Texas markets post positive absorption, deliveries push up vacancy rate.

▲ 9.5%
Total Vacancy Rate (Q)

▼ 51.4M
SF Under Construction

▲ 16.1M
SF Delivered (Q)

▼ 9.5M
SF of Net Absorption (Q)

Note: Arrows indicate change from previous quarter.

Market Summary

- Industrial markets across the state saw positive net absorption and continued yet slowing new supply starts. However, overall leasing and renewal activity was sluggish compared to activity of the previous two years.
- Deliveries outpaced net absorption in the Dallas/Fort Worth, Houston, and Austin markets. Net absorption slightly outpaced deliveries in the San Antonio and El Paso markets. Texas markets collectively recorded 16.1 million sq. ft. in deliveries and net absorption of 9.5 million sq. ft. during the quarter. The statewide vacancy increased by 60 basis points quarter-over-quarter. Vacancy rates in individual markets varied widely, ranging from 40 basis point decreases to 80 basis point increases.
- Sublease space has fluctuated over the past few years, and a significant amount of space was added during 2023. Although sublease space began to steady in early 2024, it remained elevated and on an upward trend through 2025. Available sublease space now stands at 24.2 million sq. ft., a total that stood at 11.1 million sq. ft. in Q1 2023 and at 8.0 million sq. ft. at its low point in Q4 2021.
- Space under construction saw a quarter-over-quarter decrease of 3.5 million sq. ft. The quarter closed with 51.4 million sq. ft. of industrial space under way. New construction starts totaled 12.6 million sq. ft., 4.6 million sq. ft. lower than Q4 2025 starts. Q1 2025 and Q4 2024 marked the lowest under construction figures seen since Q1 2019 when construction stood at 39.4 million sq. ft. Space under construction peaked in Q4 2022 with 134.2 million sq. ft. and a record-setting 116.0 million sq. ft was subsequently delivered during 2023.
- Overall rent and rents across most size categories saw a year-over-year dip in year-1 taking rents. Overall year-1 taking rents were down 6.8% year-over-year. Leases over 800,000 sq. ft. had the largest year-over-year growth in year-1 taking rents, rising 15.1% or $0.87 per sq. ft. Leases 25,000 sq. ft. to 50,000 sq. ft. had the largest decrease, 5.7% or $0.58 per sq. ft. year-over-year.

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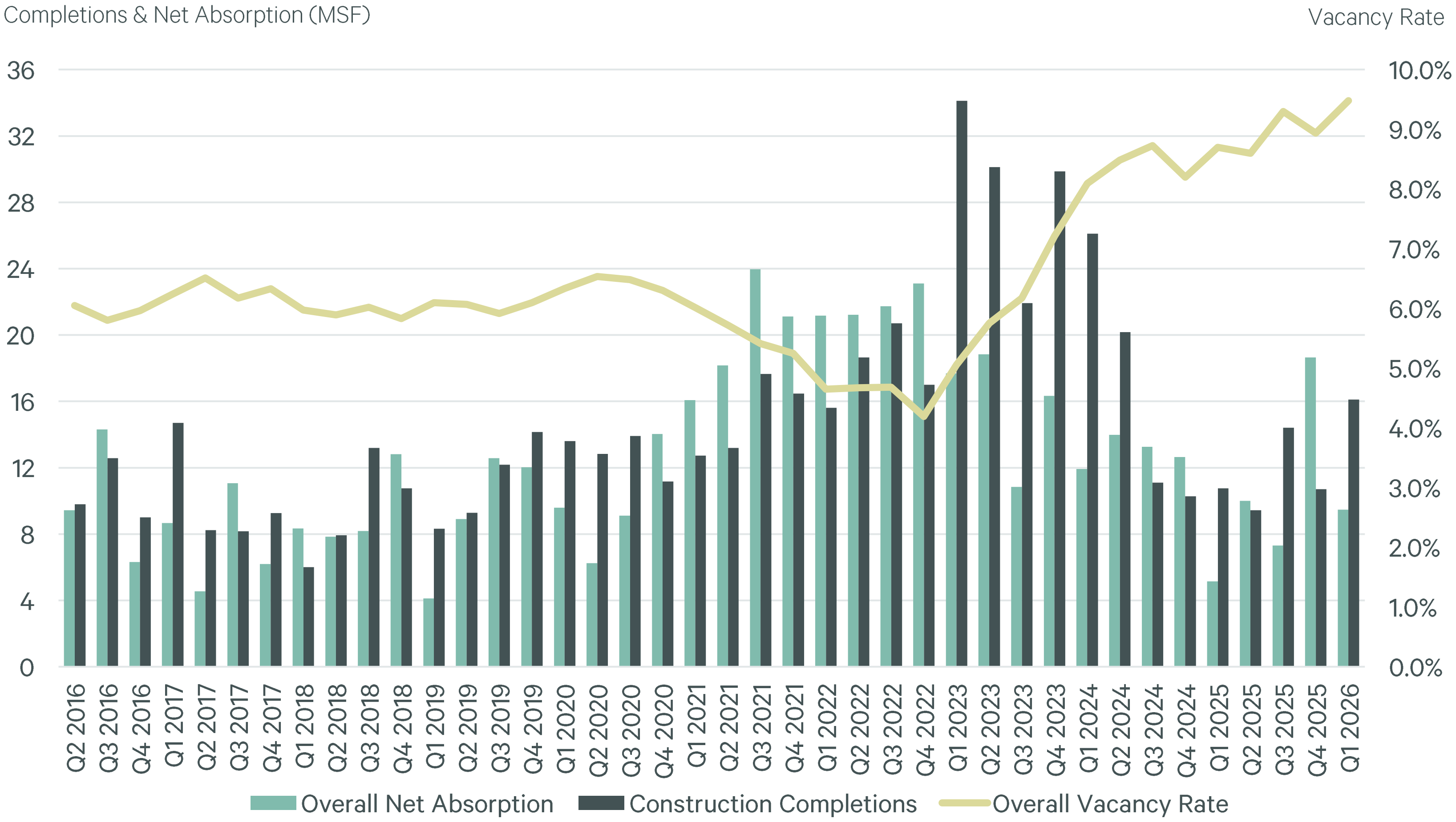
Net absorption trails deliveries

After posting significant net absorption in the previous quarter, Q1 2026 realigned to more recent trends. While absorption fell by nearly half compared to Q4 2025, it nearly doubled year-over-year. Delivered space increased by more than 5.0 million sq. ft. quarter-over-quarter and year-over-year. Roughly 70% of the space delivered during Q1 2026 was vacant. Given these movements, the vacancy rate was up by 60 basis points quarter-over-quarter and up by 80 basis-points year-over-year.



