TRANSWESTERN

HOUSTON

OFFICE MARKET | Q1 2025

208.3M SF
Inventory

(535.7K) SF
Net Absorption

21.2%
Direct Vacancy

27.0%
Total Availability

583.1K SF
Under Construction

$34.26 PSF
Asking Rent

Vacancy Tightens to Single-Digits in Trophy Assets

Market Observations

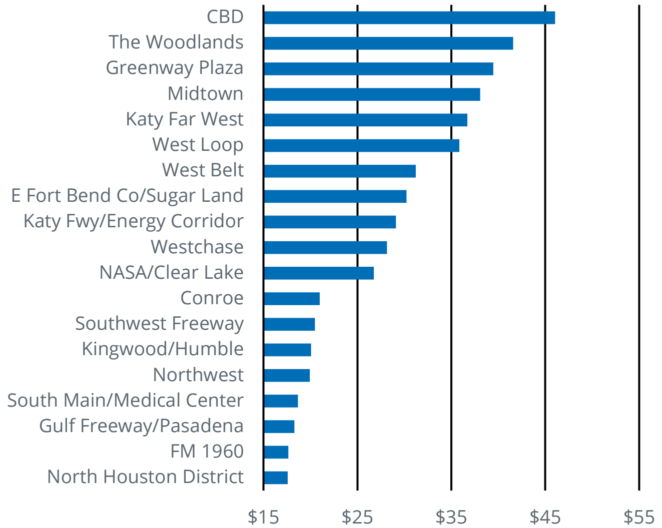
- Vacancy dropped again this quarter for Houston's newest buildings to 5.6%, down 1.2% in the past 90 days and 5.2% year over year. Net absorption during this period reached 106.5K SF, led by Texas Tower in the CBD, now 99% occupied after new tenants signed leases including law firm, Skadden, Arps, Slate, Meagher & Flom, taking the last vacant floors totaling 52,486 SF.

- Tenant appetite for Houston's premier office space is most acute in newly constructed properties, most recently in the CBD, accounted for nearly 480K SF of net absorption over the last year. Sizeable downtown leases include Fayez Sarofirm (60,764 SF) and Sable Offshoring Group (46,149 SF) at 845 Texas and Boston Consulting group (53,007 SF) and Hicks Johnson (20,837 SF) at Norton Rose Fulbright Tower.

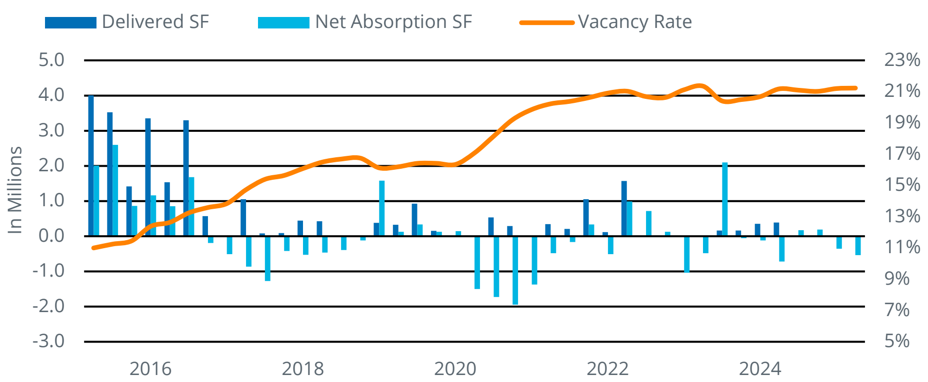
- Still, metro Houston witnessed overall net absorption for all classes of space in the red this quarter with net losses totaling 535.7K SF triggered by sizeable tenant relocations such as Empyrean Benefit Solutions, Inc. vacating 107K SF at 3010 Briarpark Dr and moving into 42K SF at 2103 CityWest Blvd. As a result, several submarkets saw more than 100K SF of move outs during the quarter including West Belt (183K), Westchase (181K), North Houston District (129K), and Southwest Freeway (112K). On the flip side, some of the largest gains were seen in Katy Fwy/Energy Corridor and West Loop absorbing 272K SF and 133K SF, respectively.

