Bulldog Broker Group

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HOUSTON MARKET INTELLIGENCE · Q3 2026

The Industrial *Reset,* Read from the Field.

A five-asset-class quarterly for buyers, sellers, landlords, and tenants moving in the Houston metro. Numbers curated from CoStar analytics; conclusions written by a licensed broker with skin in the deal.

HOUSTON
INDUSTRIAL
RENTABLE
BUILDING AREA
Q3 2026

878,825,252 *square feet*

FIG. 01 · HOUSTON ELEVATION · EAST → WEST SHIP CHANNEL · DOWNTOWN CBD · POST OAK / GALLERIA

A REPORT BY BULLDOG BROKER GROUP

The Story of *the Quarter*

Modern buildings still lease. *Everything else* has to earn it.

Houston's commercial market is quietly restructuring. Industrial vacancy crossed 7 % for the first time since 2013 as supply outran demand; retail tightened to a decade low; office concentrated its pain in Class B; multifamily lost pricing power at the top of the market; and hospitality's hangover from a blowout 2024 is real but ending.

The through-line across all five asset classes: modern, well-located product still absorbs at a healthy clip. Older, commodity, sub-100,000-SF or Class-B-and-below product is where the concessions live. Class A office runs at nearly 25 % vacancy but was the only tier to absorb space last quarter. Class C is the tightest at 8.8 % but rents are barely moving. Class A multifamily rents are falling while Class C rents hold. Every asset class tells the same story: the middle is where the pain is, and the top and bottom are diverging.

Read past the headline vacancy number in each section — the market has forked. Then read the broker's take at the bottom of each: that's where the practical calls live.

INDUSTRIAL VACANCY

7.1 %

▼ +100 bps vs 10-yr avg

INDUSTRIAL RENT · YOY

−0.6 %

▼ First negative since 2010

RETAIL VACANCY

5.3 %

▲ Tighter than 10-yr avg

OFFICE VACANCY

19.9 %

▼ Class A: 24.9 %

HOSPITALITY REVPAR

−7.6 %

▼ Normalisation vs 2024

Broker's letter

FROM THE DESK OF
ANGELO MITLO

Every quarter I write this the same way: two hours with CoStar, my time in the field, and one working thesis about where Houston is heading next. *This edition's thesis: modern buildings are still leasing; the rest of the stack has to earn it.* Class A trophy, brand-new distribution, and infill retail are still competing on price up. Older commodity product is where concessions live.

If you're actively transacting — buy-side, sell-side, or leasing either way — the practical calls are in the asset-class sections that follow. Reach me directly on any of them.

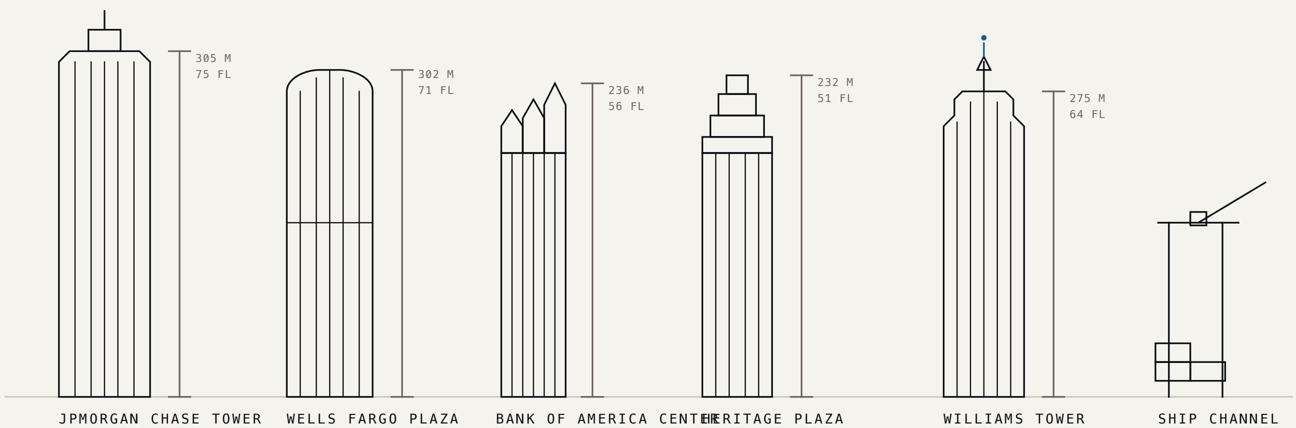
One editorial note before you read on: this quarter's inflection reads to me as a buying window for anyone with dry powder and patience. Industrial cap rates holding at **7 %** while rents dip briefly is the textbook value-add setup — you're buying at a discount to a market that's still adding jobs, still adding population, and still adding container throughput. Sub-Class-A office trading at 10 %+ cap rates reflects that most of that stock is functionally obsolete — but the well-located 3-Star building with a credit tenant and a five-year rollover profile is a different story. If you're looking, this is when you look.

