

MARKET FUNDAMENTALS

	YOY Chg	Outlook
25.0% Vacancy Rate	▲	▼
-654K Net Absorption, SF	▼	▲
\$31.78 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	▲	▲
4.3% Houston Unemployment Rate	▼	▲
4.3% 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 Q3 2025, representing a 1.1% year-over-year (YOY) increase. Houston's YOY job growth was slightly better than the 0.9% YOY rise experienced nationwide and among the 10 U.S. markets with the largest labor forces, Houston's annual growth ranked third, behind Manhattan (1.8%) and Phoenix (1.3%).

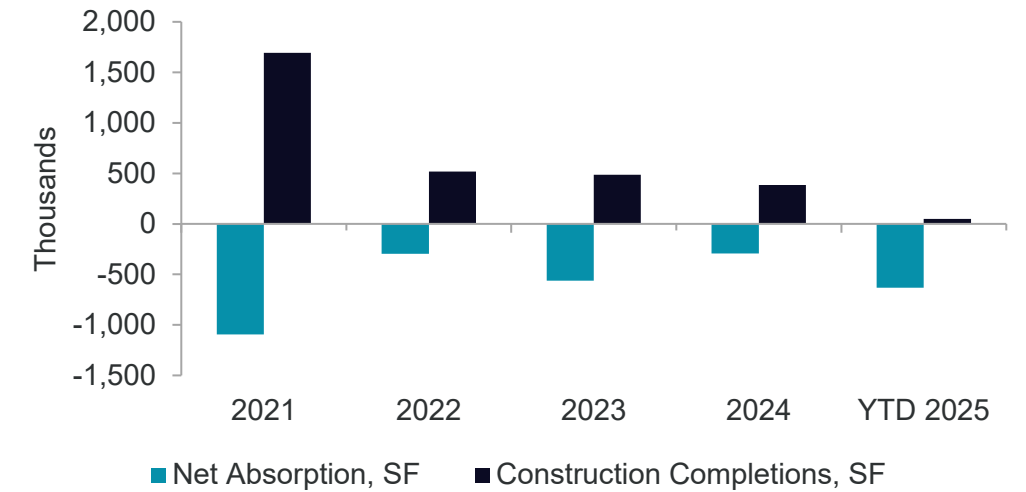
The Houston MSA private employment sectors with the largest YOY growth included mining and logging (4.3%), other services (3.3%), education and healthcare (2.8%), leisure and hospitality (1.9%), financial activities (1.0%), and construction (1.0%). Three sectors declined during that time – information (-2.4%), professional and business services (-2.4%), and manufacturing (-1.2%). Houston's unemployment rate stood at 4.3% in Q3 2025, 20 basis points (bps) lower than Q3 2024, and in line with the national rate of 4.3%.

SUPPLY

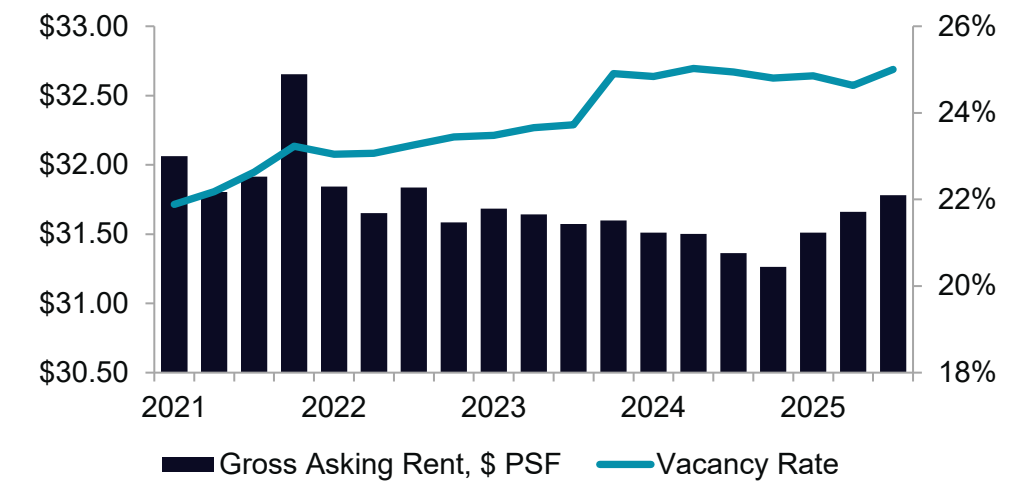
After five quarters without any new completions, the delivery of One Bridgeland Green, a 50,000 square-foot (sf) office building in the Far Northwest submarket marked the first delivery since Q1 2024. While construction activity remains muted, certain submarkets continue to attract new projects. Currently underway are three office developments – CityCentre Six, 300,000 sf located in Katy Freeway East (64.2% preleased), The RO, 143,000 sf located in Greenway (100% preleased), and Autry Park, 106,336 sf located in the Inner Loop (100% preleased).

