Sky high absorption and leasing activity keep Houston industrial hot at midyear

▲ 8.7%
Availability Rate

▼ 6.7%
Vacancy Rate

▲ 7.0M
SF Net Absorption

▼ 5.7M
SF Construction Delivered

▼ 17.7M
SF Under Construction

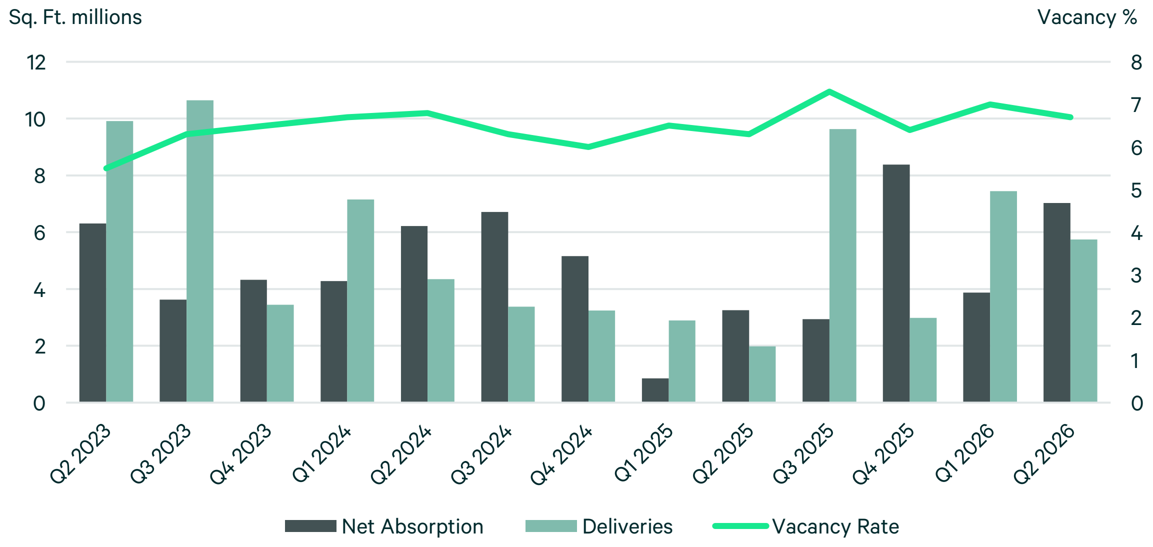
Note: Arrows indicate change from previous quarter.

KEY HIGHLIGHTS

2026 continues to be a strong year for the Houston industrial market, headlined by high absorption, lowered vacancy, and consistent deal volume. Net absorption for Q2 hit about 7 million sq. ft., lowering vacancy to 6.7% and heightening 2026 YTD absorption to about 11 million sq. ft. The Northwest recorded 2.3 million sq. ft. of net occupancy, while the North recorded 1.4 million sq. ft. Both delivery and under construction numbers decreased from Q1 to Q2; there were 5.8 million sq. ft. in deliveries, and 17.7 million sq. ft. is still in the development pipeline. Highlighted by Grainger's completed distribution center, the pre-lease rate for deliveries sits at 42%.

Leasing activity reached 9 million sq. ft. in Q2, bringing the yearly total to 17 million sq. ft. in deal volume. 6 different submarkets eclipsed 1 million sq. ft. in leasing, showcasing Houston's location versatility and appeal to industrial corporations. Statistics at midyear show Houston's industrial market to be in an extremely healthy spot. Unwavering distributional and manufacturing demand, coupled with an exciting development pipeline, supports the case for a stellar second half of 2026 in the market.

FIGURE 1: Historical Absorption, Deliveries, and Vacancy



Source: CBRE Research, Q2 2026

Vacancy & Net Absorption

Q2 featured 7 million sq. ft. of net absorption, which is about double the amount of absorption recorded in the first quarter of 2026. Strong occupancy activity this quarter drove vacancy down to 6.7%, and 2026's total YTD absorption reached 10.4 million SF to close out the first half of the year.

All Houston industrial submarkets, excluding the South and CBD, recorded at least 600,000 sq. ft. of net absorption in Q2. Immediately after a quarter of low absorption for the two submarkets, the Northwest and North sufficiently bounced back with 2.3 million sq. ft. and 1.4 million sq. ft. of net occupancy, respectively. Additionally, the Southeast had 1.1 million sq. ft. of net absorption as Port of Houston proximity continues to lure sizeable tenants.