- Direct vacancy in Houston measured 21.2% this quarter. Total availability ticked down slightly by 20 basis points quarter-over-quarter to 27.0% and 90 basis points year-over-year led by occupancy gains in new construction and tenants shuffling in between existing buildings within established suburban submarkets.
- Houston's overall office sector posted negative absorption this quarter, driven by a number of large move outs. In one example, West Belt experienced negative net growth totaling 183K SF due to OneSubsea vacating 225K SF at Cameron International Building and relocating to move-in ready sublease space at Energy Center V in Katy Fwy/Energy Corridor.
- Full-service asking rents in Houston averaged $34.26 PSF/YR, mainly unchanged during the quarter and off 20 basis points year-over-year caused by softer quoted rates in older properties with widespread availability.
- Houston's office construction pipeline totaled 583.1K SF with an overall pre-lease rate of 78.3%. Major projects underway include CityCentre Six (308K SF) in Katy Fwy/Energy Corridor and The RO (146K SF) in Greenway Plaza, which are 65.3% and 100% pre-leased, respectively.

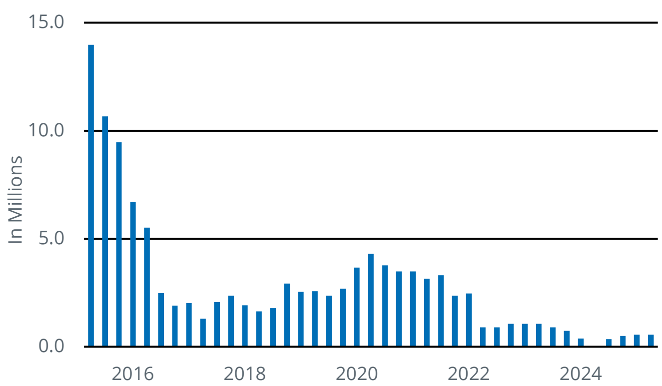
ASKING RENT BY SUBMARKET, FULL SERVICE



DELIVERY IMPACT ON KEY INDICATORS



UNDER CONSTRUCTION



OFFICE MARKET INDICATORS - ALL SPACE

SUBMARKET	INVENTORY SF	DIRECT VACANT SF	DIRECT VACANCY RATE	OVERALL AVAILABILITY RATE	UNDER CONSTRUCTION SF	NET ABSORPTION SF	Y-O-Y NET ABSORPTION SF	ASKING RENT PSF, FULL SERVICE
CBD	42,180,236	9,931,240	23.5%	31.1%	-	(99,081)	290,587	$46.06
Conroe	235,037	17,262	7.3%	7.3%	-	-	2,559	$21.00
E Fort Bend Co/Sugar Land	4,453,145	1,003,901	22.5%	26.1%	-	(80,485)	(145,746)	$30.24
FM 1960	8,853,615	2,765,266	31.2%	33.4%	-	(46,092)	(176,800)	$17.64
Greenway Plaza	10,080,993	2,292,103	22.7%	25.9%	146,003	26,276	137,985	$39.48
Gulf Freeway/Pasadena	2,562,838	196,887	7.7%	9.0%	-	(5,982)	53,542	$18.29
Katy Far West	2,141,775	84,929	4.0%	7.5%	-	(5,383)	16,715	$36.70
Katy Fwy/Energy Corridor	31,766,739	4,400,476	13.9%	21.1%	308,000	272,158	69,291	$29.11
Kingwood/Humble	1,196,309	29,678	2.5%	2.5%	-	3,698	12,407	$20.06
Midtown	4,738,207	713,401	15.1%	22.3%	-	(43,832)	(85,652)	$38.08
NASA/Clear Lake	4,085,893	508,541	12.4%	20.2%	80,000	43,502	(54,072)	$26.76
North Houston District	10,651,631	4,353,164	40.9%	42.6%	-	(128,629)	(105,084)	$17.57

HOUSTON OFFICE MARKET | Q1 2025

OFFICE MARKET INDICATORS - ALL SPACE – Cont.

