Houston Retail Q3 2025

QUARTERLY MARKET REPORT

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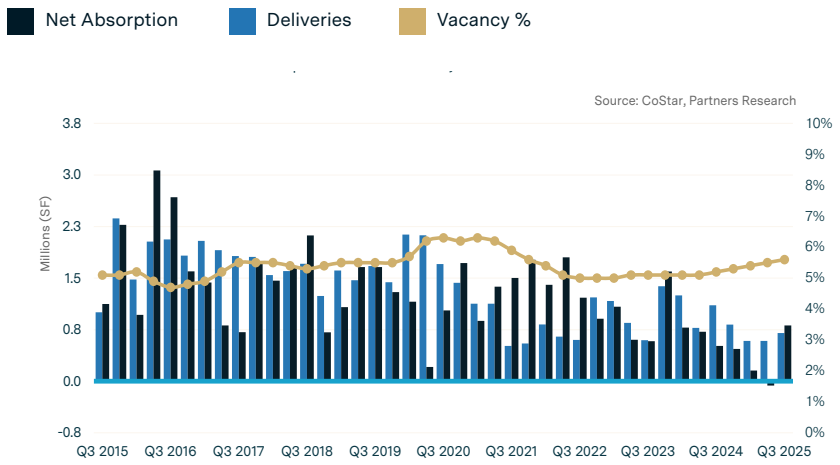
Executive Summary

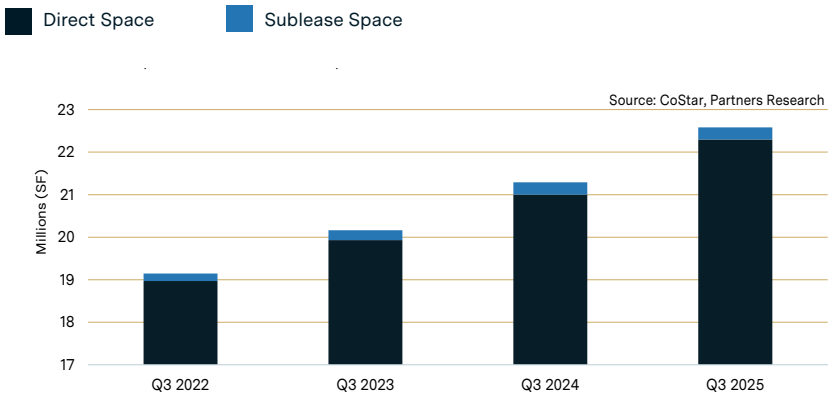
SUPPLY & DEMAND



Key Market Indicators

	CURRENT Q3 2025	PRIOR QUARTER Q2 2025		PRIOR YEAR Q3 2024	
Vacant Total	5.6%	5.6%	≈	5.3%	↑
Vacant Direct	5.5%	5.6%	↓	5.3%	↑
Available Total	6.1%	6.1%	≈	5.7%	↑
Available Direct	6.0%	6.0%	≈	5.6%	↑
Net Absorption (SF)	812,168	246,363	↑	632,998	↑
Leasing Activity (SF)	1,806,486	1,992,565	↓	2,319,281	↓
Construction (SF)	2,514,807	2,830,563	↓	3,243,576	↓
Deliveries	700,927	921,210	↓	1,192,317	↓
Avg Asking Rent (Gross)	$20.49	$20.42	↑	$20.70	↑
Inventory (SF)	402,993,830	402,288,784	↑	399,860,696	↑

VACANCIES



Q3 in Review

The Houston retail market remained balanced in Q3 2025, with an overall average vacancy rate remaining at 5.6%. This stability is attributed to the balance between supply and demand, as net absorption for the quarter came in at 812,168 square feet, and the addition of 700,927 square feet of deliveries added to inventory. Leasing activity decreased 9.3% quarterly and was down 22.1% year-over-year. The construction pipeline decreased 11.2%, with 2.5 million square feet under construction in Q3. Meanwhile, the average asking rental rate marginally increased 0.3% to $20.49 per square foot from the previous quarter.

