Houston Office

Q4 2024 Market Report

Vacancy Rate	Net Absorption	Market Cap Rate	Office Gross Rent Overall
22.0%	-44,369 SF	9.5%	$29.99

Houston Highlights

In Q4, the Houston office market experienced **negative absorption** of 44,369 sq. ft., pushing vacancy rates to 22.0%. **Vacancy rates are expected to stabilize in 2025** as leasing activity aligns with available space, supported by balanced tenant demand and conservative development.

New construction is expected to **remain limited** as developers continue to take a cautious approach, focusing on securing key tenants before starting new projects. No new projects were delivered or started in Q4.

The **flight-to-quality** trend persists as employers prioritize enhancing the employee experience with upgraded office spaces. Larger companies are **continuing to right-size** their offices to optimize costs and accommodate hybrid work models, while smaller businesses are actively seeking **opportunities for expansion**.

Market Performance Indicators

4.5%
Houston Unemployment Rate

±62,500
Houston created 62,500 jobs in the 12 months ending November '24.

$76.57
U.S. Oil (WTI) Spot Price. According to the US Energy Information Administration, U.S. gas prices are expected to **drop** to $3.20 per gallon this year and reach $3.00 per gallon by 2026.

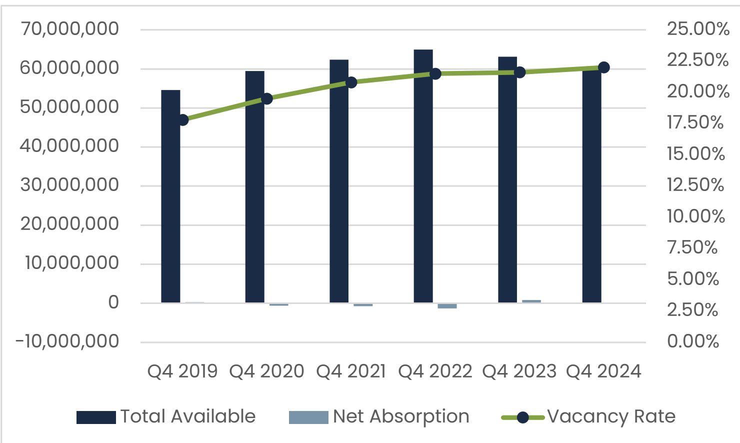
Key Market Indicators

	CURRENT Q4 2024	PRIOR QUARTER Q3 2024	PRIOR YEAR Q4 2023
Vacant Total	56,583,918	56,390,743	55,215,738
Sublease Available	6,011,862	5,877,136	5,315,592
Available Total	60,156,600	61,102,096	63,157,017
Net Absorption (SF)	-44,369	12,350	850,379
Deliveries (SF)	148,806	156,268	993,860
Office Gross Rent Overall	$29.99	$30.50	$30.54
Inventory (SF)	257,060,963	256,912,157	256,078,211

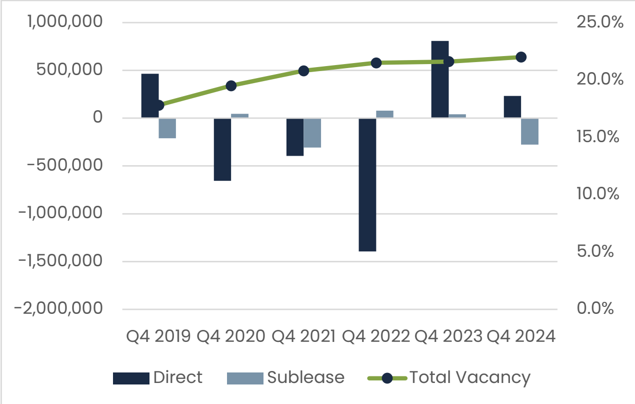
Rising Demand for Office Space as CEOs Plan for Full-Time Returns

A recent survey of global CEOs by KPMG revealed that 83% anticipate their employees will return to the office full-time within the next three years, a significant increase from 64% in a prior survey. This shift is expected to drive higher demand for office space.

