

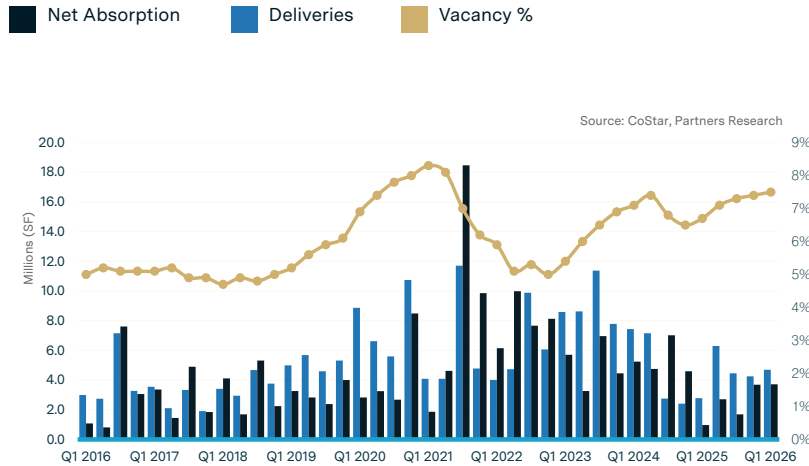
Houston Industrial Q1 2026

QUARTERLY MARKET REPORT

partners

Executive Summary

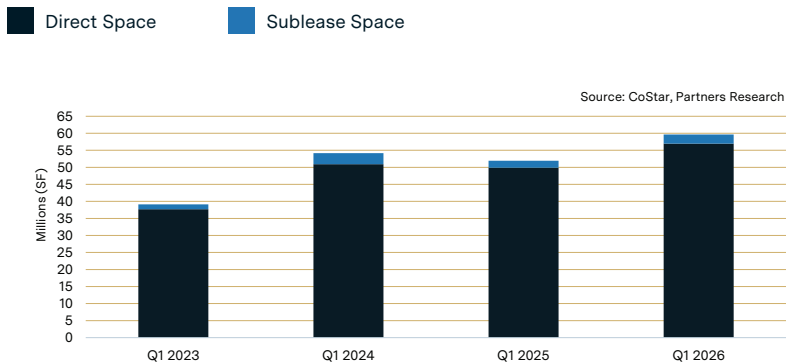
SUPPLY & DEMAND



Key Market Indicators

| | CURRENT Q1 2026 | PRIOR QUARTER Q4 2025 | | PRIOR YEAR Q1 2025 | |
|-----------------------|--------------------|-----------------------------|---|--------------------------|---|
| Vacant Total | 7.5% | 7.4% | ↑ | 6.7% | ↑ |
| Vacant Direct | 7.1% | 7.1% | ≈ | 6.4% | ↑ |
| Available Total | 10.3% | 10.0% | ↑ | 9.0% | ↑ |
| Available Direct | 9.6% | 9.4% | ↑ | 8.4% | ↑ |
| Net Absorption (SF) | 3,712,709 | 3,684,087 | ↑ | 967,732 | ↑ |
| Leasing Activity (SF) | 9,266,285 | 9,460,381 | ↓ | 11,055,812 | ↓ |
| Construction (SF) | 27,901,929 | 24,619,071 | ↑ | 19,025,327 | ↑ |
| Deliveries | 4,690,686 | 4,252,095 | ↑ | 2,781,073 | ↑ |
| Avg Asking Rent (NNN) | \$0.87 | \$0.89 | ↓ | \$0.79 | ↑ |
| Inventory (SF) | 800,474,711 | 795,111,836 | ↑ | 779,096,786 | ↑ |

VACANCIES



Q1 in Review

Houston's industrial market remained stable with a slight increase in absorption and stable leasing activity. Vacancy increased 10 basis points as new deliveries increased over the quarter. Rental rates decreased slightly, by 2.2% quarterly, but increased 10.1% annually. The construction pipeline expanded both quarter-over-quarter and year-over-year. Houston's Investment market continues to excel, with lower interest rates and declining cap rates.