Source: CBRE Research, Q1 2026

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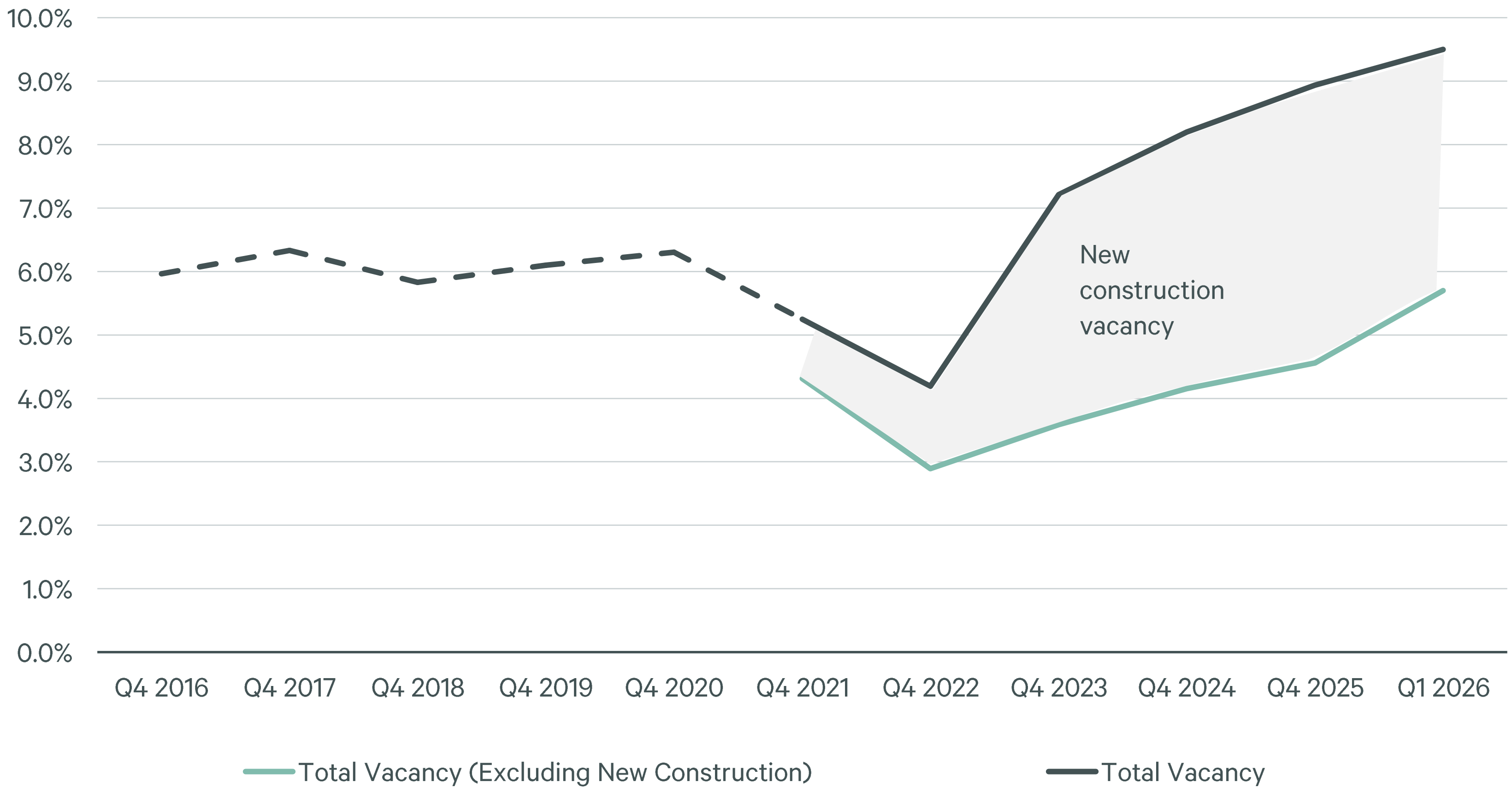
New product keeps vacancy elevated

The overall vacancy rate for the Texas Industrial market has risen in recent years, driven primarily by the large volume of new construction delivered since 2021.

Meanwhile, vacancy in existing buildings remains comparatively low, suggesting that much of the recent softness in the market stems from the rapid pace of new supply rather than a significant drop in tenant demand.

However, the total amount of product that was delivered vacant and remains vacant decreased following activity in Q1 2026. New product vacancy accounted for 51% of the total vacancy in the Texas market in Q4 2025 and fell to 43% in Q1 2026.

