MARKETBEAT

HOUSTON

OFFICE Q4 2025

MARKET FUNDAMENTALS

	YOY Chg	Outlook
24.8% Vacancy Rate	▲	▼
-1.2M Net Absorption, SF	▼	▲
$31.81 Asking Rent, PSF	▲	—

(Overall, All Property Classes)
Rental rates reflect gross asking $psf/year

ECONOMIC INDICATORS

	YOY Chg	Outlook
3.5M Houston Employment*	▲	▲
4.3% Houston Unemployment Rate*	▼	▲
4.6% U.S. Unemployment Rate	▲	▲

Source: BLS
**Q3 2025*

ECONOMY

Employment data for Q4 2025 was disrupted by the government shutdown. As of Q3 2025, total employment stood at 3.5 million in Houston's metro area (MSA), representing a 1.2% year-over-year (YOY) increase. Houston's YOY job growth was markedly higher than the 0.6% YOY rise experienced nationwide and among the 10 U.S. markets with the largest labor forces. Houston's annual growth ranked third, behind Manhattan (1.6%) 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 30 bps lower than the national rate of 4.6%.

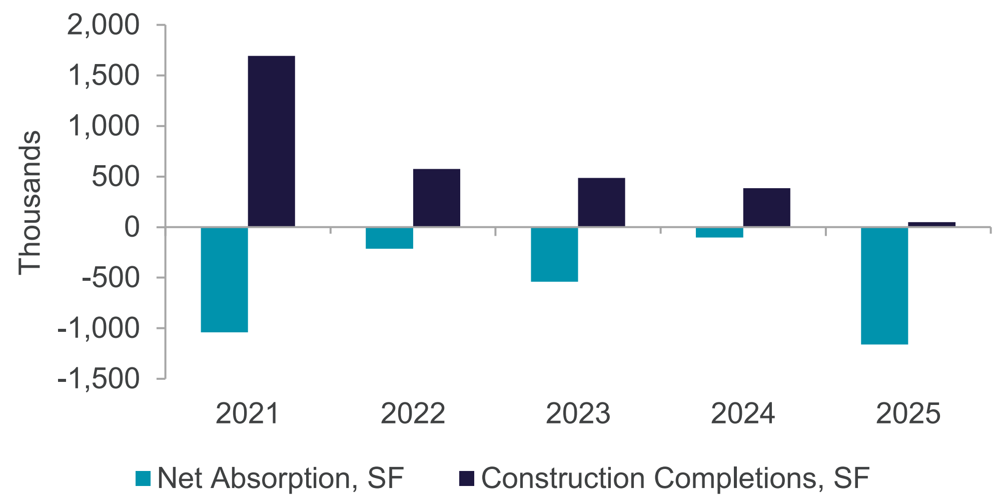
SUPPLY

Construction activity was subdued in the fourth quarter, with no new office completions. Bridgeland Green, a 50,000-square-foot (-sf) building in the Far Northwest submarket, was the only delivery in 2025.

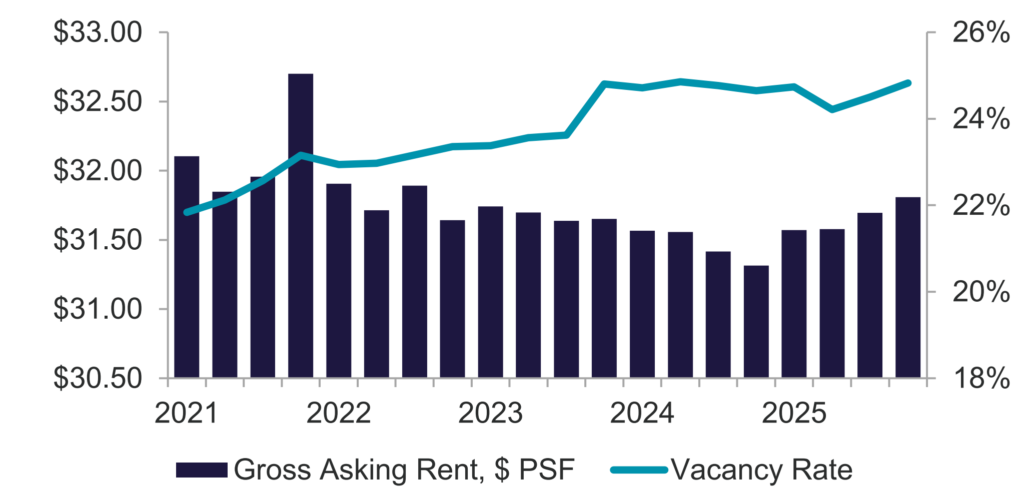
Houston's office pipeline remains constrained, with just three projects currently underway: CityCentre Six (300,000 sf) is 71.4% preleased in the Katy Freeway East submarket; The RO (143,000 sf) is 100% preleased in the Greenway submarket; and Autry Park (110,000 sf) is also 100% preleased in the Inner Loop submarket. All three developments are scheduled for completion in 2026.

