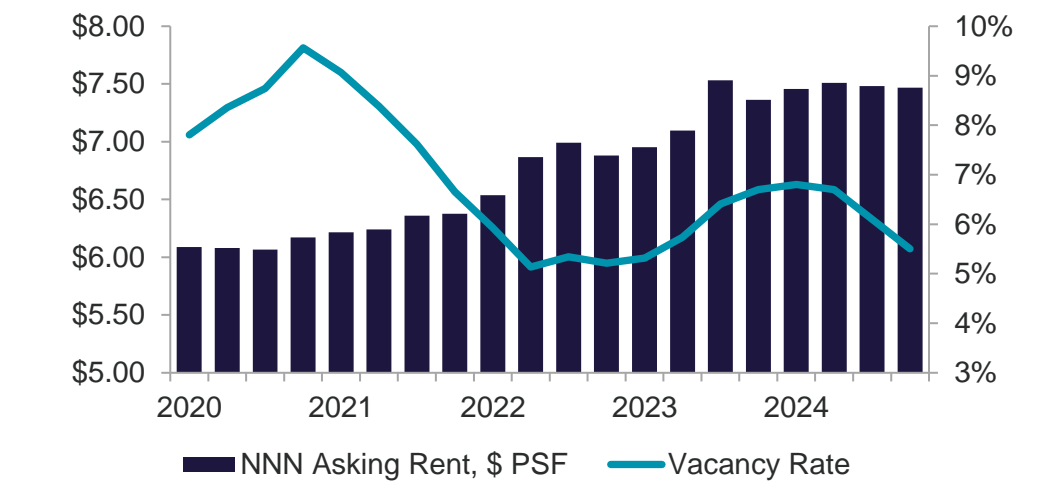
New construction starts totaled 4.0 msf during the quarter, marking the first time since Q4 2022 that construction starts outpaced deliveries—a significant inflection point for the development pipeline. This increased activity brought the aggregate space under construction to 11.5 msf, with the Southeast (2.9 msf) and Southwest (2.2 msf) markets accounting for nearly half of the total. Most of the industrial buildings underway consist of speculative developments, accounting for 95% of the total under construction.

Sublease availability remained stable, closing the year with 4.8 msf of sublease space available. At 0.8%, Houston's sublease availability rate continued to hover near the five-year historical average of 0.7% for the market.