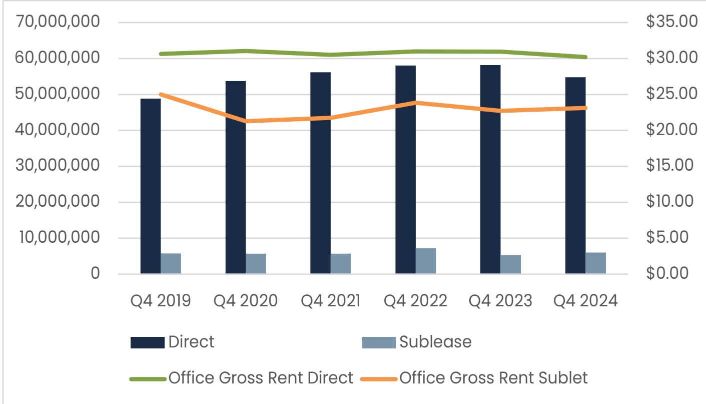
Supply and Demand



Net Absorption



Availability & Rental Rates

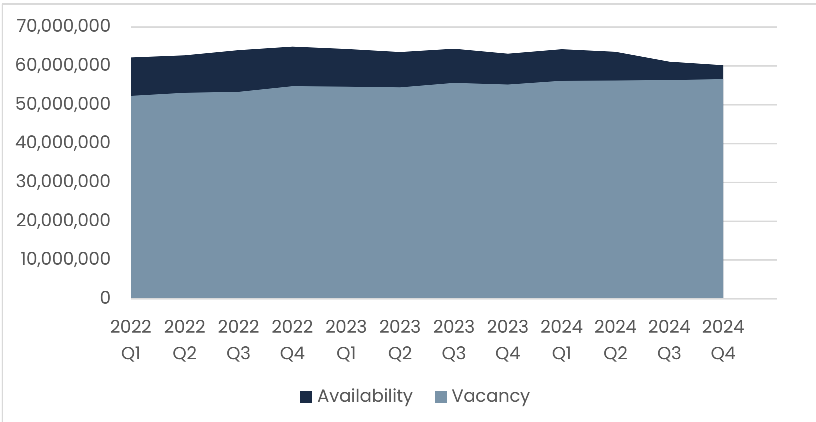


Notable Lease Transactions

Houston Office Market Activity

Tenant	Address	Submarket	Size SF (est.)	Type
Plains All American Pipeline	Three Allen Center - 333 Clay Street	CBD	259,774	Renewal
Ezee Fiber	5959 Corporate Drive	Westchase	94,179	New
Quest Diagnostics	Invensys Building - 10900 Equity Drive	West Belt	93,000	New
Spaces	708 Main Street	CBD	65,909	New
McDermott	17320 Katy Freeway	Katy Fwy West	50,489	New
DNV Group	19219 Katy Freeway	Katy Fwy West	56,433	New

Availability & Vacancy



Recent Significant Sales

Sugar Creek on the Lake
14141 Southwest Freeway
515,115 sq. ft.

Energy Crossing II
15011 Katy Freeway
327,000 sq. ft.

Energy Crossing I
15021 Kay Freeway
240,166 sq. ft.

4265 San Felipe
4265 San Felipe
209,769 sq. ft.

Remington Square Park
3 Building Portfolio
392,357 sq. ft.

