Net absorption rebounds as large deals drive market activity.

▼ 8.6%
Total Vacancy Rate (Q)

▲ 57.0M
SF Under Construction

▼ 15.1M
SF Delivered (Q)

▲ 20.1M
SF of Net Absorption (Q)

Note: Arrows indicate change from previous quarter.

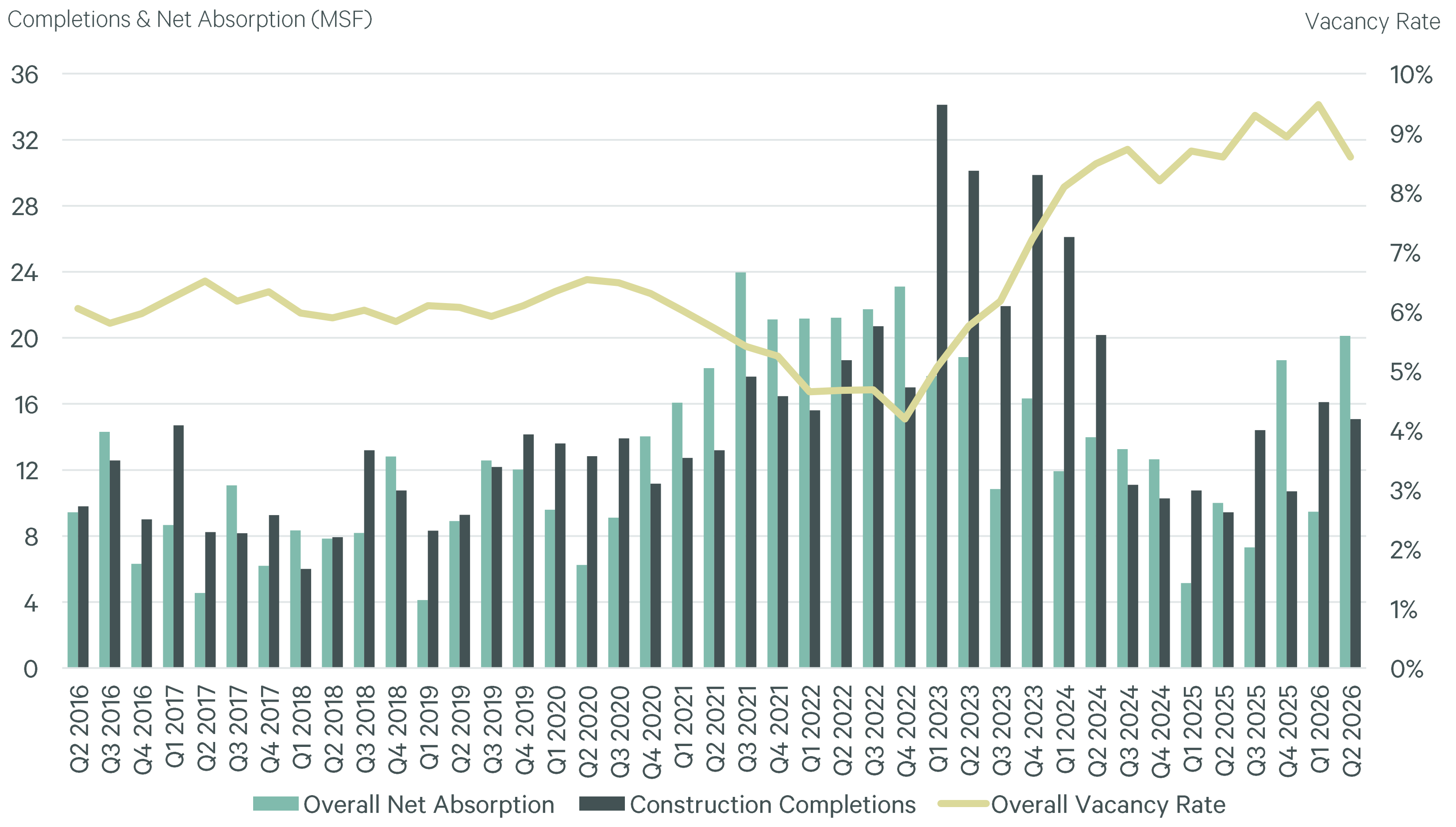
Market Summary

- Industrial markets across the state saw positive net absorption and continued yet slowing new supply starts. Overall leasing and renewal activity was strong compared to activity in the previous year. Significant activity in leases between 400,000 sq. ft. and 800,000 sq. ft. drove demand in Q2 2026.
- Net absorption outpaced deliveries across the Texas markets. Texas markets collectively recorded 20.1 million sq. ft. of net absorption and 15.1 million sq. ft. in deliveries during the quarter. The statewide vacancy rate fell by 90 basis points quarter-over-quarter. Vacancy rates in individual markets saw decreases ranging from 20 basis points to 80 basis points.
- 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. Growth in sublease space has flattened over the past two quarters. Available sublease space now stands at 24.0 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 increase of 5.6 million sq. ft. The quarter closed with 57.0 million sq. ft. of industrial space under way. New construction starts totaled 12.3 million sq. ft., similar to Q1 2026 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 several size categories saw a year-over-year dip in year-1 taking rents. Overall year-1 taking rents were down 3.4% year-over-year. Leases over 800,000 sq. ft. had the largest year-over-year growth in year-1 taking rents, rising 12.6% or $0.72 per sq. ft. Leases 100,000 sq. ft. to 200,000 sq. ft. had the largest decrease, 4.6% or $0.41 per sq. ft. year-over-year.