Houston's vacancy rate rose to 25.0% in Q3 2025, up 40 bps from the previous quarter. Vacancy has remained slightly elevated over the past year, reflecting ongoing adjustments in tenant demand. Overall availability, which includes vacant space and upcoming space marketed as available, ended Q3 2025 at 30.3%, an increase of 90 bps from Q2 2025. Direct space availability rose by 70 bps quarter-over-quarter (QOQ), while sublease space held steady at 2.7%.

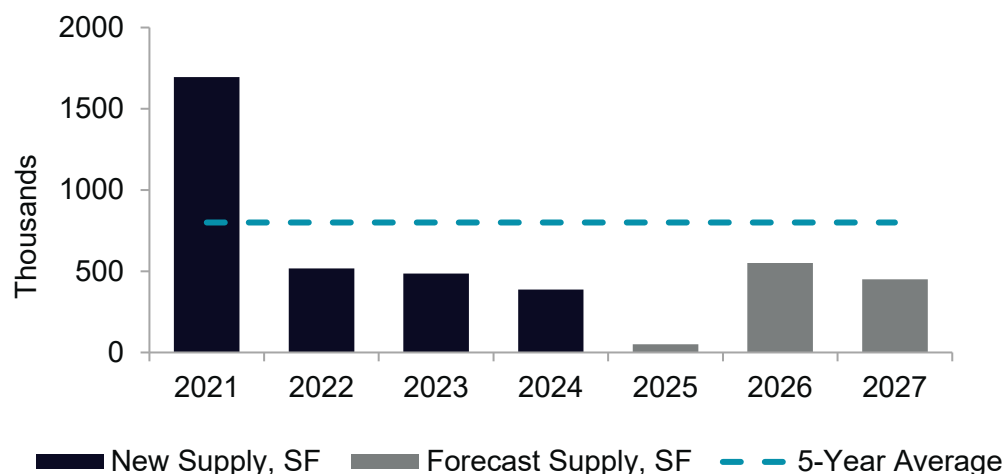
SPACE DEMAND / DELIVERIES



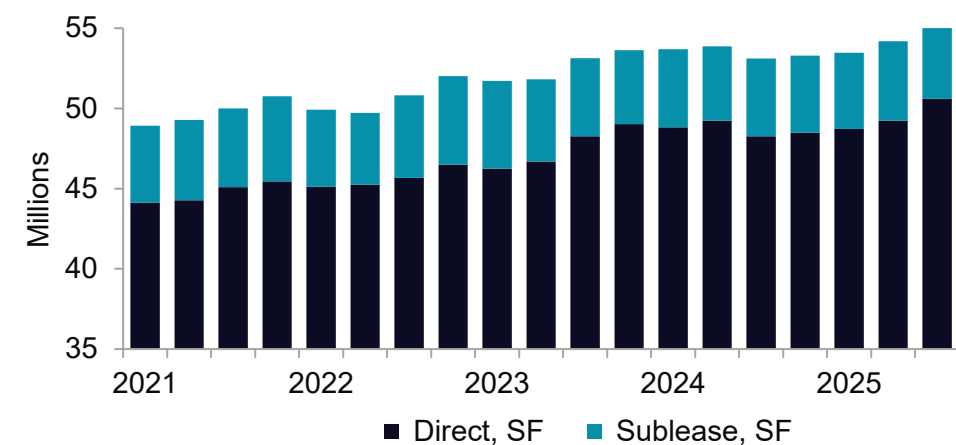
OVERALL VACANCY & ASKING RENT



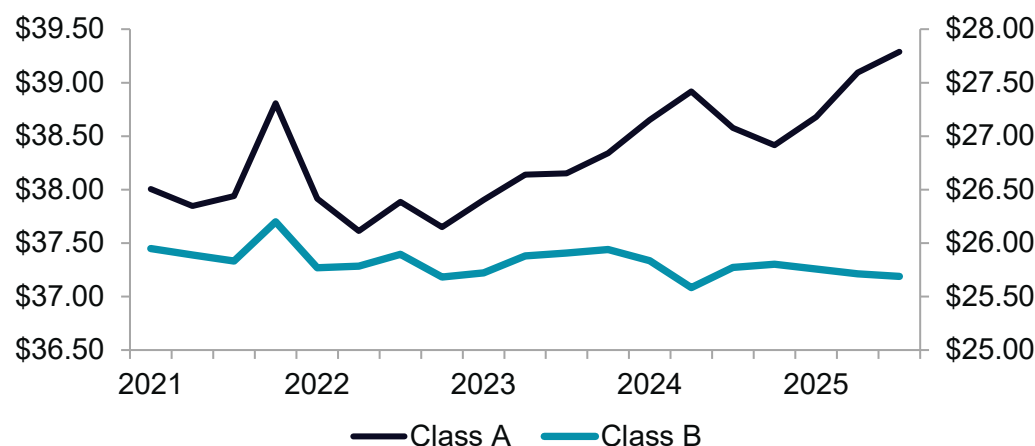
NEW SUPPLY / 5-YEAR HISTORICAL AVERAGE



DIRECT AND SUBLEASE SPACE AVAILABLE



ASKING RENT COMPARISON (Gross \$psf/year)



DEMAND

Net absorption fell to -654,000 sf in Q3 2025, a notable drop compared to last quarter's gains. This negative shift was primarily driven by space previously listed as available in the future now becoming available, adding significant space as vacant.

While overall absorption declined during the quarter, several submarkets still posted positive gains. The Central Business District recorded the highest at 96,000 sf absorbed, a notable increase from just 4,000 sf in the previous quarter, followed by Katy Freeway West with 44,000 sf. In contrast, the West Loop/Galleria recorded the largest contraction with -190,000 sf of absorption, reversing the gains seen last quarter. Both Class A and Class B office space shifted to negative absorption in Q3 2025, totaling -376,000 sf and -184,000 sf, respectively.

