Houston

Office | Q1 2025 Market Report

Quarterly Snapshot

↑ Average Rent
$31.44/SF

↑ Vacancy
22.8%

↑ Net Absorption YTD
982,751 SF

Occupier's Perspective

Properties built before 2000 still make up the bulk of Houston's inventory and are bearing the brunt of occupancy losses.

Office attendance ranks among the highest in the US, reaching a post-pandemic high with occupancy peaking at 73%, according to Kastle Systems.

High interest rates and strict lending requirements may work against Landlords seeking to refinance or extend maturing loans.

Houston's office market continues to favor occupiers, with elevated vacancy and generous concessions defining leasing conditions across much of the metro. Despite a modest rebound last year in activity, vacancy has crept back up to 22.8%, the second-highest among major U.S. cities, driven largely by weak demand in older office product.

In contrast, newer, amenity-rich buildings, particularly those in mixed-use environments near population centers, are attracting the bulk of leasing activity. The Katy Freeway East submarket stands out, with vacancy below 10%. Meanwhile, the Galleria/West Loop submarket has seen vacancy rise to over 30%, a sharp increase fueled by aging building inventory.

The development pipeline remains limited with just 2.0 million SF underway, most of which is pre-leased. Projects like CityCentre Six and 1550 on the Green illustrate the strong demand for newer, premium space. With little new supply on the horizon, competition for quality space is expected to continue to tighten, further widening the gap between trophy assets and legacy buildings.

Looking ahead, economic uncertainty and lingering questions regarding inflation, interest rates, and potential tariffs are prompting some companies to take a more cautious approach to long-term real estate decisions.

Recent Transactions

Tenant	Size (SF)	Submarket	Type	Building
Mercuria	64,775 SF	Greenway Plaza	New	2925 Richmond Ave
Skadden	52,482 SF	CBD	New	845 Texas Ave
SM Energy Co	41,454 SF	Katy Fwy West	New	777 N Eldridge Pky
Harris County	36,713 SF	Greenway Plaza	New	3131 Eastside St
NAES Corp	27,356 SF	The Woodlands	Sublease	1735 Hughes Landing Blvd
RSI Logistics	27,356 SF	The Woodlands	Sublease	1735 Hughes Landing Blvd
Riverbend Energy	27,287 SF	CBD	Renewal	1200 Smith St

Submarket Movement

Vacancy Rate	QOQ Change	Direct Asking Rent ($/SF)	Submarket
28.1%	▲	$29.79	Westchase
31.2%	▲	$29.85	Sugar Land / E Fort Bend
22.4%	▼	$30.65	Katy Freeway West
32.0%	▼	$33.47	Galleria / West Loop
17.2%	▼	$33.57	South Main / Medical Center
23.4%	▼	$33.58	Greenway Plaza
27.0%	▲	$37.07	CBD
12.9%	▼	$37.41	The Woodlands
8.0%	▼	$40.45	Katy Freeway East

Market Comparison

Submarket/Class	Inventory SF	Total Vacancy Rate	Total Availability Rate	Total Available SF	Sublease SF	YTD Net Absorption SF	Under Construction SF	YTD Deliveries	Market Asking Rate (FSG)
CBD	**52,112,532**	**27.0%**	**28.2%**	**14,700,879**	**1,415,219**	**(433,070)**	**0**	**0**	**$37.07**
Class A	39,266,637	27.5%	28.9%	11,341,025	1,128,675	(407,239)	0	0	$40.33
Class B	12,845,895	25.7%	26.2%	3,359,854	286,544	(25,831)	0	0	$27.10
Galleria / West Loop	**24,430,664**	**32.0%**	**27.4%**	**6,699,372**	**379,371**	**245,934**	**0**	**0**	**$33.47**
Class A	17,913,010	32.0%	29.1%	5,175,438	320,544	301,725	0	0	$35.73
Class B	6,517,654	32.2%	22.7%	1,477,886	23,345	(55,791)	0	0	$27.29
Greenway Plaza	**11,149,416**	**23.4%**	**25.6%**	**2,895,134**	**138,415**	**20,153**	**146,003**	**0**	**$33.58**
Class A	7,910,937	25.6%	28.4%	2,288,295	138,415	21,742	146,003	0	$35.73
Class B	3,238,479	17.9%	18.7%	606,839	0	(1,589)	0	0	$28.23
Katy Freeway East	**10,843,291**	**8.0%**	**15.3%**	**1,725,763**	**359,672**	**113,225**	**402,293**	**0**	**$40.45**
Class A	7,617,476	6.8%	13.6%	1,087,558	303,055	106,228	402,293	0	$46.24
Class B	3,225,815	10.6%	19.8%	638,205	56,617	6,997	0	0	$26.06
Katy Freeway West	**25,206,029**	**22.4%**	**24.3%**	**6,127,324**	**427,311**	**209,255**	**0**	**0**	**$30.65**
Class A	17,108,717	24.0%	26.2%	4,476,141	373,947	201,892	0	0	$33.43
Class B	8,097,312	19.2%	20.4%	1,651,183	53,364	7,363	0	0	$24.79
South Main / Medical Center	**10,388,436**	**17.2%**	**15.3%**	**1,591,284**	**44,097**	**108,544**	**0**	**0**	**$33.57**
Class A	5,739,259	19.0%	15.8%	1,075,266	27,878	87,384	0	0	$36.78
Class B	5,393,550	8.3%	11.1%	516,018	16,219	21,160	0	0	$29.62
Sugar Land / E Fort Bend	**8,119,556**	**31.2%**	**18.4%**	**1,513,165**	**90,232**	**(22,782)**	**111,700**	**40,000**	**$29.85**
Class A	3,972,576	36.9%	24.9%	1,001,588	39,524	(34,316)	48,000	40,000	$32.60
Class B	4,146,980	25.7%	12.1%	511,577	50,708	11,534	63,700	0	$27.23
Westchase	**17,475,872**	**28.1%**	**34.1%**	**5,967,698**	**644,307**	**(66,642)**	**0**	**0**	**$29.79**
Class A	9,876,959	27.1%	34.6%	3,412,859	357,110	(20,964)	0	0	$35.05
Class B	7,598,913	29.4%	33.6%	2,554,839	287,197	(45,678)	0	0	$22.94
The Woodlands	**21,398,239**	**12.9%**	**15.6%**	**3,330,871**	**398,454**	**127,214**	**0**	**151,800**	**$37.41**
Class A	14,641,727	12.7%	12.7%	2,320,841	225,398	8,513	0	0	$39.77
Class B	6,756,512	13.4%	14.9%	1,010,030	173,056	118,701	0	151,800	$32.28
Houston Total	**287,773,572**	**22.8%**	**23.5%**	**68,101,627**	**6,048,143**	**982,751**	**1,992,875**	**979,728**	**$31.44**
Class A	159,651,969	25.5%	26.4%	42,542,129	4,270,604	821,478	1,416,123	567,328	$36.20
Class B	128,121,603	19.4%	19.9%	25,559,498	1,777,539	161,273	576,752	412,400	$25.46