

Houston

Office | Q1 2024 Market Report

Quarterly Snapshot

↑ Average Rent
\$31.51/SF

↑ Vacancy
21.7%

↓ Net Absorption
-468,149 SF

Occupier's Perspective

Occupiers are directing demand towards modern, amenity-rich Class A properties, seizing the opportunity presented by market softness to prioritize quality.

High interest rates and stricter lending requirements could pose additional threats to landlords needing to refinance or extend maturing loans.

Houston's appeal to occupiers is expected to persist due to strong population growth, relative affordability, a robust talent pool, and a favorable business environment.

The Houston office market continued to soften to start the year, with ongoing economic uncertainty and evolving work trends contributing to muted leasing activity. Better than expected job growth in 2023 has not fueled a noticeable uptick in demand. Despite the Houston metro having one of the highest return-to-office rates in the country, many occupiers are prioritizing reducing their footprints and utilizing the savings to relocate to newer, better amenitized buildings. But, with the office development pipeline drying up, availability in higher-end inventory is quickly tightening.

Leasing activity has been focused on the west side, highlighted by recent large commitments by Dow Chemical, Fluor and Noble Drilling. The Houston office market should remain firmly occupier friendly in the near term with landlords facing mounting pressure and competition to backfill space, particularly in older assets.

Recent Transactions

Tenant	Size (SF)	Submarket	Type	Building
Dow Chemical	210,000 SF	Katy Freeway East	New Lease	Office
Noble Drilling	110,250 SF	Westchase	New Lease	Office
Bechtel	77,262 SF	Westchase	Sublease	Office
Patterson-UTI	76,831 SF	West Belt	Renewal	Office
Axiom Space	63,716 SF	NASA / Clear Lake	Renewal	Office
EnLink Midstream	61,682 SF	CBD	Sublease	Office

Submarket Movement

Vacancy Rate	QOQ Change	Direct Asking Rent (\$/SF)	Submarket
16.5%	▼	\$29.31	Sugar Land
24.4%	▼	\$29.41	Westchase
19.4%	▼	\$30.41	Katy Freeway West
27.2%	▲	\$31.05	Galleria / West Loop
16.7%	▼	\$31.81	Greenway Plaza
14.4%	▲	\$33.27	The Woodlands
28.2%	▲	\$36.74	CBD
7.8%	▼	\$38.23	Katy Freeway East