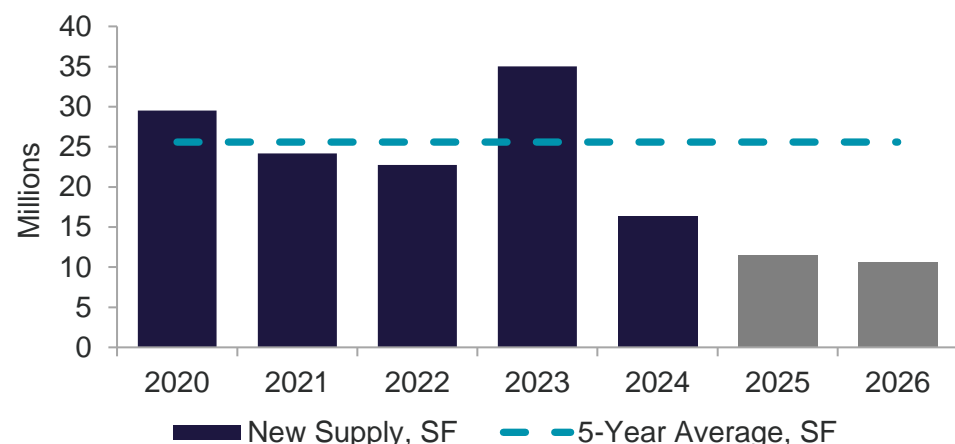
SPACE DEMAND / DELIVERIES



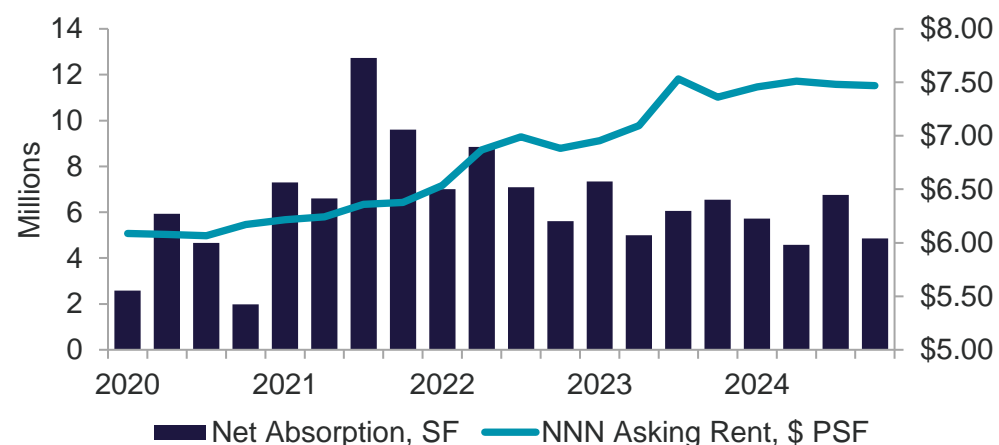
OVERALL VACANCY & ASKING RENT



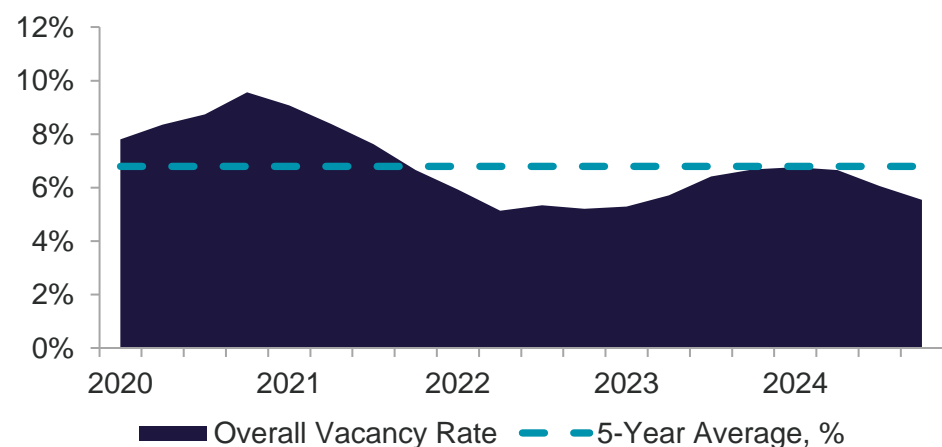
NEW SUPPLY / 5-YEAR HISTORICAL AVERAGE



OVERALL NET ABSORPTION AND ASKING RENT



OVERALL VACANCY



DEMAND

Following five quarters of robust leasing activity, Houston's industrial demand declined noticeably, with just 6.1 msf of new leasing activity recorded in Q4 2024. This represented a 27.4% drop from the previous quarter and marked the lowest quarterly leasing total prior to the pandemic. Despite this decline for the quarter, Houston's annual new leasing totaled 31.3 msf, down only 6.2% from 2023. The Northwest market was the most active submarket for both the quarter (1.6 msf) and the year (7.7 msf), followed by the North (7.6 msf) and Southeast (5.1 msf) in annual leasing totals.

Although net absorption fell from the prior quarter's strong levels, Houston's industrial market still achieved 4.9 msf of positive net absorption in Q4 2024, bringing the annual total to 21.9 msf. Among the 83 industrial markets tracked nationwide by Cushman & Wakefield, Houston ranked third in absorption for 2024. Furthermore, the market's aggregate absorption for the year exceeded the 16.4 msf of new deliveries, signaling a return to demand outpacing supply. While demand is expected to decline further in 2025, positive absorption will likely continue.

Houston's overall vacancy fell for the third consecutive quarter, ending the year at 5.5% vacant. This represented a 60-bps decrease from last quarter and was 120 bps lower than at the close of 2023. The significant drop in new deliveries has allowed demand to catch up with supply, leading to reduced vacancy.

PRICING

Average asking rent growth remained stagnant during the quarter, ending the year at \$7.47 per square foot (psf). This represented a 0.2% decrease quarter-over-quarter (QOQ) and was 1.4% lower YOY. The South and Southwest markets led all submarkets with the highest asking rates, closing Q4 2024 at \$9.53 psf and \$8.15 psf, respectively. For warehouse/distribution, the largest segment of the industrial market, asking rates remained unchanged QOQ at \$7.25 psf. Average rental rates are expected to remain elevated throughout the next several years, though rent growth will continue to slow as demand settles to pre-pandemic levels.

OUTLOOK

- Lower absorption and leasing demand are expected to persist throughout 2025 as occupants reassess their space requirements amidst economic uncertainty and potential impacts of the recent election cycle.
- With demand outpacing supply, new opportunities may arise for developers to initiate projects in select submarkets, driven by the slowdown in the development pipeline and continued declines in vacancy.
- Despite declining demand, Houston's industrial market continues to grow steadily and will remain one of the nation's top markets, driven by strong logistics and transportation demand.

MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	OVERALL VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	2024 OVERALL NET ABSORPTION (SF)	UNDER CONSTRUCTION (SF)	2024 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	179,109	0	0.0%	0	0	0	0	N/A	N/A	N/A
North-Near	6,738,626	62,555	0.9%	61,218	75,876	0	0	N/A	\$7.20	\$4.29
North-Mid	15,179,372	163,457	1.1%	441,877	793,671	728,080	160,144	N/A	N/A	\$8.06
North-Far	60,081,110	4,382,379	7.3%	-37,613	4,060,641	926,376	2,208,429	\$6.64	\$7.28	\$7.01
North-Montgomery County	14,263,996	328,867	2.3%	118,420	1,357,430	0	0	N/A	\$17.83	\$9.47
NORTH	96,263,104	4,937,258	5.1%	583,902	6,287,618	1,654,456	2,368,573	\$6.64	\$9.94	\$7.19
Northeast-Near	22,045,631	1,401,570	6.4%	-26,727	788,845	833,504	358,191	\$5.88	\$9.04	\$6.69
Northeast-Far	14,765,414	2,042,641	13.8%	0	187,421	943,467	1,026,270	\$7.11	N/A	\$7.08
NORTHEAST	36,811,045	3,444,211	9.4%	-26,727	976,266	1,776,971	1,384,461	\$6.71	\$9.04	\$6.95
Northwest-Near	25,543,705	903,404	3.5%	-73,866	-349,566	0	0	\$9.96	\$12.13	\$5.94
Northwest-Far	116,736,587	5,636,815	4.8%	968,336	3,753,544	1,586,228	841,833	\$7.19	\$10.28	\$7.73
NORTHWEST	142,280,292	6,540,219	4.6%	894,470	3,403,978	1,586,228	841,833	\$7.63	\$10.45	\$7.62
South-Near	22,859,454	402,643	1.8%	128,277	579,485	65,000	102,898	N/A	\$11.22	\$7.35
South-Far	20,229,957	885,854	4.4%	750,457	2,960,116	1,177,238	2,844,093	N/A	\$12.07	\$9.92
SOUTH	43,089,411	1,288,497	3.0%	878,734	3,539,601	1,242,238	2,946,991	N/A	\$11.54	\$9.02
Southeast-Near	38,119,726	1,545,440	4.1%	-127,230	-218,147	0	0	\$6.79	N/A	\$5.84
Southeast-Mid	16,805,469	224,786	1.3%	-46,682	303,124	1,028,508	0	N/A	N/A	\$7.37
Southeast-Far	80,717,540	7,360,405	9.1%	1,434,435	3,920,431	1,899,539	5,810,791	\$10.20	\$9.72	\$7.36
SOUTHEAST	135,642,735	9,130,631	6.7%	1,260,523	4,005,408	2,928,047	5,810,791	\$7.83	\$9.72	\$7.12
Southwest-Near	4,466,341	0	0.0%	0	68,993	0	0	N/A	N/A	N/A
Southwest-Far	62,748,883	2,306,530	3.7%	230,715	1,386,865	2,195,759	831,850	\$8.00	\$11.60	\$7.40
SOUTHWEST	67,215,224	2,306,530	3.4%	230,715	1,455,858	2,195,759	831,850	\$8.00	\$11.60	\$7.40
West-Far	32,700,107	1,523,681	4.7%	735,073	982,478	150,000	1,006,905	\$8.40	\$11.18	\$6.68
West-Waller County	27,360,156	3,066,124	11.2%	298,303	1,249,252	0	1,182,240	N/A	N/A	\$7.17
WEST	60,060,263	4,589,805	7.6%	1,033,376	2,231,730	150,000	2,189,145	\$8.40	\$11.18	\$7.06
HOUSTON TOTALS	581,541,183	32,237,151	5.5%	4,854,993	21,900,459	11,533,699	16,373,644	\$7.41	\$10.71	\$7.25