Vacancy (%) in new construction defined as space delivered 2021 or later



Source: CBRE Research, Q1 2026

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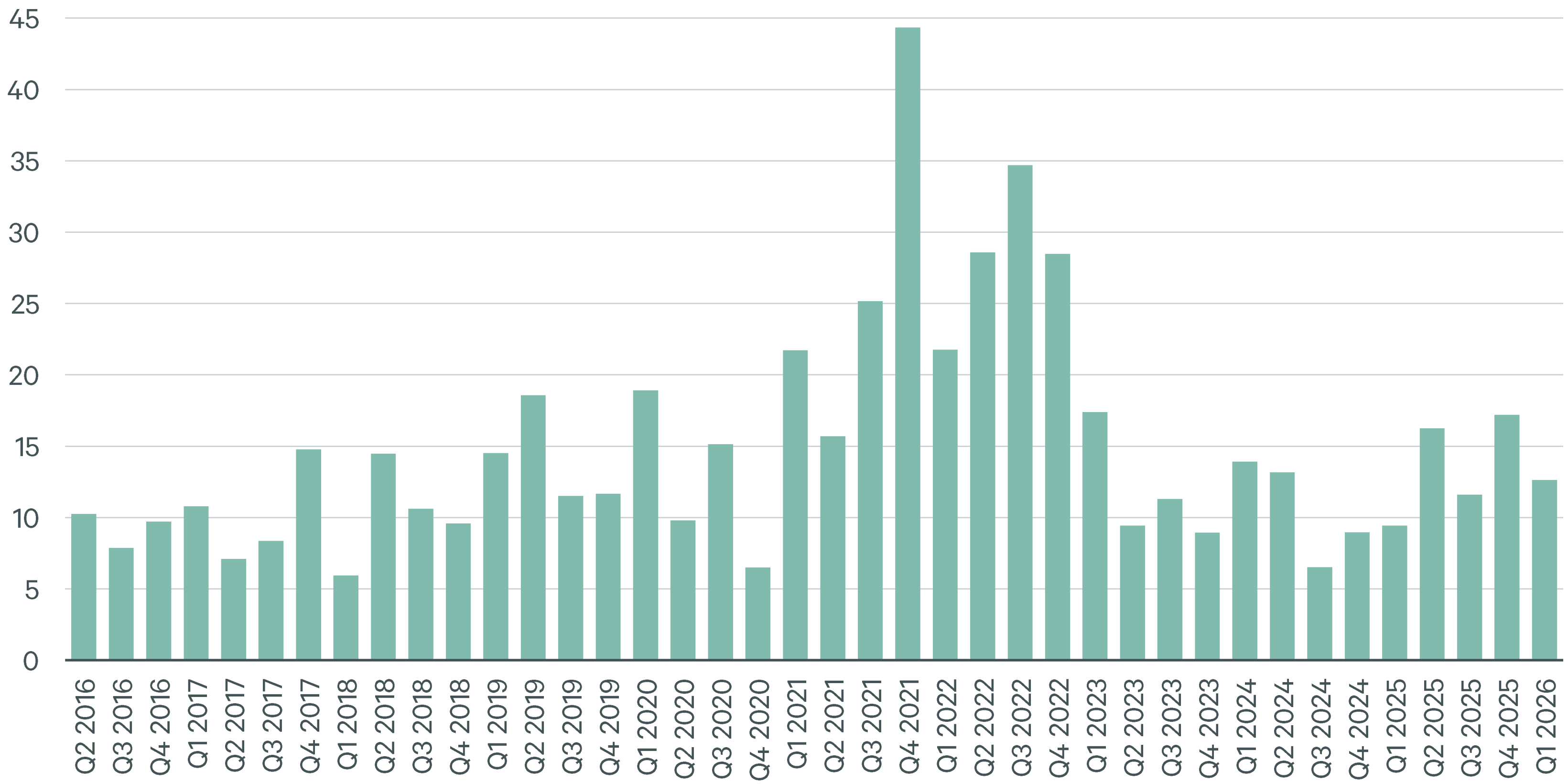
Construction starts slow

Q1 2026 new construction starts were down 4.6 million sq. ft. quarter-over-quarter, totaling 12.6 million sq. ft. The total amount of space under construction declined by 5.3 million sq. ft. in Q1 2026. Both these figures remained well below the record-setting numbers seen between Q4 2021 and Q4 2022. Deliveries outpaced new starts by 3.5 million sq. ft.

New Construction Stars (MSF)



Source: CBRE Research, Q1 2026

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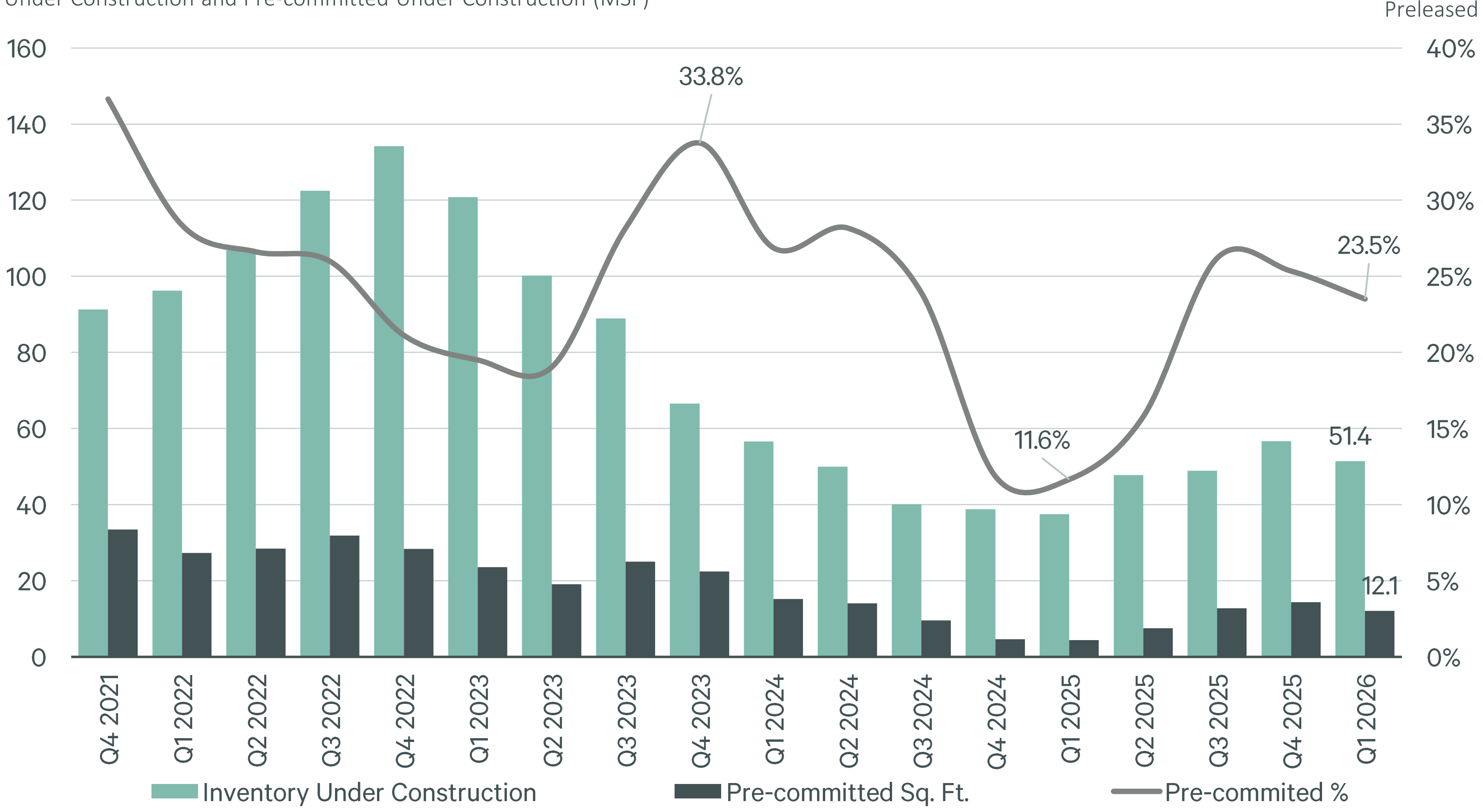
Under construction, pre-committed space dips slightly