Leasing activity was modest during the quarter, reaching 1.8 million square feet (msf), compared to 2.4 msf in Q2 2025. This brings the year-to-date (YTD) total to 6.2 msf, falling short of the 7.6 msf recorded during the same period in 2024. Class A buildings accounted for 58.4% (1.0 msf) of the total new leasing activity during the quarter, Class B buildings accounted for 31.5% (557,000 sf), and Class C buildings accounted for 10.1% (180,000 sf).

For the second consecutive quarter, the West Loop/Galleria recorded the highest leasing activity among all submarkets, with 300,000 sf of new leases. Although this represents a QOQ decline, the submarket's YTD total of 1.2 msf is on par with the same period in 2024.

PRICING

The overall average gross asking rent rose to \$31.78 per square foot (psf) at the end of Q3 2025, reflecting a 0.4% increase from the previous quarter and a 1.3% increase YOY. Class A space continued its upward trend, with average gross asking rents climbing to a new high of \$39.29 psf, up 0.5% from \$39.09 last quarter and 1.8% higher than the same period last year. The Class B average gross asking rent ended Q3 2025 at \$25.69, relatively unchanged from the previous quarter, and just 0.3% lower than this time last year.

OUTLOOK

- Leasing is expected to stay soft as economic uncertainty and weak job growth in key sectors continue to limit office tenant demand.
- As sublease space declines, Class A properties will continue to outperform. Tenants are prioritizing well-located, amenity-rich buildings, a trend likely to sustain leasing momentum in top-tier assets despite broader market headwinds.
- The office construction pipeline remains restrained. Financing challenges and limited developer appetite continue to suppress new development, keeping deliveries scarce. This constrained supply may help stabilize vacancy rates despite muted demand, particularly as older or obsolete buildings exit the market.