The Northwest featured the occupancy of Grainger's 1.2 million sq. ft. distribution center, while the North was driven by Foxconn's 657,000 sq. ft. move-in at Rankin Road DC. With its dense highway systems, continually growing population, and institutional development appeal, the Northwest and North submarkets will remain attractive to prospective industrial tenants of all sizes.

Manufacturers of data center infrastructure continue to take up substantial amounts of space across Houston as data center populations grow. Hitachi Vantara purchased 1 million sq. ft. at Generation Park, and Modular Power Solutions occupied 436,000 sq. ft. at 18239 Aldine Westfield.

Applied Optoelectronics continued to expand its Houston footprint with the purchase of Kirby District 1 & 2 (388,000 sq. ft. total). AOI will also take up all 3 buildings of Hightower Business Park upon their completion later this year (792,000 sq. ft.).

FIGURE 2: Quarterly Net Absorption by Building Size

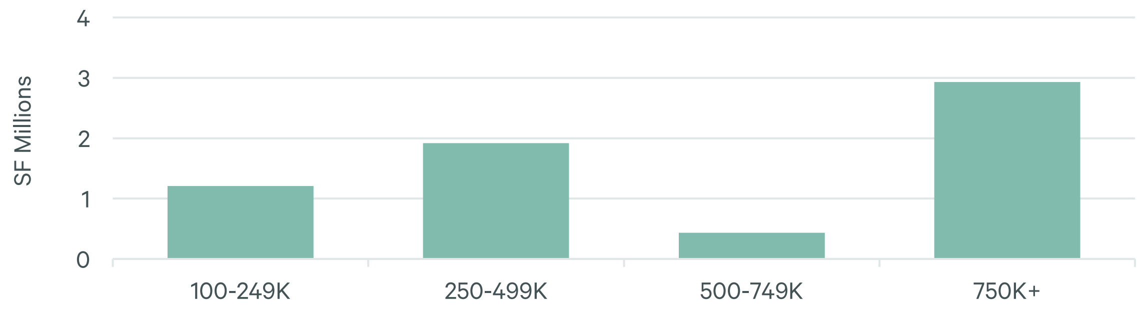


FIGURE 3: Quarterly Net Absorption by Submarket

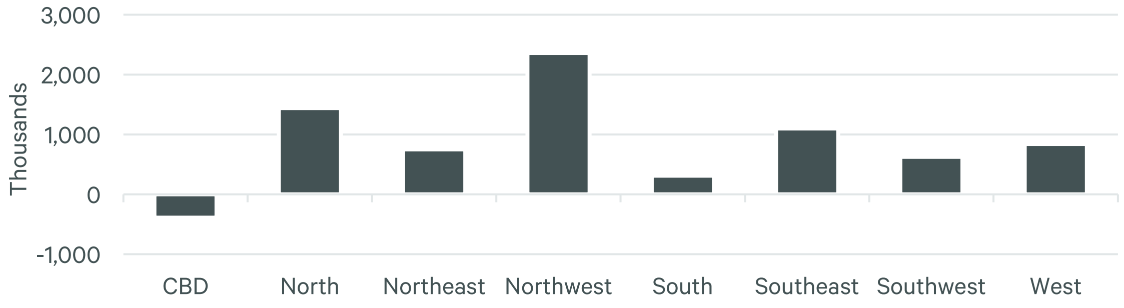


FIGURE 4: Total Vacancy by Submarket

Source: CBRE Research

Construction & Deliveries

Houston's industrial pipeline consists of 97 projects totaling about 18 million sq. ft. at midyear, which is 2 million sq. ft. less than Q1's development pipeline. These projects have a pre-lease rate of 21%, which is 9% higher than Q1's pre-lease rate of 12%. Notable groundbreakings this quarter include Building 1 of Prologis Legacy Point (1 million sq. ft.), Buildings 4-7 of Southwest by South Logistics Center (551,000 sq. ft.), and Buildings 1 & 2 of Kuykendahl 45 Crossing (230,000 sq. ft).

Deliveries in Q2 consisted of 32 projects totaling 5.7 million sq. ft.; the pre-lease rate of these projects reached a staggering 42%. Most notably, Grainger's 1.2 million sq. ft. distribution center in Hockley finished development this quarter. Buildings C, G, and H of Carson 288 (751,000 sq. ft.) also delivered fully pre-leased.