The Austin and El Paso markets saw a quarter-over-quarter increase in space under construction, each closing Q1 2026 with about 6.1 million sq. ft. of space under way. The remaining markets saw a quarterly decline. The Dallas/Fort Worth market had the largest quarter-over-quarter decrease, dropping 6.1 million sq. ft. in Q1 2026.

The pre-committed rate drifted down from 25.3% in Q4 2025 to 23.5% in Q1 2026. The total sq. ft. of pre-leased space decreased by 2.3 million sq. ft. quarter-over-quarter.

Under Construction and Pre-committed Under Construction (MSF)



Source: CBRE Research, Q1 2026

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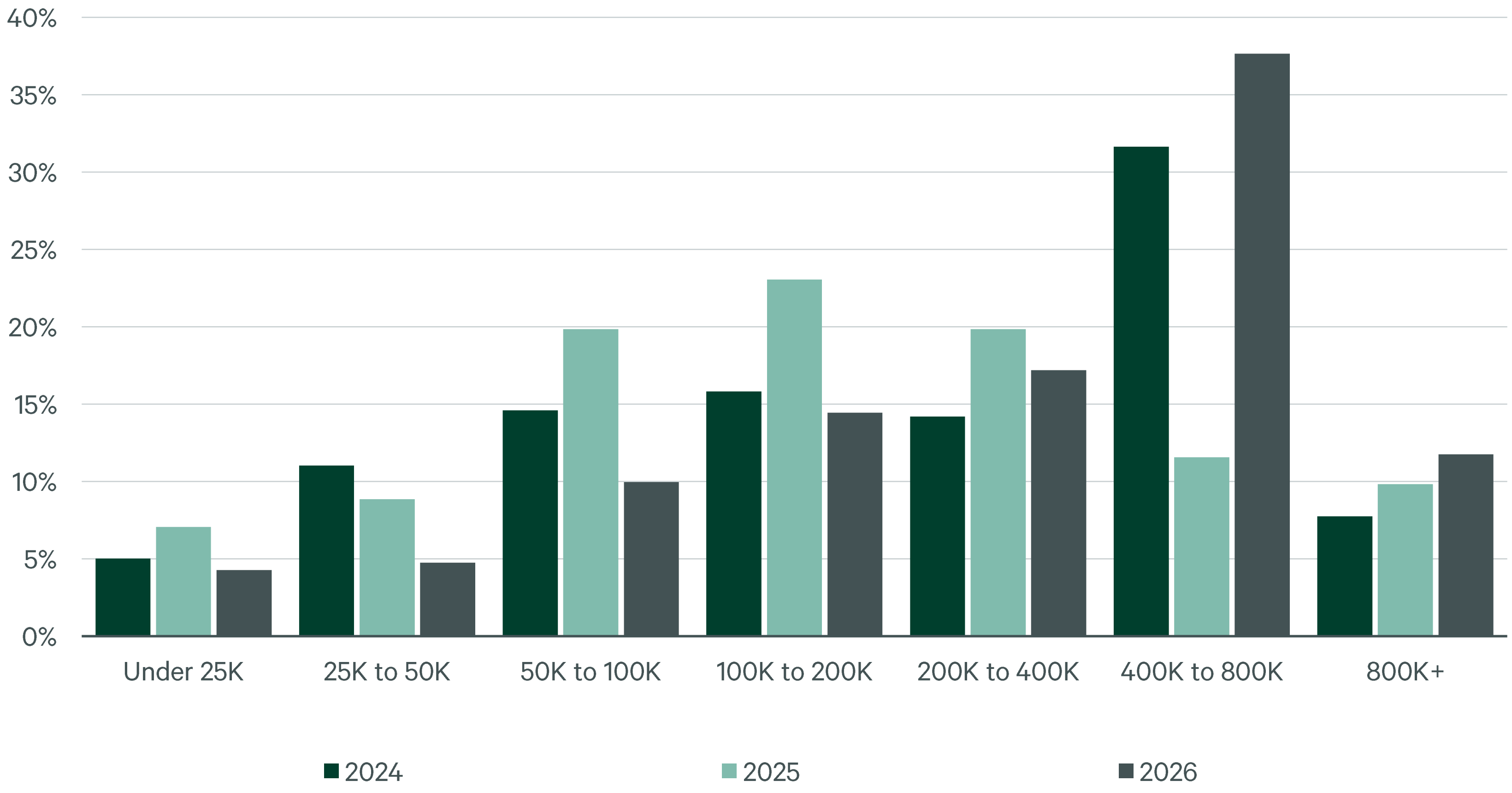
New Leasing

Leases between 400,000 to 800,000 sq. ft. accounted for the largest share of total Q1 2026 activity, capturing 37.6% of deal volume based on total sq. ft. Leases between 200K to 400K sq. ft. accounted for 17.2% of annual activity in sq. ft. The largest number of deals recorded for the year, 42%, was under 25,000 sq. ft.