Houston Economic Update

Houston's unemployment rate increased from 4.3% in June to 4.5% in July and decreased from 5.0% one year ago. Houston's labor market recorded employment growth of 2.0% year-over-year, adding 66,700 jobs, an increase compared to the annual 22,400 jobs gained in July a year ago.

Job growth was uneven across sectors. Other Services employment was a standout, growing at an annualized rate of 5.2% year-over-year (6,800 jobs) from July 2024 to July 2025. Additional sectors showing resilience, include Education and Health Services, which expanded at a 4.1% annualized rate (18,500 jobs). The Leisure and Hospitality sector increased at an annualized rate of 3.7% (13,300 jobs). Oil and Gas employment, which grew 3.2% year over year (40,900 jobs), was bolstered by increased Texas oil production and rising retail fuel prices. The Construction sector grew at 3.2% (7,300 jobs). Sectors that experienced job losses include Information at -2.6% (800 jobs) and Professional and Business Services at -0.5% (2,600 jobs).

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Vacancy Rate Remains at 5.6%

The total average vacancy rate remained flat over the quarter at 5.6%, but this was up 30 basis points annually. Over recent quarters, supply and demand have been in lockstep, with most of the net absorption going into new construction deliveries. The total availability rate remained at 6.1% on a quarterly basis but increased by 40 basis points from Q3 2024.

Positive Net Absorption Up Significantly

Net absorption, which is the difference between move-ins and move-outs, significantly increased from the previous quarter, recording 812,168 sq. ft. compared to 246,363 in Q2 2024. This pushes the year-to-date total net absorption to 1.3 million sq. ft. Notable Q3 2025 move-ins include The Picklr moving into 66,517 sq. ft. in College Park Shopping Center in The Woodlands, EoS Fitness moving into 51,130 sq. ft. in Square at Elyson in Katy, Shoppers World moving into 44,000 sq. ft. in Steeplechase Center.

Leasing Activity Decreased Over the Quarter

Quarterly leasing activity for Q3 2025 totaled 1.8 million sq. ft., representing a 9.3% quarter-over-quarter decrease from the 2.0 million sq. ft. recorded in Q2 2025. Recently signed leases include Burlington's 33,890 sq. ft. lease at Price Plaza on Fry Road in Katy, Sky Zone's 26,600 sq. ft. lease at Pearland Shopping Center, and Barnes & Noble's new 22,000 sq. ft. lease at Green Tree Shopping Center in Katy.

Construction, Deliveries & Investment Trends

Quarterly Deliveries and Construction Pipeline Down

Construction deliveries were down 23.9% for the quarter and 41.2% for the year, adding 700,927 sq. ft. to Houston's retail inventory. The construction pipeline stands at 2.5 million sq. ft., down 11.2% quarter-over-quarter and 22.5% year-over-year. The majority of the construction consists of neighborhood retail centers, 30,000 sq. ft. or less, near recently developed residential subdivisions.

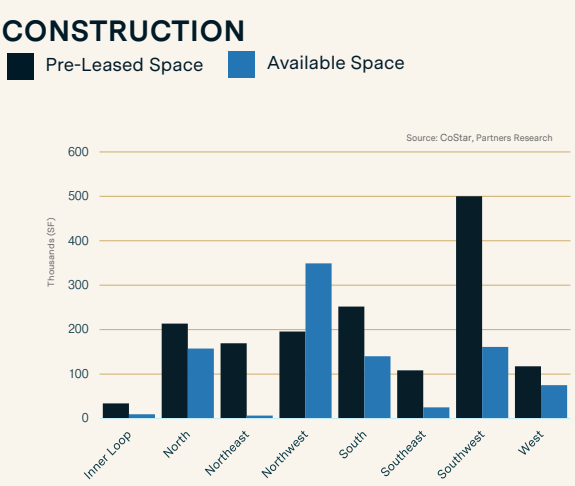
Investment Sales Trends

According to CoStar, the cumulative 12-month sales volume in the Houston retail market at the end of the third quarter was $337 million. With 430 deals completed, the average transaction price currently stands at $216 per sq. ft., with an average capitalization rate of 7.6%. Notable sale transactions in Q3 2025 include the 407,611 sq. ft. LaCenterra at Cinco Ranch, a mixed-use development in Katy, purchased by Brixmor Property Group Inc. for $223 million. Also, 111,865 sq. ft. First Colony Marketplace in Sugar Land, purchased by Dhanani Private Equity Group for an undisclosed price.

