Houston

Office | Q4 2025 Market Report

Quarterly Snapshot

↑ Average Rent
$29.75/SF

↓ Vacancy
20.0%

↑ Net Absorption YTD
2,359,933 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's office market is stabilizing entering 2026. Net absorption remained positive for four consecutive quarters, the longest stretch since 2015, supported by flight-to-quality demand and owner-user acquisitions. Vacancy improved from 20.2% to 20.0%, and available space fell to a five-year low of 70.3 MSF. Demand is strongest in walkable suburban districts like Katy Freeway East, where buildings near CityCentre are 94% leased, while the CBD is still giving back space.

Leasing volume fell sharply. Tenants signed roughly 13 MSF in 2025, a 16-year low against a 2015–2019 average of roughly 20 MSF. Only one lease above 100,000 SF was signed all year, and average deal size was just 3,000 SF, about 25% below pre-pandemic norms. With large Class A blocks scarce, more occupiers are renewing rather than relocating.

Tenant leverage remains substantial. Concessions are elevated, with build-out allowances at $75–90/SF for legacy buildings and $110–120/SF for new spaces. Asking rents have held near $30.00/SF, with overall growth of just 0.6%, well below inflation. Amenity-rich newer developments are the exception, posting growth of 10–20%.

Construction remains limited. Just 1.4 MSF is under construction,0.4% of inventory and less than half the 10-year average, with roughly 85% preleased. Most activity is in fast-growing suburbs and the Medical Center, where life science expansion has driven nearly 2 MSF in deliveries over the past three years. With new supply near a standstill, landlords are relying on renovations or exploring conversions to backfill older space.

Recent Transactions

Tenant	Size (SF)	Submarket	Type	Building
Simpson Thacher	99,397	CBD	Sublease	1000 Main St
Kimmeridge Energy	90,786	Katy Fwy East	New	990 Town & Country Blvd
Merrill Lynch	70,914	Greenway Plaza	New	20 Greenway Plaza
Concorde Career Coll.	45,000	Westchase	New	3100 Hayes Rd
Evercore Partners	39,066	CBD	Renewal	909 Fannin St
BNY Melton	26,849	CBD	New	811 Main St
Infosys	25,770	Katy Fwy East	Renewal	818 Town & Country Blvd

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