

Quarterly Snapshot

↑	Average Rent \$29.18/SF
↓	Vacancy 21.9%
↑	Net Absorption YTD 1,551,538 SF

Occupier's Perspective

Most tenants that planned to downsize have already done so, reducing the likelihood of major negative absorption in the near term as up to 75% of pre-pandemic leases have expired.

Tenant improvement allowances and free rent packages remain generous, keeping leverage firmly in occupiers' hands, especially in older or less competitive office buildings.

First-generation space is becoming harder to find in top submarkets, making early planning essential for tenants seeking high-quality, move-in ready options.

Houston's office market is showing signs of stabilization. It's one of only three major U.S. markets to post positive net absorption over the past year, totaling 650,000 SF. Still, activity has slowed. Tenants signed 7.7 million SF in the first half of 2025—the lowest mid-year total in three years. Most rightsizing is complete, but large-tenant demand remains soft due to limited first-generation space.

The divide between old and new buildings is growing. Nearly 70% of available space is in properties built before 1980. In contrast, newer product in suburban submarkets like Katy Freeway East and West and The Woodlands is outperforming, supported by amenities and proximity to population growth.

Tenant leverage remains strong. Concessions are holding steady, with build-out allowances ranging from \$75–\$120/SF and six to eight months of free rent on five-year terms. Average asking rents sit at \$29.00/SF—up \$2/SF from 2019—with trophy buildings pushing higher.

Overall availability has declined slightly to 73.1 MSF, and sublease space is also trending down. With over 80% of the 2.1 MSF under construction pre-leased and few new starts, high-quality space is tightening. Vacancy is expected to remain elevated but stable near 21.9%. Office-using job growth has flattened, and economic uncertainty may delay new leasing. While tenants retain leverage in most areas, competition for top-tier space is picking up.

Recent Transactions

Tenant	Size (SF)	Submarket	Type	Building
Morgan Stanley	79,550 SF	Galleria / W. Loop	Renewal	2800 Post Oak Blvd
Blake Stone Minerals	55,082 SF	CBD	Renewal	1001 Fannin St
Summit Midstream	51,440 SF	CBD	New	910 Louisiana St
Bechtel	50,544 SF	Westchase	Sublease	2103 CityWest Blvd
CAM	50,506 SF	CBD	New	910 Louisiana St
ChampionX	48,981 SF	The Woodlands	Renewal	2445 Technology Forest
O'Melveny & Myers	42,985 SF	CBD	New	700 Louisiana St

Submarket Movement

Vacancy Rate	QOQ Change	Direct Asking Rent (\$/SF)	Submarket
28.2%	▲	\$27.26	Westchase
28.7%	▼	\$27.76	Sugar Land / E Fort Bend
19.9%	▼	\$28.24	Katy Freeway West
31.8%	▼	\$31.44	Galleria / West Loop
22.9%	▲	\$32.58	Greenway Plaza
11.8%	▼	\$32.91	The Woodlands
16.4%	▼	\$33.57	South Main / Medical Center
25.9%	▲	\$34.32	CBD
11.6%	▲	\$36.61	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	52,566,095	25.9%	26.2%	13,789,492	1,542,451	(266,516)	0	0	\$34.32
Class A	39,487,211	27.2%	28.7%	11,330,449	1,242,779	(297,498)	0	0	\$37.40
Class B	13,078,884	22.0%	18.8%	2,459,043	299,672	30,982	0	0	\$25.02
Galleria / West Loop	24,672,289	31.8%	25.9%	6,386,017	351,375	290,456	0	0	\$31.44
Class A	17,951,365	32.0%	27.5%	4,934,604	323,663	346,404	0	0	\$33.30
Class B	6,720,924	31.4%	31.4%	1,451,413	27,712	(55,948)	0	0	\$26.46
Greenway Plaza	11,281,823	22.9%	24.3%	2,782,144	141,379	19,052	146,003	0	\$32.58
Class A	7,813,630	24.7%	26.3%	2,096,765	131,340	53,428	146,003	0	\$35.03
Class B	3,468,193	18.9%	19.8%	685,379	10,039	(34,376)	0	0	\$26.96
Katy Freeway East	11,102,956	7.9%	11.6%	1,329,122	294,550	128,440	324,450	0	\$36.61
Class A	7,630,476	6.8%	11.1%	881,633	278,290	120,831	324,450	0	\$41.83
Class B	3,472,480	10.2%	12.9%	447,489	16,260	7,609	0	0	\$24.67
Katy Freeway West	27,412,440	19.9%	23.1%	6,335,406	444,107	21,600	0	0	\$28.24
Class A	16,675,577	21.5%	22.3%	3,716,124	343,043	72,090	0	0	\$31.36
Class B	10,736,863	17.4%	24.4%	2,619,282	101,064	50,490	0	0	\$23.41
South Main / Medical Center	10,669,155	16.4%	15.0%	1,613,468	41,558	170,744	73,000	0	\$33.57
Class A	5,790,056	23.3%	18.5%	1,073,201	11,296	136,779	0	0	\$35.34
Class B	4,879,099	8.1%	10.9%	540,267	30,262	33,965	73,000	0	\$28.81
Sugar Land / E Fort Bend	9,118,881	28.7%	16.9%	1,644,698	99,708	(10,890)	47,100	48,000	\$27.76
Class A	4,028,096	36.5%	26.6%	1,071,923	39,524	11,049	0	48,000	\$30.31
Class B	5,090,785	22.4%	11.1%	572,775	60,184	(21,939)	47,100	0	\$25.75
Westchase	17,485,413	28.2%	33.9%	5,919,362	532,575	(118,870)	0	0	\$27.26
Class A	9,754,209	26.3%	32.6%	3,181,029	149,761	55,130	0	0	\$31.34
Class B	7,731,204	30.7%	35.4%	2,738,333	382,814	(174,000)	0	0	\$22.11
The Woodlands	22,452,783	11.8%	14.2%	3,182,140	457,072	328,118	0	0	\$32.91
Class A	14,766,021	11.2%	14.1%	2,081,781	241,887	162,531	0	0	\$34.67
Class B	7,686,762	13.0%	14.3%	1,100,359	215,185	165,587	0	0	\$29.52
Houston Total	298,561,711	21.9%	22.5%	67,541,225	6,116,289	1,551,538	2,171,238	58,000	\$29.18
Class A	158,240,267	24.9%	25.7%	41,057,774	4,070,653	1,540,052	1,473,705	48,000	\$33.44
Class B	140,321,444	18.5%	18.8%	26,483,451	2,045,636	11,486	697,533	10,000	\$24.36