



## Houston's availability flattens after seven quarters of increases, leasing keeps pace

Houston's overall availability rate has leveled off at 30.9% after seeing seven consecutive quarters of increases throughout the pandemic. Still, this remains 210 basis points (bps) higher than one year ago and 540 basis points higher than pre-pandemic levels. Average asking rents have seen little fluctuation since the start of the pandemic, now at \$29.24 per square foot (psf). Class A asking rents have increased slightly over the pandemic period, now at \$33.73 psf as top-tier space remains highly sought after given the ongoing tenant flight to quality. Demand has slowly strengthened throughout 2021 and held pace to end the year with 2.3 million square feet (msf) of activity recorded for the quarter. Notably, over 0.5 msf occurred in the Central Business District (CBD), including a 259,000-sf lease for Shell Oil, which executed a long-term, early renewal at 1000 Main Street. While ending on a higher note than last year, the impact of the Omicron variant is yet to be seen and will be closely watched going into 2022.

### Houston's economy is slowly but surely recovering from the impact of the global pandemic

According to the most recent report from the U.S. Bureau of Labor Statistics, Houston has recovered 74.4% of employment losses stemming from the pandemic. Houston's employment recovery ratio is slower than other metropolitan statistical area in the State of Texas, including Austin, but it is anticipated that it will fully recovery by the end of 2022. Labor shortages remain a drag on local economic growth as workers continue to grapple with health concerns, childcare challenges, unmet wage expectations, and burnouts. In response, more companies intend to implement flexible work models (work-from-home or redesigned office space) which will continue to have an impact on the office market long-term.

### Omicron's impact will add to volatility in oil pricing, long-term effects remain to be seen

After several strong months for West Texas Intermediate (WTI) crude oil pricing, volatility is returning with the Omicron variant. Early in the quarter, WTI price was over \$80.00 per barrel, a level not reached since October 2014. Yet, according to the U.S. Energy Information Administration (EIA), the emergence of Omicron, uncertainty of macroeconomic conditions, and winter weather, along with effects of consumer behavior on energy demand and supply uncertainty could have negative effects early in the new year. Additionally Omicron's impact on travel and tourism could compound these factors further. It is too early to tell exactly how this will play out within the energy sector and how that may impact Houston's recovering office market, but it will be closely monitored moving into 2022.

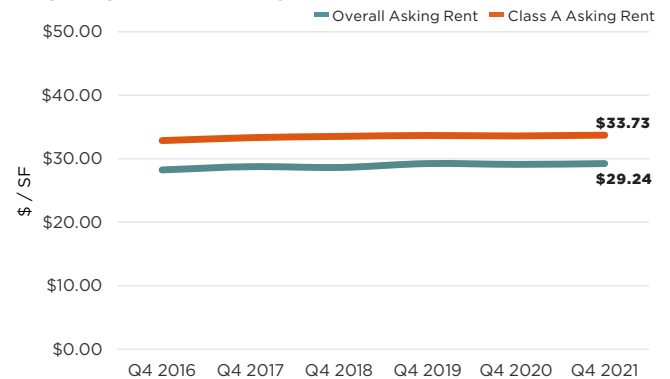
### Outlook

- To fully recoup jobs lost from the pandemic and solve labor shortage issues, wage increases might be inevitable
- According to the economic forecast report from Greater Houston Partnership, the Houston MSA is projected to add over 75,000 jobs in 2022
- Uncertainty with the Omicron variant and winter weather, along with effects of consumer behavior present a wide range of potential outcomes for energy consumption going forward and the resulting ripple into the office market is yet to be seen

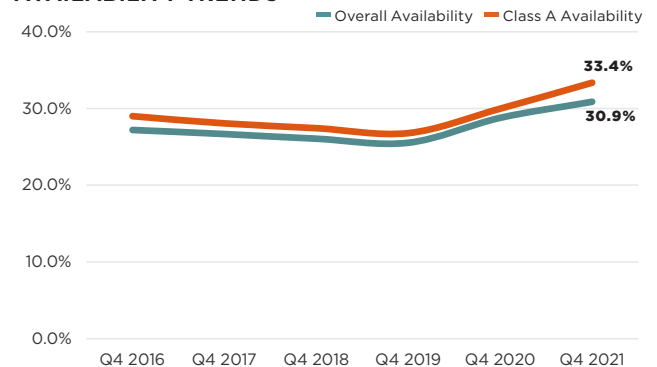
### KEY STATISTICS

	Q4 2020	Q4 2021	y-o-y Change
Inventory	190.7 MSF	<b>193.1 MSF</b>	▲
Availability Rate	28.8%	<b>30.9%</b>	▲
Asking Rental Rate	\$29.12	<b>\$29.24</b>	▲
Class A Asking Rental Rate	\$33.60	<b>\$33.73</b>	▲
Quarterly Leasing Activity	2.0 MSF	<b>2.3 MSF</b>	▲

