

REVIEW

HOUSTON OFFICE MARKET

USA H1 2025

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Real Estate for a changing world



H1 2025

OFFICE MARKET HOUSTON

KEY FIGURES

206m sqft

INVENTORY

20.9%

VACANCY RATE

\$46.8

PRIME AVERAGE ASKING RENT

\$5.4bn

TOTAL INVESTMENT

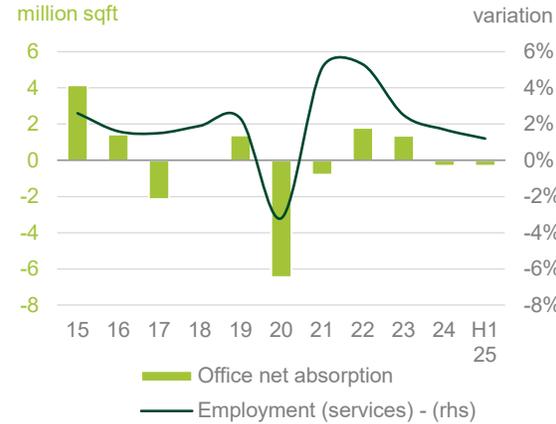
\$1.6bn

OFFICE INVESTMENT

11.50% (Q4 2024)

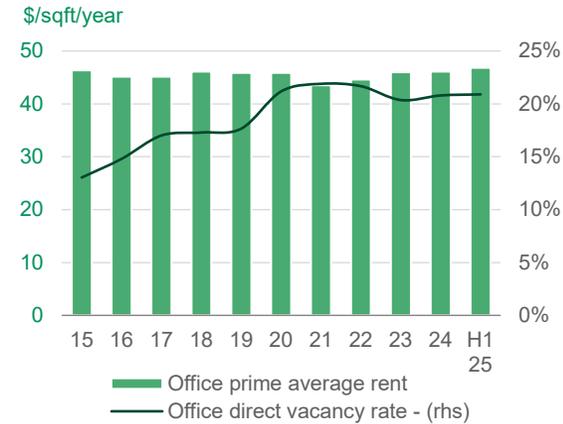
OFFICE PRIME CAP RATE

Net Absorption / Employment



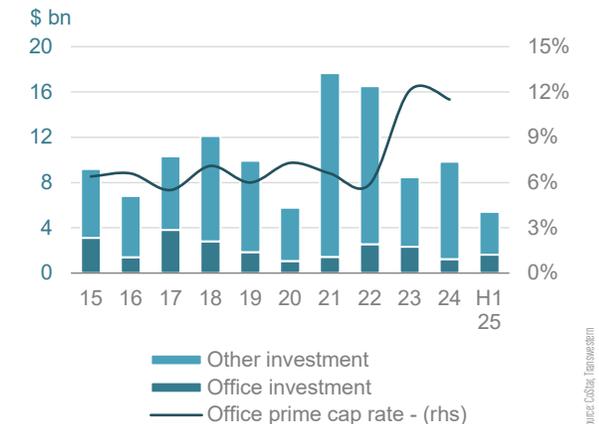
Source: Bureau of Labor Statistics, Colliers, Transwestern

Prime rent / Vacancy Rate



Source: Colliers, Transwestern

Investment / Capital Rate



Source: Colliers, Transwestern

Occupiers Heat Up Summer Space Gains

Office leasing trends strengthened again this quarter. Direct vacancy dipped 30 basis points to 20.9% and net absorption reached 234.8K SF as tenants signed for new space most notably in the CBD, The Woodlands, and West Loop submarkets. Each of these three primary submarkets saw vacancies shrink by 70 basis points over the last 90 days, particularly led by The Woodlands and West Loop with net gains of more than 100K SF.

Prominent leases include Westlake Corporation's 126.2K SF lease at 5444 Westheimer and Dean & Draper's 25.8K SF lease at 1177 West Loop South in the West Loop submarket, and North Houston Pole Line signing for 32.8K SF at 10000 Energy Dr and Bilfinger signing for 14.1K SF at 1800 Hughes Landing in The Woodlands. In the CBD, Frost Brown Todd signed a 22.8K SF lease and Reynolds Frizzell signed a 23.0K SF lease at 1100 Louisiana.