The Southeast submarket accounted for almost half of all deliveries this quarter with 2.3 million sq. ft. in project completions. Newly delivered projects such as Gulfbelt Logistics Park (499,000 sq. ft.) and Carson Bay 10 (439,000 sq. ft.) further establish the Port market as a distribution destination.

FIGURE 6: Deliveries by Year

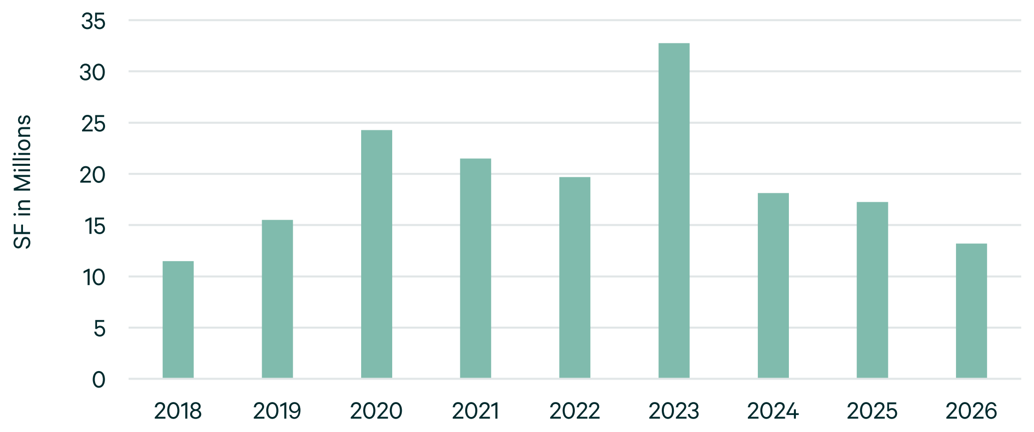


FIGURE 5: Deliveries by Submarket

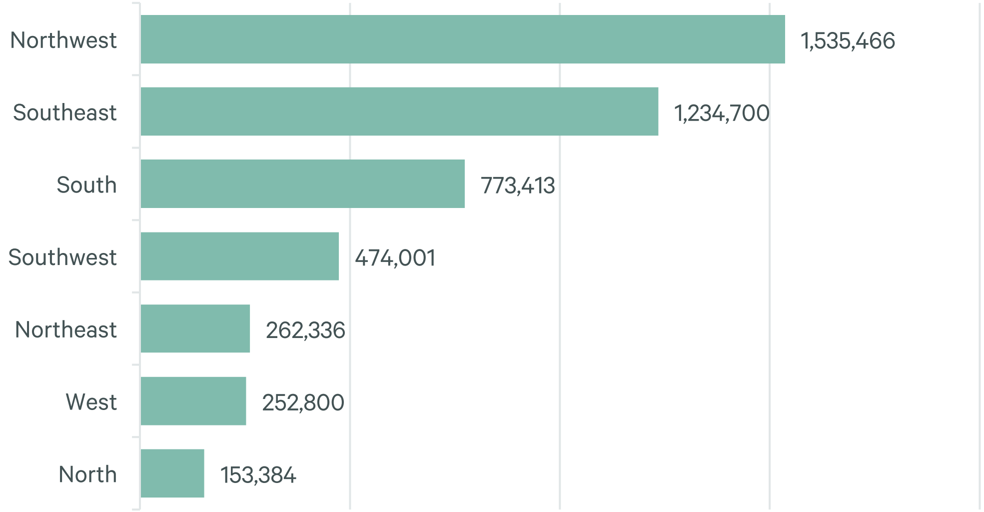
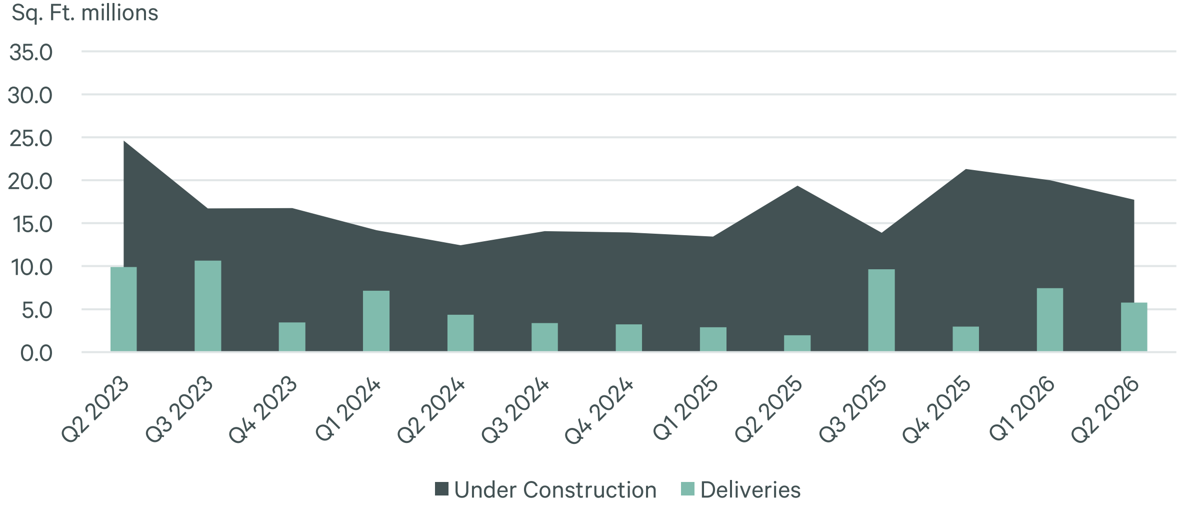