At the close of Q4 2025, the vacancy rate reached 24.8%, up 30 bps from the previous quarter, highlighting ongoing market softness. Vacancy has remained elevated over the past two years, consistently hovering near 25% during this period. Overall availability, which includes vacant space and upcoming space marketed as available, ended Q4 2025 at 30.3%, an increase of 50 bps from Q3 2025. Direct space availability rose by 40 bps quarter-over-quarter (QOQ), and sublease space increased slightly 20 bps QOQ.

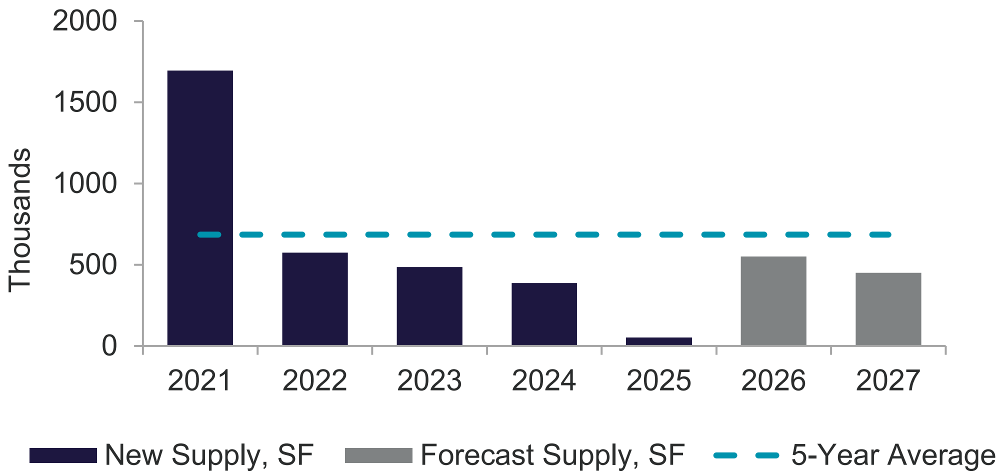
SPACE DEMAND / DELIVERIES



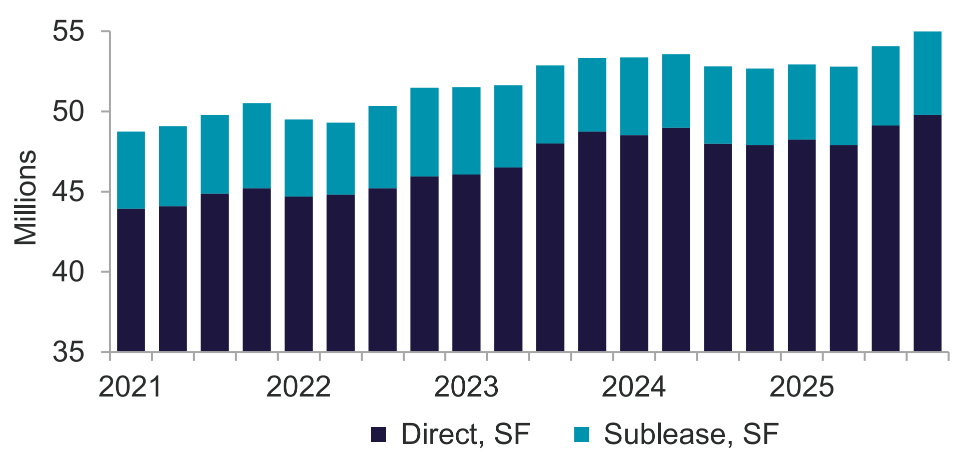
OVERALL VACANCY & ASKING RENT



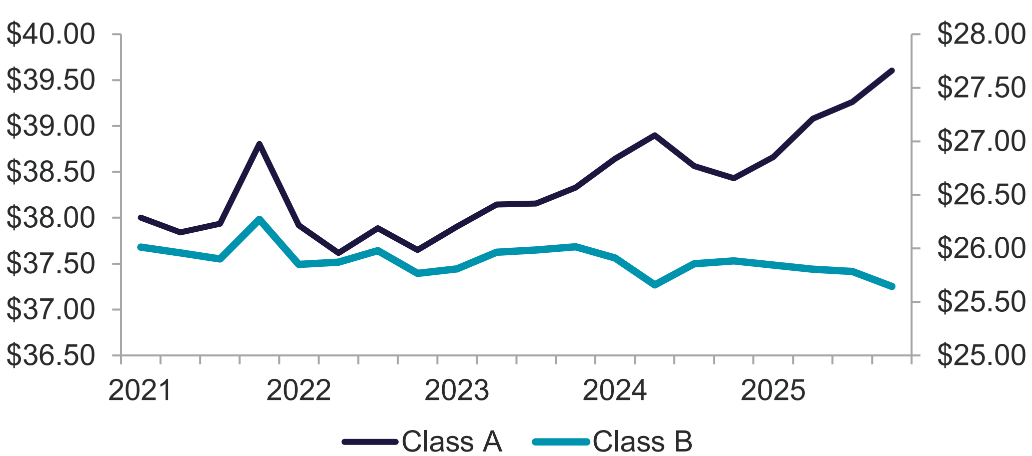
NEW SUPPLY / 5-YEAR HISTORICAL AVERAGE



DIRECT AND SUBLEASE SPACE AVAILABLE



ASKING RENT COMPARISON (Gross $psf/year)



DEMAND

Net absorption totaled negative 590,000 sf for the quarter, marking the second consecutive period of contraction. The decline was primarily driven by space previously listed as available in the future now becoming available. This brings the year-end net absorption to negative 1.2 million square feet (msf).

Despite the overall contraction, the West Loop/Galleria submarket posted 156,000 sf of positive absorption, rebounding from a loss in the previous quarter, followed by the Central Business District (CBD) with 101,000 sf. For the year, two submarkets led the market, with the West Loop/Galleria outperforming all others at 291,000 sf of positive absorption, while Katy Freeway West, despite a quarterly decline, ended the year with 257,000 sf of positive absorption.