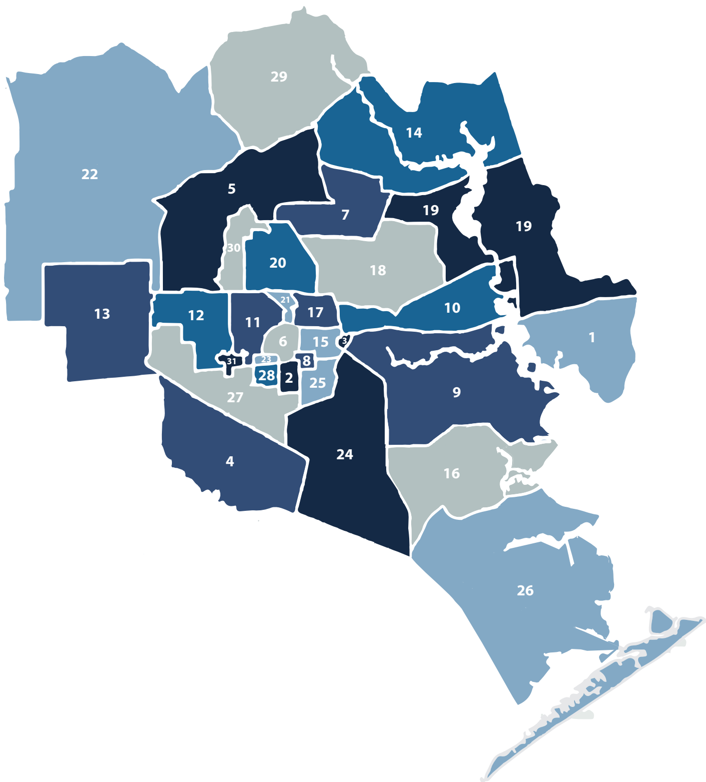
Submarket Statistics

Submarket Statistics (Totals reflect Class A & B)	Total Inventory (SF)	Total Available (SF)	Total Vacancy Rate (%)	Total Net Absorption SF	Avg. Gross Rate ($/SF)
Bellaire	**2,659,369**	**514,504**	**15.3%**	**-33,265**	**$27.08**
Class A	983,663	286,530	18.9%	-4,584	$26.60
Class B	1,675,706	227,974	13.2%	-28,681	$28.59
CBD	**52,116,805**	**14,882,016**	**25.7%**	**77,287**	**$37.18**
Class A	39,373,208	11,556,426	26.1%	32,704	$41.45
Class B	12,743,597	3,325,590	24.5%	44,583	$24.90
Sugar Land / Fort Bend	**7,747,514**	**1,275,229**	**29.2%**	**26,367**	**$28.36**
Class A	3,386,018	847,917	36.7%	14,575	$30.00
Class B	4,361,496	427,312	23.3%	11,792	$25.85
FM 1960	**11,516,906**	**3,465,944**	**20.6%**	**-24,471**	**$21.58**
Class A	3,105,099	1,758,886	26.5%	-26,508	$23.09
Class B	8,411,807	1,707,058	18.4%	2,037	$20.90
Galleria	**29,063,564**	**7,843,497**	**31.7%**	**89,067**	**$32.99**
Class A	20,310,399	5,905,095	33.0%	29,411	$35.36
Class B	8,753,165	1,938,402	28.7%	59,656	$25.91
Greenspoint	**11,163,099**	**4,012,299**	**40.3%**	**219,736**	**$17.63**
Class A	5,050,428	2,341,310	54.2%	-20,908	$20.03
Class B	6,112,671	1,670,989	28.8%	240,644	$14.23
Greenway Plaza	**10,499,479**	**2,815,256**	**22.8%**	**-14,459**	**$33.70**
Class A	7,509,632	2,242,238	24.8%	-2,939	$34.67
Class B	2,989,847	573,018	17.8%	-11,520	$30.32
Katy Freeway East	**9,362,510**	**1,308,418**	**9.1%**	**5,074**	**$36.51**
Class A	6,332,704	868,619	7.7%	10,974	$47.68
Class B	3,029,806	439,799	11.9%	-5,900	$23.65
Katy Freeway West	**25,487,982**	**6,174,806**	**19.8%**	**-26,935**	**$25.65**
Class A	17,508,364	4,554,185	20.7%	-26,488	$29.58
Class B	7,979,618	1,620,621	17.8%	-447	$21.00
Kingwood/Humble	**2,347,696**	**161,588**	**6.1%**	**-3,931**	**$23.59**
Class A	420,000	23,688	4.8%	-	-
Class B	1,927,696	137,900	6.4%	-3,931	$23.59
Midtown	**8,209,392**	**1,294,232**	**13.0%**	**2,334**	**$31.21**
Class A	2,841,690	765,952	20.6%	-39,731	$33.31
Class B	5,367,702	528,280	0	42,065	$28.79
NASA/Clear Lake	**5,653,272**	**889,494**	**11.6%**	**38,277**	**$25.65**
Class A	2,006,550	409,254	13.5%	25,929	$28.59
Class B	3,646,722	480,240	10.5%	12,348	$21.95

Submarket Statistics

Submarket Statistics (Totals reflect Class A & B)	Total Inventory (SF)	Total Available (SF)	Total Vacancy Rate (%)	Total Net Absorption SF	Avg. Gross Rate ($/SF)
South	**1,429,152**	**1,429,152**	**4.1%**	**1,828**	**$31.04**
Class A	124,308	25,779	20.7%	-	-
Class B	1,304,844	53,490	2.6%	1,828	$31.04
The Woodlands	**19,427,131**	**2,674,573**	**12.3%**	**72,398**	**$32.67**
Class A	13,900,669	1,925,482	14.1%	-148,315	$29.63
Class B	5,633,430	751,600	12.1%	90,313	$28.19
West Belt	**6,558,990**	**1,753,771**	**26.0%**	**-12,262**	**$23.86**
Class A	3,712,455	1,059,888	28.6%	19,266	$25.27
Class B	2,846,535	693,883	22.5%	-31,528	$21.59
Westchase	**17,420,162**	**5,513,779**	**28.1%**	**-333,392**	**$27.36**
Class A	9,953,145	3,263,404	27.3%	-330,140	$32.80
Class B	7,467,017	2,250,375	29.0%	-3,252	$19.53
Houston	**257,060,963**	**60,170,675**	**22.4%**	**-972,472**	**$30.02**
Class A	143,692,439	39,343,449	25.0%	-415,618	$34.46
Class B	113,368,524	20,813,151	18.3%	371,249	$22.52

Houston Totals encompass additional submarkets beyond those delineated in the Submarket Statistics.



1. Baytown
2. Bellaire
3. CBD
4. Sugar Land / Fort Bend
5. FM 1960
6. Galleria
7. Greenspoint
8. Greenway Plaza
9. Gulf Freeway/Pasadena
10. I-10 East
11. Katy Freeway East
12. Katy Freeway West
13. Katy/Grand Parkway West
14. Kingwood/Humble
15. Midtown
16. NASA/Clear Lake
17. North Loop West
18. Northeast Near
19. Northeast Outlier
20. Northwest Far
21. Northwest Near
22. Northwest Outlier
23. Richmond/Fountainview
24. South
25. South Main/Medical Center
26. Southeast Outlier
27. Southwest Beltway 8
28. Southwest/Hilcroft
29. The Woodlands
30. West Belt
31. Westchase

MOODY RAMBIN