

MARKET FUNDAMENTALS

	YOY Chg	Outlook
25.0% Vacancy Rate	▼	▼
223K Net Absorption, SF	▲	▼
\$31.61 Asking Rent, PSF <small>(Overall, All Property Classes) Rental rates reflect gross asking \$psf/year</small>	▲	▼

ECONOMIC INDICATORS

	YOY Chg	Outlook
3.5M Houston Employment	▲	▲
4.4% Houston Unemployment Rate	▲	▼
4.2% U.S. Unemployment Rate <small>Source:BLS</small>	▲	▲

ECONOMY

Total employment stood at 3.5 million in Houston's metro area (MSA) at the end of Q2 2025, representing a 0.9% year-over-year (YOY) increase. Houston's YOY job growth was slightly less than the 1.1% YOY rise experienced nationwide and among the 10 U.S. markets with the largest labor forces, Houston's annual growth ranked fourth, behind Miami (1.5%), Dallas/Fort Worth (1.3%), and Manhattan (1.2%).

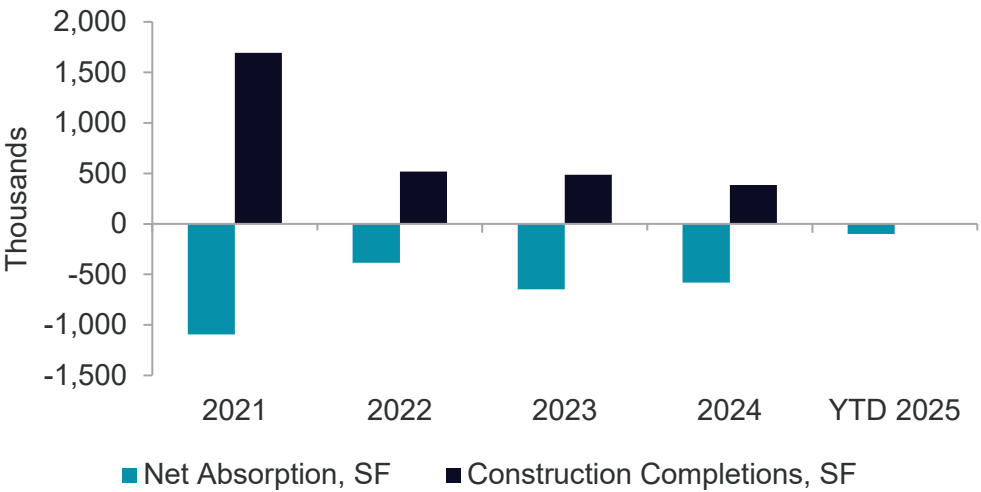
The Houston MSA private employment sectors with the largest YOY growth included mining and logging (4.6%), other services (2.4%), education and healthcare (2.1%), leisure and hospitality (1.7%), and trade; transportation; and utilities (1.5%). Three sectors declined during that time – information (-1.7%), professional and business services (-1.3%), and construction (-0.6%). Houston's unemployment rate remained elevated at 4.4% in Q2 2025, 20 basis points (bps) above the national rate of 4.2%.

SUPPLY

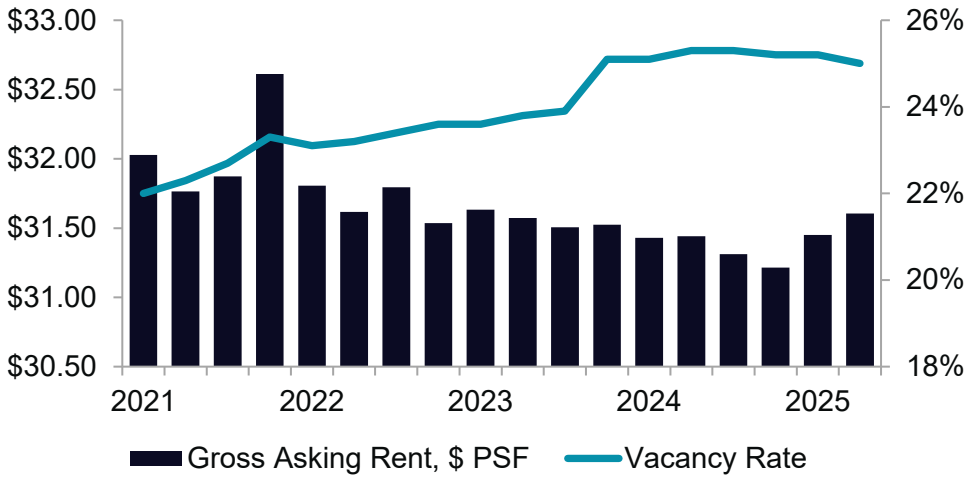
Construction completions remained subdued in Q2 2025, with no new deliveries recorded for the fifth consecutive quarter. However, construction activity increased with the groundbreaking of Autry Park, a new development totaling 106,336 square feet (sf), located in the Inner Loop submarket and currently 72.6% preleased. This brings the total number of office developments underway to four – CityCentre Six, 300,000 sf located in Katy Freeway East (64.2% preleased), The RO, 143,000 sf located in Greenway (100% preleased), and One Bridgeland Green, 50,000 sf located in Far Northwest (80.6% preleased).