ANGELO MITLO · BROKER ASSOCIATE · BULLDOG BROKER GROUP · TREC #842584 · NJ #0894102

Houston · *Elevation Plate*

PLATE 01 DOWNTOWN & POST OAK · REFERENCE ELEVATIONS

Scale · none · Data as of July 2026



- **Downtown CBD** Class A office core · $36.45 asking, 24.9 % vacancy
- **Post Oak · Galleria** Williams Tower submarket · trophy retail + office
- **Ship Channel** Industrial spine · 122 M SF in East-Southeast Far alone

Industrial

Supply is *ahead of* the market, for the first time in fifteen years.

Q3 2026
DATA: COSTAR · JUL 7 2026
SECTION H–03

Houston industrial has been the class asset for a decade. Nine hundred million square feet of stock, a Panama-Canal-expansion tailwind, polymer exports, and the fastest population growth of any US metro. Q3 2026 doesn't change the long thesis — but it does end the run of unbroken rent growth. Asking rent turned negative year-over-year for the first time since 2010, and vacancy climbed 100 basis points past its 10-year average.

Underneath the headline, the market has clearly forked. Modern bulk over 500 K SF is still absorbing at a healthy clip — Grainger, Foxconn, and Panelmatic each took more than 600 K SF in the trailing twelve months. Sub-25 K SF vacancy has doubled since 2022 as smaller occupiers vacate for newer product. If you own an older asset in the 50–100 K SF range, you are in the fight for the first time in years.

INVENTORY · RBA	UNDER CONSTRUCTION
878.8 *MSF*	28.6 *MSF*
12-MO NET ABSORPTION	SALES VOLUME · 12 MO
19.6 *MSF*	$1.7 *B*

SEGMENT · VACANCY · ASKING RENT · UNDER CONSTRUCTION

SEGMENT	RBA (SF)	VACANCY	ASKING RENT	AVAILABILITY	UNDER CONST.
Logistics	679,818,639	7.5 %	$8.86	11.5 %	26,256,360
Specialised industrial	138,635,744	3.4 %	$11.29	5.0 %	1,587,083
Flex	60,370,869	10.9 %	$13.56	11.5 %	797,960
Market	**878,825,252**	**7.1 %**	**$9.55**	**10.5 %**	**28,641,403**

TOP FIVE SUBMARKETS · RANKED BY 12-MONTH ABSORPTION

SUBMARKET	ABSORPTION	VACANCY	ASKING RENT	NOTES
Sugar Land	+3.24 M SF	5.7 %	$9.99	Pepsi 1.05 M SF headline lease
Northwest Hwy 6	+3.09 M SF	10.0 %	$10.82	Grainger DC 1.28 M SF
East-Southeast Far	+3.04 M SF	10.0 %	$9.29	Port-driven; also highest vacancy tier
North Fwy / Tomball Pky	+2.07 M SF	8.0 %	$10.46	WestPoint 45 · 728 K SF
Southwest Far	+1.92 M SF	4.9 %	$9.92	Tightening; watch for rent moves

MARQUEE INDUSTRIAL LEASES · TRAILING 12 MONTHS

TENANT · PROPERTY	SUBMARKET	SF	SIGNED	REPS
Pepsi · 31270 Kingsland Blvd	Sugar Land	1,051,549	Q3 25	Cresa / CBRE
12515 Lockwood Rd (undisclosed)	Northeast Hwy 90	1,026,270	Q2 26	JLL both sides
Foxconn · 1401 N Rankin Rd	North Hardy Toll Road	656,658	Q3 25	Newmark / Prologis · Stream
Panelmatic · 410 West Rd	N Fwy / Tomball Pky	728,080	Q3 25	Colliers / JLL
T1 Energy · 16801 FM 2354 Rd	East–Southeast Far	627,130	Q1 26	Newmark / Lee & Associates
Grainger DC · Distribution Center	Northwest Hwy 6	1,281,280	2025	Absorption anchor · Q2 hit

MARQUEE INDUSTRIAL SALES · TRAILING 12 MONTHS

PROPERTY	SF	SALE PRICE	PRICE / SF	NOTES
2000 Goodyear Dr	375,934	$372.3 M	$990	10 / 2025 · owner–user, 0 % vacancy
Building 9 · 111 Empire Blvd	1,039,060	$106.5 M	$103	2 / 2026 · built 2022
Building 10 · 103 Empire Blvd	616,463	$81.5 M	$132	2 / 2026 · built 2025
7909 Northcourt Rd	643,804	$72.9 M	$113	12 / 2025 · built 2001
Empire West 3 · 100 Empire Blvd	750,775	$71.0 M	$95	10 / 2025 · built 2021

Broker's take

INDUSTRIAL

The Houston industrial market is still relatively strong. Even though vacancy rates are slightly up, more inventory was added and more is being built. With the average sale price of **$143 PSF** and cap rates at **7 %**, Houston industrial is a compelling market to invest in.