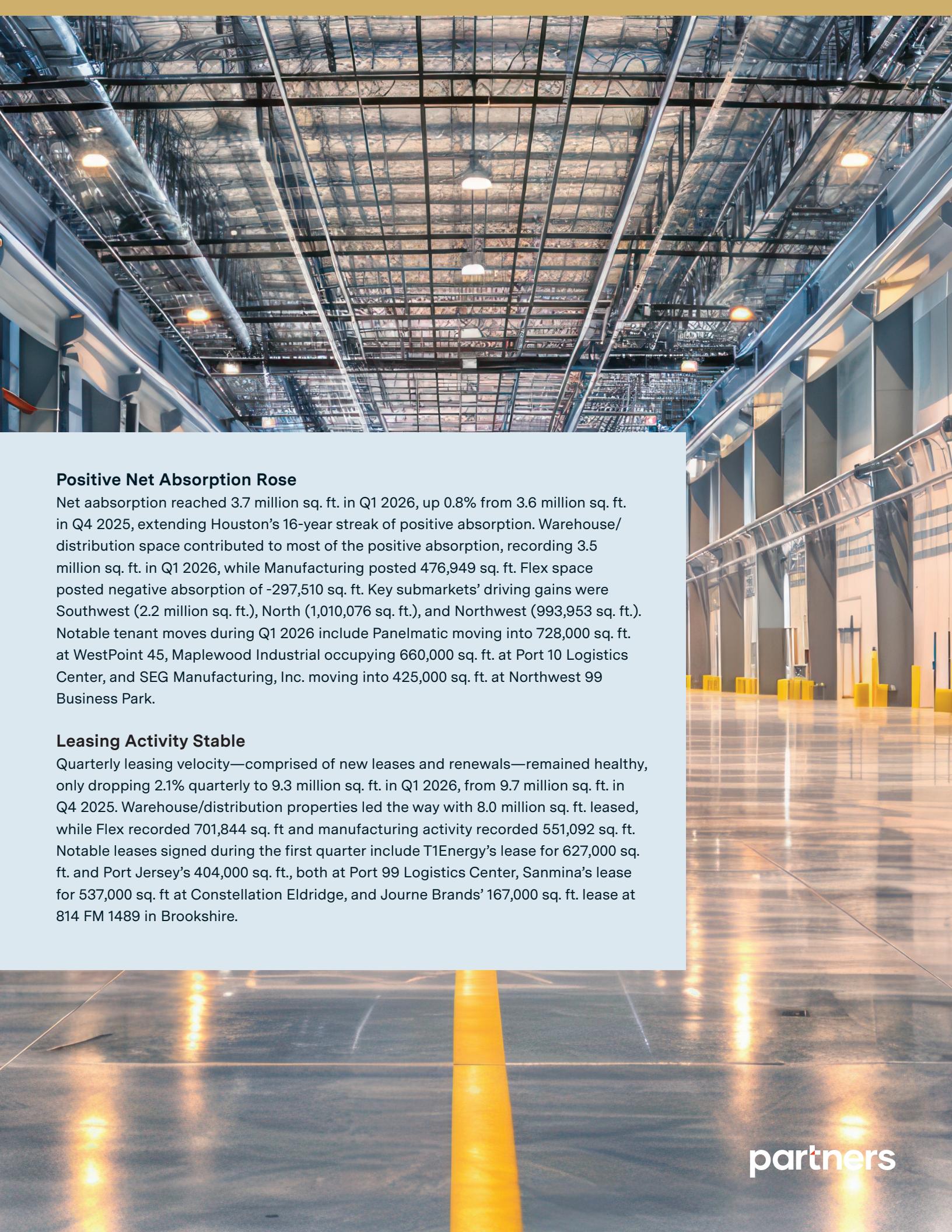
Houston Economic Update

Houston's unemployment rate rose from 4.0% in December 2024 to 4.2% in December 2025, an increase of 0.2 percentage points. Houston job growth grew 0.4 percent, adding 14,800 jobs in 2025, according to preliminary estimates by the TWC, which is faster than the rest of the nation. Fourteen of the twenty-one major employment sectors added jobs in 2025, with the Healthcare sector leading Houston's job growth, adding 10,100 jobs, followed by Restaurants & Bars (4,900 jobs) and Public Education (4,200 jobs). The U.S. job growth slowed to 0.3% in 2025.

