

# Houston

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## Houston leasing activity uptick as West Houston outperforms

The Houston office market saw an uptick in leasing activity in Q1 2024, compared to the prior quarter, reporting 2.3 million square feet (msf). This represents a 16% increase quarter-over-quarter, however, a 5.7% decrease, year-over-year. West Houston continues to outperform as companies look to relocate to be closer to their workforce. Four of the largest transactions in Q1 2024 occurred in West Houston including Noble Corporation leasing 110,000 square feet (sf) at CityWest Place, Fluor leasing 104,000 sf at Two Eldridge, BMC Software leasing 77,200 sf, as well as Enstor leasing 43,000 sf, both at CityWest Place. Additionally, West Houston accounted for approximately 50% of the leasing activity in the overall Houston office market in Q1 2024.

### Availability sees year-over-year decrease as sublease space lessens

Availability increased 20 basis points (bps) over the quarter to 28.9%. However, this was a decrease of 70 bps over the prior year. Class A availability saw a year-over-year decrease of 120 bps as the demand for higher quality building remains. Available sublease space of 5.5 msf is a decrease from 7.5 msf reported a year ago. The overall average asking rental rate of \$31.46 per square foot (psf) is a 4.0% increase year-over-year with the Class A average asking rental rate increasing 3.9% to \$36.44 psf. While asking rents have increased, net effective rents are expected to be lower given the lengthy free rent and significant tenant improvement allowances being offered by landlords.

### Houston employment fundamentals remain solid

The Houston market continues to see positive economic fundamentals boasting a low unemployment rate and continued positive office-using employment growth. In addition, Houston continues to outperform the national average regarding return to office. According to Kastle Data Systems, Houston's average weekly office occupancy is 57.4%, which is one of the highest among major U.S. markets. Given Houston's continued population growth and skilled workforce, Houston will continue to be an option for companies to relocate or open new offices to take advantage of the region's business opportunities.

### Key Statistics

	Q1 2023	Q1 2024	Y-0-Y
Inventory	192.4 msf	196.1 msf	3.7 msf
Availability Rate	29.6%	28.9%	-70 bps
Asking Rental Rate	\$30.26	\$31.46	+4.0%
Class A Asking Rental Rate	\$35.07	\$36.44	+3.9%
Quarterly Leasing Activity	2.4 msf	2.2 msf	-0.2 msf
Available Sublease Space	7.5 msf	5.5 msf	-2.0 msf

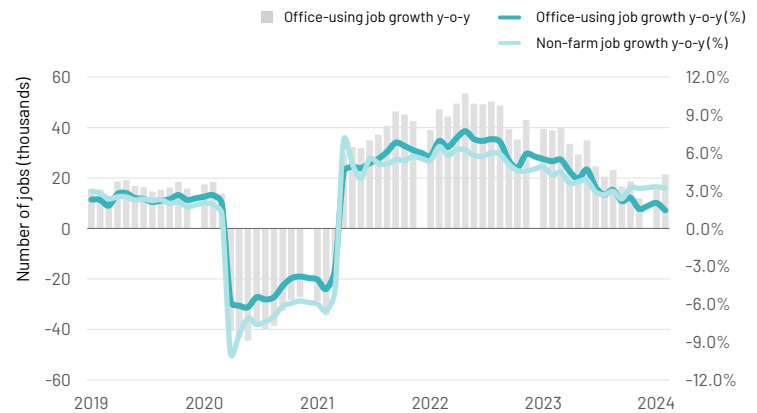
### Outlook

**01** Despite average asking rents increasing, landlord concessions are expected to continue to be high, resulting in lower net effective rents

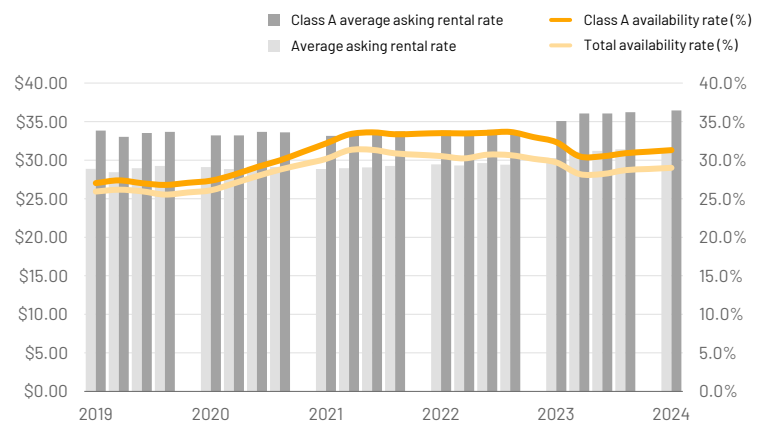
**02** Expect West Houston to continue to draw demand as occupiers look to relocate amidst an overall tenant flight to quality and closer proximity to where talent lives

**03** Availability expected to remain relatively flat as leasing activity likely to remain near or below the five-year quarterly average

