

Houston

Office | Q2 2024 Market Report

Quarterly Snapshot

↑ Average Rent
\$30.44/SF

↑ Vacancy
21.4%

↑ Net Absorption
-666,431 SF

Occupier's Perspective

Despite the larger glut of available space, competition for newer, more highly amenitized properties remained high, allowing Landlords to curb concessions slightly.

The construction pipeline continued to dry up, with the limited new development expected to exert some downward pressure on vacancy rates in the coming quarters and years.

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

As the calendar rolled past the midway point of 2024, the Houston office market continued to exhibit a seemingly contradictory scenario embodied by strong job growth juxtaposed with soft demand. The nearly 2.8 million square feet leased last quarter represented a 30 percent decline year-over-year even as non-farm employment climbed to a record-high 3.4 million in the metro area. With the city recovering more than 170 percent of jobs lost during the pandemic, nearly one in six jobs in Houston was created in the past four years. Yet ongoing economic headwinds coupled with dynamic shifts in work trends has led many companies to consolidate their footprint, keeping the vacancy rate elevated at near historic levels at 21.4 percent.

Available sublease space rose slightly to 6.1 million square feet but remained well below the peaks set during the oil crash in 2014-2016. Tenants continued the flight-to-quality as newer Class A properties captured 80 percent of the 398,672 square feet of net absorption posted last quarter. Demand has focused primarily in the suburban submarkets to the west as companies aimed to be nearer to labor pools amidst intense competition for talent.

Recent Transactions

Tenant	Size (SF)	Submarket	Type	Building
Ovintiv	168,805 SF	The Woodlands	Renewal	Office
Blue Cross Blue Shield	136,800 SF	Southwest Beltway 8	New Lease	Office
Camden Property Trust	104,000 SF	Galleria/W. Loop	New Lease	Office
OneSubsea	99,501 SF	Katy Freeway W	Sublease	Office
General Services Administration	78,895 SF	Greenspoint/N Belt W	New Lease	Office
Higginbotham & Associates	75,036 SF	West Belt	New Lease	Office

Submarket Movement

Vacancy Rate	QOQ Change	Direct Asking Rent (\$/SF)	Submarket
26.5%	▼	\$28.94	Westchase
16.2%	▼	\$29.46	Sugar Land
20.6%	▼	\$30.61	Katy Freeway West
27.7%	▼	\$31.53	Galleria / West Loop
23.1%	▲	\$32.49	Greenway Plaza
14.0%	▲	\$34.45	The Woodlands
28.1%	▲	\$37.03	CBD
9.8%	▲	\$38.19	Katy Freeway East