SUBMARKET	INVENTORY SF	DIRECT VACANT SF	DIRECT VACANCY RATE	OVERALL AVAILABILITY RATE	UNDER CONSTRUCTION SF	NET ABSORPTION SF	Y-O-Y NET ABSORPTION SF	ASKING RENT PSF, FULL SERVICE
Northeast	987,156	6,606	0.7%	0.8%	-	-	(3,881)	-
Northwest	6,884,060	1,067,358	15.5%	20.9%	49,117	(26,373)	61,970	$19.93
South Main/Medical Center	933,853	169,215	18.1%	19.2%	-	(9,887)	(29,347)	$18.67
Southwest Freeway	8,106,180	1,682,131	20.8%	29.6%	-	(112,002)	(137,469)	$20.47
The Woodlands	15,285,974	1,482,784	9.7%	17.4%	-	(92,426)	189,013	$41.57
West Belt	4,714,800	1,169,735	24.8%	35.3%	-	(182,873)	(3,634)	$31.23
West Loop	32,307,174	8,064,876	25.0%	27.0%	-	132,563	(159,432)	$35.86
Westchase	16,097,774	4,269,078	26.5%	35.5%	-	(180,848)	(463,159)	$28.16
Metro	**208,263,389**	**44,208,631**	**21.2%**	**27.0%**	**583,120**	**(535,696)**	**(530,207)**	**$34.26**

Research Methodology

The information in this report is the result of a compilation of current information on office properties located in the Houston metropolitan area and may also include historical property data revision(s). This report includes single tenant, multi-tenant, and owner-user properties 50,000 SF and larger, excluding condo and those properties owned and occupied by a government agency. In Houston, Transwestern calculates Net Absorption as “Net Leasing,” or change in Total Available space. Space returned to market registers as negative absorption; Space leased or reoccupied registers as positive absorption. Transwestern’s methodology provides a real-time indicator of supply and demand in the space market that eliminates time lags and incomplete information inherent to tracking physical move-ins & move-outs.

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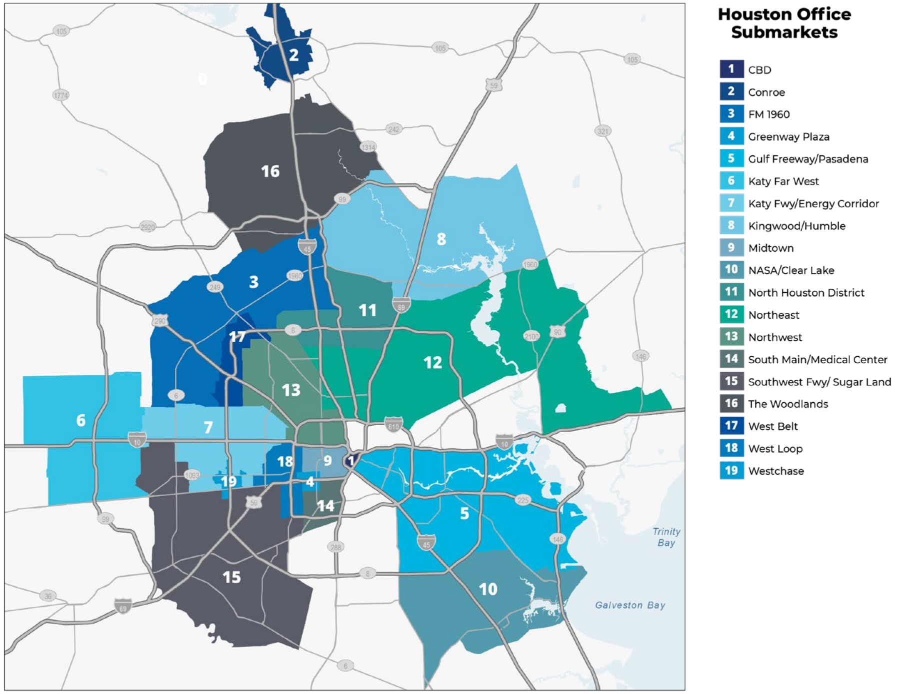

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