TEXAS INDUSTRIAL

Net absorption pushes past cycle trend, vacancy dips

Net absorption saw a resurgence in Q2 2026, outpacing new supply and posting 20.1 million sq. ft., the largest figure recorded for the Texas markets since Q4 2022 when absorption stood at 23.1 million sq. ft. The Dallas/Fort Worth and Houston Markets had the most significant quarter-over-quarter improvements in net absorption. Compared to Q1 2026, net absorption in Houston doubled while Dallas/Fort Worth grew by nearly 60%. Net absorption doubled compared to Q1 2026 and Q2 2025. Delivered space decreased by 1.0 million sq. ft. quarter-over-quarter but increased year-over-year by 5.6 million sq. ft. Roughly 66% of the space delivered during Q2 2026 was delivered vacant. However, strong leasing activity during the quarter countered this increase in new vacant product. The vacancy rate fell 90 basis points quarter-over-quarter and was flat compared to Q2 2025.



Source: CBRE Research, Q2 2026

TEXAS INDUSTRIAL

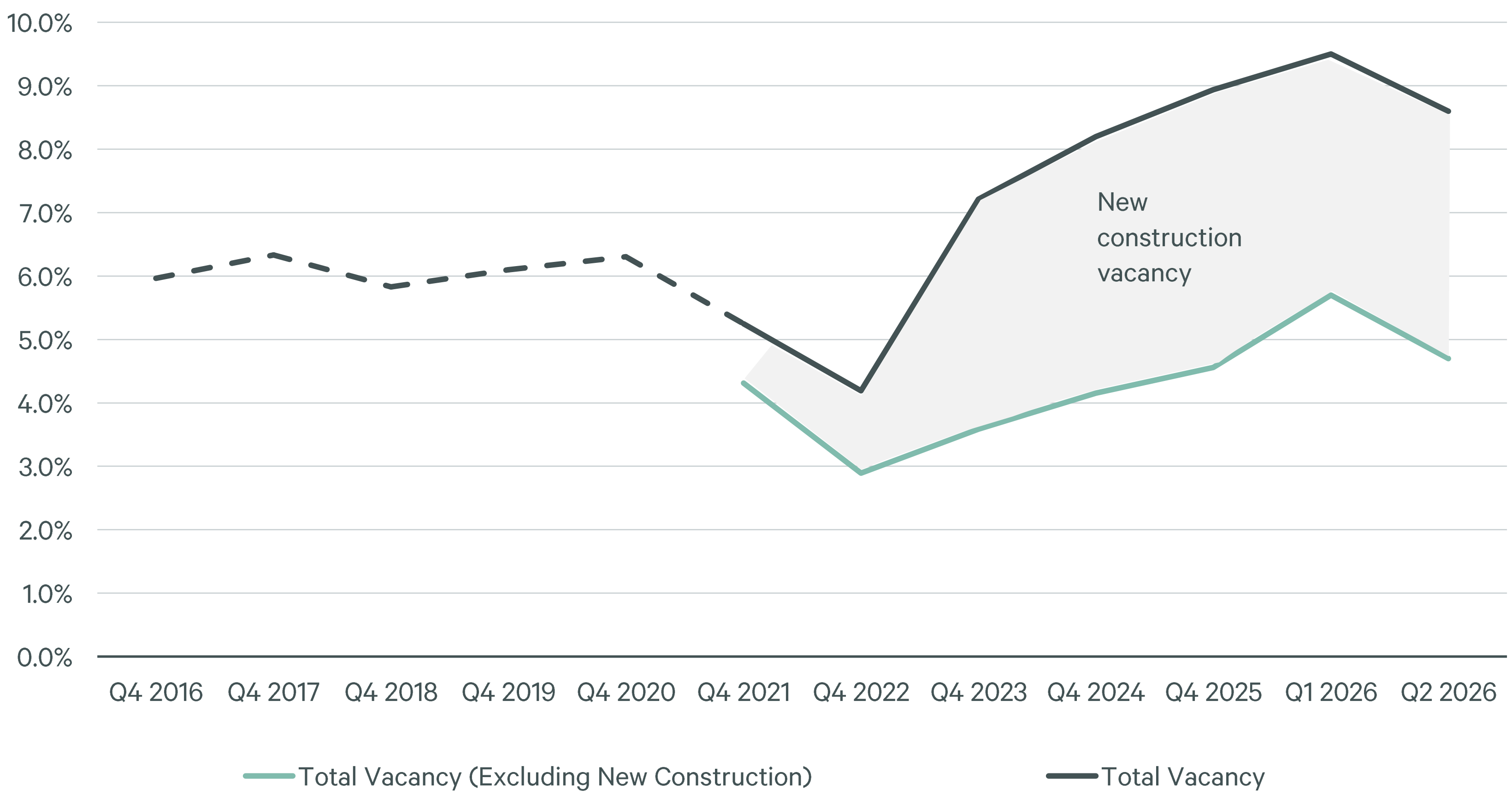
New product keeps vacancy elevated

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 was up slightly. New product vacancy accounted for 52% of the total vacancy in the Texas market in Q2 2026 compared to 51% in Q1 2026.

