

HOUSTON MEDICAL OFFICE MONTHLY MARKET SNAPSHOT | MARCH 2022

Medical Industry continues to trend towards convenience of close-to-home care.

MARKET HIGHLIGHTS

AN ANALYSIS OF ACTIVITY DURING THE FIRST TWO MONTHS OF THE YEAR—FEBRUARY 2022 COMPARED TO FEBRUARY 2021.

VACANCY EXPANDS TO 17.4%

Overall vacancy for medical office space in the Houston market is at 17.4%, up 40 basis points from this time last year at 17.0%. Two months into 2022, medical office space has recorded about 268,000 sq. ft. of leasing activity comprised of both new leases and renewals, while net absorption (move-ins minus move-outs) registered at negative 41,000 sq. ft., improved year over year from a negative 173,000 sq. ft. So far this year, developments under construction stand close to 1.0 million sq. ft., while 91,000 sq. ft. of space has been delivered. The average asking full-service rent is at \$26.26 per sq. ft., up 3.1% from this time last year at \$25.48, while Class A medical office space is averaging \$31.41 per sq. ft., up from the prior period at \$30.73 per sq. ft.

NEW UPPER KIRBY MEDICAL OFFICE BUILDING

Plans are moving ahead to build a 100,000-sq.-ft. medical office development in Upper Kirby near River Oaks. The mixed-use development at 2801 Kirby Drive, near Westheimer, will be five stories and include ground-floor retail space. The site was previously home to a Wells Fargo branch. The project is scheduled to be delivered in the third quarter of 2023.

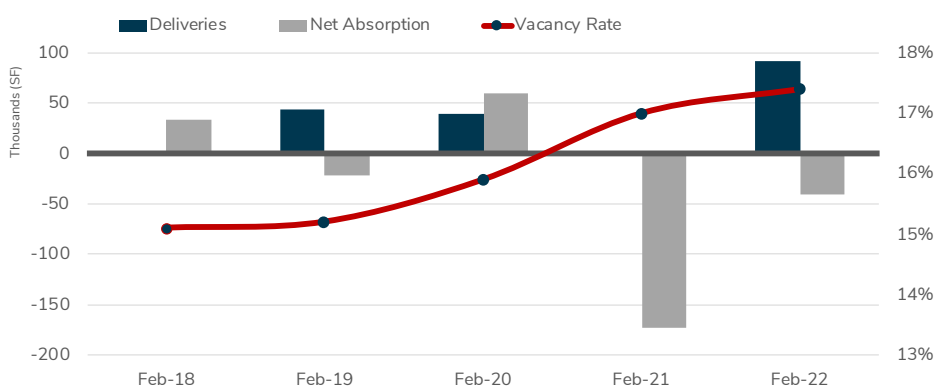
HOUSTON METHODIST TO BREAK GROUND IN CYPRESS

The Houston Methodist health care system, which operates eight hospitals, will break ground on a 106-acre site on U.S. 290 near Barker Cypress Road in northwest Houston in the summer of 2022. Methodist purchased the land, which formerly housed administrative operations for Sysco Corp., in 2021. The campus will include a seven-story, 571,000-sq.-ft. hospital, and a 160,000-sq.-ft. medical office building. Opening is planned for the first quarter of 2025.

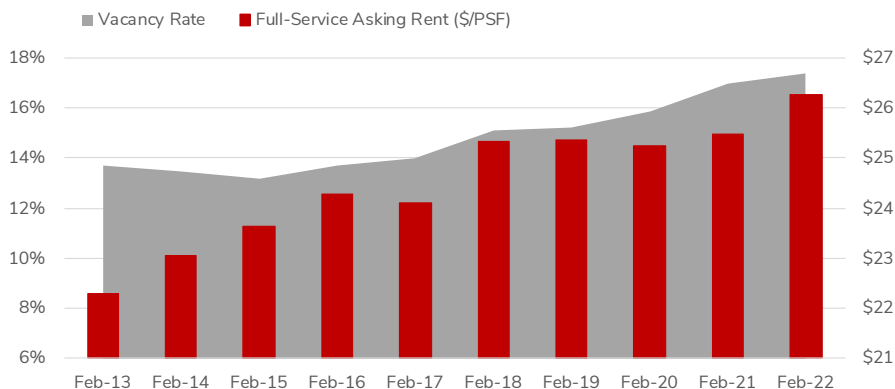
MARKET ACTIVITY

| | FEBRUARY 2022 | vs | FEBRUARY 2021 |
|---------------------------|---------------|----|---------------|
| Vacancy | 17.4% | ▲ | 17.0% |
| Availability | 21.4% | ▲ | 20.4% |
| Under Construction SF | 992,359 | ▲ | 931,222 |
| Gross Average Asking Rent | \$26.26 | ▲ | \$25.48 |
| Net Absorption SF YTD | -40,918 | ▲ | -172,584 |
| Leasing Activity SF YTD | 268,432 | ▼ | 324,269 |
| Deliveries SF YTD | 91,395 | ▲ | 0 |

SUPPLY & DEMAND | FEBRUARY - YEAR OVER YEAR



VACANCY & RENT | FEBRUARY - YEAR OVER YEAR



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