

Houston Office leasing activity up 14% year-over-year

Houston Office

Five months into 2023, the overall vacancy rate was **24.6%**, down slightly from **24.8%** in April. Houston's office market accounted for **5.9 million sq. ft.** of leasing activity, up 14% from this time last year. Lyondell Bassell—a multinational chemical company—signed Houston's largest office lease of the year thus far, filling 318,000 sq. ft. at the Williams Tower in the Galleria submarket in early May. Construction experienced minimal year-over-year movement—at **2.8 million sq. ft.** by May 2023 (a 58,000-sq.-ft. increase from May 2022). Lastly, deliveries fell year-over-year by 38%, from **723,171 sq. ft.** to **445,000 sq. ft.**

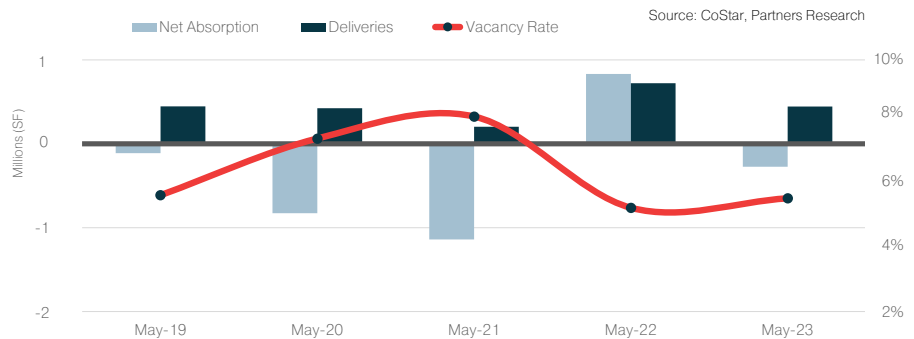
Office | Key Market Indicators

	May 2023	vs	May 2022
Vacancy	24.6% ▲		24.1%
Availability	28.7% ▼		28.8%
Under Construction SF	2,880,170 ▲		2,821,722
Gross Average Asking Rent	\$29.89 ▼		\$29.99
Net Absorption SF YTD	273,187 ▼		832,662
Leasing Activity SF YTD	5,910,103 ▲		5,188,724
Deliveries SF YTD	445,000 ▼		723,171

Houston Industrial

The overall vacancy rate in the Houston industrial market as of May 2023 is 5.8%, up 50 basis points from 5.3% in May 2022. Although still strong, year-to-date leasing activity totaled 14.8 million sq. ft., a 25% decrease from the previous year. Net absorption—move-in minus move-outs—is at 7.4 million sq. ft., decreasing 24% from last year's 9.8 million sq. ft. The average monthly rate has kept up with inflation, with a 9% increase from the previous year, currently standing at \$9.14 per sq. ft. Construction remains robust at 35.4 million sq. ft., up 21% from the prior year's 29.2 million sq. ft. Deliveries doubled year-over-year, increasing 108% from 5.5 million sq. ft. to 11.6 million sq. ft. New deliveries in May included a 409,795-sq.-ft. distribution center located at 1020 Bammel Road near Westfield, and a 362,030-sq.-ft. logistics center situated at Hafer Road along I-45 North.

Office | Supply & Demand



Houston Retail

As of May 2023, overall vacancy in Houston's retail market remained at 5.1%, unchanged from the previous year. Leasing activity—comprised of new leases and renewals—decreased 18% year-over-year from 3.6 million sq. ft. to 2.9 million sq. ft. Net absorption totaled 1.4 million sq. ft., down 30% from 1.9 million sq. ft. in May 2022. Despite the decline, net absorption has remained positive for 16 straight years. Retail construction is at 4.5 million sq. ft. down slightly from the prior year's 4.7 million sq. ft. On the flip side, deliveries surged 62% year-over-year, from 922,691 sq. ft. to a more abundant 1.6 million sq. ft. by May 2023. Retail owners remain optimistic about the future as inflation cooled down in April 2023 (tightening to a two-year low at 4.9%)—economists expect the U.S. inflation rate to fall to 3.5% by the end of 2023.

Office | Leasing