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



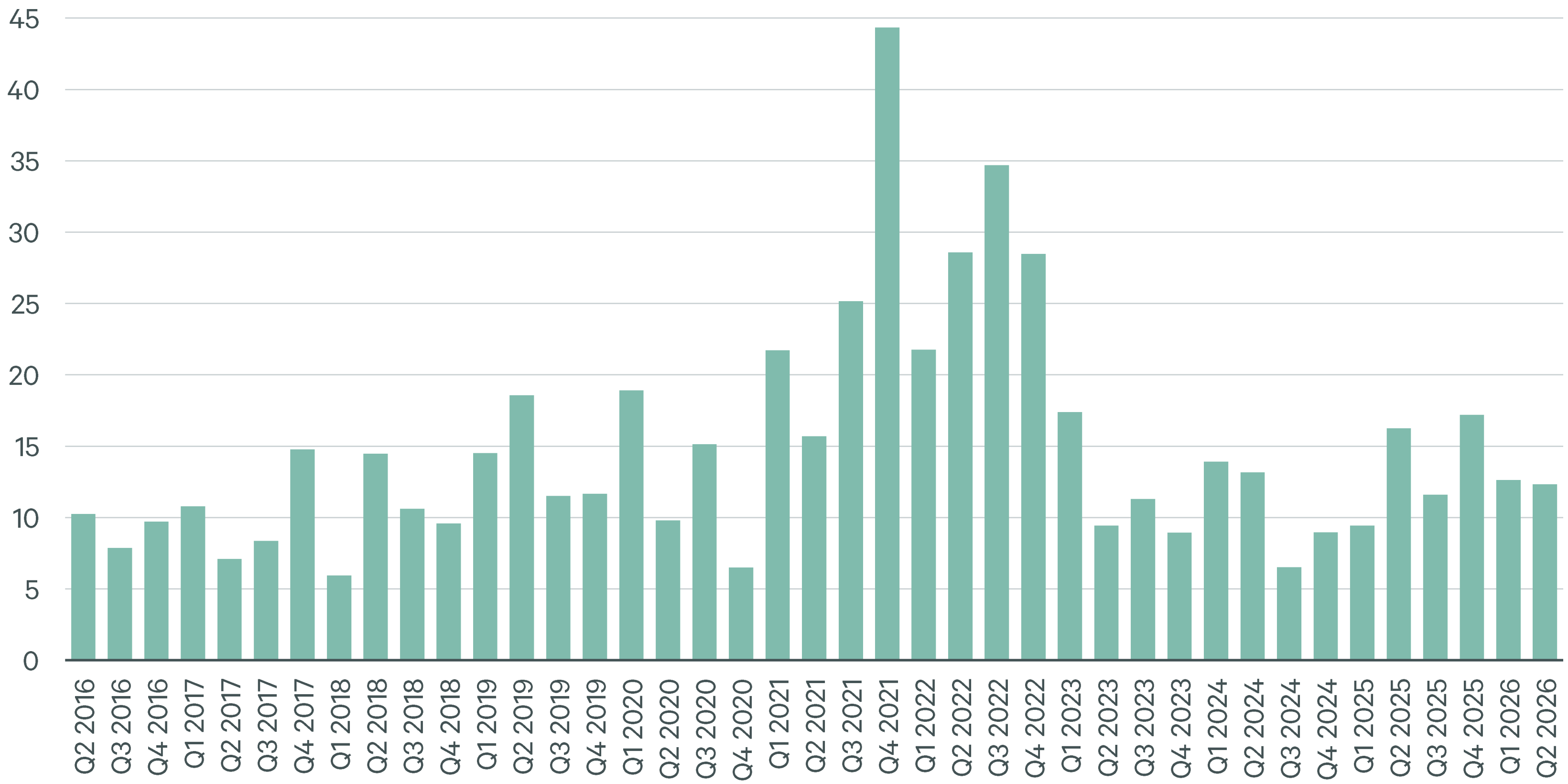
Source: CBRE Research, Q2 2026

TEXAS INDUSTRIAL

Construction starts steadying

12.3 million sq. ft. of new construction started in Q2 2026, flat quarter-over-quarter and down 3.9 million sq. ft. year-over-year. The total amount of space under construction was up by 5.6 million sq. ft. in Q2 2026. Both these figures remained well below the record-setting numbers seen between Q4 2021 and Q4 2022. Deliveries outpaced new starts by 2.7 million sq. ft.

New Construction Stars (MSF)