Houston's population growth outpaced the nation between 2024 and 2025 as well, according to the U.S. Census Bureau. The 1.6% year-over-year gain is down from 2.5% in 2023-2024.

Vacancy Rate Inches Up 10 Basis Points

Due to increased deliveries, the overall vacancy rate rose to 7.5% in Q1 2026, up 10 basis points from 7.4% in Q4 2025 and increased 80 basis points from 6.7% in Q1 2025. Flex space vacancy held the highest vacancy rate at 11.8%, while manufacturing stayed tight at 2.5%. The warehouse/distribution vacancy rate remained at 7.9%. Total availability increased 30 basis points to 10.3%.



Positive Net Absorption Rose

Net absorption reached 3.7 million sq. ft. in Q1 2026, up 0.8% from 3.6 million sq. ft. in Q4 2025, extending Houston's 16-year streak of positive absorption. Warehouse/distribution space contributed to most of the positive absorption, recording 3.5 million sq. ft. in Q1 2026, while Manufacturing posted 476,949 sq. ft. Flex space posted negative absorption of -297,510 sq. ft. Key submarkets' driving gains were Southwest (2.2 million sq. ft.), North (1,010,076 sq. ft.), and Northwest (993,953 sq. ft.). Notable tenant moves during Q1 2026 include Panelmatic moving into 728,000 sq. ft. at WestPoint 45, Maplewood Industrial occupying 660,000 sq. ft. at Port 10 Logistics Center, and SEG Manufacturing, Inc. moving into 425,000 sq. ft. at Northwest 99 Business Park.

Leasing Activity Stable

Quarterly leasing velocity—comprised of new leases and renewals—remained healthy, only dropping 2.1% quarterly to 9.3 million sq. ft. in Q1 2026, from 9.7 million sq. ft. in Q4 2025. Warehouse/distribution properties led the way with 8.0 million sq. ft. leased, while Flex recorded 701,844 sq. ft. and manufacturing activity recorded 551,092 sq. ft. Notable leases signed during the first quarter include T1Energy's lease for 627,000 sq. ft. and Port Jersey's 404,000 sq. ft., both at Port 99 Logistics Center, Sanmina's lease for 537,000 sq. ft. at Constellation Eldridge, and Journe Brands' 167,000 sq. ft. lease at 814 FM 1489 in Brookshire.

Construction, Deliveries & Investment Trends

Construction Pipeline and Deliveries Increase

The pipeline increased to 27.9 million sq. ft., a 13.3% increase from 24.6 million sq. ft. in Q4 2025. Deliveries rose 10.3% to 4.7 million sq. ft. in Q1 2026 from 4.3 million in the previous quarter. Year-over-year deliveries increased 68.7% from 2.9 million sq. ft. in Q1 2025. Only 25% of the GBA currently under construction is pre-leased.

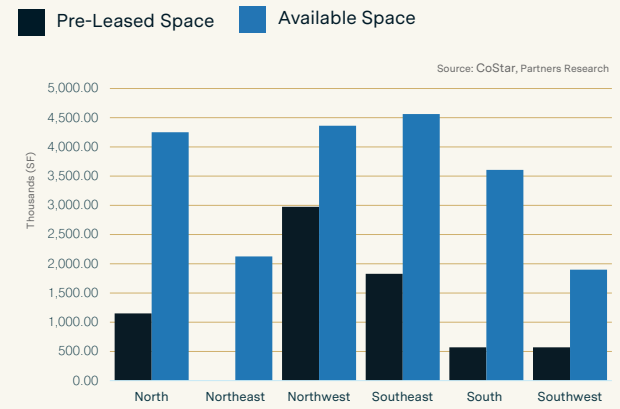
Investment Sales Trends

In the first quarter of 2026, 372 Industrial and Flex properties totaling 11.0 million sq. ft. sold for a total sales volume of \$87.5 million. The average price per square foot was \$185, with an average capitalization rate of 7.0%. Notable sales transactions in Q1 2026 include Stream Realty Partners' sale of Buildings 9 and 10 (1.7 million sq. ft.) at Empire West, located in Brookshire, TX. The two buildings are 100% leased to Tesla and were acquired by BGO for an undisclosed price. In addition, Pederson Distribution Center I to High Street Logistics Properties for an undisclosed price. The property is 100% occupied by AWG American Wire Group.

