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INDUSTRY-LEADING INSIGHTS AND MARKET ANALYSIS

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IN THE HOUSTON OFFICE MARKET, BIG BLOCKS OF SPACE CASTING A SMALLER SHADOW

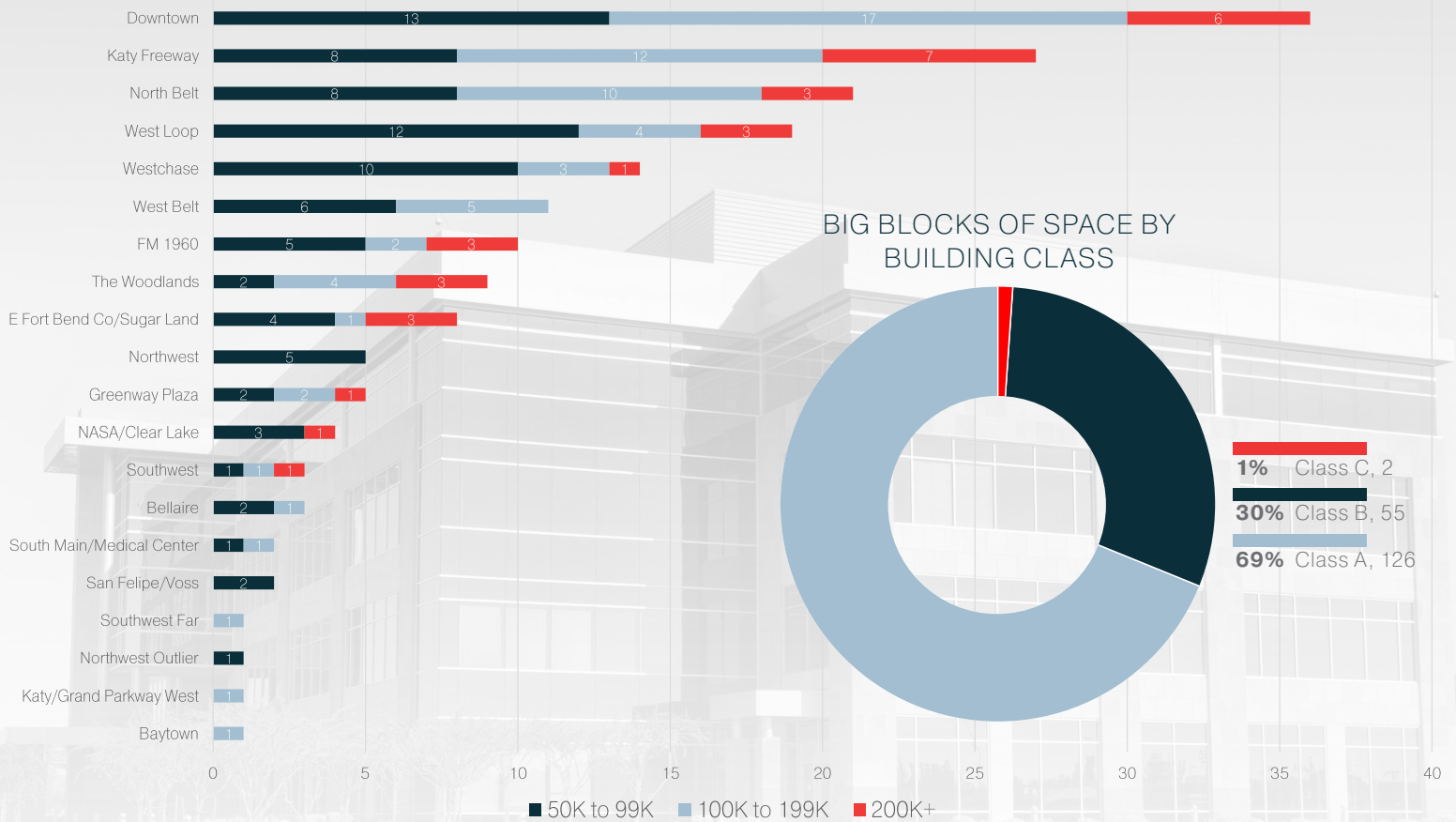
Oftentimes when a narrative takes hold, it can be difficult to change the prevailing notion.

Like most people and places, Houston's office market contains multitudes—more often than not over the past decade, the data and anecdotal evidence around Houston office space has veered toward less-than-flattering. However, current data regarding one long-held tenet of Houston's reputation—that it's overbuilt, leading to a dramatic increase in the availability of big blocks of space—indicate that this particular idea might actually be in the rearview mirror.