Source: CBRE Research, Q2 2026

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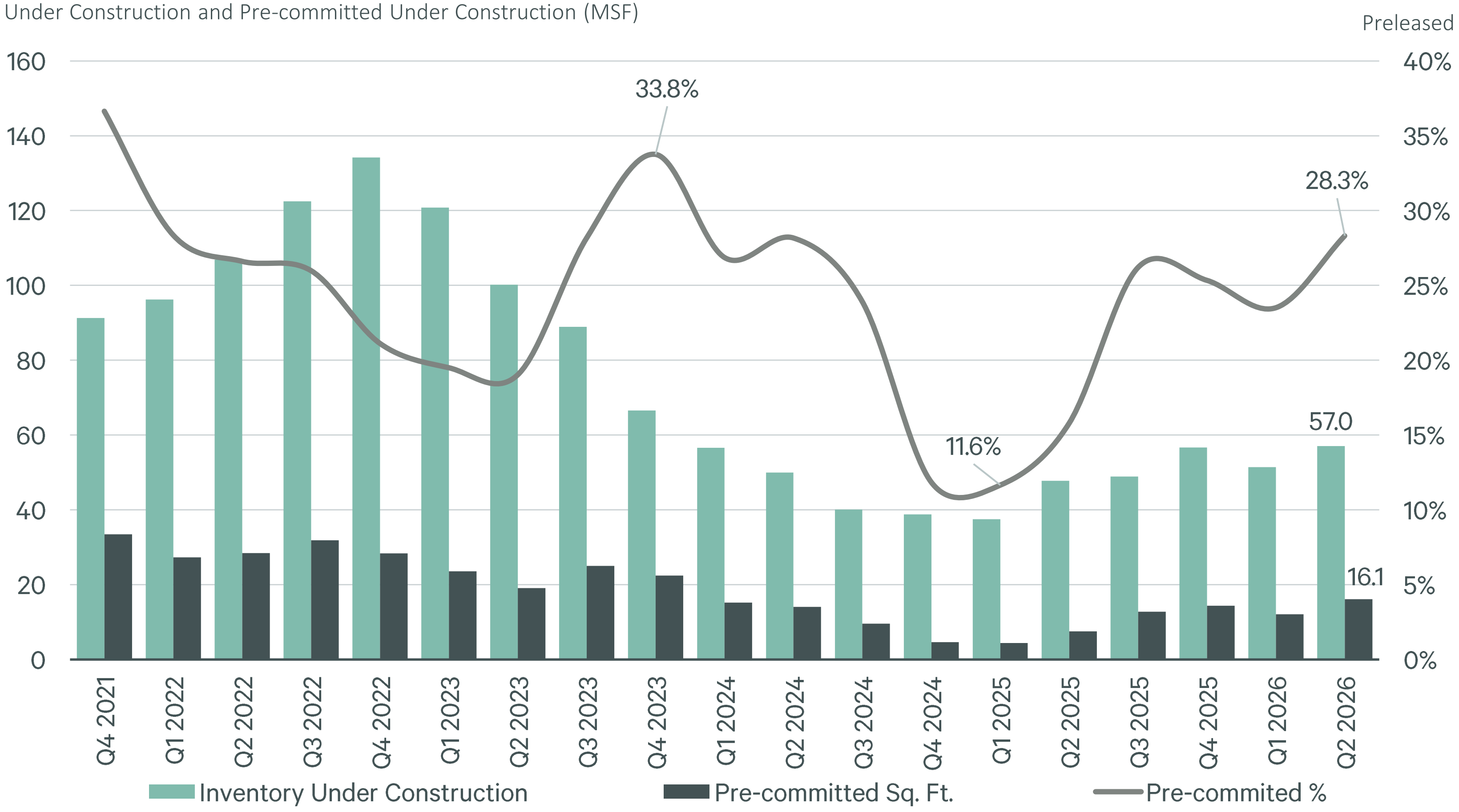
Under construction, pre-committed space increases

The Dallas/Fort Worth, San Antonio, and El Paso markets saw a quarter-over-quarter increase in total space under construction. The remaining markets saw a quarterly decline. At the close of Q2 2026, a total of 57.0 million sq. ft. remained under construction across the Texas markets.

The pre-committed rate was up from 23.5% in Q1 2026 to 28.3% in Q2 2026. The total sq. ft. of pre-leased space increased by 4.1 million sq. ft. quarter-over-quarter.

Under Construction and Pre-committed Under Construction (MSF)



