

Houston

Office | Q3 2024 Market Report

Quarterly Snapshot

↑ Average Rent
\$30.67/SF

↑ Vacancy
22.8%

↑ Net Absorption YTD
(441,707) SF

Occupier's Perspective

While demand for high-end office space remains robust in Houston, there are still plenty of strong value options available throughout the city.

Recent interest rate cuts could provide landlords with more favorable borrowing conditions and refinancing opportunities, potentially easing financial pressures and improving their ability to reinvest in their assets.

A business friendly climate, modest cost of living and strong employment growth have led to a population boom, making the Houston metro area one of the fastest growing in the nation.

Houston's office market offers a strong opportunity for occupiers, with elevated vacancy and leasing incentives creating favorable market conditions across most submarkets. While overall direct vacancy has begun to plateau at around 22%, leasing volume remains muted well below pre-pandemic levels having posted a nearly 23% reduction year-over-year.

Much of the current leasing activity has been funneled to newer, amenity-rich developments, particularly along the Katy Freeway Corridor as companies aim to be nearer to labor pools amidst increased competition for talent. Direct availability for high-end, Class A space in buildings delivered since 2010 sits below 11%, far outpacing the metro average as slower demand has hit landlords owning aging assets particularly hard.

A quieted development pipeline did get a slight jolt as construction kicked off on 146,000 SF at the upcoming RO mixed-use project in Greenway Plaza. With limited other new construction anticipated, demand for premium office space should continue to tighten as occupiers take advantage of a market that emphasizes choice, quality and advantageous leasing conditions.

Recent Transactions

Tenant	Size (SF)	Submarket	Type	Building
Spaces	65,909 SF	CBD	New	708 Main St
Fayez Sarofim	60,764 SF	CBD	New	845 Texas Ave
Mitsubishi	50,990 SF	Galleria / W Loop	New	3009 Post Oak Blvd
Kiewit	50,102 SF	The Woodlands	Renewal	3831 Technology Forest Blvd
EDG, Inc	44,400 SF	Katy Fwy West	New	580 Westlake Park Blvd
TMEIC	39,698 SF	Katy Fwy East	New	1080 Eldridge Pky

Submarket Movement

Vacancy Rate	QOQ Change	Direct Asking Rent (\$/SF)	Submarket
32.7%	▲	\$28.98	Sugar Land
23.3%	▼	\$29.36	Westchase
18.7%	▼	\$30.88	Katy Freeway West
31.0%	▲	\$32.20	Galleria / West Loop
21.6%	▼	\$32.86	Greenway Plaza
11.7%	▼	\$35.31	The Woodlands
27.6%	▼	\$37.25	CBD
6.4%	▼	\$38.87	Katy Freeway East