

# Houston

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## Houston office market sees uptick in leasing for second consecutive quarter

The Houston office market continues to see an uptick in leasing activity, increasing 9% quarter over quarter in Q2 2024. This is evidence to the resilience of the Houston office market with large leases continuing to be signed such as Ovintiv renewing for 168,805 square feet (sf) at 4 Waterway, Blue Cross Blue Shield leasing 132,000 sf at West Belt Office Center I and OneSubsea leasing 99,501 sf at Energy Center V. In addition, availability was 28.6% in Q2 2024, which is a year over year decrease of 190 basis points. The decrease in availability can be attributed to the decline in available sublease space, which saw a year over year decrease of approximately 7.4%.

### Asking rents hold firm with modest year over year increases

Asking rents saw a slight increase year over year, with Class A assets primarily driving this increase, as occupier flight to quality continues. Demand for quality buildings remains prevalent with Class A buildings accounting for approximately 63% of leasing activity in Q2 2024. Overall asking rents increased approximately 2.4%, with Class A asking rents seeing a similar increase. While asking rents have increased, higher concessions remain typical. Despite the observed increase in asking rents, 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 metro area boasted an unemployment rate of 4.0% as of May 2024, according to the Greater Houston Partnership, outperforming other large metropolitan areas around the country. In addition, office-using employment growth continues to remain positive. 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. Looking forward, investor expectations on future interest rates and the upcoming election may have an impact on Houston office leasing as many occupiers continue to wait for clarity on economic conditions and potential policy changes.

### Key Statistics

	Q2 2023	Q2 2024	Y-0-Y
Inventory	193.1 msf	196.1 msf	+3.0 msf
Availability Rate	28.2%	28.6%	+40 bps
Asking Rental Rate	\$31.07	\$31.82	+2.4%
Class A Asking Rental Rate	\$36.04	\$36.77	+2.0%
Quarterly Leasing Activity	3.3 msf	2.5 msf	-0.8 msf
Available Sublease Space	6.0 msf	5.6 msf	-0.4 msf

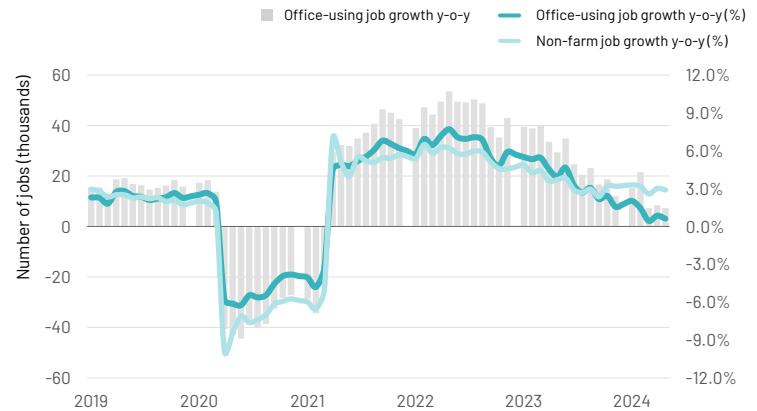
### Outlook

**01** Landlord concessions are expected to continue to be high, resulting in lower net effective rents

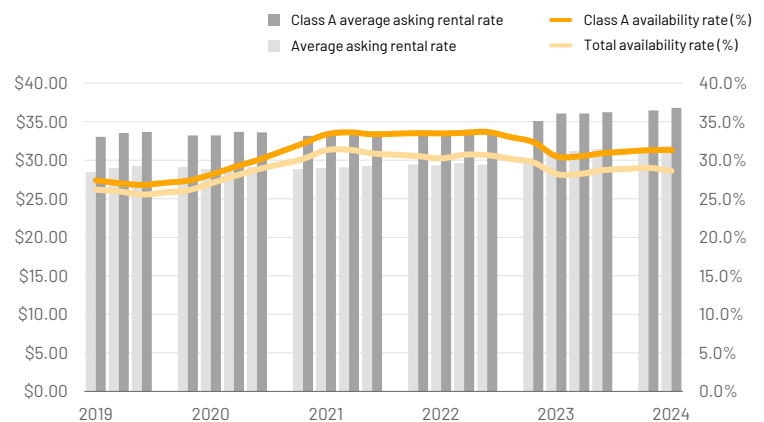
**02** Demand expected to hold firm, with tenants preferring higher quality buildings.

