

Houston Office

Monthly Market Snapshot | December 2022

Data continues to confirm the flight-to-quality trend, as higher-quality office space dominates demand.

Market Highlights

An analysis of activity during the eleven months of the year—November 2022 compared to November 2021.

Houston office vacancy at 25.1%

Eleven months into 2022, overall vacancy is at 25.1%, up 20 basis points from last year's 24.9%. Availability is 30.1%, up 130 basis points from November 2021 at 28.8%. The difference between this figure and the vacancy rate reflects expected future move-outs. The Houston office market has recorded 13.1 million sq. ft. of leasing activity comprised of both new leases and renewals, almost unchanged from this time last year. Net absorption (move-ins minus move-outs) is at positive 139,495 sq. ft., up significantly from negative 2.3 million sq. ft. year-over-year. In addition, the amount of construction is at 3.4 million sq. ft., with 2 million sq. ft. or 57% of the space in the medical center submarket.

Large office leases in 2022

Energy firm EOG Resources renewed its 374,000 sq. ft. downtown lease in Heritage Plaza's 52-story office tower at 1111 Bagby Street; pipeline company Enbridge signed a 14-year sublease for 290,025 sq.-ft. at Energy Center V in the Energy Corridor; and engineering company Bechtel signed a 205,000 sq.-ft. lease in CityWestPlace campus in Building 3 in the Westchase submarket.

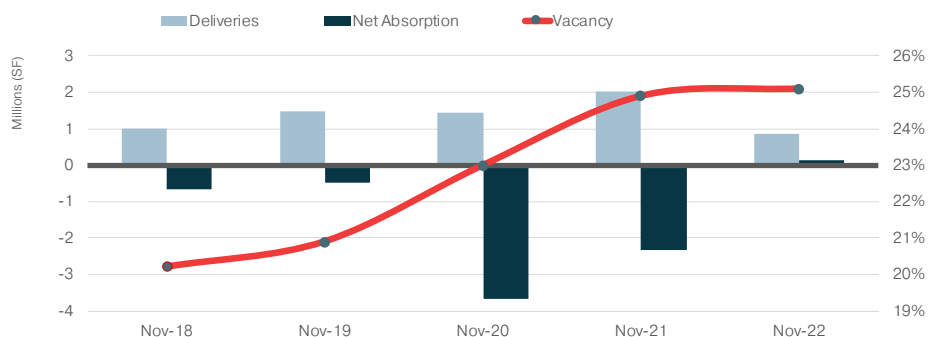
WTI above \$80 per barrel as U.S. rig count increased by two

As of December 1, trading close, West Texas Intermediate (WTI) crude for January delivery settled at \$81.22 per barrel, up 67 cents, or 0.8%, on the day. Meanwhile, the U.S. Rig Count is at a current level of 784 as of November 23, up from 782 last week and up from 563 one year ago. According to oil field services company Baker Hughes, this is a change of 0.26% from last week and 39% from one year ago. In addition, the Federal Reserve confirmed that smaller interest rate increases are likely ahead and could start in December.

Market Activity

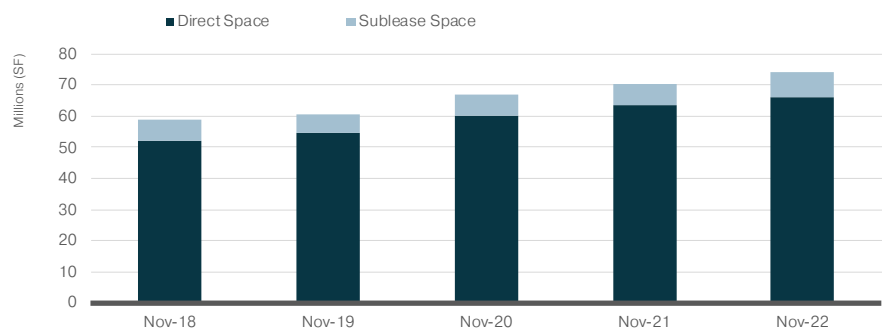
	October 2022	vs	October 2021
Vacancy	25.1%	▲	24.9%
Availability	30.1%	▲	28.8%
Under Construction SF	3,428,446	▲	3,344,889
Gross Average Asking Rent	\$30.03	▲	\$29.68
Net Absorption SF YTD	139,495	▲	(2,343,700)
Leasing Activity SF YTD	13,094,464	■	13,110,347
Deliveries SF YTD	843,061	▼	2,015,702

Supply & Demand | November - Year Over Year



Source: CoStar, Partners Research

Availability | November - Year Over Year



Source: CoStar, Partners Research

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