Houston's vacancy rate declined slightly to 25.0% in Q2 2025, down 20 bps from the previous quarter. Vacancy rates have hovered near this level for seven straight quarters, signaling a period of sustained market stability. Overall availability, which includes vacant space and upcoming space marketed as available, ended Q2 2025 at 29.9%, an increase of 50 bps from Q1 2025. Direct space availability rose by 40 bps quarter-over-quarter (QOQ), and sublease space increased slightly by 10 bps to 2.8%.

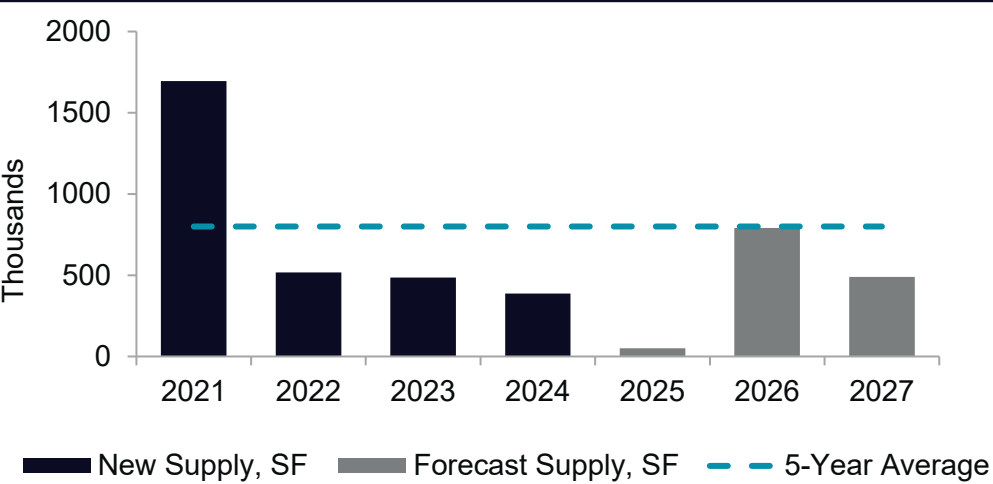
SPACE DEMAND / DELIVERIES



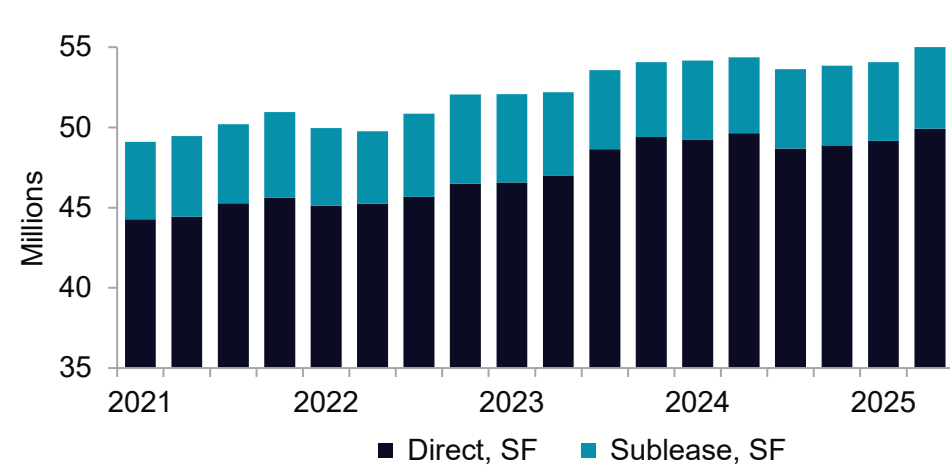
OVERALL VACANCY & ASKING RENT



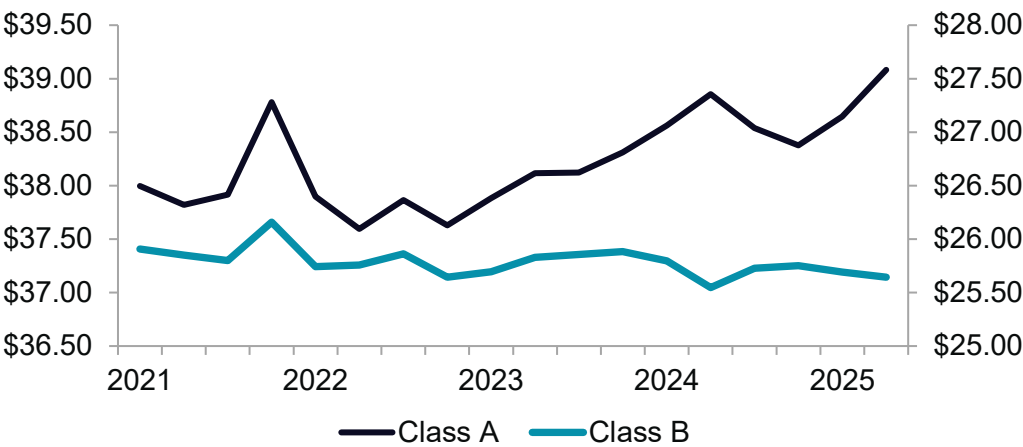
NEW SUPPLY / 5-YEAR HISTORICAL AVERAGE



DIRECT AND SUBLEASE SPACE AVAILABLE



ASKING RENT COMPARISON (Gross \$psf/year)



DEMAND

Net absorption totaled 222,962 sf in the second quarter, a notable turnaround from the negative 322,054 sf recorded in the previous quarter. This represents the strongest quarterly absorption since Q3 2024. The current quarter's largest move-ins were Blue Cross Blue Shield (West Belt), McDermott (Katy Freeway West), and Chesmar Homes (Katy Freeway).

Twelve submarkets recorded positive absorption in Q2 2025 with West Belt leading the way at 144,562 sf. Following close behind were The Woodlands (127,295 sf), Southwest (91,622 sf) and West Loop/Galleria (86,187 sf). Conversely, seven submarkets recorded negative absorption in Q2 2025, with Westchase recording the largest contraction (-190,368 sf). Class A office space absorbed 180,669 sf, while Class B office space rebounded from negative absorption in Q1 2025, absorbing 63,716 sf in Q2 2025.

