

Houston Office | Industrial | Retail

MONTHLY SNAPSHOT | May 2023

3 million sq. ft. in Houston Office construction pipeline

Houston Office

Four months into 2023, overall vacancy was at **24.8%**, marking a 30-basis point increase from the same period last year. The Houston office market recorded **4.1 million sq. ft.** of leasing activity, down 19% from this time last year. Net absorption declined by 72% year-over-year from **811,262 sq. ft.** to **224,651 sq. ft.** Office construction is at **3.0 million sq. ft.**, increasing 8% from **2.8 million sq. ft.** the prior year. Meanwhile, deliveries totaled **265,000 sq. ft.**—fully allocated in the Medical Center—down 63% from **723,171 sq. ft.** last year. New construction starts in April included a six-floor, 200,000-sq.-ft. office building next to the intersection of Katy Tollway and Sam Houston Tollway near Memorial, with expected completion in early 2024.

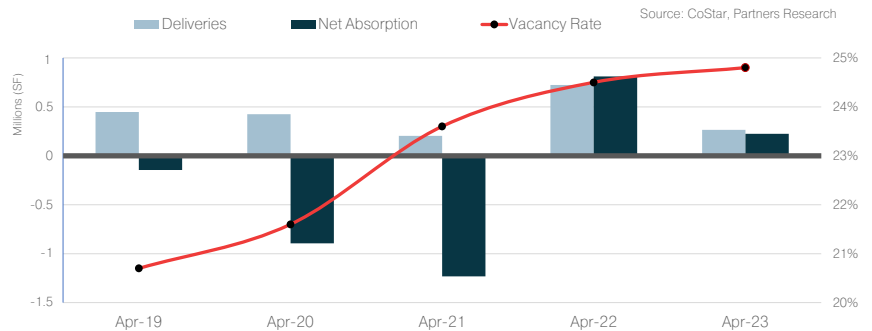
Office | Key Market Indicators

	April 2023	vs	April 2022
Vacancy	24.8%	↓	24.5%
Availability	29.2%	↑	29.0%
Under Construction SF	3,060,170	↑	2,821,722
Gross Average Asking Rent	\$30.04	↑	\$29.98
Net Absorption SF YTD	224,651	↓	811,262
Leasing Activity SF YTD	4,197,098	↓	5,178,041
Deliveries SF YTD	265,000	↓	723,171

Houston Industrial

The overall vacancy rate in the Houston industrial market as of April 2023 is 5.6%, rising 30 basis points from 5.3%, year-over-year. The Houston industrial market has recorded 11.3 million sq. ft. of leasing activity, comprised of new leases and renewals. Net absorption—moves in minus move-outs—is at 6 million sq. ft., down 38% year-over-year from a more abundant 9.8 million-sq.-ft.-start in 2022. Houston's industrial construction pipeline reached a new record-high (36.9 million sq. ft.), up 25% from April 2022 (29.6 million sq. ft.). Lastly, deliveries increased year-over-year to 8 million sq. ft., up 45% from last year's 5.5 million sq. ft. This new opportunity for occupancy will be well utilized by companies such as Exxon Mobil—boosting their fuel supply with a \$2 billion refinery expansion in Beaumont.

Office | Supply & Demand



Houston Retail

As of April 2023, overall vacancy in the Houston retail market has tightened to 5.0%—a decline of 20 basis points from the previous year's 5.2%. Retail leasing activity tallied 2.3 million sq. ft., down 34% from 3.6 million sq. ft. this time last year. Net absorption is at 1.4 million sq. ft., down 25% from 1.9 million sq. ft., year-over-year. The retail construction pipeline remains robust at 4.4 million sq. ft., slightly lower than the 4.6 million sq. ft. recorded in the previous year. Deliveries increased (27%) year-over-year from 993,800 sq. ft. to 1.2 million sq. ft. by April 2023. In relative news, Bed Bath and Beyond, a well-known housewares chain, filed for Chapter 11 bankruptcy at the end of April, closing 12 stores in Houston. It is clear that businesses in the retail sector must be proactive in adapting to the changing landscape if they wish to remain competitive in a marketplace with increasingly complex demands.

Office | Construction