Source: CBRE Research, Q2 2026

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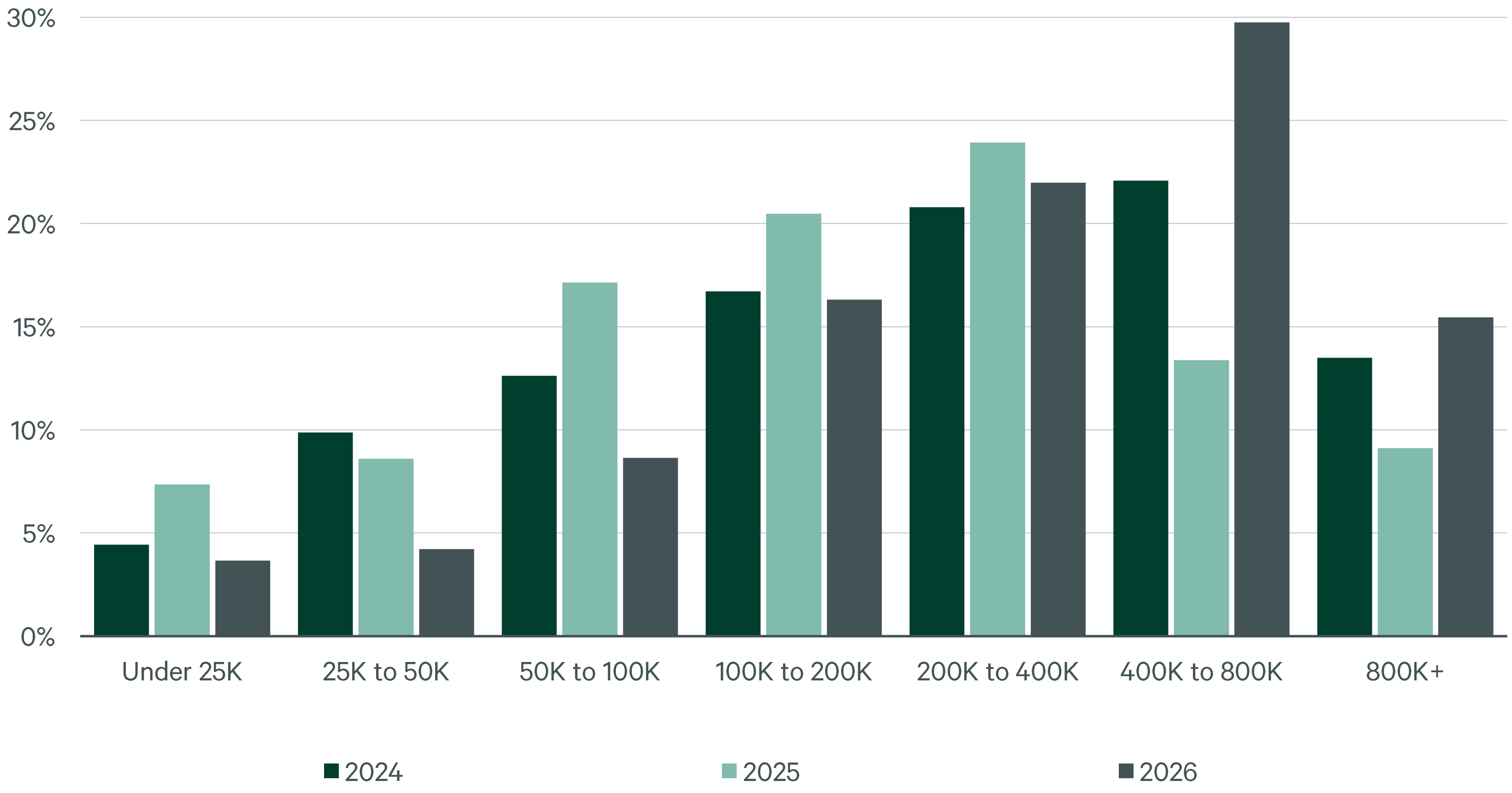
New Leasing

Leases between 400,000 to 800,000 sq. ft. accounted for the largest share of total year-to-date Q2 2026 activity, capturing 29% of deal volume based on total sq. ft. Leases between 200K to 400K sq. ft. accounted for 22.0% of year-to-date activity in sq. ft. The largest number of deals recorded for the year, 39%, were under 25,000 sq. ft.

Share of New Leasing Activity



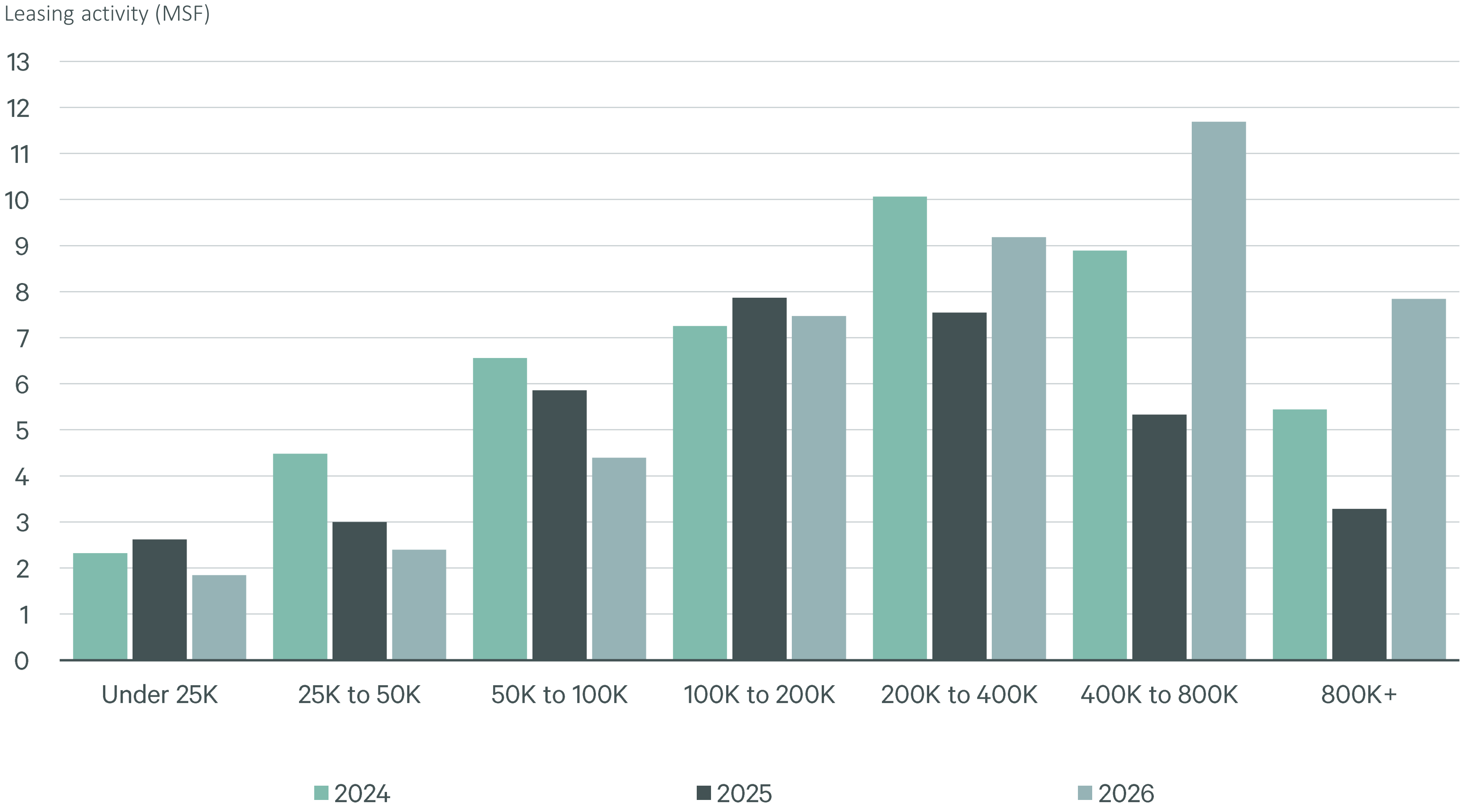
Transaction volume includes new leases signed from 1/1 to 6/30 with a lease term of 24 months and longer