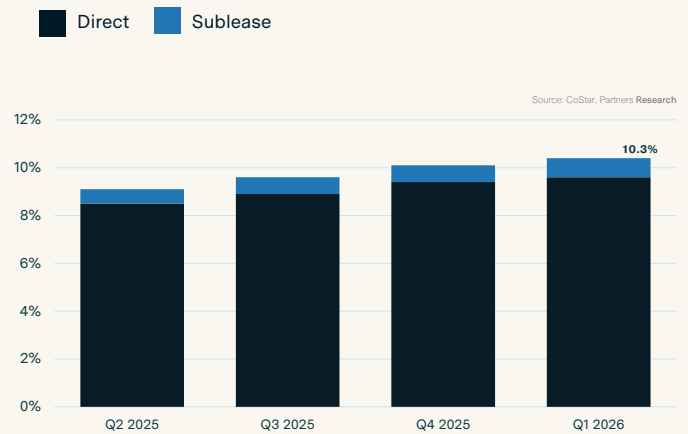
Asking Rents Relatively Flat Over the Quarter

The average monthly rental rate (NNN) decreased \$0.02 per sq. ft., down 2.2% from \$0.89 in Q4 2025 and up 10.1% from \$0.79 in Q1 2025. Flex space has the highest asking rate of \$0.98 per sq. ft., followed by manufacturing at \$0.91 per sq. ft. and warehouse/distribution space has an average lease rate of \$0.83 per sq. ft. The Southwest submarket posted the highest rental rate at \$1.03 per sq. ft., followed by the Northwest submarket at \$0.93 per sq. ft.