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Office

High vacancy, higher *cap rates*, a broken price for the right buyer.

Q1 2026
DATA: COSTAR · APR 22 2026
SECTION H-04

Houston office has been in reset since 2020 and is still in reset. The blended vacancy of 19.9 % flatters a much harder story underneath: Class A trophy at 24.9 %, Class B (3-Star) at 18.6 %, only Class C at a relatively tight 8.8 %. Q1 delivered another 263,000 SF of new supply into a market that gave back 361,000 SF of occupancy — the fifth negative absorption quarter of the last six.

The pricing has adjusted. Cap rates on Class B office are pushing 10 %, on Class C nearly 11 %. That’s the flip side of the vacancy story — buyers who can underwrite the tenant risk and finance the TI package are being handed yield they haven’t seen in a decade. Institutional capital is largely on the sidelines; the active buyers are family offices, value-add sponsors, and owner-users acquiring their own space at meaningful discounts to replacement cost.

MARKET VACANCY	CLASS A VACANCY
19.9 %	24.9 %
Q1 NET ABSORPTION	**CAP RATE · CLASS B**
−361 K SF	9.98 %

OFFICE BY TIER · Q1 2026 · VACANCY · RENT · CAP RATE

TIER	VACANCY	ASKING RENT	RENT GROWTH · YOY	CAP RATE	Q1 ABSORPTION
1–2 Star (Class C)	8.8 %	$23.14	+1.1 %	10.93 %	−87,636 SF
3 Star (Class B)	18.6 %	$25.68	−0.4 %	9.98 %	−445,300 SF
4–5 Star (Class A)	24.9 %	$36.45	+1.2 %	9.24 %	+171,473 SF

Broker's take

OFFICE

Over a million square feet under construction, vacancy hovering around 20 %, and net absorption at negative **361,000 SF** — but cap rates are between **9 % and nearly 11 %**, which could be indicative of the condition of most of these buildings. Office may still be risky, but with high cap rates and the right conditions, office may be a good investment.

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Retail

Tightest vacancy *of any* Houston asset class.

Q1 2026
DATA: COSTAR · APR 21 2026
SECTION H-05

Retail is the tightest asset class in Houston — a sentence nobody was writing in 2020. Blended vacancy sits at **5.3 %**, tighter than the 10-year average, and Power Center runs at a remarkable 2.7 % (essentially full). New supply is not slowing this: 4.2 M SF is under construction, 1.15 M SF of that broke ground in Q1 alone, and net absorption comfortably outran deliveries at **+629,914 SF** for the quarter.

Rent growth is the strongest of any Houston asset class right now. Neighborhood centers lead at +3.4 % YoY; Mall, Power, and Strip all print between +2.7 % and +3.0 %. Strip Center is the only subtype with negative absorption last quarter — but the rent print is still positive, which tells you what's happening at the small-shop end: turnover is elevated, but landlords are re-tenanting at higher rates. That's a healthy market.

VACANCY 5.3 *%*	UNDER CONSTRUCTION 4.2 *M SF*
Q1 NET ABSORPTION +629 *K SF*	Q1 SALES VOLUME $435 *M*

RETAIL BY SUBTYPE · Q1 2026 · VACANCY · RENT · CAP RATE

SUBTYPE	VACANCY	ASKING RENT	RENT GROWTH · YOY	CAP RATE	Q1 ABSORPTION
Power Center	2.7 %	$29.30	+2.98 %	7.46 %	+167,008 SF (leader)
Neighborhood Center	7.3 %	$24.03	+3.44 %	7.42 %	+50,742 SF
Strip Center	7.5 %	$24.32	+2.72 %	7.18 %	−58,485 SF
Mall	8.9 %	$32.97	+2.71 %	7.39 %	+50,940 SF

Broker's take

RETAIL

Under construction inventory at **4.2 million square feet**, a **5.3 %** vacancy rate, and **629,000 SF** of net absorption — retail is the second strongest Houston market next to industrial.