Source: CBRE Research, Q2 2026.

TEXAS INDUSTRIAL

Strong activity continues into mid-year

Year-to-date leasing activity improved compared to mid-year activity reported for the previous two years. Activity was up 9.3 million sq. ft. compared to mid-year 2025 and equal to mid-year 2024. Year-to-date 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 5% to 30%. Activity in size categories above 200,000 sq. ft. saw strong year-over-year growth. Deals between 400,000 sq. ft. and 8000,000 sq. ft had the largest year-over-year growth, 6.4 million sq. ft.



Transaction volume includes new leases and renewals signed from 1/1 to 6/30 with a lease term of 24 months and longer

Source: CBRE Research, Q2 2026.

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Renewals share of total leasing returns to average

About 75 renewals totaling 7.3 million sq. ft. with an average size of 98,000 sq. ft. were signed in Q2 2026. Just under 75 renewals with a total of 5.9 million sq. ft. and an average size of 81,500 sq. ft. were signed in Q2 2025.

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

Source: CBRE Research, Q2 2026

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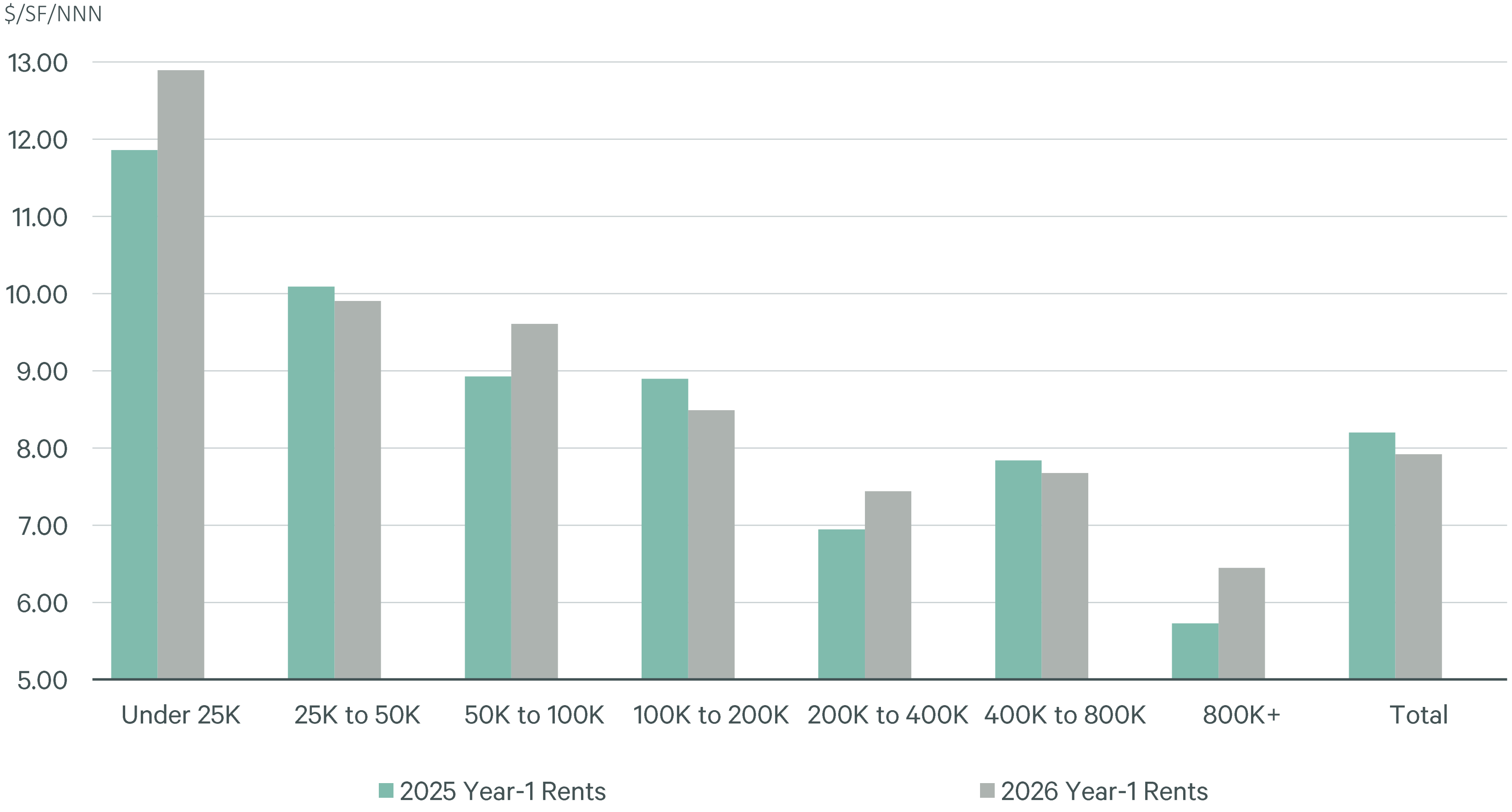
Year-1 taking rents