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	1,451,671	10,493,367	32.7%	96,336	-324,915	872,463	0	\$42.47	\$45.29
Inner Loop	4,904,884	185,098	1,048,405	25.1%	-52,478	-129,516	286,372	111,333	\$35.28	\$53.12
West Loop/Galleria	29,106,032	414,765	8,390,681	30.3%	-190,246	123,579	1,190,815	0	\$35.04	\$39.83
Greenway	9,457,523	118,426	2,560,010	28.3%	-60,279	-83,233	403,477	143,228	\$33.78	\$36.10
South Main/Medical Center	3,958,108	78,353	774,828	21.6%	-27,868	-4,221	141,352	0	\$24.78	N/A
Southwest	8,705,563	387,397	1,912,338	26.4%	-38,055	14,449	73,350	0	\$18.45	N/A
Sugar Land	4,097,880	32,175	976,245	24.6%	-5,725	-79,064	95,933	0	\$33.18	\$35.80
Westchase	15,010,324	392,987	4,970,363	35.7%	-146,020	-361,897	373,891	0	\$26.11	\$32.83
Katy Freeway East	7,147,084	113,202	1,137,938	17.5%	17,896	43,972	407,881	300,000	\$40.21	\$52.04
Katy Freeway West	17,322,170	503,009	5,232,836	33.1%	44,047	378,199	571,668	0	\$32.03	\$35.78
Katy/Grand Parkway West	1,217,239	59,222	196,828	21.0%	70,765	67,956	53,958	0	\$32.91	\$33.23
North Loop/Northwest	6,408,683	23,491	1,289,342	20.5%	19,783	25,163	288,487	0	\$20.22	\$25.64
West Belt	4,937,021	382,510	1,642,586	41.0%	-86,578	123,727	256,318	0	\$28.65	\$35.46
North Belt/Greenspoint	10,316,059	73,477	4,746,010	46.7%	8,362	-121,577	126,782	0	\$19.43	\$26.71
Far Northwest	6,543,244	458,267	2,249,720	41.4%	-41,856	-52,034	170,262	0	\$22.57	\$31.50
The Woodlands/Spring	10,823,714	230,071	1,770,680	18.5%	-167,044	-125,638	641,864	0	\$40.73	\$44.53
Kingwood/Humble	625,283	6,531	70,492	12.3%	-2,826	-25	24,073	0	\$20.38	N/A
East/Southeast	2,709,758	0	412,609	15.2%	-48,304	-94,442	64,811	0	\$22.57	N/A
NASA/Clear Lake	3,848,157	95,717	716,060	21.1%	-43,602	-30,838	117,111	0	\$25.31	\$29.37
SUBURBAN TOTALS	147,138,726	3,554,698	40,097,971	29.7%	-750,028	-305,440	5,288,405	554,561	\$28.88	\$36.46
HOUSTON TOTALS	183,659,815	5,006,369	50,591,338	30.3%	-653,692	-630,355	6,160,868	554,561	\$31.78	\$39.29