New leasing activity slowed in Q4 2025, totaling 1.7 msf, down from 1.9 msf in the previous quarter. Overall leasing volume in 2025 totaled 8.0 msf, a 19.6% YOY decline and the lowest annual level in five years. In 2025, large leases were notably lower, falling well below historic averages. Class A buildings accounted for 62.2% (1.0 msf) of the total new leasing activity during the quarter, Class B buildings accounted for 28.3% (469,000 sf), and Class C buildings accounted for 9.4% (156,000 sf).

The CBD recorded the highest quarterly leasing total with 383,000 sf of new leases, exceeding the previous year's quarterly average and bringing the year-end total to 1.3 msf. Although the CBD led leasing activity in the fourth quarter, the West Loop/Galleria outpaced all other submarkets for the year, reaching 1.5 msf.

PRICING

The overall average gross asking rent rose to $31.81 per square foot (psf) at the end of Q4 2025, reflecting a 0.4% increase from the previous quarter and 1.6% higher YOY. Class A rents reached a new peak, with gross asking rents climbing to $39.60 psf, up 0.9% from $39.26 last quarter and 3.1% higher than the same period last year. Class B average gross asking rent ended Q4 2025 at $25.64 psf, a 0.5% decline from the previous quarter, and a 0.9% decrease from a year ago.

OUTLOOK

- Vacancy is anticipated to stabilize as the market absorbs excess space, with gradual improvement expected as demand strengthens.
- Overall rental rates are expected to remain flat as steady demand offsets elevated availability, limiting rent growth in the near term.
- With fewer trophy options available and limited new space coming to market, tenants seeking modern, amenitized offices will have limited options. This limited supply is likely to shift more demand into well-located Class A buildings, widening the performance gap between top-performing assets and legacy assets.

MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	SUBLET AVAILABLE (SF)	DIRECT AVAILABLE (SF)	OVERALL AVAILABILITY RATE	CURRENT QTR NET ABSORPTION (SF)	2025 OVERALL ABSORPTION (SF)	2025 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**	**1,510,990**	**10,376,034**	**32.5%**	**100,622**	**-211,631**	**1,253,206**	**0**	**$42.31**	**$45.04**
Inner Loop	4,904,884	210,363	972,227	**24.1%**	-699	-121,716	342,377	110,000	$35.26	$54.81
West Loop/Galleria	27,263,361	426,631	7,646,583	**29.6%**	156,076	290,722	1,457,491	0	$34.21	$39.85
Greenway	9,457,523	115,063	2,720,970	**30.0%**	-66,000	-121,529	458,629	143,228	$33.61	$35.79
South Main/Medical Center	3,958,108	79,438	746,481	**20.9%**	-6,332	-6,521	167,797	0	$24.71	N/A
Southwest	8,705,563	390,371	1,959,569	**27.0%**	-100,654	-48,672	131,280	0	$18.65	N/A
Sugar Land	4,097,880	27,197	974,666	**24.4%**	15,002	-64,062	161,775	0	$33.43	$36.67
Westchase	15,010,324	409,156	5,050,423	**36.4%**	-36,892	-393,905	591,915	0	$26.23	$33.07
Katy Freeway East	6,727,084	137,784	790,108	**13.8%**	-481,373	-435,338	616,549	300,000	$54.78	$64.82
Katy Freeway West	17,322,735	586,844	5,211,336	**33.5%**	-45,260	256,938	714,317	0	$31.88	$35.41
Katy/Grand Parkway West	1,217,239	59,222	199,069	**21.2%**	18,926	86,882	55,502	0	$32.80	$33.02
North Loop/Northwest	6,408,683	32,012	1,270,129	**20.3%**	8,925	45,550	367,914	0	$20.19	$26.23
West Belt	4,937,021	382,014	1,563,621	**39.4%**	-25,793	97,934	270,040	0	$29.03	$35.87
North Belt/Greenspoint	10,316,059	47,340	4,773,375	**46.7%**	-60,585	-189,117	167,119	0	$19.51	$26.71
Far Northwest	6,543,244	454,080	2,285,434	**41.9%**	-5,463	-59,954	237,451	0	$22.79	$31.27
The Woodlands/Spring	11,097,833	230,183	2,099,388	**21.0%**	-41,961	-146,815	734,141	0	$40.79	$44.62
Kingwood/Humble	625,283	8,894	67,779	**12.3%**	550	525	29,135	0	$20.04	N/A
East/Southeast	2,709,758	13,585	411,312	**15.7%**	-10,385	-104,827	74,455	0	$22.75	N/A
NASA/Clear Lake	3,848,157	92,398	650,114	**19.3%**	-9,203	-34,159	138,148	0	$25.21	$29.36
SUBURBAN TOTALS	**145,150,739**	**3,702,575**	**39,392,584**	**29.7%**	**-691,121**	**-948,064**	**6,716,035**	**553,228**	**$28.91**	**$36.94**
HOUSTON TOTALS	**181,671,828**	**5,213,565**	**49,768,618**	**30.3%**	**-590,499**	**-1,159,695**	**7,969,241**	**553,228**	**$31.81**	**$39.60**