FIGURE 7: Construction Activity by Quarter



Leasing Activity

High volumes of leasing activity continue to be a trend within Houston's industrial market, as Q2 featured about 9 million sq. ft. across 51 leases larger than 50,000 sq. ft. 2026's total leasing volume has now reached about 17 million sq. ft., and since Q2 2023, this is only the 3rd quarter to pass 9 million sq. ft. in leasing. Deal momentum is expected to stay its course throughout the second half of the year as more corporations flock to Houston to fulfill their industrial needs.

Besides the Northeast and CBD, all industrial submarkets eclipsed 1 million sq. ft. in leasing volume as demand continues to be met in all corners of Houston. The Northwest led all submarkets with about 2 million sq. ft. of leasing activity and was driven by deals such as Advance Auto Parts (441,000 sq. ft.) at Beltway Crossing Northwest and Tristar (273,000 sq. ft.) at Weiser Business Park.

After only 145,000 sq. ft. in leasing activity in Q1, the South submarket boasted about 1.6 million sq. ft. in deal volume in Q2. This was led by TAS Energy's 3 leases (751,000 sq. ft.) at Carson 288, DBM Global's lease (374,000 sq. ft.) at South Belt Central Business Park, and Titanium Plus Autoparts deal (343,000 sq. ft.) at Beltway 35 Business Park.

Economic Outlook

The U.S. economy enters mid-2026 navigating crosscurrents but growing at a healthy pace, with CBRE projecting GDP growth averaging 2.2%, broadly in line with 2025. The AI investment boom is certainly a key driver of this expansion. Concerns surrounding the sustainability of this growth are valid, but we expect AI-related business investment to continue.

The more pressing concern in recent months has been the U.S./Iran conflict and its impact on world energy prices, which recently pushed U.S. inflation to 4.2%. Should the prospective peace deal announced in June come to fruition, inflation would fall to the upper 3% range by year-end as energy prices slowly decrease. Stickier inflation has pushed Treasury yields well above 4%, complicating real estate markets. On the upside, the prospect for peace and normal trade flows in the Persian Gulf could refresh the optimism the CRE market felt at the beginning of the year.

