

HOUSTON

HEALTHCARE MARKET | Q2 2025



31.8 MSF

Inventory



109,577 SF

Net Absorption



13.7%

Direct Vacancy



16.8%

Total Availability



363,837 SF

Under Construction



\$33.35 PSF

Full Service Asking Rent

Suburban Demand Drives New Construction in the 290 Corridor and Sugar Land

Market Observations

- Net absorption totaled nearly 110K SF this quarter as new space came online with an overall pre-leasing rate north of 80%. Specifics include Bryant + Stacy Group completing construction on a new 48K SF medical outpatient building in Sugar Land, named Medical at Imperial, which delivered with a pre-lease rate of 37.5%. Meanwhile, in the 290 Corridor, Kelsey-Seybold opened a new 120K SF medical outpatient building, Northwest Campus Building B, the second building to be a part of their Northwest Campus.
- As new product delivers and adds 944K SF in the trailing 12 months - direct vacancy held steady at 13.7%, down 30 basis points from this time last year. On-campus vacancy measured unchanged this quarter at 12.4%, increasing 70 basis points year-over-year, while off-campus product saw vacancy tighten by 10 basis points to 14.7%, down 1.1% year-over-year.
- Houston's healthcare pipeline now totals over 363K SF, down approximately 168K SF this quarter and contains a pre-lease rate higher than 86%. Projects are underway in five of Houston's 17 submarkets. In the Northeast, Modern Heart & Vascular's 96K SF medical outpatient building and Kelsey-Seybold's 51K SF Atascocita clinic are nearing completion and Legacy Community Health is constructing a 40K SF clinic in Pasadena. Additional projects are under construction in the 290 Corridor (60K SF, 80% pre-leased), Far West (76K SF, 73% pre-leased), and Sugar Land (32K SF, 50% pre-leased).

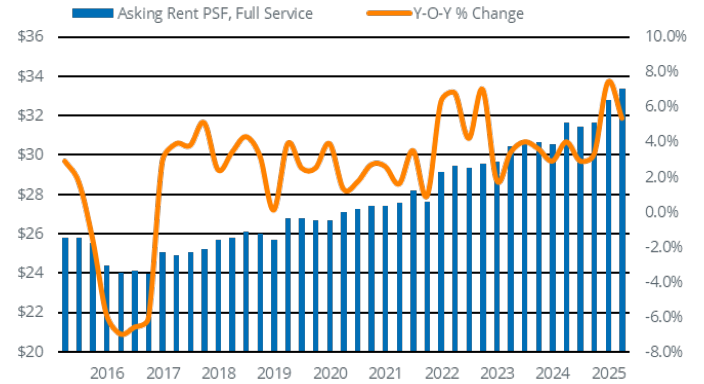




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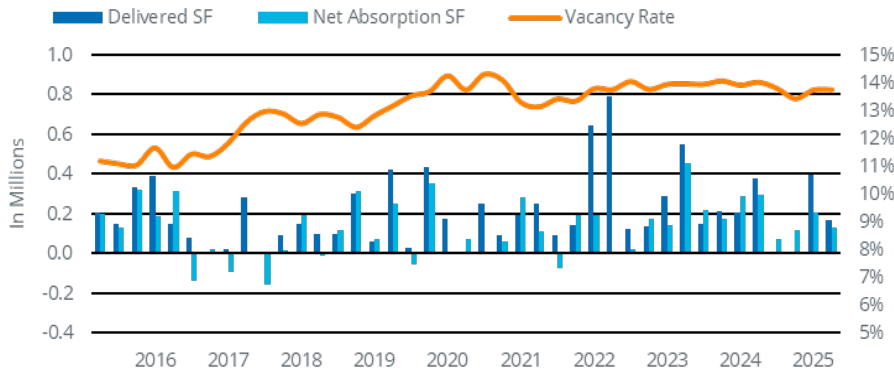
- Houston's healthcare direct vacancy reduced 30 basis points year-over-year, largely a result of construction levels remaining consistent and delivering product with meaningful preleasing commitments. Meanwhile, total availability ticked up by 20 basis points year-over-year to 16.8% as tenants choose newer space options, mainly in the expanding outlying suburban markets undergoing rapid expansion.
- Gross asking rents averaged \$33.35 PSF/YR, up 5.3% year-over-year when asking rates totaled \$31.66 PSF/YR due to increased operating expenses and newer, more expensive product delivering. Off-campus product witnessed asking rates increase by \$1.18 PSF/YR to \$32.24 PSF/YR over the last year while on-campus product saw an increase of \$2.30 PSF/YR to \$34.99 PSF/YR over the same period.
- The 290 Corridor submarket witnessed the largest gain over the quarter with net absorption measuring 143K SF where nearly 600K SF of new product has come online since 2023. Meanwhile, towards Houston's core established submarkets, both Bellaire and Inner Loop measured negative net demand this quarter of 32K SF and 23K SF, respectively.