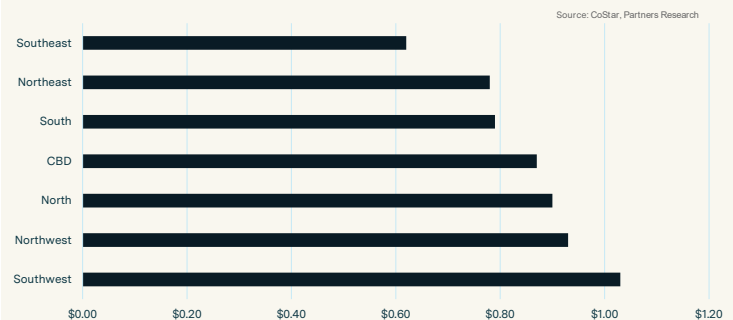
CONSTRUCTION



AVAILABILITY RATE



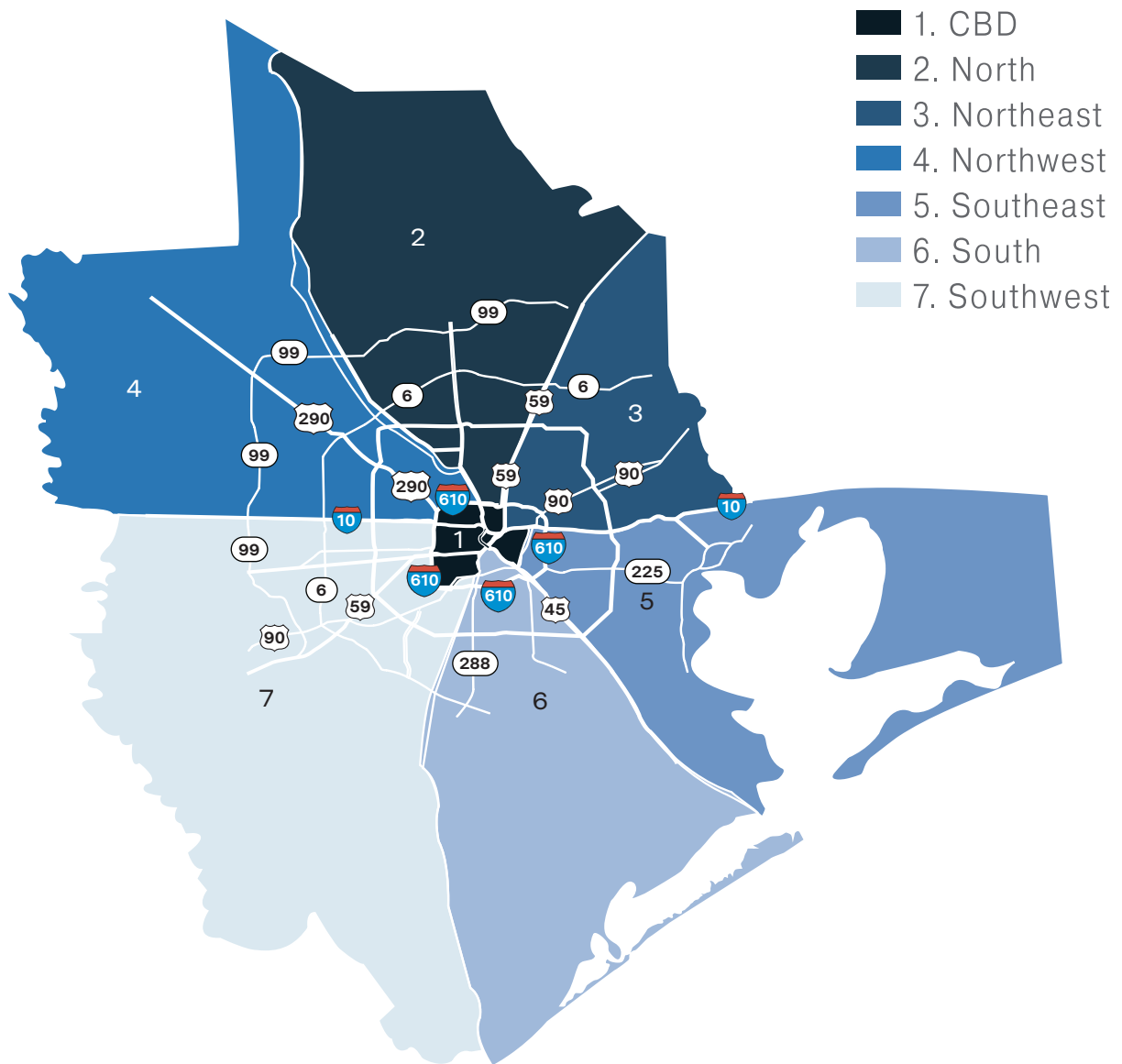
OVERALL GROSS ASKING RENT (\$/PSF)



