



Houston office market report

Q3 2022

**AVISON
YOUNG**

Office market trends

01

Tenants opting for quality space

Recent leasing activity has been focused in new and class A+ space. Activity surged in class A buildings in the Central Business District (CBD), where companies signed the two largest renewal deals totaling 546,000 square feet during the third quarter.

Our take on this trend...

Flight-to-quality continues as the majority of all larger new deals plus renewals were reported in class A buildings which have undergone or are currently spending millions of dollars in updates and renovations.

02

Workplace amenities required

Renovations continue in class A buildings, especially in the Central Business District, as these properties try to successfully compete against the recently delivered properties that are highly amenitized and energy efficient.

Our take on this trend...

Professional firms representing law, finance and energy industries have signed the most new leases this year as they search for quality space and amenities to encourage their top talent to come back into the office.

03

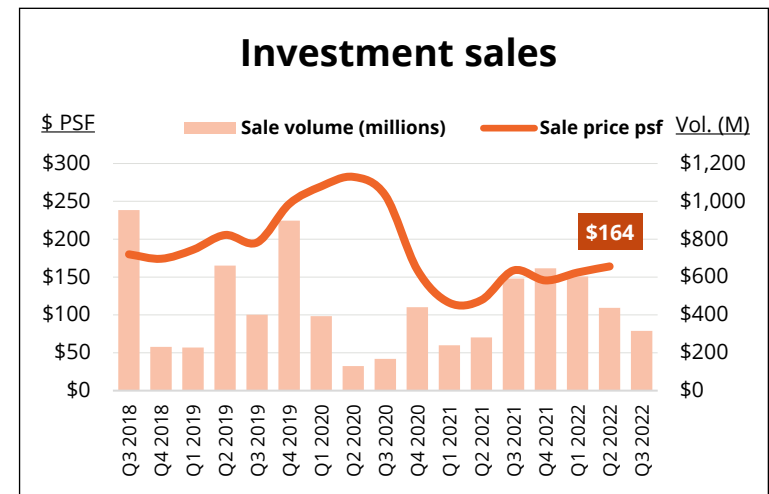
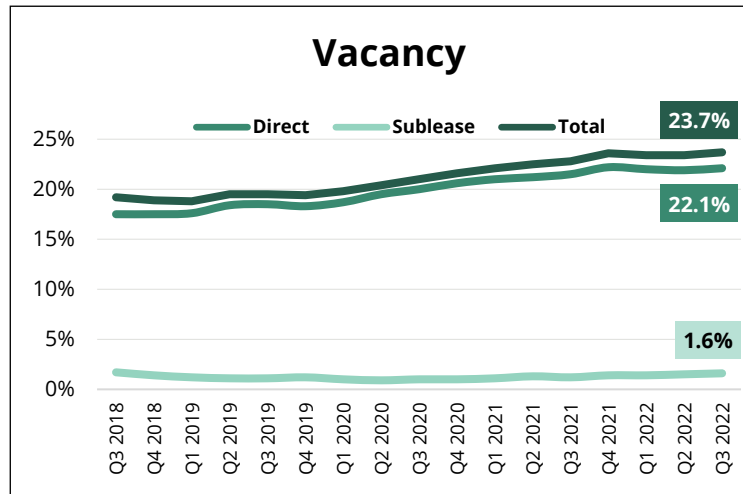
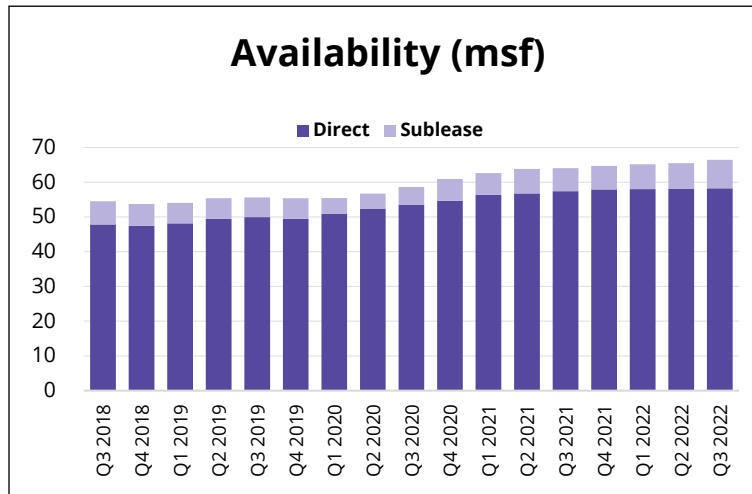
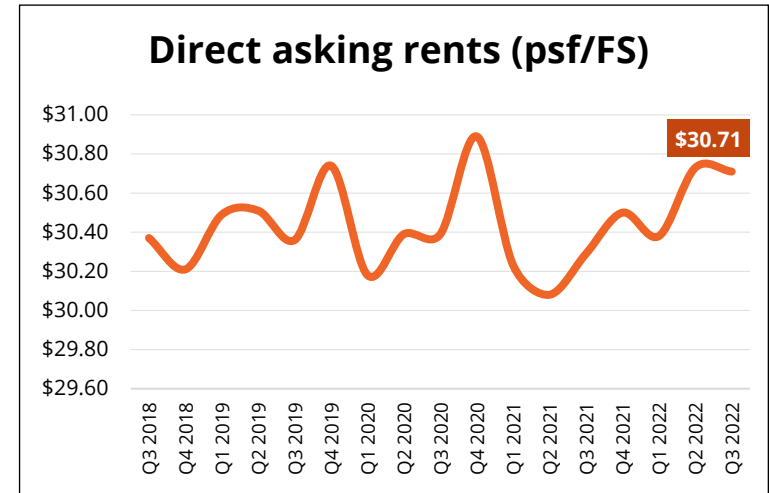
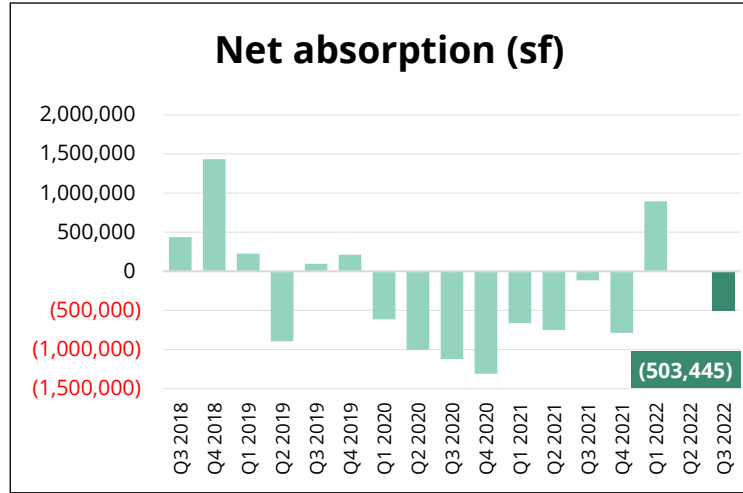
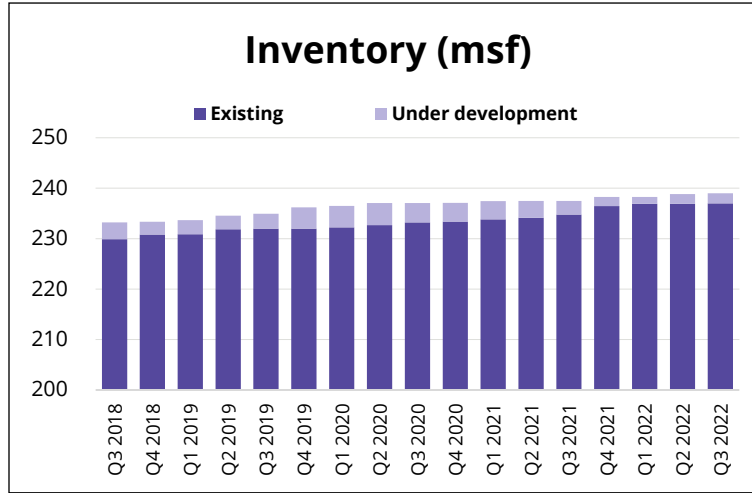
Availability could remain high

Overall leasing activity has declined since 2018, posting only 3 msf during third quarter. This represents an 11.8% drop from the second quarter and 17.4% less year-over-year.