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

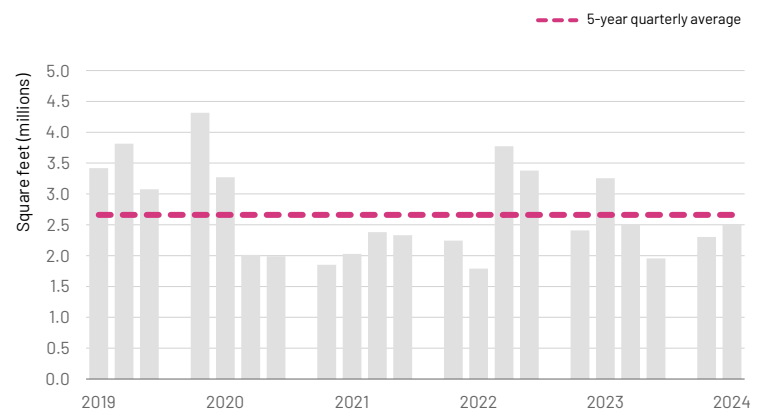
## Office-using Employment Growth



## Asking Rent and Availability



## Leasing Activity



# Top Transactions

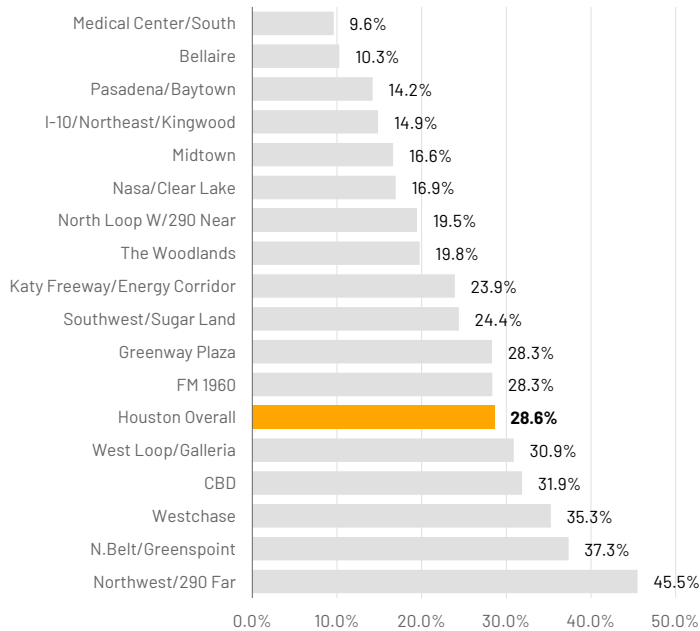
\*\*Sublease

Source: Savills Research

TENANT	INDUSTRY	SUBMARKET	ADDRESS	SIZE (SF)	TRANSACTION TYPE
Ovintiv	● Energy & Utilities	The Woodlands	4 Waterway Square Place	168,805	Renewal
Blue Cross Blue Shield	● Financial Services and Insurance	Southwest/Sugar Land	8101 W Sam Houston Parkway South	132,000	New Location
OneSubsea	● Energy & Utilities	Katy Freeway/Energy Corridor	915 N Eldridge Parkway	99,501	Relocation**
Orion Group Holdings	● Architecture, Engineering, and Construction	Pasadena/Baytown	2940 Riverby Road	63,519	Relocation
Boston Consulting Group	● Business, Professional, and Consulting Services	CBD	1550 Lamar Street	53,007	Relocation
Rimkus Consulting Group, Inc.	● Architecture, Engineering, and Construction	Katy Freeway/Energy Corridor	12140 Wickchester Lane	50,380	Renewal
Empyrean Benefit Solutions, Inc	● Business, Professional, and Consulting Services	Westchase	2103 CityWest Boulevard	41,667	Relocation
Partners Real Estate	● Real Estate	West Loop/Galleria	5847 San Felipe Street	32,286	Relocation
Xavier Academy	● Education	Southwest/Sugar Land	6100 Hillcroft Avenue	29,373	New Location
Questco Companies	● Business, Professional, and Consulting Services	The Woodlands	480 Wildwood Forest Drive	27,998	New Location**

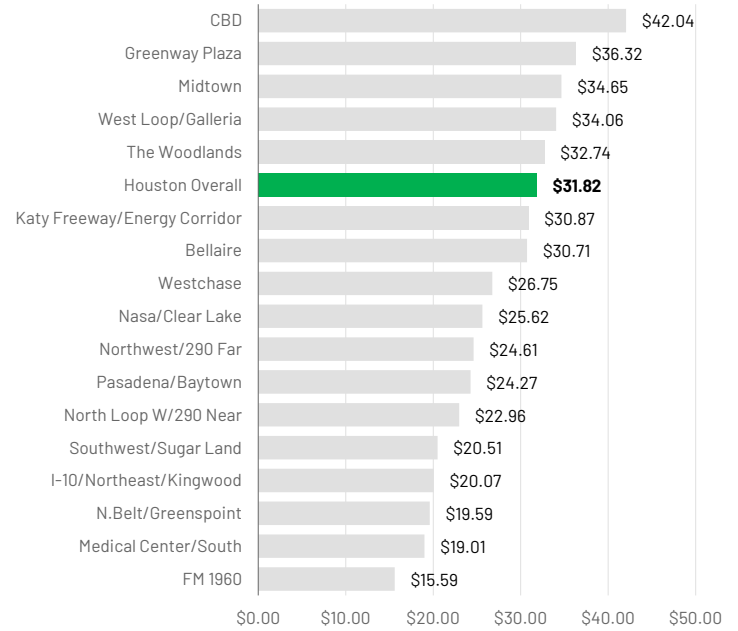
## Availability Rate Comparison (%)

HOUSTON SUBMARKETS



## Rental Rate Comparison (\$/sf)

HOUSTON SUBMARKETS



## Houston Q2 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.

The information in this report is obtained from sources deemed reliable, but no representation is made as to the accuracy thereof. Unless otherwise noted, source for data is Savills Research.

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