Share of New Leasing Activity



Transaction volume includes new leases signed from 1/1 to 3/31 with a lease term of 24 months and longer

Source: CBRE Research, Q1 2026.

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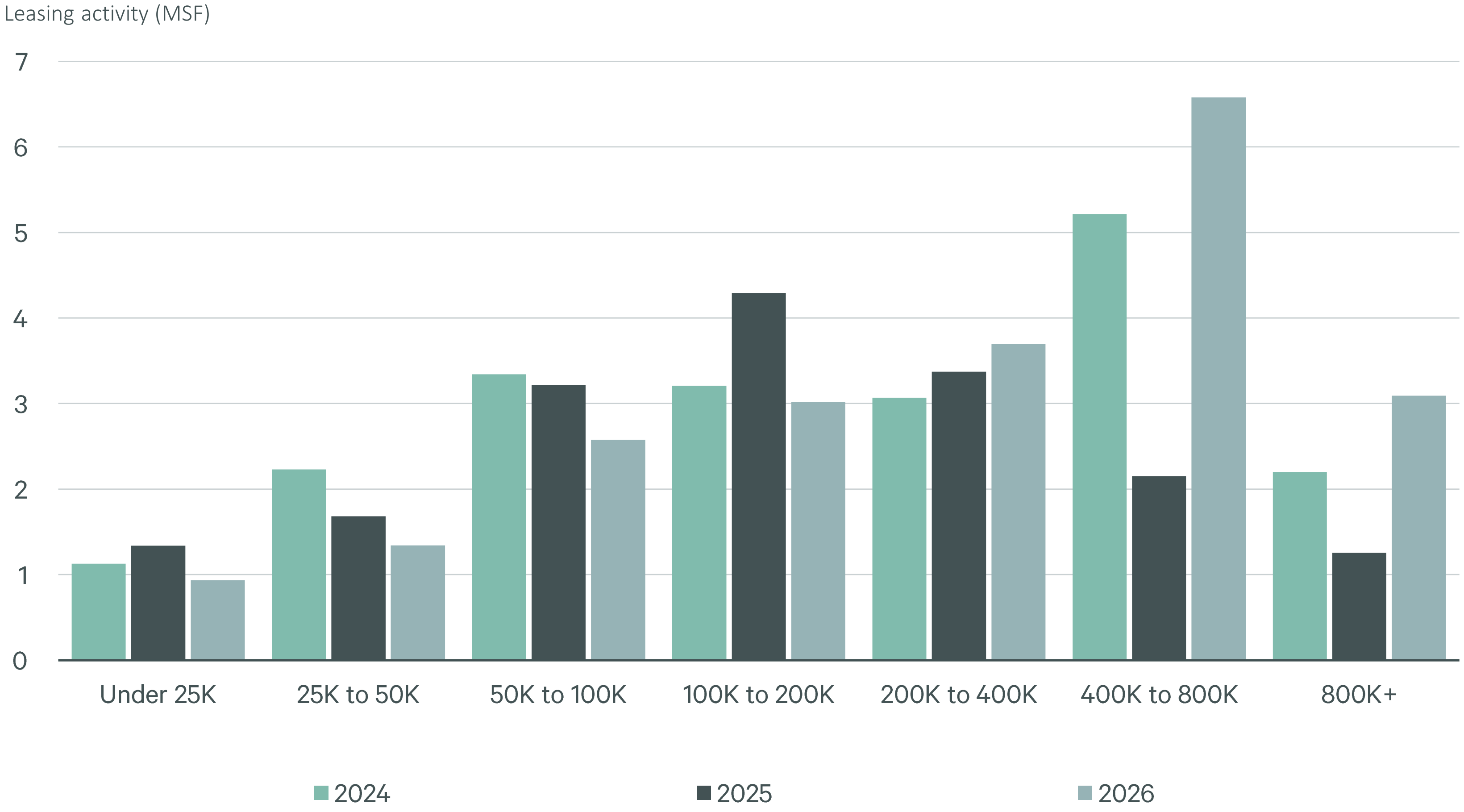
Activity opens the year with growth

Q1 2026 activity improved compared to activity reported for the first quarters of the previous two years. Activity was up 3.9 million sq. ft. compared to Q1 2025, and 853,000 sq. ft. compared to Q1 2024. Q1 2026 activity declined year-over-year for size categories that were less than 200,000 sq. ft. Activity in size categories below 200,000 sq. ft. saw year-over-year decreases ranging from 20% to 30%. Activity in size categories above 200,000 sq. ft. saw year-over-year growth ranging from 10% to 200%.



Transaction volume includes new leases and renewals signed from 1/1 to 3/31 with a lease term of 24 months and longer
Source: CBRE Research, Q1 2026.