Our take on this trend...

As companies allow more work-from-home staffers, footprints could shrink. Several recent deals show major square footage reductions compared to current leased space, which will continue to create more availability.

Office market indicators



Office market activity

Recent leasing activity

Tenant name	Address & building name	Sign date	Size (sf)	Transaction type	Lease type	Submarket
EOG Resources	1111 Bagby Street, Heritage Plaza	9/20/22	374,000	Expansion/Renewal	Direct	Central Business District
Baker Botts	910 Louisiana Street, One Shell Plaza	8/10/22	172,301	Renewal	Direct	Central Business District
Baker Hughes	575 N. Dairy Ashford, Energy Center II	8/25/22	129,231	New	Direct	Energy Corridor/Katy Freeway West
Perry Homes	3200 Southwest Freeway, Phoenix Tower at Greenway Plaza	8/23/22	77,214	New	Direct	Greenway Plaza
Greystar	730 Town & Country Boulevard, Town Center Two	8/25/22	67,995	New	Direct	Katy Freeway East
BW Energy	9753 Katy Freeway	8/16/22	67,815	New	Direct	Katy Freeway East
Surge Energy	11330 Clay Road, Westway Plaza	7/1/22	64,018	New	Direct	West Belt/249
Macquarie Americas Corp.	500 Dallas Street, One Allen Center	7/7/22	56,164	Renewal	Direct	Central Business District
McKesson Specialty Health	9950 Woodloch Forest Drive, The Woodlands Towers at the Waterway	8/1/22	52,634	New	Direct	Woodlands
CVR Energy	2277 Plaza Drive, Sugar Land Town Square Plaza Building	7/19/22	51,175	Renewal	Direct	East Fort Bend/Sugar Land
Reed Smith	1221 McKinney Street, LyondellBasell Tower	7/18/22	46,626	New	Direct	Central Business District

Large contiguous space availabilities

Owner	Address & building name	Date available	Block size (sf)	Floors	Asking rent (psf)	Landlord Broker
M-M Properties	5555 San Felipe	Now	572,810	21-41	\$24.50 NNN	CBRE
JMB Financial Advisors	1001 Fannin Street	Now	338,026	25-36	\$28.00 NNN	Cushman & Wakefield
Hines/Ivanhoe Cambridge	845 Texas Avenue, Texas Tower	Now	332,201	17-28	\$45.00 NNN	Cushman & Wakefield
Brookfield	1600 Smith	Now	304,302	5-17	\$18.50 NNN	CBRE
LNR Partners	3010 Briarpark Drive, Pinnacle Westchase	Now	303,196	1-6	\$19.00 NNN	Cushman & Wakefield