Taking rents saw a year-over-year dip of 3.4%, or $0.28 per sq. ft. This decline can be partially attributed to the 2.1%, or $0.28 per sq. ft. per year, decline in year-1 taking rents for deals between 400,000 sq. ft. and 800,000 sq. ft., the most active deal size range during the first half of 2026. Spaces larger than 800,000 sq. ft. had the most significant year-over-year increase, rising 12.6% or $0.72 per sq. ft. Deals under 25,000 sq. ft., consistently the size with the highest year-1 taking rents, saw growth of 8.7% or $1.03 per sq. ft.



Compares first year base rents for new leases signed from 1/1 to 6/30 with a lease term of 24 months and longer.
Source: CBRE Research, Q2 2026

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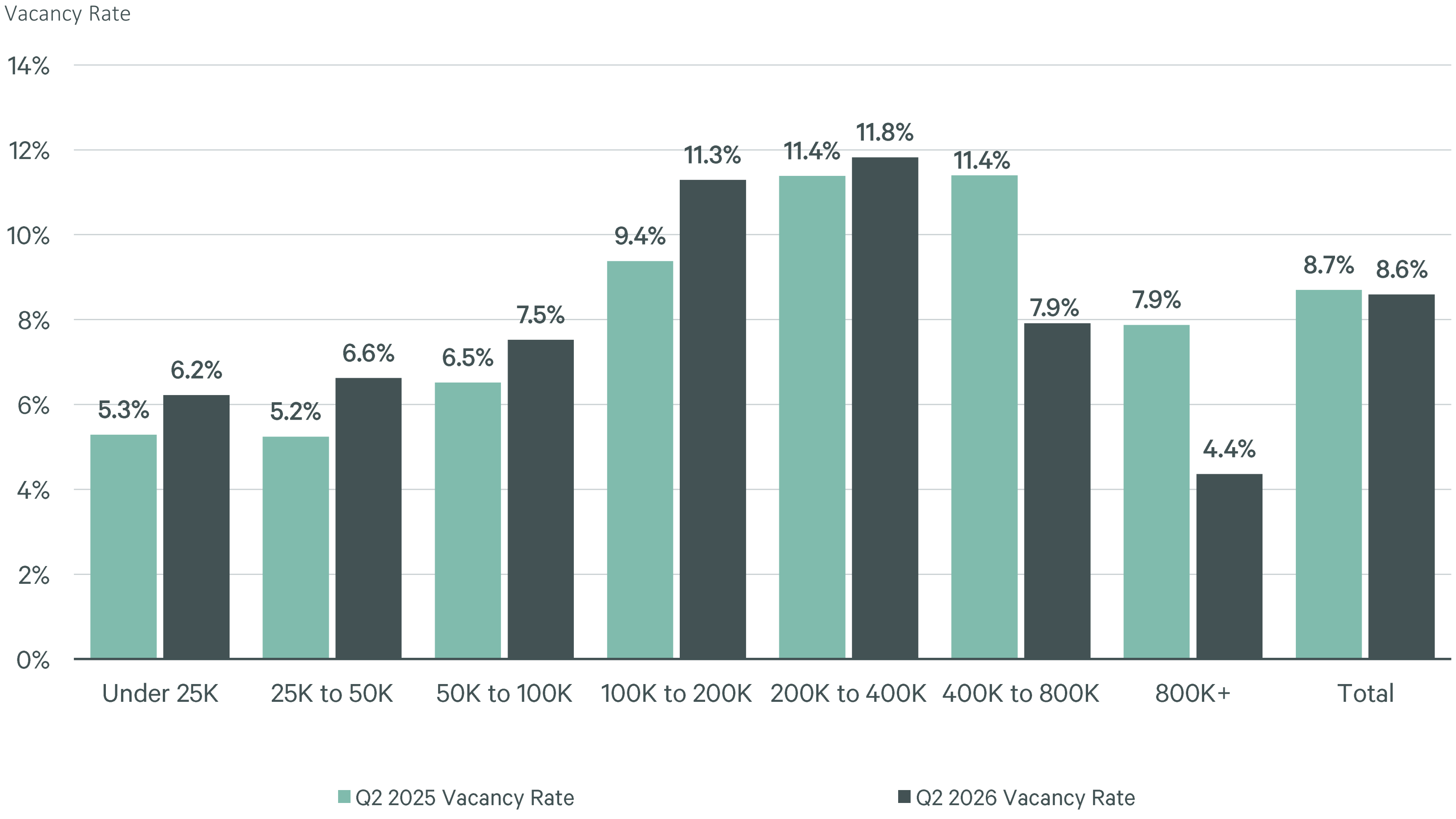
Vacancy decreases for largest building tranches

Year-over-year, vacancy rates for buildings between 400,000 sq. ft. and 800,000 sq. ft. and over 800,000 sq. ft. each fell by 350 basis points, a combined reduction of 18.2 million sq. ft. During this same time, vacancy rates across buildings below 400,000 sq. ft. picked up with increases ranging from 40 basis points to 190 basis points. The overall vacancy rate was down 10 basis points year-over-year.