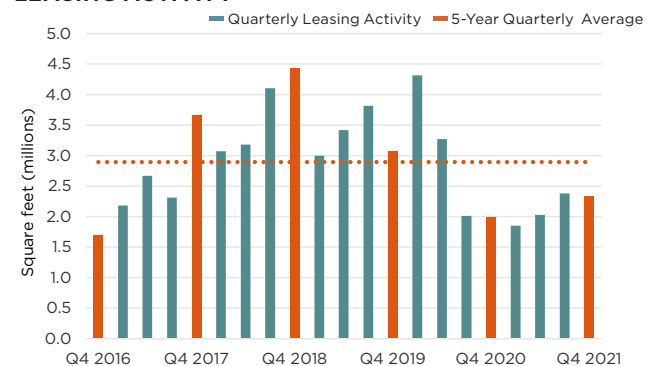
### ASKING RENT TRENDS



### AVAILABILITY TRENDS



### LEASING ACTIVITY



MAJOR TRANSACTIONS

55.3%

of major transactions were **renewals** by square footage

76.3%

of large transactions occurred in the **CBD** submarket

52.0%

**Energy** sector tenants represented 52.0% of major transactions by square footage

Tenant	Square feet	Address	Transaction type	Submarket	Industry
Shell Oil	258,837	1000 Main Street	Renewal	CBD	Energy
Opportune LLP	62,535	711 Louisiana Street	Renewal and Expansion	CBD	Professional Services
Beck Redden LLP	48,233	1221 McKinney Street	Renewal	CBD	Legal Services
Waterbridge	37,205	5555 San Felipe Street	Relocation	West Loop/Galleria	Engineering
JERA Energy Americas	29,675	1000 Main Street	New Location	CBD	Energy
NYDIG	26,518	9950 Woodloch Forest Drive	New Location	The Woodlands	TAMI
Tachus	24,517	3831 Technology Forest Boulevard	New Location	The Woodlands	TAMI
Common Desk	24,000	401 Franklin Street	New Location	CBD	Coworking
Cotton Holdings	22,112	840 W Sam Houston Parkway N	New Location	Katy Freeway/Energy Corridor	Real Estate
CHRISTUS Health	21,263	2900 N Loop Freeway W	New Location	North Loop W/290 Near	Healthcare

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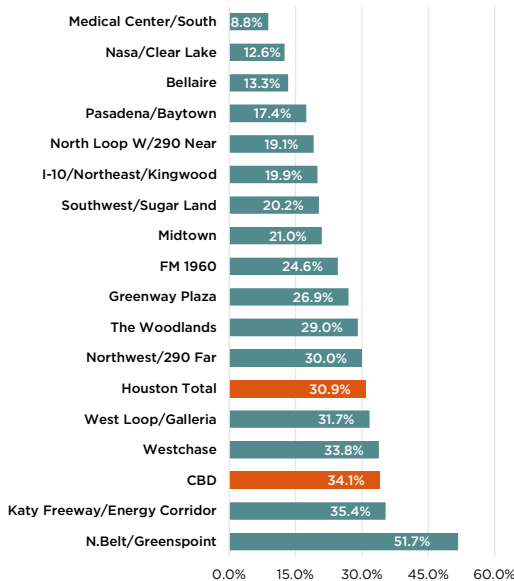
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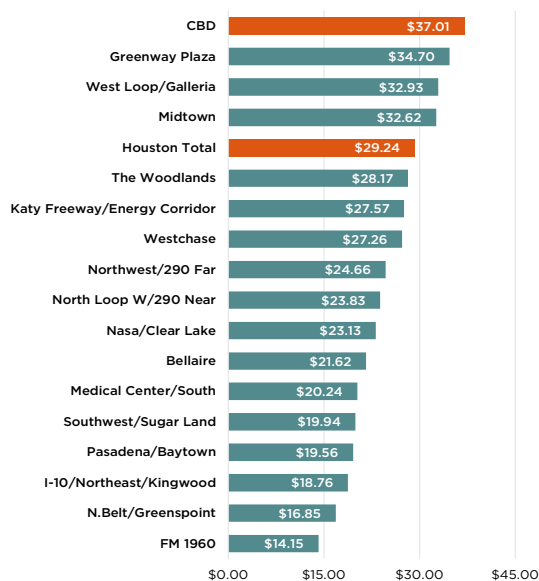
AVAILABILITY RATE COMPARISON

Houston Submarkets



RENTAL RATE COMPARISON (\$/SF)

Houston Submarkets



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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