Office market stats by submarket

By Submarket	Inventory (sf)	Total Vacancy (%)	Available Sublease (sf)	Total Availability (%)	Q3 Total Net Absorption (sf)	YTD Total Net Absorption (sf)	YTD Leasing Activity (sf)	YTD Deliveries (sf)	Under Construction (sf)	Average Quoted Rents (\$/sf)
Bellaire	3,229,059	18.2%	25,902	20.6%	(25,514)	94,712	56,210	0	0	\$24.23
Central Business District	45,577,853	27.7%	1,579,367	32.3%	171,477	(80,134)	1,605,909	0	386,323	\$41.88
E Fort Bend/Sugar Land	5,954,477	22.0%	811,569	37.5%	(19,149)	(73,365)	184,403	0	0	\$30.01
Energy Corridor/KFW	25,971,317	23.8%	1,533,961	31.3%	(3,310)	289,529	1,269,512	0	0	\$26.51
FM 1960	3,378,787	20.9%	0	26.1%	33,331	29,842	168,095	0	0	\$16.90
Galleria/West Loop	24,391,419	29.2%	894,090	31.8%	(708,412)	(422,882)	1,022,743	0	0	\$34.75
Greenspoint	11,320,386	49.6%	96,620	51.3%	(85,957)	(107,422)	417,239	0	0	\$17.62
Greenway Plaza	11,312,893	23.2%	385,254	25.0%	(5,204)	(62,518)	659,590	0	0	\$34.20
Gulf Fwy/Pasadena	3,553,295	16.1%	16,594	17.5%	(82,411)	(65,514)	137,107	25,077	235,000	\$22.63
Katy Freeway East	8,968,347	9.9%	112,478	14.0%	(63,491)	220,104	598,792	0	355,694	\$31.05
Katy/Grand Pky W	2,540,180	12.4%	170,868	17.2%	22,483	26,114	83,649	0	25,000	\$30.31
Kingwood/NE	2,946,002	9.4%	5,000	10.1%	(67,275)	(24,853)	129,536	0	0	\$20.16
Med Center/S Main/SE	4,680,562	7.7%	0	6.6%	(23,656)	(35,463)	80,611	0	250,000	\$23.70
Midtown	6,756,202	14.4%	55,587	17.6%	7,554	(35,098)	234,638	40,000	0	\$36.02
NASA/Clear Lake	4,748,767	17.4%	33,877	20.4%	(14,073)	(19,376)	162,906	0	506,000	\$25.27
Northwest	8,584,317	19.2%	84,472	20.7%	143,301	151,894	329,580	57,571	98,674	\$19.65
Richmond/FV	1,197,394	11.4%	0	14.5%	(2,978)	16,095	43,293	0	0	\$17.54
San Felipe/Voss	5,466,777	26.7%	39,809	29.4%	12,750	(1,243)	266,704	0	0	\$29.52
Southwest	9,575,255	16.3%	96,270	18.1%	119,974	52,566	136,622	0	80,000	\$19.10
West Belt/249	13,131,348	19.6%	677,475	28.5%	11,039	45,724	381,630	0	30,620	\$25.42
Westchase	17,824,967	27.9%	694,377	26.6%	22,506	(158,487)	807,540	0	20,000	\$27.63
Woodlands	15,897,772	17.8%	874,990	22.6%	53,570	539,415	642,560	440,000	0	\$32.88
Market Total	237,007,376	23.7%	8,188,560	27.5%	(503,445)	379,640	9,418,869	562,648	1987,311	\$30.71

Office market stats by class

By Class	Inventory (sf)	Total Vacancy (%)	Available Sublease (sf)	Total Availability (%)	Q3 Total Net Absorption (sf)	YTD Total Net Absorption (sf)	YTD Leasing Activity (sf)	YTD Deliveries (sf)	Under Construction (sf)	Average Quoted Rents (\$/sf)
Class A	140,084,187	25.5%	6,951,980	31.2%	159,514	1,331,102	6,289,759	440,000	1,647,017	\$35.20
Class B	86,232,663	22.4%	1,231,103	23.5%	(590,080)	(956,221)	2,939,813	122,648	340,294	\$22.74
Class C	10,690,526	9.6%	5,477	10.7%	(72,879)	4,759	189,297	0	0	\$18.02
Market Total	237,007,376	23.7%	8,188,560	27.5%	(503,445)	379,640	9,418,869	562,648	1,987,311	\$30.71

For more market insights
and information visit
avisonyoung.com

Wade Bowlin

Principal, Managing Director
+ 1 713 209 5753
wade.bowlin@avisonyoung.com

Rand Stephens, SIOR

Principal
+ 1 713 993 7810
rand.stephens@avisonyoung.com

Anthony Squillante

Principal
+ 1 713 993 7831
anthony.squillante@avisonyoung.com

Ariel Guerrero

Regional Manager, Insight
+ 1 713 209 5704
ariel.guerrero@avisonyoung.com

Grant Hayes

Regional Manager, Insight
+ 1 512 717 3072
grant.hayes@avisonyoung.com

Patsy Fretwell

Senior Insight Analyst
+ 1 713 993 7151
patsy.fretwell@avisonyoung.com