Market Overview

| Submarket | Total Inventory (SF) | Total Vacancy (%) | Total Availability (%) | Q1 2026 Net Absorption (SF) | Q1 2026 Leasing Activity (SF) | Q1 2026 Deliveries (SF) | Under Construction (SF) | Overall NNN AVG Asking Rent (\$/PSF) |
|------------------------|----------------------|-------------------|------------------------|-----------------------------|-------------------------------|-------------------------|-------------------------|--------------------------------------|
| Houston Market Total | 800,474,711 | 7.5% | 10.3% | 3,712,709 | 9,266,285 | | 27,901,929 | 0.87 |
| Flex | 53,275,404 | 11.3% | 11.8% | -297,510 | 701,844 | 115,688 | 534,578 | 0.98 |
| Manufacturing | 98,856,024 | 2.5% | 4.3% | 476,949 | 551,092 | 20,000 | 1,124,582 | 0.91 |
| Warehouse/Distribution | 648,343,283 | 7.9% | 11.1% | 3,533,270 | 8,013,349 | 4,554,998 | 26,242,769 | 0.83 |
| CBD Total | 48,499,378 | 7.0% | 9.0% | -228,087 | 329,232 | 0 | 0 | 0.73 |
| Flex | 2,660,531 | 11.1% | 12.9% | -15,620 | 10,428 | 0 | 0 | 1.32 |
| Manufacturing | 7,117,236 | 1.4% | 8.0% | 0 | 0 | 0 | 0 | 0.55 |
| Warehouse/Distribution | 38,721,611 | 7.8% | 8.9% | -212,467 | 318,804 | 0 | 0 | 0.75 |
| North Total | 150,799,699 | 6.9% | 10.3% | 1,010,076 | 1,579,766 | 687,445 | 5,402,243 | 0.90 |
| Flex | 12,888,563 | 10.9% | 9.2% | -70,481 | 135,676 | 0 | 257,652 | 0.90 |
| Manufacturing | 16,501,890 | 1.3% | 3.9% | 196,792 | 424,392 | 20,000 | 710,144 | 0.86 |
| Warehouse/Distribution | 121,409,246 | 7.2% | 11.3% | 883,765 | 1,019,698 | 667,445 | 4,434,447 | 0.90 |
| Northeast Total | 56,606,486 | 8.6% | 13.1% | 250,505 | 629,342 | 235,283 | 2,124,905 | 0.78 |
| Flex | 933,761 | 5.3% | 5.3% | -5,000 | 0 | 0 | 0 | 0.69 |
| Manufacturing | 10,140,125 | 4.2% | 6.3% | -228,820 | 0 | 0 | 0 | 0.77 |
| Warehouse/Distribution | 45,532,600 | 9.7% | 14.7% | 484,325 | 629,342 | 235,283 | 2,124,905 | 0.78 |
| Northwest Total | 217,317,771 | 6.7% | 9.2% | 993,953 | 2,351,530 | 1,363,981 | 7,337,105 | 0.93 |
| Flex | 15,631,836 | 13.5% | 14.7% | -87,353 | 286,638 | 10,540 | 70,000 | 0.84 |
| Manufacturing | 27,832,075 | 2.4% | 4.2% | -74,270 | 90,000 | 0 | 192,248 | 0.99 |
| Warehouse/Distribution | 173,853,860 | 6.7% | 9.5% | 1,155,576 | 1,974,892 | 1,353,441 | 7,074,857 | 0.92 |
| Southeast Total | 150,609,929 | 9.9% | 12.5% | -235,370 | 2,231,506 | 444,102 | 6,391,066 | 0.62 |
| Flex | 4,064,316 | 8.2% | 10.0% | 2,696 | 16,376 | 24,000 | 15,000 | 1.00 |
| Manufacturing | 19,180,083 | 2.4% | 3.0% | -130,901 | 25,650 | 0 | 57,750 | 0.86 |
| Warehouse/Distribution | 127,365,530 | 11.1% | 13.9% | -107,165 | 2,189,480 | 420,102 | 6,318,316 | 0.59 |
| South Total | 64,630,391 | 7.0% | 12.7% | -236,285 | 338,410 | 925,265 | 4,177,094 | 0.79 |
| Flex | 3,331,941 | 12.0% | 14.4% | -30,926 | 40,158 | 0 | 91,904 | 0.86 |
| Manufacturing | 10,120,497 | 3.8% | 6.4% | -22,847 | 0 | 0 | 164,440 | 0.72 |
| Warehouse/Distribution | 51,177,953 | 7.3% | 13.8% | -182,512 | 298,252 | 925,265 | 3,920,750 | 0.79 |
| Southwest Total | 112,011,057 | 6.3% | 7.3% | 2,157,917 | 1,806,499 | 1,034,610 | 2,469,516 | 1.03 |
| Flex | 13,764,456 | 10.4% | 11.0% | -90,826 | 212,568 | 81,148 | 100,022 | 1.26 |
| Manufacturing | 7,964,118 | 2.5% | 0.7% | 736,995 | 11,050 | 0 | 0 | 0.92 |
| Warehouse/Distribution | 90,282,483 | 6.0% | 7.3% | 1,511,748 | 1,582,881 | 953,462 | 2,369,494 | 0.91 |

Houston Industrial Submarkets



Houston

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

Austin

301 Congress Avenue, Suite 1360
Austin, TX 78701
512 580 6025

San Antonio

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

Dallas - Ft. Worth

2515 McKinney Ave, Suite 950
Dallas, TX 75201
214 550 2990

Atlanta

999 Peachtree St NE, Suite 200
Atlanta, GA 30309
404 595 0500

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