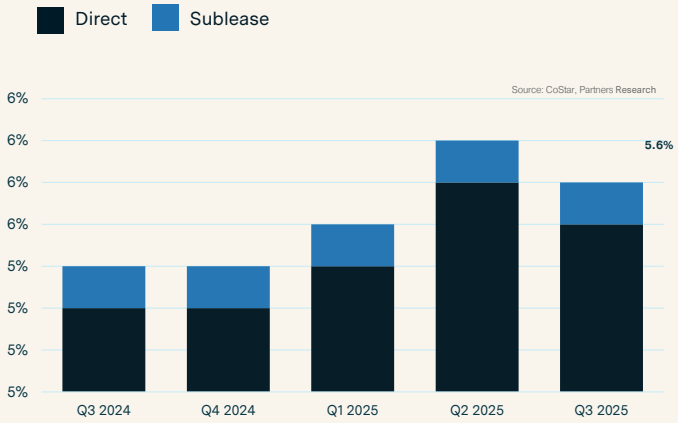
Rental Rates Increase Marginally Over the Quarter, but Decrease Over the Year

Low availability rates and rising retail sales have kept the average asking rent in the Houston retail market near record highs. The average NNN rental rate marginally rose 0.3% over the quarter from $20.42 per sq. ft. to $20.49 per sq. ft. in Q3 2025. Year-over-year, the metro's average asking rent dropped 1.0% from $20.70 per sq. ft. On a submarket level, the Inner Loop submarket continues to maintain the highest average rate at $28.18 per sq. ft. In contrast, the Southeast submarket had the lowest average rate at $17.00 per sq. ft. Asking rents are projected to remain relatively flat for the near term.

CONSTRUCTION



AVAILABILITY RATE



OVERALL NNN ASKING RENT ($/PSF)