Rental rates reflect gross asking $psf/year

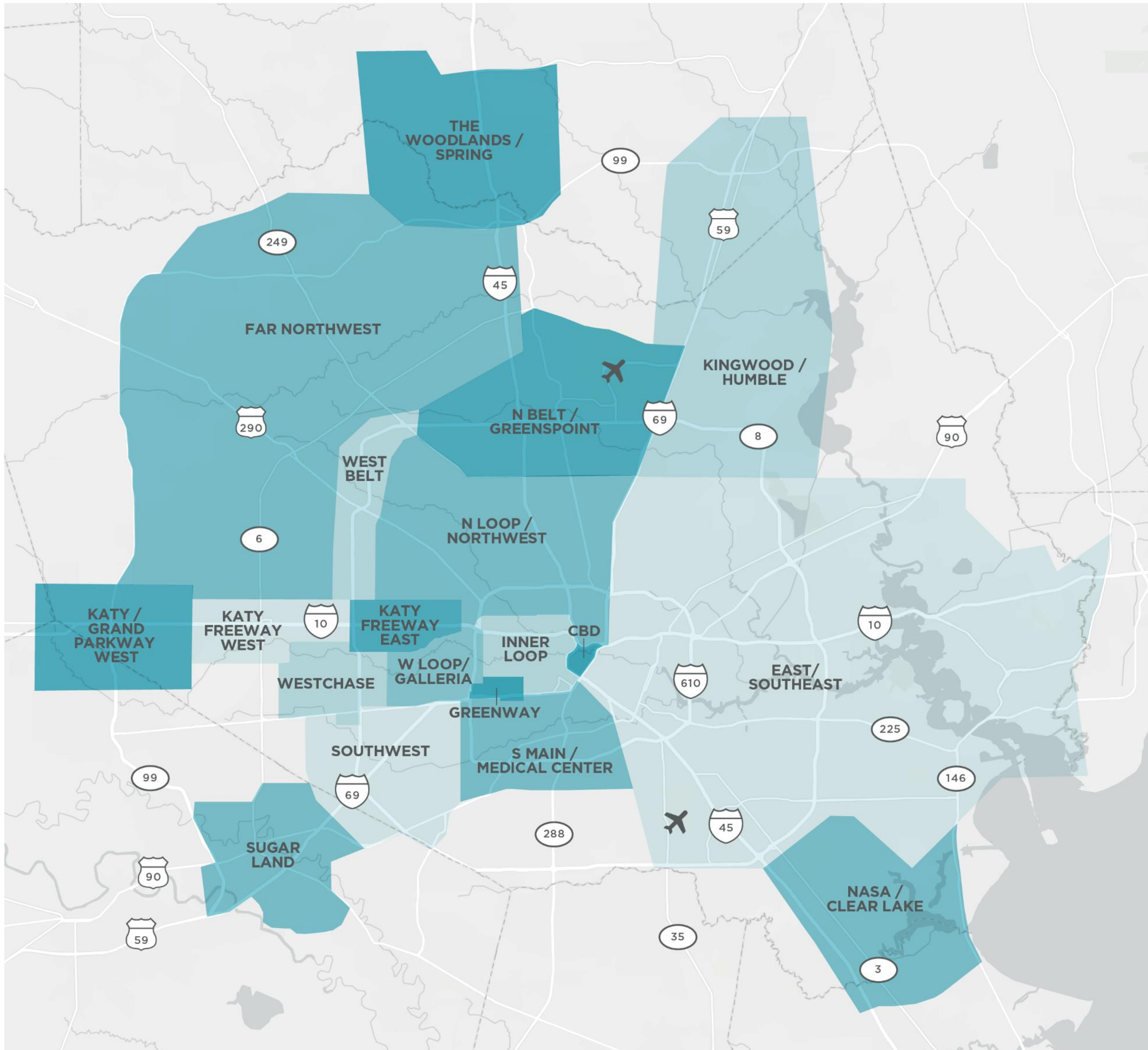
KEY NEW LEASE TRANSACTIONS Q4 2025

BUILDING	ADDRESS	SUBMARKET	TENANT	SF
1000 Main	1000 Main	Central Business District	Simpson Thacher & Bartlett	99,397
990 Town & Country	990 Town & Country Boulevard	Katy Freeway East	Caturus Energy	90,000
990 Town & Country	990 Town & Country Boulevard	Katy Freeway East	Magnolia Oil & Gas	60,000
811 Main	811 Main Street	Central Business District	Fervo Energy	53,714

KEY SALES TRANSACTIONS Q4 2025

BUILDING	ADDRESS	SUBMARKET	SELLER | BUYER	SF
1600 Smith	1600 Smith Street	Central Business District	Brookfield Properties | HPOPS	1,098,000
5 Houston Center	1401 McKinney Street	Central Business District	Spear Street Capital | Tourmaline Capital Partners	580,875
2925 Briarpark	2925 Briarpark Drive	Westchase	Granite Properties | IES Residential	228,891
9801 Westheimer	9801 Westheimer Road	Westchase	Fuller Realty | Saleh Investments	211,125

OFFICE SUBMARKETS



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