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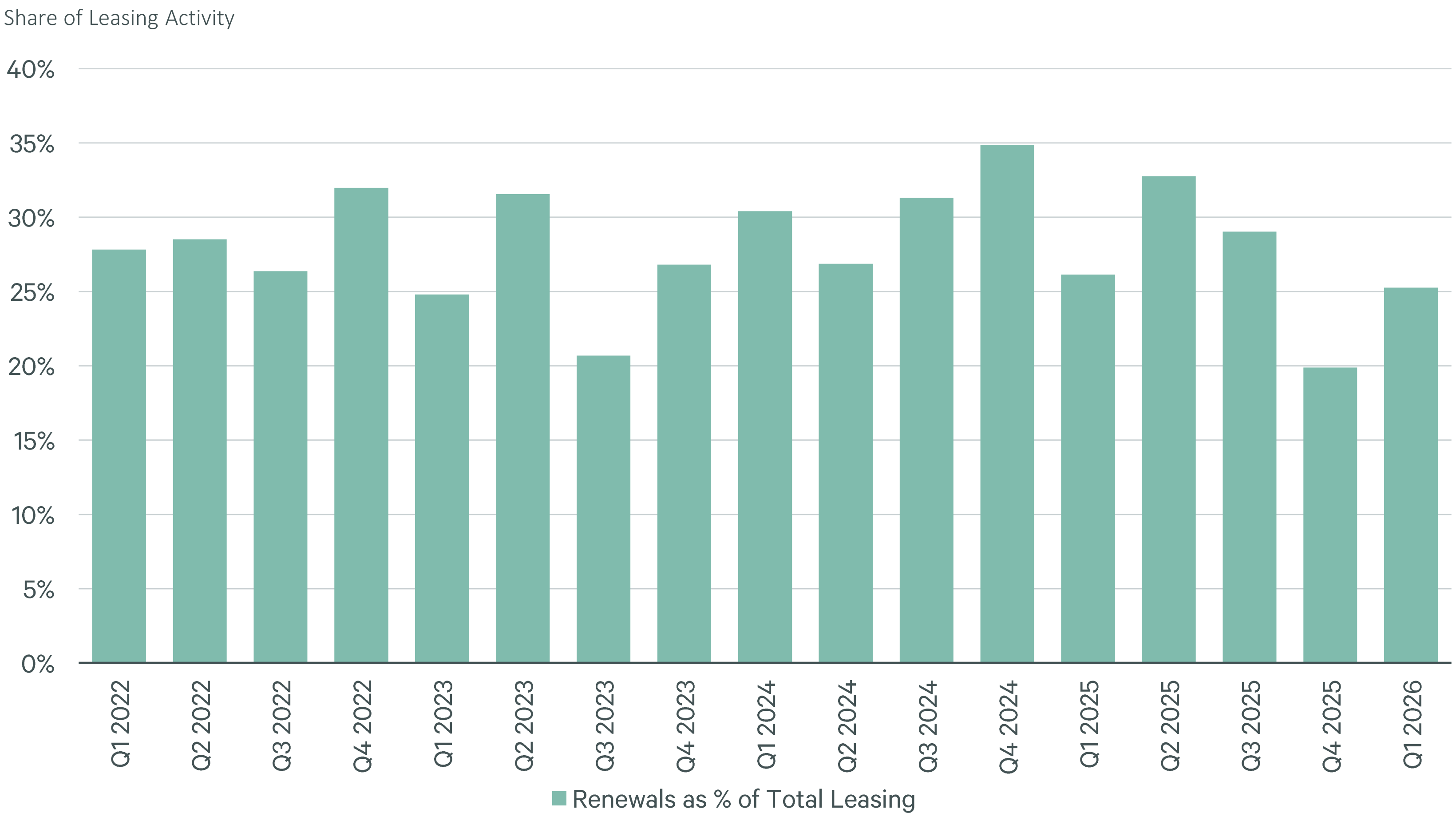
Renewals share of total leasing returns to average

About 70 renewals totaling 5.3 million sq. ft. with an average size of 76,600 sq. ft. were signed in Q1 2026. Just under 80 renewals with a total of 4.5 million sq. ft. and an average size of 58,800 sq. ft., were signed in Q1 2025.



Transaction volume includes renewals with a lease term of 24 months and longer.

Source: CBRE Research, Q1 2026

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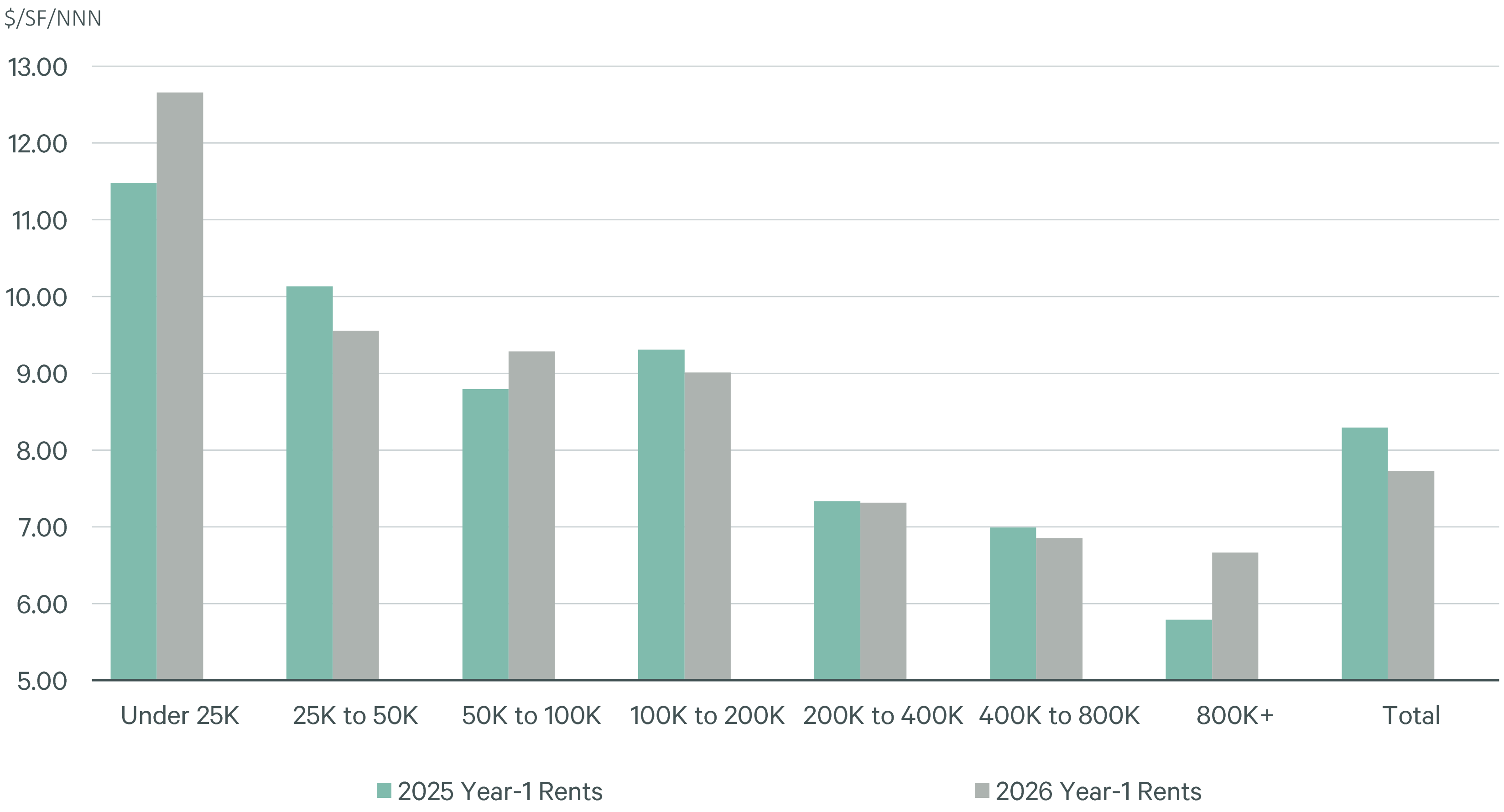
Year-1 taking rents