FIGURE 8: Leasing Activity Trend – Leases 50,000 sq. ft. and up

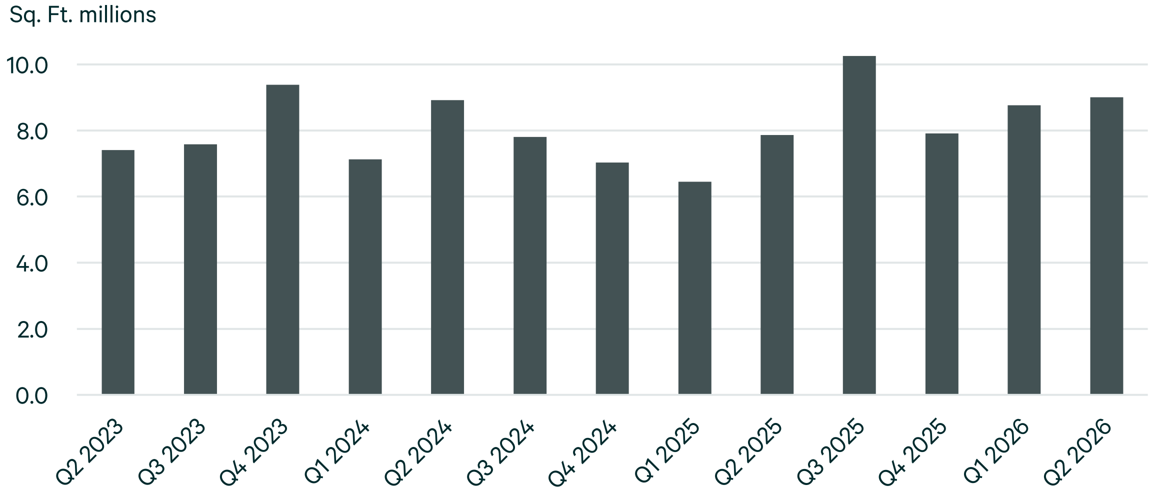
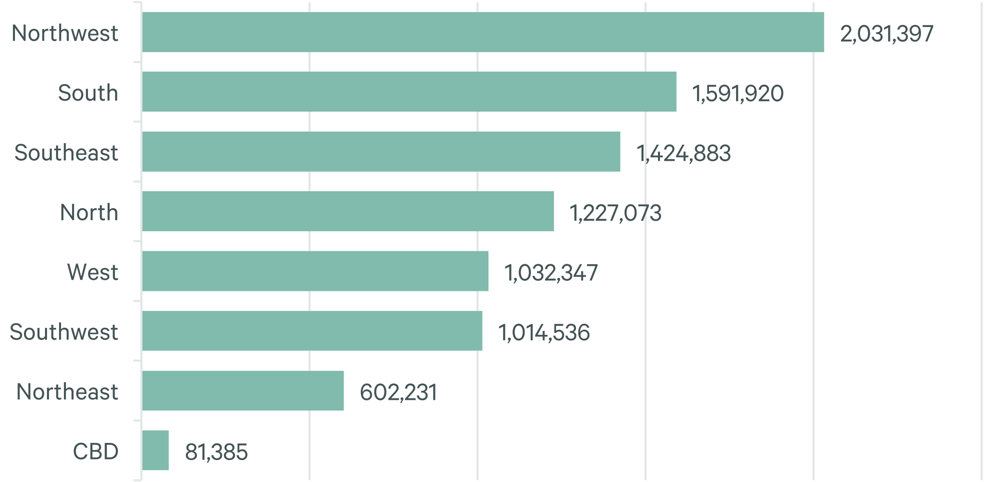


FIGURE 9: Leasing Activity by Submarket – Leases 50,000 sq. ft. and up



Source: CBRE Research

FIGURE 10: Market Statistics by Snapshot

Submarket	Net Rentable Area	Total Vacancy %	Total Availability %	Direct Availability %	Sublease Availability %	Current Quarter Net Absorption	YTD Net Absorption	Deliveries	Under Construction
CBD	41.83M	6.7	8.9	7.5	1.4	(392,000)	(493,000)	-	251,000
North	113.09M	6.2	9.5	7.8	1.7	1.44M	1.55M	153,000	3.97M
Northeast	45.75M	8.2	11.4	10.2	1.2	751,000	1.32M	262,000	1.84M
Northwest	144.68M	6.2	7.6	6.9	0.7	2.36M	2.48M	1.54M	5.30M
South	36.50M	7.7	6.4	6.2	0.2	311,000	266,000	773,000	1.05M
Southeast	122.58M	9.1	11.8	9.9	1.8	1.10M	2.26M	2.30M	2.10M
Southwest	86.23M	4.2	5.1	4.5	0.6	626,000	1.49M	474,000	2.98M
West	34.18M	4.4	6.8	6.2	0.6	840,000	2.03M	253,000	248,000
Total	**624.85M**	**6.7**	**8.7**	**7.5**	**1.2**	**7.03M**	**10.91M**	**5.75M**	**17.74M**