KEY NEW LEASE TRANSACTIONS Q3 2025

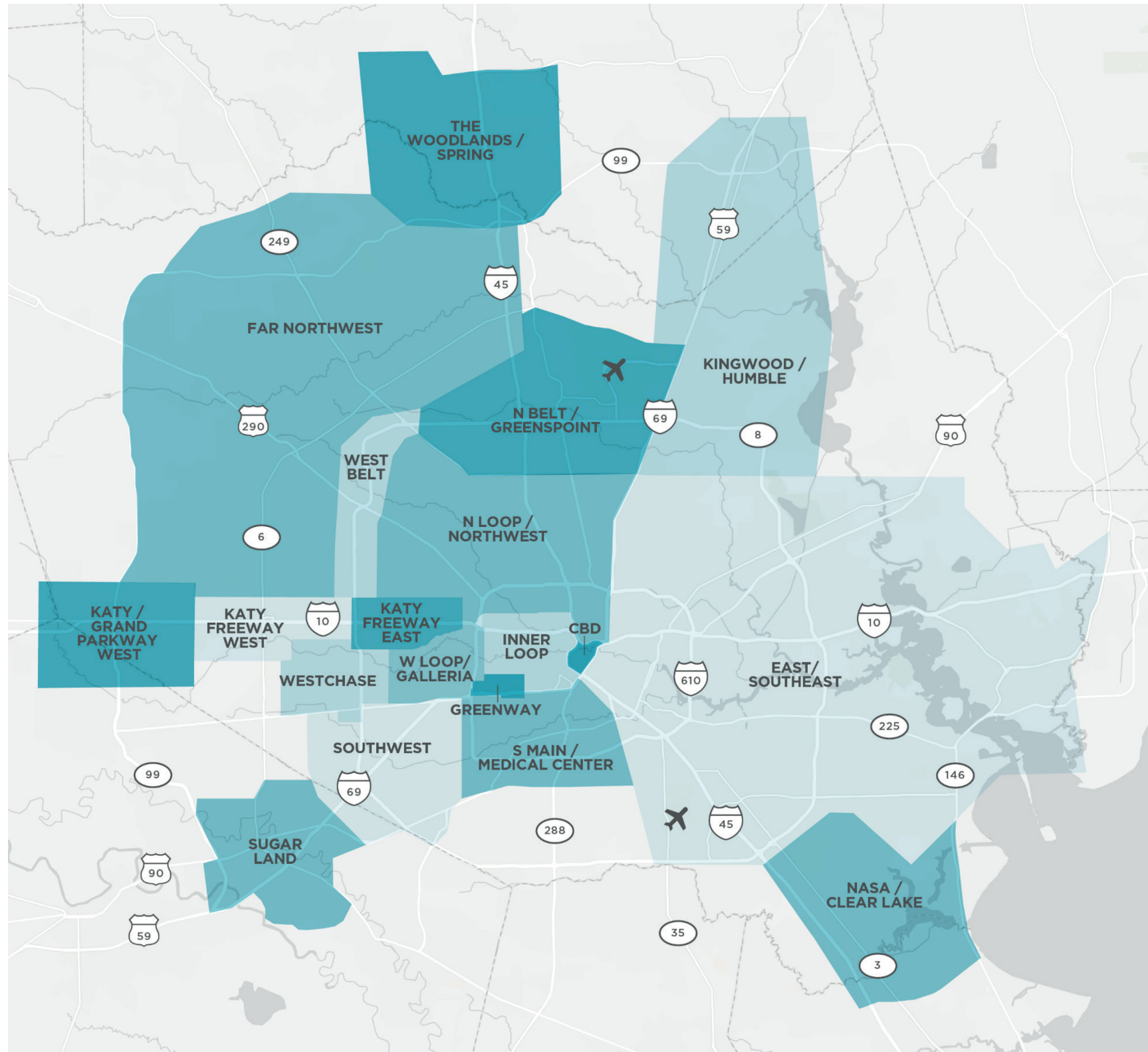
**YTD Net Absorption is not reflective of U.S. Office MarketBeat Tables *Rental rates reflect gross asking \$psf/year

BUILDING	ADDRESS	SUBMARKET	TENANT	SF
9753 Katy Freeway	9753 Katy Freeway	Katy Freeway East	CBRE	69,486
Westway III	4425 Westway Park	West Belt	Seadrill Americas	62,483
10000 Energy Drive – South	10000 Energy Drive	The Woodlands	Tetra Technologies	61,975
Four WestLake Park	200 Westlake Park	Katy Freeway West	DBR Engineering Consultants	47,150

KEY SALES TRANSACTIONS Q3 2025

BUILDING	ADDRESS	SUBMARKET	SELLER BUYER	SF
Clear Lake Central	600 Gemini Street	NASA/Clear Lake	JMK5 Holdings Jet Lending	363,050
Kirkwood Tower	11757 Katy Freeway	Katy Freeway West	Gemini Rosemont Apollo Global Management	280,435
Energy Crossing I	15021 Katy Freeway	Katy Freeway West	Invesco Capital Commercial Investments	238,815
3555 Timmons	3555 Timmons Lane	Greenway	Novel Office DML Capital	225,895

OFFICE SUBMARKETS



ANDREA JOHNSON
Research Analyst
 Tel: +1 713 260 0222
Andrea.E.Johnson@cushwake.com

TAYLOR THIESSEN
Senior Research Analyst
 Tel: +1 281 688 9499
Taylor.Thiessen@cushwake.com

CORY KRAUSE
Research Analyst
 Tel: +1 713 260 0260
Cory.Krause@cushwake.com

SHERRA GILBERT
Senior Research Manager
 Tel: +1 713 260 0282
Sherra.Gilbert@cushwake.com

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