Source: CBRE Research, Q2 2026

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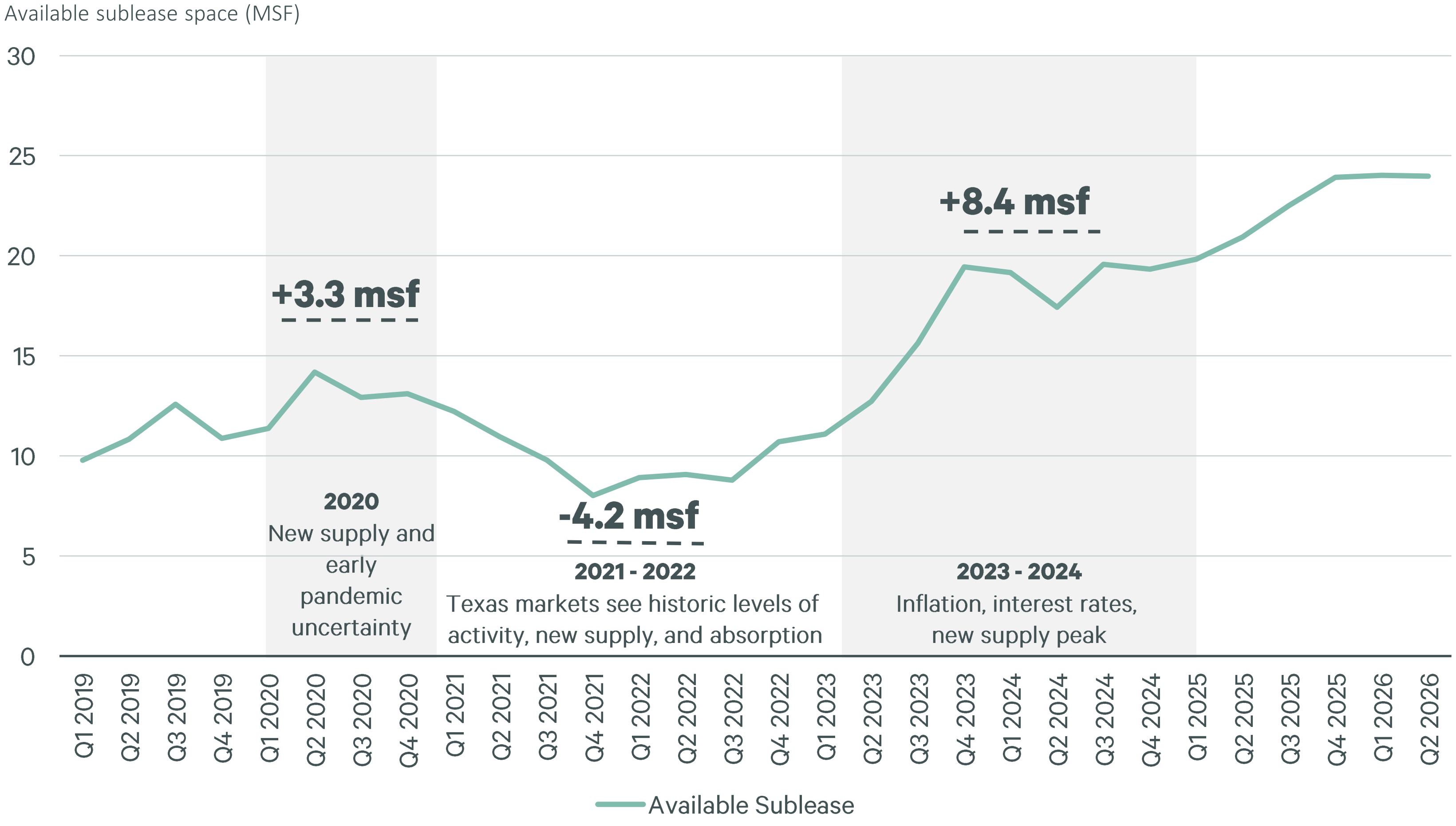
Available sublease space remains elevated

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 5.5% of Q2 2026 leasing activity but accounted for 11.7% of available space at the end of the quarter. This includes a sublease availability of over 1.0 million sq. ft. However, properties of 400,000 sq. ft. to 800,000 sq. ft. hold the largest shares of total available sublease space, 30%. Compared to the previous quarter, available sublease space decreased by 43,000 sq. ft.



Source: CBRE Research, Q2 2026

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Statistical Snapshot Q2 2026

Market	Total Vacancy Rate (%)	Q2 2026 Net Absorption (SF)	Under Construction (SF)	Q2 2026 Deliveries (SF)
Dallas/Fort Worth	8.3%	9.9 M	24.0 M	6.8 M
Houston	6.7%	7.0 M	17.7 M	5.7 M
San Antonio	10.3%	252 K	2.9 M	0
Austin	19.4%	1.4 M	5.9 M	1.0 M
El Paso	9.7%	1.6 M	6.6 M	1.5 M
Texas Total	8.6%	20.1 M	57.0 M	15.1 M

Source: CBRE Research, Q2 2026

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