

HOUSTON OFFICE MONTHLY MARKET SNAPSHOT | MAY 2022

Substantial year-over-year improvement for year-to-date net absorption in Houston Office market

MARKET HIGHLIGHTS

AN ANALYSIS OF ACTIVITY DURING THE FIRST FOUR MONTHS OF THE YEAR—APRIL 2022 COMPARED TO APRIL 2021.

HOUSTON OFFICE VACANCY AT 24.8%

Four months into 2022, overall vacancy is at 24.8%, up 70 basis points from this time last year. Availability is at 28.8%, up 20 basis points from April 2021. The difference between this figure and the vacancy rate reflects expected future move-outs. The Houston office market has recorded 4.3 million sq. ft. of leasing activity comprised of both new leases and renewals, up slightly from this time last year. Net absorption (move-ins minus move-outs) is at a positive 889,000 sq. ft., up from a negative 1.4 million sq. ft. year-over-year. In addition, the amount of construction underway is at 2.2 million sq. ft., down 45% from this time last year and down an equal amount from pre-pandemic levels.

POSITIVE NET ABSORPTION IN 2022

Net absorption in the Houston office market is positive so far in 2022, at close to 900,000 sq. ft. The largest move-ins this year include Vinson & Elkins (211,995 sq. ft.) and McGuire Woods (29,492 sq. ft.) for a combined 241,487 sq. ft. in the new Texas Tower in the CBD; and Hewlett Packard Enterprise in CityPlace 8 (220,000 sq. ft.) and CityPlace 10 (220,000 sq. ft.) for a combined 440,000 sq. ft. in The Woodlands. The largest move-out was Vinson & Elkins, leaving 338,026 sq. ft. at 1001 Fannin St. in the CBD.

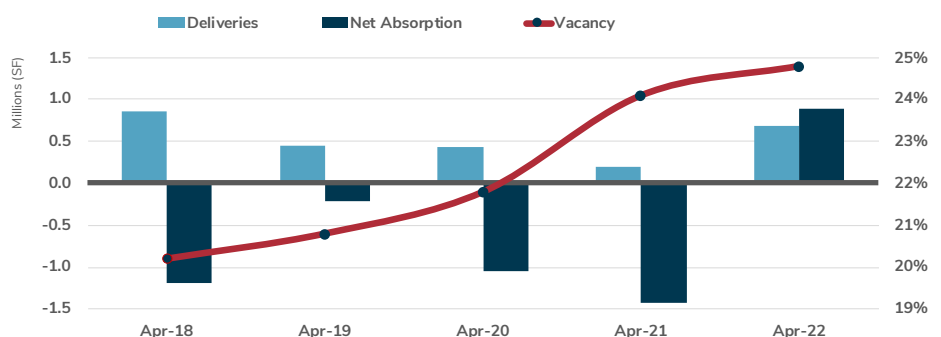
FEDERAL RESERVE RAISES SHORT-TERM INTEREST RATE BY A HALF-POINT

The Federal Reserve raised interest rates by a half percentage point and indicated hikes at all five remaining meetings this year, beginning an initiative to combat the fastest inflation—8.5%—in four decades. “Anything that a Houston business or consumer buys on credit will become more expensive,” said Patrick Jankowski, senior vice president of research at the Greater Houston Partnership. “Mortgage payments, car notes, appliances, and interest on credit cards will rise. Businesses will pay more to finance inventories, new plants, and equipment, office furniture or vehicles — anything they typically secure a loan for rather than pay out of cash flow.”

MARKET ACTIVITY

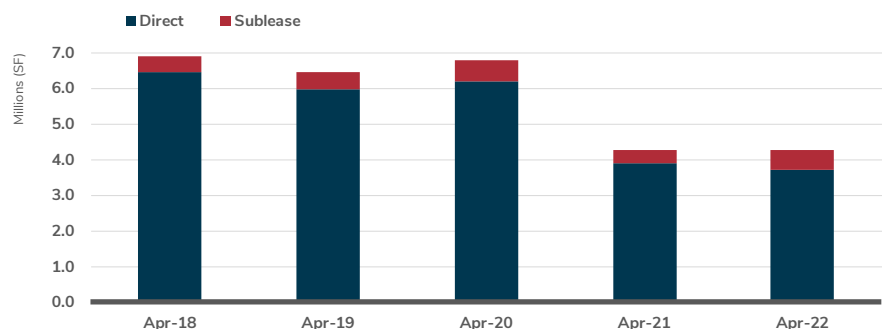
	APRIL 2022	vs	APRIL 2021
Vacancy	24.8%	▲	24.1%
Availability	28.8%	▲	28.6%
Under Construction SF	2,214,729	▼	3,978,480
Gross Average Asking Rent	\$29.39	▲	\$29.16
Net Absorption SF YTD	889,048	▲	(1,418,643)
Leasing Activity SF YTD	4,289,478	▲	4,269,391
Deliveries SF YTD	680,695	▲	203,035

SUPPLY & DEMAND | APRIL - YEAR OVER YEAR



Source: CoStar, NAI Partners Research

LEASING ACTIVITY | APRIL - YEAR OVER YEAR



Source: CoStar, NAI Partners Research

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