Vacancy Shrinks Led by The Woodlands and Katy Fwy/Energy Corridor

While direct vacancy shrank during the period, total availability also ticked down by 20 basis points quarter-over-quarter to 26.8% and 80 basis points year-over-year led by occupancy gains mainly in new construction while tenants shuffled in between existing buildings within established submarkets such as The Woodlands and Katy Freeway/Energy Corridor.

Houston's overall office sector posted positive net growth reaching 243.8K SF during Q2 led by occupiers taking down space in the CBD, West Loop, and The Woodlands submarkets, mostly in the Class A category which measured 382.5K SF.

Houston's office construction pipeline expanded recently to now total nearly 915K SF which is 81.6% pre-leased..

Private Investors Hit Net Portfolio Gains First Half of 2025

Office buyers completed 13 property transactions during Q2 2025, with an average sales price of \$128 PSF, according to Real Capital Analytics.

International, institutional, private investors, and REITs have all been active participants since the beginning of the year. Among these groups, private investors are the only ones with net positive acquisitions year-to-date, currently holding a positive balance of \$835 million. Notably, private investors were also the only group to end 2024 with acquisitions exceeding dispositions.

On the other side of the deal sheet, institutional investors lead in net dispositions for the year, with total net sales reaching \$681.3 million year-to-date. International investors and REITs follow with net dispositions of \$84.1 million and \$79.2 million, respectively.



H1 2025

OFFICE MARKET USA

Occupier Market	Inventory (million sqft)	Net Absorption (million sqft)	Vacancy Rate (%)		Office Prime Average Rent (\$/sqft/year)		
	H1 2025	H1 2025	2024	H1 2025	2024	H1 2025	Trend
Atlanta	178	-0.1	21.6%	21.7%	32.8	33.2	1%
Chicago	158	-0.8	21.7%	22.2%	73.1	76.8	5%
Dallas/Fort Worth	326	0.8	19.5%	18.3%	72.1	77.3	7%
Denver	163	-0.7	16.5%	20.1%	32.1	32.1	0%
Detroit	202	-1.6	10.9%	11.7%	21.3	21.2	0%
Houston	206	-0.3	20.8%	20.9%	46.1	46.8	1%
Los Angeles	402	-0.8	16.6%	17.5%	45.4	47.9	6%
Miami	52	0.1	12.9%	11.4%	86.7	91.2	5%
Minneapolis	190	-155.0	11.9%	12.3%	30.0	28.9	-4%
New York/Manhattan	457	7.5	14.4%	14.2%	79.9	77.2	-3%
Phoenix	169	0.4	20.8%	18.6%	30.1	29.6	-2%
San Diego	109	-0.2	12.5%	13.2%	36.5	36.7	1%
San Francisco	92	-0.5	30.4%	30.4%	70.0	74.5	6%
Seattle	181	-1.4	16.5%	17.3%	36.5	36.2	-1%
Washington DC	149	-0.9	14.9%	15.7%	83.3	83.3	0%
Total 15 markets	3,031	-153.5	17.5%	17.7%	51.7	52.9	1.5%

Investment Market	Total investment volume (\$ million)		Office investment volume (\$ million)		Cap rate (%)		
	2024	H1 2025	2024	H1 2025	2024	H1 2025	bps
Atlanta	13,830	5,080	1,660	1,030	8.70%	10.60%	190
Chicago	770	230	590	140	NA	NA	NA
Dallas/Fort Worth	2,510	5,330	410	1,390	6.40%	6.90%	50
Denver	3,070	1,820	730	530	6.00%	7.60%	160
Detroit	1,700	580	260	123	8.90%	7.40%	-150
Houston	9,840	5,420	1,220	1,630	11.50%	NA	NA
Los Angeles	9,460	4,180	2,150	1,530	NA	7.80%	NA
Miami	5,120	3,270	1,760	430	8.10%	6.40%	-170
Minneapolis	6,770	1,440	680	270	7.20%	7.80%	60
New York/Manhattan	10,240	4,770	7,620	3,470	5.70%	5.10%	-60
Phoenix	7,110	3,710	1,140	500	7.50%	7.10%	-40
San Diego	4,380	2,040	930	600	7.50%	7.00%	-50
San Francisco	1,850	840	630	520	6.60%	5.00%	-160
Seattle	3,000	1,060	1,210	600	6.40%	6.80%	40
Washington DC	1,090	670	790	610	8.60%	8.00%	-60
Total 15 markets	80,740	40,440	21,780	13,373	7.62%	7.19%	-16

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