Taking rents saw a year-over-year dip of 6.8%, or $0.56 per sq. ft., as well as a decline among four deal size ranges. Spaces of 400,000 sq. ft. to 800,000 sq. ft. had the largest year-over-year increase, rising 15.1% or $0.87 per sq. ft. Deals under 25,000 sq. ft., consistently the size with the highest year-1 taking rents, saw growth of 10.3% or $1.18 per sq. ft.



Compares first year base rents for new leases signed from 1/1 to 3/31 with a lease term of 24 months and longer.

Source: CBRE Research, Q1 2026

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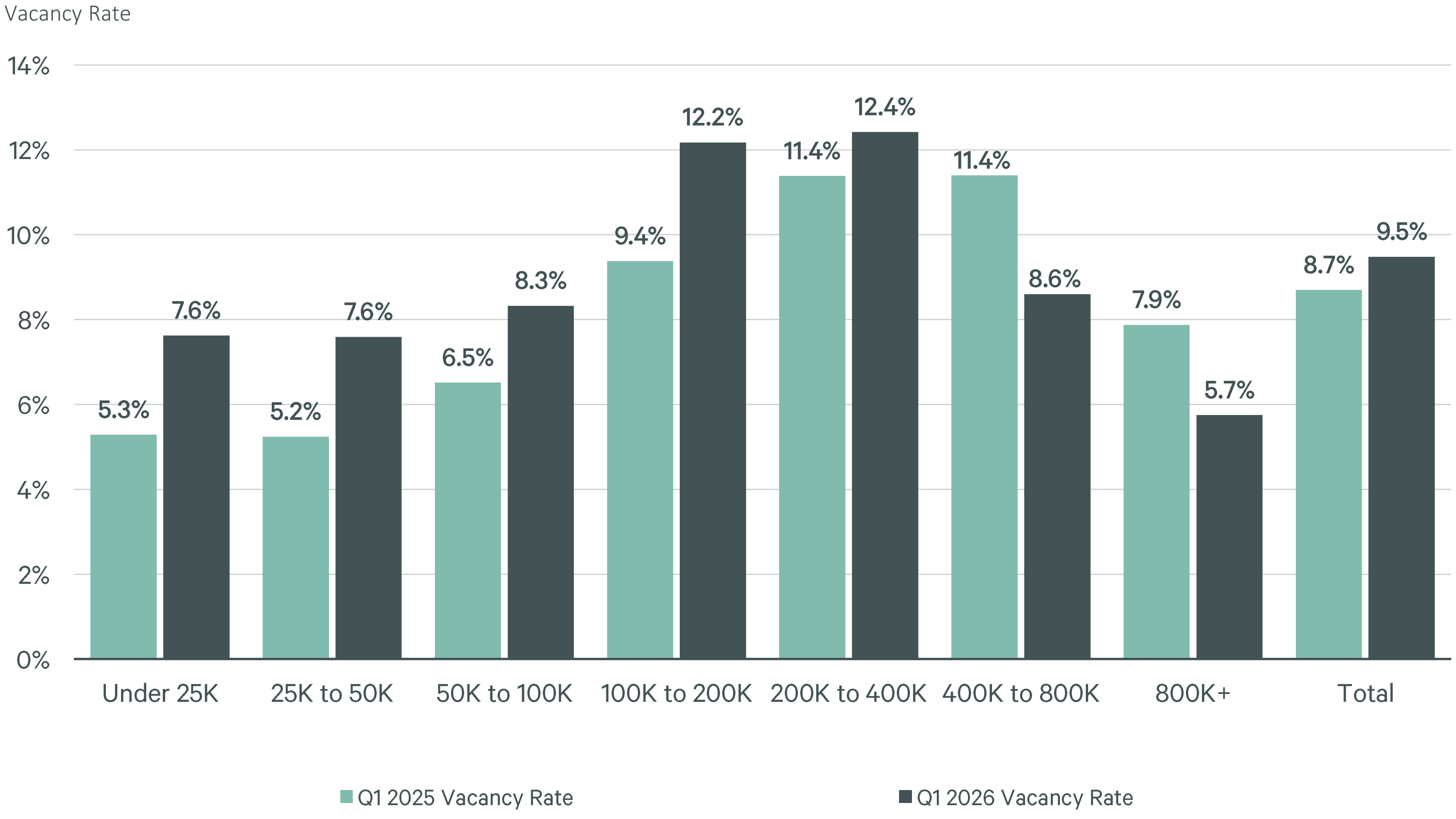
Vacancy decreases for largest building tranches

Year-over-year, vacancy rates for buildings between 400,000 sq. ft. and 800,000 sq. ft. and over 800,000 sq. ft. fell by 280 basis points and 210 basis points, respectively. During this same time, vacancy rates across buildings below 400,000 sq. ft. saw positive growth with increases ranging from 100 basis points to 280 basis points. The overall vacancy rate also increased, rising 80 basis points year-over-year.



