

# Houston

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## Houston industrial market shows its resilience with net absorption remaining positive

The Houston industrial market continues to remain resilient, boasting positive net absorption for Q2 2024, at 5.5 million square feet (msf). Net absorption has remained relatively flat year over year; however, it has increased compared to the prior quarter. Leasing activity remains active with large deals still being done, like Integra Mission Critical LLC signing a lease for approximately 1.2 msf and PGS signing a lease for approximately 372,000 square feet (sf). Going forward, given the active leasing activity, net absorption will likely continue to trend positively. Vacancy saw a slight quarter-over-quarter increase of 20 basis points (bps) increasing to 7.5%. The Northeast submarket saw the largest quarter-over-quarter increase in vacancy, which can be attributed to the 2.7 msf delivered within the submarket. Vacancy is anticipated to continue to remain high as new spec development is delivered.

**Asking rates shows signs of softening as supply outpaces demand**  
Asking rates have remained relatively flat year over year; however, they have an observed decrease of approximately 3.3% compared to the prior quarter. New deliveries have come online, with the Houston Industrial Market seeing 6.7 msf in new supply added to total inventory in Q2 2024. In addition, 15.7 msf remains under construction, with approximately 70.0% being speculative development. The Southeast submarket has the largest concentration of construction activity, with approximately 5.5 msf under construction, which represents approximately 35.0% of the construction pipeline. As new spec development is delivered into the market, and absorption continues to moderate from historic highs, vacancy will likely remain high, putting downward pressure on asking rents.

**Houston fundamentals remain solid with positive job growth**  
Houston has continually observed steady job growth. As of May 2024, the manufacturing and the trade, transportation, and utilities sectors saw year-over-year growth of 2.0% and 0.6%, respectively. In addition, the Port of Houston remains an influential demand driver for the Houston industrial market. As of May 2024, the port reports a 14.0% year-to-date increase in container volume compared to the same period last year. While continued job growth will likely have a positive impact on demand, increasing vacancy and softening of asking rental rates are expected, given the significant speculative development coming to market.

### Key Statistics

	Q2 2023	Q2 2024	Y-0-Y
Inventory	611.7 msf	653.3 msf	+ 41.6 msf
Vacancy Rate	5.9%	7.5%	+160bps
Asking Rental Rate (Monthly)	\$0.61	\$0.61	-0.1%
Net Absorption	5.5 msf	5.5 msf	0 msf
Under Construction	30.6 msf	15.7 msf	-14.9 msf
Deliveries	10.8 msf	6.7 msf	-4.0 msf

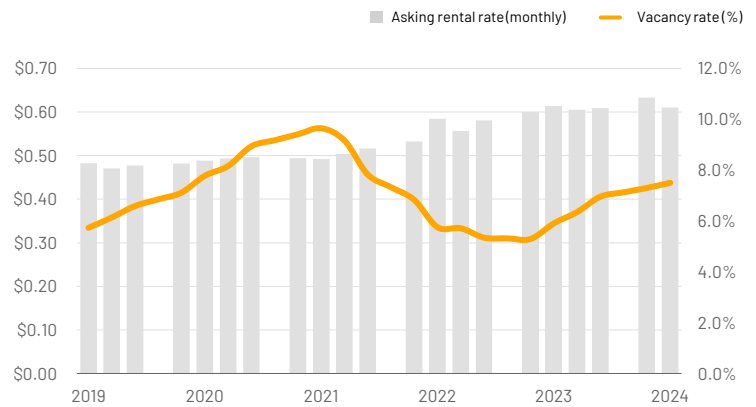
### Outlook

**01** Near-term vacancy expected to continue to increase, as speculative development is delivered

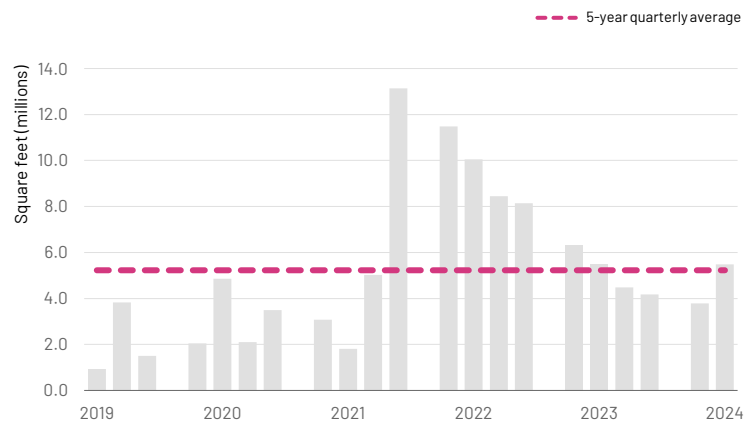
**02** Net absorption will likely remain positive over the near term; however, it will remain below recent highs

