RifleCRE

HOUSTON
OFFICE MARKET
Q4 2025

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ANALYSIS AND TRENDS

The Houston office market continues to evolve in Q4 2025, presenting a complex landscape of challenges and opportunities for investors, tenants, and property owners. This comprehensive report delves into key metrics, emerging trends, and economic factors shaping the commercial real estate sector in one of America's largest metropolitan areas.

MARKET OVERVIEW: A RESILIENT CLOSING

- Total inventory now exceeds 760 million square feet mero-wide, reinforcing Houston's role as a liquid and diverse industrial hub.

- Absorption Surge: Fourth quarter net absorption marked the strongest quarter of 2025, with full-year totals landing in the mid-teens (million square feet).

- Narrowing the Gap: Increased leasing and tenant move-ins in the second half of the year successfully narrowed the gap between new supply and market demand.

DEMAND DRIVERS & USER ACTIVITY

- Large-format users (500k+ SF) anchored the quarter's gains, showing that national distributions still hold Houston as a critical "last-mile" and regional gateway

- A notable increase in owner-user activity and manufactoring expansions (particularly in the West and Northwest) reflects a broader trend of domestic production returning to Texas.

- Demand is no longer purely energy driven. Key secters in Q4 included 3PL & Logisitiscs, Consumer Goods, and Advanced Manufactoring (20%)

LEASING & RENTAL VACANCY

- Volume Highlights: Total leasing activity for 2025 surpassed 30 million square feet, with some tracking sources indicating totals approaching 40 million square feet.

- Rate Stability: Asking rental rates held firm in Q4; while growth has flattened compared to 2021–2023, modern facilities still command premium pricing.

- Concession Trends: Landlords remain competitive with concessions, utilizing free rent and tenant improvement allowances to secure long-term commitments.

- Flight to Modernity: Tenant demand remains strongest for rear-load and cross-dock products built within the past five to seven years.

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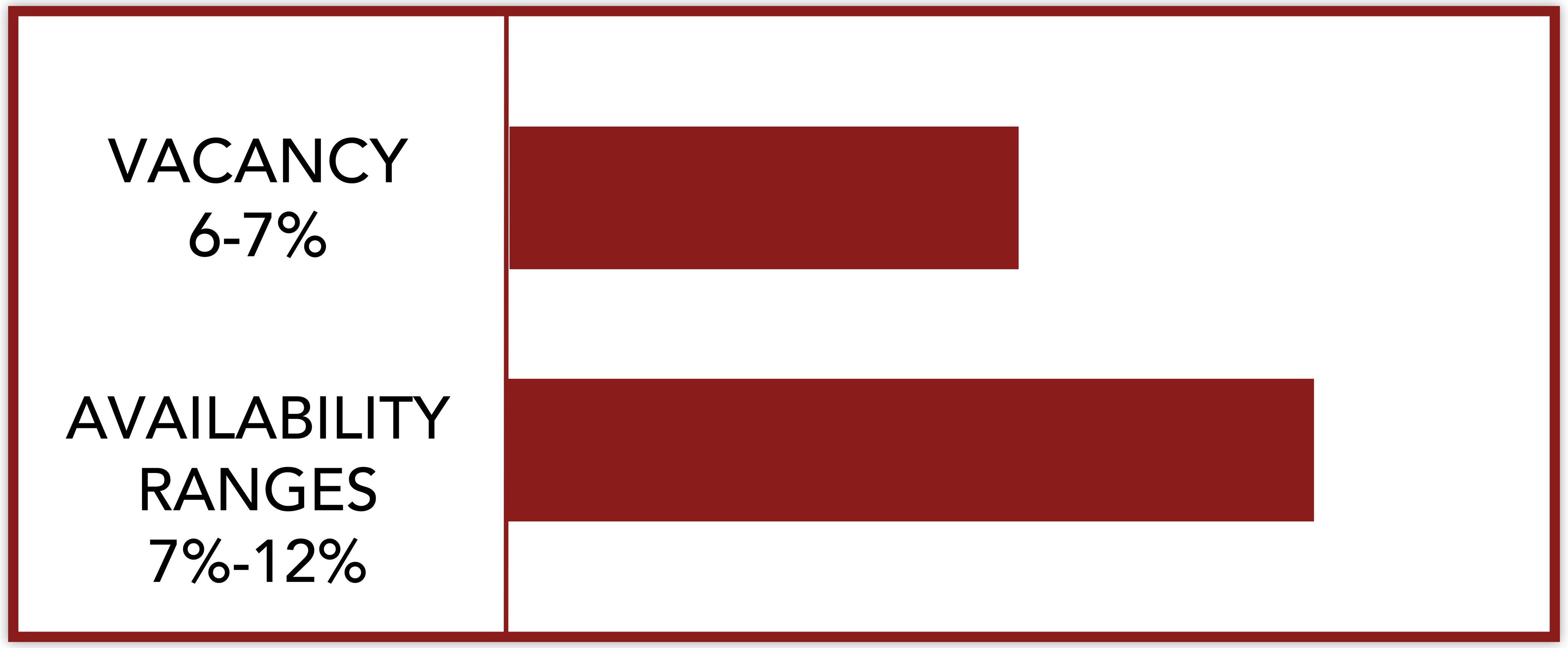
CONSTRUCTION PIPLINE AND VACANCY

• Market Vacancy: Vacancy sits in the mid-6% to mid-7% range, with growth in vacancy appearing to decelerate as absorption improves.

• Pipeline Moderation: While development remains active, new groundbreakings are becoming more disciplined as capital markets adjust to higher interest rates.

• Concentrated Activity: Construction is heavily concentrated in the Northwest, North, and Southeast corridors where infrastructure supports large-scale distribution.

• Future Outlook: Moderation in new starts is expected to help rebalance market supply and demand over the next 12–18 months.



OUTLOOK

Houston enters 2026 with solid leasing fundamentals, a moderating construction pipeline, and sustained large-user demand. While vacancy will likely remain elevated in the near term due to recent deliveries, the market's depth of tenant demand and economic diversity position it well to absorb available inventory.

KEY THEMES TO MONITOR IN 2026

- Pace of big-box absorption relative to remaining speculative deliveries

- Manufacturing and reshoring-related expansions

- Capital markets stabilization and its impact on new starts

- Continued growth of 3PL and consumer distribution users

Overall, Houston's industrial market remains fundamentally healthy. Q4's absorption surge signals that demand is keeping pace with supply, and as development activity normalizes, conditions should continue to firm through late 2026.

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