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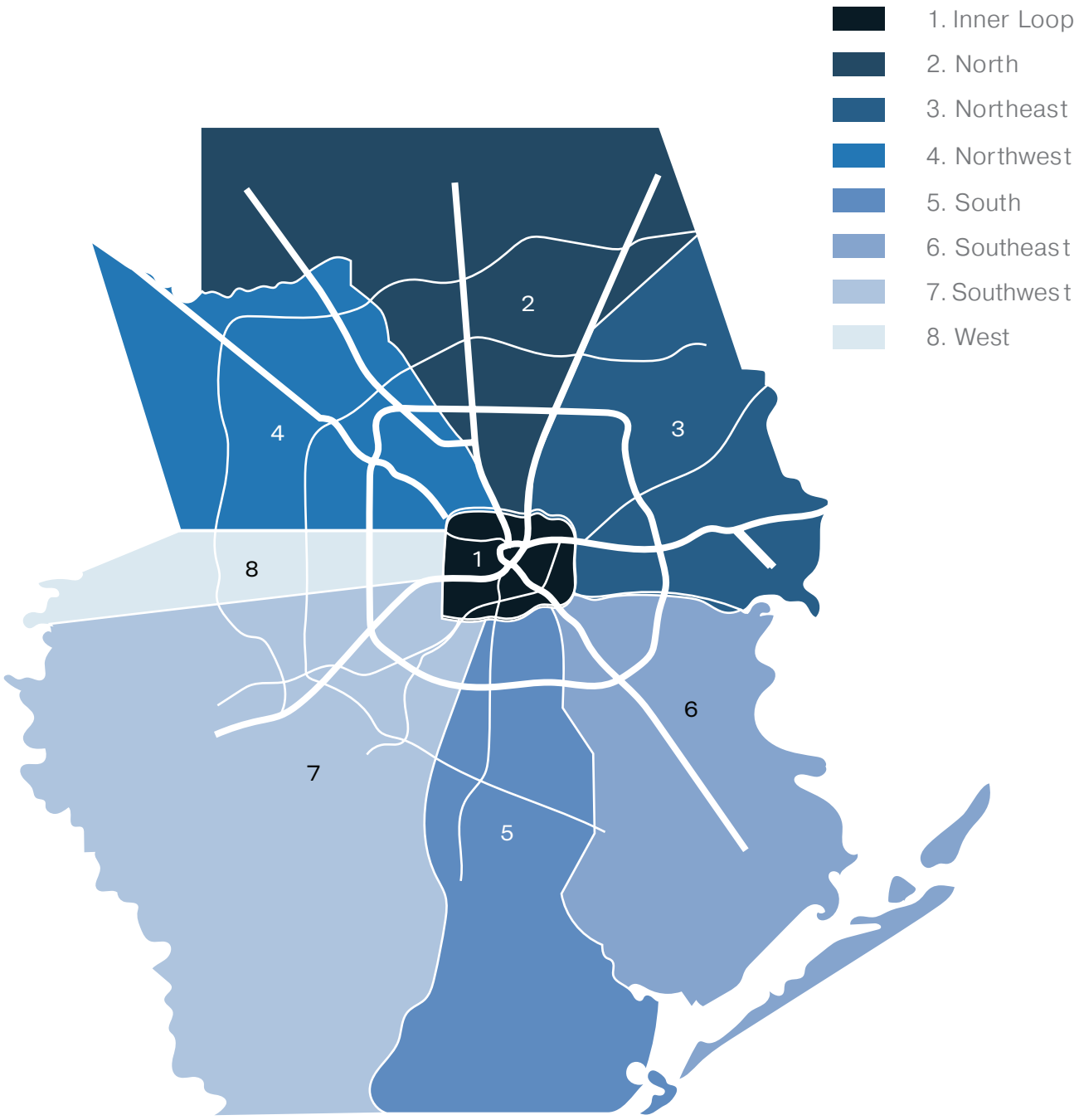
Market Overview

Submarket	Total Inventory (SF)	Q3 2025 Vacancy (%)	Q2 2025 Vacancy (%)	Q3 2025 Net Absorption (SF)	2025 YTD Net Absorption (SF)	Q3 2025 Deliveries (SF)	Under Construction (SF)	Total AVG Asking Rent NNN ($/PSF)
Inner Loop	31,662,258	6.2	6.4	68,521	-86,319	0	43,556	28.18
North	77,653,322	5.6	6.1	425,081	155,201	63,059	371,026	18.33
Northeast	31,805,714	4.3	4.5	87,889	8,073	45,195	175,969	18.64
Northwest	75,214,464	6.1	6.4	371,704	841,396	204,034	544,958	21.37
South	17,011,558	5.2	5.1	9,516	57,174	35,304	392,019	20.01
Southeast	58,608,736	6.7	6.2	-242,995	-189,002	73,700	133,383	17.00
Southwest	64,040,726	5.0	4.8	-48,797	299,861	100,829	661,384	21.14
West	46,997,052	4.8	4.7	141,249	172,638	178,806	192,512	23.52
Houston Market Total	402,993,830	5.6	5.6	812,168	1,259,022	700,927	2,514,807	20.49

Houston Retail Submarkets



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Houston
5847 San Felipe St, Suite 1400
Houston, TX 77057
713 629 0500

Austin
901 South MoPac, Suite 550
Austin, TX 78746
512 580 6025

San Antonio
112 E. Pecan, Suite 1515
San Antonio, TX 78205
210 446 3655

Dallas - Ft. Worth
1717 McKinney Ave, Suite 1480
Dallas, TX 75202
214 550 2990

Atlanta
999 Peachtree St NE, Suite 1250
Atlanta, GA 30309
404 595 0500

Steve Triolet
SVP of Research and Market Forecasting
tel 214 223 4008
steve.triolet@partnersrealestate.com

PARTNERSREALESTATE.COM

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