**03** Asking rents will likely continue to soften as vacancy increases

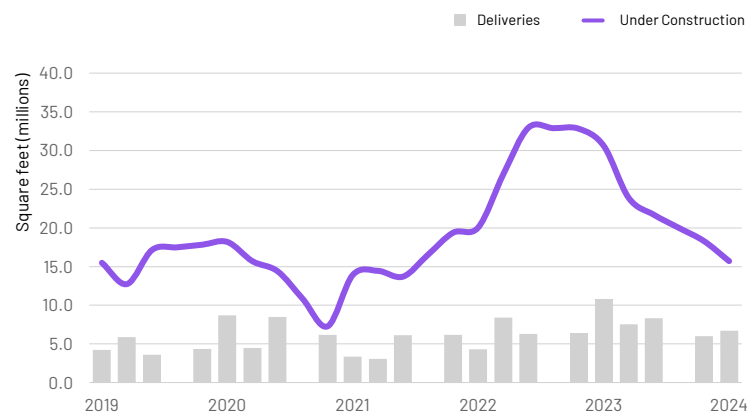
### Asking Rent and Vacancy



### Net Absorption



### Deliveries and Under Construction



### Outlook

## Top Leases

Source: Savills Research

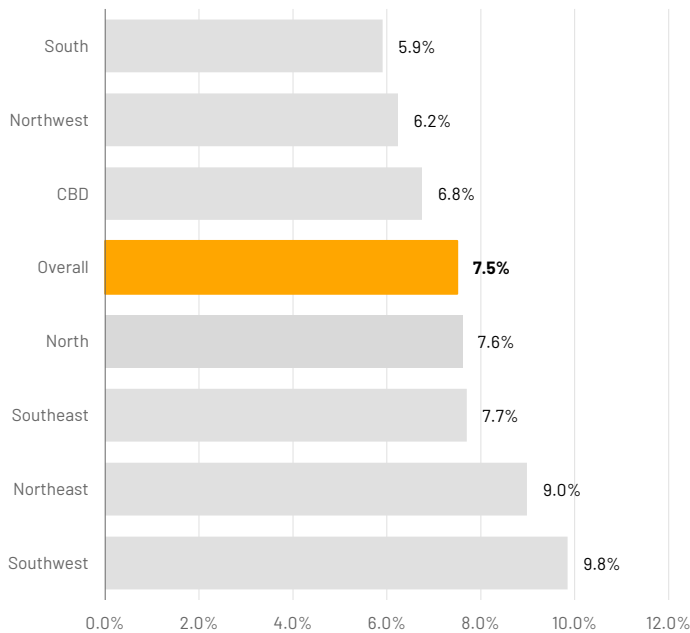
TENANT	SIZE (SF)	SUBMARKET	ADDRESS	TRANSACTION TYPE	INDUSTRY
Integra Mission Critical LLC	1,213,573	North	15550 Milner Road	Sublease	Construction Materials & Building Fixtures
PGS	372,090	Southeast	359 Pike Court	Renewal	Energy
eFulfill, Inc	368,099	Southwest	Post Oak Logistics Park	New Lease	E-Commerce
Tigerhawk Logistics LLC	328,048	Southeast	4838 Borusan Road	New Lease	Logistics & Distribution/3PLs
RPM Warehouse	291,459	South	6462 Northdale Street	New Lease	Logistics & Distribution/3PLs

## Top Sales

OWNER/BUYER	SIZE (SF)	SUBMARKET	ADDRESS	PRICE / \$/SF	SELLER
Cabot Properties	356,236	North	13800 North Freeway	N/A	Clarion Partners / Trammel Crow
O'Drill/MCM	231,839	Northwest	22533 NW Lake Drive	N/A	Boulevard Partners Investments, LLC
13930 Realty Holdings, LLC	159,697	South	13930 Journey Road	N/A	Investment & Development Ventures
TradeLane Properties	145,222	North	915 Conroe Park West Drive	N/A	Buske Logistics / Fourshore Partners
A.C. Industrial Properties, LLC	142,100	Northwest	12020 Barker Cypress Road	N/A	Molto Properties

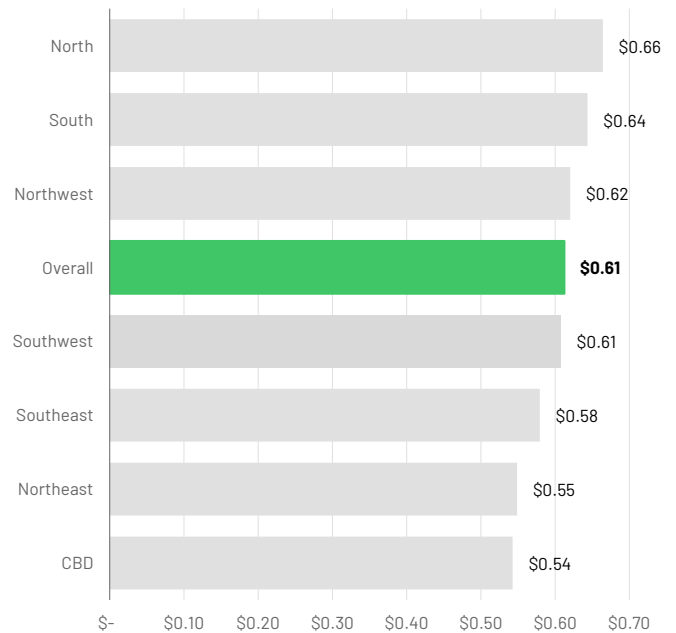
## Vacancy Rate Comparison (%)

HOUSTON SUBMARKETS



## Rental Rate Comparison (\$/sf)\*

HOUSTON SUBMARKETS



## Houston Q2 2024 - Industrial

\*based on all classes of available inventory

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Unless otherwise noted, all rents quoted throughout this report are average asking net (NNN) rents per square foot. Statistics are calculated using both direct and sublease information. Current and historical availability and rent data are subject to change due to changes in inventory.

The information in this report is obtained from sources deemed reliable, but no representation is made as to the accuracy thereof. Unless otherwise noted, source for data is Savills Research.

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