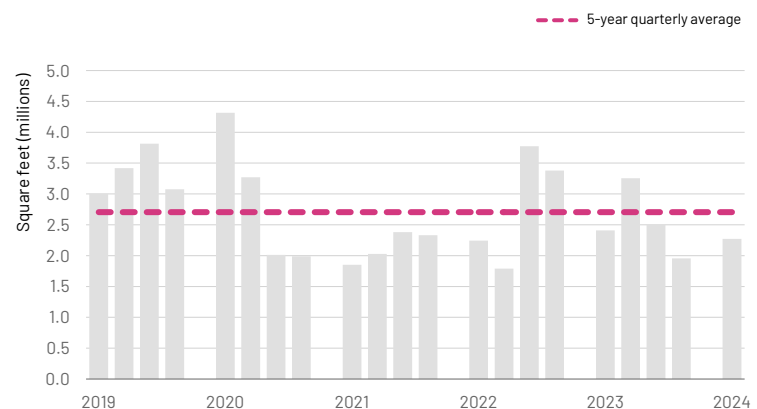
## Office-using Employment Growth



## Asking Rent and Availability



## Leasing Activity



# Top Transactions

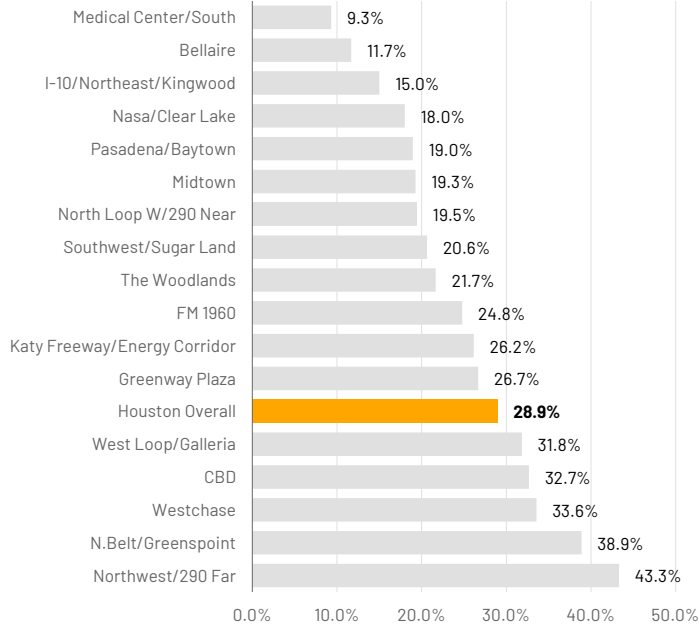
\*\*Sublease

Source: Savills Research

TENANT	INDUSTRY	SUBMARKET	ADDRESS	SIZE (SF)	TRANSACTION TYPE
Noble Corporation	● Energy & Utilities	Westchase	2101 CityWest Boulevard	110,250	New Location
Fluor	● Architecture, Engineering and Construction	Katy Freeway/Energy Corridor	757 N Eldridge Parkway	104,667	Expansion
BMC Software	● TAMI	Katy Freeway/Energy Corridor	2103 CityWest Boulevard	77,262	Renewal and Expansion
Seadrill Americas, Inc	● Energy & Utilities	Northwest/290 Far	11025 Equity Drive	64,319	New Location
Axiom Space	● TAMI	Nasa/Clear Lake	1290 Hercules Avenue	63,716	Renewal
AvAir	● Transportation	N.Belt/Greenspoint	15710 John F Kennedy Boulevard	44,797	New Location
Enstor	● Energy & Utilities	Westchase	2107 CityWest Boulevard	43,598	New Location**
Western Midstream	● Energy & Utilities	The Woodlands	9950 Woodloch Forest Drive	27,179	Expansion
Patterson-UTI	● Energy & Utilities	Northwest/290 Far	10713 W Sam Houston Parkway North	25,176	New Location
Baker Botts LLP	● Legal Services	CBD	910 Louisiana Street	24,925	Lease Restructure

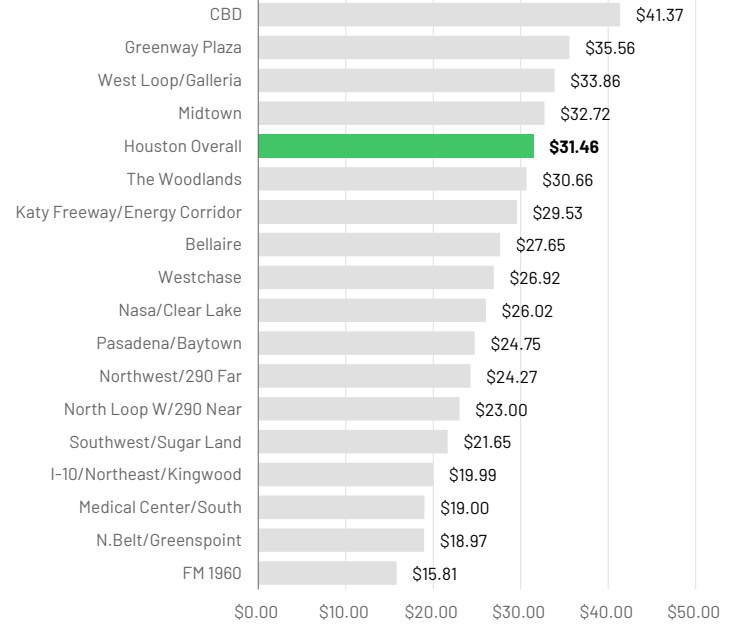
## Availability Rate Comparison (%)

HOUSTON SUBMARKETS



## Rental Rate Comparison (\$/sf)

HOUSTON SUBMARKETS



## Houston Q1 2024 - Office

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Unless otherwise noted, all rents quoted throughout this report are average asking gross (full service) rents per square foot. Statistics are calculated using both direct and sublease information. Current and historical availability and rent data are subject to change due to changes in inventory.

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