Source: CBRE Research, Q1 2026

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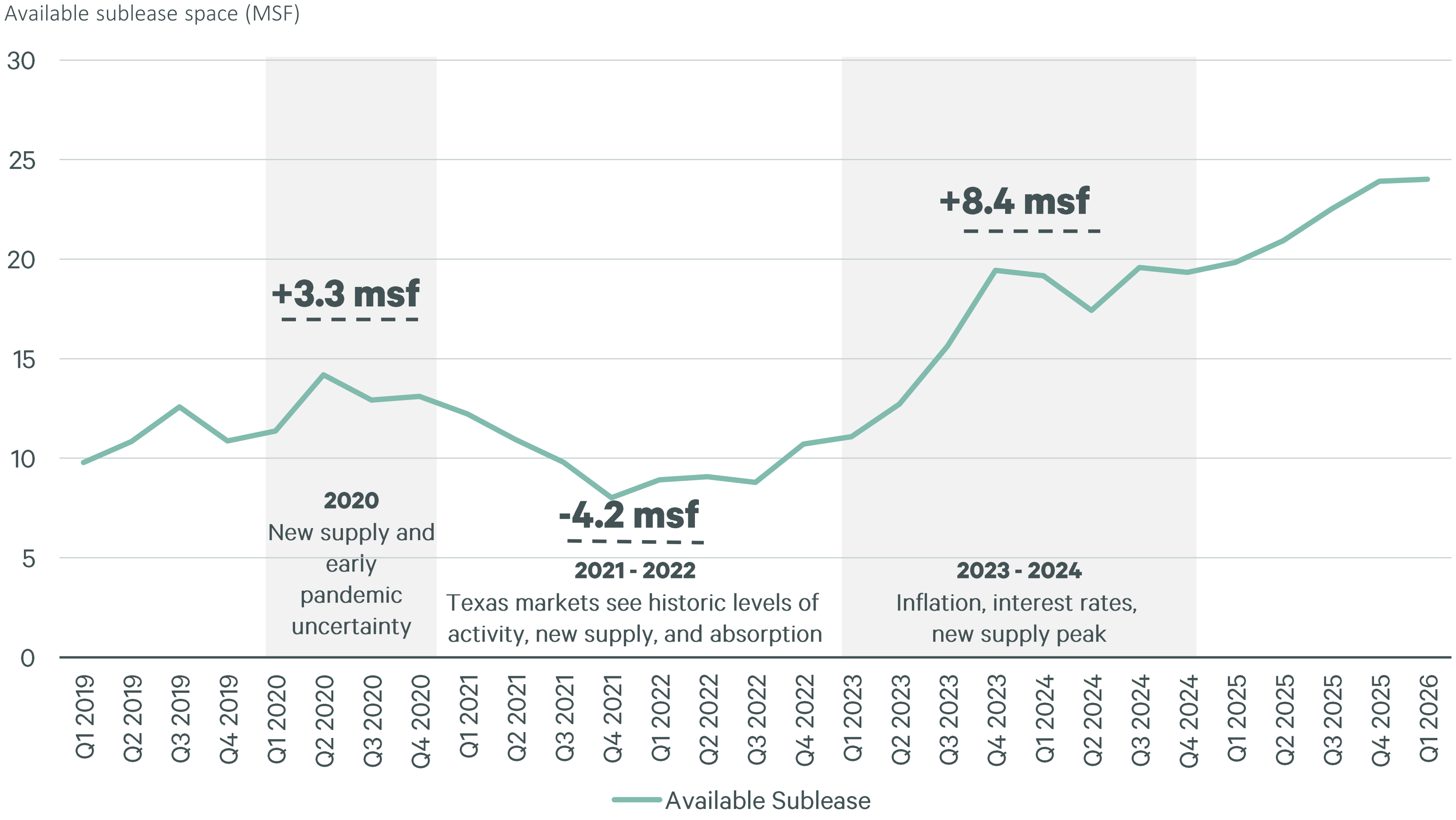
Available sublease space trend flattens

Available sublease space often grows amid difficult economic times, can be brought on by tenants reassessing space needs following rapid expansionary periods, or can be the result of tenants relocating to newer or more modern facilities.

Sublease activity represented only about 3.9% of Q1 2026 leasing activity but accounted for 11.8% of available space at the end of the quarter. This includes two sublease availabilities of over 1.0 million sq. ft. However, properties of 100,000 to 200,000 sq. ft. and properties of 400,000 sq. ft. to 800,000 sq. ft. hold the largest shares of total available sublease space, 22% each. Compared to the previous quarter, available sublease space increased by less than 100,000 sq. ft.



Source: CBRE Research, Q1 2026

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Statistical Snapshot Q1 2026

Market	Total Vacancy Rate (%)	Q1 2026 Net Absorption (SF)	Under Construction (SF)	Q1 2026 Deliveries (SF)
Dallas/Fort Worth	9.3%	4.1 M	16.5 M	6.8 M
Houston	7.5%	3.2 M	20.0 M	7.5 M
San Antonio	10.5%	451 K	2.7 M	219 K
Austin	20.6%	361 K	6.1 M	385 K
El Paso	10.0%	1.4 M	6.1 M	1.3 M
Texas Total	9.5%	9.5 M	51.4 M	16.1 M

Source: CBRE Research, Q1 2026

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