Leasing activity edged up slightly during the quarter, reaching 2.1 million square feet (msf), compared to 2.0 msf in Q1 2025, bringing the year-to-date total to 4.1 msf. While the quarter showed some improvement, total leasing volume remains below the 5.1 msf recorded in the first half of 2024. Class A buildings accounted for 56.0% (1.2 msf) of the total new leasing activity, Class B buildings accounted for 34.1% (703,888 sf), and Class C buildings accounted for 9.9% (203,393 sf).

The West Loop/Galleria outpaced all other submarkets in leasing activity, recording 558,910 sf of new leases—its highest volume since Q2 2023. This accounted for more than a quarter of the market's total leasing volume.

PRICING

The overall average gross asking rent stood at \$31.61 per square foot (psf) at the end of Q2 2025, reflecting a 0.5% increase from both the previous quarter and the same time last year. Class A average gross asking rent reached an all-time high of \$39.08 psf, increasing 1.1% from \$38.64 psf last quarter and 0.6% from the previous year.

OUTLOOK

- With fewer premier buildings available, tenant movement may slow, potentially shifting leasing patterns toward increased renewals as tenants opt to extend leases amid limited high-quality options.
- Investor interest is likely to grow, particularly for premium properties, as confidence in Houston's fundamentals builds and the market continues to position itself as a compelling long-term investment opportunity.
- Limited new supply and steady demand are expected to tighten the market, leading to lower vacancy rates, increased competition for quality spaces, and upward pressure on rents.

MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	SUBLET AVAILABLE (SF)	DIRECT AVAILABLE (SF)	OVERALL AVAILABILITY RATE	CURRENT QTR NET ABSORPTION (SF)	YTD NET ABSORPTION (SF)	YTD NEW LEASING ACTIVITY (SF)	UNDER CONSTR (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
Central Business District	36,521,089	1,466,787	10,061,462	31.6%	-12,614	-437,566	594,724	0	\$42.54	\$45.26
Inner Loop	4,904,884	165,461	988,621	23.5%	-49,175	-57,304	176,892	106,336	\$35.32	\$52.50
West Loop/Galleria	29,106,032	396,425	8,221,028	29.6%	86,187	319,998	824,925	0	\$34.66	\$39.41
Greenway	9,457,523	160,115	2,406,676	27.1%	78,700	-30,327	351,644	143,228	\$33.64	\$35.95
South Main/Medical Center	4,347,934	86,118	968,220	24.2%	38,695	17,518	91,550	0	\$26.06	N/A
Southwest	8,705,563	387,397	1,917,912	26.5%	91,622	46,513	46,761	0	\$18.81	N/A
Sugar Land	4,097,880	32,175	986,627	24.9%	6,403	-77,520	75,566	0	\$33.15	\$35.74
Westchase	14,998,014	317,244	5,208,630	36.8%	-190,368	-245,880	255,391	0	\$25.99	\$33.09
Katy Freeway East	7,147,084	269,062	653,247	12.9%	-9,808	26,076	201,452	300,000	\$36.83	\$50.76
Katy Freeway West	17,308,958	441,656	5,287,615	33.1%	54,326	344,047	363,247	0	\$32.08	\$35.48
Katy/Grand Parkway West	1,217,239	59,222	197,546	21.1%	5,284	-2,351	28,572	0	\$33.78	\$34.03
North Loop/Northwest	6,434,712	78,285	1,396,419	22.9%	-19,875	-24,049	132,031	0	\$20.28	\$25.85
West Belt	4,937,021	349,110	1,643,906	40.4%	144,562	210,305	184,606	0	\$28.55	\$34.86
North Belt/Greenspoint	10,316,059	54,509	4,746,780	46.5%	-69,437	-135,982	89,806	0	\$19.38	\$26.71
Far Northwest	6,493,244	478,923	2,219,617	41.6%	19,673	-17,206	112,182	50,000	\$22.08	\$30.55
The Woodlands/Spring	10,823,714	319,294	1,798,088	19.6%	127,295	39,309	406,020	0	\$40.08	\$44.14
Kingwood/Humble	625,283	6,531	76,998	13.4%	990	2,801	12,836	0	\$20.57	N/A
East/Southeast	2,709,758	6,549	418,584	15.7%	-85,354	-72,122	53,032	0	\$21.44	N/A
NASA/Clear Lake	4,211,207	97,665	712,069	19.2%	5,856	-5,352	66,504	0	\$24.85	\$29.01
SUBURBAN TOTALS	147,842,109	3,705,741	39,848,583	29.5%	235,576	338,474	3,473,017	599,564	\$28.64	\$36.10
HOUSTON TOTALS	184,363,198	5,172,528	49,910,045	29.9%	222,962	-99,092	4,067,741	599,564	\$31.61	\$39.08