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Multifamily

07 / 05

Class A rents are *falling*. Class C is holding.

Q1 2026
DATA: COSTAR · APR 23 2026
SECTION H-06

Houston multifamily is the asset class most acutely feeling the supply story. Blended vacancy of **12.7 %** is well above the 10-year average, driven by 13,290 units in the pipeline and the last three years of Class A deliveries still working through absorption. Class A rents fell -1.7 % YoY as new supply outran demand at the top of the market. Class B is down -0.9 %. Only Class C — workforce housing — held positive at +0.7 % rent growth.

Look at absorption by class though: Class A took 1,601 units of net absorption in Q1, Class B took 383, and Class C lost 278 units. The demand is at the top, but so is the supply — the market is churning through new deliveries. Class A cap rates at 6.5 % look aggressive against those rent trends; well-located value-add Class B at 6.8 % and Class C at 7.1 % are the more interesting buys for capital that can hold through the delivery wave.

VACANCY · BLENDED 12.7 %	UNDER CONSTRUCTION 13,290 units
CLASS A · RENT YOY −1.7 %	CAP RATE · A 6.46 %

MULTIFAMILY BY CLASS · Q1 2026 · VACANCY · RENT · CAP RATE

CLASS	VACANCY	ASKING RENT · $/UNIT/MO	RENT GROWTH · YOY	CAP RATE	Q1 ABSORPTION · UNITS
1–2 Star (Class C · workforce)	13.0 %	$1,031	+0.7 %	7.12 %	−278
3 Star (Class B)	14.0 %	$1,195	−0.9 %	6.77 %	+383
4–5 Star (Class A)	11.4 %	$1,686	−1.7 %	6.46 %	+1,601 (leader)

Broker's take

MULTIFAMILY

The Houston multifamily market has softened quite a bit. Vacancy rates are almost **13 %**, but new construction is over **13,000 units**, with cap rates between **6 % and 7 %** — which tells me Houston is trading a lot of newer buildings.

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Specialty · Hospitality

The normalisation. *World Cup* is the swing factor.

Q3 2026
DATA: COSTAR · JUL 7 2026
SECTION H-07

Houston hospitality is in a normalisation year. 2024 was a blowout — natural-disaster-driven demand plus a heavy citywide events calendar drove RevPAR to record levels. 2025 came down, and the trailing-twelve-month prints reflect that: occupancy **59.1 %** (down 7.2 percentage points YoY), RevPAR down **-7.6 %**. This is a return to trend, not a market break.

Then June 2026 arrives, and with it the FIFA World Cup — Houston hosts seven matches including quarter- and semi-final rounds. CoStar's forecast has RevPAR growing 6.1 % by December. Investor activity is already responding: 77 hotel comps traded in the last twelve months (up from 72 two years ago), and the marquee **$284 M** Woodlands upper-upscale portfolio in December 2025 signalled institutional appetite is back. Cap rates averaged 8.5 %, with a wide 5 – 12 % range depending on class and location.

TOTAL ROOMS 108,409	12-MO OCCUPANCY 59.1 %
REVPAR · YOY -7.6 %	AVG CAP RATE 8.5 %

HOSPITALITY BY CLASS · 12-MONTH · OCCUPANCY · ADR · REVPAR

CLASS	ROOMS	OCCUPANCY	ADR	REVPAR	UNDER CONSTRUCTION
Luxury & Upper Upscale	24,861	62.9 %	$214	$135	279 rooms
Upscale & Upper Midscale	45,383	61.1 %	$118	$72	796 rooms (largest pipeline)
Midscale & Economy	38,165	54.2 %	$61	$33	297 rooms

MARQUEE HOSPITALITY SALES · TRAILING 12 MONTHS

PROPERTY	ROOMS	SALE PRICE	PRICE / ROOM	NOTES
The Woodlands Resort (Curio)	402	$130.5 M	$324,602	12 / 2025 · portfolio sale (9.2 % cap)
The Westin at The Woodlands	302	$91.2 M	$302,005	12 / 2025 · same portfolio
Embassy Suites The Woodlands	205	$62.3 M	$303,925	12 / 2025 · same portfolio
Houston Grand Hotel · River Oaks	232	$51.0 M	$219,828	1 / 2026 · Marriott Luxury WL
Hilton Houston NASA · Clear Lake	242	$27.0 M	$111,570	8 / 2025 · upper-upscale

Broker's take

SPECIALTY

The data isn't strong enough because there are too many asset classes commingled, like hotels and data centers. Vacancy rates are over 40 % — this is a tough market to comment on.

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ATTRIBUTION

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