ASKING RENT, FULL SERVICE



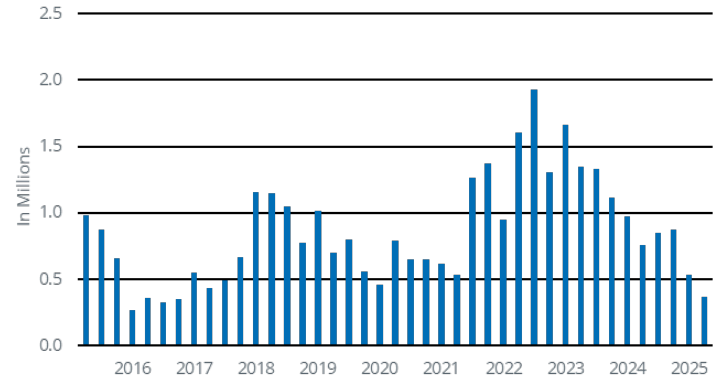
Source: CoStar, Transwestern

DELIVERY IMPACT ON KEY INDICATORS



Source: CoStar, Transwestern

UNDER CONSTRUCTION



Source: CoStar, Transwestern



MARKET INDICATORS TABLE

All Classes of Space | Q2 2025

CAMPUS TYPE	INVENTORY SF	DIRECT VACANT SF	DIRECT VACANCY	OVERALL AVAILABILITY	UNDER CONSTRUCTION	NET ABSORPTION	Y-O-Y NET ABSORPTION	ASKING RENT PSF, FULL SERVICE
Off Campus	17,653,793	2,587,332	14.7%	18.8%	363,837	113,336	305,716	\$32.24
On Campus	14,111,389	1,753,647	12.4%	14.2%	-	(3,759)	193,306	\$34.99
Total	31,765,182	4,349,549	13.7%	16.8%	363,837	109,577	499,022	\$33.35

SUBMARKET	INVENTORY SF	DIRECT VACANT SF	DIRECT VACANCY	OVERALL AVAILABILITY	UNDER CONSTRUCTION	NET ABSORPTION	Y-O-Y NET ABSORPTION	ASKING RENT PSF, FULL SERVICE
290 Corridor	1,861,406	272,356	14.6%	16.9%	60,000	142,814	174,144	\$38.55
Baytown/Channelview	443,070	143,166	32.3%	32.7%	-	6,392	(6,825)	\$26.63
Bellaire	1,668,874	259,464	15.5%	25.1%	-	(23,085)	(23,359)	\$32.14
Clear Lake	2,120,400	140,154	6.6%	8.0%	-	8,906	1,946	\$28.46
Conroe	1,002,352	63,710	6.4%	8.3%	-	14,941	36,684	\$35.70
Far West	1,857,026	150,265	8.1%	11.0%	75,703	11,641	30,937	\$39.31
Inner Loop	1,895,590	406,742	21.5%	25.0%	-	(16,130)	(45,306)	\$31.84
Near North	1,274,047	324,346	25.5%	28.5%	-	(14,667)	(19,573)	\$22.05
Near Southwest	1,465,847	241,110	16.4%	20.0%	-	8,008	36,809	\$27.96

Continued next page.