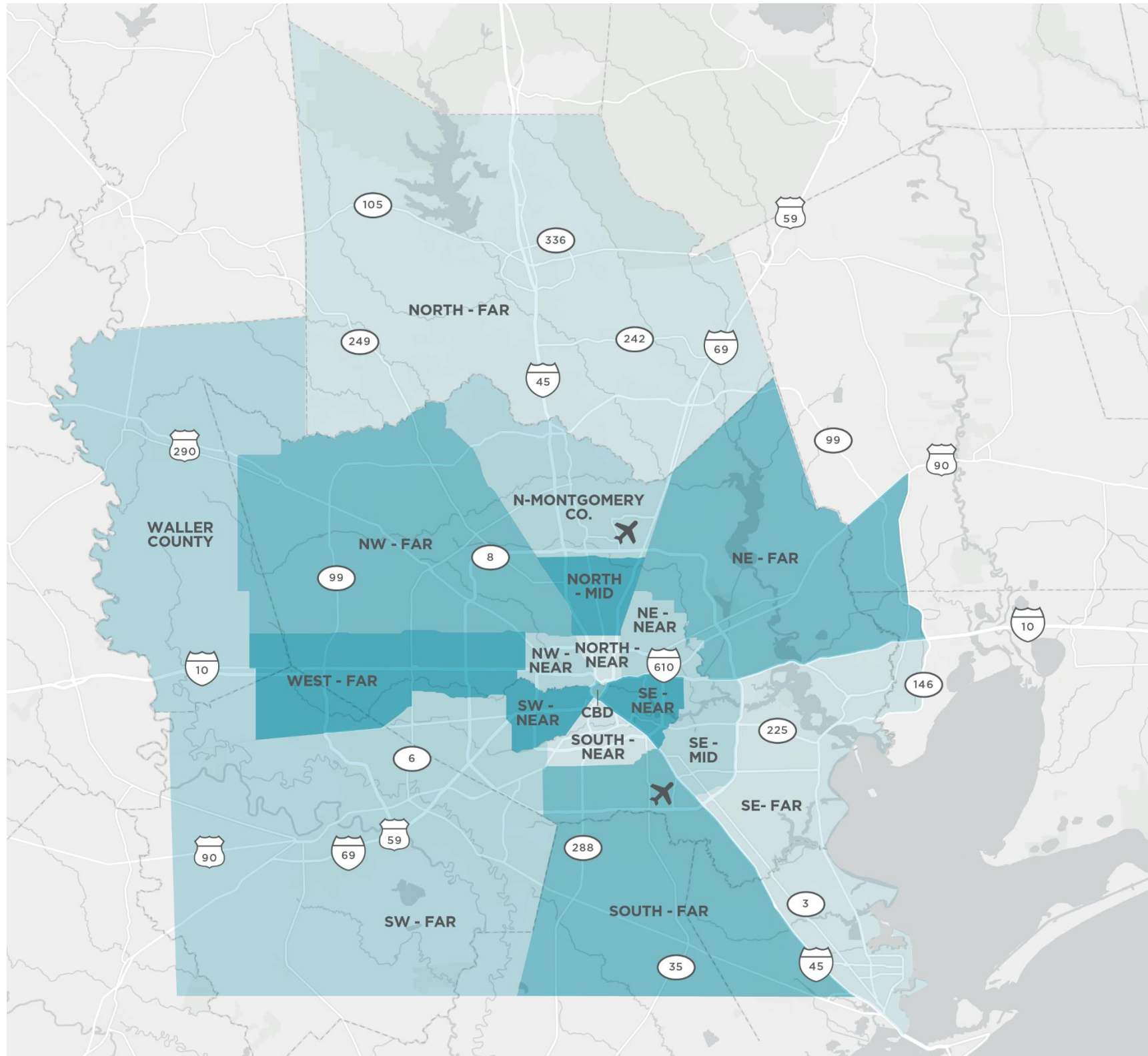
KEY NEW LEASE TRANSACTIONS Q4 2024

BUILDING	ADDRESS	SUBMARKET	TENANT	SF
Constellation Post Oak – Building 1	14942 South Post Oak Road	Southwest	Elogistics	302,825
Port 99 Logistics – Building 2	16702 FM 2354	Southeast	COSCO Shipping	255,960
Lower Kirby	Lower Kirby Drive	South	United Imaging	216,004
Beltway 35 Business Park – Building 3	7551 South Sam Houston Parkway East	South	Keen Transport	160,720

KEY NEW SALES TRANSACTIONS Q4 2024

BUILDING	ADDRESS	SUBMARKET	SELLER BUYER	SF
Independence Logistics Park	Porter Road & Old Underwood Road	Southeast	Starwood Capital Group Stonepeak	2,382,732
Fairway North Logistics Park	1207-1215 Rankin Road	North	Lovett Industrial KKR	741,413
North 45 Logistics Center – Building 1	16615 North Freeway	North	Alliance Industrial Company Brian J Kwan	362,030
Bayport South Business Park – Site C	10575 Red Bluff Road	Southeast	Johnson Development LXP	248,240

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