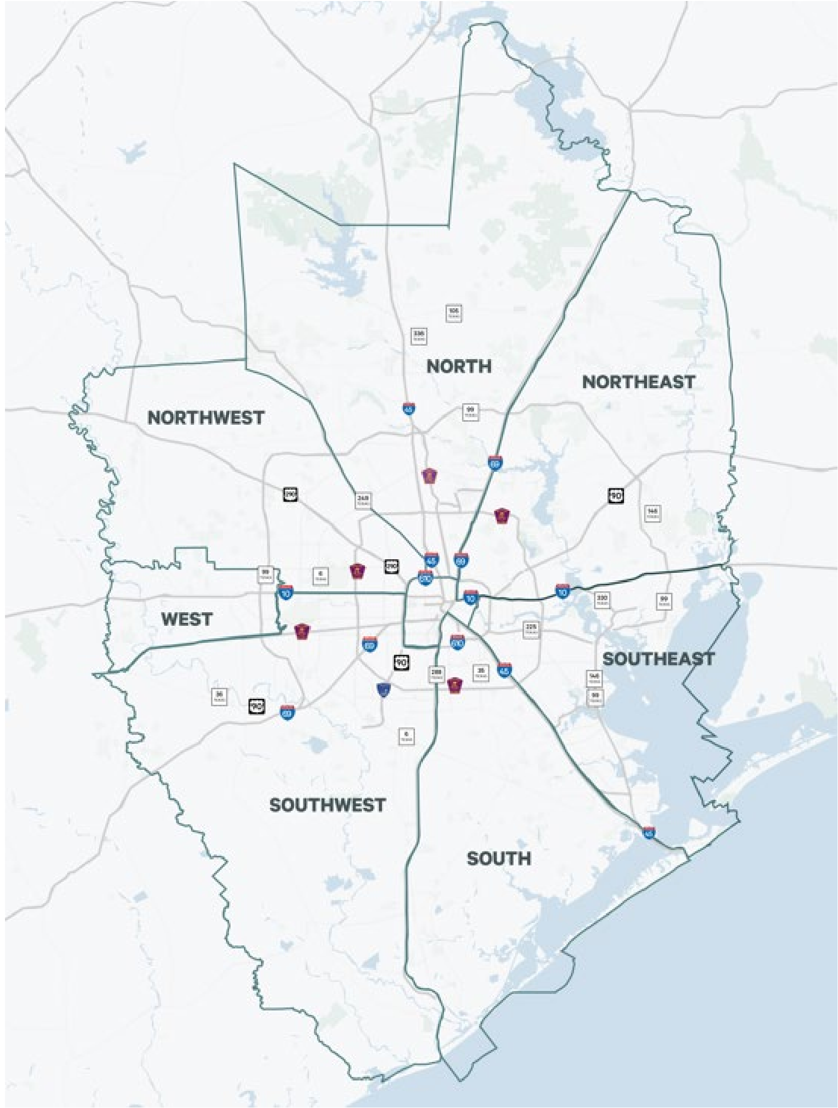
FIGURE 11: Market Statistics by Size

Size Tranche	Net Rentable Area	Total Vacancy %	Total Availability %	Direct Availability %	Sublease Availability %	Current Quarter Net Absorption	YTD Net Absorption	Current Quarter Deliveries	Under Construction
Below 50K SF	118.76M	6.7	8.2	7.6	0.5	186,000	147,000	179,000	647,000
50K-99,999 SF	104.52M	5.5	7.8	7.1	0.7	343,000	336,000	451,000	930,000
100K-249,999 SF	178.82M	8.5	10.0	9.0	1.0	1.21M	1.63M	2.54M	6.56M
250K-499,999 SF	114.64M	6.0	7.4	5.5	1.9	1.92M	3.87M	1.31M	7.08M
500K-749,999 SF	47.75M	5.0	11.3	8.5	2.8	436,000	821,000	-	566,000
750,000+ SF	60.35M	5.8	7.5	6.7	0.8	2.93M	4.10M	1.28M	1.96M
Total	**624.85M**	**6.7**	**8.7**	**7.5**	**1.2**	**7.03M**	**10.91M**	**5.75M**	**17.74M**

Average Asking Rents have been removed from this report due to the high level of variability from quarter to quarter. Most industrial availabilities marketed in the Houston MSA do not provide asking rates, therefore rent values vary from quarter-to-quarter– sometimes dramatically.

Historical vacancy, construction, deliveries, and absorption data is subject to change given ongoing improvements to tracked inventory.

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. 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. 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. Under Construction: Buildings which have begun construction as evidenced by foundation work. Note: Historical data has and will continue to be revised due to refinement in the inventory.

Survey Criteria

Includes all industrial buildings 20,000 sq. ft. and greater in size in Houston.

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