

Quarterly Snapshot

- ↑ Vacancy
24.0%
- ↓ Net Absorption YTD
(299,374) SF
- ↓ Availability
23.8%

Occupier's Perspective

The construction pipeline offers nearly no relief to the demand for newer product. With just 611,000 SF under construction and 85% of that pre-leased, very little new supply will come online this year or next. Occupiers with requirements in high-demand submarkets should begin their search and lease negotiations well ahead of their target occupancy date.

Asking rents are up 6.3% year-over-year, yet effective rents remain well below face rates as landlords absorb concessions in older Class A & B product. Tenants can extract meaningful TI packages and free rent in these projects but will find difficulty in doing the same in trophy or top-tier Class A buildings.

New buildings delivered since 2015 carry single-digit vacancy versus 24.0% for the broader market. That gap means landlords of newer, amenity-rich product have pricing power; landlords of older Class A&B do not. Given the lack of availability in premier properties, tenants should consider renovated Class A options before those spaces are leased.

Houston's office market had a quiet first quarter, with total vacancy edging up slightly to 24.0% as a modest wave of new building deliveries outpaced tenant move-ins. However, total availability – space being marketed for lease but not yet vacant - declined to 23.8%, its lowest level in two years. Sublease inventory also declined modestly, suggesting the post-pandemic sublease wave has peaked. The quarter's defining theme remains bifurcation: occupancy and leasing among the premium buildings remains robust, while older Class A and commodity properties continue to shed occupancy.

Flight-to-quality drove the quarter's largest transactions: Boardwalk Pipeline signed the market's biggest deal: 143,000 SF at 990 Town & Country in Katy Freeway East, relocating from Greenway Plaza to one of Houston's most desirable new addresses. Crescent Energy leased a 125,000 SF block at 609 Main Downtown, while the U.S. Attorney General took 99,000 SF at 700 Louisiana; Mayer Brown also renewed there for 60,000 SF. New leasing accounted for the majority of Q1 transactions, underscoring tenant willingness to pick up and move to premier locations.

Landlord concessions remain elevated, with build-out allowances of \$75–90/SF in older buildings and \$110–120/SF for new or recently delivered properties. The CBD saw a significant headwind as NRG vacated nearly half a million square feet at 910 Louisiana (but partially offset by its 290,000 SF relocation to 3 Houston Center), resulting in the submarket posting the highest negative net absorption in the quarter.

Recent Transactions

Tenant	Size (SF)	Submarket	Type	Building
Boardwalk Pipeline	143,253	Katy Fwy East	New	990 Town & Country Blvd
Crescent Energy	125,000	CBD	New	609 Main St
US Attorney General	99,000	CBD	New	700 Louisiana St
Forum Energy Tech.	81,138	West Belt	Renewal	10344 Sam Houston Pk Dr
Mayer Brown	60,965	CBD	Renewal	700 Louisiana St
Voltagrind	60,355	Katy Fwy East	New	920 Town & Country Blvd
Zachry Engineering	52,745	Westchase	New	3151 Briarpark Dr

Submarket Movement

Vacancy Rate	QOQ Change	Direct Asking Rent (\$/SF FS)	Submarket
17.2%	▲	\$42.97	Katy Freeway East
12.2%	▲	\$39.72	The Woodlands
26.3%	▲	\$38.91	CBD
25.7%	▼	\$36.26	Greenway Plaza
31.7%	■	\$35.13	Galleria / West Loop
29.1%	▲	\$30.76	Sugar Land
27.6%	▼	\$27.91	Westchase
19.8%	▲	\$27.29	Katy Freeway West

SELECT SUBMARKET COMPARISON

Submarket/Class	Inventory SF	Total Vacancy Rate	Total Availability Rate	Total Available SF	Available Sublease SF	YTD Net Absorption SF	Under Construction SF	YTD Deliveries	Market Asking Rate (FSG)
Houston CBD	51,090,041	26.3%	26.2%	13,392,823	1,323,042	(202,259)	20,000	0	\$38.91
Class A	39,385,991	25.8%	27.1%	10,686,306	1,145,737	(225,878)	0	0	\$43.11
Class B	11,704,050	27.9%	23.1%	2,706,517	177,305	23,619	20,000	0	\$21.74
Galleria / West Loop	29,638,227	31.7%	26.1%	7,741,404	408,643	8,344	0	0	\$35.13
Class A	20,008,528	32.7%	26.7%	5,338,920	366,855	35,724	0	0	\$38.68
Class B	9,629,699	29.6%	24.9%	2,402,484	41,788	(27,380)	0	0	\$27.21
Greenway Plaza	11,337,589	25.7%	28.8%	3,308,641	125,087	(65,117)	146,003	0	\$36.26
Class A	8,010,014	28.0%	30.5%	2,487,939	114,412	(38,699)	146,003	0	\$38.69
Class B	3,327,575	20.0%	24.7%	820,702	10,675	(26,418)	0	0	\$30.82
Katy Freeway East	10,587,067	17.2%	10.5%	1,114,102	141,499	(36,063)	0	324,450	\$42.97
Class A	6,929,739	19.0%	7.7%	532,142	78,393	(14,594)	0	324,450	\$58.78
Class B	3,657,328	13.7%	15.9%	581,960	63,106	(21,469)	0	0	\$25.35
Katy Freeway West	26,928,732	19.8%	24.2%	6,516,932	636,558	(100,760)	0	0	\$27.29
Class A	16,042,296	20.1%	22.9%	3,670,763	534,068	(31,108)	0	0	\$31.63
Class B	10,886,436	19.4%	26.1%	2,846,169	102,490	(69,652)	0	0	\$24.44
Sugar Land	8,053,956	29.1%	22.6%	1,825,431	68,143	(36,432)	36,788	0	\$30.76
Class A	3,506,099	36.1%	35.8%	1,256,254	32,359	(12,653)	0	0	\$34.42
Class B	4,547,857	23.7%	12.4%	569,177	35,784	(23,779)	36,788	0	\$23.93
Westchase	17,514,251	27.6%	29.5%	5,162,638	566,783	31,412	0	0	\$27.91
Class A	9,334,245	28.1%	29.9%	2,795,138	189,694	32,056	0	0	\$32.17
Class B	8,180,006	26.9%	28.9%	2,367,500	377,089	(644)	0	0	\$19.17
The Woodlands	21,412,504	12.2%	14.2%	3,047,889	406,467	101,823	0	0	\$39.72
Class A	14,571,339	10.4%	13.4%	1,954,695	214,465	19,913	0	0	\$47.53
Class B	6,841,165	15.8%	15.3%	1,046,200	178,002	9,719	0	0	\$30.01
Houston Total	252,616,190	24.0%	23.8%	60,197,609	5,338,897	(299,374)	611,542	499,450	\$31.19
Class A	150,304,325	25.3%	25.5%	38,417,673	3,748,866	(134,331)	560,400	404,450	\$36.31
Class B	102,311,865	22.1%	21.3%	21,779,936	1,590,031	(165,043)	51,142	95,000	\$23.02

*Featured submarkets are a select subset of the Houston metro and therefore will not sum to citywide totals.