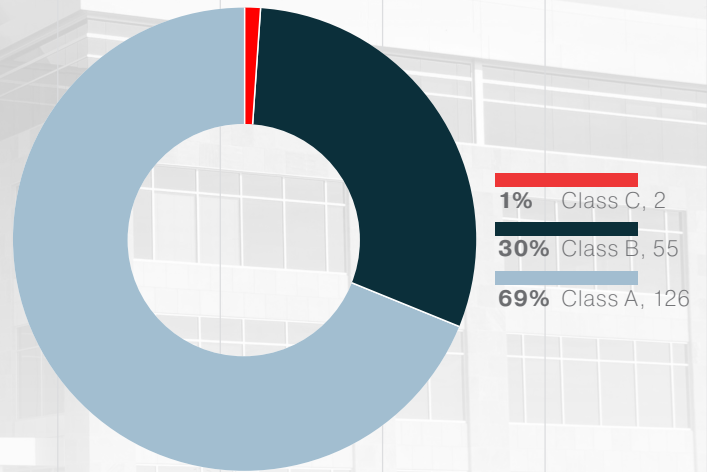
The current amount of **big blocks (defined as 50,000 sq. ft. or more of contiguous space)** in **new construction (built since 2020)** indicates that more recent construction levels are in balance with tenant demand. New construction only represents 1% of the big blocks of space, while 1970s and 1980s and vintage properties are where the highest concentrations of big blocks of space are (19% and 35%, respectively).

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HOUSTON BIG BLOCKS OF SPACE BY SUBMARKET AND SIZE



BIG BLOCKS OF SPACE BY BUILDING CLASS



Large blocks of second generation space that need to be backfilled pose one of the highest drags on overall office market fundamentals.

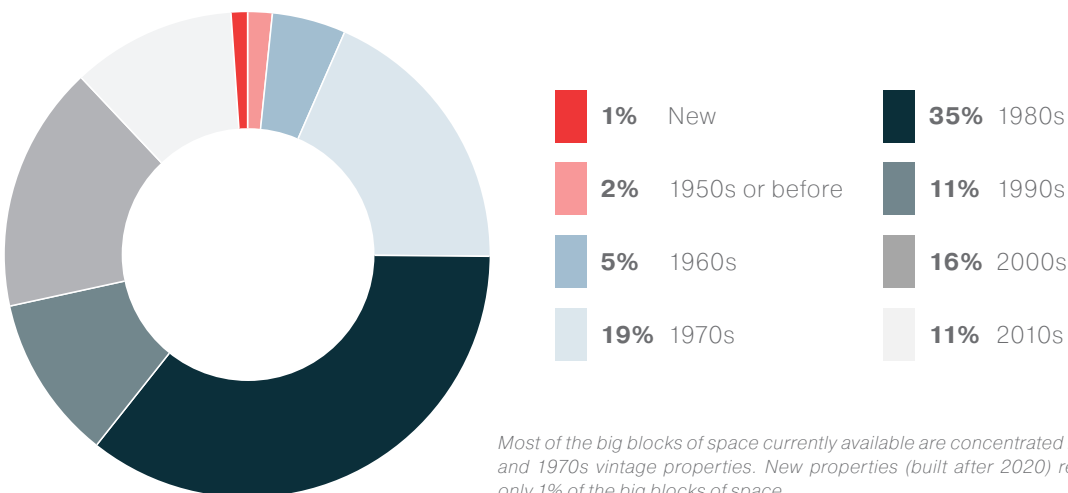
Currently, there are 183 big blocks of space of 50,000 square feet or more (excluding properties currently under construction).

Class A properties are responsible for the lion's share of big blocks of space, but many of these blocks of space are too large and/or functionally obsolete in comparison to new construction. Many of these older properties were designed and built to be single-tenant properties—however, now most tenants that occupy 200,000 sq. ft. or more strongly desire newer, more efficient properties. More often than not, **when their leases expire, these very large office tenants opt for build-to-suits or new spec construction.** One recent example was Hewlett Packard Enterprise (HPE, which moved into 440,000 sq. ft. of new build-to-

suit space in early 2022. HPE vacated an older 1980s vintage office campus in the FM 1960 submarket.

Drilling down to the submarket level, **Downtown Houston** (36 big blocks totaling 6,172,203 sq. ft.) and the **Katy Freeway** (27 big blocks totaling 4,670,606 sq. ft.) **are responsible for the highest tallies of big blocks of space by a sizable margin.** However, of those totals, **only 332,201 is new construction**—furthering underscoring the idea that big blocks of space are less of a concern than they had previously been.

BIG BLOCKS BY PROPERTY VINTAGE



Most of the big blocks of space currently available are concentrated in 1980s and 1970s vintage properties. New properties (built after 2020) represent only 1% of the big blocks of space.

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