KEY NEW LEASE TRANSACTIONS Q2 2025

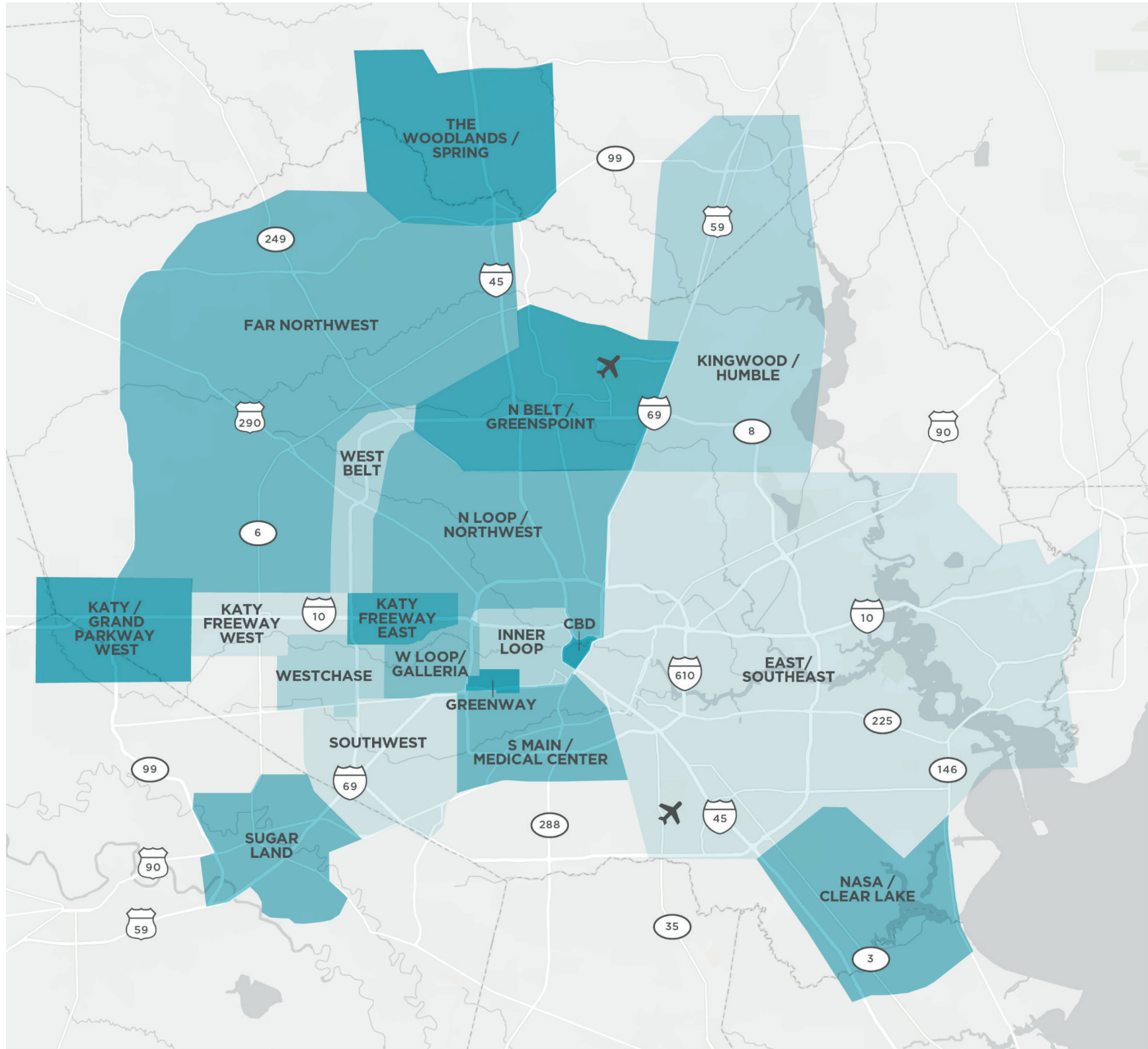
Rental rates reflect gross asking \$psf/year

BUILDING	ADDRESS	SUBMARKET	TENANT	SF
5444 Westheimer	5444 Westheimer Road	West Loop/Galleria	Westlake Chemical	126,223
CityWestPlace Building 4	2103 CityWest Boulevard	Westchase	Bechtel Corporation	77,023
910 Louisiana	910 Louisiana Street	Central Business District	Summit Midstream	51,440
2000 West Loop South	2000 West Loop South	West Loop/Galleria	Jim Adler	50,844

KEY SALES TRANSACTIONS Q2 2025

BUILDING	ADDRESS	SUBMARKET	SELLER BUYER	SF
Houston Center	Multiple Buildings	Central Business District	Brookfield Properties Stream Realty JV AustralianSuper	4,000,000
5555 San Felipe	5555 San Felipe	West Loop/Galleria	Starwood Capital Group Energy Transfer	1,197,300
Lake Pointe Plaza	1 Fluor Daniel Drive	Sugar Land	Planned Community Developers Lovett Commercial	1,168,000
Brookhollow Central I, II, & III	2800, 2900, 2950 North Loop Freeway	North Loop/Northwest	Hertz Investment Group Dominus Commercial	810,091

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