MARKET INDICATORS TABLE Cont.

All Classes of Space | Q2 2025

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Near West	3,843,285	499,754	13.0%	14.3%	-	(4,560)	(12,681)	\$25.80
Northeast	1,251,190	160,970	12.9%	16.3%	156,134	141	(17,997)	\$31.79
Pasadena	590,180	118,555	20.1%	21.2%	40,000	(12,989)	(30,422)	\$26.56
South	991,270	110,104	11.1%	15.5%	-	(1,067)	25,116	\$39.48
Sugar Land	2,680,967	485,548	18.1%	20.7%	32,000	(2,453)	56,608	\$36.56
The Woodlands	3,073,571	176,135	5.7%	8.8%	-	2,573	247,250	\$38.93
TMC	4,668,899	676,675	14.5%	18.1%	-	419	20,245	\$37.03
Tomball	1,077,208	111,925	10.4%	14.9%	-	(11,307)	25,446	\$41.58
Total	31,765,182	4,349,549	13.7%	16.8%	363,837	109,577	499,022	\$33.35

Source: CoStar, Transwestern



Research Methodology

The information in this report is the result of a compilation of information on healthcare/medical office properties located in the Houston metropolitan area. This report includes single tenant, multi-tenant and owner-user properties 20,000 SF and larger, excluding those properties owned and occupied by a government agency. TW Houston Research is completing an ongoing audit during 2025 of all healthcare facilities contained in the compilation of this Report. Buildings identified as owned or operated by healthcare providers but not providing outpatient medical or healthcare services (such as back-office operations) are being removed and reclassified and may, as a result, reduce the total square footage of the Inventory SF identified in the first column of the Market Indicators Table(s) contained on the concluding pages.

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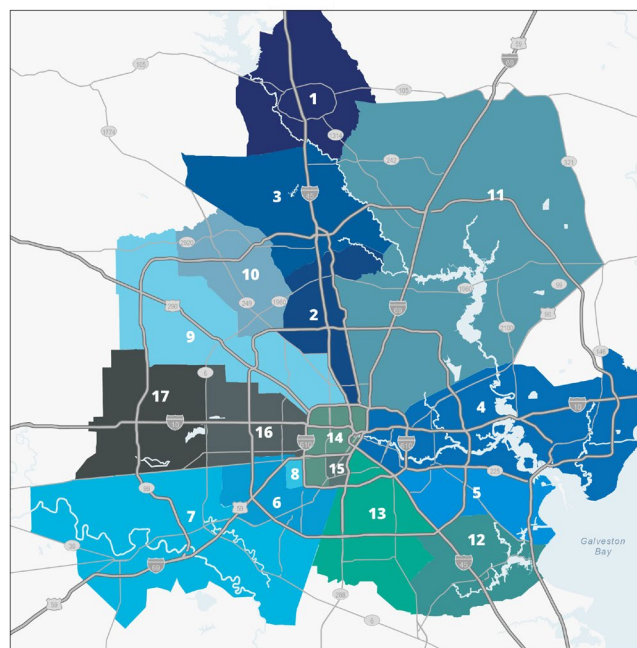
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Houston Healthcare Submarkets

- North**
 - 1 Conroe
 - 2 Near North
 - 3 The Woodlands
- East**
 - 4 Baytown/Channelview
 - 5 Pasadena
- Southwest**
 - 6 Southwest Near
 - 7 Sugar Land
 - 8 Bellaire
- Northwest**
 - 9 290 Corridor
 - 10 Tomball
- Northeast**
 - 11 Northeast
- Southeast**
 - 12 Clear Lake
 - 13 South
- Central**
 - 14 Inner Loop
 - 15 TMC
- West**
 - 16 Near West
 - 17 Far West