INVESTMENT OUTLOOK

IPA | INSTITUTIONAL PROPERTY ADVISORS

Industrial

Houston Metro Area

MIDYEAR 2025

Supply Chain Improvements and Strategic Investment Reinforce Houston's Future Prospects

Port strength and infrastructure upgrades sustain positive momentum. The Port of Houston carried its strong performance from 2024 into this year, with trade policy shifts having limited impact on port activity through June. A diverse mix of cargo types has helped insulate the port from steeper volume declines, especially compared with West Coast hubs more reliant on Chinese-related trade. This diversity also reduces vulnerability to tariffs targeting specific categories of goods. The metro's industrial market resilience is further reinforced by infrastructure expansion at George Bush Intercontinental Airport, which includes enhanced cargo capacity and freight-related runway improvements. These strengths, combined with favorable employment and population trends, have supported consistent demand. As such, net absorption will keep pace with new supply across 2024 and 2025, positioning Houston as one of only two major industrial markets to record vacancy compression in both years.

Investor interest concentrates near growth nodes. Houston remains one of the most active industrial markets in the U.S., ranking second nationwide in total transactions during the 12 months ended in March. Recent trading was concentrated around the southern TX-8 Beltway and the Bush Intercontinental Airport area, reflecting heightened interest in areas benefiting from major infrastructure upgrades. Notably, despite leading the metro in inventory growth last year, the Southern Corridor — which includes parts of the Beltway — still recorded a meaningful vacancy decline and steady rent growth. These dynamics that are likely to steer active investors to area listings in the second half. Meanwhile, Foxconn's expansion in northwest Houston is driving additional sales in that submarket, positioning the area for sustained investor demand.

2025 MARKET FORECAST

+1.4% — **EMPLOYMENT:** Job growth will improve after a slower 2024, with 48,000 positions added across sectors — the third-largest gain among all major U.S. markets this year.

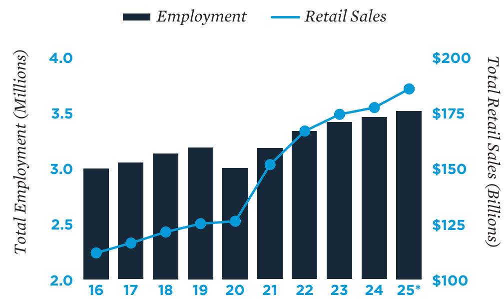
16.8 million *sq. ft.* — **CONSTRUCTION:** Houston will trail only Atlanta in industrial deliveries this year, with inventory up 2.4 percent metrowide. The biggest additions will be in the Southeast Corridor.

-10 bps — **VACANCY:** Metro vacancy will tick down for a second straight year, though only slightly. At 6.4 percent, the metro's year-end rate will be notably below that of Dallas-Fort Worth and Austin.

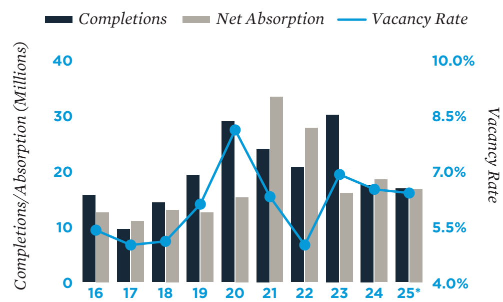
+1.6% — **RENT:** Steady tenant demand will lift asking rents for sixth consecutive year. At $9.27 per square foot, the metro's year-end average ranks as one of the lowest among primary U.S. markets.

INVESTMENT: *Tesla's plans to construct a megafactory in Waller County could spark investment in the industrial corridor west of Katy — a submarket with relatively limited sales activity as of late.*

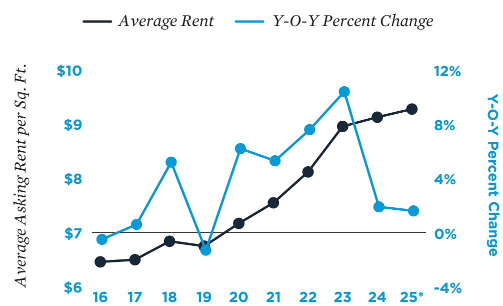
Economic Trends



Supply and Demand



Rent Trends



* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

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