

Quarterly Snapshot

↑	Average Rent \$30.40/SF
↓	Vacancy 22.3%
↑	Net Absorption YTD 1,861,910 SF

Occupier's Perspective

Headline rents appear flat, but top-tier space is seeing increases while older properties face steep discounts, widening the rent spread.

Demand is concentrated in newer, amenity-rich suburban product, where competition is rising, while older towers continue to lose occupancy.

With construction at historic lows and most new projects pre-leased, first-generation space in high-demand locations is tightening, making timing critical for tenants seeking quality space.

Houston remains one of the few major U.S. office markets to post growth this year, recording nearly 1.9 MSF of positive net absorption through the first three quarters. Demand is highly uneven, with leasing concentrated in newer suburban product while towers built before 1990 continue to lose occupancy. Submarkets such as The Woodlands and Katy Freeway East/West are leading absorption, while the CBD is still giving back space.

Leasing has slowed significantly. Tenants signed 9.0 million SF year-to-date, with just two leases above 100,000 SF. The average new lease is only 3,200 SF, reflecting occupier caution. Still, overall availability has compressed modestly to 74.0 MSF, and sublease space continues to trend down, hinting the market may have reached a floor.

Tenant leverage remains substantial. Concessions are still elevated, with build-out allowances and free rent continuing to support deal activity. Overall asking rents have held relatively flat near \$30.00/SF, though amenity-rich, newer developments are outperforming, posting double-digit rent growth over the past 18 months.

Construction remains limited. Only 1.9 MSF is underway, roughly half the 10-year average, with more than 80% already pre-leased. Most of the new development is medical office or build-to-suit projects in fast-growing suburbs, while speculative development in the CBD has largely halted. With new supply scarce, landlords are increasingly relying on renovations or considering conversions to backfill older space.

Recent Transactions

Tenant	Size (SF)	Submarket	Type	Building
GEICO	135,716	Katy Grand Pky W	Renewal	21420 Merchants Way
Seadrill	62,483	West Belt	New	4425 Westway Park Blvd
Tetra Technologies	61,966	The Woodlands	New	10000 Energy Dr
Saber Power Services	57,214	NASA/Clear Lake	Renewal	13100 Space Center Blvd
DBR Engineering	47,150	Katy Fwy West	New	200 Westlake Park Blvd
Friede & Goldman	38,437	Westchase	Renewal	3151 Briarpark Dr
Venture Global	30,965	CBD	Renewal	1401 McKinney St

Submarket Movement

Vacancy Rate	QOQ Change	Direct Asking Rent (\$/SF)	Submarket
28.1%	▲	\$28.21	Westchase
26.9%	▼	\$28.65	Sugar Land / E Fort Bend
19.2%	▼	\$29.89	Katy Freeway West
33.0%	▼	\$32.33	Galleria / West Loop
14.5%	▼	\$32.34	South Main / Med Center
23.8%	▲	\$32.61	Greenway Plaza
12.0%	▼	\$33.97	The Woodlands
25.8%	▼	\$36.54	CBD
8.60%	▲	\$38.50	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	52,505,878	26.0%	26.9%	14,146,587	1,556,752	95,745	0	66,000	\$36.54
Class A	39,418,235	26.1%	28.4%	11,199,134	1,257,080	84,933	0	0	\$40.23
Class B	13,087,643	25.7%	22.5%	2,947,453	299,672	10,812	0	66,000	\$25.41
Galleria / West Loop	24,588,627	33.0%	26.9%	6,624,217	335,159	290,244	0	0	\$32.33
Class A	17,886,245	33.7%	28.3%	5,056,678	321,104	307,432	0	0	\$34.43
Class B	6,702,382	31.1%	23.4%	1,567,539	14,055	(17,188)	0	0	\$26.72
Greenway Plaza	11,443,922	23.8%	26.1%	3,025,069	114,062	(60,932)	146,003	0	\$32.61
Class A	7,980,617	25.9%	27.8%	2,257,907	103,387	(25,102)	146,003	0	\$34.64
Class B	3,463,305	18.9%	22.2%	767,162	10,675	(35,830)	0	0	\$27.85
Katy Freeway East	10,701,009	8.6%	15.0%	1,657,802	158,769	(365,723)	324,450	0	\$38.50
Class A	7,186,464	7.3%	15.8%	1,189,221	136,717	(339,663)	324,450	0	\$44.93
Class B	3,514,545	11.1%	13.3%	468,581	22,052	(26,060)	0	0	\$24.76
Katy Freeway West	27,594,277	19.2%	23.0%	6,353,608	511,640	293,019	0	0	\$29.89
Class A	16,675,577	20.2%	22.0%	3,667,566	418,611	421,567	0	0	\$33.73
Class B	10,918,700	17.6%	24.6%	2,686,042	93,029	(128,548)	0	0	\$24.01
South Main / Medical Center	10,679,009	14.5%	15.4%	1,654,434	50,445	318,199	73,000	0	\$32.34
Class A	5,793,111	19.6%	18.7%	1,083,088	5,493	306,234	0	0	\$35.32
Class B	4,885,898	8.4%	11.5%	571,346	44,952	11,965	73,000	0	\$28.85
Sugar Land / E Fort Bend	8,993,564	26.9%	19.4%	1,757,135	67,987	182,202	15,100	116,923	\$28.65
Class A	3,604,164	33.6%	32.0%	1,152,205	38,586	15,379	0	84,923	\$31.84
Class B	5,389,400	22.4%	11.1%	604,930	29,401	166,823	15,100	32,000	\$26.53
Westchase	17,577,195	28.1%	31.4%	5,515,565	538,826	(266,626)	0	0	\$28.21
Class A	9,772,076	26.8%	29.2%	3,009,608	158,566	(88,659)	0	0	\$33.21
Class B	7,805,119	29.7%	32.1%	2,505,957	380,260	(177,967)	0	0	\$21.94
The Woodlands	22,643,246	12.0%	13.1%	2,968,391	416,427	170,527	0	0	\$35.97
Class A	14,979,021	12.1%	13.0%	1,944,124	259,388	71,721	0	0	\$38.55
Class B	7,664,225	11.8%	13.4%	1,024,267	157,039	98,806	0	0	\$30.92
Houston Total	298,165,255	22.1%	22.8%	68,489,296	5,986,430	1,861,910	1,873,754	1,664,280	\$30.40
Class A	157,219,543	24.7%	23.7%	41,005,730	4,046,324	1,795,836	1,236,060	894,930	\$35.35
Class B	140,945,712	19.1%	19.4%	27,483,566	1,940,106	66,074	637,694	769,350	\$24.36